BAC INTERNATIONAL BANK, INC.
AND SUBSIDIARIES
(Panama, Republic of Panama)

Consolidated Financial Statement

December 31, 2016

(With Independent Auditors' Report Thereon)

(FREE ENGLISH LANGUAGE TRANSLATION
FROM SPANISH VERSION)

BAC INTERNATIONAL BANK, INC. AND SUBSIDIARIES
(Panama, Republic of Panama)

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Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated 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 auditors' report to the related disclosures in the consolidated 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 auditors' 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 consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Bank to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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.

KPMG (SIGNED)

February 24, 2017
Panama, Republic of Panama

Table of Contents for the Notes to the Consolidated Financial Statements

(1) Organization

BAC International Bank, Inc. was incorporated as a bank and holding bank on August 25, 1995, in Panama City, Republic of Panama. BAC International Bank, Inc. is owned in a 90.53% by BAC International Corporation (BIC), 9.46% by Leasing Bogotá, S. A. – Panamá and 0.01% by other shareholders. BIC is an indirect subsidiary of Leasing Bogota, S. A. – Panama (the Parent Company). Leasing Bogotá, S. A. , - Panama is wholly owned by Banco de Bogota S. A., an authorized bank in the Republic of Colombia, which is a subsidiary of Grupo Aval Acciones y Valores, S. A.

BAC International Bank, Inc. (the Parent Bank) provides, directly and through its wholly owned subsidiaries, Credomatic International Corporation and Subsidiaries (CIC), BAC International Bank (Grand Cayman), BAC Bahamas Bank Ltd., Rudas Hill Financial, Inc. and Subsidiary, Premier Asset Management, Inc., BAC Leasing, Inc., BAC Valores (Panama), Inc. and Credomatic de Panama, S. A., (collectivelly, the “Bank”) a wide variety of financial services to individuals and institutions, principally in Guatemala, Honduras, El Salvador, Nicaragua, Costa Rica and Panama.

The banking operations in the Republic of Panama are regulated and supervised by the Superintendency of Banks of the Republic of Panama, according to provisions established by Law Decree No. 52, dated April 30, 2008, that adopts the single text of Law Decree No.9 of February 26, 1998, as amended by Legislative Decree No.2 of February 22, 2008, wich establishes the banking regime of the Republic of Panama and creates the Superintendency of Banks and the rules that govern it.

On March 11, 2015, Credomatic International Corporation, an indirect subsidiary of the Bank, acquired 100% of the issued and outstanding shares of COINCA Corporation Inc., incorporated in the British Virgin Islands ("COINCA"). COINCA provides, through its subsidiaries in Guatemala, El Salvador, Honduras, Nicaragua, Costa Rica and Panama, telematics and geolocation products. With this acquisition, the Bank expands its regional value strategy in the Central American market.

On September 2, 2015, Corporación Tenedora BAC Credomatic S.A., an indirect subsidiary of the Bank, acquired 100% of the issued and outstanding shares of Medio de Pago MP, S.A., incorporated in Costa Rica ("Medio de Pago"). Medio de Pago provides collection services through their posts "Servimas" located in a major supermarket chain. With this acquisition, the Bank expands its value strategy in the Costa Rican market.

(2) Base of Preparation of the Financial Statements

(a) Compliance with International Financial Reporting Standards (“IFRSs”)

The consolidated financial statements have been prepared in conformity with IFRSs issued by the International Accounting Standards Board ("IASB").

(3) Base of Preparation of the Financial Statements, continued

The consolidated financial statements were approved by the Bank's Board of Directors for its issue on February 16, 2017.

(b) Basis of measurement

The consolidated financial statements have been prepared on a historical cost basis, except for the following significant items in the consolidated statement of financial position.

- Investments and other assets at fair value
- Loans at fair value

Initially, the Bank recognizes loans and the items, receivables and deposits as of the date they are settled.

(c) Functional and presentation currency

The items included in the accounts of each of the Bank's subsidiaries are measured using the currency of the main economic environment where the entity operates ("functional currency"). The Bank's consolidated financial statements are presented in U.S.A. dollars which is also the Bank's functional and presentation currency. Information presented in U.S.A. dollars is expressed in dollars, unless otherwise stated.

(d) Use of estimates and judgments

Preparation of the consolidated financial statements requires the Bank's management to make judgments, estimates and assumptions affecting the application of accounting policies and the reported amounts of assets, liabilities, revenues and expenses. Final results may differ from these estimates. These also require the Bank's management to apply its judgment when applying the Bank's accounting policies.

The information on the most significant areas of estimation of uncertainty and critical judgments in applying the accounting policies that have the most important effect on the amounts recognized in the consolidated financial statements is disclosed in Note 5.

(3) Summary Significant Accounting Policies

The accounting policies explained below have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently by all entities.

(a) Basis of consolidation

Subsidiaries

The subsidiaries are entities controlled by the Bank. Control exists when the Bank has the ability, direct or indirect, to regulate the financial and operating policies of an entity to obtain benefits from its activities.

To determine the control, the potential voting rights that are currently executable or convertible are considered. The subsidiaries' financial statements are included in the consolidated financial statements from the date on which the control begins, and until the control ceases.

(3) Summary Significant Accounting Policies, continued

Balances and Transactions Eliminated in the Consolidation

The balances, revenues and expenses in transactions between subsidiaries are eliminated. Losses and gains that arise from intragroup transactions that are recognized as assets or liabilities are also eliminated.

Changes in the ownership of the subsidiaries that do not result in a change of control

Transactions with non-controlling interest that do not result in a loss of control are accounted for as equity transactions; that is, as transactions with the owners. Any difference between the carrying value of the interest and the amount of the transaction is recorded as an adjustment in retained earnings.

Disposal of subsidiaries

When the Bank ceases having control, any retained interest in the entity is remeasured at fair value on the date in which the control is lost, recognizing the change in the carrying value in the consolidated income statement. The fair value is the initial carrying value for purposes of the subsequent accounting of the interest retained as an associate, joint venture or financial asset. Additionally, any amount previously recognized in other comprehensive income in relation to this entity is recognized as if the Bank had sold directly the related assets or liabilities. This could imply that the amounts previously recognized in other comprehensive income are reclassified to the consolidated income statement.

(b) Transactions and balances in foreign currencies

Transactions and balances in foreign currencies

Assets and liabilities maintained in foreign currency are converted to the functional currency at the exchange rate in effect on the date of the consolidated statement of financial position. Gains or losses resulting from the conversion of foreign currency are reflected in other revenues or other expense accounts in the consolidated statement income.

Goodwill and adjustments to fair value resulting from the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity, and are therefore converted at the exchange rates in effect on each period closing date.

Subsidiaries of the Bank

The financial position and results of all of the Bank's subsidiaries that have a different functional currency than the Bank's functional currency are converted to the presentation currency as follows:

- Assets and liabilities: at the exchange rate prevailing at the period closing date.
- Revenues and expenses: at the average exchange rate.
- Equity accounts: at the historical exchange rate.

The resulting conversion adjustment is carried directly to a separate account in the “Equity” section, under "other comprehensive loss".

(3) Summary Significant Accounting Policies, continued

(c) Financial assets and liabilities

Classification

Financial assets are classified on the date of initial recognition, based on the nature and purpose of the financial asset's acquisition. The classifications conducted by the Bank are as follows:

Agreements for repurchase and resale of securities

Securities purchased under resale agreements and those sold under repurchase agreements are accounted for as secured financing transactions and are recorded at the amount at which the securities were acquired or sold plus accumulated interest. The Bank has a policy of taking possession of the securities purchased under resale agreements. The Bank assesses the market value of the securities purchased and sold and obtains or releases the counterparties' guarantees when is adequate.

Investments in securities

Investments in securities are classified into one of the following categories based on Management's intention to generate gains from the fluctuations in the instrument's price, or to sell them eventually.

- Investments and other assets at fair value through profit or loss

  This category includes investments in securities acquired for the purpose of generating gains in the short term from fluctuations in the instrument's price, and derivative financial instruments. These financial instruments are presented at fair value and changes in fair value are presented in the consolidated income statement.

  Further details of derivative financial instruments are included in accounting policy “g”.

- Investments available for sale

  This category includes those investments in securities acquired with the intention of holding them for an indefinite term. These financial instruments are presented as follows:

  - At fair value, and they are valued at quoted market prices. In case that a market price is not available, fair value is estimated using the market price of a similar instrument. In cases where significant valuation assumptions are not directly observable in the market, the instruments are valued using the best information available to estimate fair value. Changes in the fair value are recognized in the consolidated statement of comprehensive income. These can be sold after authorization from the Bank's Assets and Liabilities Committee (ALICO) to meet liquidity needs or to make a profit or reduce losses in case of impairment.

  - At historic cost, in case the instruments of equity, when they do not have a quoted price in an active market, and their fair value cannot be measured fairly. Such financial instruments consist of interest in entities over which the Bank does not exercise significant influence or control.

(3) Summary Significant Accounting Policies, continued

Impairment of available for sale securities

The Bank assesses at each date of the consolidated statement of financial position whether there is objective evidence of impairment of investments available for sale. An impairment is incurred, if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "event causing the loss"), and the event (or events) that causes the loss has an impact on the estimated future cash flows of investments available for sale, which can be estimated reliably.

Among the evidence of impairment loss may include indications that the issuers are experiencing significant financial difficulty, default or delinquency in payment of interest or principal, the likelihood that enter a state of bankruptcy or in any other financial reorganization and when observable data indicate a likely decline in valuation of estimated future cash flows, such as changes in the payment terms or in economic conditions that cause with defaults.

If there is any objective evidence of impairment for financial assets available for sale, the cumulative loss is reversed from equity and recognized in the consolidated income statement.

If in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase is objectively related to an event occurred after the impairment loss recognized in the profit or loss of the period, the impairment loss will be reversed through the consolidated income statement. Any subsequent recovery in the fair value of an equity instrument shall be recognized in the consolidated statement of comprehensive income.

Financial liabilities

Financial liabilities are classified at amortized cost using the effective interest method, except when there are financial liabilities measured at fair value through profit or loss.

Recognition, disposal and measurement

The purchases and sales of financial instruments on a regular basis are recognized on the date of each negotiation, which is the date on which the Bank commits to buy or sell a financial instrument. Financial assets and liabilities are initially recognized at fair value.

Transaction costs are attributed to expenses in the consolidated income statement when incurred for financial assets and liabilities at fair value with changes in the consolidated income statement, and they are recorded as part of the initial value of the instrument for assets and liabilities at amortized cost and available for sale securities. Transaction costs are incremental costs incurred to acquire assets or sell financial liabilities. These include fees, commissions and other concepts paid to agents, brokers, advisors and intermediaries, rates established by regulatory agencies and stock markets, as well as taxes and other rights.

(3) Summary Significant Accounting Policies, continued

Financial assets are derecognized from the consolidated statement of financial position when the payments derived from it were received, the rights to receive cash flows from the investments have expired or have been transferred and the Bank has transferred substantially all of the risks and benefits derived from their ownership.

After initial recognition, all financial assets and financial liabilities classified at amortized cost are measured based on the effective interest method. Interests accrued are recorded in the interest income or expense account.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, to realize the assets and settle the liabilities simultaneously.

(d) Loans

Loans receivable are non-derivative financial assets with fixed or determinable payments that are not quoted in active markets and are originated when funds are provided to a debtor in the form of a loan. Loans are presented at their outstanding principal value, less unearned interest and commissions (when applicable) and the allowance for loans losses, except for those loans for which the fair value option was chosen. Unearned interest and commissions are recognized as income during the life of the loan using the effective interest method.

For management purposes of creating an allowance, products are classified into: corporate, small and medium enterprise (SME), vehicles, credit card, personal, mortgage, leases or debt and guarantee commitments, as defined below.

Corporate and SME

Corporate clients and SMEs are defined, in general terms, as entities registered (for example corporations, limited liability companies, limited stock companies) and sole proprietors or self-employed partiers using credit lines for business purposes. Corporate clients and SMEs should be segmented into three separate categories, as detailed below. Client segmentation in these categories is based on sales and credit exposure of the client with the Bank. The total consolidated credit exposure with the client should only appear in one category.

- Small Company - legal entities or other entities that employ commercial products or financing assets for commercial use where the credit exposure is less than $350,000 and annual sales are below $1 million.

- Medium Company - legal entities or other entities that employ commercial products or financing assets for commercial use where the consolidated credit exposure is higher than $350,000 but less than $1 million, and annual sales are less than or equal to $10 million.

(3) Summary Significant Accounting Policies, continued

- Corporate Company - legal entities or other entities that employ commercial products or financing assets for commercial use where the credit exposure is higher than $1 million and annual sales are over $10 million.

The portfolio should be classified per the original amount approved.

Vehicles
There is an agreed amortization calendar to pay for the entire original loan; there are no more disbursements without additional contract and the main objective is to grant financing for the purchase of vehicles, whether new or used.

Credit card
There is a credit limit up to which the client may disburse without the need for additional contracts, and the balance owed at the end of the cycle is used to assess a minimum payment.

Personal
There is an agreed amortization calendar to pay for the entire original loan; there are no more disbursements without an additional contract and the main objective is to grant financing to individuals for a variety of purposes.

Mortgage
Mortgage product for the purpose of issuing financing for the purchase of real estate (family homes) secured through a mortgage on residential property provided by the borrower. There is an agreed amortization calendar to pay for the entire original loan; there are no more disbursements without an additional contract.

Leases
Financing mechanism for the acquisition of assets through a contract. The lessor agrees to temporarily transfer the use of an asset to the other party, called a lessee. The lessee is under the obligation to make a payment for the use of the asset. This definition covers both financial leases and operating leases.

Debt commitments and guarantees
Letters of credit, financial guarantees and contractual commitments to disburse loans. The off balance sheet commitments are subject to individual reviews and are analyzed and segregated by risk according to the client's internal risk rating.

(e) Allowance for impairment of financial assets
The Bank assesses at each consolidated reporting date whether there is any objective evidence that a financial asset or group of financial assets could be impaired. A financial asset or group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (a "loss event") and the event (or events) that causes the loss has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

(3) Summary Significant Accounting Policies, continued

The evidence of loss due to impairment can include indications that the debtors or a group of debtors is experiencing important financial difficulties, non-payment or delays in payments of the interest or principal, the likelihood that they will enter bankruptcy or any other financial reorganization situation, and when observable data indicate that there is a reduced subject to valuation in future estimated cash flows, such as changes in the payment conditions or in the economic conditions that are correlated to non-payment.

Once a financial asset or group of similar financial assets has been impaired, the financial revenues are recognized using the interest rate used to discount the future cash flows, in order to measure the impairment in value through the original effective interest rate.

Impairment losses are determined using two methodologies, which indicate whether there is objective impairment evidence, that is, individually for loans that are individually significant and collectively for loans that are not individually significant.

Loans assessed collectively

The allowance for the homogeneous loans portfolio is established based on joint assessments of the segmented portfolio, generally by product type. Models of losses incurred are used for these segments that consider various factors, including, without being limited to, historic losses, noncompliance or foreclose of assets, quantified based on experience, delinquency, economic conditions and credit scores. These models of losses incurred in consumption products are updated periodically to include information that reflects current economic conditions.

The allowance for loans losses represents the best estimate of losses inherent in the credit portfolio. The method to calculate losses incurred depends on the size, type and risk characteristics of the products.

Assumptions, estimates and underlying assessments used to quantify losses are continuously updated, at least each quarter, to reflect current conditions.

Allowance model for homogeneous loans (SMEs, vehicles, personal, credit cards, mortgage and leases)

Loans of a homogeneous nature (for example, with similar risk profiles and amounts) are grouped and assessed collectively for impairment (delinquency levels).

Different models are used to determine the allowance for losses in homogeneous loan groups: the progression rate model (SMEs, credit cards, vehicles, personal and leases) and the recovery of guarantees model (mortgage).

The progression rate model that is used to calculate allowance levels is based on the percentage observed historically for the portfolios in each delinquency range, with a weighted average for various months (per product) in each delinquency level until it is reflected as a loss in the portfolio.

The methodology to reserve mortgages is based on two components:

(3) Summary Significant Accounting Policies, continued

- loss rate incurred, which is the rate observed at which the account will tend to progress for each range, until reaching 180 days past due.
- recovery rate of a loan once it falls into default.

The allowance for impaired restructured loans is calculated using the present value of future expected flows discounted at the effective interest rate of the loan before the restructuring.

Loans assessed individually

Remaining corporate portfolios are assessed individually and are separated into two sub-categories: impaired and not impaired. The sub-standard rating was defined as impaired.

Allowance Model of Individually Significant with Impairment

Commercial loans above $350,000 with a sub-standard risk rating or worse are subject to individual impairment assessments based on cash flows. A historic recovery rate is applied to commercial loans below $350,000 with a sub-standard, doubtful or loss risk rating.

If a corporate loan above $350,000 is determined to be impaired, the impairment amount must be determined individually, based on one of the following methodologies: present value of future expected cash flows discounted at the original effective interest rate, market value of the loan, or the fair value of the collateral.

For the category of loans and receivables, the amount of the loss is measured as the difference between the carrying amount of the asset and the present value of estimated future cash flows (regardless of future credit losses that have not been incurred) discounted at the original effective interest rate of the financial asset. The carrying amount of the asset is reduced and the amount of the loss is recognized in the provision for losses. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

Allowance Model of Individually Significant without Impairment

Each corporate client is assessed individually on a regular basis (at least annually) and a risk category is assigned, associated to a level of allowance for losses. The allowance level for risk ratings satisfactory and special mention is calculated based on the historic information of the impairment incurred but not identified.

Impairment reversal

If in a subsequent period the amount of the impairment loss reduces, and the reduction can be objectively attributed to an event that occurred after the impairment was recognized (as an improvement in the debtor's credit quality), the impairment reversal previously recognized will be recorded in the provision for losses in loans.

(3) Summary Significant Accounting Policies, continued

Restructured loans

Restructured loans are those to which the Bank has made them a permanent concession due to impairment in the financial condition of the debtor. These loans once restructured will remain with the risk rating assigned to the debtor at the time of its restructuring, when the debtor show improvement on its financial condition for an extended period of time subsequent to the restructuring, the risk rating may be modified without losing it restructured status.

Impaired loans acquired

In acquiring impaired debt, the expected losses are included in the estimate of cash flows when the effective interest rate is calculated; therefore, estimated cash flows are determined based on expected cash flows after the deduction of losses incurred in loans, and not based on loan contractual flows.

The re-estimating of expected cash flows is conducted both individually (corporate) and collectively (SMEs, vehicles, personal, credit cards, mortgage and leases). When impaired loans are acquired resulting from a business combination, interest income and impairment allowances of the acquiree differ in the acquiror's consolidated financial statements. Therefore, consolidation adjustments may be required until the loans acquired with impairment were derecognized. Modifications in expected cash flows are generally presented in interest income, unless there is evidence of subsequent impairment, in such cases modifications are generally recognized in the allowance for loan losses.

Allowance for losses in loans and off-balance sheet commitments

The allowance for loans losses and the reserve for off-balance sheet commitments are those amounts that Management deems adequate to cover inherent losses from existing loans and off-balance sheet commitments, respectively, as of the reporting date.

The Bank has developed policies and procedures that reflect a credit risk assessment considering all information available, to determine whether the allowance for loans losses and the reserve for off-balance sheet commitments are adequate. When appropriate, this assessment includes a monitoring of quantitative and qualitative trends, including changes in delinquency levels on in the classification of the operation as sub-standard or a lower level.

In carrying out this assessment, the Bank depends on the history of each portfolio to determine the loss and uses its judgment to assess credit risk. Increases in the reserve for losses in loans are estimated based on a variety of factors, including without being limited to, an analytical review of the experience in losses in loans regarding the loans' outstanding balance, a continuous review of problematic loans, the general quality of the loans portfolio and the adequacy of guarantees, the results of the reviews of regulatory bodies, assessments by independent experts, and management's judgment of the impact of current economic conditions on the present loans portfolio.

(3) Summary Significant Accounting Policies, continued

(f) Foreclosed assets

Assets acquired or awarded in the settlement of a loan are held for sale, and are initially recognized at the lower of the balance of the loan and fair value less selling costs as of the award date, establishing a new cost basis. After the award, management conducts periodic assessments and assets are recognized at the lower of carrying value or fair value less costs to sell. Operating revenues and expenses originated and changes in the provision for the valuation of those assets are included in other operating expenses. Costs related to the maintenance of these properties are included as expenses as they are incurred.

(g) Derivative financial instruments and hedge accounting

Derivatives are initially recognized at fair value on the date in which the derivatives contract was signed. After initial recognition, they are measured again at fair value; attributable transaction costs are recognized in income when incurred.

When the Bank conducts a hedge accounting, it documents the existing relationship between hedging instruments and the hedged items, as well as its risk management objectives and the strategy to execute various hedge transactions. The Bank also documents its assessment, both at inception and on an ongoing basis, of whether the derivatives used in the hedging transactions are highly effective in offsetting the changes in fair value or in the cash flows of the hedged items.

After initial recognition, derivative financial instruments are measured at fair value, and changes are recorded according to the type of hedge used, as described below:

Cash flow hedges

When a derivative instrument is designated as a cash flow hedge, the effective portion of the changes in fair value are recognized in other comprehensive income, and presented in the hedge reserve. Any ineffective portion of the changes in the fair value of the derivative is recognized immediately in the consolidated income statement.

The amount accumulated in equity is maintained in other comprehensive income and is reclassified to the consolidated income statement in the same period that the hedged item affects the income.

If the hedged instrument no longer meets the criteria for hedge accounting, expires or is sold, or is terminated or exercised, or the designation is revoked, this hedge is prospectively discontinued. If the expected transaction is no longer expected to occur, the balance recorded in equity is immediately reclassified to the consolidated income statement.

Derivatives without hedge accounting

Derivative instruments that are not linked to a hedge strategy are classified as assets or liabilities at fair value and recorded in the consolidated statement of financial position at fair value. Changes in the valuation of these derivative instruments are recorded in the consolidated income statement.

(3) Summary Significant Accounting Policies, continued

Embedded derivatives

Derivatives may be embedded in another contractual arrangement (a host contract). The Bank accounts for an embedded derivative separately from the host contract when:

- the economic characteristics and risks of the embedded derivative are not closely related to those of the host contract;
- a separate instrument with the same the terms as the embedded derivative would meet the definition of a derivative; and
- the hybrid instrument is not measured at fair value with changes in the fair value recognized in profit or loss;

When is susceptible to separate an embedded derivative from its host contract, but is unable to measure the embedded derivative separately either at acquisition or at the end of a subsequent financial reporting period, the entire hybrid contract is valuated at its fair value. All embedded derivatives are presented combined with its host contracts even though were valuated separately when conditions met. Subsequent changes in fair value of derivative instruments are recorded in the consolidated income statement.

(h) Recognition of the most significant income and expenses

Finance income and expenses

Finance income and expenses are recognized in the consolidated income statement using the effective interest method. The effective interest rate is the discount rate that equals exactly the estimated cash flows receivable or payable throughout the expected life of the financial instrument with the net carrying value of the financial asset or liability. To calculate the effective interest rate, the Bank will estimate cash flows considering all of the contractual conditions of the financial instrument, but not considering future credit losses.

The calculation of the effective interest rate includes all commissions and points paid or received that are part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or liability.

Fees and commissions

Fees and commissions that are part of the effective interest rate in a financial asset or liability instrument are included in the measurement of the effective interest rate.

Other revenues from fees and commissions, including services fees, asset management, sales commissions, loan syndication, among others, are recognized when the corresponding services are provided. When a loan commitment is not expected to be disbursed in the short term, the corresponding fees for this commitment are recognized on a straight line basis over the commitment's term.

Annual credit card memberships, net of direct card-origination incremental costs, are deferred and amortized on a straight line during a term of one year. Commissions charged to affiliated commercial establishments are determined based on the amount and type of purchase by the cardholder, and are recognized at the time the charges are invoiced.

(3) Summary Significant Accounting Policies, continued

Other fees and commissions received related mainly to fees for transactions and services are recognized as income when they are received.

Loyalty programs

The Bank offers loyalty programs that allow cardholders to earn points that can be redeemed for a variety of awards, including cash, trips and products at a discount. The points are recognized as a separately identifiable component of the initial transaction of credit card consumption income, distributing the fair value of the consideration received between the fair value of the points for the client and the residual value of the consideration received.

The estimated fair value of loyalty programs is recorded as a reduction in credit card fees, and those points redeemed and recognized as charges for services in other income of the Consolidated Income Statement. The Bank recognizes the points based on the earned points expected to be redeemed and the fair value of the point to be redeemed. The points to be redeemed are estimated based on the history of redemption, card product type, account transaction activity and past performance of the cards.

(i) Cash and cash equivalents

The Bank considers all highly liquid investments with maturities of 90 days or less as cash equivalents. Cash and cash equivalents consist of cash, demand deposits at banks, certain securities and deposits that generate interests, with original maturities of 90 days or less.

(j) Property, furniture and equipment and depreciation method used

Property, furniture, equipment and improvements are presented at cost, less accumulated depreciation and amortization.

The cost of renovations and improvements is capitalized when they increase the asset's useful life; while repairs and maintenance that do not extend the useful life or improve the asset are charged to profit or loss during the period in which they are incurred.

Depreciation is calculated on a straight line basis over the estimated useful lives of the assets. The Bank depreciates amounts with a charge to the period's profit or loss with a credit to the accumulated depreciation account. Land is not depreciated. The estimated useful lives of assets are:

Category	Years/Base
Buildings	20 - 50
Furniture and equipment	5 - 10
Vehicles	5
Aircraft	Based on hours flown
Computers	3 - 5
Leasehold improvements	3 - 5

Leasehold improvements are amortized during the lower of the estimated useful life or the term of the lease contract.

(3) Summary Significant Accounting Policies, continued

(k) Business combinations and goodwill

The Bank follows the acquisition method to account for the acquisition of subsidiaries. The Bank considers that the acquisition date is the date on which control is obtained and it legally transfers the consideration for subsidiary assets acquired and liabilities assumed. The cost of an acquisition is measured through the fair value of the consideration paid. The fair value of the consideration transferred by the Bank in a business combination is calculated as the sum of the fair value on the acquisition date of the assets transferred to the Bank, deferred considerations and contingent considerations, including options, issued by the Bank. The Bank recognizes fair values on the date of acquisition of any preexisting investment in the subsidiary and the contingent consideration as part of the consideration transferred in exchange for the acquisition.

In general, all identifiable assets acquired (including intangible assets) and liabilities assumed (including contingent liabilities) are measured at fair value on the acquisition date. The Bank records identifiable intangible assets regardless of the assets have been already recognized by the acquirer prior to the business combination. Non-controlling interests are recorded for the proportional part of fair value of the identifiable assets and liabilities, unless stated otherwise. When the Bank has the corresponding option to settle the purchase of a non-controlling interest through the issue of its own ordinary shares, no financial liability is recorded.

Any excess in the cost of the acquisition over the interest in the net fair value of the identifiable assets acquired and the liabilities assumed by the Bank is recorded as goodwill. If the cost of the acquisition is lower than the fair value of the interest in the identifiable assets acquired and liabilities assumed by the Bank, the resulting gain is recognized immediately in other revenue, in the consolidated income statement. During the measurement period (which is a term of one year from the date of the acquisition), the Bank can, retrospectively, adjust the amounts recognized on the date of acquisition to reflect new information obtained on events and circumstances that existed at that date.

After initial recognition of the goodwill in a business combination, goodwill is measured at cost less accumulated impairment losses. Goodwill is not amortized, but impairment tests are conducted each year, or when circumstances indicate that carrying amounts may be impaired.

For impairment tests purposes, goodwill acquired in a business combination is, on the acquisition date, assigned to each of the cash-generating unit groups (CGUs) expected to benefit from the combination. The CGUs to which goodwill is assigned will be disaggregated in order to the impairment testing level reflects the lowest level to which the goodwill is controlled for purposes of internal management.

An impairment loss will be recognized if the carrying amount of the CGU plus the goodwill allocated to it, is higher than its recoverable amount, in which case the allocated goodwill will be reduced first, and any remaining impairment would be applied to other CGUs' assets.

(3) Summary Significant Accounting Policies, continued

(l) Intangible assets

Intangible assets represent identifiable non-monetary assets, and are acquired separately or through a business combination or are generated internally. The Bank's intangible assets are mainly comprised of relations with the depositors, relations with credit card clients, relations with affiliated businesses, computer programs and trade names.

The amortization expense of intangible assets is presented in the consolidated income statement within the depreciation and amortization expenses.

Trade names are non amortizable intangible assets.

Cash-generating units to which goodwill has been attributed are periodically assessed for impairment. This assessment is carried out at least annually, or whenever there is evidence of impairment.

(m) Income tax

The tax expense for the year includes current and deferred taxes. Taxes are recognized in the consolidated income statement, except to the extent that they refer to items recognized in results or directly in net equity.

The current tax expense is calculated based on the laws enacted on the balance sheet date in the countries where the parent company and its subsidiaries operate, and where they generate positive taxable bases. The Bank's Management periodically assesses the positions assumed in tax returns regarding situations in which applicable tax regulation is subject to interpretation, and when necessary, establishes stipulations on the amounts expected to be paid to the tax authorities.

Deferred taxes are recognized for the temporary differences that arise between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recorded if they arise from the initial recognition of goodwill; deferred taxes are not recognized if they arise from an asset or liability in a transaction, other than a business combination, that at the time of the transaction does not affect the accounting results or the tax gain or loss. Deferred tax is determined using tax rates (and laws) enacted on the balance sheet date and expected to be applicable when the corresponding deferred tax asset is realized or the liability is settled.

Deferred tax assets are recognized only to the extent that it is likely that the future tax benefits with which temporary differences can be set off will be recovered or settled.

Deferred taxes are recognized over temporary differences that arise from investments in subsidiaries and associates, except for those deferred tax liabilities for which the Bank can control the date on which the temporary differences will be reversed, and it is likely that these will not be reversed in the foreseeable future. Deferred tax assets are recognized in deductible temporary differences that arise from investments in subsidiaries only to the extent that it is likely that the temporary differences will be reversed in the future, and there is a sufficient taxable gain against which the temporary differences can be used.

(3) Summary Significant Accounting Policies, continued

Deferred tax assets and deferred tax liabilities are set off only if there is a legally recognized right to offset the current tax assets with the current tax liabilities and when the deferred tax assets and deferred tax liabilities are derived from tax on gains corresponding to the same tax authority, and the authority allows the Bank to pay or received one amount that settle the existing net issue.

(n) Employee benefits

The Bank is subject to the labor laws in each country where it operates. The Bank provisioned an employment benefit when such benefit is related to employee services already rendered, the employee has earned the right to receive the benefit, the benefit payment is probable and the amount of such benefit can be estimated.

(o) Trust Contracts and Secutiries Management

Trust contracts and custody of assets are not considered part of the Bank, and accordingly, such securities and related revenue are not included in these consolidated financial statements. It is the obligation of the Bank to manage and safeguard the assets under contract and independently of their equity.

The Bank charges a fee for the management of trust contracts and custody of assets, which is paid according to agreements between the parties. These fees are recognized as income according to the terms of the contracts either monthly, quarterly or annually on an accrual base.

(p) Fair value option

The Bank may choose to measure some of its financial instruments at fair value, if it meets the criteria to eliminate or significantly reduce the volatility introduced in the results as a result of different measurements related financial instruments (accounting mismatch). Under these criteria, the Bank's management adopted the policy of designating a portion of the mortgage portfolio at fair value; covering the risk exposure generated by the growing trend of rates by acquiring derivative financial instruments.

(q) Fair value estimates

The fair value of a financial asset or liability is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (exit price).

The Bank conducts a fair value estimate in accordance to IFRS 13. The different hierarchy levels have been defined as follows:

- Level 1 - Quoted prices in active markets without adjustments for identical assets or liabilities that the Bank can access at the measurement date.

- Level 2 - inputs other than quoted prices included in Level 1 that are observable, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using quoted prices in active markets for similar instruments, quoted prices for identical or similar instruments in markets that are not active and other valuation techniques where significant data inputs are directly or indirectly observable in the market.

(3) Summary Significant Accounting Policies, continued

- Level 3 - unobservable inputs for the asset or liability. This category includes all instruments where the valuation technique includes unobservable inputs and these have a significant effect on the fair value measurement. This category also includes instruments that are valued based on quoted prices for similar instruments for which we must make significant adjustments using unobservable inputs, assumptions or adjustments in which no observable or subjective data are used when there are differences between the instruments.

A market is considered active if quoted prices are readily and regularly available from an exchange, financial intermediaries, a sector institution, pricing service or regulatory agency, and those prices reflect actual market transactions with sufficient frequency and volume to provide pricing information market.

(r) Transactions between entities under common control

Transfers of assets between entities under common control, including transactions with intermediate holding companies, are initially recorded at book value of the company transferring the assets at the date of transfer. If the carrying amount of the assets and liabilities transferred differs from historical cost of the Parent Company of entities under common control, then the receiving company of the assets and liabilities record it using the historical cost of the Parent Bank.

(s) Assets and liabilities classified as held for sale

The disposal group of assets and liabilities, expected to be recovered through sale rather than continued operation, are classified as held for sale. Immediately before the initial classification as held for sale, the carrying amounts of the assets and liabilities or disposal group of assets or liabilities are measured at fair value. Subsequent to this measurement, assets held for sale are recognized at the lower of the book value, and fair value less costs to sell. An impairment loss will be recognized by initial or subsequent reductions in the group of assets and liabilities. Impairment losses in the initial and subsequent classification of assets and liabilities held for sale are recognized in the consolidated income statement.

(t) Discontinued operations

A discontinued operation is a component of the Bank that has been sold or otherwise disposed of, or has been classified as held for sale, and (i) represents a significant and independent line of business or a geographical area of operation, or (ii) is part of a single coordinated plan to sell or dispose of a significant and independent line of business or a geographical area of operation. Classification as a discontinued operation occurs when the operation is sold or when it meets the criteria to be classified as held for sale, if it occurs earlier. When an operation is classified as discontinued, the consolidated statements of operations and comprehensive income are modified as if the operation had been discontinued since the beginning of the comparative year.

(u) Reclasifications

Certain amounts in the consolidated financial statement of 2015 have been reclassified to conform to the consolidated financial statement of 2016 presentation.

(3) Summary Significant Accounting Policies, continued

(v) New International Financial Reporting Standards (IFRS) not yet adopted

As of the consolidated financial statements date, there are standards that have not been applied in the preparation of these consolidated financial statements:

- The final version of IFRS 9 “Financial Instruments” (2014) supersedes any previous versions of IFRS 9 (2009, 2010 and 2013) and completes the project to supersede IAS 39. The most important effects of this Standard include:

  - New requirements for the classification and measurement of financial assets. This standard contains, among other aspects, two primary categories to measure financial assets: amortized cost and fair value. IFRS 9 eliminates existing categories in IAS 39 of held-to-maturity securities, available for sale securities, loans and accounts receivable.

  - It eliminates volatility in results caused by changes in the credit risk of liabilities measured at fair value, which implies that gains obtained from the entity’s own credit risk impairment in this type of obligations, is no longer recognized in the consolidated income statement of the period, but in equity

  - A substantially amended approach for hedge accounting, with improved disclosures on the risk management activity.

  - A new impairment model, based on "expected loss" that will require a greater and more timely recognition of expected lending losses.

  The effective date for the application of IFRS 9 is for annual periods beginning on or after January 1, 2018. However, this Standard can be early adopted.

- IFRS 15 “Revenue from Contracts with Customers”. This Standard establishes a single comprehensive framework to determine how, when and how much revenue should be recognized. This Standard replaces existing guidelines, including IAS 18 “Revenues from Ordinary Activities”, IAS 11 “Construction Contracts”, and IFRIC 13 “Customer Loyalty Programs”. IFRS 15 is effective for annual periods beginning on or after January 1, 2018, and early adoption is permitted.

- IFRS 16 "Leases". On January 13, 2016, was issued IFRS 16 "Leases", which replaces the current, IAS 17 "Leases". IFRS 16 eliminates classification of leases either as operating leases or finance leases for the lessee. Instead, all leases are recognized similarly to finance leases under IAS 17. Leases are measured at the present value of future lease payments and are presented as either leased assets (right of use assets) or along with property, furniture and equipment. IFRS 16 is effective for annual periods beginning on or after January 1, 2019. Early adoption is also permitted for entities that adopt IFRS 15 "Revenue from Contracts with Customers".

Given the nature of financial transactions held by the Bank, the adoption of these standards could have a significant impact on the consolidated financial statements. Management is assessing this matter.

(4) Risk Management

Risk Management is a fundamental part of the Bank. It has an infrastructure to comprehensively manage risks, in order to ensure a responsible and sustainable growth in time, to maintain the confidence of its stakeholders, and to assure with reasonable certainty the fulfillment of its short, medium and long term goals, through a balance between meeting objectives and taking risks, in line with the corporate strategy.

The Bank is exposed to the following risks from financial instruments:

- Credit risk,
- Liquidity risk,
- Market risk, and
- Operational risk.

An organizational framework based on current regulations in the region on risk management has been defined to manage these risks. This framework includes policies, procedures and a human and technical infrastructure to identify, analyze and assess risks, as well as to set adequate limits and controls, monitor risk management and comply with defined limits. These policies and risk management systems are periodically reviewed, updated and reported to the respective committees, to ensure they reflect changes in market conditions, products and services offered.

Through its management procedures and standards, the Bank aims to develop a disciplined and constructive control environment where all employees understand their roles and duties.

The periodic oversight and management of risks is conducted through the following corporate governance bodies, established both regionally and in the countries where the Bank operates: Committee of Comprehensive Risk Management, Assets and Liabilities Committee (ALICO), Compliance Committee, Credit Committee, and Audit Committee.

(a) Credit Risk

This is the risk of financial loss faced by the Bank when a client or counterparty does not meet their contractual obligations, and is mainly originated from deposits, investments in securities and loans receivable.

To mitigate credit risk, risk management policies establish processes and controls to follow for the approval of loans or credit facilities. The Bank structures acceptable credit risk levels by setting limits on the amount of risk that is assumed in relation to one borrower, or group of borrowers, and geographic segment. These credits are constantly controlled and subject to periodic review.

Exposure to credit risk is managed through a periodic analysis of the borrowers' or potential borrowers' capacity to pay principal and interest. Exposure to credit risk is also mitigated in part through collateral, corporate and personal guarantees.

Credit is managed through policies that have been clearly defined by the Board of Directors, and are reviewed and modified periodically based on changes and expectations in the market where the Bank operates, regulations and other factors considered while preparing these policies.

(4) Risk Management, continued

The Bank uses a series of credit reports to assess its portfolio's performance, provision requirements and especially to anticipate events that could affect its debtor's condition in the future.

The Bank has a regional guideline on investments that defines the general profile for the investment portfolio, and establishes two large maximum levels to control the investments' exposure: a limit on country risk and on issuer risk. The country risk limits are set based on an internal qualification scale, and are measured as percentages of the Bank's equity or as absolute amounts. The guideline includes approval schemes and attributions for new limits or increases on existing limits.

Compliance with this guideline is monitored on a daily basis through the Investment Portfolio Management and Control Module (MACCI from Spanish), an internal tool to document the entire investment process, including new approvals, limit increases or decreases, purchases and sales, and also to control exposures by issuer and the use of assigned quotas.

The Board of Directors has delegated the responsibility of managing credit risk on the Credit Committee and Assets and Liabilities Committee (ALICO), which both periodically oversees the financial condition of the respective debtors and issuers that represent a credit risk for the Bank.

Information on the portfolio's quality

Quality of the portfolio of bank deposits and securities under resale agreements

The Bank maintains deposits on banks for $2,773,080,996, as of December 31, 2016 (2015: $2,890,228,281). Deposits are maintained at central banks and other financial institutions, most of which have between AA and B risk ratings, based on Standard & Poors, Fitch Ratings and/or Moody's. Of total deposits, excluding deposits in central banks, as of December 31, 2016, approximately $202 million did not have a risk rating (2015: $260 millions).

Securities under resale agreements are entirely classified based on the ratings assigned by Standard & Poors or Fitch Ratings. Their position is summarized together with that of investments in securities.

As of December 31, 2016, all securities under resale agreements and bank deposits are up to date on the payment of principal and interest.

Quality of the investments and other assets at fair value

The Bank segregates the investment portfolio into investments and other assets at fair value though profit or loss, and available for sale investments. As of December 31, 2016 investments and other assets at fair value amounted to $1,322,607,099 (2015: $1,082,308,515).

(4) Risk Management, continued

- Investments and other assets at fair value through profit or loss
  Investments and other assets at fair value through profit or loss are classified entirely according to the ratings assigned by Standard & Poors, in the BB+ to BB-, for $32,665,199 as of December 31, 2016 (2015: $30,614,924), of which $32,614,699 (2015: $29,804,339) are to government bonds and $50,500 (December 31,2015: $810,585) of other instruments.

  Other assets at fair value through profit or loss include derivative financial instruments, which as of December 31, 2016 amounted to $50,500 (2015: $810,585).

  The following table shows the analysis of the counterparty's credit exposures as a result of operations with derivative financial instruments. The Bank's derivative operations are generally secured by cash. All of the Bank's derivative financial instruments are negotiated in over-the-counter markets. For further discussion of derivative financial instruments, see Note 25.

	2016		2015	
	Notional Value	Fair Value	Notional Value	Fair Value
Assets	10,514,286	50,500	33,889,286	810,585
Liabilities	1,171,428	2,321	28,552,156	403,299

- Securities available for sale
  As of December 31, 2016, the financial instruments available for sale at fair value amounted $1,280,898,403 (2015: $1,042,832,935).

  As of December 31, 2016, $9,043,497 of financial instruments available for sale at cost (2015: $8,860,656) are excluded from the following risk management analysis. Further details on financial instruments available for sale at cost are included in Note 8.

As of December 31, 2016, investments in securities and other assets measured at fair value amounted to $1,313,563,602 (2015: $1,073,447,859).

(4) Risk Management, continued

The credit quality of liquidity instruments and financial instruments is monitored according to the international risk rating of the issuer provided by Standard & Poors; the following table summarizes such categories:

	2016		2015	
	Securities purchased under resale agreements	Investments in securities and other assets at fair value	Securities purchased under resale agreements	Investments in securities and other assets at fair value
Governments and Agencies				
AA+	0	218,346	0	218,788
BBB	2,500,212	139,004,060	0	93,879,424
BB+ to BB-	18,895,704	712,123,187	12,944,209	500,436,654
Not rated	8,042,219	8,720,959	18,763,875	49,911,149
Total Governments and Agencies	29,438,135	860,066,552	31,708,084	644,446,015
Corporate				
A+	0	50,500	0	4,027,240
A	0	0	0	177,054,421
A-	0	12,181,119	0	8,944,195
BBB+	0	301,781,853	0	82,888,949
BBB	0	15,648,533	0	28,264,140
BBB-	0	22,666,265	6,342,709	22,153,300
BB+ or less	31,343,850	67,714,531	7,861,254	77,170,389
Not rated	10,576,028	33,454,249	10,832,442	28,499,210
Total Corporate	41,919,878	453,497,050	25,036,405	429,001,844
Total instruments	71,358,013	1,313,563,602	56,744,489	1,073,447,859

Investments available for sale at December 31, 2016 are up to date and do not reflect impairment (December 31, 2015: current and do not reflect impairment).

Quality of the loans portfolio

- Corporate

  They are assessed on a quarterly basis, based on quantitative (financial statements) and qualitative elements (economic sector, management, market share, etc.) to issue a risk rating that allows segregating the portfolio into Satisfactory, Special Mention, and Impaired (Sub-standard, Doubtful, Loss). These last ones have a high risk and may have a high likelihood of default or total loss, thus their reserve is estimated individually.

  Below are the definitions of the risk ratings for the corporate portfolio:

  - Satisfactory:
    "Satisfactory risk" loans are divided into additional categories, mainly based on the borrower's financial health, and their capacity to service debt costs.

  - Special mention:
    The Bank's definition of a watch list account is that where we consider the possibility of future concern in the event that a specific event or events occur, or if a certain trend is not reversed.

(4) Risk Management, continued

- Sub-estándar:
  A loan with well-defined credit weaknesses that have continued for some time, that constitute an inadequate credit risk, with a potential exposure and weaknesses that could reflect negatively if they are not reviewed or corrected.

  Credit weaknesses are defined when the client is not capable of facing their current debt entirely because of problems in solvency and payment capacity. This is determined through an analysis of the financial statements, plus a qualitative analysis of the credit area that knows the client and their environment.

  In terms of time, the Bank readjusts the risk category once impairment is detected, since this allows taking immediate corrective actions.

- Doubtful:
  A credit with sufficiently well-defined weaknesses, where eventual full settlement is questionable, based on existing data, conditions and values, even when there are certain factors that could improve the credit's status.

  Full recovery of the debt in its entirety is very questionable, given the advanced level of impairment in the client's financial condition. This is the step prior to loss

- Loss:
  Credits classified as loss will be considered uncollectible and of such scarce value that their continuation as assets is not justified.

  This classification does not mean that the credit lacks of a recovery value, but that it is not very practical or desirable to delay the settlement of this asset that basically lacks value, even when a partial recovery may be achieved in the future.

- Personal and SME banking
  The credit quality of the personal loan, mortgage loan and SME loan portfolio is monitored based on the evolution of a series of primary portfolio quality indicators such as: delinquency status, percentage of impaired portfolio and composition by loan to value (LTV) level for loans with a real guarantee (the LTV measures the loan's carrying amount as a percentage of the value of the property securing the loan, this indicator is updated each month).

  In credit cards, the historic delinquency behavior and payments are the factors used to monitor the portfolio's quality.

  Since this is one of the most relevant products, its risk rating is updated each month.

(4) Risk Management, continued

The following table presents balances receivable in the loans portfolio according its risk category:

	2016		2015	
	Loans	Debt commitments and guarantees	Loans	Debt commitments and guarantees
Loans at fair value				
Form 0 to 30 days	14,354,172	0	17,379,905	0
From 31 to 90 days	482,775	0	0	0
From 91 to 120 days	140,853			
From 181 to 365 days	422,537	0	0	0
Net carrying amount, loans at fair value	15,400,337	0	17,379,905	0
Loans at amortized cost				
Corporate [(1)]				
Satisfactory	5,140,320,002	492,962,776	4,838,758,531	401,969,527
Special mention	54,154,777	1,027,885	71,213,162	1,633,898
Sub-standard	33,849,661	571	36,579,679	0
Doubtful	7,779,222	0	5,366,661	0
Loss	8,206,127	0	7,591,565	1,143
Gross amount	5,244,309,789	493,991,232	4,959,509,598	403,604,568
Allowance for impairment	(28,528,682)	(156,684)	(23,965,888)	(126,458)
Net carrying amount	5,215,781,107	493,834,548	4,935,543,710	403,478,110
Personal Banking and SMEs				
0 to 30 days	8,715,447,195	60,682,167	7,876,460,545	46,676,920
31 to 90 days	154,387,933	0	139,097,997	0
91 to 120 days	46,888,636	0	38,217,831	0
121 to 180 days	58,446,312	0	45,019,951	0
181 to 365 days	21,756,087	0	14,091,462	0
More than 365 days	15,122,010	0	18,541,062	0
Gross amount	9,012,048,173	60,682,167	8,131,428,848	46,676,920
Allowance for impairment	(166,831,798)	(11,926)	(137,066,600)	(11,440)
Net carrying amount	8,845,216,375	60,670,241	7,994,362,248	46,665,480
Unearned interest	(2,577,581)	0	(2,268,672)	0
Net unearned commissions	(50,384,109)	0	(50,179,680)	0
Net carrying amount, loans at amortized cost	14,008,035,792	554,504,789	12,877,457,606	450,143,590

(1) Includes leases, net of interests from corporate clients.

The factors that the Bank has considered to determine the impairment in its loan portfolio are detailed below:

- Impairment in loans
  Management determines whether there is objective evidence of impairment in loans based on the following criteria established by the Bank:

  - Breach of contract in the payment of principal or interest;
  - Cash flow with difficulties experienced by the borrower;
  - Failure to comply with the terms and conditions agreed;
  - Initiation of bankruptcy proceedings;
  - Impairment in the competitive position of the borrower; and
  - Impairment in the value of collateral.

(4) Risk Management, continued

- Delinquent but not impaired
  Loans and investments with a delinquency level of less than 90 days in arrears, which do not qualify as individually significant with a sub-standard risk rating or worse, and that have not been renegotiated.

- Restructured loans
  They are loans where, due to difficulties in the debtor's ability to pay, a variation in the original loan terms (term, payment plan and guarantees) have been formally documented.

- Charge off
  Each month, the Bank reviews its impaired portfolio to identify those debts that deserve to be charge off due to the uncollectibility of the balance and up to the amount at which collaterals do not cover it. For consumer loans, unsecured credit cards and SMEs, charge off are carried out depending on the extent of delinquency. In the case of mortgage, secured consumer loans and SMEs, the charge off is carried out depending on the extent of delinquency and the estimated amount for which collaterals do not cover the carrying amount of the loan.

(4) Risk Management, continued

The following table presents the impaired and non-impaired loan portfolio based on risk category:

	2016		2015	
	Loans	Debt commitments and guarantees	Loans	Debt commitments and guarantees
Loans at fair value				
Current and non-impaired portfolio				
From 0 to 30 days	14,354,172	0	17,379,905	0
Portfolio with 31 to 90 days in arrears but not				
From 31 to 90 days	482,775	0	0	0
Impaired portfolio				
From 91 to 120 days	140,853	0	0	0
From 181 to 365 days	422,537	0	0	0
Net carrying amount, loans at fair value	15,400,337	0	17,379,905	0
Loans at amortized cost				
Corporate				
Current and non-impaired portfolio				
Satisfactory	5,123,765,705	491,125,838	4,825,407,192	401,720,445
Special mention	45,370,033	897,706	61,594,443	1,527,405
Total	5,169,135,738	492,023,544	4,887,001,635	403,247,850
Portfolio with 31 to 90 days in arrears but not impaired				
Satisfactory	5,271,842	0	2,958,522	0
Special mention	494,054	0	909,801	0
Total	5,765,896	0	3,868,323	0
Impaired individual portfolio				
Sub-standard	30,616,437	0	35,369,488	0
Doubtful	6,642,283	0	4,912,933	0
Loss	6,969,108	0	5,739,255	0
Total	44,227,828	0	46,021,676	0
Impaired collective portfolio(1)				
Satisfactory (2)	11,282,455	1,836,938	10,392,817	249,082
Special mention (2)	8,290,689	130,750	8,708,918	106,493
Sub-standard	3,233,224	0	1,210,191	0
Doubtful	1,136,940	0	453,728	0
Loss	1,237,019	0	1,852,310	1,143
Total	25,180,327	1,967,688	22,617,964	356,718
Total corporate	5,244,309,789	493,991,232	4,959,509,598	403,604,568
Allowance for impairment				
Individual	(4,678,675)	0	(5,838,518)	0
Collective	(23,850,007)	(156,684)	(18,127,370)	(126,458)
Total allowance for impairment, corporate loans	(28,528,682)	(156,684)	(23,965,888)	(126,458)
Personal banking and SMEs (1)				
Current and non-impaired portfolio				
0 to 30 days	8,596,446,253	60,590,967	7,769,013,914	46,238,820
Portfolio with 30 to 90 days in arrears but not impaired				
31 to 60 days	91,864,376	0	82,222,758	0
61 to 90 days	51,524,327	0	47,265,388	0
Total	143,388,703	0	129,488,146	0
Impaired portfolio (1)				
1 to 30 days	119,000,943	91,200	107,446,631	438,100
31 to 90 days	10,999,230	0	9,609,851	0
91 to 120 days	46,888,636	0	38,217,831	0
121 to 180 days	58,446,312	0	45,019,951	0
181 to 365 days	21,756,087	0	14,091,462	0
More than 365 days	15,122,009	0	18,541,062	0
Total	272,213,217	91,200	232,926,788	438,100
Total personal banking and SMEs	9,012,048,173	60,682,167	8,131,428,848	46,676,920
Allowance for impairment, personal banking and SMEs	(166,831,798)	(11,926)	(137,066,600)	(11,440)
Unearned interests	(2,577,581)	0	(2,268,672)	0
Unearned commissions	(50,384,109)	0	(50,179,680)	0
Net carrying amount, loans at amortized cost	14,008,035,792	554,504,789	12,877,457,606	450,143,590

(1) Include restructured loans.

(2) Includes transactions that are current and are presented on this category, by Administration's policies, until they meet the requirements to qualify as non impaired.

(4) Risk Management, continued

The following table presents the restructured loan portfolio:

	2016 Loans	2016 Debt commitments and guarantees	2015 Loans	2015 Debt commitments and guarantees
Restructured loans				
Current restructured loans	153,991,105	132,855	139,719,452	410,653
90 days past due restructured loans	17,495,181	0	11,599,280	0
Allowance for impairment	(21,715,642)	(811)	(18,383,105)	(274)
Restructured loans, net	149,770,644	132,044	132,935,627	410,379

The following is an analysis of the gross and net amounts (of allowance for impairment) of loans and debt commitments and guarantees individually and collectively impaired:

	2016				2015			
	Loans		Debt commitments and guarantees		Loans		Debt commitments and guarantees	
	Gross	Net	Gross	Net	Gross	Net	Gross	Net
Impaired loans								
Corporate								
Individually assessed loans								
Sub-standard	30,616,437	27,160,596	0	0	35,369,488	33,276,421	0	0
Doubtful	6,642,283	4,795,907	0	0	4,912,933	4,178,072	0	0
Loss	6,969,108	4,441,334	0	0	5,739,255	4,512,644	0	0
Total	44,227,828	36,397,837	0	0	46,021,676	41,967,137	0	0
Collectively assessed loans (1)								
Satisfactory (2)	11,282,455	11,205,479	1,836,938	1,836,388	10,392,817	10,322,682	249,082	248,891
Special mention (2)	8,290,689	7,778,324	130,750	129,939	8,708,918	8,161,989	106,493	105,822
Sub-standard	3,233,224	2,223,563	0	0	1,210,191	840,920	0	0
Doubtful	1,136,940	708,768	0	0	453,728	281,402	0	0
Loss	1,237,019	690,860	0	0	1,852,310	569,880	1,143	664
Total	25,180,327	22,606,994	1,967,688	1,966,327	22,617,964	20,176,873	356,718	355,377
Personal Banking and SMEs								
Impaired portfolio (1)								
0 to 30 days	119,000,943	105,473,372	91,200	91,182	107,446,631	95,156,392	438,100	438,013
31 to 90 days	10,999,230	8,795,157	0	0	9,609,851	7,987,616	0	0
91 to 120 days	46,888,636	23,707,193	0	0	38,217,831	19,185,623	0	0
121 to 180 days	58,446,312	20,742,222	0	0	45,019,951	16,615,014	0	0
181 to 365 days	21,756,087	12,200,392	0	0	14,091,462	7,838,085	0	0
More than 365 days	15,122,009	12,377,775	0	0	18,541,062	18,541,062	0	0
Total	272,213,217	183,296,111	91,200	91,182	232,926,788	165,323,792	438,100	438,013
Total impaired loans	341,621,372	242,300,942	2,058,888	2,057,509	301,566,428	227,467,802	794,818	793,390

(1) Includes restructured loans.

(2) includes transactions that are current and are presented on this category, by Administration´s policies, until they meet the requirements to qualify as unimpaired.

(4) Risk Management, continued

Guarantees and other improvements to reduce credit risk and its financial effect

The Bank maintains guarantees and other improvements to reduce credit risk to ensure the payment of their financial assets exposed to credit risk. The table below shows the main types of guarantees taken with respect to different types of financial assets.

	2016					
	Mortgage	Pledge	Certificates of deposit	Investments in securities	Unsecured	Total
Securities under resale agreements	0	0	0	71,358,013	0	71,358,013
Investments in securities and other assets at fair value	0	0	0	0	1,313,563,602	1,313,563,602
Loans at fair value	15,400,337	0	0	0	0	15,400,337
Loans at amortized cost						
Corporate						
Corporate	2,289,088,251	406,188,071	213,685,005	0	2,204,506,290	5,113,467,617
Corporate leases, net	0	130,842,172	0	0	0	130,842,172
Total corporate	2,289,088,251	537,030,243	213,685,005	0	2,204,506,290	5,244,309,789
Personal Banking and SMEs						
Small and medium enterprises	326,136,931	0	19,524,155	0	221,885,697	567,546,783
SMEs leases, net	0	88,916,097	0	0	0	88,916,097
Total SMEs	326,136,931	88,916,097	19,524,155	0	221,885,697	656,462,880
Vehicles	0	843,084,502	0	0	0	843,084,502
Credit cards	0	0	0	0	2,500,581,208	2,500,581,208
Personal	312,408,522	0	47,094,818	0	1,625,512,801	1,985,016,141
Mortgage	2,967,354,292	0	0	0	0	2,967,354,292
Leases, net of interest	0	59,549,150	0	0	0	59,549,150
Total personal banking and SMEs	3,605,899,745	991,549,749	66,618,973	0	4,347,979,706	9,012,048,173
Total loans at amortized cost	5,894,987,996	1,528,579,992	280,303,978	0	6,552,485,996	14,256,357,962
Commitments and guarantees	59,427,243	1,214,600	18,933,358	0	475,098,198	554,673,399

	2015					
	Mortgage	Pledge	Certificates of deposit	Investments in securities	Unsecured	Total
Securities under resale agreements	0	0	0	56,744,489	0	56,744,489
Investments in securities and other assets at fair value	0	0	0	0	1,073,447,859	1,073,447,859
Loans at fair value	17,379,905	0	0	0	0	17,379,905
Loans at amortized cost						
Corporate						
Corporate	2,097,025,380	155,720,026	169,275,823	0	2,405,597,966	4,827,619,195
Corporate leases, net	0	131,366,634	523,769	0	0	131,890,403
Total corporate	2,097,025,380	287,086,660	169,799,592	0	2,405,597,966	4,959,509,598
Personal Banking and SMEs						
Small and medium enterprises	245,407,493	0	21,268,440	0	260,997,953	527,673,886
SMEs leases, net	0	72,928,432	0	0	0	72,928,432
Total SMEs	245,407,493	72,928,432	21,268,440	0	260,997,953	600,602,318
Vehicles	0	729,985,294	0	0	0	729,985,294
Credit cards	0	0	0	0	2,255,307,696	2,255,307,696
Personal	244,742,226	0	35,124,891	0	1,485,581,590	1,765,448,707
Mortgage	2,730,608,979	0	0	0	0	2,730,608,979
Leases, net of interest	0	49,475,854	0	0	0	49,475,854
Total personal banking and SMEs	3,220,758,698	852,389,580	56,393,331	0	4,001,887,239	8,131,428,848
Total loans at amortized cost	5,317,784,078	1,139,476,240	226,192,923	0	6,407,485,205	13,090,938,446
Commitments and guarantees	5,969,987	2,131,929	46,552,864	0	395,626,708	450,281,488

(4) Risk Management, continued

The following are the non-financial assets that the Bank seized as collaterals to secure collection during the year:

	2016	2015
Properties	14,242,811	11,101,868
Furniture and equipment	1,575,011	643,384
Other	327,288	117,902
Total	16,145,110	11,863,154

The Bank's policy is to perform the sale of these assets to cover the balances due. In general, using non-financial assets for its operations is not a Bank policy.

Residential mortgage loans

The following table shows the ratio of loans from the mortgage portfolio to the value of collaterals (LTV). LTV is calculated as a percentage of the gross amount of the loan in relation to the value of collaterals. The gross amount of the loan excludes any loss impairment. The value of collaterals for mortgages is based on the original value of the guarantee as of the date of disbursement and generally is not updated.

	2016		2015	
LTV Ratio	**Loans**	**Commitments and guarantees**	**Loans**	**Commitments and guarantees**
Less than 50%	575,625,220	4,125,999	546,062,429	3,954,112
51-70%	1,002,746,326	12,594,232	893,854,411	7,357,091
71-80%	953,626,504	19,911,080	862,216,978	14,973,965
81-90%	381,052,472	12,593,995	366,613,946	9,657,342
91-100%	46,399,987	3,438,566	48,939,191	3,308,248
More than 100%	7,903,783	88,102	12,922,024	0
Total	2,967,354,292	52,751,974	2,730,608,979	39,250,758

(4) Risk Management, continued

Concentration of credit risk

The Bank follow-up the concentration of credit risk by sector and geographic location. The geographic location of loans and deposits in banks is based on the location of the debtor. In regards to investments, they are based on the location of the issuer. The analysis of the concentration of credit risks as of the date of the consolidated financial statements is as follows:

	2016					
	Loans at fair value	Loans at amortized cost	Commitments and guarantees	Securities under resale agreements	Deposit in banks	Investments in securities and other assets at fair value
Concentration by sector:						
Government	0	0	0	29,438,135	1,804,414,403	860,066,552
Corporate						
Trade	0	1,548,477,551	118,324,062	0	0	0
Services	0	999,318,339	106,533,782	2,080,589	0	0
Food industry	0	856,147,134	41,561,027	0	0	0
Real estate	0	736,559,299	13,552,376	0	0	8,186,461
General industry	0	499,318,892	58,779,326	0	0	0
Agriculture	0	422,545,154	9,869,864	0	0	0
Construction	0	134,785,579	49,363,642	0	0	4,169,112
Hotels and restaurants	0	226,915,957	576,370	0	0	602,753
Financial	0	229,829,517	75,000,087	39,839,289	968,666,593	438,862,724
Telecommunications	0	102,593,508	12,830,355	0	0	1,676,000
Transportation	0	144,281,739	15,530,532	0	0	0
Personal banking	15,400,337	8,355,585,293	52,751,976	0	0	0
Total concentration by sector	15,400,337	14,256,357,962	554,673,399	71,358,013	2,773,080,996	1,313,563,602
Geographic location:						
Costa Rica	15,400,337	3,937,525,537	201,875,382	18,895,704	801,104,846	357,224,109
Panama	0	3,604,169,060	203,305,103	16,638,782	87,254,617	168,115,454
Guatemala	0	2,533,807,698	24,772,171	35,823,527	323,742,839	191,167,653
Honduras	0	1,506,472,031	39,841,913	0	305,902,586	137,848,189
El Salvador	0	1,443,388,503	75,649,378	0	370,129,285	28,634,705
Nicaragua	0	1,230,995,133	9,229,452	0	199,790,507	40,927,504
North America	0	0	0	0	646,361,458	309,196,425
South America	0	0	0	0	0	80,396,657
Europe	0	0	0	0	23,774,419	0
Others	0	0	0	0	15,020,439	52,906
Total concentration by geographic location	15,400,337	14,256,357,962	554,673,399	71,358,013	2,773,080,996	1,313,563,602

(4) Risk Management, continued

	2015					
	Loans at fair value	Loans at amortized cost	Commitments and guarantees	Securities under resale agreements	Deposit in banks	Investments in securities and other assets at fair value
Concentration by sector:						
Government	0	0	0	31,708,084	1,870,408,024	644,446,015
Corporate						
Trade	0	1,656,351,081	102,550,532	0	0	0
Services	0	945,607,940	93,821,459	6,342,709	0	0
Food Industry	0	771,097,256	28,951,996	0	0	0
Real estate	0	592,154,003	9,084,315	0	0	3,359,784
General Industry	0	485,176,132	50,478,785	0	0	0
Agriculture	0	404,691,752	3,926,417	0	0	0
Construction	0	145,083,944	37,229,108	0	0	1,490,943
Hotels and restaurants	0	179,610,063	317,317	0	0	1,239,360
Financial	0	168,822,935	69,807,126	18,693,696	1,019,820,257	421,307,661
Telecomunications	0	106,042,784	2,665,116	0	0	1,604,096
Transportation	0	105,474,028	12,198,559	0	0	0
Personal banking	17,379,905	7,530,826,528	39,250,758	0	0	0
Total concentration by sector	17,379,905	13,090,938,446	450,281,488	56,744,489	2,890,228,281	1,073,447,859
Geographic location:						
Costa Rica	17,379,905	3,556,675,944	154,012,227	12,944,209	730,209,974	300,592,380
Panama	0	3,310,390,631	177,251,885	26,007,642	86,182,211	107,529,810
Guatemala	0	2,364,578,054	19,580,741	17,792,638	476,015,758	47,509,349
Honduras	0	1,412,064,547	37,808,834	0	232,038,878	154,426,815
El Salvador	0	1,279,347,851	49,079,405	0	359,043,982	46,468,492
Nicaragua	0	1,116,965,451	12,548,396	0	252,461,556	40,968,587
North America	0	50,915,968	0	0	690,691,795	266,919,283
South America	0	0	0	0	0	101,952,505
Europe	0	0	0	0	63,577,353	7,028,200
Others	0	0	0	0	6,774	52,438
Total concentration by geographic location	17,379,905	13,090,938,446	450,281,488	56,744,489	2,890,228,281	1,073,447,859

(b) *Liquidity Risk*

Liquidity risk is defined as the contingency of not being able to comply fully, in a timely and efficient manner, the expected and unexpected cash flows, current and future, without affecting the course of daily operations or the financial condition of the entity. This contingency (liquidity risk) is evidenced in the lack of liquid assets available for that and/or the need to assume unusual funding costs.

The liquidity management conducted by the Bank seeks to meet its obligations of (i) withdrawals of deposits by its customers, (ii) repayment of the service of its debts of institutional funding according to maturity and the payment scheme scheduled, and (iii) compliance with the credit demand and investment funds according to the requirements. In this regard, the Bank has constant control over its short term liabilities and assets. The liquidity of the Bank is carefully managed and adjusted daily based on the estimated flow of liquidity in a contingent and expected scenario.

(4) Risk Management, continued

The Bank's best practices in liquidity management meet at minimum with the policies and guidelines issued by Senior Management and/or Regional and Local Board of Directors; the regulators of each country in which it operates and the contractual obligations. These best practices are primarily defensive, in the sense of seeking to maintain appropriate levels of liquidity at all times. In addition, the Bank has implemented the internal liquidity requirements that force us to keep excesses on regulatory requirements.

Specifically, the Bank's liquidity risk is managed through the calculation of liquidity coverage indicators in the short term, net of obligations and requirements, and in normal and stressful situations, as well as a stress model of liquidity based on the cash flow, which considers the activity of assets and liabilities in a time horizon of up to one year, under a variety of scenarios, which include both normal market conditions and more severe conditions. In addition, the Bank seeks to maintain a term matching, which enables it to meet its financial obligations over time.

As in the market risk, Senior Management engages actively in liquidity risk management through regional and local Assets and Liabilities Committee (ALICO) and Comprehensive Risk Management; thus giving greater support to the strategic decision-making process. The liquidity risk assumed by the Bank is in line with the structure, complexity, size and nature of its operation, while always respecting the local regulations, the regional guidelines and the guidelines issued by Senior Management and/or Regional and Local Board of Directors.

Insofar as the entire Bank, the obligation of properly documenting the periodic assessment of measurement indicators and compliance with regional guidelines and local regulations is established; as well as ensuring that reports related to liquidity risk to be remitted to the different internal and external instances (including the regulator) are adequate in terms of content, quality of information, generation, transmission and validation according to the requirements set forth in the respective standards.

The following table shows the results of the ratios for high-quality liquidity coverage with respect to the outflow of deposits under normal and stressful conditions, calculated based on internal policies, reported as of the reporting date and during the year:

% of Liquidity	2016	2015
As of year end	28.0	30.1
Maximun	31.3	36.0
Average	28.4	30.6
Minimum	24.9	26.9

(4) Risk Management, continued

As of December 31, 2016 and 2015, the banking operations of Bank comply with the liquidity requirements, established by the regulators to which they are subject.

Quantitative information

The following table details the undiscounted cash flows of financial liabilities and financial assets, unrecognized loan commitments and disbursements due to financial derivatives in contractual maturity groups from the remaining period from the date of the consolidated statement of financial position:

	2016						
Amounts in thousands	**Carrying Amount**	**Total nominal gross amount inflows/ (outflows)**	**Up to 1 month**	**From 1 to 3 months**	**From 3 months to 1 year**	**From 1 to 5 years**	**More than 5 years**
Liabilities							
Demand deposit	4,858,900	(4,858,900)	(4,858,900)	0	0	0	0
Savings deposits	2,593,004	(2,593,004)	(2,593,004)	0	0	0	0
Time deposits	5,731,181	(5,958,712)	(723,297)	(1,170,153)	(2,560,238)	(1,466,933)	(38,091)
Securities sold under repurchase agreements	91,021	(91,164)	(91,164)	0	0	0	0
Borrowings	3,189,628	(3,491,437)	(116,414)	(275,978)	(1,227,373)	(1,602,015)	(269,657)
Other borrowed funds	427,130	(452,840)	(26,082)	(41,316)	(174,606)	(210,836)	0
Liabilities sub-total	16,890,864	(17,446,057)	(8,408,861)	(1,487,447)	(3,962,217)	(3,279,784)	(307,748)
Loan commitmment	86,288	(86,288)	0	0	(40,032)	(46,256)	0
Total liabilities	16,977,152	(17,532,345)	(8,408,861)	(1,487,447)	(4,002,249)	(3,326,040)	(307,748)
Derivative instruments, liabilities:							
Interest rate swaps	2	(2)	0	(1)	(1)	0	0
Assets							
Cash and cash equivalents	545,072	545,072	545,072	0	0	0	0
Securities purchased under resale agreements	71,358	71,443	60,202	11,241	0	0	0
Deposits in banks	2,773,081	2,773,501	2,720,496	18,869	34,136	0	0
Investments at fair value through profit or loss (1)	32,615	34,974	5	2,081	8,286	24,133	469
Investments available for sale at fair value (2)	1,280,898	1,370,785	54,263	94,689	398,015	785,259	38,559
Loans at fair value	15,400	23,097	118	237	1,066	5,688	15,988
Loans at amortized cost	14,256,358	19,006,671	2,295,488	2,686,158	2,350,806	5,572,987	6,101,232
Total assets	18,974,782	23,825,543	5,675,544	2,813,275	2,792,309	6,388,067	6,156,248
Derivative instruments, assets:							
Interest rate cap	51	51	0	0	0	51	0

(1) Derivative instruments are excluded.
(2) Investments carried at cost are excluded.

(4) Risk Management, continued

	2015						
Amounts in thousands	Carrying Amount	Total nominal gross amount inflows/ (outflows)	Up to 1 month	From 1 to 3 months	From 3 months to 1 year	From 1 to 5 years	More than 5 years
Liabilities							
Demand deposit	4,755,948	(4,755,948)	(4,755,948)	0	0	0	0
Savings deposits	2,417,283	(2,417,283)	(2,417,283)	0	0	0	0
Time deposits	5,118,204	(5,356,581)	(605,299)	(1,098,981)	(2,596,092)	(999,794)	(56,415)
Securities sold under repurchase agreements	37,405	(37,519)	(37,519)	0	0	0	0
Borrowings	3,123,411	(3,413,773)	(157,303)	(220,158)	(834,965)	(979,831)	(1,221,516)
Other borrowed funds	388,062	(428,512)	(23,750)	(27,722)	(175,073)	(201,967)	(0)
Liabilities sub-total	15,840,313	(16,409,616)	(7,997,102)	(1,346,861)	(3,606,130)	(2,181,592)	(1,277,931)
Loan commitmment	60,204	(60,204)	0	(13,804)	(46,400)	0	0
Total liabilities	15,900,517	(16,469,820)	(7,997,102)	(1,360,665)	(3,652,530)	(2,181,592)	(1,277,931)
Derivative instruments, liabilities:							
Interest rate swaps	403	(405)	(1)	(148)	(235)	(21)	0
Assets							
Cash and cash equivalents	567,726	567,726	567,726	0	0	0	0
Securities purchased under resale agreements	56,744	56,835	43,239	13,596	0	0	0
Deposits in banks	2,890,228	2,895,453	2,703,262	54,195	116,550	21,446	0
Investments at fair value through profit or loss (1)	29,804	32,511	0	2,075	3,766	26,018	652
Investments available for sale at fair value (2)	1,042,833	1,124,203	36,551	53,391	239,065	754,668	40,528
Loans at fair value	17,380	30,178	145	290	1,304	6,957	21,482
Loans at amortized cost	13,090,938	17,944,565	2,174,143	2,556,069	2,155,701	5,251,660	5,806,992
Total assets	17,695,653	22,651,471	5,525,066	2,679,616	2,516,386	6,060,749	5,869,654
Derivative instruments, assets:							
Contracts of forward currency exchange	739	739	739	0	0	0	0
Interest rate cap	72	72	0	0	0	44	28
	811	811	739	0	0	44	28

(1) Derivative Instruments are excluded.
(2) Investments carried at cost are excluded.

The liquidity of the Bank is measured and monitored on a daily basis by the Treasury of each country. In addition, the Bank maintains appropriate levels of cash in vaults, deposits in banks and short-term deposits constitute the Bank's basis of liquidity reserves. The composition of liquidity is shown in the following table:

	2016	2015
Cash and cash equivalent	545,071,729	567,726,362
Securities purchased under resale agreements	71,358,013	56,744,489
Deposits in central banks	1,934,351,580	1,738,601,844
Deposits in banks due in less than 90 days	772,637,652	939,724,615
Deposits in banks greater than 90 days	66,091,764	211,901,822
Total cash, cash equivalents and deposits in banks	3,389,510,738	3,514,699,132
Not committed sovereign debt instruments	691,138,801	523,461,867
Other credit lines available (1)	1,317,755,747	997,663,770
Total liquidity reserve	5,398,405,286	5,035,824,769

(1) Amounts not disbursed as of the reporting date.

(4) Risk Management, continued

The available credit lines are for use in normal business scenarios. They may have restricted use in stressful situations.

The following table shows the availability of the Bank's financial assets to support the future financing:

2016	**Restricted**		**Not restricted**		
	As collateral	**Other (1)**	**Available as collateral**	**Other (2)**	**Total**
Cash and cash equivalents	0	0	0	545,071,729	545,071,729
Securities purchased under resale agreements	0	71,358,013	0	0	71,358,013
Deposits in banks	2,808,466	1,776,272,475	84,228,608	909,771,447	2,773,080,996
Investments in securities and other assets at fair value	168,927,751	0	1,000,064,377	153,614,971	1,322,607,099
Loans at fair value	0	0	0	15,400,337	15,400,337
Loans at amortized cost, net	448,093,071	0	0	13,559,942,721	14,008,035,792
Non-financial assets	0	58,337,093	0	1,253,660,167	1,311,997,260
Total assets	619,829,288	1,905,967,581	1,084,292,985	16,437,461,372	20,047,551,226

(1) It represents uncommitted assets, but whose use the Bank considers is restricted to guarantee financing, for legal or other reasons. Restricted deposits in banks comprise the legal required by the different jurisdictions where the bank operates, and can be used according to the regulation of each country.
(2) It represents assets that are not restricted for use as collateral, but which the Bank would not consider as available guarantee financing in the normal course of business.

2015	**Restricted**		**Not restricted**		
	As collateral	**Other (1)**	**Available as collateral**	**Other (2)**	**Total**
Cash and cash equivalents	0	0	0	567,726,362	567,726,362
Securities purchased under resale agreements	0	56,744,489	0	0	56,744,489
Deposits in banks	3,058,475	1,517,993,680	318,661,736	1,050,514,390	2,890,228,281
Investments in securities and other assets at fair value	59,298,387	68,648,193	789,348,472	165,013,463	1,082,308,515
Loans at fair value	0	0	0	17,379,905	17,379,905
Loans at amortized cost, net	468,296,925	0	0	12,409,160,681	12,877,457,606
Non-financial assets	0	0	0	1,213,658,805	1,213,658,805
Total assets	530,653,787	1,643,386,362	1,108,010,208	15,423,453,606	18,705,503,963

(1) It represents uncommitted assets, but whose use the Bank considers is restricted to guarantee financing, for legal or other reasons. Restricted deposits in banks comprise the legal required by the different jurisdictions where the bank operates, and can be used according to the regulation of each country.
(2) It represents assets that are not restricted for use as collateral, but which the Bank would not consider as available guarantee financing in the normal course of business.

(c) Market risk

Market risks are those that may result in losses as a result of adverse price movements in the financial markets where positions are maintained. It comprises the following risks:

- Interest rate risk: the possibility of an economic loss due to adverse variations in interest rates.

- Exchange rate risk: the possibility of an economic loss due to adverse variations in the exchange rate.

The main objectives of the Bank's corporate governance structure include supervising the performance of the management team in each country, ensuring the proper functioning of the internal control system, monitoring the exposure to risks and managing them effectively. That is why Management engages actively in market risk management through the Regional and Local Assets and Liabilities Committees (ALICO) and the Comprehensive Risk Management Committee; thus giving greater support to the strategic decision-making process.

(4) Risk Management, continued

The market risks assumed by the Bank are in line with the structure, complexity, size and nature of its operation, while always respecting the local regulations, the regional guidelines and the guidelines issued by Management and/or Regional and Local Board of Directors.

The Bank establishes the obligation of properly documenting the periodic assessment of measurement indicators and compliance with regional guidelines and local regulations, as well as ensuring that reports related to market risk to be remitted to the different internal and external instances (including the regulator) are adequate in terms of the content, quality of information, generation, transmission and validation according to the requirements set forth in the respective standards.

For the measurement, control and management of market risk, the Bank uses the indicators required by the regulator of each country as well as another set of indicators established in the internal regional guideline, which are calculated by country and in a consolidated manner based on internal sources of information.

Exchange risk is measured through the determination of the equity percentage that is not dollarized (also known as monetary position). The main objective of the policy is to establish that the difference between assets denominated in US dollars and liabilities denominated in US dollars is at least equal to equity, which is equivalent to having a 100% dollarized equity. However, due to regulatory restrictions applicable in each country that limit the position in US dollars, the consolidated monetary position may be below this desirable limit.

Quantitative information

The Bank maintains operations in the consolidated statement of financial position, agreed in local currency other than US dollars, which are listed below:

2016
Amounts in millions

	Mexican pesos	Quetzales	Lempiras	Cordobas	Colones	Total
Cash, cash equivalents and deposits in banks	0	269	238	100	454	1,061
Investments in securities at fair value	0	179	126	41	206	552
Loans, net	0	1,344	1,060	116	1,363	3,883
Assets classified as held for sale	54	0	0	0	0	54
Total Assets	54	1,792	1,424	257	2,023	5,550
Deposits	0	1,340	1,016	256	1,708	4,320
Borrowings	0	232	155		154	541
Liabilities classified as held for sale	23	0	0	0	0	23
Total Liabilities	23	1,572	1,171	256	1,862	4,884
Contingencies	0	0	23	1	79	103
Forward exchange contract (see note 25)	(33)	0	0	0	0	(33)
Exchange risk exposure	(2)	220	276	2	240	736

2015
Amounts in millions

	Mexican pesos	Quetzales	Lempiras	Cordobas	Colones	Total
Cash, cash equivalents and deposits in banks	4	462	198	132	451	1,247
Investments in securities at fair value	0	23	102	41	172	338
Loans, net	47	1,265	943	109	1,139	3,503
Total Assets	51	1,750	1,243	282	1,762	5,088
Deposits	0	1,265	922	324	1,544	4,055
Borrowings	28	285	144	0	115	572
Total Liabilities	28	1,550	1,066	324	1,659	4,627
Contingencies	0	0	22	0	67	89
Forward exchange contract (see note 25)	(23)	0	0	0	0	(23)
Exchange risk exposure	0	200	199	(42)	170	527

(4) Risk Management, continued

Below, the exposure of the Bank's consolidated statement of financial position to interest rate risk is summarized. Assets and liabilities are included in the table at their carrying amount, classified by categories of time considering the next rate review date or the maturity date, as applicable:

2016	Without exposure	Up to 1 year	From 1 to 5 years	More than 5 years	Total
Cash and cash equivalents	545,071,729	0	0	0	545,071,729
Securities purchased under resale agreements	0	71,358,013	0	0	71,358,013
Deposits in banks	1,508,557,003	1,264,523,993	0	0	2,773,080,996
Investments in securities and other assets	9,093,997	524,535,937	758,258,642	30,718,523	1,322,607,099
Loans at fair value	0	15,400,337	0	0	15,400,337
Loans at amortized cost, gross	0	13,288,531,550	857,054,404	110,772,008	14,256,357,962
Total assets	2,062,722,729	15,164,349,830	1,615,313,046	141,490,531	18,983,876,136
Deposits	918,985,180	10,839,057,795	1,389,749,994	35,292,921	13,183,085,890
Institutional funding	0	2,338,439,440	1,133,911,293	235,428,655	3,707,779,388
Total liabilities	918,985,180	13,177,497,235	2,523,661,287	270,721,576	16,890,865,278
Exposure to interest rate risk	1,143,737,549	1,986,852,595	(908,348,241)	(129,231,045)	2,093,010,858

2015	Without exposure	Up to 1 year	From 1 to 5 years	More than 5 years	Total
Cash and cash equivalents	567,726,362	0	0	0	567,726,362
Securities purchased under resale agreements	0	56,744,489	0	0	56,744,489
Deposits in banks	1,684,564,083	1,185,837,457	19,027,515	799,226	2,890,228,281
Investments in securities and other assets	9,671,241	298,480,375	638,322,396	135,834,503	1,082,308,515
Loans at fair value	0	17,379,905	0	0	17,379,905
Loans at amortized cost, gross	0	12,150,377,474	841,350,336	99,210,636	13,090,938,446
Total assets	2,261,961,686	13,708,819,700	1,498,700,247	235,844,365	17,705,325,998
Deposits	945,059,859	10,390,740,958	799,137,692	156,497,243	12,291,435,752
Institutional funding	0	2,204,919,451	210,293,587	1,133,665,561	3,548,878,599
Total liabilities	945,059,859	12,595,660,409	1,009,431,279	1,290,162,804	15,840,314,351
Exposure to interest rate risk	1,316,901,827	1,113,159,291	489,268,968	(1,054,318,439)	1,865,011,647

Based on the above, it's calculated the consolidated exposure of the consolidated statement of financial position to the interest rate risk. The Bank states that the interest rate risk should be measured for each currency in which assets and liabilities are maintained.

The risk of rates is analyzed based on the gap analysis, in order to approximate the change in the economic value of the Bank's balance sheets and in the net income from interest from eventual changes in market interest rates. The economic value of an instrument involves an assessment of the current value of its expected net cash flows, discounted to reflect market rates. By extension, the economic value of a bank can be seen as the present value of expected net cash flows from the entity, defined as expected cash flows from assets less expected cash flows from liabilities. In this sense, the perspective of economic value reflects a view of the sensitivity of the bank's net value to interest rate fluctuations.

(4) Risk Management, continued

The estimate of the impact of variations in interest rates is conducted under a scenario of increase or decrease of 100 base points in assets and liabilities at the different terms (parallel movement of the curve). The following table presents a summary of the impact on the Bank's economic value and on the net interest income applying these variations:

	Increase of 100 bps (1)	Decrease of 100 bps (1)
Impact on economic value		
2016	(41,484,498)	41,484,498
Average for the year	(58,237,271)	58,237,271
Maximum for the year	(66,751,867)	66,751,867
Minimum for the year	(37,261,561)	37,261,561
2015	(66,256,002)	66,256,002
Average for the year	(62,474,440)	62,474,440
Maximum for the year	(67,089,448)	67,089,448
Minimum for the year	(56,549,866)	56,549,866
Impact on net income from interests		
2016	46,157,686	(46,157,686)
Average for the year	42,558,332	(42,558,332)
Maximum for the year	46,157,686	(46,157,686)
Minimum for the year	38,891,454	(38,891,454)
2015	36,530,719	(36,530,719)
Average for the year	33,375,212	(33,375,212)
Maximum for the year	36,530,719	(36,530,719)
Minimum for the year	29,992,373	(29,992,373)

(1) According to the nature of the instruments on demand, the sensitivity of annual income and expenses to a decrease or increase in rates for currencies with rates below 1% is measured using a variation of 25 basis points.

(d) Operational risk

The Bank has established a minimum framework for the operational risk management in its companies, which is intended to provide general guidelines to ensure the identification, assessment, control, monitoring and reporting of operational risks and materialized events that may affect the organization with the objective of ensuring the proper management, mitigation or reduction of the managed risks and contributing to provide a reasonable assurance with respect to the achievement of organizational objectives.

The operational risk management model considers best practices issued by the Basel Committee on Banking Supervision and by COSO (Committee of Sponsoring Organizations of the Treadway Commission). In addition, it complies with the regulatory requirements of the region, which have been defined by the regulators of the countries where the Bank operates.

Taking the aforementioned as reference, operational risk is defined as the possibility that events resulting from personnel, information technologies or inadequate or failed internal processes, or produced by external causes, generate negative impacts that go against the objectives. By its nature, it is present in all of the organization’s activities.

(4) Risk Management, continued

The priority of the Bank is, therefore, identifying and managing the major risk factors, regardless of whether they can produce monetary losses. The measurement also contributes to the establishment of priorities in the management of operational risk.

The operational risk management system is properly documented in the Operational Risk Guideline and Manual. It is a continuous process with several stages:

- Measurement of the perspective of control environment
- Identification and assessment of operational risks
- Treatment and mitigation of operational risks
- Risk monitoring and review
- Registration and accounting of losses due to operational risk incidents

Additionally, the Bank has policies formally established for the management of information security, business continuity, fraud prevention and code of ethics that support the proper management of operational risks in the organization.

At the regional level and in all countries where the Bank operates, there is an operational risk management unit that monitors, advises and assesses the management conducted by the Administration with regard to operational risks. In addition, there is a specialized operational risk committee (OR Committee) composed of senior management. The OR Committee reports to the Comprehensive Risk Management Committee, monitors management and ensures that identified operational risks are kept at accepted levels by the organization.

Compliance with the Bank standards is supported by a program of periodic reviews undertaken by Internal Audit, which reports the results to the Internal Audit Committee of each entity where the Bank operates.

(5) Critical Accounting Estimates and Judgments in the Implementation of Accounting Policies

The Bank's Management is responsible for the development, selection, disclosure of policies and critical accounting estimates and their implementation in a manner consistent with the assumptions selected and related to the significant estimate uncertainties.

Loan impairment losses

The Bank reviews its loan portfolio to assess the impairment at least on a quarterly basis. When determining whether an impairment loss should be recorded in the consolidated income statement, the Bank makes decisions as to whether observable information exists indicating that there is a measurable reduction in estimated future cash flows from a loan portfolio before such reduction may be identified with an individual loan in that portfolio. This evidence includes observable information indicating that an adverse change in the payment condition of borrowers in a group, or national or local economic conditions that correlate with non-compliance instances in Bank’s assets.

Management determines estimates based on the experience of historical loss by assets with credit risk similar characteristics and objective evidence of impairment.

(5) Critical Accounting Estimates and Judgments in the Implementation of Accounting Policies, continued

Fair value of financial instruments

The fair value of financial instruments that are not quoted on active markets are determined using valuation techniques. All models are evaluated and adjusted before use, and the models are calibrated to ensure that the results reflect current information and comparative market prices. To the extent possible, models only use observable information; however, areas such as credit risk (own and by the counterparty), volatilities and correlations require estimates prepared by Management.

Impairment of financial securities available for sale

The Bank determines that investments in equity instruments are impaired when there has been a significant or prolonged decline in the fair value below its cost. This determination as significant or prolonged requires judgment.

In addition, in debt instruments the impairment may be appropriate when there is evidence of impairment in the financial health of the issuer, industry and sector performance, changes in technology, and operational and financial cash flows.

Goodwill impairment

The Bank assess the goodwill annually or when there is indication of a possible impairment.

This requires an estimate of the value in use of CGUs units to which the goodwill value is attributed. The estimate of the value in use requires Management to consider the expected cash flows from CGUs and also the selection of an appropriate discount rate to calculate the current value of such cash flows.

Fair value of derivative instruments

The fair value of financial instruments that are not quoted in active markets is determined using valuation techniques. All models are evaluated and adjusted before use, and the models are calibrated to ensure that the results reflect current information and comparative market prices.

To the extent possible, models only use observable information; however, areas such as credit risk (own and by the counterparty), volatilities and correlations require estimates by Management. Changes in assumptions about these factors may affect the reported fair value of financial instruments.

Income tax

The Bank uses the asset and liability method to record the income tax. Under this method, the deferred tax assets and liabilities are recognized by the estimates of future tax consequences attributable to temporary differences between the amounts of assets and liabilities in the consolidated financial statements and their respective tax bases and due to accumulated tax losses. The deferred tax assets and liabilities are valued using the enacted tax rates that are expected to be applied to the tax revenue for the years in which they are expected to be recovered or temporary differences are settled. The effect on deferred tax assets and liabilities by a change in tax rates is recognized in the operation results in the year in which the change occurs.

(5) Critical Accounting Estimates and Judgments in the Implementation of Accounting Policies, continued

Management regularly assesses the realization of deferred tax assets for it recognition. Management evaluates whether it is more likely than not that a portion or all deferred tax assets are not realizable.

(6) Cash, Cash Equivalents and Deposits

Cash and cash equivalents are listed below for reconciliation purposes with the consolidated cash flow statement:

	2016	2015
Cash and cash equivalents	545,071,729	567,726,362
Securities purchased under resale agreements	71,358,013	56,744,489
Deposits in central banks	1,934,351,580	1,738,601,844
Deposits in banks, and deposits less than 90 days	772,637,652	939,724,615
Cash and cash equivalents in the consolidated cash flow statement	3,323,418,974	3,302,797,310
Deposits in banks, greater than 90 days and pledged	66,091,764	211,901,822
Total cash, cash equivalents and deposits in banks	3,389,510,738	3,514,699,132

During 2016, the Bank reclassified cash and cash effects for $119,336 and deposits in banks for $9,658,633 to assets classified as held for sale.

(7) Securities Purchased Under Resale Agreements

As of December 31, 2016, securities purchased under resale agreements totaled $71,358,013 (2015: $56,744,489), which their due date were during the months of January 2017 (2015: January and February 2016) and an interest rate 1.6% and 3.9% (2015: between 1.8% and 4.5%). These values were secured with local government bonds and corporate bonds, with amounted to $74,186,967 (2015: $62,611,075).

(8) Investment and Other Assets at Fair Value

As of December 31, 2016, investments and other assets at fair value amounted on $1,322,607,099 (2015: $1,082,308,515) are summarized as follows:

(a) Investments and other assets at fair value through profit or loss

The investment portfolio and other assets at fair value through profit or loss is detailed as follows:

	Fair Value	
	2016	**2015**
Government bonds	32,614,699	29,804,339
Derivative financial instruments (Note 25)	50,500	810,585
	32,665,199	30,614,924

The Bank made sales of the securities portfolio at fair value through profit or loss for a total of $146,616 (2015: $17,525,759). Net gains (losses) in securities at fair value with changes in profit or loss in the consolidated income statement amounted to $(205,510) (2015: $470,023), which include unrealized gains (losses) in securities at fair value with changes in profit or loss for $(204,404) (2015: $226,588).

(8) Investment and Other Assets at Fair Value, continued

As of December 31, 2016 securities at fair value through profit or loss with a carrying amount of $16,675,916 (2015: $16,672,384) are used as collaterals in repurchase agreements.

(b) Investment in securities available for sale

The portfolio of investments in securities available for sale is detailed as follows:

	2016	2015
Investment in securities available for sale		
Government bonds and agencies:		
United States of America	220,348	222,093
Other governments	827,231,504	614,419,583
	827,451,852	614,641,676
Corporate debentures	440,721,405	422,121,461
Mutual funds and capital stock	21,768,643	14,930,454
Total investment in securities available for sale	1,289,941,900	1,051,693,591

The Bank made sales of the portfolio of securities available for sale at fair value for a total of $450,600,344 (2015: $586,764,277); this sales generate a net gain of $4,282,196 (2015: $6,974,323).

As of December 31, 2016, the Bank holds capital stock for an amount of $9,043,497 (2015: $8,860,656) which are held at cost as its fair value could not be reliably determined. The Bank conducts annual reviews to validate that the value of these investments had not incurred in a permanent impairment for which investment value may need to be adjusted. Capital stock held at cost does not have an active market and the Bank considers keeping them in their books.

The Bank had redemptions and maturities, prepayments and calls for securities available for sale for $909,486,550 (2015: $281,477,814).

(9) Loans

A breakdown of the loan portfolio by type is as follows:

	2016	2015
Loans at amortized cost		
Corporate		
Corporate	5,113,467,617	4,827,619,195
Corporate leases, net (1)	130,842,172	131,890,403
Total Corporate loans	5,244,309,789	4,959,509,598
Personal Banking and SMEs		
SMEs		
SMEs loans	567,546,783	527,673,886
SMEs leases, net (1)	88,916,097	72,928,432
Total SMEs loans	656,462,880	600,602,318
Vehicles	843,084,502	729,985,294
Credit Cards	2,500,581,208	2,255,307,696
Personals	1,985,016,141	1,765,448,707
Mortgages	2,967,354,292	2,730,608,979
Personal leasing, net (1)	59,549,150	49,475,854
Total Personal Banking and SMEs	9,012,048,173	8,131,428,848
Total loans at amortized cost	14,256,357,962	13,090,938,446
(1) Total leases, net of unearned interest.	279,307,419	254,294,689

The loan portfolio includes financial leases whose maturity profile is presented below:

	2016	2015
Minimum lease payments receivable	317,405,362	288,749,315
Less: Unearned interest	38,097,943	34,454,626
Minimum lease payments receivable, net	279,307,419	254,294,689
Less: Allowance for loss in leases	1,512,218	1,378,692
Less: Net deferred commissions	3,964,536	2,947,228
Net value of investment in finance leases	273,830,665	249,968,769

The following table summarizes the minimum lease payments receivable as of December 31, 2016:

Year ended December 31,	
2017	78,453,634
2018	67,667,552
2019	56,403,811
2020	40,375,520
2021 and thereafter	36,406,902
	279,307,419

During 2016, the Bank reclassified loans, net of allowance, to assets classified as held for sale for $44,146,511.

(10) Allowance for Loans Losses

The movement of the allowance for loans losses is shown below:

	2016	2015
Balance at beginning of the year	161,032,488	160,216,301
Provision charged to expenses	244,841,043	181,185,240
Provision of the year from discontinued operations	11,606,982	6,969,791
Charge-offs	(283,036,037)	(251,251,844)
Recoveries	71,282,079	65,529,055
Portion reclassified to assets classified as held for sale	(7,790,561)	0
Foreign currency translation	(2,575,514)	(1,616,055)
Balance at year end	195,360,480	161,032,488

(11) Property, Furniture, Equipment and Improvements

Property, furniture, equipment and Improvements are detailed as follows:

2016	Land and buildings	Construction In progress	Vehicles	Furniture and equipment	Leasehold improvements	Total
Cost:						
As of January 1, 2016	217,982,454	13,227,617	20,804,718	334,556,368	68,624,073	655,195,230
Purchases	7,041,806	13,930,624	1,925,698	38,637,009	2,787,490	64,322,627
Sales and disposals	(904,111)	(117,134)	(1,943,046)	(15,020,017)	(3,114,095)	(21,098,403)
Transfers	9,670,574	(18,307,325)	(0)	2,381,463	6,255,288	(0)
Portion reclassified to assets classified as held for sale	0	0	(11,510,260)	(3,436,141)	(841,650)	(15,788,051)
Foreign currency translation	(6,178,550)	(893,870)	(110,999)	(8,254,512)	(1,479,501)	(16,917,432)
As of December 31, 2016	227,612,173	7,839,912	9,166,111	348,864,170	72,231,605	665,713,971
Accumulated depreciation:						
As of January 1, 2016	39,240,908	0	8,367,807	210,758,794	36,605,961	294,973,470
Depreciation	4,007,402	0	1,712,938	36,778,682	5,417,852	47,916,874
Depreciation from discontinued operations	0	0	18,290	768,931	83,273	870,494
Sales and disposals	(160,505)	0	(1,268,180)	(13,543,581)	(2,303,139)	(17,275,405)
Portion reclassified to assets classified as held for sale, before impairment	0	0	(3,716,129)	(3,436,141)	(841,650)	(7,993,920)
Foreign currency translation	(1,068,947)	0	(3,406)	(5,639,322)	(845,662)	(7,557,337)
As of December 31, 2016	42,018,858	0	5,111,320	225,687,363	38,116,635	310,934,176
Net balance	185,593,315	7,839,912	4,054,791	123,176,807	34,114,970	354,779,795

2015	Land and buildings	Construction In progress	Vehicles	Furniture and equipment	Leasehold improvements	Total
Cost:						
As of January 1, 2015	216,009,058	12,521,238	23,128,848	301,631,985	61,457,106	614,748,235
Additions by business combinations	0	0	261,059	630,104	21,711	912,874
Purchases	2,347,334	12,005,278	1,328,919	44,031,433	2,114,282	61,827,246
Sales and disposals	(541,042)	(5,348)	(3,711,551)	(10,199,737)	(378,977)	(14,836,655)
Transfers	3,322,762	(10,915,808)	0	1,313,852	6,279,194	0
Foreign currency translation	(3,155,658)	(377,743)	(202,557)	(2,851,269)	(869,243)	(7,456,470)
As of December 31, 2015	217,982,454	13,227,617	20,804,718	334,556,368	68,624,073	655,195,230
Accumulated depreciation:						
As of January 1, 2015	36,745,485	0	9,569,996	188,688,235	32,330,523	267,334,239
Depreciation	3,695,620	0	1,529,936	32,480,292	4,845,113	42,550,961
Depreciation from discontinued operations	0	0	10,483	193,382	51,307	255,172
Sales and disposals	87,457	0	(2,629,762)	(8,335,817)	(309,718)	(11,187,840)
Transfers	80,893	0	0	(80,893)	0	0
Foreign currency translation	(1,368,547)	0	(112,846)	(2,186,405)	(311,264)	(3,979,062)
As of December 31, 2015	39,240,908	0	8,367,807	210,758,794	36,605,961	294,973,470
Net balance	178,741,546	13,227,617	12,436,911	123,797,574	32,018,112	360,221,760

(11) Property, Furniture, Equipment and Improvements, continued

During 2016, the Bank reclassified an asset to assets classified as held for sale in the amount of $7,794,131, which presented an impairment of $5,541,567, for a net effect of $2,252,564.

(12) Goodwill and Intangible Assets

	2016	2015
Goodwill		
Balance at beginning of year	335,438,167	334,561,239
Goodwill acquired during the year	0	858,063
Foreign currency translation	(296,583)	18,865
Balance at year end	335,141,584	335,438,167

As of December 31, 2016, no impairment in the cash-generating units has been recorded. The fair value of the cash-generating units exceeds the carrying amount plus goodwill; therefore, no impairment loss was recorded.

The gross balance of the carrying amount and the accumulated amortization for each intangible asset acquired by the Bank subject to amortization as of December 31, 2016 is presented below:

	2016						
	Relationship with depositors	Credit Card Relationships	Merchants Relationships	Customer Relationships	Trade name	Software	Total
Cost:							
As of January 1, 2016	23,562,882	17,045,140	739,999	12,538,853	1,542,532	73,726,652	129,156,058
Acquisitions	0	0	0	0	0	20,642,642	20,642,642
Disposals	0	0	0	0	0	(10,574,401)	(10,574,401)
Portion reclassified to assets classified as held for sale	0	0	0	0	0	(806,977)	(806,977)
Foreign currency translation	0	(249,097)	0	(55,195)	(34,345)	(1,961,575)	(2,300,212)
As of December 31, 2016	23,562,882	16,796,043	739,999	12,483,658	1,508,187	81,026,341	136,117,110
Accumulated amortization:							
As of January 1, 2016	10,419,074	11,208,744	671,593	327,690	0	50,615,568	73,242,669
Amortization	3,389,751	2,036,104	16,510	1,281,929	383,237	12,615,600	19,723,131
Amortization from discontinued operations	0	0	0	0	0	542,989	542,989
Disposals	0	0	0	0	0	(8,897,469)	(8,897,469)
Portion reclassified to assets classified as held for sale	0	0	0	0	0	(806,977)	(806,977)
Foreign currency translation	0	(132,933)	0	(2,140)	0	(1,270,496)	(1,405,569)
As of December 31, 2016	13,808,825	13,111,915	688,103	1,607,479	383,237	52,799,215	82,398,774
Net balance as of December 31, 2016	9,754,057	3,684,128	51,896	10,876,179	1,124,950	28,227,126	53,718,336

(12) Goodwill and Intangible Assets, continued

	2015						
	Relationship with depositors	Credit Card Relationships	Merchants Relationships	Customer Relationships	Trade name	Software	Total
Cost:							
As of January 1, 2015	23,562,882	17,018,493	739,999	0	383,237	59,951,495	101,656,106
Additions by business combinations	0	0	0	538,853	1,159,295	1,452,147	3,150,295
Acquisitions	0	0	0	12,000,000	0	18,795,003	30,795,003
Disposals	0	0	0	0	0	(6,143,923)	(6,143,923)
Foreign currency translation	0	26,647	0	0	0	(328,070)	(301,423)
As of December 31, 2015	23,562,882	17,045,140	739,999	12,538,853	1,542,532	73,726,652	129,156,058
Accumulated amortization:							
As of January 1, 2015	5,868,991	9,049,646	651,193	0	0	41,222,285	56,792,115
Additions by business combinations	0	0	0	0	0	850,633	850,633
Amortization	4,550,083	2,159,098	20,400	327,690	0	12,589,058	19,646,329
Amortization from discontinued operations	0	0	0	0	0	78,455	78,455
Disposals	0	0	0	0	0	(3,426,674)	(3,426,674)
Foreign currency translation	0	0	0	0	0	(698,189)	(698,189)
As of December 31, 2015	10,419,074	11,208,744	671,593	327,690	0	50,615,568	73,242,669
Net balance as of December 31, 2015	13,143,808	5,836,396	68,406	12,211,163	1,542,532	23,111,084	55,913,389

None of the intangible assets listed in the table above have residual value.

During the years ended December 31, 2016 and 2015, no impairment losses were recognized.

(13) Other Assets

The breakdown of other assets is presented in the table below:

	2016	2015
Deferred expenses	26,393,914	25,748,715
Cards and points of sale	24,521,976	21,891,405
Forecloses assets, net	22,549,361	32,439,291
Guarantee deposits	8,392,759	16,994,606
Advanced of contracts and suppliers	7,505,576	6,608,470
Other	31,949,182	26,338,486
	121,312,768	130,020,973

As of December 31, 2016, the cards and points of sale caused an amortization expense of \$6,783,193 (2015: \$5,856,948) reported in the consolidated income statement.

During 2016, the Bank reclassified other assets for \$1,228,039 to assets classified as held for sale.

Foreclosed assets, as of December 31, 2016, are detailed below:

	2016	2015
Vehicles	667,137	924,996
Real estate	31,766,322	49,772,675
Foreclosed assets, gross	32,433,459	50,697,671
Allowance	(9,884,098)	(18,258,380)
Foreclosed assets, net	22,549,361	32,439,291

(13) Other Assets, continued

The Bank made sales of foreclosed assets for an amount of $27,578,170 (2015: $22,467,549).

The movement of the allowance for foreclosed asset is shown below:

	2016	2015
Balance at beginning of the year	18,258,380	18,614,722
Provision charged to expenses	5,614,369	4,094,469
Charge-offs	(13,893,720)	(4,007,751)
Foreign currency translation	(94,931)	(443,060)
Balance at year end	9,884,098	18,258,380

(14) Financial Obligations

Financial obligations are detailed below:

2016	Interest rate	Maturities up to	Carrying amount
Payable in US dollars:			
Fixed rate	1.50% a 9.00%	2028	1,650,375,771
Floating rate	1.34% a 9.45%	2031	1,281,889,446
Payable in quetzales (Guatemala):			
Fixed rate	6.40% a 6.50%	2017	47,858,785
Floating rate	5.78% a 9.33%	2021	7,918,434
Payable in lempiras (Honduras):			
Fixed rate	1.00% a 15.00%	2036	128,448,757
Payable in colones (Costa Rica):			
Fixed rate	8.85% a 9.50%	2018	69,965
Floating rate	5.10% a 13.21%	2031	73,066,476
			3,189,627,634

2015	Interest rate	Maturities up to	Carrying amount
Payable in US dollars:			
Fixed rate	0.62% a 9.00%	2028	1,595,762,834
Floating rate	0.61% a 8.99%	2027	1,172,061,619
Payable in mexican pesos:			
Floating rate	5.06%	2016	27,841,949
Payable in quetzales (Guatemala):			
Fixed rate	6.25% a 9.00%	2019	107,437,139
Floating rate	5.78% a 9.33%	2021	10,111,357
Payable in lempiras (Honduras):			
Fixed rate	1.00% a 15.00%	2035	130,259,015
Payable in colones (Costa Rica):			
Fixed rate	9.50%	2018	94,588
Floating rate	6.95% a 13.57%	2029	79,842,833
			3,123,411,334

As of December 31, 2016, the outstanding amount of the principal issued by CIC Receivables Master Trust, a consolidated special purpose vehicle, amounted to $321,905,383 (2014-A Series) (2015: $451,411,309; comprising 2002-A Series and 2014-A Series). During May, 2016, the Bank prepaid 2002-A Series; as of December 31, 2015 2002-A Series had a balance of $101,411,309. The origination costs pending amortization from the certificates amounted to $3,571,631 as of December 31, 2016 (2015: $4,476,983). Certificates issued by this vehicle are secured by future cash flows from merchant vouchers originating in Costa Rica, El Salvador, Guatemala, Honduras and Nicaragua. The merchant vouchers are those generated by credit cardholders issued by third-party international financial institutions, under Visa and MasterCard credit programs, which are processed by the Bank. The certificates pay interest in January, April, July and October at a fixed interest rate of 4.89%. Amortizations to the principal started in July, 2016. The certificates have an average original duration of 5.00 years. As of December 31, 2016, the weighted average duration of the certificates is 2.73 years.

(14) Financial Obligations, continued

As of December 31, 2016, the outstanding amount of the principal issued by CIC Central American Card Receivables Limited, a consolidated special purpose vehicle, amounted to $311,839,067 (2015: $259,134,296), comprising in two programs: 1) 2013-A Series with a balance of $211,839,067 (2015: $259,134,296) and 2) 2016-A Series with a balance of a $100,000,000, issued in April 2016. The origination costs pending amortization from the certificates amounted to $3,756,013 as of December 31, 2016 (2015: $2,971,300). The certificates issued for the vehicle are secured by future cash flows arising from transactions in affiliated merchants in Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua and Panama. Transactions in affiliated merchants are those that are generated by the cardholders of credit cards issued by third-party international financial institutions, under American Express' credit programs that are processed by the Bank. The 2013-A certificates pay interest quarterly in February, May, August and November at a fixed interest rate of 4.50%. Principal amortization amounts started to be paid to certificate holders in August 2015. The certificates have an original average duration of 4.99 years. As of December 31, 2016, the weighted average duration of the certificates is 2.18 years. The 2016-A certificates pay interest quarterly in February, May, August and November at a fixed interest rate of 3.69%. Amortizations to the principal will start in February, 2020. The certificates have an original average duration of 7.00 years. As of December 31, 2016, the weighted average duration of the certificates is 6.50 years.

On December 2013, the Bank signed a subordinated loan (in right of payment to all other ordinary loans) Aval Group Limited for US $180 million, which has an expiration date of March 20, 2021, for a total period of 8 years. The principal of this loan must be paid in a single payment of principal at maturity, and interest must be paid quarterly starting in March 2014, based on a fixed rate of 7.71%.

As of December 31, 2016, the outstanding amount of the principal issued by BAC San José DPR Funding Limited, a consolidated special purpose vehicle (hereafter SPV), originated $197,833,333 (2015: $210,000,000), divided into two programs: 1) Series 2014-1 with a balance of $45,833,333 (2015: $50,000,000), and 2) Series 2014-2 with a balance of $152,000,000 (2015: $160,000,000) maturing on November 15, 2021. The origination costs pending amortization from certificates amounted to $1,705,426 as of December 31, 2016 (2015: $2,260,435). The notes issued by the SPV are secured by the current and future Diversified Payment Rights denominated in US dollars, originated by a Bank's subsidiary and sold to the SPV. The Series 2014-1 notes pay interest quarterly in February, May, August and November at an interest rate of three-month U.S. Dollar LIBOR plus a margin of 2.50%. The Series 2014-1 have an original average duration of 3.60 years. As of December 31, 2016, the weighted average duration of the notes is 1.59 years. The Series 2014-2 notes pay interest in February, May, August and November at a fixed interest rate of 4.50%. The Series 2014-2 notes have an original average term of 4.60 years. As of December 31, 2016, the weighted average duration of the notes is 2.45 years.

The Bank has had no defaults of principal, interest or other contractual clauses concerning its financial obligations.

During 2016, the Bank reclassified financial obligations for $23,153,284 to liabilities classified as held for sale.

(15) Other Financial Obligations

The Bank has placed, through its subsidiaries and through the stock markets of El Salvador, Guatemala, Honduras, and Nicaragua, debt certificates with fixed and variable rates, which are described below:

	2016		2015	
Payable in:	Interest rate	Carrying amount	Interest rate	Carrying amount
U.S. dollars	4.25% a 6.00%	236,453,039	4.25% a 6.00%	205,866,888
Quetzales	4.65% a 8.50%	176,910,503	4.75% a 8.50%	167,727,547
Lempiras	9.04% a 10.50%	13,766,921	10.31% a 10.92%	14,467,355
		427,130,463		388,061,790

The Bank has had no defaults of principal, interest or other contractual clauses concerning its other financial obligations.

(16) Other Liabilities

The breakdown of other liabilities is presented in the table below:

	2016	2015
Accounts payable to merchants	64,373,207	38,579,023
Checks issued but not cashed	61,893,879	64,874,556
Accounts payable to suppliers	60,294,400	40,135,383
Employee benefits	58,496,380	58,079,701
Collections	57,467,052	25,140,540
Money orders payable	44,565,014	38,144,384
Loyalty programs	41,268,619	39,100,175
Other accounts payable	38,736,466	21,708,963
Withholdings taxes collected	14,452,592	16,515,854
Comissions payable	13,207,852	17,699,688
Legal contributions to state institutions	8,978,957	6,722,877
Sales tax payable	6,545,019	8,504,939
Insurance premiums	4,324,716	12,367,124
Payments to accounts receivable to be applied	3,588,645	2,636,794
Other	64,710,856	62,640,100
	542,903,654	452,850,101

During 2016, the Bank reclassified other liabilities for $7,702,704 to liabilities classified as held for sale.

(17) Common Stock

The Bank's authorized stock comprises 850,000 authorized stock and 834,708 issued and outstanding stock (2015: 850,000 authorized stock and 834,708 issued and outstanding stock) with a nominal value of $1,000 per share.

(18) Other Comprehensive (Loss) Income

The following table presents the components and changes in other accumulated comprehensive (loss) income as of December 31, 2016:

	Conversion of Operations in Foreign Currency	Unrealized Income (Loss) from Securities	Derivative for Cash Flow Hedges	Total Other Accumulated Comprehensive Loss
Balance as of December 31, 2014	(147,773,569)	2,987,449	(1,233,674)	(146,019,794)
Other (loss) income before reclassifications	(22,860,896)	3,375,973	841,607	(18,643,316)
Reclassified amounts from other comprehensive loss	0	(5,389,691)	0	(5,389,691)
Other net comprehensive (loss) income for the year	(22,860,896)	(2,013,718)	841,607	(24,033,007)
Balance as of December 31, 2015	(170,634,465)	973,731	(392,067)	(170,052,801)
Other (loss) income before reclassifications	(47,157,857)	1,023,472	392,067	(45,742,318)
Reclassified amounts from other comprehensive loss and related to assets held for sale	4,180,941	(4,048,799)	0	132,142
Other net comprehensive (loss) income for the year	(42,976,916)	(3,025,327)	392,067	(45,610,176)
Balance as of December 31, 2016	(213,611,381)	(2,051,596)	0	(215,662,977)

The following table presents the breakdown of other comprehensive (loss) income reclassified to the consolidated income statement for the year ended December 31, 2016:

	Reclassified balance of Other Comprehensive Losses		Line of the Consolidated Income Statement affected
	2016	2015	
Available for sale Investments			
Unrealized net income from securities	(4,282,196)	(6,974,323)	Other income
Income tax	233,397	1,584,632	Income tax expense
Sub-total	(4,048,799)	(5,389,691)	
Assets held for sale	4,180,941	0	Loss on foreign currency exchange, net
Total reclassifications	132,142	(5,389,691)	

(19) Income from Financial Instruments, Net

Income from financial instruments, net, included in the consolidated income statement is summarized below:

	2016	2015
Unrealized net (loss) income from securities at fair value through profit or loss	(205,510)	470,023
Net income from the sale of available for sale securities	4,282,196	6,974,323
Net loss on derivative financial instrument fair value	(11,909)	(53,403)
(Loss) gain on mortgage loans at fair value	(244,759)	23,372
	3,820,018	7,414,315

(20) Other Income

Other income included in the consolidated income statement is summarized below:

	2016	2015
Services to affiliates	14,017,508	11,033,893
Other non-bank commissions	6,407,254	6,422,744
Commercial recoveries	4,497,388	403,407
Gain on sale of foreclosed assets	4,269,791	3,644,572
Loan appraisals	1,270,155	1,664,598
Gain on sale of assets	1,207,901	1,267,723
Non-bank commission for leasing	462,117	456,682
Rentals	427,444	834,980
Other income of associates	1,171,822	1,077,285
Other	6,642,322	5,577,169
	40,373,702	32,383,053

(21) Salaries and Other Personnel Expenses

The breakdown of salaries and other personnel expenses is presented below:

	2016	2015
Salaries and other remuneration	328,461,607	308,619,920
Employee benefits	149,698,959	143,866,067
Compensations	14,658,297	12,780,321
Other	5,878,492	4,749,680
	498,697,355	470,015,988

(22) Other Operating Expenses

Other expense included in the consolidated income statement is summarized below:

	2016	2015
Credit card franchises	48,692,383	41,488,080
Advertising and marketing	42,491,482	38,300,678
Other taxes	28,469,152	25,545,128
Computer software and licenses maintenance	24,968,530	13,261,789
Equipment and vehicle maintenance	24,243,602	29,910,199
Armored services	14,777,051	14,863,999
Telephone service	13,293,374	12,280,273
Security services	12,211,439	11,683,443
Dedicated lines	11,027,789	10,047,979
Bank licenses	10,682,277	9,682,525
Guarantee deposits	10,604,266	8,935,753
Travel expenses	9,293,449	9,426,924
Office supplies	8,576,058	8,539,362
Municipal taxes and patents	6,064,998	4,665,248
Operational losses	5,631,737	6,812,229
Postage and courrier	5,043,858	6,201,585
Other	49,068,866	37,596,293
	325,140,311	289,241,487

(23) Income Taxes

Income tax expense consist of:

	2016	2015
Current	132,859,577	111,130,081
Deferred	1,342,595	15,877,676
	134,202,172	127,007,757

(23) Income Taxes, continued

The income tax expense for the year ended December 31, 2016, which differed from the amounts computed by applying the current statutory income tax rate to pretax consolidated earnings as a result of the following:

	2016	2015
Computed "expected" income tax expense	125,053,805	113,315,953
Increase (decrease) in income taxes resulting from:		
Nondeductible expenses	24,073,104	20,688,426
Changes in uncertain tax positions	(9,834,385)	3,534,193
Foreign income taxes rate differential	6,107,728	2,048,623
Tax incentives	(811,749)	(684,248)
Investments in foreign subsidiaries	9,012,025	7,532,931
Exempt and foreign source income	(19,398,356)	(19,428,121)
Income tax expense	134,202,172	127,007,757

Temporary differences between the consolidated financial statements carrying amounts and the tax basis of assets and liabilities that give rise to the deferred tax assets and liabilities as of December 31, 2016 are as follows:

	2016						
	Balance at beginning of the year	Recognized in results of the year	Recognized in other comprehensive income	Portion reclassified to assets classified as held for sale	Balance at year end	Deferred tax assets	Deferred tax Liabilities
Accrued expenses	3,947,915	(1,556,252)	0	(665,784)	1,725,879	7,625,487	(5,899,608)
Fair value acquisition adjustment	1,234,990	403,162	0	0	1,638,152	4,082,109	(2,443,957)
Foreclosed assets valuation	704,934	(390,975)	0	0	313,959	943,353	(629,394)
Unrealized net loss on securities available for sale	159,112	0	65,747	0	224,859	224,859	0
Net operating tax loss carry forwards	1,755	(1,755)	0	0	0	0	0
Foreign currency translation	0	203,103	(374,947)	171,844	0	0	0
Mortgage portfolio at fair value	0	73,428	0	0	73,428	73,428	0
Investments at cost	0	16,903	0	0	16,903	16,903	0
Net loss from the sale of securities at fair value through profit or loss	0	10,841	0	0	10,841	10,841	0
Net income from the sale of securities at fair value through profit or loss	0	(74,335)	0	0	(74,335)	0	(74,335)
Leasing	(1,472,877)	(891,895)	0	0	(2,364,772)	378,254	(2,743,026)
Swaps' mark to market	(41,713)	0	0	41,713	0	0	0
Deferred expenses	(129,469)	186,996	0	0	57,527	278,095	(220,568)
Origination fees and costs	(925,038)	(1,085,849)	0	99,276	(1,911,611)	1,379,736	(3,291,347)
Unrealized net gain on securities available for sale	(1,563,886)	0	352,420	0	(1,211,466)	0	(1,211,466)
Allowance for loan losses	(3,605,082)	(490,158)	0	15,194	(4,080,046)	12,991,765	(17,071,811)
Accrued interest receivable	(7,060,161)	(829,681)	0	0	(7,889,842)	171,100	(8,060,942)
Investments in foreign subsidiaries, for undistributed earnings	(11,391,290)	4,787,158	0	0	(6,604,132)	0	(6,604,132)
Net premises and equipment depreciation difference	(14,256,596)	(1,703,286)	0	(414,641)	(16,374,523)	131,937	(16,506,460)
Net deferred tax assets (liabilities)	(34,397,406)	(1,342,595)	43,220	(752,398)	(36,449,179)	28,307,867	(64,757,046)
Tax compensation						(17,265,834)	(17,265,834)
Total						11,042,033	(47,491,212)

	2015						
	Balance at beginning of the year	Recognized in results of the year	Recognized in other comprehensive income	Portion reclassified to assets classified as held for sale	Balance at year end	Deferred tax assets	Deferred tax Liabilities
Accrued expenses	4,832,233	(859,094)	0	(25,224)	3,947,915	9,000,246	(5,052,331)
Fair value acquisition adjustment	856,507	378,483	0	0	1,234,990	4,544,747	(3,309,757)
Foreclosed assets valuation	1,639,871	(934,937)	0	0	704,934	1,103,114	(398,180)
Unrealized net loss on securities available for sale	175,559	0	(16,447)	0	159,112	159,112	0
Net operating tax loss carry forwards	13,637	(11,882)	0	0	1,755	1,755	0
Foreign currency translation	0	(1,290,835)	1,130,090	160,745	0	0	0
Mortgage portfolio at fair value	7,012	(7,012)	0	0	0	0	0
Swaps' mark to market	(72,852)	0	0	31,139	(41,713)	0	(41,713)
Deferred expenses	(327,204)	197,735	0	0	(129,469)	0	(129,469)
Deferred loan origination fees and costs	(702,685)	(129,769)	0	(92,584)	(925,038)	1,466,303	(2,391,341)
Leasing	(619,189)	(853,688)	0	0	(1,472,877)	180,947	(1,653,824)
Unrealized net gain on securities available for sale	(1,333,152)	0	(230,734)	0	(1,563,886)	0	(1,563,886)
Allowance for loan losses	470,767	(4,026,695)	0	(49,154)	(3,605,082)	10,679,125	(14,284,207)
Accrued interest receivable	(4,323,424)	(2,736,737)	0	0	(7,060,161)	144,518	(7,204,679)
Investments in foreign subsidiaries, for undistributed earnings	(6,105,123)	(5,286,167)	0	0	(11,391,290)	0	(11,391,290)
Net premises and equipment depreciation difference	(13,884,844)	(317,078)	0	(54,674)	(14,256,596)	501,329	(14,757,925)
Net deferred tax assets (liabilities)	(19,372,887)	(15,877,676)	882,909	(29,752)	(34,397,406)	27,781,196	(62,178,602)
Tax compensation						(17,178,709)	(17,178,709)
Total						10,602,487	(44,999,893)

(23) Income Taxes, continued

The Bank's management performed offsetting of the deferred tax assets and liabilities that derive from the income tax corresponding to the same tax jurisdiction in the consolidated statement of financial position.

At December 31, 2016, the Bank has incurred in net operating tax loss carry forwards of $12,557,671, which are available to offset future taxable income of the subsidiaries to which they relate. The net operating losses begin to prescribe in 2029, and until 2035. At December 31, 2016, the Bank has not recognized deferred tax assets in the consolidated statement of the financial position for such operating losses.

At December 31, 2016, the Bank has not recognized a liability for tax deferred income of approximately $149,608,000 for the undistributed earnings of its foreign operations, because the Bank believes that approximately $1,152,565,000 of those profits will be reinvested by an indefinite term.

The Bank's earnings are taxed in various jurisdictions. At December 31, 2016, the Bank had unrecognized tax positions in the amount of $18,135,726 (2015: $25,154,048). Interest expense and penalties related to tax liabilities on income and recognized as part of income tax expense on income for the years ended December 31, 2016 were $2,433,968 (2015: $2,559,273). Total interest and penalties included in other liabilities at December 31, 2016 is $2,405,018 (2015: $6,062,996).

At December 31, 2016, the Bank´s effective tax rate of 26.8% (2015: 28.0%).

The following are the tax jurisdictions in which the Bank and its affiliates operate, and the fiscal year distant subject to inspection: United States: 2012, Mexico: 2008, Guatemala: 2012, El Salvador: 2013, Honduras: 2011, Nicaragua: 2012, Costa Rica: 2012 and Panama: 2013.

(24) Off-Balance Sheet Financial Instrument and Other Commitments

The Bank is a party to financial instruments with off-balance sheet risk in the normal course of business to meet the financing needs of its customers. These financial instruments include, principally, commitments to extend credit, financial guarantees and letters of credit, the balances of which are not reflected in the accompanying consolidated statement of financial position.

Letters of credit are conditional commitments issued by the Bank to guarantee performance of a customer to a third party. Those letters of credit are primarily used to support trade transactions and borrowing arrangements. Generally, all letters of credit issued have expiration dates within one year. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loan facilities to customers.

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. The commitments may expire without being drawn upon; therefore, the total commitment amounts do not necessarily represent future cash requirements. The amount of collateral obtained, if it is deemed necessary by the Bank, is based on management's credit evaluation of the customer.

(24) Off-Balance Sheet Financial Instrument and Other Commitments, continued

As of December 31, 2016 the Bank had outstanding revolving available to its credit card customers in each of the various countries of operation that ranged from approximately $374 million to $1,971 million (2015: from $189 million to $2,112 million). The unused portion of the total amount available in each country, aggregated approximately from $247 million to $1,302 million (2015: from $147 million to $1,465 million). While these amounts represented the available lines of credit to customers per country, the Bank has not experienced, and does not anticipate, that all of its customers will exercise their entire available lines at any given point in time.

The Bank generally has the right to increase, reduce, cancel, alter or amend the terms of these available lines of credit at any time.

Financial guarantees are used in various transactions to enhance the credit standing of the Bank's customers. They represent irrevocable assurances that the Bank will make payment in the event that the customer fails to fulfill its obligations to third parties.

The Bank uses the same credit policies in making commitments and conditional obligations as it does for on-balance sheet instruments. As of December 31, 2016, outstanding letters of credit and financial guarantees are as follows:

	2016	2015
Stand-by letters of credit	124,503,265	86,058,459
Commercial letters of credit	54,084,114	51,900,764
Financial guarantees	289,797,848	252,118,246
Loan commitment (1)	86,288,172	60,204,019
	554,673,399	450,281,488

(1) Include promise of payment commercial and mortgages.

The nature, terms and maximum potential amount of future payments that the Bank could be required to make under the standby letters of credit and guarantees as of December 31, 2016, are detailed as follows:

	2016	2015
Up to 1 year	422,626,533	350,391,810
Over 1 year	77,962,752	47,988,914
	500,589,285	398,380,724

Generally, the Bank has resources to recover from clients the amounts paid under these guarantees; additionally, the Bank can hold cash or other collateral to cover for these guarantees. The assets held as collateral, that the Bank can obtain and liquidate to recover totally or partially the amounts paid under guarantees amounted to December 31, 2016 $79,575,201 (2015: $54,654,780).

Other Commitments

During 2008, the Bank entered into a sale and leaseback of US$23,400,000 of an aircraft, which have been classified as an operating lease. Rental expense for the period ended in December 31, 2016 of this lease was $872,376 (2015: $817,977).

(24) Off - Balance Sheet Financial Instrument and Other Commitments, continued

Other Commitments

The Bank also has several non-cancelable operating leases, primarily for branches and offices spaces that expire over the next ten years. These leases generally contain renewal options for years ranging from three to five years and require the Bank to pay exentory all costs such as maintenance and insurance. Rental payments include minimum rentals plus contingent rentals.

Minimum rental payments under operating leases are recognized on a straight-line basis over the term of the lease including any periods of free rent. Rental expense for operating leases for the year ended on December 31, 2016, amounted to $39,983,609 (2015: $34,590,788).

Minimum lease payments under operating leases for each of the next five years from December 31, 2016, are presented as follows:

Year	Amount
2017	26,900,051
2018	24,409,854
2019	21,648,356
2020	18,148,142
2021	17,233,715
Thereafter	44,502,958
	152,843,076

(25) Derivative Financial Instruments

In the normal course of business, the Bank uses derivative financial instruments interest rate and exchange rate primarily for purposes of economic and accounting coverage in their management activities consolidated statement of financial position. The Bank does not use derivatives for speculation.

The fair value of derivative instruments is included in other assets and other liabilities in the consolidated statement of financial position. The net change of derivative instruments designated as cash flow hedges is reflected in the consolidated statement of comprehensive income. The net change in derivative instruments not designated for hedge reflected in other income for the period.

The Bank uses interest rate swaps, "caps" and "floors" to mitigate exposure to interest rates. The Bank's objectives for using derivative instruments are described below:

- During March 2009, the Bank entered into an interest rate swap contract of $130,000,000, effective for a period of 32 quarters. During May, 2016, the Bank canceled this contract, due to early payment made on financial obligations. As of December 31, 2015, the notional value of this derivative instrument was $25,138,731. This contract was designated as a cash flow hedging derivative instrument in order to protect the Bank global cash flows from the variability risk of the cash flows related to the interests’ payment on a portion of a variable rate financing. Under this interest rate swap, the Bank pays a fixed interest rate of 2.87% and receives a variable interest rate equal to three-month U.S. LIBOR.

(25) Derivative Financial Instruments, continued

- The Bank uses exchange rate derivatives, which are negotiated over-the-counter ("OTC"). These contracts are executed between two counterparties negotiating specific terms in the agreement, among which is the notional amount, the exercise price and the date of expiration and liquidation.

- As of December 31, 2016, the Bank has outstanding the following forward foreign exchange contract:

  - In December 2016, the Bank entered into a contract for an amount of $33,100,000 with maturity date in January 2017 on loans denominated in foreign currency but recorded in local currency. Under this contract, the expiration date, the Bank agrees to buy dollars in the future to the counterparty at the exchange rate agreed day of trading, in order to acquire the necessary foreign exchange to pay down the principal owed. This contract's mark to market were reclassified to assets classified as held for sale.

The notional amounts and estimated fair values of foreign exchange and interest rate derivative contracts outstanding at December 31, 2016 are presented in the following table. The fair values of derivative contracts are estimated utilizing internal valuation models with observable market data inputs.

2016	Remaining notional value maturities				Fair value	
	Less than 3 months	3 months to 1 year	More than 1 year	Total	Assets	Liabilities
Freestanding derivatives						
Interest rate swaps	0	1,171,428	0	1,171,428	0	2,321
Interest rate cap	0	0	10,514,286	10,514,286	50,500	0
	0	1,171,428	10,514,286	11,685,714	50,500	2,321

2015	Remaining notional value maturities				Fair value	
	Less than 3 months	3 months to 1 year	More than 1 year	Total	Assets	Liabilities
Freestanding derivatives						
Forward exchange contracts	23,000,000	0	0	23,000,000	739,141	0
Interest rate swaps	0	1,184,854	2,228,571	3,413,425	0	11,232
Interest rate cap	0	375,000	10,514,286	10,889,286	71,444	0
Derivatives for cash flow hedges						
Interest rate swaps	0	0	25,138,731	25,138,731	0	392,067
	23,000,000	1,559,854	37,881,588	62,441,442	810,585	403,299

For cash flow hedges, the effective portion of the gain or loss due to changes in the fair value of the derivative hedging instrument is included in other comprehensive income (loss), while the ineffective portion (indicated by the excess of the cumulative change in the fair value of the derivative over that which is necessary to offset the cumulative change in expected future cash flows on the hedge transactions) is included in other income (expenses).

No ineffectiveness related to interest rate derivatives designated as cash flows hedges was recognized in the consolidated income statement during the periods ended on December 31, 2016 and December 31, 2015. In May 2016, the Bank settled in advance the interest rate swap contract recognizing a loss of $0.3 million for its Fair Value. The accumulated net loss related to effective cash flow hedge included in accumulated other comprehensive income totaled $0.4 million at December 31, 2015.

(25) Derivative Financial Instruments, continued

For non-hedging derivative instruments, gains and losses due to changes in fair value are included in other income (expense), net.

Unrealized losses from non-hedging derivatives reported in other income amounted to $11,909 for the year ended December 31, 2016 (2015: $53,403). Accrued interest expense related to non-hedging derivatives for the year ended December 31, 2016 amounted to $15,600 (2015: $26,210).

Derivative contracts involve the risk of dealing with institutional counterparties and their ability to meet contractual terms. The Bank's credit exposure on interest rate swaps is limited to the net favorable value and interest payments of all swaps by each counterparty. The Bank pledged $1.7 million as collateral to derivative contracts at December 31, 2016.

(26) Disclosures on the Fair Value of Financial Instruments

The Bank established a process for determining the fair value. The fair value is primarily based on quoted market prices, when available. If market prices or quotes are not available, fair value is determined based on internally developed models that primarily use market information or other information obtained as inputs regardless of market parameters, including but not limited to yield curves, interest rates, debt prices, foreign exchange rates and credit curves. However, in situations where there is little or no market activity for the asset or liability at the measurement date, the fair value measurement reflects the Bank's own judgments about assumptions that market participants would use in setting the price of the asset or liability.

The judgments are developed by the Bank based on the best information available in the circumstances, including expected cash flows, discount rates adjusted for risks and the availability of observable and unobservable inputs.

The methods described above can generate fair value estimates that may not be indicative of the net realizable value or that do not reflect future values. In addition, while the Bank believes its valuation methods are appropriate and consistent with those used by other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in different fair value estimates as of the reporting date.

Financial instruments at fair value

Recurring Fair Value Measurement

The following is a description of the valuation methodologies used to value instruments carried at fair value, including a general classification of such instruments according to the fair value hierarchy.

Securities

When there are market prices in an active market, securities are classified in Level 1 of the fair value hierarchy. Level 1 securities include highly liquid bonds from the government and agencies and investments in highly traded shares.

If market prices are not available for a specific security, the fair value is determined using market prices of securities with similar characteristics or discounted cash flows, and are classified in Level 2. In certain cases where there is limited activity or less transparency in determining the assumptions used in the valuation, securities are classified in Level 3 of the fair value hierarchy.

(26) Disclosures on the Fair Value of Financial Instruments, continued

Therefore, when valuing certain debt obligations, determining fair value may require comparisons with similar instruments or default and collection rate analysis.

Loans

When the market price information is not available for a specific loan, the fair value is usually determined using discounted cash flow models that include credit margins of comparable debt instruments based on market information. Additionally, general market conditions, including prevailing margins in the market for credit and liquidity risks, assumptions about prepayment speed, default rates and loss rates are also considered in the valuation model.

The Bank chose to report certain mortgage loans at fair value, and thus apply the same accounting basis (measured at fair value through profit or loss) of derivative instruments used as economic hedge of such loans. Interest income on these loans is recorded as interest on loans, and net gains and losses from changes in fair value are presented in other income in the consolidated income statement. As of December 31, 2016, loans amounting to $563,390, were 90 days or more past due and were not accruing interest. (December 31, 2015: no loans with 90 days or more past due and were not accruing interest).

During the year ended December 31, 2016, the Bank recognized $1,026,413 (2015: $1,161,257) related to interest income on loans and $(244,759) for the net (loss) gain resulting for change in fair value (2015: $23,372). Gains and losses are mainly attributed to changes in interest rates.

Derivatives

Most derivatives used by the Bank are executed over-the-counter and are therefore valued using valuation techniques since there are no market prices available for such instruments. The valuation technique and variables used depend on the type of derivative and its nature. The key assumptions used in the models depend on the type of derivative and the nature of the underlying instrument and include the maturity period and market parameters such as yield curves and interest rates, the spot price of the underlying instrument, volatility, credit quality of the counterparty and correlation. In addition, many models do not contain a high level of subjectivity, since the methodologies used in the models do not require significant judgments and the assumptions of the model are directly observable from quoted prices in active markets; such is the case of simple interest rates swaps.

These instruments are generally categorized in Level 2 of the fair value hierarchy.

(26) Disclosures on the Fair Value of Financial Instruments, continued

Assets and liabilities recorded at fair value on a recurring basis, including the financial instruments for which the Bank chose the fair value option, are summarized below:

	Other significant observable assumptions (Level 2)	Significant unobservable assumptions (Level 3)	2016
Assets			
Investments and other assets at fair value through profit or loss:			
Other governments	32,614,699	0	32,614,699
Derivatives:			
Interest rate cap	50,500	0	50,500
Total investments and other assets at fair value through profit or loss	32,665,199	0	32,665,199
Investments in securities available for sale:			
Governments and agencies bonds:			
United States of America	220,348	0	220,348
Other governments	827,231,504	0	827,231,504
	827,451,852	0	827,451,852
Corporate bonds	440,721,405	0	440,721,405
Mutual funds	12,725,146	0	12,725,146
Total securities available for sale	1,280,898,403	0	1,280,898,403
Loans:			
Mortgage	0	14,836,947	14,836,947
Mortgage – past due	0	563,390	563,390
Total loans	0	15,400,337	15,400,337
Total assets	1,313,563,602	15,400,337	1,328,963,939
Liabilities			
Derivatives:			
Interest rate swaps	2,321	0	2,321
Total liabilities	2,321	0	2,321

	Other significant observable assumptions (Level 2)	Significant unobservable assumptions (Level 3)	2015
Assets			
Investments and other assets at fair value through profit or loss:			
Other governments	29,804,339	0	29,804,339
Derivatives:			
Forward exchange	739,141	0	739,141
Interest rate cap	71,444	0	71,444
Total investments and other assets at fair value through profit or loss	30,614,924	0	30,614,924
Investments in securities available for sale:			
Governments and agencies bonds:			
United States of America	222,093	0	222,093
Other governments	614,419,583	0	614,419,583
	614,641,676	0	614,641,676
Corporate bonds	422,121,461	0	422,121,461
Mutual funds	6,069,798	0	6,069,798
Total securities available for sale	1,042,832,935	0	1,042,832,935
Loans:			
Mortgage	0	17,379,905	17,379,905
Total loans	0	17,379,905	17,379,905
Total assets	1,073,447,859	17,379,905	1,090,827,764
Liabilities			
Derivatives:			
Interest rate swaps	403,299	0	403,299
Total liabilities	403,299	0	403,299

(26) Disclosures on the Fair Value of Financial Instruments, continued

The Bank's accounting policies include the recognition of transfers between the levels of the fair value hierarchy on the date of the event or change in the circumstances that caused the transfer.

The table below includes the movement of the figures in the consolidated balance sheet (including changes in fair value) of the financial instruments classified by the Bank within Level 3 of the fair value hierarchy, for the year ended December, 31 2016. When determining to classify an instrument in Level 3, the decision is based on the importance of unobservable assumptions within the overall fair value measurement.

	Loans		
	Mortgage	Mortgage Past due	Total
2016			
Fair value as of December 31, 2015	17,379,905	0	17,379,905
Total losses included in the profit or loss for the year	(170,896)	(73,863)	(244,759)
Settlements	(1,734,809)	0	(1,734,809)
Impairment of the year	(637,253)	637,253	0
Fair value as of December 31, 2016	14,836,947	563,390	15,400,337
Total losses included in the profit or loss for the year	(170,896)	73,863	(244,759)

	Loans		
	Mortgage	Mortgage Past due	Total
2015			
Fair value as of December 31, 2014	19,742,747	114,557	19,857,304
Total losses included in the profit or loss for the year	23,372	0	23,372
Settlements	(2,386,214)	(67,302)	(2,453,516)
Write-offs	0	(45,259)	(45,259)
Foreign currency impact	0	(1,996)	(1,996)
Fair value as of December 31, 2015	17,379,905	0	17,379,905
Total losses included in the profit or loss for the year	23,372	0	23,372

Non-recurring fair value measurement

The Bank has no financial assets that are measured at fair value. Some non-financial assets that are not measured at recurring fair value are subject to fair value adjustments in certain circumstances. These assets include available for sale assets (at the time of initial recognition or subsequent impairment).

The following table presents the assets recognized at fair value on a non-recurring basis that are recognized in the consolidated balance sheet for the year ended December 31, 2016, as well as the gain in the fair value of these assets, for which the fair value adjustment has been included in the consolidated income statement:

	Significant unobservable assumptions (Level 3)		Loss for the year	
	2016	2015	2016	2015
Foreclosed assets	7,909,170	9,310,174	5,614,369	4,094,469

(26) Disclosures on the Fair Value of Financial Instruments, continued

Disclosures on Fair Value Financial Instruments, additional disclosures

The fair value of these instruments is derived, in part, from the assumptions used by the management, the amount and the estimated time of the future cash flows and estimated discount rates. Different assumptions could materially affect these fair value estimates. Therefore, the net realizable value may be materially different from the estimates presented below. In addition, estimates are only indicative of the value of an individual financial instrument and should not be considered indicative of the Bank's fair value.

The following disclosures present the financial instruments whose final balance as of December 31, 2016 is not recorded at fair value in the Bank's consolidated statement of financial position.

A description of the methods and assumptions used to estimate the fair value of the main financial instruments held by the Bank is provided below:

Financial instruments with carrying amounts that approach the fair value:

Cash and cash equivalents, deposits in banks and clients' obligations for acceptances and acceptances outstanding are measured at book value reported in the consolidated balance sheet, which is considered a reasonable fair value estimate due to the characteristics and maturity of these instruments.

Loans

Most of the Bank's loans are not recognized at fair value on a recurring basis and are not actively traded. Fair values are estimated for certain groups of similar loans based on loan type and maturity. The fair value of these loans was determined by discounting the estimated cash flows using rates that approach the rates in effect of market participants for new loans and adjusted to reflect the inherent credit risk. This fair value does not represent a current indicator of an output price. Fair values for consumer loans (including automobile and real estate financing), for which market rates for comparable loans are available, are based on discounted cash flows adjusted for prepayments.

Discount rates for consumer loans are based on current market rates adjusted for credit and other risks that are applicable to a particular asset class. The fair value of credit cards is based on expected discounted cash flows. The discount rate for credit cards include only the effects of changes in interest rates since cash flows include an adjustment for credit risk. For doubtful loans, the cash flows are discounted using a rate that takes into consideration the recovery time and a premium for the uncertainty of the flows.

The value of the guarantees is also considered. Historical prepayment rates on loans are used to adjust the cash flows. The assumptions used are expected to approach those that a market participant would use to assess these loans.

Deposits

Deposits without defined maturity such as demand deposits, "NOW" / "Money Market" and savings accounts have a fair value that is equal to the amount payable on demand as of the reporting date, i.e., their carrying amount. The fair value of term deposits is estimated using a calculation of discounted cash flows applying current interest rates to all scheduled maturities. The assumptions used for the analysis of discounted cash flows are expected to approach those that market participants would use to evaluate these deposits.

(26) Disclosures on the Fair Value of Financial Instruments, continued

Securities sold under repurchase agreements

There are no market price quotes for these instruments; therefore, their fair value is determined using discounted cash flow techniques. Cash flows are estimated based on the contractual terms, taking into account any incorporated derivative characteristic or other factors. Expected cash flows are discounted using market rates that approach the maturity of the instrument, as well as the nature and amount of the guarantee given or received.

Borrowings

The fair value is estimated based on current interest rates for debt with similar and adjusted maturities to reflect the credit rating of the Bank and its guarantees.

Other borrowed funds

Fair value is estimated based on the market price quotes for the same issuance or similar issuances or on the current rates offered by the Bank for debts with the same terms, adjusted for credit quality.

The table below describes the valuation techniques and input data used in the financial instruments' recurring fair value measurements:

Financial instrument	Valuation technique and entry data used	Level
Corporate bonds and bonds from the government and agencies	Consensus prices obtained from price providers (Bloomberg). For part of these instruments the Bank applies cash flows discounted using a market rate of an instrument with a similar remaining maturity. Market prices for suppliers or local regulators in markets with lower marketability.	(2,3)
Mutual Funds	Net Asset Value.	(2)
Financial instruments derived from rates	Discount of future net flows. The fixed part of the flow is determined based on the "fixed portion" of each derivative according to contractual conditions; the variable part of the flow is determined according to the LIBOR rate projected in the Bloomberg system.	(2)
Financial instruments derived from currency	Estimated net future cash flows considering the exchange rate agreed against the forward exchange rate calculated by Bloomberg.	(2)

(26) Disclosures on the Fair Value of Financial Instruments, continued

Below are the valuation techniques and significant unobservable input data used in determining the fair value of recurring and nonrecurring assets and liabilities categorized within Level 3 of the fair value hierarchy that are recognized in the consolidated statement of financial position as of December 31, 2016:

2016			Quantitative information of Level 3 fair values	
	Fair value	Valuation technique	Unobservable assumptions	Range (weighted average)
Recurring loans	15,400,337	Discounted cash flows (if there is no collateral)	Annual prepayment rate	5% - 15% (10%)
Foreclosed assets	7,909,170	Valuations adjusted for age range and cost of sales	Aging	Movable property: 0 to 29 months, 20% 30 to 47 months, 30%-80% after 47 months, 100% Movable property: 0 to 5 months, 20% 6 to 11 months, 40% 12 to 23 months, 60% after 23 months, 100%

2015			Quantitative information of Level 3 fair values	
	Fair value	Valuation technique	Unobservable assumptions	Range (weighted average)
Recurring loans	17,379,905	Discounted cash flows (if there is no collateral)	Annual prepayment rate	5% - 15% (10%)
Foreclosed assets	9,310,174	Valuations adjusted for age range and cost of sales	Aging	Movable property: 0 to 29 months, 20% 30 to 47 months, 30%-80% after 47 months, 100% Movable property: 0 to 5 months, 20% 6 to 11 months, 40% 12 to 23 months, 60% after 23 months, 100%

The fair value estimates are made on a determined date in the countries where the Bank maintains operations, based on the criteria of the management; such as the original placement rate and estimated sale period. This assessment is reviewed and endorsed by the corporate unit responsible for the consolidated financial statements. These estimates are subjective by nature, involve uncertainty and elements of judgment; therefore, they can't be accurately determined. Any change in the assumptions or criteria may affect the estimates.

Significant unobservable data used in measuring the fair value of residential mortgage loans are prepayment rates, the probability of default and the severity of the loss in case of default. Significant increases (decreases) in any of these inputs in isolation would result in a fair value measurement significantly lower (higher).

The significant unobservable data used in measuring the fair value of the bonds from other governments includes a discount percentage according to the liquidity risk. It is considered that an increase (decrease) in the liquidity discount rate would not result in a higher or lower significant change in the fair value of the instrument.

(26) Disclosures on the Fair Value of Financial Instruments, continued

The information on the fair value of financial instruments described above (which are not disclosed elsewhere in the consolidated financial statements) in the consolidated balance sheet as of December 31, 2016, is as follows:

2016	Level 2	Level 3	Fair Value	Carrying Amount
Financial assets				
Cash and cash equivalents	545,071,729	0	545,071,729	545,071,729
Securities purchased under resale agreements	71,358,013	0	71,358,013	71,358,013
Deposits in banks	0	2,773,080,996	2,773,080,996	2,773,080,996
Loans, excluding net financial leases	0	13,804,711,024	13,804,711,024	13,734,205,127
Acceptances outstanding	0	31,923,582	31,923,582	31,923,582
Total financial assets	616,429,742	16,609,715,602	17,226,145,344	17,155,639,447
Financial liabilities				
Deposits	7,451,904,511	5,721,604,893	13,173,509,404	13,183,085,890
Securities sold under repurchase agreements	0	91,021,291	91,021,291	91,021,291
Financial obligations	0	3,253,205,104	3,253,205,104	3,189,627,634
Other financial obligations	0	409,993,591	409,993,591	427,130,463
Acceptances outstanding	0	31,923,582	31,923,582	31,923,582
Total financial liabilities	7,451,904,511	9,507,748,461	16,959,652,972	16,922,788,860

2015	Nivel 2	Nivel 3	Fair Value	Carrying Amount
Financial assets				
Cash and cash equivalents	567,726,362	0	567,726,362	567,726,362
Securities purchased under resale agreements	56,744,489	0	56,744,489	56,744,489
Deposits in banks	0	2,890,228,281	2,890,228,281	2,890,228,281
Loans, excluding net financial leases	0	12,469,370,628	12,469,370,628	12,627,488,837
Acceptances outstanding	0	4,498,990	4,498,990	4,498,990
Total financial assets	624,470,851	15,364,097,899	15,988,568,750	16,146,686,959
Financial liabilities				
Deposits	5,152,072,188	7,173,201,486	12,325,273,674	12,291,435,752
Securities sold under repurchase agreements	0	37,405,475	37,405,475	37,405,475
Financial obligations	0	3,113,951,783	3,113,951,783	3,123,411,334
Other financial obligations	0	389,258,578	389,258,578	388,061,790
Acceptances outstanding	0	4,498,990	4,498,990	4,498,990
Total financial liabilities	5,152,072,188	10,718,316,312	15,870,388,500	15,844,813,341

(27) Assets and Liabilities Classified as Held for Sale

As of December 31, 2016, the Bank transferred from fixed assets to assets held for sale a net amount of $2,252,564.

Additionally, on December 16, 2016, Credomatic de México S.A. de C.V., an indirect subsidiary of the Bank, entered into an "Asset Purchase Agreement" with Banco Invex, S.A., a company domiciled in Mexico, for the entirety of the loan portfolio of this subsidiary.

The following table presents this subsidiary's assets and liabilities as of December 31, 2016, which has been classified as held for sale in the consolidated statement of financial position:

	2016
Assets	
Cash and cash equivalents	119,336
Deposits in banks	9,658,633
Loans	44,146,511
Other assets	4,412,613
Total assets held for sale	58,337,093
Liabilities directly associated with assets classified as held for sale	
Financial obligations	23,153,284
Other liabilities	7,702,704
Total liabilities directly associated with assets classified as held for sale	30,855,988

(27) Assets and Liabilities Classified as Held for Sale, continued

The comparative results of the discontinued operations, as originally presented, have been reclassified to present them as discontinued operations in the current period.

Results of discontinued operations:

	2016	2015
Interest and commissions income:		
Deposits in banks	68,450	108,384
Loans	15,673,533	17,286,195
Total interest and commissions income	15,741,983	17,394,579
Interest expense:		
Financial obligations	1,688,125	1,496,437
Total interest expense	1,688,125	1,496,437
Interest and commissions income, net	14,053,858	15,898,142
Provision for loan losses	11,606,982	6,969,791
Interest and commissions income, net after provisions	2,446,876	8,928,351
Other income:		
Service charges	2,353,644	2,674,531
Commissions and other fees, net	(443,799)	60,070
Gain on foreign currency exchange, net	(5,340,286)	(565,096)
Other income	3,522,777	489,615
Total other income	92,336	2,659,120
General and administrative expenses:		
Salaries and other personal expenses	14,521,008	9,681,827
Depreciation and amortization	1,413,483	333,627
Depreciation and amortization	470,750	1,597,220
Occupancy and related expenses	851,408	1,052,140
Other operating expenses	5,338,138	5,291,457
Total general and administrative expenses	22,594,787	17,956,271
Loss before income tax	(20,055,575)	(6,368,800)
Less: Income tax	752,398	29,752
Net loss of discontinued operations	(20,807,973)	(6,398,552)

The non-recurring fair value of the group of assets and liabilities classified as held for sale has been classified as Level 3, based on the valuation made in discounting expected cash flows.

	Quantitative information of level 3 in fair values		
	Valuation technique	**Unobservable assumptions**	**Range (weighted average)**
Assets and liabilities classified as held for sale	Discounted cash flows (if there is no collateral)	Annual prepayment rate	12% - 14%

(28) Administration of Trust Contracts and Securities Custody

As of December 31, 2016, several subsidiaries of the Bank manage and keep custody of assets for a total amount of approximately $2,316,426,880 (2015: $3,162,349,379).

(29) Related Party Transactions

In the normal course of business, the Bank conducts transactions with related parties, including main executives and directors. The following table shows the balances and transactions with related parties as of December 31, 2016:

	2016		2015	
	Directors and Key personnel	Related parties	Directors and Key personnel	Related parties
Assets:				
Loans	8,585,877	44,017,261	10,510,755	30,735,363
Accumulated interest receivable and other accounts receivable	37,608	367,266	44,770	221,428
	8,623,485	44,384,527	10,555,525	30,956,791
Liabilities:				
Demand deposits	3,184,360	18,408,717	5,788,868	25,205,055
Term deposits	13,096,512	134,425,769	10,552,277	13,797,791
Financial obligations	0	200,000,000	0	180,000,000
Other financial obligations	5,296,796	4,898,667	6,466,069	4,983,952
Accumulated interest payable and other liabilities	133,716	1,186,798	73,269	505,447
	21,711,384	358,919,951	22,880,483	224,492,245

	December 31, 2016		December 31, 2015	
	Directors and Key personnel	Related parties	Key personnel	Related parties
Interest income and other income	585,632	3,618,533	647,503	3,458,476
Interest expense and other operating expenses	702,033	13,864,273	361,567	13,245,951
Key management personnel and directors benefits	18,106,484	0	21,585,004	0

(30) Litigation

To the best of management's knowledge, the Bank is not involved in any litigation or claim that is likely to cause a significant adverse effect on its business, its consolidated financial position or its consolidated operating results.

(31) Regulatory Aspects

Banking operations of the Bank are subject to various regulatory requirements administered by governmental agencies in the countries they operate or are licensed. Failure to meet these regulatory requirements can initiate certain mandatory, and possibly additional discretionary, actions by the regulators that, if undertaken, could have a material effect on the Bank’s consolidated financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Bank must meet specific capital guidelines that involve quantitative measures of the Bank’s assets and certain off balance-sheet items as calculated under regulatory accounting practices. The Bank’s capital amounts and classification are also subject to qualitative judgments by the regulators about their components, risk weightings and other factors.

As of December 31, 2016, the banking operations of the Bank meet all capital adequacy requirements in the countries where it operates, which vary from 8.00% to 12.00% and other regulatory requirements.

Main Laws and Regulations applicable to banking operations in the Republic of Panama, regulated and supervised by the Superintendency of Banks of the Republic of Panama:

- *Directors’ Board General Resolution SBP–GJD–0003-2013 issued by the Superintendency of July 9, 2013.*

(31) Regulatory Aspects, continued

This Resolution establishes when the regulatory allowances were greater than the respective calculation determined applying IFRS, this allowance in excess would be recognized in a regulatory reserve in equity.

The Agreement No. 4-2013 "whereby provisions are set out for the management and administration of the inherent credit risk in letters of credit and off-balance operations", issued by the Superintendency of Banks of Panama on May 28, 2013.

- Among other things, this Agreement defines the classification categories of credit facilities for the specific and dynamic provisions, as well as the criteria that the policies for restructured loans, financial guarantees, and charge off operations should contain. The specific provision for impairment of the loan portfolio shall be determined and recognized in the financial statements in accordance with the credit facilities´ classification within the risk categories currently in use, based on weighted calculations and minimum percentages by category specified in the Agreement. The Agreement also requires establishing a dynamic provision, as prudential regulatory criterion, which will be determined and recognized quarterly as reserves in equity following certain calculation criteria and restrictions that will be implemented gradually.

The table below summarizes the classification of the loan portfolio at fair value, at amortized cost and loan loss reserves based on the Agreement No. 4-2013 as of December 31, 2016:

			2016			
	Satisfactory	Special mention	Substandad	Doubtful	Loss	Total
Corporate loans and other loans	5,761,950,078	93,842,395	38,094,697	11,957,750	13,844,582	5,919,689,502
Consumer loans	8,053,782,071	157,958,554	51,004,576	61,422,681	27,900,915	8,352,068,797
Total	13,815,732,149	251,800,949	89,099,273	73,380,431	41,745,497	14,271,758,299
Specific reserve	0	30,363,518	26,685,665	48,031,245	18,933,080	124,013,508

			2015			
	Satisfactory	Special mention	Substandad	Doubtful	Loss	Total
Corporate loans and other loans	5,623,665,478	105,780,275	44,895,284	4,974,264	13,335,949	5,577,651,250
Consumer loans	7,272,261,356	146,398,972	40,617,846	44,039,582	27,349,345	7,530,667,101
Total	12,680,926,834	252,179,247	85,513,130	49,013,846	40,685,294	13,108,318,351
Specific reserve	0	29,482,908	22,652,823	34,600,021	16,356,308	103,092,060

(31) Regulatory Aspects, continued

The Agreement No. 4-2013 defines as past due any credit facility that presents unpaid amounts, of principal, interest or contractual expense fees, with an aging of more than 30 days and up to 90 days, starting from the date agreed to receive the payments.

The Agreement No. 4-2013 defines as overdue any credit facility that its contractual payments were in default for a period over 90 days. The period initiates from the date set forth for the receipt of the payments. Operations with a single payment at maturity and overdrafts will be considered overdue when the default of payments exceed 30 days, starting from the date established for payment of the obligation.

As of December 31, 2016, the classification of the loans portfolio at fair value and at amortized cost by maturity profile based on the Agreement No. 4-2013:

	2016			
	Current	Past due	Overdue	Total
Corporate loans and other loans	5,865,037,989	16,016,343	38,635,170	5,919,689,502
Consumer loans	8,079,055,235	145,906,622	127,106,940	8,352,068,797
Total	13,944,093,224	161,922,965	165,742,110	14,271,758,299

	2015			
	Current	Past due	Overdue	Total
Corporate loans and other loans	5,530,030,078	13,868,329	33,752,843	5,577,651,250
Consumer loans	7,297,279,520	131,240,521	102,147,060	7,530,667,101
Total	12,827,309,598	145,108,850	135,899,903	13,108,318,351

Based on the Agreement No. 8-2014, recognition of interest income based on days late in paying principal and/or interest and the type of credit transaction according to the following is suspended:

a) For consumer and business loans, if overdue more than 90 days; and
b) For mortgage loans, if overdue more than 120 days.

Total loans of BAC International Bank, Inc. (Parent Bank), as of December 31, 2016 in a state of not estimate amounts to $42,265,432 (2015: $32,255,470). Total interest income not recognized on these loans is $4,796,819 (2015 $4,440,940).

As of December 31, 2016, the Bank in order to comply with the indicated in Articles 36 and 38 of the Agreement No. 4-2013, established a dynamic reserve by the amount of $222,778,260 (2015: $178,120,873), as part of equity through the appropriation of retained earnings. The credit balance of this dynamics provision is part of regulatory capital but does not replace or compensate the requirements to a minimum capital adequacy rate established by the Superintendency of Banks of Panama.

(31) Regulatory Aspect, continued

With the Agreement No. 4-2013 is established a dynamic reserve which cannot be less than 1.25%, nor greater than 2.50% of risk-weighted assets related to credit facilities classified as normal, at December 31, 2016, these percentages represent next amounts:

	2016	**2015**
1.25%	150,791,313	134,438,787
2.50%	301,582,626	268,877,573

Below as the dynamic reserve consolidated level as at December 31 2016:

	2016	**2015**
Component 1		
Risk- weighted assets (credit facilities – normal category)	12,063,305,025	10,755,102,930
For alpha coefficient (1.50%)		
Result	180,949,575	161,326,544
Component 2		
Variation (positive) between the current quarter versus the previous risk-weighted assets	607,920,928	181,057,706
For beta coefficient (5.00%)		
Result	30,396,046	9,052,885
Less:		
Component 3		
Amount of change in the balance of specific provisions in the quarter	(14,514,976)	(5,838,248)
Gross dynamic reserve balance	225,860,597	176,217,677
Plus:		
Amount restriction as set forth in paragraphs “a” and “b” of Article 37 and consolidation effect	3,072,337	1,903,196
Net dynamic reserve balance	222,788,260	178,120,873

As of December 31, 2016 and 2015, the Bank did not required additional regulatory credit reserves based on Agreement No. 4-2013.

- *Capital Management*

  The banking law indicates that general license banks must keep capital paid or allocated at least $10 million; and adequacy ratio minimum capital of 8% of their risk-weighted assets, which should include off-balance sheet operations.

  Quantitative measures established by regulation to ensure capital adequacy requires the Bank to maintain minimum amounts and ratios of Total and Tier I Capital (as defined in the regulations) to risk-weighted assets. Management believes that, as of December 31, 2016 and 2015, the Bank meets all capital-adequacy requirements to which it is subject.

(31) Regulatory Matters, continued

The Bank presents consolidated capital funds on its weighted assets by risks of approximately 13.40%, based on Agreements No. 1-2015 and No. 3-2016 (2015: 13.52%, based on Agreement No.5-2008 and its amendments) of the Superintendency of Banks of Panama.

Agreement No. 1-2015, establishes the capital adequacy rules applicable to banks and banking groups, began to take effect on January 1, 2016 and the Agreement No. 3-2016, which establishes rules for the determination of the weighted assets by credit risks and counterparty risk, began to apply on July 1, 2016.

The Bank presents consolidated capital funds on its weighted assets based on risks, in accordance with the requirements of the Superintendency of Banks of Panama, which are detailed as follows:

Agreements No. 1-2015 and No. 3-2016	***2016***
Ordinary Primary Capital (Pilar I)	
Common stock	834,708,000
Additional paid in capital	140,897,488
Retained earnings	1,340,573,712
Non–controlling interest	274,468
Other comprehensive losses	(215,662,977)
Less: Goodwill	(335,141,584)
Less: Intangible assets	(53,718,336)
Less: Treasury stock	(5,164,872)
Total Ordinary Primary Capital	1,706,765,899
Secondary Capital (Pilar II)	
Subordinated debt	144,000,000
Total Secundary Capital	144,000,000
Dinamic Provisions	222,788,260
Total Regulatory Capital Fund	2,073,554,159
Total risk weighted assets	15,476,396,478
Indicators:	
Capital Adecuacy Ratio	13.40%
Primary Capital Ratio	11.03%

(31) Regulatory Matters, continued

Agreements No.5-2008 and its modifications	2015
Primary Capital (Pilar I)	
Common stock	834,708,000
Additional paid in capital	140,897,488
Retained earnings	1,207,013,678
Dinamic provision	178,120,873
Declared capital reserve	54,253,667
Non–controlling interest	243,693
Less: Goodwill and intangible assets	(391,351,556)
Total Primary Capital	2,023,885,843
Secondary Capital (Pilar II)	
Revaluation reserve (Foreign exchange)	(170,634,467)
Subordinated debt	180,000,000
Total Secundary Capital	9,365,533
Less:	
Investment in equity instruments in subsidiaries of the banking group, but not of the bank.	(8,860,656)
Total Regulatory Capital Fund	2,024,390,720
Total risk weighted assets	14,977,495,780
Indicators:	
Capital Adecuacy Ratio	13.52%
Primary Capital Ratio	13.51%

- *Liquidity Radio*
  The percentage of liquidity ratio reported by BAC International Bank, Inc. (Parent Bank) to the regulator, under the parameters of No. 4-2008 Agreement was as of December 31, 2016 67.99% (2015: 65.80%).

- *Foreclosed Assets*
  The Agreement No. 3-2009, issued by the Superintendency of Banks of Panama, by which the provisions on disposal of property are updated, sets a five (5) year period to dispose of property acquired in settlement of unpaid loans.

  The foreclosed properties held for sale are recognized at the lowest between the carrying value of the unpaid loans and the estimated realization value of the properties. The Agreement establishes that the provision of foreclosed properties is progressive within a range of 10% from the first year of enrollment up to 90% in the fifth year of adjudication, by establishing an equity reserve. Below is the progressive reserve table:

Years	Minimun Reserve Percentage
First	10%
Second	20%
Third	35%
Fourth	15%
Fifth	10%

(31) Regulatory Aspect, continued

At December 31, 2016, the Bank established a provision of foreclosed properties amounting to $675,782 (2015: $1,131,906), as part of equity through the appropriation of retained earnings.

- *Financial Company Act*
  The operations of financial companies in Panama are regulated by the Directorate of Financial Enterprises of the Ministry of Trade and Industry in accordance with the laws established in the Law No. 42 of July 23, 2001.

- *Lease Acts*
  Leasing operations in Panama are regulated by the Directorate of Financial Enterprises of the Ministry of Trade and Industry in accordance with the laws established by the Act No. 7 July 10, 1990.

- *Securities Act*
  Stock-exchange operations in Panama are regulated by the Superintendency of Securities in accordance with the legislation established in Decree Law No.1 of July 8, 1999, reformed by Act No.67 of September 1, 2011.

  The broker firm's operations are regulated by the Agreement No. 4 2011, modified in certain aspects by the Agreements No. 8-2013 and No. 3-2015, issued by the Superintendency of Securities. The Agreements specifies that broker firms must comply with capital adequacy requirements and its modalities.