Atlantic Security Bank

Report and Financial Statements
December 31, 2020

Atlantic Security Bank

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December 31, 2020

Independent auditor's report

To the Board of Directors of Atlantic Security Bank

Our opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Atlantic Security Bank (the "Bank") stand-alone as at December 31, 2020, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

What we have audited

The Bank's stand-alone financial statements comprise:

- the statement of financial position as at December 31, 2020;
- the statement of income for the year then ended;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Bank in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

Emphasis of Matter

We draw attention to Note 2 and Note 21 to the financial statements, which refers to the intention of management of the Bank to merge operations of the Bank with a related entity and thereafter close the Bank. As a result, the financial statements have therefore been prepared using a liquidation basis of accounting. Our opinion is not modified in respect of this matter.

Responsibilities of management and those charge with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Bank's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Other matter

This report, including the opinion, has been prepared for and only for the Bank in accordance with the terms of our engagement letter and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

PricewaterhouseCoopers

May 31, 2021

Atlantic Security Bank

Statement of Financial Position
December 31, 2020
(Amount expressed in thousands of US$ dollars)

	2020	2019
Assets		
Cash and cash equivalents (Note 3, 4 and 5)		
Cash	41	64
Interest - bearing deposits with banks (Note 14)	315,495	94,773
Overnight placements	13,296	8,039
Total cash and cash equivalents	328,832	102,876
Risk portfolio, net (Notes 3, 4, 6 and 14)	1,703,741	1,488,147
Derivatives financial instruments (Note 4 and 11)	933	564
Premises and equipment, net (Note 8)	5,162	5,751
Intangible asset (Note 9)	3,521	-
Other assets (Notes 3, 4, 10 and 14)	112,300	97,314
Total assets	2,154,489	1,694,652
Liabilities and Equity		
Liabilities		
Deposits		
Non-interest - bearing (Note 3 and 4)	595,096	337,216
Interest - bearing		
Demand (Note 3, 4 and 14)	104,433	60,941
Time (Note 3, 4 and 14)	942,350	935,473
Financing and borrowing funds (Note 3, 4 and 12)	73,555	34,569
Derivatives financial instruments (Note 4 and 11)	4,343	801
Lease liability (Note 13)	4,686	5,088
Other liabilities (Notes 3, 4, 14 and 15)	178,062	124,704
Total liabilities	1,902,525	1,498,792
Commitments and contingencies (Note 18)		
Equity		
Share capital (Note 16)	70,000	70,000
Reserve for valuation on securities (Note 6)	29,144	11,430
Retained earnings	152,820	114,430
Total equity	251,964	195,860
Total liabilities and equity	2,154,489	1,694,652

Walter Bayly
Director

Alvaro Correa
Director

The accompanying notes are an integral part of these financial statements.

Atlantic Security Bank

Statement of Income
For the year ended December 31, 2020
(Amount expressed in thousands of US$ dollars)

	2020	2019
Interest and Similar Income		
Interest on deposits with banks and overnight placements	668	1,842
Interest and dividends on investment	20,381	25,495
Interest on loans	22,391	26,541
Total interest and dividend income (Note 14)	43,440	53,878
Interest Expense		
Interest on deposits	17,938	21,302
Interest on borrowed funds	1,964	5,523
Total interest expense (Note 14)	19,902	26,825
Net interest and dividend income before provision	23,538	27,053
Provision for expected credit losses (Note 6)	(133)	(14)
Net interest and dividend income after provision	23,405	27,039
Non-Interest Income (Expense)		
Revenue from contracts with customer (Notes 14 and 17)	20,223	20,709
Fees and commission expense (Note 14)	(11,367)	(6,760)
Net gain on securities (Notes 6 and 14)	48,132	29,801
(Provision) reversal of provision for expected credit losses on securities (Note 6)	(1,156)	686
Net (loss) gain on derivatives financial instruments (Notes 6 and 11)	(1,588)	84
Net (loss) gain in foreign exchange transaction	(4,326)	389
Provision for legal contingencies (Note 15)	(20,000)	-
Other income (Notes 14 and 19)	945	583
Other expense (Note 19)	(580)	(243)
Total non-interest income, net	30,283	45,249
Operating Expenses		
Salaries and employee benefits (Note 14)	8,686	8,172
General and administrative expenses (Note 14)	5,451	7,283
Depreciation and amortization (Notes 8 and 9)	1,161	846
Total operating expenses	15,298	16,301
Net profit for the year	38,390	55,987

The accompanying notes are an integral part of these financial statements.

Atlantic Security Bank

Statement of Comprehensive Income
For the year ended December 31, 2020
(Amount expressed in thousands of US$ dollars)

	2020	2019
Net profit for the year	38,390	55,987
Other Comprehensive Income (Note 6)		
Items that may be reclassified to profit or loss in subsequent periods:		
Reversal (provision) for expected credit losses - investments	784	(966)
Net gain on fair value to other comprehensive income	19,976	42,309
Realized (gain) on investment transferred to profit and loss	(3,046)	(8,542)
	17,714	32,801
Total comprehensive income for the year	56,104	88,788

The accompanying notes are an integral part of these financial statements.

Atlantic Security Bank

Statement of Changes in Equity
For the year ended December 31, 2020
(Amount expressed in thousands of US$ dollars)

	Share Capital	Valuation on Securities	Retained Earnings	Total Equity
Balance at December 31, 2018	70,000	(21,371)	183,443	232,072
Net profit	-	-	55,987	55,987
Other comprehensive income (Note 6)	-	32,801	-	32,801
Total comprehensive income	-	32,801	55,987	88,788
Transactions with shareholder:				
Dividends paid	-	-	(125,000)	(125,000)
Balance at December 31, 2019	70,000	11,430	114,430	195,860
Net profit	-	-	38,390	38,390
Other comprehensive income (Note 6)	-	17,714	-	17,714
Total comprehensive income	-	17,714	38,390	56,104
Balance at December 31, 2020	70,000	29,144	152,820	251,964

The accompanying notes are an integral part of these financial statements.

Atlantic Security Bank

Statement of Cash Flows
For the year ended December 31, 2020
(Amount expressed in thousands of US$ dollars)

	2020	2019
Cash flows from operating activities		
Net profit	38,390	55,987
Adjustments to reconcile net profit to net cash flows provided by operating activities:		
Interest expense	19,902	26,825
Interest and similar income	(43,440)	(53,878)
Provision (reversal of provision) for expected credit losses on securities	1,156	(686)
Provision for expected credit losses	133	14
Net (gain) on securities	(48,132)	(29,801)
Net loss (gain) on derivatives financial instruments	1,588	(84)
Provision for legal - contingencies	20,000	-
Depreciation and amortization	1,161	846
Net changes in operating assets and liabilities:		
Loans	(14,978)	6,979
Deposits	308,627	31,909
Other assets and other liabilities	21,588	18,233
Interest paid	(20,280)	(26,087)
Interest and dividends received	42,045	58,453
Net cash flows provided by operating activities	327,760	88,710
Cash flows from investing activities		
Purchases of financial assets	(17,356,386)	(15,004,141)
Sales of financial assets	17,220,091	15,207,089)
Investments in subsidiary	-	5,797
Acquisition of equipment (Note 8)	(238)	(148)
Acquisition of intangible asset (Note 9)	(3,855)	-
Net cash flows (used in) provided by investing activities	(140,388)	208,597
Cash flows from financing activities		
Proceeds from borrowing funds	17,199,671	14,394,640
Payment of borrowing funds	(17,160,685)	(14,596,092)
Payment of lease liability (Note 13)	(402)	(397)
Dividends paid	-	(125,000)
Net cash flows provided by (used in) financing activities	38,584	(326,849)
Net increase (decrease) in cash and cash equivalents	225,956	(29,542)
Cash and cash equivalents at January 1	102,876	132,418
Cash and cash equivalents at December 31 (Note 5)	328,832	102,876

The accompanying notes are an integral part of these financial statements.

1. Corporate Information

Atlantic Security Bank (the "Bank") is a wholly owned subsidiary of Atlantic Security Holding Corporation (ASHC), incorporated under the laws of the Cayman Islands and operates under a Category "B" Banking and Trust license from the Cayman Islands Monetary Authority ("CIMA"). The Bank has also been granted a Mutual Fund Administrators license under the Mutual Funds Act of the Cayman Islands. The Bank is incorporated and domiciled in the Cayman Islands.

The registered office of the Bank is located at Ugland House, South Church St. KY1-1104, George Town, Cayman Islands.

The ultimate parent company of ASHC is Credicorp Ltd., which is a limited liability company and is incorporated and domiciled in Bermuda. Credicorp Ltd. has a primary listing on the New York Stock Exchange under quote symbol "BAP" with further listing in the Peruvian Stock Exchange.

The Bank provides investment banking, financial advisory, trading and investment services to Latin American customers. The Bank has a Branch in the Republic of Panama ("Panama Branch"), operating under an international license granted by the Superintendency of Banks of Panama (SBP), allowing banks to conduct, exclusively from an office in Panama, transactions which are intended to take effect outside the country.

Laurentian Corporate Services is a controlled subsidiary of Atlantic Security Bank (ASB) incorporated on February 17, 2011, since its incorporation has not been operating.

ASB maintain a securities license operating in Panama as an International licensee bank and brokerage company with access to international markets. In December 2018, the "Superintendencia de Mercado de Valores de Panamá" (SMV) and SBP authorized ASB to merge Atlantic Security Bank – Panama Branch with Correval Panama. The merge was concluded on April 30, 2019.

The financial statements were approved for issue according to resolution of the Board of Directors of Atlantic Security Bank on May 28, 2021.

2. Summary of Significant Accounting Policies

The following is a summary of significant accounting policies used in the preparation of the financial statements. These policies have consistently been applied with respect to the previous year, unless indicated otherwise.

2. Summary of Significant Accounting Policies (Continued)

Basis of Preparation and Use of Estimates

The financial statements of the Bank have been prepared in accordance with International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board ("IASB"). These financial statements are separate financial statements.

As set out in Note 21, subsequent to year-end, management's intentions are to transfer the operations of the Bank to a related entity and wind up the Bank thereafter, subject to approvals of the regulator. Accordingly, the Bank's financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") using a liquidation basis of accounting. Management has assessed the existing accounting policies and determined that these resulted in carrying values that are consistent with the liquidation basis of accounting due to the nature of the assets and liabilities and the fact that all assets and liabilities will be transferred to the related entity at their carrying value. Management has anticipated the additional cost implications in the year that the transfer will occur and has agreed that all related transfer and close-out costs will be absorbed by ASB Bank Corp.

The financial statements are presented in Dollar of United States of America, and values are rounded to the nearest US$/Thousands, except when otherwise indicated.

The preparation of the financial statements in accordance with IFRS requires Management to make estimates and assumptions that affect the reported amount of assets, liabilities, revenues and expenses and the disclosures of significant events in notes to the financial statements.

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the current circumstances. The results could differ from said estimates; however, Management expect that the variations, if any, will not have a material impact on the financial statements.

As of December 31, 2020, the most significant estimates included in the accompanying financial statements are related to the calculation of the expected loss for investments at fair value through other comprehensive income, the valuation of investments, expected loss for loans, and the valuation of derivative financial instruments. Furthermore, other estimates exist, such as the estimated useful life of intangible assets, property, furniture and equipment and the right-of-use assets and financial liability. The accounting criteria used for said estimates are described below.

2. Summary of Significant Accounting Policies (Continued)

Basis of Preparation and Use of Estimates (continued)

Amendments to IAS 1 and 8 - Definition of Materiality
The amendments to these standards provide a new definition of "materiality", as that information whose omission by mistake or obstruction is reasonably expected to influence the decision-making of the primary users of financial statements. The amendments clarify that materiality depends on the nature or magnitude of information, individually or in aggregate with other information, in the context of the financial statements. These amendments have no impact on the financial statements and are not expected to have future impacts for the Bank.

Amendments to IFRS 7, IFRS 9 and IAS 39 - Reference Rate Reform
The amendments made to IFRS 7 Financial Instruments: Disclosures, IFRS 9 Financial Instruments and IAS 39 Financial Instruments: Recognition and Measurement provide certain exceptions in relation to the benchmark interest rate reforms. Exceptions are related to hedge accounting and have the effect that the amendments should not generally cause the termination of hedge accounting. However, any ineffectiveness of the hedge will continue to be recorded in the consolidated income statement. These modifications have no impact on the financial statements and are not expected to have future significant impacts for the Bank.

Modifications to the Conceptual Framework of Financial Reporting
The revised conceptual framework includes some new concepts and definitions, as well as criteria for the recognition of assets and liabilities, and clarifies some other concepts. In particular, the IASB has issued a revised Conceptual Framework to be used for standard setting decisions with immediate effect. The key changes include:

- Increasing the importance of administration in the objective of financial information;
- Restore prudence as a component of neutrality;
- Define a reporting entity, which can be a legal entity, or a part of an entity;
- Review the definitions of an asset and a liability;
- Eliminate the probability threshold for recognition and add guidelines on derecognition.
- Add guides on different measurement bases; and
- Establish that profit or loss is the main performance indicator and that, in principle, income and expenses in other comprehensive income should be recycled when this improves the relevance or faithful representation of the financial statements.

No changes will be made to any of the current accounting standards. However, entities that rely on the Framework to determine their accounting policies for transactions, events, or conditions that are not otherwise addressed under accounting standards must apply the revised Framework as of January 1, 2020. These entities must consider whether its accounting policies are still appropriate under the revised Framework. These modifications have no impact on the financial statements and are not expected to have future impacts for the Bank.

2. Summary of Significant Accounting Policies (Continued)

Basis of Preparation and Use of Estimates (continued)

Amendments to IFRS 3 - Business Definition
The amendments to this standard provide a new definition of business that requires an acquisition to include at least one input and a substantive process that together significantly contribute to the ability to create products. The definition of the term "products" is modified to focus on goods and services provided to customers, generating investment income and other income, and excludes returns in the form of lower costs, savings, and other economic benefits.

These amendments have no impact on the financial statements and are not expected to have future impacts for the Bank.

Amendment to IFRS 16 "Leases" - Covid-19 Related to Arrangements
This amendment was issued on May 28, 2020, is applicable for annual periods beginning on June 1, 2020 and provides an exemption in relation to the accounting treatment of modification to lease contracts under IFRS16, to lessees who obtain modifications to lease contracts in the context of Covid-19 (grace periods and extension of lease payments dates).

The adoption of the amendment did not have a significant effect on the financial statements.

There are other IFRSs, amendments to IFRSs and IFRIC interpretations that are not yet effective but could be adopted earlier. The Bank will not apply early adoption and will evaluate the impact on the financial statements before coming into force.

Equity Method and Goodwill
Under IFRS 10 Consolidated Financial Statements of an entity that is a parent shall present consolidated financial statements, except as follows:

A parent need not present consolidated financial statements if it meets all the following conditions:

(i) it is a wholly owned subsidiary or is a partially-owned subsidiary of another entity and all its other owners, including those not otherwise entitled to vote, have been informed about, and do not object to, the parent not presenting financial statements;
(ii) its debt or equity instruments are not traded in a public market (a domestic or foreign stock exchange or an over-the-counter market, including local and regional markets);

2. Summary of Significant Accounting Policies (Continued)

Equity Method and Goodwill (continued)

(iii) it did not file, nor is it in the process of filing, its financial statements with a securities commission or other regulatory organization for the purpose of issuing any class of instruments in a public market; and
(iv) its ultimate or any intermediate parent produces financial statements that are available for public use and comply with IFRSs, in which subsidiaries are consolidated or are measured at fair value through profit or loss in accordance with this IFRS.

Considering the above, the Bank's share in fully owned subsidiaries shall be accounted using the purchase method of accounting. This involves recognizing identifiable assets and liabilities of the acquired business at fair value. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognized as goodwill. If the cost of acquisition is less than the fair values of the identifiable net assets acquired, the discount on acquisition is recognized directly in the statement of income in the year of acquisition.

Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment annually, or more frequently, if events or changes in circumstances indicate that the carrying value may be impaired.

Foreign Currency Operations

Functional Presentation Currency
The financial statements are prepared in United States of America Dollars (US$), the functional currency of the Bank and all values are rounded to the nearest thousand (US$000) except when otherwise indicated. The Bank presents its statement of financial position in order of liquidity.

Transactions and Balances
The Bank's transactions are performed mostly in U.S. Dollars, its functional and reporting currency. Foreign currency transactions are translated into U.S. Dollars at the prevailing exchange rates on the date of the transaction. Foreign exchange gains or losses resulting from the settlement of such transactions are recorded in the statement of income and the translation of monetary assets and liabilities denominated in foreign currencies are adjusted at the exchange rates of the functional currency prevailing at the date of the statement of financial position.

The differences arising from the exchange rate prevailing at the date of each statement of financial position presented and the exchange rate initially used in recording transactions are recognized in the statement of income in the period in which they occur, in "Net gain on foreign exchange transaction".

2. Summary of Significant Accounting Policies (Continued)

Foreign Currency Operations (continued)

Transactions and Balances (continued)
Translation differences on debt securities and other financial assets measured at fair value are included as foreign translation income in the statement of income with the exception of difference on foreign borrowing that provide an effective hedge against a net investment in a foreign security which are taken directly to other comprehensive income until the disposal of net investment, at which time they are recognized in the statement of income.

Cash and Cash Equivalents
For presentation purposes in its statement of cash flows, the Bank considers as cash and cash equivalents all highly liquid instruments with original maturities of three months or less.

Cash collateral pledged in the negotiation of derivative financial instrument and others are presented in Note 10 other assets in the statement of financial position.

Financial Assets
A financial instrument is any agreement that originates a financial asset of one entity and a financial liability or equity instrument of another entity.

The Bank determined the classification of its financial instruments at initial recognition.

All the financial instruments are initially recognized at fair value plus the incremental costs related to the transaction that are directly attributable to the purchase or issue of the instrument, except in the case of financial assets or liabilities carried at fair value through profit or loss.

The purchases or sales of financial assets that require the delivery of the assets within a term established according to market regulations or conventions (regular market terms) are recognized on the negotiation date, in other words, the date in which the Bank commits to purchase or sell the asset. The derivatives are recognized on the trading date.

The Bank classified the financial assets in one of the categories defined by IFRS 9: financial assets at fair value through profit or loss, at fair value though other comprehensive income and at amortized cost, based on:

- The business model for managing the financial assets, and
- The characteristics of the contractual cash flows of the financial asset.

2. Summary of Significant Accounting Policies (Continued)

Financial Assets (continued)

Business Model
Represents how the financial assets are managed to generate cash flows and it does not depend on the Management's intention regarding an individual instrument. Financial assets can be managed for the purpose of: i) obtaining contractual cash flows; ii) obtaining contractual cash flows and sale; or iii) others. To evaluate the business models, the Bank considers the risks that affect the performance of the business model, and how the performance of the business model is evaluated and informed to Management. If the cash flows are carried out in a manner other than what is expected by the Bank, the classification of the remaining financial assets maintained in this business model is not modified.

When the financial asset is maintained in the business models i) and ii), it requires the application of the "Solely Payments of Principal and Interest" test - "SPPI".

SPPI Test
This test consists in the evaluation of the cash flows generated by a financial instrument to verify if the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest. To conform with this concept, the cash flows must solely include the consideration of the time value of money, and the credit risk. If the contractual terms introduce risk exposure or cash flow volatility, such as the exposure to changes in the prices of capital instruments or the prices of raw materials, the financial asset is classified at fair value through profit or loss. Hybrid contracts must be evaluated as a whole, including all the integrated characteristics. The accounting of a hybrid contract that contains an embedded derivative is carried out jointly, in other words, the entire instrument is measured at fair value through profit or loss.

(i) Financial Assets at Amortized Cost
A financial asset is classified at amortized cost if: a) it is held within a business model the objective of which is to maintain the financial asset to obtain the contractual cash flows, and b) the contractual conditions give rise, on specified dates, to cash flows that are solely payments of the principal and interest.

After their initial recognition, the financial assets of this category are valued at amortized cost, using the effective interest rate method, minus any credit loss provision. The amortized cost is calculated considering any discount or premium incurred in the acquisition and professional fees that constitute an integral part of the effective interest rate. The amortization of the effective interest rate is included in the item "interest and similar income" of the statement of income. The effective interest rate is the rate that discounts the future estimated cash payments or collections throughout the expected useful life of the financial asset using the gross carrying amount.

2. Summary of Significant Accounting Policies (Continued)

Financial Assets (continued)

SPPI Test (continued)

(i) Financial Assets at Amortized Cost (continued)
Financial assets at amortized cost include direct credits that are recorded when the disbursement of the funds in favor of the clients is carried out, and indirect (contingent) credits that are recorded when the documents that support said credit facilities are issued.

Furthermore, the Bank considers as refinanced or restructured those credits that, due to difficulties in payment on the part of the debtor, change their payment schedule.

The impairment loss is calculated using the expected credit loss approach and recognized in the statement of income in the item "(provision) reversal for expected credit losses on securities" for investments and in the item provision for expected credit losses.

The balance of the financial assets, measured at amortized cost, is presented net of the provision for credit losses in the statement of financial position.

The accounting treatment of repurchase and reverse repurchase agreements and securities lending and borrowing is explained in section "Financing liabilities" of the Note 2.

(ii) Financial Assets at Fair Value through Other Comprehensive Income
A financial asset is classified and measured at fair value through other comprehensive income if: a) the financial asset is maintained within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and b) the contractual conditions give rise, on specified dates, to cash flows that are solely payments of principal and interest.

The financial assets that the Bank maintains in this category are investments in debt instruments, irrevocably designated at initial recognition.

Investments in Debt Instruments
After their initial recognition, investments in debt instruments are measured at fair value, recording the unrealized gains and losses in the statement of comprehensive income, net of their corresponding income tax and non-controlling interest, until the investment is sold; upon which the accumulated profit or loss is recognized in the item "Net gain (loss) on securities" of the statement of income.

2. Summary of Significant Accounting Policies (Continued)

Financial Assets (continued)

SPPI Test (continued)

(ii) Financial Assets at Fair Value through Other Comprehensive Income (continued)

Investments in Debt Instruments (continued)
Interest is recognized in the statement of income in the item "Interest and similar income" and it is reported as interest income using the effective interest method.

When a debt instrument is designated in a fair value hedging relationship, any change in the fair value due to changes in the hedged risk is recognized in the item "Interest and dividend income" of the statement of income.

The gains or losses due to exchange differences related to the amortized cost of the debt instrument are recognized in the statement of income, and those related to the difference between the amortized cost and the fair value are recognized as part of the unrealized gain or loss in the statement of comprehensive income.

The estimated fair value of the investments in debt instruments is mainly determined based on quotations or, in their absence, based on the discounted cash flows using market rates in accordance with the credit quality and the maturity of the investment.

The impairment loss of investments in debt instruments is calculated using the expected loss approach and is recognized in the statement of comprehensive income, charged to the item "(Provision) reversal of provision for expected credit losses on securities" of the statement of income; in this sense, it does not reduce the carrying amount of the financial asset in the statement of financial position, which is maintained at fair value.

(iii) Financial Assets at Fair Value through Profit or Loss
Financial assets must be classified and measured at fair value through profit or loss unless they are classified and measured "at amortized cost" or "at fair value through other comprehensive income".

The financial assets that the Bank maintains in this category are investments in debt instruments, irrevocably designated at initial recognition, and derivative financial instruments for trading purposes. (See Note 2 derivate financial instrument).

Debt Instruments
There instruments are classified in this category since: a) they are maintained for trading purposes, or b) their cash flows are not solely payments of principal and interest.

2. Summary of Significant Accounting Policies (Continued)

Financial Assets (continued)

SPPI Test (continued)

(iii) Financial Assets at Fair Value through Profit or Loss (continued)

Debt Instruments (continued)
After their initial recognition they are measured at fair value, recording the changes in the item "Net gain (loss) on securities" of the statement of income. The interest earned is accrued in the item "Interest and similar income" of the statement of income.

Equity Instruments for Trading Purposes
Equity instruments are classified and measured at fair value through profit or loss, unless an irrevocable choice is made, at the time of initial recognition, to designate them at fair value through other comprehensive income.

After their initial recognition, they are measured at fair value, recording the changes in the item "Net gains (loss) on securities" of the statement of income. The profit from dividends is recorded in the statement of income in the item "interest and similar income" when the right to payment has been recognized.

Upon initial recognition, Management can irrevocably designate financial assets as measured at fair value through profit or loss, if doing so eliminates or significantly reduces an incongruence of measurement or recognition that would otherwise arise from the measurement of the assets or liabilities or from the recognition of the profit and losses thereof on different bases.

After initial recognition they are measured at fair value, recording the changes in the item "Net gain (loss) on securities designated at fair value through profit or loss" of the statement of income.

Financial Liabilities
The Bank classified the financial liabilities upon initial recognition as measured at amortized cost, except in the case of the financial liabilities at fair value through profit or loss. These liabilities include the derivatives measured at fair value.

The interest incurred is accrued in the item "Interest expense" of the statement of income.

2. Summary of Significant Accounting Policies (Continued)

Financial Liabilities (continued)
Furthermore, upon initial recognition, Management can irrevocably designate financial liabilities as measured at fair value through profit or loss when one of the following criteria is complied with:

- An incongruence in the measurement is eliminated or significantly reduced, which would otherwise arise from using different criteria to measure assets or liabilities; or
- They are part of a group of financial liabilities, which are managed, and their yield is evaluated based on fair value, according to a documented investment strategy or risk management; or
- The financial liability contains one or more embedded derivatives that otherwise significantly modify the required cash flows.

Impairment of Financial Assets
The Bank applies a three-stage approach to measure the provision for credit loss, using an impairment model based on the expected credit losses as established in IFRS 9, for the following categories:

- Financial assets at amortized cost,
- Debt instruments classified as investments at fair value through other comprehensive income, and
- Indirect loans that are presented in off-balance accounts.

The financial assets classified or designated at fair value through profit or loss and the equity instruments designated at fair value through other comprehensive income, are not subject to impairment evaluation.

Financial assets migrate through three stages according to the change in the credit risk from the initial recognition.

Impairment Model of Expected Credit Losses
The calculations of credit losses are products of models with a series of underlying assumptions with regard to the choice of the variable inputs and their interdependencies. The impairment model for expected credit loss reflects the present value of all the cash deficit events related to the events of default, whether (i) during the following twelve months or (ii) during the expected useful life of a financial instrument depending on the impairment of the credit from the beginning. The expected credit loss reflects an unbiased result weighted by probability that considers a range of multiple outcomes based on reasonable and supportable forecasts.

2. Summary of Significant Accounting Policies (Continued)

Impairment of Financial Assets (continued)

Impairment Model of Expected Credit Losses (continued)
The provisions for credit losses will be measured on each reporting date following a three-stage model of expected credit losses based on the degree of credit impairment from its origin:

- Stage 1: Financial assets whose credit risk has not significantly increased since its initial recognition; a reserve will be recognized for losses equivalent to the credit losses expected to occur from defaults in the following 12 months. For those instruments with a maturity less than 12 months, a probability of default corresponding to the remaining term until maturity is used.

- Stage 2: Financial assets that have presented a significant increase in credit risk compared with initial recognition, but are not considered impaired, a reserve will be recognized for losses equivalent to the credit losses expected to occur during the remaining life of the asset.

- Stage 3: Financial assets with evidence of impairment on the reporting date, a reserve will be recognized for losses equivalent to the expected credit losses during the entire life of the asset.

The interest income will be recognized based on the carrying amount of the asset, net of the loss reserve.

Measurement of the Expected Loss
The measurement of the expected credit loss is mainly based on the product of probability of default (PD), loss given default (LGD), and exposure at default (EAD), discounted at the reporting date and considering the expected macroeconomic effects and all in accordance with the new regulation.

The details of these statistical parameters are the following:

- PD: is an estimate of the probability of default in a determined time horizon. A default can only occur at a determined moment during the remaining estimated life, if the provision has not been previously derecognized and it is still in the financial asset's portfolio.

2. Summary of Significant Accounting Policies (Continued)

Impairment of Financial Assets (continued)

Measurement of the Expected Loss (continued)

- LGD: is an estimate of the loss produced in the case a predetermined value is produced at a given time. It is based on the difference between the contractual cash flows owed and those that the lender would expect to receive, even after the liquidation of any guarantee. Generally, it is expressed as a percentage of the EAD.

- EAD: is an estimate of the exposure on a future default date, which considers the changes expected in the exposure after the reporting date, including the reimbursements of principal and interest, whether programmed by contract or otherwise, and the interest accrued due to default payments.

The fundamental difference between the credit loss considered as Stage 1 and Stage 2 is the PD horizon. The estimates of Stage 1 use a 12-months horizon, while those situated in Stage 2 use an expected loss calculated with the remaining term of the asset and considers the effect of the significant increase in credit risk. Finally, Stage 3 will estimate the expected loss based on the best estimate ("ELBE"), according to the situation of the collection process of each asset.

Changes from One Stage to Another
The classification of an instrument as Stage 1 or Stage 2 depends on the concept of "significant increase in credit risk" on the reporting date compared with the origination date; in this sense, the definition used considers the following criteria:

- An account is classified in Stage 2 if it has more than 30 days in arrears.

- Risk thresholds have been established based on the internal models and based on relative difference thresholds (by portfolio and risk level) in which the instrument was originated.

- The follow-up systems, alerts and monitoring of risk portfolios are integrated, as established by the current risk policy.

Additionally, all the accounts that are classified as default on the reporting date are considered as Stage 3. The significant risk increase evaluations from their initial recognition and of credit impairment are carried out independently on each reporting date. The assets can move in both directions, from one stage to another.

2. Summary of Significant Accounting Policies (Continued)

Impairment of Financial Assets (continued)

Prospective Information
The measurement of expected credit losses for each stage and the evaluation of significant increases in credit risk must consider information regarding previous events and current conditions, as well as the projections of future events and economic conditions. The estimate of the risk parameters (PD, LGD, EAD), used in the calculation of the provision in Stages 1 and 2, included macroeconomic variables that differ between portfolios. These projections have a 3-year period and, additionally, a long-term projection.

The estimate of expected losses for Stages 1, 2 and 3 will be a weighted estimate that considers three future macroeconomic scenarios. The base, optimist and pessimist scenarios are based on macroeconomic projections provided by the internal team of economic studies and approved by Senior Management. This same team also provides the probabilities of occurrence of each scenario. It should be stated that the design of the scenario is adjusted at least once a year, with the possibility of a greater frequency if required by the surrounding conditions.

Macroeconomic Factors
In its models, the Bank bases itself on a wide variety of prospective information such as economic inputs, including: the growth of the gross domestic product (GDP), unemployment rates, the base rates on markets or regulations, among others. It is possible that the inputs and models used to calculate the expected credit losses do not always capture all the market characteristics on the date of the financial statements. To reflect this, qualitative adjustments or overlays such as temporary adjustments can be carried out using the opinion of experts.

Expected Life
For the instruments in stages 2 or 3, the reserves for losses will cover the lifetime expected credit losses of the instrument. For the majority of the instruments, the expected life is limited to the remaining term of the product, adjusted by expected advance payments. In the case of revolving products, an analysis was carried out in order to determine the expected life period.

Presentation of Allowance for Loan Losses in the Statement of Financial Position
- Financial assets measured at amortized cost: as a deduction from the gross carrying amount of the financial assets.
- Debt instruments measured at fair value through other comprehensive income: it does not recognize any provision in the statement of financial position because the carrying amount of these assets is their fair value; however, the expected credit loss is presented in other comprehensive income.
- Indirect loans: the credit loss provision is presented in the item “Other liabilities” of the statement of financial position.

2. Summary of Significant Accounting Policies (Continued)

Impairment of Financial Assets (continued)

Definition of Default
The portfolio classified in Stage 3 will include those instruments that meet the definition of default.

An asset is considered to be in default when it has any of the following characteristics:

- Clients that have a default of more than 90 days in any of their obligations.
- Clients who present at least one instrument written-off.
- Clients in special states of restructuring law or business reorganization and insolvency agreements.
- Customers on the watch list (Special Customer Administration) with high risk level.
- Customers classified in the credit impaired category according to the internal rating models.

Other considerations and treatment for loans, guarantees and loan losses are fully described in Note 6.

Premises and Equipment
Premises and equipment are stated at cost, less accumulated depreciation, and amortization. Depreciation and amortization are calculated on a straight-line basis over the useful life of the assets as follows:

Furnitures and office equipment	2 to 3 years
Vehicles	5 years
Leasehold improvement	10 years

The carrying values of premises and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recovered.

Lease Arrangements
The Bank maintains mainly leased premises, used as offices, which were registered in accordance with the IFRS 16 “Leases”. This standard considers that a contract is, or contains, a lease if the contract transfers the right to control the use of an identified asset for a period in exchange for a payment.

Initial Recognition
Leases are recognized in the statement of financial position as a right-of-use asset and a financial liability on the date the leased asset is available-for-use.

2. Summary of Significant Accounting Policies (Continued)

Lease Arrangements (continued)

Initial Recognition (continued)
The right-of-use assets are initially recognized at cost, which includes:

- The amount of the initial measurement of the financial liability.
- Any lease payment paid to the lessor prior to the commencement date or on the same date.
- Direct costs incurred and costs for dismantling or rehabilitation, if any.

Financial liabilities include the present value of fixed payments and variable lease payments that are based on an index or rate. Lease payments that will be made under renewal options with reasonable certainty of being exercised are included in the measurement of the liability.

Lease payments are discounted using the interest rate implicit in the lease, if that rate could be easily determined, or the lessee's incremental interest rate for loans, which is the interest rate the lessee would have to pay for borrowing for a similar term, the funds necessary to obtain an asset of similar value to the right of use asset in a similar economic environment with similar terms, guarantees and conditions.

To determining the term of the lease, Management considers all the facts and circumstances that create an economic incentive to exercise the extension option, or not to exercise a termination option. Likewise, the estimation of the extension or termination options will be revalued only if an event or changes in the circumstances occur within the control of the entity that affects the estimate.

Subsequent Recognition
The right-of-use asset is generally depreciated in a straight line during the shortest period of the asset's useful life and the lease term. If the Bank is reasonably certain of exercising a purchase option, the right-of-use asset depreciates over the useful life of the underlying asset.

The Bank has chosen to measure the asset at cost less depreciation and accumulated impairment loss and adjusting any new measurement of the financial liability. Depreciation is calculated in straight-line basis within the term of the lease.

The liability will be recorded at amortized cost. Likewise, the balance of the liability will be reviewed in the following cases:

- When there is a change in the expected amount to be paid under a residual value guarantee.
- When there is a change in future lease installments to reflect the variation in an index or interest rate.

2. Summary of Significant Accounting Policies (Continued)

Lease Arrangements (continued)

Subsequent Recognition (continued)

- When there is a change in the term of the lease.
- When there is a change in the evaluation of an option to purchase the underlying asset.

The changes will be recorded as an adjustment of the lease liability and the right of use asset, unless the book value of the right of use asset has been reduced to zero, in which case it must be recorded against the statement of income.

Short-term leases with low value are recognized in a straight-line basis as an expense in the "General and administrative expenses" item of the statement of income.

The accounting treatment of lessors continues with a model within IAS 17; in that sense, lessors continue to perform a classification test to distinguish between financial and operating leases.

Intangible Assets
Comprise acquired software licenses used by the Bank. Acquired software licenses are measured upon initial recognition at cost and are amortized using the straight-line method over their estimated useful life (between 3 and 5 years).

Financing and Borrowings Funds
After initial recognition, interest bearing financing and borrowings are subsequently measured at amortized cost using the effective interest rate method. Borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and others cost that the Bank incurs in connection with the borrowing of funds.

Repurchase and Reverse Repurchase Agreements and Securities Lending and Borrowing
Securities sold under repurchase agreements at a specified future date are not derecognized from the statement of financial position as the Bank retains substantially all the risks and rewards of ownership. The cash received is recorded as an asset in "Cash and cash equivalents" and the corresponding obligation to return it is recognized too, including accrued interest, as a liability in "Financing and Borrowings" as repurchase agreements and securities lending, reflecting the transaction's economic substance as a loan to the Bank.

The difference between the sale and repurchase price was treated as interest expense and accrued over the life of the agreement using the effective interest rate and was recognized in "Interest expense" of the statement of income.

2. Summary of Significant Accounting Policies (Continued)

Financing and Borrowings Funds (continued)

Repurchase and Reverse Repurchase Agreements and Securities Lending and Borrowing (continued)
Conversely, securities purchased under reverse repurchase agreements at a specified future date is not recognized in the statement of financial position. The cash granted is recorded as an outgoing asset in "Cash and cash equivalent" account and the corresponding right to payment, including accrued interest, is recorded in "Cash collateral from repurchase agreements and securities borrowing", reflecting the transaction's economic substance as a loan granted by the Bank. The difference between the purchase and resale price is recorded in "Interest and similar income" of the statement of income and is accrued over the life of the agreement using the effective interest rate method.

If securities purchased under reverse repurchase agreement are subsequently sold to third parties, the obligation to return the securities is recorded as a short sale in the statement of financial position as "Financial liabilities at fair value through profit or loss" and measured at fair value, with any gains or losses included in the statement of income as "Net gain on securities".

Securities lending and borrowing transactions are usually collateralized by securities. The transfer of the securities to counterparties is only reflected in the statement of financial position if the risks and rewards of ownership are also transferred.

Provisions
Provisions are recognized when the Bank has a present obligation (legal or constructive) because of a past event, it is probable that an outflow or resources embodying economic benefits will be required to settle said obligation and a reliable estimate of the amount can be made.

The expense relating to any provision is presented in the statement of income net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current rate that reflects, where appropriate, the specific risks of the liability. When discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

Derivative Financial Instruments
The Bank makes use of derivative financial instruments, such as options, short selling, futures, forward foreign currency contracts, interest rate swaps and credit default swaps to manage exposure to interest rate, foreign currency and credit risk, including those arising from forecast transactions. To manage particular risks, the Bank applies a different accounting basis taking into account the use of derivative financial instruments as trading purposes.

2. Summary of Significant Accounting Policies (Continued)

Derivative Financial Instruments (continued)
Derivative financial instrument operations are recognized initially at fair value. The fair value of derivative financial instruments is calculated by reference to current interest and exchange rates.

The changes in fair value are recorded as assets when the fair value is positive and as liabilities when it is negative. The gain or loss related to changes in fair value is recorded in the statement of income.

Interest and Similar Income and Expense
Interest income and expense are recognized in the statement of income for all interest-bearing instruments on an accrual basis applying the effective interest rate (EIR) to the actual purchase price. EIR is the rate that exactly discounts the estimated future cash payments or receipts over the expected life of the financial instrument or a shorter period, where appropriate to the net carrying amount of the financial asset or liability. The EIR (and, therefore, carrying amount of the financial asset or liability) is calculated considering any discount, premium and transaction costs that are an integral part of the effective interest rate of the financial instrument, but the expected credit loss are not included.

Dividends are recorded as income when they are declared.

When a loan becomes of doubtful collection, it is written down to recoverable amount and interest income is thereafter recognized at the rate of interest which had been used to discount the future cash flows for the purpose of determining the recoverable amount.

Revenue from Contracts with Customers
Fee and commission income from contracts with customers are measured based on the consideration specified in a contract with a customer. The Bank recognizes revenue when it transfers control over a service to a customer.

Fee and commissions are recognized based on prices specified in the investment portfolio and the private banking opening account contracts accordingly with the terms and frequency agreed by parties.

2. Summary of Significant Accounting Policies (Continued)

Revenue from Contracts with Customers (continued)
A detailed information about the nature and timing of the satisfaction of performance obligations in contracts with customers, including significant payment terms, and the related revenue recognition policies are described as follows:

Asset Management Services
The Bank provides asset management services. Fees for asset management services are calculated and collected based on a fixed percentage specified in the investment portfolio contract accordingly to the value of assets managed and deducted from the customer's account balance monthly nor when services are granted. In addition, the Bank charges a nonrefundable up-front fee when investments in structured products and third-party funds are realized.

Revenue from asset management services is recognized over time as the services are provided. Non-refundable up-front fees give rise to material rights for future services and are recognized as revenue over the period for which a customer is expected to continue receiving asset management services.

Retail and Corporate Banking Services
The Bank provides banking services to retail and corporate customers, including account Management, occasional overdraft facilities, foreign currency transactions, debit card, funds transfer and servicing fees accordingly to the private banking opening account. Fees for ongoing account Management are charged to the customer's account monthly. The Bank reviewed and set the rates separately for retail and corporate banking customers on an annual basis. Transaction-based fees for funds transfer, foreign currency transactions and overdrafts are charged to the customer's account when the transaction takes place. Servicing fees are charged monthly and are based on fixed rates reviewed annually by the Bank.

Revenue from account service and servicing fees is recognized over time as the services are provided.

Revenue related to transactions is recognized at the point in time when the transaction takes place.

Breakdown of incomes proceeds from contracts with customers is presented in Note 17.

Dividends
The Bank recognizes a liability to make cash distributions to equity holder when the distribution is authorized, and the distribution is no longer at the discretion of the Bank. According to Cayman Island regulation the Bank must first to request the authorization of Cayman Island Monetary Authority (CIMA) and then the approval of the shareholders general meeting. When it is approved by the shareholders a corresponding amount is recognized directly in equity.

2. Summary of Significant Accounting Policies (Continued)

Employee Benefits
From 2020, the Bank recognizes in other assets a remuneration plan benefit which consists of share-based payments over the period in which the service conditions are fulfilled (3 years), ending on the date on which the relevant employees become fully entitled to the award ('the vesting date"). The bank realizes monthly the fair value measurement and records an account payable and an expense in salaries and employee benefits. Any modification is recorded at fair value when it occurs. On December 31, 2020, the benefit amounted US$239.

Fiduciary Activities
Securities and valuables (other than cash and deposits held with the Bank) held in trust, custody, agency, or fiduciary capacity for customer are not included in the statement of financial position because the Bank is not the beneficiary of these assets. Commissions received from fiduciary activities are included in fee and commissions income and are recognized under the accrual method.

Income Taxes
The Bank operations are tax exempted in both the Cayman Islands and the Republic of Panama.

Contingencies
The Bank makes estimates on legal contingencies arising out of existing processes where the Bank acted as claimant or defendant. They are disclosed in the "Notes" unless the probability of an outflow of resources is remote. Contingent assets are not recorded in the financial statements; they are disclosed if it is probable that an inflow of economic benefits will be realized. A provision will be recorded only if it can be demonstrated with a high probability that an event of loss or gain can occur.

Significant changes in Law and Regulatory risk
The Bank is subject to ongoing changes in laws, regulations and policies, voluntary codes of practice and interpretations in the markets in which conduct operations. As a result of the continuous efforts to reduce concerns that envelope the global financial sectors regulators have been increasing extensive and complex stricter set of laws and standards to reduce exposures inherent to the financial business.

2. Summary of Significant Accounting Policies (Continued)

Significant Changes in Law and Regulatory risk (continued)
At the end of 2018, CIMA (the "Authority") issued The International Tax Co-operation (Economic Substance) Act that requires all legal entities which are incorporated or registered in the Cayman Islands must make an annual notification as to whether they are in scope or not for one or more activities defined as “relevant activities”. They are required to demonstrate that they have sufficient economic substance. If the relevant entities are conducting relevant activities, then they will be required to report on an annual basis the information about these activities to the Cayman Islands Tax Authority commencing 12 months after January 1, 2020. After evaluating the law requirements the Bank's Board of Directors took the decision to communicate to the Authority before the Law entered into force, that the Bank has opted to merge its Cayman entity with a Panamanian Bank (ASB Bank Corp.) that is also a member of the Credicorp Group. The process was subject to final approval from the Authority and to no objections of relevant bank regulators, from Panama and Peru. The Bank expects that this will result in the continuation of business activities as a licensed Bank and based under the law and regulations of the Republic of Panama.

The Panamanian Banking Law requires Banks comply with prudential and regulatory standards related to liquidity, solvency, credit provision, market, and operational risk among others that administration considers it complies with all the requirements due to its financial position.

The Bank expects to conclude the merge process at the end of second quarter of 2021 considering operating restrictions still in force under Covid-19 pandemic.

The Outbreak of the New Coronavirus (hereinafter “COVID-19”)
The COVID-19 outbreak, which was first reported in Wuhan, China, in late year 2019 forced governments globally to take important measures to mitigate the spread of the disease, such as the closure of international borders, severe mobilization restrictions and quarantines. As a result, the Global Gross Domestic Product (GDP; and PBI, by its initials in Spanish) contracted severely in 2020 and the economies in which the Bank operates (mainly Cayman Islands and Panama) were severely affected.

The main measures taken by the governments of the countries in which Bank operates consisted of emergency declarations, mobilization restrictions, quarantines, and border closures, which have later been modified to selective quarantines in most cases. During the second semester of 2020, the economies of these countries began their reopening processes in phases or stages, but due to the increase in cases that have occurred at the end of 2020, restrictive movement measures have been imposed by risk areas that extend until the date of issuance of this report.

2. Summary of Significant Accounting Policies (Continued)

The Outbreak of the New Coronavirus (hereinafter "COVID-19") (continued)
The government of Panama adopted fiscal and macro-financial measures such as spending on social and health programs aimed at supporting SMEs and implemented tax relief measures. The Superintendency of Banks of Panama (SBP) allowed banks to use accumulated dynamic provisioning to absorb the impact of credit losses, allowed banks to undertake voluntary loan restructurings with distressed borrowers, and requested banks not to charge interest on unpaid interest.

In May 2020, Panamá had the worst moment of the pandemic, GDP fell 31.0 percent "compared to the previous year" (hereinafter, "y/y") due to the importance of the services sector, which represents more than 75.0 percent GDP, and its dependence on external demand. Its recovery has been taking place at a slower pace than its peers, with a fall in GDP of 17.0 percent y/y in November 2020 (latest data available).

In November 2020, Standard & Poor's lowered Panama's credit rating to BBB with a stable outlook, while Moody's, in October, changed its credit rating outlook to negative (Baa1). Fitch, in February 2020, also changed the outlook to negative (BBB).

Even when the risk of new strains of the Covid-19 remains, the progressive vaccination process (since January 2021) is maintained, and the government's action plans to reactivate the economy are being carried out slowly. The economies of the countries of the region including Panama have shown signs of recovery, the economic growth perspectives of the World Bank place Peru and Panama among the countries with the highest estimated growth rate for 2021.

The impact of Covid-19 on the Bank's operations has been adequately managed, the contingency plans have been reformulated and updated according to the changing situation of the environment. In operational terms, operations with clients are carried out with little or no interruption, ensuring the processes and related follow-ups that allow the Bank to operate with a high degree of normality.

The financial statements reasonably reflect the best available information at the time of preparation, including the uncertainty and the impact on significant assumptions and estimations, that are disclosed in the main notes to the financial statements. Those accounting estimates, in the opinion of Bank Management, are reasonable in the circumstances.

Reclassification
Certain prior period figures have been reclassified to conform to current period presentation.

3. Financial Risk Management

The Bank's operations are exposed to a wide variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. Overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Bank's financial performance.

Operational Risk
Operational risk is the risk of loss arising from systems failure, human error, fraud, or external events. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications, or lead to financial loss. The Bank cannot expect to eliminate all operational risks, but through a control framework and by monitoring and responding to potential risks, the Bank is able to manage these risks. Controls include effective segregation of duties, access, authorization and reconciliation procedures, staff education and assessment processes, including the use of internal audit.

Credit Risk
The Bank seeks to minimize and control its risk exposure by establishing a variety of separate but complementary financial, credit, operational and legal reporting schemes. The Bank's Executive Committee, duly authorized by the Board of Directors, determines the type of business in which the Bank engages and approves guidelines for accepting customers, outlines the terms on which customer business is conducted and establishes the parameters for the risks that the Bank is willing to accept. The Bank takes on exposure to credit risk, the risk that a counterparty will be unable to pay all amounts in full when due.

The Bank structures the credit risk levels it accepts by placing limits on the amount of risk accepted in relation to one borrower, or group of borrowers, or geographical segment. Such risks are monitored on a revolving basis and subject to periodic review. Limits on levels of credit by product and country are reviewed and approved quarterly by the Board of Directors.

Financial assets which potentially expose the Bank to concentrations of credit risk consist primarily of cash and cash equivalents, interest-bearing deposits with banks, financial securities, loans and other assets. Cash and cash equivalents and interest-bearing deposits with banks are placed either with related parties or reputable financial institutions. An analysis of the Bank's financial securities and loans according to its credit risk rating is provided in Note 6.

Exposure to credit risk is managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations, and by adjusting lending limits as appropriate. Exposure to credit risk is also managed in part by obtaining collateral, corporate and personal guarantees.

(Amount expressed in thousands of US$ dollars)

3. Financial Risk Management (Continued)

Credit Risk (continued)

The following tables show the credit risk of financial assets allocated by stages:

	Stage 1	Stage 2	Stage 3	2020
Investments				
Fair value through comprehensive income	655,228	9,256	-	664,484
Loans				
Commercial loans	432,550	350	100	433,000
Consumer loans	31,690	-	600	317,290
	749,240	350	700	750,290

	Stage 1	Stage 2	Stage 3	2019
Investments				
Fair value through comprehensive income	564,821	2,439	-	567,260
Loans				
Commercial loans	380,725	1,281	-	382,006
Consumer loans	353,264	-	-	353,264
	733,989	1,281	-	735,270

Credit Related Commitments

The primary purpose of these instruments is to ensure that funds are available to customers as required. Guarantees and stand-by letters of credit, which represent irrevocable assurances that the Bank will execute payments if a customer cannot meet its obligations to third parties, carry the same risk as loans. Documentary and commercial letters of credit, which are written undertakings by the Bank on behalf of a customer authorizing a third party to draw drafts on the Bank up to a stipulated amount under specific terms and conditions, are collateralized by the underlying shipments of goods to which they relate and therefore carry less risk than a direct borrowing.

The Bank's credit policies and procedures to approve credit commitments, guarantees and commitments to purchase and sell securities are the same as those applicable to extension of credits which are on statement of financial position and consider their collateral and other security, if any.

(Amount expressed in thousands of US$ dollars)

3. Financial Risk Management (Continued)

Credit Risk (continued)

Credit Related Commitments (continued)
At December 31, the geographic concentration of significant assets (cash and cash equivalents, interest-bearing deposits with banks and risk portfolio) and liabilities (deposits, purchased funds and other borrowed funds) is as follows:

	2020	
	Assets	**Liabilities**
Latin America and the Caribbean	1,137,225	1,200,145
United States of America	671,159	26,850
Europe and Asia	133,355	24,958
Cayman Islands	56,647	443,362
Other countries	34,187	20,119
	2,032,573	1,715,434

	2019	
	Assets	**Liabilities**
Latin America and the Caribbean	962,401	1,293,597
United States of America	454,020	2,383
Europe and Asia	101,205	7,978
Cayman Islands	40,966	18,305
Other countries	32,431	45,936
	1,591,023	1,368,199

Deposits with Banks
Analysis by credit quality of amounts cash equivalent outstanding at December 31, are as follows:

	2020	**2019**
AA+ to AA-	15,760	2,362
A+ to A-	136,570	52,825
BBB+ to BBB-	139,801	45,826
Less than BBB-	36,660	1,799
	328,791	102,812

3. Financial Risk Management (Continued)

Credit Risk (continued)

Deposits with Banks (continued)
Cash and cash equivalents presented in the consolidated statement of cash flows exclude restricted funds.

Market Risk
The Bank takes on exposure to market risk, which is the risk that the fair value or future cash flow of financial instruments, will fluctuate because of changes in market prices. Market risk arises from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements and changes in the level of volatility of market rates or prices such as interest rates, credits spreads, foreign exchange rates and equity prices.

The Bank separates exposures to market risk in two groups: (i) those that arise from value fluctuation of trading portfolios recognized at fair value through profit or loss due to movements of market rates or prices (Trading Book) and (ii) those that arise from changes in the structural positions of non-trading portfolios due to movements of the interest rates, prices and foreign exchange ratios (Banking Book) and that are recorded at amortized cost and at fair value with changes in other comprehensive income, this is due to movements in interest rates, prices and currency exchange rates.

The risks that trading portfolios face are managed through Value at Risk (VaR) historical simulation techniques; while non-trading portfolios (Banking Book) are monitored using rate sensitivity metrics, which are a part of Asset and Liability Management (ALM).

a) Trading Book
The trading book is characterized for having liquid positions in stocks, bonds, foreign currencies, and derivatives, arising from market-making transactions where the Bank acts as principal with the customers or with the market. This portfolio includes investments and derivatives classified by Management as held for trading.

Value at Risk (VaR)
The Bank applies the VaR approach to its trading portfolio to estimate the market risk of the main positions held and the maximum losses that are expected.

Daily calculation of VaR is a statistically based estimate of the maximum potential loss on the current portfolio from adverse market movements.

(Amount expressed in thousands of US$ dollars)

3. Financial Risk Management (Continued)

Market Risk (continued)

a) Trading Book (continued)

Value at Risk (VaR) (continued)
VaR expresses the "maximum" amount the Bank might lose in one day, but only to a certain level of confidence (99 percent). There is therefore a specified statistical probability (1 percent) that actual loss could be greater than the one-day VaR estimate. The Bank applies the historical simulation method. The assessment of portfolio movements has been based on historical one-year data and market risk factors, which are composed by market curves and equity prices.

The Bank considers that the market risk factors, incorporated in their VaR model, are adequate to measure the market risk to which its trading portfolio is exposed.

The use of this approach does not prevent losses outside of these limits in the event of more significant market movements. Losses exceeding the VaR figure may occur, on average under normal market conditions, not more than once every hundred days. VaR limits have been established to control and keep track of all the risks taken. These risks arise from the size of the positions and/or the volatility of the risk factors embedded in each financial instrument. Regular reports are prepared for the Risk Committee.

As of December 31, the Bank's historic VaR in US Dollars by risk type is as follows:

	2020	**2019**
Individual VaR measurement		
Interest rate risk	2,413,299	543,701
Price risk	70,912	15,102
Total VaR	2,424,937	549,218

The VaR results as of December 31, 2020 show a greater interest rate risk due to the increase of the exposure in the Fixed Income portfolio. The VaR remains contained within the limits.

b) Banking Book
Non-trading portfolios which comprise the Banking Book are exposed to different risks, given that they are sensitive to market rate movements, which could bring about a deterioration in the value of assets compared to liabilities and hence to a reduction of their net worth.

(Amount expressed in thousands of US$ dollars)

3. Financial Risk Management (Continued)

Interest Rate Risk

The Bank is exposed to cash flow and fair value interest rate risk during major operations. To manage these exposures the Bank has established a variety of separate but complementary financial, investment, operational and credit reporting schemes to determine the current position on financial assets and liabilities and how it's impacted by a change in the interest rate risk.

The price risk factor that mainly affects the value of the Bank investment portfolio is interest rates. Interest Rate Risk Management is an integral component of the Asset/Liability Management (ALM) methodology in use by the Bank, which models and measures the effect that interest rate risk has over the Bank's income in the short-term.

The major Bank's investment portfolio is managed through a long-term investment (buy and hold) strategy and not as of a proprietary trading book, hence, its exposure to market price risk in the short-term is not considered to be relevant.

The Bank takes on exposure to the effects of fluctuations at the prevailing level of market interest rates on its financial position and cash flows. Interest margins may increase because of such changes but may reduce or create losses in the event that unexpected movement materializes.

The table below summarizes the Bank's exposures to interest rate risk. Included in the table are the Bank's assets and liabilities at carrying amounts, categorized by the earlier of contractual repricing or maturity dates.

	2020						
	Up to 1-month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Non interest bearing	Total
Assets							
Cash and cash equivalents	328,791	-	-	-	-	41	328,832
Financial assets	97,799	116,173	11,540	274,572	355,850	97,517	953,451
Loans	97,051	109,847	512,994	30,398	-	-	750,290
Other assets	-	-	-	-	-	121,916	121,916
	523,641	226,020	524,534	304,970	355,850	219,474	2,154,489
Liabilities							
Deposits							
Non-interest bearing	-	-	-	-	-	595,096	595,096
Interest bearing	267,547	87,691	318,436	373,109	-	-	1,046,783
Financing and borrowings funds	73,555	-	-	-	-	-	73,555
Other liabilities	62,809	-	-	-	49,215	75,067	187,091
	403,911	87,691	318,436	373,109	107,733	670,163	1,902,525
Total interest sensitivity gap	119,730	138,329	206,097	(68,139)	306,635		

(Amount expressed in thousands of US$ dollars)

3. Financial Risk Management (Continued)

Interest Rate Risk (continued)

	2019						
	Up to 1-month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Non interest bearing	Total
Assets							
Cash and cash equivalents	102,812	-	-	-	-	64	102,876
Financial assets	60,769	26,181	75,512	254,460	303,993	32,032	752,947
Loans	97,953	108,847	507,053	21,347	-	-	735,200
Other assets	-	-	-	-	-	103,629	103,629
	261,534	135,028	582,565	275,807	303,993	135,725	1,694,652
Liabilities							
Deposits							
Non-interest bearing	-	-	-	-	-	337,216	337,216
Interest bearing	203,967	89,139	286,761	416,547	-	-	996,414
Financing and borrowings funds	34,569	-	-	-	-	-	34,569
Other liabilities	38	430	491	2,223	1,906	125,505	130,593
	238,574	89,569	287,252	418,770	1,906	462,721	1,498,792
Total interest sensitivity gap	22,960	45,459	295,313	(142,963)	302,087		

The sensitivity to a reasonable possible change in interest rates, with all other variables held constant, of the Bank's statement of income and statement of comprehensive income were as follows:

	2020		2019	
Financial Margin Sensitivity	**Sensitivity Increase 100 bps**	**Sensitivity Decrease 100 bps**	**Sensitivity Increase 100 bps**	**Sensitivity Decrease 100 bps**
Assets				
Cash equivalents	296	(1)	1	-
Loans	4,013	(3,876)	3,958	(3,929)
Financial assets	1,575	(21,515)	909	(909)
	5,884	(25,392)	4,868	(4,838)
Liability				
Deposits	(6,204)	9,288	(4,102)	3,464
Total interest sensitivity gap	(320)	(16,104)	766	(1,374)
Other Comprehensive Income				
Assets				
Financial assets	(21,776)	21,515	(17,633)	17,412

3. Financial Risk Management (Continued)

Interest Rate Risk (continued)

The table below summarizes the weighted average interest rates for assets and liabilities as of December 31:

	2020 %		2019 %	
	End of year	During the year	End of year	During the year
Assets				
Interest-bearing deposits with banks	0.55	0.45	0.59	1.74
Financial assets	2.73	2.94	2.96	3.92
Loans	4.67	4.47	4.96	5.26
Liabilities				
Deposits	1.54	1.74	1.63	1.70
Financing and borrowing funds	3.75	3.21	3.33	3.02

Foreign Currency Exchange Risk

The Bank is exposed to fluctuations in foreign currency exchange rates on its financial position and cash flows. Management sets limits on the level of exposure by currency and overnight and intra-day total positions, which are monitored daily.

The table below shows the sensitivity analysis of the main currencies to which the Bank had significant exposure as of December 31, 2020 and 2019 in its monetary assets and liabilities and its forecast cash flows. The analysis determines the effect of a reasonably possible variation of the exchange rate against US Dollar with all other variables held constant on the financial statement of income. A negative amount in the table reflects a potential net reduction in the financial statement of income, while a positive amount reflects a net potential increase:

Currency rate sensitivity	Change in currency rates	As of December 31, 2020	As of December 31, 2019
	%	US$ 000	US$ 000
Depreciation of USD			
CAD positions	5	(16)	-
CHF positions	5	(44)	-
CLP positions	5	349	30
COP positions	5	3,299	513
EUR positions	5	145	33
GBP positions	5	(22)	-
PEN positions	5	(196)	(38)
CAD positions	10	(34)	(1)
CHF positions	10	(94)	-
CLP positions	10	737	64
COP positions	10	6,965	1,083
EUR positions	10	289	67
GBP positions	10	(44)	-
PEN positions	10	(415)	(80)

3. Financial Risk Management (Continued)

Foreign Currency Exchange Risk (continued)

Currency rate sensitivity	Change in currency rates	As of December 31, 2020	As of December 31, 2019
	%	US$ 000	US$ 000
Appreciation of USD			
CAD positions	5	15	-
CHF positions	5	40	-
CLP positions	5	(316)	(27)
COP positions	5	(2,985)	(464)
EUR positions	5	(145)	(33)
GBP positions	5	22	-
PEN positions	5	178	34
CAD positions	10	28	-
CHF positions	10	77	-
CLP positions	10	(603)	(52)
COP positions	10	(5,698)	(886)
EUR positions	10	(289)	(67)
GBP positions	10	44	-
PEN positions	10	339	65

Price Risk

As of December 31, 2020, investments in equity securities (including funds) have been classified as at fair value through profit or loss and considering the mark to market valuation process do not comprise investments securities for interest rate and price sensitivity risk calculation.

As December 31, 2020, the Bank's exposure to equity securities price risk arises from investments held by the Bank and classified in the financial position as investment at fair value through other comprehensive income (Note 6). To manage its price risk arising from investments in equity securities, the Bank diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Bank. The sensitivity to a reasonable possible change in price rates, the analysis assumes that the equity indexes had increased or decreased by 2% with all other variables held constant, of the Bank's comprehensive income were demonstrate as follows:

		Impact Profit and Loss	
	%	**2020**	**2019**
Hedge fund and private equity - increase	2%	735	682
Hedge fund and private equity - decrease	(2%)	(735)	(682)

(Amount expressed in thousands of US$ dollars)

3. Financial Risk Management (Continued)

Price Risk (continued)

The equities, private equity and mutual funds by geographic concentration at December 31 are detailed as follows:

	2020	**2019**
At fair value through profit or loss:		
United States of America	209	20,812
South America	31,689	9,775
Caribbean	3,555	3,505
Europe	1,305	22
	36,758	34,114

The private equity and hedge fund by industry at December 31 are detailed as follows:

	2020	**2019**
At fair value through profit or loss:		
Financial services	35,200	13,419
Pharmaceutical	1,558	20,695
	36,758	34,114

Units held in funds and private equity are measured based on their published net asset value (NAV), considering redemption and/or other restrictions. Such instruments are generally Level 3. Equity instruments in non-listed entities, included investment in private equity funds, are initially recognized at transaction price and re-measured in a regular basis as the information is available and valued.

The Hedge Funds instruments have monthly subscription, quarterly redemption and lock up period of one (1) year. The main income cash flows are provided by a wide range of securities portfolio.

The private equities have closed end structure and the Bank has invested in units at nominal value and at current NAV at the time of investment. The main strategies involve a wide range of investments such acquisition of intellectual properties in pharmaceutical industry and diversification of the portfolio on several high-quality assets considering such factors as risk levels, product competition, terms, and several other factors.

The valuation process to obtain the net asset value for those private equities is calculated on a quarterly or more frequent basis. The dividends, redemptions and return of capital are stablished in contractual basis or communicated by the administrator.

(Amount expressed in thousands of US$ dollars)

3. Financial Risk Management (Continued)

Liquidity Risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, the Bank treasury maintains flexibility in funding by maintaining availability under committed credit lines. Management monitors rolling forecasts of the Bank's liquidity based on expected cash flow.

The Bank is exposed to daily calls on available cash resources from overnight deposits, current accounts, maturing deposits, loan draw downs and guarantees. The Bank does not maintain cash resources to meet all these needs, as experience with its specific customer base shows that a minimum level of reinvestment of maturing can be predicted with a high degree of certainty. As of December 31, 2020 and 2019, the Bank holds a substantial number of securities which Management considers as secondary liquidity source.

Since 2019, the Cayman Island Monetary Authority implemented and monitors the Liquidity Risk Management for banks, including standards for funding and liquidity requirements. This index Minimum Liquidity Ratio ("MLR") establishes a minimum limit of 15% of liabilities against assets considered under regulation. At December 31, 2020, the MLR is 18.65% (2019: 19.18%).

The table below analyzes the Bank's assets and liabilities into relevant maturity groupings based on the time remaining from statement of financial position date to the contractual maturity date:

	2020					
	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
Assets						
Cash and cash equivalents	328,832	-	-	-	-	328,832
Financial assets	191,398	112,141	11,540	282,522	355,850	953,451
Loans	97,052	109,847	512,993	30,398	-	750,290
Other assets	97,853	6,929	10,393	6,741	-	121,916
	715,135	228,917	534,926	319,661	355,850	2,154,489
Liabilities						
Deposits						
Non-interest bearing	173,031	86,613	117,530	159,404	58,518	595,096
Interest bearing	267,547	87,691	318,436	373,109	-	1,046,783
Financing and borrowing funds	73,555	-	-	-	-	73,555
Other liabilities	109,006	5,443	8,164	1,669	62,809	187,091
	623,139	179,747	444,130	534,182	121,327	1,902,525
Net liquidity gap	91,996	49,170	90,796	(214,521)	234,523	251,964

(Amount expressed in thousands of US$ dollars)

3. Financial Risk Management (Continued)

Liquidity Risk (continued)

	2019					
	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
Assets						
Cash and cash equivalents	102,876	-	-	-	-	102,876
Financial assets	59,094	25,676	108,840	232,620	326,717	752,947
Loans	85,850	82,108	545,390	21,852	-	735,200
Other assets	84,976	7,254	4,145	7,254	-	103,629
	332,796	115,038	658,375	261,726	326,717	1,694,652
Liabilities						
Deposits						
Non-interest bearing	93,222	50,071	67,944	92,151	33,828	337,216
Interest bearing	203,967	89,139	286,761	416,547	-	996,414
Financing and borrowing funds	34,569	-	-	-	-	34,569
Other liabilities	112,993	4,195	6,766	4,733	1,906	130,593
	444,751	143,405	361,471	513,431	35,734	1,498,792
Net liquidity gap	(111,955)	(28,367)	296,904	(251,705)	290,983	195,860

The table below analyses the Bank´s financial liabilities into relevant maturity groupings based on their contractual maturities. The amounts disclosed in the table are the contractual undiscounted cash flows:

	2020					
	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
Liabilities						
Deposits						
Non-interest bearing	173,031	86,613	117,530	159,404	58,518	595,096
Interest bearing	265,548	84,220	318,831	380,307	-	1,048,906
Financial and borrowing funds	73,555	-	-	-	-	73,555
	512,134	170,833	436,361	539,711	58,518	1,717,557

	2019					
	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
Liabilities						
Deposits						
Non-interest bearing	93,222	50,071	67,944	92,151	33,829	337,217
Interest bearing	201,938	87,598	288,000	432,514	-	1,010,050
Financial and borrowing funds	34,569	-	-	-	-	34,569
	329,729	137,669	355,944	524,665	33,829	1,381,836

3. Financial Risk Management (Continued)

Liquidity Risk (continued)
The matching and controlled miss-matching of the maturities and interest rates of assets and liabilities is fundamental to the Management of the Bank. It is unusual for banks ever to be completely matched since business transacted is often for uncertain terms and of different types. An unmatched position potentially enhances profitability, but also increases the risk of losses.

The maturities of assets and liabilities and the ability to replace, at an acceptable cost, interest-bearing liabilities as they mature, are important factors in assessing the liquidity of the Bank and its exposure to changes in interest rates and exchange rates. Liquidity required to support calls under guarantees and stand-by letters of credit are considerably less than the amount of the commitment because the Bank does not generally expect the third party to draw funds under agreement. The total outstanding contractual amount of commitments to extend credit does not necessarily represent future cash needs, since many of these commitments will expire or terminate without being funded.

The Bank monitors its capital adequacy using ratios based on industry best practices and the recommendations issued by the Basel Committee on Banking Regulations and Supervisory Practices. The capital adequacy ratio measures capital adequacy by comparing the Bank's eligible capital, net with its risk exposure in the statement of financial position assets, off-balance sheet commitments positions at a weighted amount including an additional scope about risk sensitive approaches to credit risk, market risk and operational risk capital requirements.

These internal ratios are based on both an Earnings-at-Risk model and a Net Economic Value Sensitivity model, which are part of the Bank's ALM (Asset/Liability Management) methodology. These models yield an estimate of the potential loss that might occur if the Bank's statement of financial position structure remained unchanged during specific periods of time and market volatility affects its risk exposure.

The Bank is subject to regulatory capital requirements established by the Cayman Islands Monetary Authority ("CIMA"). Failure to meet minimum capital requirements can initiate certain actions by the regulators that, if undertaken, could have a direct material effect on the Bank's financial statements.

Under capital adequacy guidelines used by CIMA and prescribed under the Banks and Trust Companies Act (Revised) of the Cayman Islands, the Bank must meet specific capital guidelines that involve quantitative measures of the Bank's assets, liabilities, and certain off-balance sheet items as calculated under regulatory accounting practices. The Bank's capital amount and classification are also subject to qualitative judgments by CIMA about components and risk weightings.

3. Financial Risk Management (Continued)

Capital Risk (continued)

The Cayman Island Monetary Authority (CIMA) had implemented the Basel II Framework, which describes a comprehensive measure and minimum standard for capital adequacy that seeks to improve on the existing Basel I rules by aligning regulatory capital requirements more closely to the underlying risks that banks face.

The implementation of the Basel II accord, which consists of 3 'Pillars', go well beyond the mechanistic calculation of minimum capital levels set by Basel I, allowing Banks to use their own models to calculate regulatory capital while seeking to ensure that Banks establish a culture with risk management.

CIMA proposed to apply the Basel II Framework in two phases leveraging a practical measured approach. The first phase of the implementation was completed on December 31, 2011 and since then has been implemented in a consistent basis. It’s comprised the following Pillar 1 approaches:

- Credit Risk - Standardized.
- Market Risk - Standardized.
- Operational Risk - Basic Indicator Approach and the Standardized Approach.

The Pillar 1 provides a methodology for determining minimum capital requirements similar to Basel I, under Basel I this calculation related only to credit risk, with a calculation for market risk, Basel II adds a further charge to allow for operational risk.

The approaches used by the Bank to calculate its capital requirements covers the credit risk and operational risk of the Bank’s operations and the specific risks of open positions in currencies, debt, and equity securities included in the risk portfolio. Assets are weighted according to broad categories of notional credit risk; the credit risk weighting has been determined by the external credit ratings assigned to the borrower and the operational risk has been determined using the standardized approach method. The Capital Ratio is determined dividing eligible regulatory capital by total risk-weighted assets. Quantitative measures established by regulation to ensure capital adequacy require the Bank to maintain minimum amounts and ratios of capital. The Bank is required to maintain a minimum net worth of US$500 by CIMA regulations.

(Amount expressed in thousands of US$ dollars)

3. Financial Risk Management (Continued)

Capital Risk (continued)

The Bank's actual capital amount and its risk asset ratio, pursuant to CIMA reporting schedules as well as CIMA's minimum requirements, are presented in the following table:

	Base Amount	Risk Weighted Assets
Statement of financial position and off-balance sheet weighted		
Credit Risk		
Cash items	-	-
Claims on sovereigns	174,181	11,986
Claims on Non-Central Government Public Sector Entities (PSEs)	9,462	9,321
Claims on Multilateral Development Banks (MDBs)	59	29
Claims on Banks and Security Firms	91,155	35,804
Claims on Corporates and Security Firms	550,393	454,156
Claims on retail portfolio	76,648	72,821
Claims secured on higher risk categories and other assets	146,961	146,961
Total statement of financial position items	1,372,727	804,852
Off-statement of financial position items	4,573	78
Counterparty credit risk	8,432	1,690
Unsettled transactions	-	
Securitizations	6,145	1,305
Total credit risk	19,150	3,073
	1,391,877	807,925
Operational risk - standardized approach	-	140,642
Market risk	-	373,278
Total risk weighted assets		1,321,785
Capital Constituents		
Net Tier 1 and Net Tier 2 Capital		222,773
Capital Adequacy Ratio as of December 31, 2020		**16.85%**
Capital Adequacy Ratio as of December 31, 2019		19.29%
Minimum capital adequacy regulatory ratio		12%

3. Financial Risk Management (Continued)

Capital Risk (continued)
The Bank only applies the market risk approach for the trading investment position.

The second phase of the CIMA Basel II implementation will be considered for implementation after March 2013. It will include considering the implementation of advanced approaches, specifically Pillar 1 - Credit Risk - Advanced Approaches (IRB), Operations Risk - Advanced Measurement Approaches (AMA) and Market Risk - Internal Risk Management Models. However, until December 2020, the implementation of second phase remains pending or does not apply to ASB.

Since the CIMA completed its evaluation on Pillar II - Supervisory Review Process of the Basel II Framework has issued Rules and Guidelines regarding Internal Capital Adequacy Assessment Process (ICAAP) which intended to ensure Banks have adequate capital to support all the risk in their business, and also to encourage to develop and use better risk management techniques in monitoring and managing their risk.

4. Fair Value of Financial Instruments

Fair value is the amount at which a financial instrument could be realized in a current transaction between parties at arm's length, other than in a forced sale or liquidation, and is best evidenced by a quoted market price, should it exist.

The following summary presents the methodologies and assumptions used to estimate the fair value of the Bank's financial instruments:

- *Cash and cash equivalent, interest bearing deposits with banks, federal funds sold and overnight placements.* The fair values of these financial assets are considered to approximate their respective carrying values due to their short-term nature.

- *Financial assets and derivative, which includes Investments at fair value through profit or loss, at fair value through other comprehensive income and financial derivatives designed as fair value through profit or loss:* The fair value of investments that are actively traded in organized financial markets is determined by reference to quoted market bid prices at close of business of the statement of financial position date. For investments where there is no active market, fair value is determined using valuation techniques. Such techniques include recent arm's length market transactions; reference to the current market value of another instrument which is substantially the same; discounted cash flow analysis or other valuation models. The fair value of investment funds is determined by reference to the net asset values of the funds as provided by the respective administrators of such funds. (See Note 6).

(Amount expressed in thousands of US$ dollars)

4. Fair Value of Financial Instruments (Continued)

- *Loans.* The fair value of the loan portfolio approximates it is carrying value due to either the short-term nature of loans and/or the fact that the loan portfolio is composed mainly of cash collateral loans. The fair value of those long-term fixed rate and variable rate loans are determined by the Bank using discounted cash flows method using a discount rate that reflect the market rate available for transaction with similar characteristic in amount, term and risk.

- *Deposit, financings and other borrowed funds.* The fair value of these financial liabilities approximates their respective carrying values due to either their short-term nature and/or the fact that their interest rates are comparable to those available for liabilities with similar terms and conditions.

	2020		2019	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Assets				
Cash and cash equivalents	328,832	328,832	102,876	102,876
Financial assets	953,451	953,451	752,947	752,947
Loans, net	750,290	750,288	735,200	735,273
Other assets	121,916	121,916	103,629	103,629
	2,154,489	2,154,487	1,694,652	1,694,725
Liabilities				
Deposits				
Non-interest bearing	595,096	595,096	337,216	337,216
Interest bearing	1,046,783	1,046,776	996,414	996,028
Financing and borrowing funds	73,555	73,555	34,569	34,569
Other liabilities	187,091	187,091	130,593	130,593
	1,902,525	1,902,518	1,498,792	1,498,406

The Bank establishes a hierarchy of valuation techniques based on whether the inputs to these valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the Bank's market assumptions. These two types of inputs have created the following fair value hierarchy:

- Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 - Information other than the quoted prices included in Level 1 that is observable for the asset or liability, either directly (that is as prices) or indirectly (that is, derived from prices).
- Level 3 - Information of asset or liability that is not based on observable market data (unobservable support).

(Amount expressed in thousands of US$ dollars)

4. Fair Value of Financial Instruments (Continued)

The following table analyzes the fair value of financial instrument measured at fair value in books, by the level of fair value hierarchy in which have been classified:

	December 31, 2020			
	Level 1	**Level 2**	**Level 3**	**Total**
Financial Assets				
At fair value through profit or loss				
Reverse repo agreements	-	-	43,403	43,403
Debt securities	127,152	20,616	279	148,047
Equity securities (including mutual funds)	60,759	-	36,758	97,517
Total Fair value through profit or loss	187,911	20,616	80,440	288,967
At fair value through other comprehensive income				
Debt securities	501,491	162,993	-	664,484
Total financial assets	689,402	183,609	80,440	953,451
Short Sale (Note 15)				
Debt securities	(49,215)	-	-	(49,215)
Equity securities (including mutual funds)	(13,594)	-	-	(13,594)
Total	(62,809)	-	-	(62,809)
Derivatives fair value to profit or loss:				
Interest rate swaps	-	2	-	2
Forward	-	187	-	187
Futures	744	-	-	744
Total	744	189	-	933
Financial Liabilities				
Derivatives held for trading				
Forward foreign currency contract sale	-	2,904	-	2,904
Interest rate swaps	-	716	-	716
Futures	723	-	-	723
Total	723	3,620	-	4,343

(Amount expressed in thousands of US$ dollars)

4. Fair Value of Financial Instruments (Continued)

	December 31, 2019			
	Level 1	Level 2	Level 3	Total
Financial Assets				
At fair value through profit or loss				
Reverse repo agreements	-	28,751	-	28,751
Debt securities	101,043	20,872	710	122,625
Equity securities (including mutual funds)	198	1,248	32,865	34,311
Total fair value through profit or loss	101,241	50,871	33,575	185,687
At fair value through other comprehensive income				
Debt securities	445,215	121,762	283	567,260
Total financial assets	546,456	172,633	33,858	752,947
Short Sale (Note 15)				
Debt securities	(28,695)	-	-	(28,695)
Equity securities (including mutual funds)	(138)	-	-	(138)
Total	**(28,833)**	**-**	**-**	**(28,833)**
Derivatives fair value to profit or loss				
Interest rate swaps	-	188	-	188
Forward	-	4	-	4
Futures	3	-	-	3
Credit default swaps	-	369	-	369
Total	3	561	-	564
Financial Liabilities				
Derivatives held for trading				
Forward foreign currency contract sale	-	45	-	45
Interest rate swaps	-	692	-	692
Futures	42	-	-	42
Credit default swaps	-	22	-	22
Total	42	759	-	801

(Amount expressed in thousands of US$ dollars)

4. Fair Value of Financial Instruments (Continued)

In 2020, the Bank transferred fixed income bonds from Level 1 into Level 2 for US$25,977 (US$25,338 from FVOCI & US$639 from FVPL), because the fair value was determined using valuation techniques with observable market data.

In 2019, there were no fixed income bonds transferred from Level 1 to Level 2.

The following table shows a reconciliation of the opening and closing amount of Level 3 financial asset which are recorded at fair value and assets that were transferred from Level 3 into Level.

	January 1, 2020	Total gain recorded in profit or loss	Purchases	Sales	Transferred to level 1	Transfers from Level 2 to Level 3	December 31, 2020
Financial Assets At fair value through profit or loss							
Reverse repo and debt securities	710	(74)	-	(357)	-	43,403	43,682
Equity securities (including mutual funds)	32,865	2,414	24,142	(3,851)	(19,969)	1,157	36,758
	33,575	2,340	24,142	(4,208)	(19,969)	44,560	80,440

	January 1, 2020	Total gain recorded in profit or loss	Purchases	Sales	Transferred to level 1	Transfers from Level 2 to Level 3	December 31, 2020
At fair value through other comprehensive income							
Reverse repo and debt securities	283	(8)	-	-	(275)	-	-
Equity securities (including mutual funds)	-	-	-	-	-	-	-
	283	(8)	-	-	(275)	-	-

In 2020, the Bank transferred funds from Level 2 into Level 3 in financial assets at fair value through profit or loss for US$44,560 (2019: nil), because they are valued with unobservable market data.

(Amount expressed in thousands of US$ dollars)

4. Fair Value of Financial Instruments (Continued)

The following table shows a reconciliation of the opening and closing amount of Level 3 financial asset which are recorded at fair value:

	January 1, 2019	Total gain recorded in profit or loss	Total gains/ (losses) recorded in equity	Purchases	Sales	Transfers from Level 2 to Level 3	December 31, 2019
Financial Assets At fair value through profit or loss							
Debt securities	1,439	58	-	-	(787)	-	710
Equity securities (including mutual funds)	24,934	4,300	(41)	8,757	(5,085)	-	32,865
	26,373	4,358	(41)	8,757	(5,872)	-	33,575

	January 1, 2019	Total gain recorded in profit or loss	Total gains/ (losses) recorded in equity	Purchases	Sales	Transfers from Level 2 to Level 3	December 31, 2019
At fair value through other comprehensive income							
Debt securities	1,565	23	-	-	(1,305)	-	283

The Level 1 category includes financial instruments that are measured in whole or in part by reference to published quotes in an active market. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's length basis.

The Level 2 category are financial instruments that are measured based in observed markets factors. This category includes instruments valued using quoted prices for similar instruments, either in active or less active markets and other valuation techniques (models) where all significant inputs are directly or indirectly observable based on market data.

(Amount expressed in thousands of US$ dollars)

4. Fair Value of Financial Instruments (Continued)

The Level 3 investments are those that are measured using valuation techniques based on assumptions that are neither supported by prices from observable current market transactions in the same instrument nor are they based on available market data. The Bank use consensus pricing from brokers, from industry publications and other industry materials that includes unobservable inputs (those inputs for which there is little or noncurrent observable data available). The fair value is estimated using alternative assumption as follow: considering a possible change on interest rate within a range between 75 - 100 basis points for corporate debts, for equity securities (including hedge funds) the fair value was estimates using discounted cash flow, discount rate and weighted average cost of capital and the net asset value which depends on the underlying assets in their portfolios. If the assets are quoted bonds, shares or derivatives, fair value is based on market prices at the reporting date. The estimated prices and the used by the brokers have revealed that these prices have resulting very close to the fair value or execution value in a current transaction between willing parties.

The following table analyzes the fair values of financial instruments not measured at fair value in books, by the level of fair value hierarchy in which have been classified:

	2020	**Level 1**	**Level 2**	**Level 3**
Assets				
Cash and cash equivalents	328,832	328,832	-	-
Loans, net	750,290	-	750,290	-
	1,079,122	328,832	750,290	-
Liabilities				
Deposits				
Non-interest bearing	595,096	595,096	-	-
Interest bearing	1,046,783	104,433	942,350	-
Financing and borrowing funds	73,555	73,555	-	-
	1,715,434	773,084	942,350	-

	2019	**Level 1**	**Level 2**	**Level 3**
Assets				
Cash and cash equivalents	102,876	102,876	-	-
Loans, net	735,200	-	735,200	-
	838,076	102,876	735,200	-
Liabilities				
Deposits				
Non-interest bearing	337,216	337,216	-	-
Interest bearing	996,414	60,941	935,473	-
Financing and borrowing funds	34,569	34,569	-	-
	1,368,199	432,726	935,473	-

(Amount expressed in thousands of US$ dollars)

4. Fair Value of Financial Instruments (Continued)

The Management assessed that cash and cash equivalent, cash equivalent, non-interest-bearing deposits, interest bearing deposits and borrowed funds approximate their carrying amounts largely due to the short-term maturities of these instruments.

Fair values of loans and terms interest-bearing deposits are determined by using discounted cash flows (DCF) method using discount rate that reflects the market rates available for transactions with similar characteristics in amount, terms, and risk at the end of the reporting period.

5. Cash and Cash Equivalents

Cash and cash equivalents are represented by deposits with banks and overnight placements. For presentation purposes, in its statement of cash flows, the Bank considers as cash and cash equivalents all highly liquid instruments with original maturities of three months or less.

	2020	**2019**
Cash	41	64
Interest - bearing deposits with banks	315,495	94,773
Overnight placements	13,296	8,039
Total cash and cash equivalents in the statement of cash flows	328,832	102,876

6. Risk Portfolio, Net

The risk portfolio is as follows

	2020	**2019**
Loan portfolio, net	750,290	735,200
Investment at fair value through profit or loss	288,967	185,687
Investment at fair value through comprehensive income	664,484	567,260
	1,703,741	1,488,147

(Amount expressed in thousands of US$ dollars)

6. Risk Portfolio, Net

The investments securities are described as follow:

	2020				
	Cost/ Carrying Value	Gross Unrealized Gain	Gross Unrealized Loss	Gross Interest Gain	Fair Value
At fair value through profit or loss					
Reverse repo agreements	43,407	-	-	(4)	43,403
U.S. Corporate bonds	3,187	-	-	55	3,242
Non - U.S. Corporate bonds	142,583	-	-	2,222	144,805
Equity securities	97,517	-	-	-	97,517
	286,694	-	-	2,273	288,967
At fair value through comprehensive income					
Federal Agencies notes - U.S.	152,732	67	(0)	78	152,877
U.S. Corporate bonds	199,816	11,767	(2)	1,959	213,540
Non - U.S. Corporate bonds	277,736	15,944	(306)	2,874	296,248
Sovereign debt	1,599	208	-	13	1,819
	631,883	27,987	(308)	4,923	664,484
	918,576	27,987	(308)	7,196	953,451
Short Sales (Note 15)					
U.S. Corporate bonds	-	-	-	-	-
Non - U.S. Corporate bonds	(46,953)	-	-	(2,262)	(49,215)
Equity securities	(13,594)	-	-	-	(13,594)
	(60,547)	-	-	(2,262)	(62,809)

(Amount expressed in thousands of US$ dollars)

6. Risk Portfolio, Net (Continued)

At December 31, 2020, the Bank has no financial assets pledged under repurchase agreements.

	2019				
	Cost/ Carrying Value	Gross Unrealized Gain	Gross Unrealized Loss	Gross Interest Gain	Fair Value
At fair value through profit or loss					
Reverse repo agreements	28,742	-	-	9	28,751
U.S. Corporate bonds	24,554	-	-	71	24,625
Non - U.S. Corporate bonds	96,740	-	-	1,260	98,000
Equity securities	34,309	-	-	2	34,311
	184,345	-	-	1,342	185,687
At fair value through comprehensive income					
Federal Agencies notes - U.S.	109,786	18	(1)	27	109,830
U.S. Corporate bonds	192,421	4,645	(202)	1,842	198,706
Non - U.S. Corporate bonds	246,454	6,246	(120)	2,527	255,107
Sovereign debt	3,430	162	-	25	3,617
	552,091	11,071	(323)	4,421	567,260
	736,436	11,071	(323)	5,763	752,947
Short Sales (Note 15)					
Non - U.S. Corporate bonds	(28,508)	-	-	(187)	(28,695)
Equity securities	(138)	-	-	-	(138)
	(28,646)	-	-	(187)	(28,833)

(Amount expressed in thousands of US$ dollars)

6. Risk Portfolio, Net (Continued)

The Bank enter into reverse repo agreements with trading purposes to sell a higher price a purchase of securities at specific future date. Conditions and details are as follows:

	Rate	Maturity	2020
Reverse Repo			
	-0.55	01/05/2021	7,448
	%	01/27/2021	11,247
	-0.55%	01/05/2021	24,708
			43,403

	Rate	Maturity	2019
Reverse Repo			
	1.0%	01/09/2020	5,330
	1.0%	01/06/2020	3,805
	1.2%	01/06/2020	3,525
	1.25%	01/06/2020	5,637
	1.35%	01/06/2020	6,922
	1.20%	01/13/2020	3,532
			28,751

Amounts reported in the statements of income relating to gains on financial assets are detailed as follows for the year ended December 31:

	2020	2019
Net realized gain on securities	48,132	29,319

For the year ended December 31, the activity of financial assets (excluding loans and cash) is summarized as follows:

	2020	2019
Balance at January 1	752,947	897,064
Purchases of securities	17,356,386	15,004,141
Sales and write-off, net	(17,220,091)	(15,207,089)
Gain from changes in fair value on securities	17,714	32,801
(Provision) reversal for expected losses on securities	(1,156)	686
Net (loss) gain on derivatives financial instruments	(1,588)	84
Net gain on securities	48,132	29,319
Interest receivable	1,107	(4,059)
Balance at December 31	953,451	752,947

(Amount expressed in thousands of US$ dollars)

6. Risk Portfolio, Net (Continued)

The table below presents an analysis of the financial investments by rating agency designation at December 31, based on Standard & Poor's rating or its equivalent:

	2020					
	Federal Agencies Notes-U.S.	**US-Corporate Bonds**	**Non-US Corporate Bonds**	**Sovereign Debt**	**Equity Securities & Funds**	**Total**
At fair value through profit and loss						
A+ to A-	-	-	33,414	31,733	-	65,147
BBB+ to BBB-	-	-	23,748	28,970	-	52,718
Lower than BBB-	-	3,243	27,620	3,805	-	34,668
Unrated	-	-	38,916	60	97,458	136,434
	-	3,243	123,698	64,568	97,458	288,967
At fair value through comprehensive income						
AAA	152,877	9,418	-		-	162,295
AA+ to AA-	-	83,721	43,126	1,212	-	128,059
A+ to A-	-	15,828	18,701	-	-	34,529
BBB+ to BBB-	-	10,434	102,298	321	-	113,053
Lower than BBB-	-	90,552	30,973	-	-	121,525
Unrated	-	3,587	101,436	-	-	105,023
	152,877	213,540	296,534	1,533	-	664,484
Total	152,877	216,783	420,232	66,101	97,458	953,451
Short Sale (Note 15)						
A+ to A-	-	-	-	(42,055)	-	(42,055)
BBB+ to BBB-	-	-	(7,160)	-	-	(7,160)
Unrated	-	-	(13,444)	-	(150)	(13,594)
	-	-	(20,604)	(42,055)	(150)	(62,809)

(Amount expressed in thousands of US$ dollars)

6. Risk Portfolio, Net (Continued)

	2019					
	Federal Agencies Notes-U.S.	**US-Corporate Bonds**	**Non-US Corporate Bonds**	**Sovereign Debt**	**Equity Securities & Funds**	**Total**
At fair value through profit and loss						
AAA	-	23,711	-	-	-	23,711
AA+ to AA-	-	28,751	-	-	-	28,751
A+ to A-	-	-	29,727	-	-	29,727
BBB+ to BBB-	-	-	40,551	-	-	40,551
Lower than BBB-	-	914	26,941	-	-	27,855
Unrated	-	-	781	-	34,311	35,092
	-	53,376	98,000	-	34,311	185,687
At fair value through comprehensive income						
AAA	109,830	7,632	-	-	-	117,462
AA+ to AA-	-	92,369	56,423	3,617	-	152,409
A+ to A-	-	-	7,644	-	-	7,644
BBB+ to BBB-	-	11,073	158,062	-	-	169,135
Lower than BBB-	-	87,632	32,978	-	-	120,610
	109,830	198,706	255,107	3,617	-	567,260
Total	109,830	252,082	353,107	3,617	34,311	752,947
Short Sale (Note 15)						
A+ to A-	-	-	-	(3,970)	-	(3,970)
BBB+ to BBB-	-	-	-	(18,151)	-	(18,151)
Lower than BBB-	-	-	-	(6,574)	-	(6,574)
Unrated	-	-	(138)	-	-	(138)
	-	-	(138)	(28,695)	-	(28,833)

Loan Portfolio, Net

The loan portfolio by customers' activity at December 31 is detailed as follows:

	2020	**2019**
Corporate		
Manufacturing	201,064	88,839
Commercial	171,094	187,664
Real estate and construction	122,757	106,009
Agriculture	88,196	102,381
Financial services	62,074	60,797
Fishing	19,482	30,121
Transportation and communications	16,072	19,844
Education, health and other services	13,722	67,116
Mining and other related activities	7,034	59,278
	701,495	722,049
Other activity	48,998	13,221
	750,493	735,270
Less: Provision for expected loan losses	(203)	(70)
	750,290	735,200

(Amount expressed in thousands of US$ dollars)

6. Risk Portfolio, Net (Continued)

Loan Portfolio, Net (continued)

As of December 31, 2020, there are loans guaranteed with cash amounted to US$291,663 (2019: US$308,773). These loans were matched in amount and maturity.

The distribution for loan portfolio by type of interest rates is as follows:

	2020	2019
Fixed interest rates	748,377	460,459
Floating interest rates	2,116	274,811
	750,493	735,270

The following table summarizes the loans age analysis (net) based on the contractual delinquency status of payments under the loan-terms.

	2020	2019
Current	749,240	733,989
31 - 60 days	200	1,211
61 - 89 days	150	-
90 - 180 days	700	-
	750,290	735,200

The loans aged over 30 days represent overdue administrative loans; all loans have enough and liquid guarantees which cover in full the credit exposure and were processed during the first quarter 2021. Considering guarantees coverage, the bank does not made provision for those loans.

(Amount expressed in thousands of US$ dollars)

6. Risk Portfolio, Net (Continued)

Loan Portfolio, Net (continued)

A summary of the loan portfolio by the geographic location of the borrowers and the respective collateral is as follows:

	2020				
		Loan Collaterals			
	Carrying Value	U.S. Securities and Real Estate	U.S. Dollar Deposits	Other Collateral	Unsecured Portion
Peru	633,298	145,431	279,065	200,487	8,315
Chile	57,753	293	-	54,843	2,617
Switzerland	10,950	-	-	10,950	-
Ecuador	10,038	2,512	7,526	-	-
Cayman Islands	9,322	-	649	8,673	-
Colombia	8,770	-	-	-	8,770
Panama	6,400	821	2,084	3,244	251
Bouvet Island	4,482	259	281	3,942	-
United States of America	3,432	28	1,897	1,507	-
Japan	3,062	2,122	-	940	-
New Zealand	1,458	1,291	59	108	-
St. Kitts & Nevis	570	172	44	354	-
Spain	507	414	60	33	-
Uruguay	451	275	-	176	-
	750,493	153,618	291,665	285,257	19,953

	2019				
		Loan Collaterals			
	Carrying Value	U.S. Securities and Real Estate	U.S. Dollar Deposits	Other Collateral	Unsecured Portion
Peru	674,193	100,276	307,259	264,576	2,082
Chile	29,280	633	-	13,628	15,019
Colombia	10,730	-	-	-	10,730
Cayman Islands	8,411	-	507	7,904	-
British Virgin Islands	5,488	-	-	5,488	-
Panama	2,655	1,839	-	807	9
New Zealand	1,509	100	-	1,409	-
Mexico	1,007	-	1,007	-	-
Uruguay	748	-	-	748	-
United States of America	658	-	-	658	-
St. Kitts & Nevis	567	-	-	567	-
Switzerland	24	-	-	24	-
	735,270	102,848	308,773	295,809	27,840

(Amount expressed in thousands of US$ dollars)

6. Risk Portfolio, Net (Continued)

Loan Portfolio, Net (continued)

Expected Credit Loss Allowance
Changes in the expected credit loss allowance for impairment of financial assets and loan losses are as follows:

	Investments				Loans			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
At 1 January 2020	618	63	-	681	70	-	-	70
Increase	873	283	-	1,156	133	-	-	133
Assets derecognition	(372)	-	-	(372)	-	-	-	-
At December 31, 2020	1,119	346	-	1,465	203	-	-	203

	Investments				Loans			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
At 1 January 2019	1,761	-	-	1,761	56	-	-	56
Increase	(749)	63	-	(686)	14	-	-	14
Assets derecognition	(394)	-	-	(394)	-	-	-	-
At December 31, 2019	618	63	-	681	70	-	-	70

Financial assets and loans are written off when is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of an issuer or debtor to engage in a default or repayment plan with the Bank, and a failure to make contractual payments for a period or greater than 90 days past due.

The Bank constantly monitors the behaviors of loans evaluating its net credit exposure (credit less guarantees) if an increase in credit exposure is evident, the use of guarantees is evaluated therefore is not considered an irrecoverable loss.

Impairment losses on trade receivables and contract assets are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written-off are credited against the same line item.

7. Merge of Subsidiary and Goodwill

Merge of Subsidiary
After the acquisition of Correval Panama in November 22, 2017, the Bank concluded the merger process with Atlantic Security Bank - Panama Branch. Their activities are regulated by the “Superintendencia de Mercado de Valores de Panamá”.

(Amount expressed in thousands of US$ dollars)

7. Merge of Subsidiary and Goodwill (Continued)

Merge of Subsidiary (Continued)
After the merger, the Bank maintained its license and duties under the commercial name ASB Valores and continues serving as a brokerage company operating in and from Panama to the international markets.

Goodwill
The Bank has recognized goodwill in the amount of US$278 thousand as a result of the acquisition of full interest in Correval Panama, S. A. The goodwill arising from the acquisition has been recognized and measured at cost less accumulated impairment losses in other asset.

Acquisition cost	6,100
Fair value of identifiable net assets	(5,822)
Goodwill	278

At December 31, 2020, activities from ASB Valores contributed profit of US$2,614 to the Bank's results. (2019: US$468).

8. Premises and Equipment, net

The following table shows the movement of fixed assets and right of use asset:

	Furniture and Equipments	Vehicles	Leasehold Improv.	Right of Use Asset	Total
Year ended December 31, 2020					
Opening net book amount	215	34	575	4,927	5,751
Additions	238	-	-	-	238
Disposal of assets	(159)	-	-	-	(159)
Disposal dep. & amort.	159	-	-	-	159
Accumulated depreciation and amortization	(118)	(12)	(139)	(558)	(827)
Closing net book amount	335	22	436	4,369	5,162
At 31 December 2020					
Cost	2,277	67	1,485	5,485	9,314
Accumulated depreciation and amortization	(1,942)	(45)	(1,049)	(1,116)	(4,152)
Net book amount	335	22	436	4,369	5,162

(Amount expressed in thousands of US$ dollars)

8. Premises and Equipment, net (Continued)

	Furniture and Equipments	Vehicles	Leasehold Improv.	Right of Use Asset	Total
Year ended December 31, 2019					
Opening net book amount	212	48	704	-	964
Adoption IFRS 16	-	-	-	5,485	5,485
Additions	127	-	20	-	148
Accumulated depreciation and amortization	(124)	(14)	(149)	(558)	(846)
Closing net book amount	215	34	575	4,927	5,751
At 31 December 2019					
Cost	2,200	67	1,485	5,485	9,240
Accumulated depreciation and amortization	(1,985)	(33)	(910)	(558)	(3,489)
Net book amount	215	34	575	4,927	5,751

Commitment by Lease Arrangements
The Bank maintain contract with renewal option, and which have reasonable certainty that option will be executed. In this case, term of lease used to estimate measurement of liability and asset includes an estimation of futures renewals.

9. Intangible Asset

Intangibles represented by programs license and implementation cost are recorded at cost and amortized using the straight-line method over a period between 3 and 5 years.

	2020	2019
Balance at the beginning	-	3
Additions	3,855	-
Amortization	(334)	(3)
Net book amount	3,521	-

During 2020 the Bank replaces its core banking software; the license of use and implementation cost were capitalized as intangible in the second quarter of 2020.

(Amount expressed in thousands of US$ dollars)

10. Other Assets

At December 31, the breakdown of other assets is as follow:

	2020	2019
Operations in progress - investments	89,144	85,375
Accounts receivables and others	20,966	5,350
Prepaid expenses	1,667	3,680
Accounts receivables - relates parties	523	2,909
	112,300	97,314

The Bank recognize sale of financial instruments in the trade date; usually the transactions settlement occurs between the next 2 and 30 labor days from the trade date. The time since trade date and settlement date may vary depending on type of financial instrument traded and the standards applied in the market where the trade take place.

11. Derivative Financial Instruments

The Bank uses the following derivative instruments for hedging and trading purposes. The table below shows the fair values of derivative financial instruments recorded as assets or liabilities, together with their notional amounts. The notional amount, recorded as gross amount, is the amount of the derivative's underlying asset, referenced to rates or indexes and is the basis upon which changes in the value of derivatives are measured. The notional amount indicates the volume of transactions outstanding at year end and is indicative of neither the market risk nor the credit risk.

A breakdown of derivative financial instruments, position and nominal amount is as follow:

	2020			2019		
	Assets	Liabilities	Notional Amount	Assets	Liabilities	Notional Amount
Derivatives held for trading						
Forward foreign currency contracts - sale	2	2,904	146,887	4	45	3,075
Futures	744	723	12,000	3	42	5,100
Interest rate swaps	187	716	1,465	188	692	2,030
Credit default swaps	-	-	-	369	22	2,620
	933	4,343	160,352	564	801	12,825

11. Derivative Financial Instruments (Continued)

For the year ended December 31, 2020, the Bank recognized a net loss of US$1,588 (2019: net gain US$84), in derivative financial instruments held for trading and economic hedging purposes. Also, the Bank uses non-deliverable-forward (NDF) to mitigate economic exposure into currency positions, the net loss effect of exposure to currencies amounted US$4,326 which were compensated with realized gains on sale of financial assets (2019: gain US$389). As of December 31, 2020 and 2019, the Bank had positions in the following types of derivatives:

Forwards and Futures
Forward and futures contracts are contractual agreements to buy or sell a specified financial instrument at a specific price and date in the future. Forwards are customized contracts transacted in the over-the-counter market. Futures contracts are transacted in standardized amounts on regulated exchanges and are subject to daily cash margin requirements.

The main differences in the risk associated with forward and futures contracts are credit risk and liquidity risk. The Bank has credit exposure to the counterparties of forward contracts. The credit risk related to future contracts is considered minimal because the cash margin requirements of the exchange help ensure that these contracts are always honored.

Forward contracts are settled gross and are, therefore, considered to bear a higher liquidity risk than the futures contracts which are settled on a net basis. Both types of contracts result in market risk exposure.

Swaps
An agreement between two parties (known as counterparties) where one stream of future interest payments is exchanged for another based on a specified principal amount. Interest rate swaps often exchange a fixed payment for a floating payment that is linked to an interest rate (most often the LIBOR). A company will typically use interest rate swaps to limit or Credit default swaps are contractual agreements between two parties to make payments with respect to defined credit events, based on specified notional amount. The Bank purchases credit default swaps from and to counterparties to mitigate the risk of default by the counterparty on the underlying security referenced by the swap and for yield enhancement purposes.

Derivative Financial Instruments Held or Issued for Trading Purposes
Most of the Bank's derivative trading activities are related to its investment portfolio, to reduce its exposure to risk. These are normally contracted in the over-the-counter market. The Bank may also take positions with the expectation of profiting from favorable movements in prices, rates, or indexes. Also, under this hedging are included any derivatives which do not meet IFRS 9 hedging requirements.

(Amount expressed in thousands of US$ dollars)

12. Financing and Borrowing Funds

At December 31, 2020, the Bank maintains borrowing for US$73,555 (2019: US$34,569), which US$68,544 (2019: US$34,569) represents working capital mainly under a revolving credit line facility which principal use is financing our exposure in Peruvian market through fixed income trading portfolio. This credit facility has been negotiated at variable rate, repricing every week with a maximum limit of US$80 million (2019: US$46) which can be disbursement in US$ Dollar or Peruvian Soles. The interest rate at the end of year were settled as 1.52% and to 2.89%, respectively (2019: 2.89% and 3.33%).

The following table details financing and borrowed funds balance and activities:

	2020	2019
Amount at the end of the year	73,555	34,569
Average during the year	94,524	190,630
Maximum at any month end	147,666	377,184

The reconciliation arising from financing activities show in the 2020 cash flows is as follows:

	2020		
	Repurchase Agreements	Working Capital	Total
Opening balance	-	34,569	34,569
Proceeds from borrowings	495,968	16,703,703	17,199,671
Repayments of borrowings	(490,957)	(16,669,728)	(17,160,685)
	5,011	68,544	73,555

	2019		
	Repurchase Agreements	Working Capital	Total
Opening balance	179,440	58,525	237,965
Proceeds from borrowings	342,724	14,051,916	14,394,640
Repayments of borrowings	(520,672)	(14,075,420)	(14,596,092)
Interest payable	(1,492)	(452)	(1,944)
	-	34,569	34,569

At December 31, 2020, the Bank included as financing and borrowing funds US$5,011 (2019: nil) which constituted Repo Borrow, commitment to deliver a security borrow plus fixed rate 0.015% (2019: nil) to cover transactions.

(Amount expressed in thousands of US$ dollars)

13. Lease Liability

The Bank maintains a record of obligation for leasing of its office facilities. According with IFRS 16 is required to recognize the right to use the underlying asset and a lease liability that represent the obligation to be discounted in accordance with the life of the contractual terms. (See note 8).

The following detail shows the activity of lease liability:

	2020	2019
Balance at the beginning	5,088	5,485
Payments	(402)	(397)
Net book amount	4,686	5,088

14. Balances and Transactions with Related Parties

The term "related parties" is defined by Management to encompass other affiliated parties over which control or significant influence exists through common ownership, management, or directorships. In the ordinary course of its business the Bank has incurred transactions with related parties such as shareholders, non-consolidated companies, directors, and key management personnel.

Following is a detailed schedule of balance and transactions with related parties:

	2020		2019	
	Directors, key management personnel and other related parties	Affiliates	Directors, key management personnel and other related parties	Affiliates
Statement of Financial Position				
Assets				
Interest-bearing deposits with banks	-	109,377	-	37,251
Risk portfolio				
Investments in financial instruments, mutual funds managed by the Bank and other related parties	37,763	3,496	10,117	1,014
Loans	21,970	13,308	15,898	1,555
Accrued interest receivable	454	88	381	37
Other assets	421	103	473	2,436
Liabilities				
Deposits (demand and time)	535,346	113,498	336,380	49,467
Accrued interest payable	4,945	9	3,725	286
Borrowing & other liabilities	37	64,708	94	421

(Amount expressed in thousands of US$ dollars)

14. Balances and Transactions with Related Parties (Continued)

For the years ended December 31, 2020 and 2019, the Bank has not made any provision for expected losses relating to amounts owed by related parties. The loans with related parties count with guarantees are collateralized by time deposits, pledge over financial assets amounted to US$28,250 (2019: US$32,434). Unsecured loans with affiliates maintain provision for expected losses amounted US$50.

The Bank has guaranteed revolving credit line loans with Banco de Credito del Peru, S. A. amounted to US$700 (2019: US$1,555), where full risk participation has been sold off to customers without recourse to the Bank and the full amount is guaranteed by deposits received from customers.

	2020		2019	
	Directors, key management personnel and other related parties	**Affiliates**	**Directors, key management personnel and other related parties**	**Affiliates**
Off-balance sheet				
Commitments for letter of credit		12,610	-	17,764
Investment on behalf of customers	544,513		541,606	-
Statement of Income				
Salaries and benefit	2,099	-	2,217	-
Interest and dividend income	986	284	834	870
Interest expense	7,335	251	7,112	207
Fee and commission income	1,895	350	2,415	410
Fee and commission expense	-	4,184	-	3,042
Realized gains in investments	-	269	-	59
General and administrative expenses	-	133	-	105
Other income	-	648	-	408

15. Other Liabilities

The breakdown of other liabilities is as follow:

	2020	2019
Operations in progress - investments	86,027	88,156
Short sale operations - investments (Note 4)	62,809	28,833
Provision for legal - contingency	20,000	-
Accounts payables - Services	1,800	4,096
Accounts payables - Affiliates	3,149	515
Accounts payables - Others	4,277	3,104
	178,062	124,704

(Amount expressed in thousands of US$ dollars)

15. Other Liabilities (Continued)

The Bank recognizes purchase of financial instruments in the trade date. Usually, the transactions settlement occurs between the next 2 and 30 labor days from the trade date. The time since trade date and settlement date may vary depending on type of financial instrument traded and the standards applied in the market where the trade take place.

In September 2020, the board of Director´s, considering the recent court decisions and the years of the Madoff litigation process, approved to record a provision of US$20 million, which is intended to cover the losses of this legal process. (See Note 18).

16. Share Capital

The number of authorized, issued, and outstanding ordinary shares of the Bank as of December 31, 2020 was 70,000,000 (2019: 70,000,000) with a par value of US$1. During the year ended December 31, 2020, the Bank does not declare and paid dividend (2019: US$125,000).

17. Revenue from Contracts with Customers

At December 31, the breakdown of income sources related to contracts with customer is as follow:

	2020	2019
Asset management services		
Brokerage & intermediation	8,917	6,377
Portfolio management services	7,230	8,749
Custody services	1,521	1,792
Structured products distribution	1,977	2,415
	19,645	19,333
Retail and corporate banking services		
Loan and deposits maintenance	77	464
Payment and transference services	181	214
Customer services	320	698
	578	1,376
	20,223	20,709

(Amount expressed in thousands of US$ dollars)

17. Revenue from Contracts with Customers (Continued)

The revenue proceeds from contract with customers are recognized when services are provided, or goods have been transferred to customers.

The assets management fees are recorded when the transaction is made, considering trade basis.

Portfolio management and custody services are recognized monthly, calculated over average customer portfolio size accordingly to contractual fees.

The structured products distribution fees are recognized when the allocation and distribution is made to the customer accordingly to the products conditions.

Retail and corporate banking, payment, transference and customer services fees are recognized when the services are granted to the customer in accordance with the current rates.

Loans and deposit fees are recognized on a monthly basis when maintenance to each product is required and realized.

18. Commitments and Contingencies

The financial statements do not reflect various commitments and contingencies which arise in the normal course of business and which involve elements of credit, investments, and liquidity risk. Among them are commercial letters of credit, stand-by letters of credit and guarantees plus commitments to purchase and sell securities. The commitments and contingencies consist of:

	2020	**2019**
Hedge funds and private equities	34,323	34,020
Stand-by letters of credit and guarantees	12,210	16,614
Commercial letters of credit	-	1,150
	46,533	51,784

All loans commitments agree with customers finished during the year 2020.

Commitments and Contingencies Classification by Stage

Stand-by letters of credit and guarantees	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
2020	12,210	-	-	12,210
2019	16,614	-	-	16,614

18. Commitments and Contingencies (Continued)

Commitments and Contingencies Classification by Stage (Continued)
Commercial and stand-by letters of credit and guarantees include exposure to credit risk in the event of nonperformance by customers. Risks also arise from the possible nonperformance by the counterparty to the transactions. Since stand-by letters of credit and guarantees have fixed maturity dates and many of them expire without being drawn upon, they do not generally present a significant liquidity risk to the Bank.

As of December 31, 2020, the stand-by letters of credit and guarantees for amount of US$12,210 (2019: US$16,614) are collateralized by time deposits of US$7,507 (2019: US$6,999) and investment securities of US$4,703 (2019: US$9,615).

Legal Proceedings
The Bank along with its subsidiaries, are involved in certain legal proceedings that arise in the normal course of conducting business. Management does not believe that any liabilities that may result from such proceedings would have a material adverse effect on the Bank's financial condition or results of operations, or on the financial condition or results of operations of any of its subsidiaries.

(i) Madoff Trustee Litigation
On September 22, 2011, the Trustee for the liquidations of Bernard L. Madoff Investment Securities LLC (BLMIS), ("the Madoff Trustee") filed a complaint against Credicorp's subsidiary Atlantic Security Bank (ASB) in U.S. Bankruptcy Court Southern District of New York, for an amount of approximately US$120.0 million ("the Complaint"), which corresponds to the funds that ASB managed in Atlantic US Blue Chip Fund and that were redeemed between the end of 2004 and the beginning of 2005 from Fairfield Sentry Limited Fund in Liquidation (hereafter "Fairfield"), a fund that invested in BLMIS.

The Complaint further alleges that the Madoff Trustee filed an adversary proceeding against Fairfield, seeking to avoid and recover the initial transfers of money from BLMIS to Fairfield; that on June 7 and 10, 2011, the Bankruptcy Court approved a settlement between the Madoff Trustee, Fairfield and others; and that the Madoff Trustee is entitled to recover the sums sought from ASB as "subsequent transfers" of "avoided transfers" from BLMIS to Fairfield that Fairfield subsequently transferred to ASB. The Madoff Trustee has filed similar actions against other alleged "subsequent transferees" that invested in Fairfield and its sister entities which, in turn, invested in and redeemed funds from BLMIS.

18. Commitments and Contingencies (Continued)

Legal Proceedings (continued)

(i) Madoff Trustee Litigation (continued)

On July 7, 2014, the District Court of New York issued an opinion indicating that the Bankruptcy Laws of the United States are not applicable extraterritorially to permit the recovery of subsequent transfers made outside of the United States, between foreign entities. Furthermore, the District Court returned the case to the Bankruptcy Court, which, on November 22, 2016, issued a verdict establishing that certain subsequent transfers made overseas could not be recovered under the Bankruptcy Laws of the United States and rejected the demands presented by the Trustee of Madoff against the foreign entities; among them, the ASB.

On March 16, 2017, the Trustee appealed this decision, additionally seeking that the appeal be heard be heard before the Second Circuit of the Court of Appeal of the United States. On September 27, 2017, the Court of Appeals admitted the hearing of the Trustee's appeal directly before said Court. On January 10, 2019, the Trustee presented to the Court the written arguments that support his appeal. Dated April 18 and May 9, 2018, respectively, ASB and the Trustee have submitted additional written arguments supporting their respective positions on the subject.

The Court of Appeals held an oral hearing on the case on November 16, 2018; the Court listened to the arguments of both parties. On February 25, 2019, the Court of Appeals issued its Resolution whereby it has revoked the resolution of the Bankruptcy Court and ordered that the case be returned to the Bankruptcy court. On August 29, 2019 ASB challenged the Court of Appeals resolution, a motion to stay the issuance of the mandate pending the filing of a petition for a writ of certiorari in the United States Supreme Court. The petition for a writ of certiorari was filed in the United States Supreme Court. On October 30, 2019, the Trustee presented his allegations on the case. The Supreme Court has invited the General Attorney of the United States to express the state's opinion on the case.

The mentioned petition was denied by the Supreme Court in June 2020. Following the denial of the petition for writ of certiorari, the judgment for dismissal by the Bankruptcy Court was vacated and the matter was remanded back to the Bankruptcy Court. The case now remains pending in the Bankruptcy Court.

Management believes that, nevertheless the resolution of the Court, ASB has other valid defense arguments against the Madoff Trustee's claims presented in the Complaint and intends to answer the Claim. Management considers, among other substantial defenses, that the Complaint considers only the amounts withdrawn, without considering the amounts invested in Fairfield. Furthermore, ASB after redeeming said funds from Fairfield, re-invested them in BLMIS through another vehicle, resulting in a net loss in the funds that ASB managed on behalf of its customers for approximately US$78.0 million as of December 2008.

18. Commitments and Contingencies (Continued)

Legal Proceedings (continued)

ii) Fairfield Liquidator Litigation

On April 13, 2012, Fairfield and its representative, Kenneth Krys (the "Fairfield Liquidator"), filed an adversary proceeding against ASB pursuant to Chapter 15 of the U.S. Bankruptcy Code, in the U.S. Bankruptcy Court ("the Court") for the Southern District of New York, styled as Fairfield Sentry Limited (In Liquidation) v. Atlantic Security Bank, Adv. Pro. No.12-01550 (BRL) (Bankr. S.D.N.Y.) ("Fairfield v. ASB Adversary Proceeding"). The complaint sought to recover the amount of approximately US$115.0 million, reflecting ASB's redemptions of certain investments in Fairfield Sentry Limited, together with investment returns thereon. These are essentially the same moneys that the Madoff Trustee seeks to recover in the Madoff Litigation described above.

Thereafter, the Fairfield v. ASB Adversary Proceeding was procedurally consolidated by the Court with other adversary actions by the Fairfield Liquidator against former investors in Fairfield Sentry. Pursuant to that consolidation, and by consent of the parties, the Court decreed the suspension of all proceedings in the Fairfield Liquidator adversary actions (except for the filing of amended complaints) in the light of the pending litigation in the British Virgin Island courts (BVI litigation) calling into question the Fairfield Liquidator's ability to seek recovery of funds invested with and redeemed from Fairfield Sentry. This suspension has been lifted, and on September 18, 2016, the Fairfield Liquidator filed a New Complaint (the modified original Complaint) against ASB. On January 13, 2017, ASB has presented, together with other defendants, a procedural motion/defense for the Complaint to be dismissed. On January 25, 2018, a hearing was held in which the parties have orally presented their arguments in support of each of their positions.

On August 6, 2018, the Court issued a resolution stating that it has jurisdiction over the matter being sued, but that it will still have to determine whether the complaint has sufficient substantive grounds (merits) to be protected and also whether the Bankruptcy Court has jurisdiction regarding each of the defendants. The latter will have to be determined case by case based on an analysis of the facts referred to each one of the defendants. Subsequently, ASB in coordination with other defendants and with the Claimant himself have submitted to the Court an agreement authorizing the Court to decide on the viability of the claim, but reserving the parties the possibility of presenting arguments in relation to the Jurisdiction of the Court regarding each individual defendant.

(Amount expressed in thousands of US$ dollars)

18. Commitments and Contingencies (Continued)

Legal Proceedings (continued)

ii) Fairfield Liquidator Litigation (continued)
On September 11, 2019, the Court decided to consolidate in one (1) case the 238 cases against foreign defendants (entities located outside the United States). On December 12, 2019, the Liquidator presented its initial arguments on the Appeal. Until now the appeal remains pending.

Management considers that ASB has substantial defenses against the Fairfield Liquidator's claims alleged in the Amended Complaint and intends to contest these claims vigorously.

19. Other Income and Other Expenses

This note provides a breakdown of the items included in "other income/expenses" and the information about specific profit and loss disclosed.

	2020	2019
Other income		
Other income – related parties	648	408
Miscellaneous income (i)	297	175
	945	583
Other expenses		
Operating losses (i)	235	228
Miscellaneous expenses (i)	345	15
	580	243

(i) The Bank recorded profits and losses relating to income from unemployment fund, regulatory bank guarantee deposit, other rendered services not related to their core business and expenses relating to loss assumed by customers' transactions.

20. Fiduciary Activities

The Bank maintains off-balance sheet, assets for the account and risk of customers, which comprise, investment securities, alternative products and third-party products totaling US$5,730,815 (2019: US$6,398,234). These assets are comprised of customer portfolios under custody of US$5,309,313 (2019: US$5,576,206), in structured products under management US$407,804 (2019: US$352,515). Customer portfolios include US$1,418,065 (2019: US$1,250,523) and US$482,680 (2019: US$455,926) in portfolios under discretionary mandates custody by Bank and third parties, respectively. Additionally, the Bank managed trust on behalf of customers of US$13,698 (2019: US$13,586).

21. Subsequent Event

The Bank has evaluated the impact of subsequent events through May 31, 2021, which is the date that the financial statements were available to be issued and has determined that there were no additional subsequent events requiring adjustment or disclosure to the financial statements.

Merger

Currently the Bank continues in process to fill requirements with the Superintendence of Banks of Panama and Cayman Islands Monetary Authority regarding intention to move its operations from Cayman Island to Republic of Panama. The filling is almost completed, and the Management estimates being finished and merge with ASB Bank Corp. at the end of second quarter.

The Bank will merge its operations with the Panamanian entity ASB Bank Corp. (which is an entity incorporated in the Republic of Panama) within the next twelve months. The Panamanian entity will be the surviving entity to the merge, and the Cayman entity will no longer exist. All assets and liabilities, commitments, and responsibilities will be transferred to ASB Bank Corp. from Atlantic Security Bank at their carrying value. ASB Bank Corp. is a company established under Panamanian Law and is a fully owned company from Credicorp Group. It will maintain an international license which allows banks to conduct, exclusively from an office in the Republic of Panama, transactions which are intended to take effect outside the country.