BAC INTERNATIONAL BANK, INC.
AND SUBSIDIARIES

(Panama, Republic of Panama)

Consolidated Financial Statements

December 31, 2015

(With Independent Auditors' Report Thereon)

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

Table of Contents

KPMG
Apartado Postal 816-1089
Panamá 5, República de Panamá

Teléfono: (507) 208-0700
Fax: (507) 263-9852
Internet: www.kpmg.com

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Stockholder
BAC International Bank, Inc.

We have audited the accompanying consolidated financial statements of BAC International Bank, Inc. and Subsidiaries, which comprise the consolidated statement of financial position as of December 31, 2015, and the related consolidated income statement, statement of comprehensive income, statement of changes in equity, and statement of cash flow for the year then ended, and notes comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of BAC International Bank, Inc. and Subsidiaries as of December 31, 2015, and its consolidated financial performance and its consolidated cash flow for the year then ended in accordance with International Financial Reporting Standards.

Matters of Emphasis

As stated in notes 2 and 32, BAC International Bank, Inc. and its Subsidiaries adopted at December 31, 2015 the International Financial Reporting Standards issued by the International Accounting Standard Board. Our conclusion does not include a qualification for this matter.

KPMG

March 4, 2016
Panama, Republic of Panama

BAC INTERNATIONAL BANK, INC. AND SUBSIDIARIES

(Panama, Republic of Panama)

Consolidated Statement of Financial Position

December 31, 2015

(In U.S. Dollars)

	Note	December 31, 2015	December 31, 2014	January 1, 2014
Assets				
Cash and cash equivalents		567,726,362	571,591,294	520,821,813
Securities purchased under resale agreements	7	56,744,489	20,375,025	43,417,151
Deposits in banks:				
Demand		2,467,226,207	2,414,886,767	2,125,787,620
Time deposits		423,002,074	460,558,899	829,752,691
Total deposits in banks		2,890,228,281	2,875,445,666	2,955,540,311
Total cash, cash equivalents and deposits in banks	6	3,514,699,132	3,467,411,985	3,519,779,275
Investments and other assets at fair value	4, 8	1,082,308,515	1,057,932,295	1,026,120,728
Loans at fair value	4	17,379,905	19,857,304	22,830,527
Loans at amortized cost	4, 9	13,090,938,446	11,571,998,453	10,664,202,096
Less:				
Allowance for loan losses	10	(161,032,488)	(160,216,301)	(144,274,617)
Unearned interest and commissions		(52,448,352)	(47,478,285)	(42,763,827)
Loans at amortized cost, net		12,877,457,606	11,364,303,867	10,477,163,652
Property, furniture, equipment and improvements, net of accumulated depreciation and amortization	11	360,221,760	347,413,996	329,137,459
Acceptances outstanding		4,498,990	27,071,271	10,600,833
Accumulated interest receivable		93,075,619	85,816,089	83,660,228
Other accounts receivable		223,887,420	176,816,767	166,526,209
Goodwill and intangible assets	12	391,351,556	379,425,230	386,988,998
Deferred Income tax	23	27,781,196	30,845,411	33,299,579
Other assets	13	130,020,973	120,136,911	100,636,756
Total assets		18,722,682,672	17,077,031,126	16,156,744,244

The consolidated statement of financial position must be read in conjunction with the notes which are part of the consolidated financial statements.

	Note	December 31, 2015	December 31, 2014	January 1, 2014
Liabilities and Equity				
Liabilities:				
Deposits:				
Demand		4,755,948,327	4,223,677,787	3,967,418,408
Savings		2,417,283,369	2,216,518,445	2,046,576,371
Time deposits		5,118,204,056	4,931,213,809	4,894,237,507
Total deposits		12,291,435,752	11,371,410,041	10,908,232,286
Securities sold under repurchase agreements		37,405,475	39,884,399	36,322,412
Financial obligations	14	3,123,411,334	2,756,088,537	2,661,943,026
Other financial obligations	15	388,061,790	353,989,172	286,553,322
Acceptances outstanding		4,498,990	27,071,271	10,600,833
Accumulated interest payable		66,841,239	56,226,068	57,041,357
Income tax payable		55,972,929	57,399,373	45,999,418
Deferred income tax	23	62,178,602	50,218,296	56,255,407
Other liabilities	16	452,850,101	409,430,087	394,409,746
Total liabilities		16,482,656,212	15,121,717,244	14,457,357,807
Equity:				
Common stock	17	834,708,000	755,803,000	527,803,000
Paid shares to be issued		0	78,905,000	78,905,000
Additional paid in capital		140,897,488	140,897,488	93,731,969
Treasury stock		(5,158,138)	(4,809,622)	0
Retained earnings		1,205,881,772	1,017,651,343	1,043,531,514
Voluntary capital reserve		54,253,667	54,253,667	54,253,667
Regulatory reserves		179,252,779	58,416,850	669,711
Other comprehensive losses	18	(170,052,801)	(146,019,794)	(99,699,957)
Total shareholder equity of the controlling Company		2,239,782,767	1,955,097,932	1,699,194,904
Non-controlling interest		243,693	215,950	191,533
Total equity		2,240,026,460	1,955,313,882	1,699,386,437
Commitments and contingencies	24			
Total liabilities and equity		18,722,682,672	17,077,031,126	16,156,744,244

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

Consolidated Income Statement

For the year ended December 31, 2015

(In U.S. dollars)

	Note	2015	2014
Interest and commissions income:			
Deposits in banks		18,219,889	17,335,740
Investments		50,565,553	55,297,069
Loans		1,364,535,030	1,244,131,663
Total interest and commissions income		1,433,320,472	1,316,764,472
Interest expense:			
Deposits		306,345,749	286,491,406
Financial obligations		117,104,270	106,620,325
Other financial obligations		26,381,555	20,813,316
Securities sold under repurchase agreements		2,534,827	3,008,373
Total interest expense		452,366,401	416,933,420
Interest and commissions income, net		980,954,071	899,831,052
Provision for loan losses		188,155,031	162,770,468
Impairment of foreclosed assets		4,094,469	5,934,996
Provision for accounts receivable losses		344,783	471,088
Interest and commissions income, net after provisions		788,359,788	730,654,500
Other income:			
Gains in financial instruments, net	19	7,414,315	10,371,099
Service charges		355,914,377	299,724,720
Commissions and other fees, net		134,976,387	126,336,890
Gain on foreign currency exchange, net		80,329,593	100,470,702
Other income	20	32,872,695	34,773,679
Total other income		611,507,367	571,677,090
General and administrative expenses:			
Salaries and employee benefits	21	479,697,815	434,614,466
Depreciation and amortization	11, 12, 13	68,387,865	63,870,790
Administrative expenses		48,976,433	44,292,226
Occupancy and related expenses		61,374,337	58,828,977
Other operating expenses	22	294,535,690	262,582,893
Total general and administrative expenses		952,972,140	864,189,352
Income before income tax		446,895,015	438,142,238
Income tax	23	127,037,509	115,013,265
Net income		319,857,506	323,128,973
Less: net profit attributable to non-controlling interest		39,148	38,001
Net profit attributable to the Controlling Company		319,818,358	323,090,972

The consolidated income statement must be read in conjunction with the notes which are part of the consolidated financial statements.

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

Consolidated Statement of Comprehensive Income

For the year ended December 31, 2015

(In U.S. dollars)

	2015	2014
Net income	319,857,506	323,128,973
Other comprehensive losses:		
Items that are or can be reclassified to the consolidated income statement		
Foreign currency translation	(22,872,274)	(51,671,801)
Change in fair value of cash flow hedging	841,607	2,762,191
Valuation reserve for available for sale securities:		
Net amount transferred to income statement	(6,974,323)	(10,003,765)
Net change in fair value	4,960,578	12,582,182
Other comprehensive losses	(24,044,412)	(46,331,193)
Comprehensive income	295,813,094	276,797,780
Less: comprehensive losses attributable to non-controlling interest	27,743	26,645
Comprehensive income attributable to the Controlling Company	295,785,351	276,771,135

The consolidated statement of comprehensive income must be read in conjunction with the notes which are part of the consolidated financial statements.

BAC INTERNATIONAL BANK, INC. AND SUBSIDIARIES

(Panama, Republic of Panama)

Consolidated Statement of Changes in Equity

For the year ended December 31, 2015

(In U.S. dollars)

	Attributable to owners of the Company										
	Common stock	**Paid shares to be issued**	**Additional paid in capital**	**Treasury stock**	**Retained earnings**	**Voluntary capital reserve**	**Regulatory reserves**	**Other comprehensive loss**	**Total shareholder equity of the controlling Company**	**Non-controlling interest**	**Total**
Balance as of January 1, 2014	527,803,000	78,905,000	93,731,969	0	1,043,531,514	54,253,667	669,711	(99,699,957)	1,699,194,904	191,533	1,699,386,437
Net income	0	0	0	0	323,090,972	0	0	0	323,090,972	38,001	323,128,973
Other comprehensive losses											
Foreign currency translation	0	0	0	0	0	0	0	(51,660,231)	(51,660,231)	(11,570)	(51,671,801)
Change in fair value of cash flow hedging	0	0	0	0	0	0	0	2,762,191	2,762,191	0	2,762,191
Valuation for available for sale securities:											
Net amount transferred to income statement	0	0	0	0	0	0	0	(10,003,765)	(10,003,765)	0	(10,003,765)
Net change in fair value	0	0	0	0	0	0	0	12,581,968	12,581,968	214	12,582,182
Total other comprehensive losses	0	0	0	0	0	0	0	(46,319,837)	(46,319,837)	(11,356)	(46,331,193)
Total comprehensive income (losses)	0	0	0	0	323,090,972	0	0	(46,319,837)	276,771,135	26,645	276,797,780
Transactions with the Bank's owners											
Purchase of treasury stock	0	0	(75,488)	(4,809,622)	0	0	0	0	(4,885,110)	0	(4,885,110)
Contributions and distributions:											
Capitalization	228,000,000	0	47,241,007	0	(275,241,007)	0	0	0	0	0	0
Dividends	0	0	0	0	(15,000,000)	0	0	0	(15,000,000)	(2,228)	(15,002,228)
Regulatory Reserves	0	0	0	0	(57,747,139)	0	57,747,139	0	0	0	0
Complementary tax	0	0	0	0	(982,997)	0	0	0	(982,997)	0	(982,997)
Total contributions and distributions	228,000,000	0	47,165,519	(4,809,622)	(348,971,143)	0	57,747,139	0	(20,868,107)	(2,228)	(20,870,335)
Balance as of December 31, 2014	755,803,000	78,905,000	140,897,488	(4,809,622)	1,017,651,343	54,253,667	58,416,850	(146,019,794)	1,955,097,932	215,950	1,955,313,882
Net income	0	0	0	0	319,818,358	0	0	0	319,818,358	39,148	319,857,506
Other comprehensive losses											
Foreign currency translation	0	0	0	0	0	0	0	(22,860,896)	(22,860,896)	(11,378)	(22,872,274)
Change in fair value of cash flow hedging	0	0	0	0	0	0	0	841,607	841,607	0	841,607
Valuation for available for sale securities:											
Net amount transferred to income statement	0	0	0	0	0	0	0	(6,974,323)	(6,974,323)	0	(6,974,323)
Net change in fair value	0	0	0	0	0	0	0	4,960,605	4,960,605	(27)	4,960,578
Total other comprehensive losses	0	0	0	0	0	0	0	(24,033,007)	(24,033,007)	(11,405)	(24,044,412)
Total comprehensive income (losses)	0	0	0	0	319,818,358	0	0	(24,033,007)	295,785,351	27,743	295,813,094
Transactions with the Bank's owners											
Purchase of treasury stock	0	0	0	(348,516)	0	0	0	0	(348,516)	0	(348,516)
Contributions and distributions:											
Capitalization	78,905,000	(78,905,000)	0	0	0	0	0	0	0	0	0
Dividends	0	0	0	0	(11,200,000)	0	0	0	(11,200,000)	0	(11,200,000)
Regulatory reserves	0	0	0	0	(120,835,929)	0	120,835,929	0	0	0	0
Complementary tax	0	0	0	0	448,000	0	0	0	448,000	0	448,000
Total contributions and distributions	78,905,000	(78,905,000)	0	(348,516)	(131,587,929)	0	120,835,929	0	(11,100,516)	0	(11,100,516)
Balance as of December 31, 2015	834,708,000	0	140,897,488	(5,158,138)	1,205,881,772	54,253,667	179,252,779	(170,052,801)	2,239,782,767	243,693	2,240,026,460

The consolidated statement of changes in equity must be read in conjunction with the notes which are part of the consolidated financial statements.

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

Consolidated Statement of Cash Flow

For the year ended December 31, 2015

(In U.S. dollars)

	Note	2015	2014
Cash flows from operating activities:			
Net income		319,857,506	323,128,973
Adjustments to reconcile net income and cash used in operating activities:			
Depreciation and amortization	11, 12, 13	68,387,865	63,870,790
Provision for loan losses	10	188,155,031	162,770,468
Provision for account receivable losses		344,783	471,088
Impairment of foreclosed assets	13	4,094,469	5,934,996
Release of provision for unfunded commitments		(243,194)	(238,799)
Amortization of deferred loans fees and costs		(18,318,612)	(24,001,095)
Interest and commissions income		(1,433,320,472)	(1,316,764,472)
Interest expense		452,366,401	416,933,420
Net gain on securities at fair value through profit or loss	19	(470,023)	(168,604)
Gain on valuation of mortgage loans	19	(23,372)	(11,886)
Net gain on sale of available for sale securities	19	(6,974,323)	(10,009,292)
Loss (gain) in derivative financial instruments	19	53,403	(181,317)
Net loss on sale and disposal of property and equipment		231,638	55,912
Income tax expense	23	127,037,509	115,013,265
Changes in operating assets and liabilities:			
Net increase in deposits with original maturities of 90 days or more		(53,293,683)	(87,137,741)
Trading securities		(1,618,730)	(992,765)
Loans		(1,824,409,113)	(1,218,337,933)
Securities purchased under resale agreements		(12,160,965)	6,188,803
Other accounts receivable		(52,436,683)	(11,985,161)
Other assets		31,274,822	15,206,651
Deposits from costumers		1,038,482,920	684,307,447
Other liabilities		46,483,978	31,023,153
Cash generated by operations:			
Interest received		1,417,719,674	1,295,727,582
Interest paid		(443,701,355)	(417,908,217)
Income tax paid		(101,985,309)	(99,806,675)
Net cash used in operating activities		(254,465,835)	(66,911,409)
Cash flows from investment activities:			
Proceeds from sale of available for sale securities	8	586,764,277	652,429,614
Maturities, prepayments and "calls" of available for sale securities		281,477,814	460,932,772
Purchase of available for sale securities		(909,268,667)	(1,135,861,580)
Purchase of property and equipment		(61,827,246)	(68,937,207)
Proceeds from sale of property and equipment and disposal of equipment		3,417,177	829,611
Cash paid in business acquisition, net of cash received		(9,836,482)	(10,349,580)
Net cash used in investment activities		(109,273,127)	(100,956,370)
Cash flows from financing activities:			
Proceeds from other financial obligations		233,123,814	406,954,895
Payment of other financial obligations		(189,158,230)	(311,018,950)
Proceeds from financial obligations		1,669,624,880	1,630,415,653
Payment of financial obligations		(1,309,758,278)	(1,574,008,502)
Dividends		(11,200,000)	(15,002,228)
Purchase of treasury stock		(348,516)	(4,885,110)
Net cash provided by financing activities		392,283,670	132,455,758
Effect of exchange rate fluctuation on cash held		(30,358,760)	(105,952,154)
Net decrease in cash and cash equivalents		(1,814,052)	(141,364,175)
Cash and cash equivalents at beginning of year		3,304,611,362	3,445,975,537
Cash and cash equivalents at year end	6	3,302,797,310	3,304,611,362

The consolidated statement of cash flows must be read in conjunction with the notes which are part of the consolidated financial statements.

Table of Contents for the Notes to the Consolidated Financial Statements

(1) Organization

BAC International Bank, Inc. was incorporated as a bank and bank 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.

On October 28, 2014, in an extraordinary meeting of the General Board of Shareholders, were authorized to modify the third clause of the incorporation agreement, where the authorized shares will be represented by 850,000 shares of class A, nominative, with a par value of $1,000 each, currency of the United States of America; and 1,000,000 shares of class B, nominative, no par value.

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

In December 2014, the Parent Company merged operations of Banco BAC de Panama, S. A. with the Parent Bank. As described in note 33 and considering this was a reorganization of entities under common control, the figures for 2013 have been retrospectively adjusted to make them comparable with 2014.

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.

(1) Organization, continued

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) Basis 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”). These are the first annual financial statements to be prepared per IFRS, and the IFRS 1 "First-time Adoption of International Financial Reporting Standards" has been applied.

Note 32 provide an explanation of how the transition to IFRS has affected the Bank's financial position, financial performance and reported cash flows.

The consolidated financial statements were reviewed by the Bank’s Auditing Committee and approved by the Bank’s Board of Directors for its issue on February 18, 2016.

(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.

- Derivative financial instruments are measured at fair value;
- Financial instruments at fair value through profit or loss; and
- Investments available for sale at fair value through other comprehensive income.

(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 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.

Balances and Transactions Eliminated in the Consolidation

Intragroup transactions, 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 on 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.

(3) Summary Significant Accounting Policies, continued

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 functional currency different from the Bank's functional currency are converted to the presentation currency as follows:

- Assets and liabilities: at the exchange rate 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".

(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 with 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 detail of derivative financial instruments is included in accounting policy “g”.

(3) Summary Significant Accounting Policies, continued

- 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.

  - 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.

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.

(3) Summary Significant Accounting Policies, continued

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 Bank regularly recognizes the purchases and sales of financial instruments 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.

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.

(3) Summary Significant Accounting Policies, continued

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.

- 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.

(3) Summary Significant Accounting Policies, continued

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.

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.

(3) Summary Significant Accounting Policies, continued

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:

- 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.

If a corporate loan 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 in the case that this is the form of loan recovery.

(3) Summary Significant Accounting Policies, continued

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. As a practical measure, the Bank can estimate the impairment based on the fair value of an instrument using an observable market price.

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. For ratings Substandard, Doubtful and Loss, a historic recovery rate is applied.

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.

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.

(3) Summary Significant Accounting Policies, continued

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.

(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.

(3) Summary Significant Accounting Policies, continued

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.

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.

(3) Summary Significant Accounting Policies, continued

(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.

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.

(3) Summary Significant Accounting Policies, continued

(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.

(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.

(3) Summary Significant Accounting Policies, continued

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.

(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.

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.

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.

(3) Summary Significant Accounting Policies, continued

(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.

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.

(3) Summary Significant Accounting Policies, continued

(o) Trust Contracts and Asset Management

Trust contracts and custody of assets are not considered part of the Bank, and accordingly, such assets 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.

- 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.

(3) Summary Significant Accounting Policies, continued

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 Company.

(s) 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 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.

  - 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.

(3) Summary Significant Accounting Policies, continued

- 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.

(4) Risk Management, continued

(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.

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.

(4) Risk Management, continued

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 $2,890,228,281, as of December 31, 2015 (2014: $2,875,445,666). Deposits are maintained at central banks and other financial institutions, most of which have AAA to 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, 2015, approximately $260 million did not have a risk rating.

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, 2015, 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, 2015 investments and other assets at fair value amounted to $1,082,308,515 (2014: $1,057,932,295).

- 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+ or lower range, for $30,614,924 as of December 31, 2015 (2014: $28,069,783), of which $29,804,339 (2014: $26,483,787) are to government bonds and $810,585 (2014: $1,585,996) to other instruments.

  Other assets at fair value through profit or loss include derivative financial instruments, which as of December 31, 2015 amounted to $810,585 (2014: $414,699).

  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.

	2015		2014	
	Notional Value	Fair Value	Notional Value	Fair Value
Assets	33,889,286	810,585	33,664,262	414,699
Liabilities	28,552,156	403,299	49,535,129	1,292,150

(4) Risk Management, continued

- Available for sale securities

  As of December 31, 2015, the financial instruments available for sale at fair value amounted $1,042,832,935 (2014: $1,020,619,439).

  As of December 31, 2015, $8,860,656 of financial instruments at cost (2014: $9,243,073) are excluded from the following risk management analysis. Further details on financial instruments at cost are included in Note 8.

  As of December 31, 2015, investments in securities and other assets measured at fair value amounted to $1,073,447,859 (2014: $1,048,689,222).

  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:

	2015		2014	
	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	218,788	0	8,219,551
BBB	0	93,879,424	0	98,343,261
BBB-	0	0	0	3,039,090
BB+ or less	12,944,209	500,436,654	10,687,527	514,863,589
Not rated	18,763,875	49,911,149	0	9,988,623
Total governments and agencies	31,708,084	644,446,015	10,687,527	634,454,114
Corporate				
A+	0	4,027,240	0	14,118,890
A	0	177,054,421	0	126,782,673
A-	0	8,944,195	0	83,412,325
BBB+	0	82,888,949	0	34,898,355
BBB	0	28,264,140	0	3,876,028
BBB-	6,342,709	22,153,300	0	65,857,250
BB+ or less	7,861,254	77,170,389	0	15,228,300
Not rated	10,832,442	28,499,210	9,687,498	70,061,287
Total corporate	25,036,405	429,001,844	9,687,498	414,235,108
Total instruments	56,744,489	1,073,447,859	20,375,025	1,048,689,222

Investments available for sale at December 31, 2015 are current and do not reflect impairment (2014: 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.

(4) Risk Management, continued

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.

- Sub-standard:
  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).

(4) Risk Management, continued

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.

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

	2015		2014	
	Loans	Debt commitments and guarantees	Loans	Debt commitments and guarantees
Loans at fair value				
Current (up to 30 days)	17,379,905	0	19,774,742	0
More than 365 days	0	0	82,562	0
Net carrying amount, loans at fair value	17,379,905	0	19,857,304	0
Loans at amortized cost				
Corporate [(1)]				
Satisfactory	4,838,758,531	401,969,527	4,148,428,173	412,206,531
Special mention	71,213,162	1,633,898	102,640,701	3,398,922
Sub-standard	36,579,679	0	22,708,332	0
Doubtful	5,366,661	0	7,309,834	0
Loss	7,591,565	1,143	10,392,577	2,535
Gross amount	4,959,509,598	403,604,568	4,291,479,617	415,607,988
Allowance for impairment	(23,965,888)	(126,458)	(29,522,739)	(289,031)
Net carrying amount	4,935,543,710	403,478,110	4,261,956,878	415,318,957
Personal Banking and SMEs				
Current (up to 30 days)	7,876,460,545	46,676,920	7,030,419,553	38,729,571
31 to 89 days	139,097,997	0	137,781,201	0
90 to 120 days	38,217,831	0	35,177,087	0
121 to 180 days	45,019,951	0	42,996,994	0
181 to 365 days	14,091,462	0	15,387,049	0
More than 365 days	18,541,062	0	18,756,952	0
Gross amount	8,131,428,848	46,676,920	7,280,518,836	38,729,571
Allowance for impairment	(137,066,600)	(11,440)	(130,693,562)	(42,281)
Net carrying amount	7,994,362,248	46,665,480	7,149,825,274	38,687,290
Unearned interests and commissions, net	(52,448,352)	0	(47,478,285)	0
Net carrying amount, loans at amortized cost	12,877,457,606	450,143,590	11,364,303,867	454,006,247

(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 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, are considered delinquent but not impaired, without losses incurred.

- 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:

	2015		2014	
	Loans	Debt commitments and guarantees	Loans	Debt commitments and guarantees
Loans at fair value				
Current and non-impaired portfolio				
Current (up to 30 days)	17,379,905	0	19,774,742	0
Impaired portfolio				
More than 365 days	0	0	82,562	0
Net carrying amount, loans at fair value	17,379,905	0	19,857,304	0
Loans at amortized cost				
Corporate				
Current and non-impaired portfolio				
Satisfactory	4,825,407,192	401,720,445	4,123,689,278	412,205,959
Special mention	61,594,443	1,527,405	91,956,160	3,401,458
Total	4,887,001,635	403,247,850	4,215,645,438	415,607,417
Portfolio with 30 to 90 days in arrears but not impaired				
Satisfactory	2,958,522	0	19,676,677	0
Special mention	909,801	0	5,468,289	0
Total	3,868,323	0	25,144,966	0
Impaired individual portfolio				
Sub-standard	35,369,488	0	22,453,934	0
Doubtful	4,912,933	0	6,703,369	0
Loss	5,739,255	0	9,039,064	0
Total	46,021,676	0	38,196,367	0
Impaired collective portfolio(1)				
Satisfactory (2)	10,392,817	249,082	5,062,218	571
Special mention (2)	8,708,918	106,493	5,216,252	0
Sub-standard	1,210,191	0	254,398	0
Doubtful	453,728	0	606,465	0
Loss	1,852,310	1,143	1,353,513	0
Total	22,617,964	356,718	12,492,846	571
Total Corporate	4,959,509,598	403,604,568	4,291,479,617	415,607,988
Allowance for impairment				
Individual	(5,838,518)	0	(14,973,054)	0
Collective	(18,127,370)	(126,458)	(14,549,685)	(289,031)
Total allowance for impairment, corporate loans	(23,965,888)	(126,458)	(29,522,739)	(289,031)
Personal banking and SMEs (1)				
Current and non-impaired portfolio				
Current (up to 30 days)				
Portfolio with 30 to 90 days in arrears but not impaired	7,769,013,914	46,238,820	6,942,854,193	38,672,674
31 to 60 days				
61 to 90 days	82,222,758	0	80,759,385	0
Total	47,265,388	0	46,986,583	0
	129,488,146	0	127,745,968	0
Impaired portfolio (1)				
1 to 30 days				
31 to 90 days	107,446,631	438,100	87,565,360	56,897
91 to 120 days	9,609,851	0	10,035,233	0
121 to 180 days	38,217,831	0	35,177,087	0
181 to 365 days	45,019,951	0	42,996,994	0
More than 365 days	14,091,462	0	15,387,049	0
Total	18,541,062	0	18,756,952	0
Total Personal Banking and SMEs	232,926,788	438,100	209,918,675	56,897
	8,131,428,848	46,676,920	7,280,518,836	38,729,571
Allowance for impairment, personal banking and SMEs	(137,066,600)	(11,440)	(130,693,562)	(42,281)
Unearned interests and commissions	(52,448,352)	0	(47,478,285)	0
Net carrying amount, loans at amortized cost	12,877,457,606	450,143,590	11,364,303,867	454,006,247

(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:

	2015		2014	
	Loans	Debt commitments and guarantees	Loans	Debt commitments and guarantees
Restructured loans				
Current restructured loans	139,719,452	410,653	109,475,098	56,897
90 days past due restructured loans	11,599,280	0	8,526,980	0
Allowance for impairment, restructured loans	(18,383,105)	(274)	(13,113,579)	(2,928)
Restructured loans, net	132,935,627	410,379	104,888,499	53,969

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:

	2015				2014			
	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	35,369,488	33,276,421	0	0	22,453,934	18,182,199	0	0
Doubtful	4,912,933	4,178,072	0	0	6,703,369	4,999,131	0	0
Loss	5,739,255	4,512,644	0	0	9,039,064	2,910,374	0	0
Total	46,021,676	41,967,137	0	0	38,196,367	26,091,704	0	0
Collectively assessed loans (1)								
Satisfactory (2)	10,392,817	10,322,682	249,082	248,891	5,062,218	5,044,582	571	571
Special mention (2)	8,708,918	8,161,989	106,493	105,822	5,216,252	4,864,022	0	0
Sub-standard	1,210,191	840,920	0	0	254,398	194,433	0	0
Doubtful	453,728	281,402	0	0	606,465	372,694	0	0
Loss	1,852,310	569,880	1,143	664	1,353,513	453,234	0	0
Total	22,617,964	20,176,873	356,718	355,377	12,492,846	10,928,965	571	571
Personal Banking and SMEs								
Impaired portfolio (1)								
0 to 30 days	107,446,631	95,156,392	438,100	438,013	87,565,360	84,444,367	56,897	53,970
31 to 90 days	9,609,851	7,987,616	0	0	10,035,233	6,813,756	0	0
91 to 120 days	38,217,831	19,185,623	0	0	35,177,087	16,454,958	0	0
121 to 180 days	45,019,951	16,615,014	0	0	42,996,994	14,210,620	0	0
181 to 365 days	14,091,462	7,838,085	0	0	15,387,049	8,824,528	0	0
More than 365 days	18,541,062	18,541,062	0	0	18,756,952	9,465,137	0	0
Total	232,926,788	165,323,792	438,100	438,013	209,918,675	140,213,366	56,897	53,970
Total impaired loans	301,566,428	227,467,802	794,818	793,390	260,607,888	177,234,035	57,468	54,541

(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.

	2015					
	Mortgage	**Pledge**	**Certificates of deposit**	**Investments in securities**	**Unsecured**	**Total**
Securities under repurchase agreements	0	0	0	56,744,489	0	56,744,489
Loans at fair value	17,379,905	0	0	0	0	17,379,905
Investments in securities and other assets at fair value	0	0	0	0	1,073,447,859	1,073,447,859
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 lease, 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 lease, 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

	2014					
	Mortgage	**Pledge**	**Certificates of deposit**	**Investments in securities**	**Unsecured**	**Total**
Securities under repurchase agreements	0	0	0	20,375,025	0	20,375,025
Loans at fair value	19,857,304	0	0	0	0	19,857,304
Investments in securities and other assets at fair value	0	0	0	0	1,048,689,222	1,048,689,222
Loans at amortized cost						
Corporate						
Corporate	1,719,415,432	5,645,496	173,244,419	0	2,254,806,649	4,153,111,996
Corporate lease, net	0	137,911,920	455,701	0	0	138,367,621
Total corporate	1,719,415,432	143,557,416	173,700,120	0	2,254,806,649	4,291,479,617
Personal Banking and SMEs						
Small and medium enterprises	215,141,463	0	22,006,967	0	280,419,272	517,567,702
SMEs lease, net	0	41,245,038	19,970	0	0	41,265,008
Total SMEs	215,141,463	41,245,038	22,026,937	0	280,419,272	558,832,710
Vehicles	0	643,707,315	0	0	0	643,707,315
Credit cards	0	0	0	0	2,195,256,478	2,195,256,478
Personal	192,257,098	0	37,863,999	0	1,068,559,798	1,298,680,895
Mortgage	2,544,796,029	0	0	0	0	2,544,796,029
Leases, net of interest	0	39,245,409	0	0	0	39,245,409
Total personal banking and SMEs	2,952,194,590	724,197,762	59,890,936	0	3,544,235,548	7,280,518,836
Total loans at amortized cost	4,671,610,022	867,755,178	233,591,056	0	5,799,042,197	11,571,998,453
Commitments and guarantees	15,821,398	2,486,616	18,831,118	0	417,198,427	454,337,559

(4) Risk Management, continued

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

	2015	2014
Property	11,101,868	14,972,229
Furniture and equipment	643,384	621,678
Other	117,902	3,527,212
Total	11,863,154	19,121,119

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 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.

	2015		2014	
LTV Ratio	**Loans**	**Commitments and guarantees**	**Loans**	**Commitments and guarantees**
Less than 50%	546,062,429	3,954,112	536,535,640	2,175,387
51-70%	893,854,411	7,357,091	833,250,764	6,201,347
71-80%	862,216,978	14,973,965	788,157,896	10,057,426
81-90%	366,613,946	9,657,342	327,245,740	10,169,781
91-100%	48,939,191	3,308,248	42,050,032	4,125,144
More than 100%	12,922,024	0	17,555,957	135,176
Total	2,730,608,979	39,250,758	2,544,796,029	32,864,261

(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:

	2015					
	Loans at fair value	**Loans at amortized cost**	**Commitments and guarantees**	**Securities under repurchase 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
Telecommunications	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
Guatemala	0	3,310,390,631	177,251,885	26,007,642	86,182,211	107,529,810
Honduras	0	2,364,578,054	19,580,741	17,792,638	476,015,758	47,509,349
El Salvador	0	1,412,064,547	37,808,834	0	232,038,878	154,426,815
Nicaragua	0	1,279,347,851	49,079,405	0	359,043,982	46,468,492
Panama	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
Other	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

(4) Risk Management, continued

	2014					
	Loans at fair value	**Loans at amortized cost**	**Commitments and guarantees**	**Securities under repurchase agreements**	**Deposit in banks**	**Investments in securities and other assets at fair value**
Concentration by sector:						
Government	0	0	0	10,687,527	1,632,680,632	634,454,114
Corporate						
Trade	0	1,663,847,366	155,257,529	0	0	0
Services	0	731,373,593	75,170,836	0	0	0
General industry	0	536,812,785	2,291,187	0	0	4,499,955
Food industry	0	533,200,139	103,869,317	0	0	288,023
Real estate	0	504,571,821	15,112,100	0	0	0
Agriculture	0	216,707,848	869,557	0	0	1,852,056
Hotels and restaurants	0	190,399,971	1,725,022	0	0	0
Transportation	0	154,128,643	2,661,652	9,687,498	1,242,765,034	401,414,757
Financial	0	133,246,817	355,565	0	0	2,596,295
Construction	0	114,259,799	58,515,414	0	0	3,584,022
Telecommunications	0	74,366,560	5,645,122	0	0	0
Personal banking	19,857,304	6,719,083,111	32,864,258	0	0	0
Total concentration by sector	19,857,304	11,571,998,453	454,337,559	20,375,025	2,875,445,666	1,048,689,222
Geographic location:						
Costa Rica	0	2,999,013,333	207,905,217	0	49,877,220	116,381,196
Guatemala	19,857,304	3,034,328,062	148,302,251	10,687,527	788,983,812	339,904,427
Honduras	0	2,032,794,775	10,960,654	9,687,498	441,818,184	51,555,846
El Salvador	0	1,276,019,948	38,775,628	0	222,295,446	169,759,384
Nicaragua	0	1,210,857,508	37,742,270	0	338,994,985	21,538,822
Panama	0	964,601,542	10,651,539	0	205,625,316	686,954
North America	0	53,983,285	0	0	714,511,010	215,909,070
South America	0	400,000	0	0	15,977,183	108,562,798
Europe	0	0	0	0	97,360,234	23,813,375
Other	0	0	0	0	2,276	577,350
Total concentration by geographic location	19,857,304	11,571,998,453	454,337,559	20,375,025	2,875,445,666	1,048,689,222

(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	2015	2014
As of December 31	30.1	33.2
Maximum	36.0	42.3
Average	30.6	37.4
Minimum	26.9	31.2

As of December 31 2015 and 2014, the banking operations of Bank comply with liquidity requirements, established by the regulators to which they are subject.

(4) Risk Management, continued

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:

	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, gross	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.

(4) Risk Management, continued

	2014						
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	4,223,678	(4,223,678)	(4,223,678)	0	0	0	0
Savings deposits	2,216,518	(2,216,518)	(2,216,518)	0	0	0	0
Fixed term deposits	4,931,214	(5,147,479)	(665,312)	(1,057,870)	(2,441,164)	(975,876)	(7,257)
Securities sold under repurchase agreements	39,884	(39,953)	(38,984)	(969)	0	0	0
Borrowings	2,756,089	(2,945,034)	(91,581)	(320,103)	(758,823)	(1,224,544)	(549,983)
Other borrowed funds	353,989	(400,124)	(25,906)	(28,815)	(142,088)	(165,884)	(37,431)
Liabilities sub-total	14,521,372	(14,972,786)	(7,261,979)	(1,407,757)	(3,342,075)	(2,366,304)	(594,671)
Loan commitmment	50,455	(50,455)	(18,824)	(17,747)	(13,809)	(75)	0
Total liabilities	14,571,827	(15,023,241)	(7,280,803)	(1,425,504)	(3,355,884)	(2,366,379)	(594,671)
Derivative instruments, liabilities:							
Contracts of forward currency exchange	18	(18)	(18)	0	0	0	0
Interest rate swaps	1,277	(1,277)	(3)	(300)	(666)	(308)	0
	1,295	(1,295)	(21)	(300)	(666)	(308)	0
Assets							
Cash and cash equivalents	571,591	571,591	571,591	0	0	0	0
Securities bought under resale agreements	20,375	20,442	6,880	13,562	0	0	0
Deposits in banks	2,875,446	2,880,528	2,708,106	17,917	145,513	8,992	0
Investments at fair value through profit or loss (1)	27,655	29,996	2,798	1,193	11,519	12,107	2,379
Investments available for sale at fair value (2)	1,020,619	1,129,787	70,484	43,353	188,169	705,536	122,245
Loans at fair value	19,857	38,491	179	358	1,611	8,590	27,753
Loans at amortized cost, gross	11,571,998	16,120,039	2,209,152	2,522,598	2,076,710	4,149,251	5,162,328
Total assets	16,107,541	20,790,874	5,569,190	2,598,981	2,423,522	4,884,476	5,314,705
Derivative instruments, assets:							
Contracts of forward currency exchange	243	243	0	243	0	0	0
Interest rate cap	172	172	0	0	0	71	101
	415	415	0	243	0	71	101

(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:

	2015	2014
Deposits in central banks	1,738,601,844	1,681,087,304
Deposits in other banks	728,624,363	733,799,464
Other cash and cash equivalents	778,826,613	869,349,569
Securities bought under resale agreements	56,744,489	20,375,025
Deposits that generate interests (+90 days)	211,901,823	162,800,623
Total cash, cash equivalents and deposits in banks	3,514,699,132	3,467,411,985
Not committed sovereign debt instruments	523,461,867	508,496,678
Other credit lines available (1)	997,663,770	950,811,919
Total liquidity reserve	5,035,824,769	4,926,720,582

(1) Amounts not disbursed as of the reporting date. The fair value of this credit lines approximate its book value.

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

(4) Risk Management, continued

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

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	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	1,230,837,514	1,230,837,514
Total assets	530,653,787	1,643,386,362	1,108,010,208	15,440,632,315	18,722,682,672

(1) It represents uncommitted assets, but whose use the Bank considers is restricted to guarantee financing, for legal or other reasons.
(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.

2014	**Restricted**		**Not restricted**		
	As collateral	**Other (1)**	**Available as collateral**	**Other (2)**	**Total**
Cash and cash equivalents	0	0	0	571,591,294	571,591,294
Securities purchased under resale agreements	0	20,375,025	0	0	20,375,025
Deposits in banks	1,068,440	1,478,630,156	334,870,475	1,060,876,595	2,875,445,666
Investments in securities and other assets	45,947,054	86,243,415	715,766,794	209,975,032	1,057,932,295
Loans at fair value	0	0	0	19,857,304	19,857,304
Loans at amortized cost, net	408,524,298	0	0	10,955,779,569	11,364,303,867
Non-financial assets	0	0	0	1,167,525,675	1,167,525,675
Total assets	455,539,792	1,585,248,596	1,050,637,269	13,985,605,469	17,077,031,126

(1) It represents uncommitted assets, but whose use the Bank considers is restricted to guarantee financing, for legal or other reasons.
(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.

(4) Risk Management, continued

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.

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.

(4) Risk Management, continued

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:

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 contracts	(23)	0	0	0	0	(23)
Exchange risk exposure	0	200	199	(42)	170	527

2014
Amounts in millions

	Mexican pesos	Quetzales	Lempiras	Cordobas	Colones	Total
Cash, cash equivalents and deposits in banks	5	420	188	115	404	1,132
Investments in securities at fair value	0	38	125	1	160	324
Loans, net	50	1,132	818	95	895	2,990
Total assets	55	1,590	1,131	211	1,459	4,446
Deposits	0	1,198	791	254	1,295	3,538
Borrowings	30	260	156	0	84	530
Total liabilities	30	1,458	947	254	1,379	4,068
Contingencies	0	0	20	0	60	80
Forward Exchange contracts	(23)	0	0	0	0	(23)
Exchange risk exposure	2	132	204	(43)	140	435

(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:

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
Interest-bearing 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

2014	Without exposure	Up to 1 year	From 1 to 5 years	More than 5 years	Total
Cash and cash equivalents	571,591,294	0	0	0	571,591,294
Securities purchased under resale agreements	0	20,375,025	0	0	20,375,025
Deposits in banks	1,631,650,704	1,236,410,225	6,581,762	802,975	2,875,445,666
Investments in securities and other assets	9,657,772	284,066,257	542,206,972	222,001,294	1,057,932,295
Loans at fair value	0	19,857,304	0	0	19,857,304
Loans at amortized cost, gross	0	10,445,192,510	1,000,998,955	125,806,988	11,571,998,453
Total assets	2,212,899,770	12,005,901,321	1,549,787,689	348,611,257	16,117,200,037
Interest-bearing deposits	923,871,471	9,535,800,477	844,134,775	67,603,318	11,371,410,041
Institutional funding	0	1,678,629,688	207,511,808	1,263,820,612	3,149,962,108
Total liabilities	923,871,471	11,214,430,165	1,051,646,583	1,331,423,930	14,521,372,149
Exposure to interest rate risk	1,289,028,299	791,471,156	498,141,106	(982,812,673)	1,595,827,888

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		
2015		
As of December 31, 2015	(66,256,002)	66,256,002
Average for the year	(62,474,440)	62,474,440
Maximum for the year	(56,549,866)	67,089,448
Minimum for the year	(67,089,448)	56,549,866
2014		
As of December 31, 2014	(56,386,309)	56,386,309
Average for the year	(37,553,672)	37,553,672
Maximum for the year	(9,088,343)	56,386,309
Minimum for the year	(56,386,309)	9,088,343
Impact on net income from interests		
2015		
As of December 31, 2015	36,530,719	(36,530,719)
Average for the year	33,375,212	(33,375,212)
Maximum for the year	36,530,719	(29,992,373)
Minimum for the year	29,992,373	(36,530,719)
2014		
As of December 31, 2014	29,451,139	(29,451,139)
Average for the year	24,016,217	(24,016,217)
Maximum for the year	29,451,139	(20,013,356)
Minimum for the year	20,013,356	(29,451,139)

(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.

(4) Risk Management, continued

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.

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 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.

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

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 have occurred.

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

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 investments 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 will determine whether goodwill is impaired annually or when there is indication of 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.

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

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 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.

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:

	2015	**2014**
Cash and cash equivalents	567,726,362	571,591,294
Securities purchased under resale agreements	56,744,489	20,375,025
Deposits in Central Bank	1,738,601,844	1,681,087,303
Deposits in banks, less than 90 days	939,724,615	1,031,557,740
Cash and cash equivalents in the cash flow statement	3,302,797,310	3,304,611,362
Deposits in banks, greater than 90 days	211,901,822	162,800,623
Total cash, cash equivalents and deposits in banks	3,514,699,132	3,467,411,985

(7) Securities Purchased Under Resale Agreements

As of December 31, 2015, securities purchased under resale agreements amounted to $56,744,489 (December 31, 2014: $20,375,025; January 1, 2014: $43,417,151), which had maturity dates in the months of January and February 2016 (December 31, 2014: January 2015, January 1, 2014: May 2014) and an interest rate between 1.8% and 4.5% (December 31, 2014: between 1.0% and 5.6%; January 1, 2014: between 1.7% and 12.2%). These securities were guaranteed with local government bonds and corporate bonds, which amounted to $62,611,075 (December 31, 2014: $21,065,989; January 1, 2014: $46,706,145).

(8) Investments and Other Assets at Fair Value

As of December 31, 2015, investments and other assets at fair value amounted on $1,082,308,515 (December 31, 2014: $1,057,932,295; January 1, 2014: $1,026,120,728) are summarized as follows:

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

The investment portfolio at fair value through profit or loss amounted to $29,804,339 (December 31, 2014: $27,655,084; January 1, 2014: $28,540,391) and it consists of investments in government bonds and corporate bonds. In addition, other assets at fair value with changes in profit or loss include derivative financial instruments.

	Fair value		
	December 31, 2015	**December 31, 2014**	**January 1, 2014**
Government bonds	29,804,339	26,483,787	26,236,145
Corporate bonds	0	1,171,297	2,304,246
Derivative financial instruments	810,585	414,699	0
	30,614,924	28,069,783	28,540,391

The Bank made sales of the securities portfolio at fair value through profit or loss for a total of $17,525,759 (2014: $9,358,623). Net gains (losses) in securities at fair value with changes in profit or loss in the consolidated income statement amounted to $470,023 (2014: $168,604), which include unrealized gains (losses) in securities at fair value with changes in profit or loss for $226,588 (2014: $130,828).

As of December 31, 2015 securities at fair value through profit or loss with a carrying amount of $16,672,384 (December 31, 2014: $16,206,683; January 1, 2014: $20,414,999) 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:

	December 31, 2015	**December 31 2014**	**January 1, 2014**
Investment in securities available for sale			
Government bonds and agencies:			
United States of America	222,093	8,224,256	4,226,517
Other governments	614,419,583	599,746,071	632,760,926
	614,641,676	607,970,327	636,987,443
Corporate debentures	422,121,461	393,140,227	333,855,471
Mutual funds and capital stock	14,930,454	28,751,958	26,737,423
Total investment in securities available for sale	1,051,693,591	1,029,862,512	997,580,337

The Bank made sales of the portfolio of securities available for sale at fair value for a total of $586,764,277 (2014: $652,429,614; this sales generate a net gain of $6,974,323 (2014: $10,009,292).

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

As of December 31, 2015, the Bank holds capital stock for an amount of $8,860,656 (December 31, 2014: $9,243,073 January 1, 2014: $8,976,800), 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.

(9) Loans

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

	December 31, 2015	December 31, 2014	January 1, 2014
Loans at amortized cost			
Corporate			
Corporate	4,827,619,195	4,153,111,996	3,829,052,804
Corporate leases, net (1)	131,890,403	138,367,621	110,404,361
Total Corporate Loans	4,959,509,598	4,291,479,617	3,939,457,165
Personal Banking and SMEs			
SMEs			
SMEs loans	527,673,886	517,567,702	568,321,764
SMEs leases, net (1)	72,928,432	41,265,008	44,998,592
Total SMEs loans	600,602,318	558,832,710	613,320,356
Vehicles	729,985,294	643,707,315	583,320,906
Credit Cards	2,255,307,696	2,195,256,478	1,972,670,217
Personals	1,765,448,707	1,298,680,895	1,134,975,350
Mortgages	2,730,608,979	2,544,796,029	2,383,284,313
Personal leasing, net (1)	49,475,854	39,245,409	37,173,789
Total Personal Banking and SMEs	8,131,428,848	7,280,518,836	6,724,744,931
Total loans at amortized cost	13,090,938,446	11,571,998,453	10,664,202,096
(1) Total leases, net of interest	254,294,689	218,878,038	192,576,742

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

	December 31, 2015	December 31, 2014	January 1, 2014
Minimum lease payments receivable	288,749,315	249,347,931	217,212,430
Less: Unearned interest	34,454,626	30,469,893	24,635,688
Minimum lease payments receivable, net	254,294,689	218,878,038	192,576,742
Less: Allowance for loss in leases	1,378,692	1,102,660	1,164,618
Less: net deferred commissions	2,947,228	1,373,648	1,028,651
Net value of investment in finance leases	249,968,769	216,401,730	190,383,473

The following table summarizes the minimum lease payments receivable as of December 31, 2015:

Year ended December 31,	
2016	72,294,609
2017	62,065,885
2018	50,241,451
2019	35,305,254
2020 and thereafter	34,387,490
	254,294,689

(10) Allowance for Loans Losses

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

	2015	2014
Balance at beginning of the year	160,216,301	144,274,617
Provision charged to expenses	188,155,031	162,770,468
Charge-offs	(251,251,844)	(200,839,849)
Recoveries	65,529,055	57,046,848
Effect of foreign currency translation	(1,616,055)	(3,035,783)
Balance at year end	161,032,488	160,216,301

(11) Property, Furniture, Equipment and Improvements

The properties, furniture, equipment and improvements are detailed as follows:

	2015					
	Land and building	Construction in progress	Vehicles	Furniture and equipment	Leasehold improvements	Total
Cost:						
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)
At December 31, 2015	217,982,454	13,227,617	20,804,718	334,556,368	68,624,073	655,195,230
Accumulated depreciation:						
January 1, 2015	36,745,485	0	9,569,996	188,688,235	32,330,523	267,334,239
Depreciation	3,695,620	0	1,540,419	32,673,674	4,896,420	42,806,133
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)
At 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

	2014					
	Land and Building	Construction in progress	Vehicles	Furniture and equipment	Leasehold improvements	Total
Cost:						
January 1, 2014	225,168,338	10,270,746	22,845,958	275,709,717	56,165,205	590,159,964
Purchases	5,176,966	11,328,140	2,548,189	48,868,038	1,015,874	68,937,207
Sales and disposals	(3,566,613)	(284,654)	(2,007,778)	(16,013,722)	(3,329,164)	(25,201,931)
Transfers	(3,123,541)	(8,579,823)	0	1,797,008	9,906,356	0
Foreign currency	(7,646,092)	(213,171)	(257,521)	(8,729,056)	(2,301,165)	(19,147,005)
At December 31, 2014	216,009,058	12,521,238	23,128,848	301,631,985	61,457,106	614,748,235
Accumulated depreciation:						
January 1, 2014	41,394,234	0	9,187,881	179,827,162	30,613,228	261,022,505
Depreciation	3,551,364	0	1,945,226	29,968,655	4,526,526	39,991,771
Sales and disposals	(3,501,030)	0	(1,498,485)	(16,018,335)	(3,416,988)	(24,434,838)
Transfers	(3,131,330)	0	0	1,360,571	1,770,759	0
Foreign currency translation	(1,567,753)	0	(64,626)	(6,449,818)	(1,163,002)	(9,245,199)
At December 31, 2014	36,745,485	0	9,569,996	188,688,235	32,330,523	267,334,239
Net balance	179,263,573	12,521,238	13,558,852	112,943,750	29,126,583	347,413,996

(12) Goodwill and Intangible Assets

Changes in the carrying value of goodwill are as follows:

	2015	2014
Goodwill		
Balance at beginning of year	334,561,239	325,405,160
Goodwill acquired during the year	858,063	0
Adjustment for valuation of the year	0	9,862,815
Effect of foreign currency conversion	18,865	(706,736)
Balance at year end	335,438,167	334,561,239

As of December 31, 2015 no impairment in the cash-generating units has been recorded. The fair value of the reporting unit 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, 2015 is presented below:

2015	Relationships with depositors	Credit card relationships	Merchants relationships	Customer relationships	Software	Trade name	Total
Cost:							
Balance as of January 1, 2015	23,562,882	17,018,493	739,999	0	59,951,495	383,237	101,656,106
Additions by business combinations	0	0	0	0	1,291,071	0	1,291,071
Acquisitions	0	0	0	12,538,853	18,956,079	1,159,295	32,654,227
Disposals	0	0	0	0	(6,143,923)	0	(6,143,923)
Effect of foreign currency translation	0	26,647	0	0	(328,070)	0	(301,423)
Balance as of December 31, 2015	23,562,882	17,045,140	739,999	12,538,853	73,726,652	1,542,532	129,156,058
Accumulated amortization:							
Balance as of January 1, 2015	5,868,991	9,049,646	651,193	0	41,222,285	0	56,792,115
Additions by business combinations	0	0	0	0	850,633	0	850,633
Amortization	4,550,083	2,159,098	20,400	327,690	12,667,513	0	19,724,784
Disposals	0	0	0	0	(3,426,674)	0	(3,426,674)
Effect of foreign currency translation	0	0	0	0	(698,189)	0	(698,189)
Balance as of December 31, 2015	10,419,074	11,208,744	671,593	327,690	50,615,568	0	73,242,669
Net Balance as of December 31, 2015	13,143,808	5,836,396	68,406	12,211,163	23,111,084	1,542,532	55,913,389

2014	Relationships with depositors	Credit card relationships	Merchants relationships	Customer relationships	Software	Trade name	Total
Cost:							
Balance as of January 1, 2014	32,729,934	17,655,182	739,999	0	55,314,762	383,237	106,823,114
Acquisitions	0	0	0	0	15,749,595	0	15,749,595
Adjustment for valuation of the year	(9,167,052)	0	0	0	0	0	(9,167,052)
Disposals	0	0	0	0	(8,172,136)	0	(8,172,136)
Effect of foreign currency translation	0	(636,689)	0	0	(2,940,727)	0	(3,577,416)
Balance as of December 31, 2014	23,562,882	17,018,493	739,999	0	59,951,494	383,237	101,656,105
Accumulated amortization:							
Balance as of January 1, 2014	0	6,656,080	626,202	0	37,956,994	0	45,239,276
Amortization	5,868,991	2,393,566	24,991	0	11,736,148	0	20,023,696
Disposals	0	0	0	0	(5,675,400)	0	(5,675,400)
Effect of foreign currency translation	0	0	0	0	(2,795,458)	0	(2,795,458)
Balance as of December 31, 2014	5,868,991	9,049,646	651,193	0	41,222,284	0	56,792,114
Net Balance as of December 31, 2014	17,693,891	7,968,847	88,806	0	18,729,210	383,237	44,863,991

(12) Goodwill and Intangible Assets, continued

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

None of these intangible assets are deductible for tax purposes.

During the years ended December 31, 2015 and December 31, 2014, no impairment losses were recognized.

(13) Other Assets

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

	December 31, 2015	December 31, 2014	January 1, 2014
Foreclosed assets, net	32,439,291	36,156,829	28,169,569
Cards and point of sales	21,891,405	16,886,182	13,017,287
Deferred expenses	25,748,715	23,679,485	19,311,223
Guarantee deposits	16,994,606	16,688,264	16,824,680
Advances of contracts and suppliers	6,608,470	4,494,758	6,785,018
Other	26,338,486	22,231,393	16,528,979
	130,020,973	120,136,911	100,636,756

As of December 31, 2015, the cards and point of sale caused an amortization expense of $5,856,948 (2014: $3,855,323) reported in the consolidated income statement.

Foreclosed assets, as of December 31, 2015, are detailed below:

	December 31, 2015	December 31, 2014	January 1, 2014
Vehicles	924,996	766,724	469,650
Real estate	49,772,675	54,004,827	43,024,295
Foreclosed assets, gross	50,697,671	54,771,551	43,493,945
Allowance	(18,258,380)	(18,614,722)	(15,324,376)
Foreclosed assets, net	32,439,291	36,156,829	28,169,569

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

	2015	2014
Balance at beginning of year	18,614,722	15,324,376
Allowance expense	4,094,469	5,934,996
Sales	(4,007,751)	(2,826,930)
Effect of foreign currency conversion	(443,060)	182,280
Balance at end of year	18,258,380	18,614,722

(14) Financial Obligations

Financial obligations are detailed below:

	December 31, 2015		
	Interest rate	Maturities up to	Carrying amount
Payable in US dollars:			
Fixed rate	0.62% to 9.00%	2028	1,595,762,834
Floating rate	0.61% to 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% to 9.00%	2019	107,437,139
Floating rate	5.78% to 9.33%	2021	10,111,357
Payable in lempiras (Honduras):			
Fixed rate	1.00% to 15.00%	2035	130,259,015
Payable in colones (Costa Rica):			
Fixed rate	9.50%	2018	94,588
Floating rate	6.95% to 13.57%	2029	79,842,833
			3,123,411,334

	December 31, 2014		
	Interest rate	Maturities up to	Carrying amount
Payable in US dollars:			
Fixed rate	0.58% to 9.50%	2028	1,592,167,705
Floating rate	0.48% to 14.87%	2025	806,978,608
Payable in mexican pesos:			
Floating rate	4.90%	2015	29,831,668
Payable in quetzales (Guatemala):			
Fixed rate	6.25% to 9.00%	2019	106,887,814
Floating rate	5.78% to 9.33%	2021	12,476,882
Payable in lempiras (Honduras):			
Fixed rate	1.00% to 15.00%	2034	129,478,498
Floating rate	11.15%	2021	4,098,898
Payable in colones (Costa Rica):			
Floating rate	7.70% to 11.15%	2029	74,168,464
			2,756,088,537

	January 1, 2014		
	Interest rate	Maturities up to	Carrying amount
Payable in US dollars:			
Fixed rate	1.19% to 6.65%	2028	1,242,737,387
Floating rate	0.53% to 5.20%	2025	1,045,752,409
Payable in mexican pesos:			
Floating rate	5.39%	2014	40,596,815
Payable in quetzales (Guatemala):			
Fixed rate	6.25% to 9.00%	2014	75,815,866
Floating rate	5.78% to 9.32%	2021	14,333,450
Payable in lempiras (Honduras):			
Fixed rate	0.01% to 15.00%	2038	133,545,356
Floating rate	12.25%	2021	4,892,529
Payable in córdobas (Nicaragua):			
Floating rate	5.65%	2014	56,609
Payable in colones (Costa Rica):			
Fixed rate	6.50%	2014	24,241,935
Floating rate	6.95% to 9.55%	2027	79,970,670
			2,661,943,026

(14) Financial Obligations, continued

As of December 31, 2015, the outstanding amount of the principal issued by CIC Receivables Master Trust, a consolidated special purpose vehicle, amounted to $451,411,309 (December 31, 2014: $513,801,045, January 1, 2014: $222,318,020), comprising in two programs: 1) 2002-A Series with a balance of $101,411,309 (December 31, 2014: $163,801,045, January 1, 2014: $222,318,020) and 2) 2014-A Series with a balance of a $350,000,000, issued in April 2014. The origination costs pending amortization from the certificates amounted to $4,476,983 as of December 31, 2015 (December 31, 2014: $5,049,547, January 1, 2014: $401,532). Certificates issued by this vehicle are secured by future cash flows from merchant vouchers originating in Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua and Panama. 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. Certificates issued in 2002 (2002-A Series) pay interest quarterly in January, April, July and October at three-mouth U.S. Dollar LIBOR plus a margin of 1.40%. Principal amortization amounts started to be paid to certificate holders in July 2010. Certificates issued in 2002 (2002-A Series) have an original average duration of 4.68 years. As of December 31, 2015, the weighted average duration of certificates is 0.76 years. Notes issued in 2014 (2014-A Series) pay interest in January, April, July and October at a fixed interest rate of 4.89%. Amortizations to the principal will start in July, 2016. Notes (2014-A Series) have an average duration of 5 years. As of December 31, 2015, the weighted average duration of notes is 3.25 years.

As of December 31, 2015, the outstanding amount of the principal issued by CIC Central American Card Receivables Limited, a consolidated special purpose vehicle, amounted to $259,134,296 (December 31, 2014: $282,000,000, January 1, 2014: $282,000,000). The origination costs pending amortization from the certificates amounted to $2,971,300 as of December 31, 2015 (December 31, 2014: $3,627,137, January 1, 2014: $4,266,180). 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 and Nicaragua. 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 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, 2015, the weighted average duration of the certificates is 2.72 years.

In December 2013, BAC International Bank, Inc., signed a subordinated loan (subordinated to all other unsecured debts) with Grupo Aval Limited for US $180 million, which has an expiration date of March 20, 2021, for a total period of 8 years. The principal of the 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%.

(14) Financial Obligations, continued,

On November 14, 2014, the Bank, through BAC San José DPR Funding Limited, a consolidated special purpose vehicle (hereafter SPV), originated $210,000,000 divided into two programs: 1) Series 2014-1 with a balance of $50,000,000, maturing on November 15, 2019 and 2) Series 2014-2 with a balance of $160,000,000 maturing on November 15, 2021. As of December 31, 2015, the carrying amount of the principal of the securities issued by the SPV amounted to $210,000,000. The origination costs pending amortization from the certificates amounted to $2,260,435 as of December 31, 2015 (2014: $2,535,766). 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 principal amortization will begin to be paid to the holders, through the Bank of New York Mellon, on February 2017. The Series 2014-1 notes have an original average duration of 3.60 years. As of December 31, 2015, the weighted average duration of the notes is 2.54 years. The Series 2014-2 notes pay interest in February, May, August and November at a fixed interest rate of 4.50%. The principal amortizations will begin in February 2017. The Series 2014-2 notes have an original average term of 4.60 years. As of December 31, 2015, the weighted average duration of the notes is 3.55 years.

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

(15) Other Financial Obligations

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

	December 31, 2015		December 31, 2014		January 1, 2014	
Payable in:	Interest rate	Carrying amount	Interest rate	Carrying amount	Interest rate	Carrying amount
U.S. dollars	4.25% to 6.00%	205,866,888	4.25% to a 6.00%	190,623,700	3.75% to 6.00%	145,328,481
Quetzales	4.75% to 8.50%	167,727,547	4.65% to 8.50%	140,792,444	4.65% to 8.50%	123,834,381
Lempiras	10.31% to 10.92%	14,467,355	12.00% to 14.08%	22,573,028	11.58%	17,390,460
		388,061,790		353,989,172		286,553,322

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:

	December 31, 2015	December 31, 2014	January 1, 2014
Checks issued but not cashed	64,874,556	74,249,205	73,063,954
Employee benefits	58,079,701	60,327,964	52,041,145
Accounts payable to suppliers	40,135,383	42,701,775	27,313,909
Loyalty programs	39,100,175	32,492,540	29,131,693
Accounts payable to merchants	38,579,023	29,780,785	27,808,303
Money orders payable	38,144,384	26,441,604	16,962,158
Withholdings taxes collected	27,089,863	18,351,136	12,037,879
Other accounts payable	21,708,963	12,997,196	18,815,110
Commissions payable	17,699,688	13,672,889	10,139,589
Collections	14,566,531	4,809,511	14,699,309
Insurance premiums	12,367,124	6,786,145	5,520,894
Sales tax payable	8,504,939	7,944,493	7,265,042
Legal contributions to state institutions	6,722,877	7,044,419	5,105,054
Payments to accounts receivable to be applied	2,636,794	3,353,322	18,429,036
Account payable - Grupo Reformador's acquisition	0	0	9,971,707
Other	62,640,100	68,277,103	66,104,964
	452,850,101	409,230,087	394,409,746

(17) Common Stock

As of December 31, 2015, the Bank's authorized stock comprises 850,000 authorized stock and 834,708 issued and outstanding stock (December 31, 2014: 800,000 authorized stock and 755,803 issued and outstanding stock; January 1, 2014; 800,000 authorized stock and 527,803 issued and outstanding stock) with a nominal value of $1,000 per share.

(18) Other Comprehensive Income (Loss)

The following table presents the components and changes in other accumulated comprehensive loss as of December 31, 2015:

	Conversion of operations in foreign currency	Unrealized income (loss) from securities	Derivatives for cash flow hedges	Total Other accumulated comprehensive loss
Balance as of January 1, 2014	(96,113,338)	409,246	(3,995,865)	(99,699,957)
Other (loss) income before reclassifications	(51,660,231)	12,483,001	2,762,191	(36,415,039)
Reclassified amounts from other comprehensive loss	0	(9,904,798)	0	(9,904,798)
Other net comprehensive (loss) income for the year	(51,660,231)	2,578,203	2,762,191	(46,319,837)
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)

(18) Other Comprehensive Income (Loss), continued

The following table presents the breakdown of other comprehensive income (loss) reclassified to the consolidated income statement for the year ended December 31, 2015:

	Reclassified balance of Other Comprehensive Losses 2015	2014	Line of the Consolidated Income Statement affected
Available for sale investments			
Unrealized net income from securities	(6,974,323)	(10,009,292)	Other income
Income tax	1,584,632	104,494	Income tax expense
Total reclassifications	(5,389,691)	(9,904,798)	

(19) Income from Financial Instruments, Net

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

	2015	2014
Net income from the sale of securities at fair value through profit or loss	243,435	37,776
Unrealized net income from securities at fair value through profit or loss	226,588	130,828
Net income from the sale of available for sale securities	6,974,323	10,009,292
Net (loss) gain on derivative financial instrument fair value	(53,403)	181,317
Gain on mortgage loans at fair value	23,372	11,886
	7,414,315	10,371,099

(20) Other Income

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

	2015	2014
Other non-bank commissions	12,571,780	10,375,856
Services to affiliates	5,085,399	4,392,505
Gain on sale of foreclosed assets	3,644,572	1,456,976
Loan appraisals	1,664,598	1,625,232
Gain on sale of assets	1,271,214	1,028,202
Other income of associates	1,077,285	1,040,984
Rentals	834,980	566,658
Non-bank commission for leasing	404,438	2,306,763
Commercial recoveries	456,682	874,650
Other	5,861,747	11,105,853
	32,872,695	34,773,679

(21) Salaries and Other Personnel Expenses

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

	2015	2014
Salaries and other remuneration	313,555,181	287,552,976
Employee benefits	147,973,971	132,639,399
Compensations	12,964,742	9,996,009
Other	5,203,921	4,426,082
	479,697,815	434,614,466

(22) Other Operating Expenses

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

	2015	2014
Credit card franchises	42,299,543	37,276,261
Advertising and marketing	39,411,635	38,288,897
Other taxes	30,062,087	28,234,667
Equipment and vehicle maintenance	25,731,904	20,765,111
Armored services	14,924,224	11,349,586
Maintenance of computer software and licenses	13,421,304	12,430,019
Telephone service	12,751,571	11,866,196
Security services	11,858,435	11,367,614
Dedicated lines	10,331,060	10,088,473
Bank licenses	9,682,525	10,360,147
Travel expenses	9,668,559	10,437,942
Guarantee deposits	8,935,753	8,467,109
Office supplies	8,630,154	8,638,502
Materialized operational risk losses	7,325,571	6,507,301
Postage and courier	6,691,668	6,306,494
Municipal taxes and patents	4,665,248	3,918,858
Other	38,144,449	26,279,716
	294,535,690	262,582,893

(23) Income Taxes

Income tax expense consists of:

	2015	2014
Current	111,130,081	114,764,497
Deferred	15,907,428	248,768
	127,037,509	115,013,265

The income tax expense for the year ended December 31, 2015 was $127,037,509 (2014: $115,013,265), which differed from the amounts computed by applying the current statutory income tax rate to pretax consolidated earnings as a result of the following:

	2015	2014
Computed "expected" income tax expense	111,723,754	109,535,560
Increase (decrease) in income taxes resulting from:		
Nondeductible expenses	23,162,179	21,560,541
Changes in uncertain tax positions	3,534,193	10,422,968
Foreign income taxes rate differential	1,692,718	4,135,770
Tax incentives	(684,248)	(813,814)
Investments in foreign subsidiaries	7,532,931	(1,446,182)
Exempt and foreign source income	(19,924,019)	(28,381,578)
Income tax expense	127,037,509	115,013,265

(23) Income Taxes, continued

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, 2015 are as follows:

	December 31, 2015	December 31, 2014	January 1, 2014
Deferred tax assets:			
Allowance for loan losses	10,679,125	10,959,937	13,211,628
Accrued expenses	9,000,246	9,159,258	8,941,196
Fair value acquisition adjustments	4,544,747	5,195,838	6,147,591
Deferred loan origination fees and costs	1,466,303	1,897,462	1,652,869
Foreclosed assets	1,284,061	2,424,396	1,869,144
Net premises and equipment depreciation difference	501,329	911,371	630,833
Unrealized loss on securities available for sale	159,112	175,559	309,365
Accrued interest receivable	144,518	100,941	106,700
Net operating loss carry forwards	1,755	13,637	175,225
Mortgage portfolio at fair value	0	7,012	10,577
Swaps' mark to market	0	0	244,451
Total deferred tax asset	27,781,196	30,845,411	33,299,579
Deferred tax liabilities:			
Net premises and equipment depreciation difference	(14,757,925)	(14,796,215)	(14,621,716)
Allowance for loan losses	(14,284,207)	(10,489,170)	(6,886,150)
Investments in foreign subsidiaries, for undistributed earnings	(11,391,290)	(6,105,123)	(10,423,612)
Accrued interest receivable	(7,204,679)	(4,424,365)	(4,264,993)
Accrued expenses	(5,052,331)	(4,327,023)	(2,826,238)
Fair value acquisition adjustments	(3,309,757)	(4,339,331)	(8,831,779)
Deferred commissions	(2,391,341)	(2,600,147)	(4,048,036)
Foreclosed assets valuation	(2,052,004)	(1,403,714)	(2,393,013)
Unrealized gains on securities available for sale	(1,563,886)	(1,333,152)	(1,938,883)
Deferred expenses	(129,469)	(327,204)	(20,987)
Swaps' mark to market	(41,713)	(72,852)	0
Total deferred tax liabilities	(62,178,602)	(50,218,296)	(56,255,407)

As of December 31, 2015, the Bank has incurred in net operating tax loss carry forwards of $71,902,151, which are available to offset future taxable income of the applicable subsidiaries. The net operating losses begin to prescribe in 2019 and through 2035. At December 31, 2015 , the Bank has not recognized deferred tax assets in the consolidated statement of financial position by such operating losses.

As of December 31, 2015, the Bank has not recognized a deferred income tax liability of approximately $119,913,000 for undistributed earnings from foreign subsidiaries operations, because the Bank believes that $1,012,827,000 of these profits will be reinvested for an indefinite period.

The Bank's earnings are taxed in various jurisdictions. As of December 31, 2015, the Bank had unrecognized tax positions for $25,154,048 (December 31, 2014: $22,173,145, January 1, 2014: $21,593,557). Interest expense and penalties related to income tax liabilities and recognized as part of income tax expenses for the year ended December 31, 2015 amounted to $2,559,272 (2014: $2,130,098). As of December 31, 2015, total interest and penalties expenses included in other liabilities amounted to $6,062,996 (December 31, 2014: $5,483,284, January 1, 2014: $5,598,355).

(23) Income Taxes, continued

As of December 31, 2015, the Bank maintains an effective tax rate of 28.6% (December 31, 2014: 26.4%).

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

During 2012 applicable income tax rates in Guatemala were revised; rates for future years are as follows; for General Tax Regime: 2013, 31%; 2014, 28% and beyond 25%. For Simplified Optional Regime: 2013, 6% and beyond 7%.

(24) Off-Balance Sheet Financial Instruments 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 statements 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.

As of December 31, 2015 the Bank had outstanding revolving available to its credit card customers in each of the various countries of operation that ranged from approximately $189 million to $2,112 million (December 31, 2014: from $187 million to $1,728 million; January 1, 2014: from $188 million to $1,706 million). The unused portion of the total amount available in each country, aggregated approximately from $147 million to $1,465 million (December 31, 2014: from $133 million to $1,024 million; January 1, 2014: from $126 million to $1,050 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.

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

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, 2015, outstanding letters of credit and financial guarantees are as follows:

	December 31, 2015	December 31 2014	January 1, 2014
Stand-by letters of credit	86,058,459	111,236,109	77,065,305
Commercial letters of credit	51,900,764	40,728,014	37,903,811
Financial guarantees	252,118,246	251,918,874	360,862,361
Loan commitment (1)	60,204,019	50,454,562	81,972,230
	450,281,488	454,337,559	557,803,707

(1) Include promise of payment commercial and mortgages

The nature, terms and maximum potential amount of future payments the Bank could be required to make under the standby letters of credit and guarantees as of December 31, 2015, are detailed as follows:

	December 31, 2015	December 31 2014	January 1, 2014
Up to 1 year	350,391,810	359,791,539	461,197,057
Over 1 year	47,988,914	53,818,006	58,702,839
	398,380,724	413,609,545	519,899,896

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. As of December 31, 2015, the assets held as collateral, that the Bank can obtain and liquidate to recover totally or partially the amounts paid under guarantees amounted to $54,654,780 (December 31, 2014: $37,139,132, January 1, 2014: $45,429,774).

As of December 31, 2015, the fair value of the letters of credit and guarantees and are of approximately $1,974,657 (December 31, 2014: $1,948,930, January 1, 2014: $1,572,711).

During 2008, the Bank entered into a sale and leaseback of $23,400,000 of an aircraft, which have been classified as an operating lease. Rental expense for the year ended in December 31, 2015 of this lease was $817,977 (2014: $790,346).

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 in December 31, 2015, amounted to $35,296,718 (2014: $32,610,612).

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

Minimum lease payments under operating leases for each of the next five years from December 31, 2015, are presented as follows:

Year	Amount
2016	17,582,242
2017	15,974,707
2018	15,067,531
2019	12,401,831
2020	11,463,024
Thereafter	17,569,149
	90,058,484

(25) Derivative Financial Instruments

In the normal course of business, the Bank uses derivative financial instruments from interest rates and exchange rates primarily for economic and accounting hedging purposes in managing the consolidated financial position. The Bank does not use derivative instruments for speculation. The fair value of the derivative instruments is included in other assets and other liabilities in the consolidated statement of financial position, and the net change in each of these accounts is reflected in the consolidated statements of comprehensive income.

The Bank uses interest rate swaps, caps and floors to mitigate the exposure to interest rates. The Bank's objectives to use these 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 which ends in March 2017. This contract was designated as a cash flow hedging derivative instrument in order to protect the Bank's 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.

  There was no discontinued cash flow hedges during the year ended December 31, 2015. As of December 31, 2015, the notional value of this derivative instrument was $25,138,731 (December 31, 2014: $44,620,249, January 1, 2014: $63,559,115).

- The Bank has entered into certain interest rate swap, cap and floor contracts that have not been designated as accounting hedging instruments, but economic hedges on fixed-rate loans from customers. The transactions allow the Bank to effectively convert a fixed rate loan to a variable rate and manage its consolidated balance sheets.

(25) Derivative Financial Instruments, continued

The foreign exchange forward contracts are negotiated over-the-counter ("OTC"). These contracts are carried out between two counterparties that negotiate specific terms in the agreement, including face amount, exercise price, and maturity date. The Bank's objectives for utilizing these derivative instruments are described below:

- In October 2015, the Bank entered into a contract for $13,000,000 maturing in January 2016, on a financial obligation denominated in foreign currency but recorded in local currency. Under this contract, the Bank agrees to buy dollars from the counterparty on the maturity date, at the exchange rate agreed on the day of the negotiation, in order to acquire the necessary foreign currency to settle the principal owed.

- In October 2015, the Bank entered into a contract for $10,000,000 maturing in January 2016, on a financial obligation denominated in foreign currency but recorded in local currency. Under this contract, the Bank agrees to buy dollars from the counterparty on the maturity date, at the exchange rate agreed on the day of the negotiation, in order to acquire the necessary foreign currency to settle the principal owed.

- The notional amounts and estimated fair values of foreign exchange and interest rate derivative contracts outstanding at December 31, 2015 are presented in the following table. The fair values of derivative contracts are estimated utilizing internal valuation models with observable market data inputs.

December 31, 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

December 31, 2014	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	23,149,976	0	0	23,149,976	242,839	17,632
Interest rate swaps	0	0	4,914,880	4,914,880	0	40,843
Interest rate cap	0	0	10,514,286	10,514,286	171,860	0
Derivatives for cash flow hedges						
Interest rate swaps	0	0	44,620,249	44,620,249	0	1,233,675
	23,149,976	0	60,049,415	83,199,391	414,699	1,292,150

(25) Derivative Financial Instruments, continued

January 1, 2014	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	30,000,000	657,800	6,708,465	37,366,265	0	64,620
Derivatives for cash flow hedges						
Forward exchange contracts	0	23,000,000	0	23,000,000	0	803,300
Interest rate swaps	0	0	63,559,115	63,559,115	0	2,564,364
	30,000,000	23,657,800	70,267,580	123,925,380	0	3,432,284

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

No ineffectiveness related to interest rate derivatives designated as cash flows hedges was recognized in the consolidated income statement during the year ended December 31, 2015. The accumulated net loss related to effective cash flow hedges included in accumulated other comprehensive income totaled $0.4 million at December 31, 2015 (December 31, 2014: $1.1 million, January 1, 2014: $4.0 million). The Bank does not expect any net after-tax loss related to effective cash flow hedges. This amount represents management’s best estimate given current expectations about market interest rates. Because actual market interest rates may differ from management’s expectations, there can be no assurance as to the ultimate amount that will be reclassified into earnings during future periods.

Unrealized gains (losses) from non-hedging derivatives reported in other income amounted $(53,403) for the year ended December 31, 2015 (2014: $181,317). Accrued interest expense related to non-hedging derivatives for the year ended December 31, 2015 amounted for $26,210 (2014: $11,544).

Derivative contracts involve the risk of dealing with institutional derivative counterparties and their ability to meet contractual terms. Institutional counterparties must have an investment grade credit rating and be approved by the Bank’s ALICO. 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 are no credit-risk-related contingent features associated with any of the Bank’s derivative contracts. The Bank did not pledge or receive collateral related to derivative contracts at December 31, 2015.

(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.

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.

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

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, 2015, the Bank has no loans with (December 31, 2014: $114,557, January 1, 2014: $150,226), 90 days or more past due and were not accruing interest. During the year ended December 31, 2015, the Bank recognized $1,161,257 related to interest income on loans (2014: $1,319,267) and $23,372 for the net gain (loss) resulting from changes in fair value (2014: $11,886). Gains and losses are mainly attributable 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)	Balance as of December 31, 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:			
Bonds from governments and agencies:			
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

	Other significant observable assumptions (Level 2)	Significant unobservable assumptions (Level 3)	Balance as of December 31, 2014
Assets			
Investments and other assets at fair value through profit or loss:			
Other governments	26,483,787	0	26,483,787
Corporate bonds	1,171,297	0	1,171,297
Derivatives:			
Interest rate cap	171,860	0	171,860
Forward exchange	242,839	0	242,839
Total investments and other assets at fair value through profit or loss	28,069,783	0	28,069,783
Investments in securities available for sale:			
Bonds from governments and agencies:			
United States of America	8,224,256	0	8,224,256
Other governments	599,746,071	0	599,746,071
	607,970,327	0	607,970,327
Corporate bonds	393,140,227	0	393,140,227
Mutual funds	19,508,885	0	19,508,885
Total securities available for sale	1,020,619,439	0	1,020,619,439
Loans:			
Mortgage	0	19,742,747	19,742,747
Mortgage past due	0	114,557	114,557
Total loans	0	19,857,304	19,857,304
Total assets	1,048,689,222	19,857,304	1,068,546,526
Liabilities			
Derivatives:			
Forward exchange	17,632	0	17,632
Interest rate swaps	1,274,518	0	1,274,518
Total liabilities	1,292,150	0	1,292,150

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

	Other significant observable assumptions (Level 2)	Significant unobservable assumptions (Level 3)	Balance as of January 1, 2014
Assets			
Investments and other assets at fair value through profit or loss:			
Other governments	26,236,145	0	26,236,145
Corporate bonds	2,304,246	0	2,304,246
Total investments and other assets at fair value through profit or loss	28,540,391	0	28,540,391
Investments in securities available for sale:			
Bonds from government and agencies:			
United States of America	4,226,517	0	4,226,517
Other governments	632,625,502	135,424	632,760,926
	636,852,019	135,424	636,987,443
Corporate bonds	325,371,764	8,483,707	333,855,471
Mutual funds	17,760,623	0	17,760,623
Total securities available for sale	979,984,406	8,619,131	988,603,537
Loans:			
Mortgage	0	22,680,301	22,680,301
Mortgage past due	0	150,226	150,226
Total loans	0	22,830,527	22,830,527
Total assets	1,008,524,797	31,449,658	1,039,974,455
Liabilities			
Derivatives:			
Interest rate swaps	2,628,984	0	2,628,984
Forward exchange	803,300	0	803,300
Total liabilities	3,432,284	0	3,432,284

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, 2015. 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.

However, Level 3 instruments typically include, in addition to the unobservable or level 3 components, observable components (i.e. components that are actively quoted and can be validated by external sources); therefore, gains and losses in the table below include changes in fair value caused in part by observable factors that are part of the valuation methodology.

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

2015	Loans: Mortgage	Loans: Mortgage past due	Loans: Total
Fair value as of January 1, 2015	19,742,747	114,557	19,857,304
Total gains or losses (realized / unrealized)			
Included in the profit or loss	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 unrealized gains or losses included in profit or loss for the year	23,372	0	23,372

2014	Securities available for sale: Other governments	Securities available for sale: Corporate Bonds	Loans: Mortgage	Loans: Mortgage past due	Total
Fair value as of January 1, 2014	135,424	8,483,707	22,680,301	150,226	31,449,658
Total income or losses (realized / unrealized)					
Included in profit or loss	0	0	34,933	(23,047)	11,886
Included in other comprehensive income	42,360	0	0	0	42,360
Settlements	0	0	(2,972,487)	0	(2,972,487)
Transfers to up-to-date	0	0	0	(12,622)	(12,622)
Transfers level 3 and level 2	0	(8,483,707)	0	0	(8,483,707)
Maturities	(177,784)	0	0	0	(177,784)
Fair value as of December 31, 2014	0	0	19,742,747	114,557	19,857,304
Total unrealized gains or losses included in profit or loss for the year	0	0	34,933	(23,047)	11,886

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), some loans that are impaired to their fair value considering the collateral when they are impaired, and intangible assets and other long life non-financial assets when it is determined that they are impaired.

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, 2015, 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)			Gain (loss) for the year	
	December 31, 2015	December 31, 2014	January 1, 2014	2015	2015
Loans	37,572,506	20,660,429	15,676,348	546,748	(474,746)
Foreclosed assets	9,310,174	11,684,660	9,876,692	4,094,469	5,934,996
	46,882,680	32,345,089	25,553,040	4,641,217	5,460,250

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

Fair Value of Financial Instruments, additional disclosures

The fair value of these instruments is derived, in part, from the assumptions used by 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, 2015 is not recorded at fair value in the Bank's consolidated balance sheet.

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 that bear interest 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 balance sheet as of December 31, 2015:

December 31, 2015	Fair value	Valuation technique	Quantitative information of Level 3 fair values Unobservable assumptions	Range (weighted average)
Recurring loans	17,379,905	Discounted cash flows (if there is no collateral)	Annual prepayment rate	5% - 15% (10%)
Non-recurring loans	37,572,506	Discounted cash flows or present or market value of the guarantee (when there is collateral)	1. Market acceptance rate of the guarantee 2. Estimated term for the sale, in years 3. Legal and guarantee sale costs 4. Market rate	Acceptance rate: 0% - 70% (42.7%) Term: 1 year - 4 years (2.25 years) Cost of sale: 0.2% - 22.2% (2.4%)
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%

December 31, 2014	Fair value	Valuation technique	Quantitative information of Level 3 fair values Unobservable assumptions	Range (weighted average)
Recurring loans	19,857,304	Discounted cash flows (if there is no collateral)	Annual prepayment rate	5% - 15% (10%)
Non-recurring loans	20,660,429	Discounted cash flows or present or market value of the guarantee (when there is collateral)	1. Market acceptance rate of the guarantee 2. Estimated term for the sale, in years 3. Legal and guarantee sale costs 4. Market rate	Acceptance rate: 0% - 70% (42.7%) Term: 1 year - 4 years (2.25 years) Cost of sale: 0.2% - 22.2% (2.4%)
Foreclosed assets	11,684,660	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%

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

January 1, 2014	Información cuantitativa de los valores razonables Nivel 3 Fair value	Valuation technique	Unobservable assumptions	Range (weighted average)
Bonds from other governments	135,424	Discounted cash flows	Discount rate according to the recommendation included in the liquidity risk standard of the National Banking and Insurance Commission of Honduras	10% - 20%
Corporate Bonds	8,483,707	Discounted cash flows	Discount rate according to the recommendation included in the liquidity risk standard of the National Banking and Insurance Commission of Honduras	3% - 6%
Recurring loans	22,830,527	Discounted cash flows (if there is no collateral)	Annual prepayment rate	5% - 15% (10%)
Non-recurring loans	15,676,348	Discounted cash flows or present or market value of the guarantee (when there is collateral)	1. Market acceptance rate of the guarantee 2. Estimated term for the sale, in years 3. Legal and guarantee sale costs 4. Market rate	Acceptance rate: 0% - 70% (42.7%) Term: 1 year - 4 years (2.25 years) Cost of sale: 0.2% - 22.2% (2.4%)
Foreclosed assets	9,876,692	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%

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 recommendation included in the liquidity risk standard of the National Banking and Insurance Commission of Honduras. 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, 2015, is as follows:

December 31, 2015	Level 2	Level 3	Total fair value	Total carying amount
Financial assets				
Cash and cash equivalents	3,302,797,310	0	3,302,797,310	3,302,797,310
Interest bearing deposits	0	211,901,822	211,901,822	211,901,822
Loans, excluding 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	3,302,797,310	12,685,771,440	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

December 31, 2014	Level 2	Level 3	Total fair value	Total carying amount
Financial assets				
Cash and cash equivalents	3,304,611,362	0	3,304,611,362	3,304,611,362
Interest bearing deposits	0	162,800,623	162,800,623	162,800,623
Loans, excluding financial leases	0	11,053,634,571	11,053,634,571	11,147,902,137
Acceptances outstanding	0	27,071,271	27,071,271	27,071,271
Total financial assets	3,304,611,362	11,243,506,465	14,548,117,827	14,642,385,393
Financial liabilities				
Deposits	4,955,585,048	6,440,166,627	11,395,751,675	11,371,410,041
Securities sold under repurchase agreements	0	39,884,399	39,884,399	39,884,399
Financial obligations	0	2,768,043,788	2,768,043,788	2,756,088,537
Other financial obligations	0	360,254,274	360,254,274	353,989,172
Acceptances outstanding	0	27,071,271	27,071,271	27,071,271
Total financial liabilities	4,955,585,048	9,635,420,359	14,591,005,407	14,548,443,420

January 1, 2014	Level 2	Level 3	Total fair value	Total carying amount
Financial assets				
Cash and cash equivalents	3,445,975,536	0	3,445,975,536	3,445,975,536
Interest bearing deposits	0	73,803,739	73,803,739	73,803,739
Loans, excluding financial leases	0	10,193,703,542	10,193,703,542	10,286,780,179
Acceptances outstanding	0	10,600,833	10,600,833	10,600,833
Total financial assets	3,445,975,536	10,278,108,114	13,724,083,650	13,817,160,287
Financial liabilities				
Deposits	4,912,908,152	6,013,965,146	10,926,873,298	10,908,232,286
Securities sold under repurchase agreements	0	36,322,412	36,322,412	36,322,412
Financial obligations	0	2,661,118,105	2,661,118,105	2,661,943,026
Other financial obligations	0	290,445,738	290,445,738	286,553,322
Acceptances outstanding	0	10,600,833	10,600,833	10,600,833
Total financial liabilities	4,912,908,152	9,012,452,234	13,925,360,386	13,903,651,879

(27) Administration of Trust Contracts and Asset Management

As of December 31, 2015, several subsidiaries of the Bank manage and keep custody of assets for a total amount of approximately $3,162,349,379 (December 31, 2014: $2,075,381,380; January 1, 2014: $1,751,524,692).

(28) 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, 2015:

	December 31, 2015		December 31, 2014		January 1, 2014	
	Key personnel	Related parties	Key personnel	Related parties	Key personnel	Related parties
Assets:						
Investments available for sale at fair value	0	0	0	1,567,065	0	4,529,610
Loans	10,510,755	30,735,363	8,619,290	32,458,049	8,316,955	28,796,373
Accumulated interest receivable and Other accounts receivable	44,770	221,428	43,097	306,715	39,164	382,005
	10,555,525	30,956,791	8,662,387	34,331,829	8,356,119	33,707,988
Liabilities:						
Demand deposits	5,788,868	25,205,055	8,422,674	18,655,264	2,662,938	21,859,714
Term deposits	10,552,277	13,797,791	5,666,322	10,443,120	7,133,705	10,126,075
Financial obligations	0	180,000,000	0	180,000,000	0	180,000,000
Other financial obligations	6,466,069	4,983,952	776,046	6,606,496	954,503	6,684,979
Accumulated interest payable and other liabilities	73,269	505,447	44,358	530,174	57,378	517,009
	22,880,483	224,492,245	14,909,400	216,235,054	10,808,524	219,187,777

	2015		2014	
	Key personnel	Related parties	Key personnel	Related parties
Interest income and other income	647,503	3,458,476	499,236	3,332,902
Interest expense and other operating expenses	361,567	13,245,951	281,249	13,138,532
Key management personnel benefit	19,994,857	0	20,249,755	0

(29) 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.

(30) Information By Bussiness Segment

BAC International Bank, Inc. is a group that provides a wide range of financial services in Central America and Mexico. The management analyzes the results of its operations according to the geographical segmentation of each Group's Bank, were each country manager is responsible for its operation.

(30) Segment Information, continued,

The following table shows segment information based on their geographic operations:

2015	Guatemala	Honduras	El Salvador	Nicaragua	Costa Rica	Panama	Others	Elimination	Consolidated
Interest income	254,279,075	222,140,827	140,964,248	114,655,459	427,818,773	237,967,175	71,017,651	(35,522,736)	1,433,320,472
Interest expense	(91,161,676)	(64,634,583)	(39,097,029)	(21,337,818)	(115,078,314)	(111,990,566)	(44,589,151)	35,522,736	(452,366,401)
Other revenue	73,938,433	61,449,147	39,152,250	51,123,380	275,676,537	59,856,339	94,155,704	(43,844,423)	611,507,367
Operating expense	(89,525,579)	(143,214,231)	(79,578,607)	(76,931,349)	(367,792,527)	(141,861,785)	(97,912,485)	43,844,423	(952,972,140)
Other expense:									
Provision for loan losses	(32,252,608)	(21,169,305)	(32,378,499)	(2,798,034)	(73,699,869)	(24,336,944)	(1,519,772)	0	(188,155,031)
Impairment loss on foreclosed assets	(1,539,929)	(827,556)	(483,028)	(133,072)	(559,054)	(551,830)	0	0	(4,094,469)
Provision for losses on accounts receivable	(28,549)	(41,418)	(114,809)	87,205	(22,790)	(167,793)	(56,629)	0	(344,783)
Income tax expense	(25,109,467)	(16,287,303)	(7,450,613)	(19,923,961)	(45,201,121)	(5,902,240)	(7,162,804)	0	(127,037,509)
Net income	88,599,700	37,415,578	21,013,913	44,741,810	101,141,635	13,012,356	13,932,514	0	319,857,506
Total assets	3,163,070,772	2,019,338,700	1,884,653,600	1,628,900,219	5,054,030,436	4,802,118,018	1,111,763,339	(941,192,412)	18,722,682,672

2014	Guatemala	Honduras	El Salvador	Nicaragua	Costa Rica	Panama	Others	Elimination	Consolidated
Interest income	252,980,266	208,229,001	127,687,879	102,032,933	364,149,424	222,047,336	66,849,864	(27,212,231)	1,316,764,472
Interest expense	(89,547,405)	(65,259,279)	(31,061,638)	(17,865,094)	(94,987,895)	(100,894,508)	(44,529,832)	27,212,231	(416,933,420)
Other revenue	68,771,612	62,313,307	40,590,541	47,613,282	252,664,623	52,116,481	87,452,875	(39,845,631)	571,677,090
Operating expense	(87,238,844)	(133,659,943)	(71,086,965)	(69,297,599)	(312,495,517)	(129,423,640)	(100,832,475)	39,845,631	(864,189,352)
Other expense:									
Provision for loan losses	(28,598,342)	(22,151,089)	(28,492,239)	(6,203,903)	(48,539,680)	(22,924,776)	(5,860,439)	0	(162,770,468)
Impairment loss on foreclosed assets	(2,702,890)	(1,021,708)	(685,023)	(74,076)	(914,484)	(536,815)	0	0	(5,934,996)
Provision for losses on accounts receivable	(131,013)	(634)	0	(72,612)	234,798	(205,174)	(296,453)	0	(471,088)
Income tax expense	(22,645,126)	(14,236,977)	(10,033,551)	(17,380,187)	(50,268,420)	(4,950,421)	4,501,417	0	(115,013,265)
Net income	90,888,258	34,212,678	26,919,004	38,752,744	109,842,849	15,228,483	7,284,957	0	323,128,973
Total assets	3,035,968,563	1,870,627,712	1,767,782,416	1,421,371,823	4,462,482,838	5,309,554,870	1,700,816,184	(2,491,573,280)	17,077,031,126

(31) Regulatory Matters

Banking operations of the banking 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, 2015, the banking subsidiaries of BAC International Bank, Inc. 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.*

  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.

  This Resolution is effective for periods ending on or after December 31, 2014.

(31) Regulatory Matters, continued

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.

This Agreement is effective as of September 30, 2015 and supersedes in its entirety the Agreement No. 6-2000 and all amendments, Agreement No. 6-2002 and Article 7 of Agreement No. 2-2003.

The table below summarizes the classification of the loan portfolio and loan loss reserves based on the Agreement No. 4-2013 as of December 31, 2015:

	2015					
	Satisfactory	Special mention	Substandard	Doubtful	Loss	Total
Corporate loans and other loans	5,408,665,478	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

	2014					
	Satisfactory	Special mention	Substandard	Doubtful	Loss	Total
Corporate loans and other loans	4,696,074,715	115,362,286	26,428,083	18,171,986	11,054,604	4,867,091,674
Consumer loans	6,472,177,270	138,593,313	46,170,010	46,605,724	21,217,766	6,724,764,083
Total	11,168,251,985	253,955,599	72,598,093	64,777,710	32,272,370	11,591,855,757
Specific reserve	0	31,787,635	23,006,128	39,677,034	14,668,730	109,159,527

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.

(31) Regulatory Matters, continued

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, 2015, the classification of the loan portfolio by maturity profile based on the Agreement No. 4-2013:

	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

	2014			
	Current	**Past due**	**Overdue**	**Total**
Corporate loans and other loans	4,802,102,764	37,550,336	27,438,574	4,867,091,674
Consumer loans	6,495,671,166	130,350,720	98,742,197	6,724,764,083
Total	11,297,773,930	167,901,056	126,180,771	11,591,855,757

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), in a state of not estimate amounts to $32,255,470 (2014: $41,041,554). Total interest income not recognized on these loans is $4,440,940 (2014: $3,343,767).

As of December 31, 2015, 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 $178,120,873 (2014: $49,591,565), 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.

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, 2015, these percentages represent next amounts:

	2015	**2014**
1.25%	134,438,787	118,854,858
2.50%	268,877,573	237,709,716

(31) Regulatory Matters, continued

Below as the dynamic reserve as at December 31 2015:

	2015	2014
Component 1		
Risk- weighted assets (credit facilities – normal category)	10,755,102,930	9,508,388,655
For alpha coefficient (1.50%)		
Result	161,326,544	142,625,830
Component 2		
Variation (positive) between the current quarter versus the previous risk-weighted assets	181,057,706	217,595,755
For beta coefficient (5.00%)		
Result	9,052,885	10,879,788
Less:		
Component 3		
Amount of change in the balance of specific provisions in the quarter	(5,838,248)	(24,850,747)
Gross dynamic reserve balance	176,217,677	128,654,871
Less:		
Provisions US GAAP on normal portfolio	N/A	78,285,280
More:		
Amount restriction as set forth in paragraphs “a” and “b” of Article 37 and consolidation effect	1,903,196	778,026
Net dynamic reserve balance	178,120,873	49,591,565

As of December 31,2015, the Bank did not required additional regulatory credit reserves based on Agreement No. 4-2013, (as of December 31, 2014, the Bank established a regulatory reserve in excess of required by IFRS by the amount of $7,814,072, as part of equity through the appropriation of retained earnings).

By December 31, 2014 the Bank requested and was temporarily approved by the Superintendency, that the US GAAP allowance assigned to the normal portfolio, be computed as part of the dynamic provision.

- *Compliance with Regulatory Agency*
  Agreement No. 6-2012 December 18, 2012 issued by the Superintendency of Banks of Panama provides that technical accounting standards used in the preparation of accounting records and presentation of financial statements will be exclusively the International Financial Reporting Standards financial (IFRSs). For the presentation of comparative information the provisions of IFRS 1 "First-time Adoption of International Financial Reporting Standards" will be taken into consideration.

- *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.

(31) Regulatory Matters, continued

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, 2015 and 2014, the Bank meets all capital-adequacy requirements to which it is subject.

The Bank's capital ratios are presented in the following table:

	Bank's Ratio		Minimun Capital Adequacy Required	
	2015	2014	2015	2014
Total Capital to risk weighted assets	13.52%	13.06%	8.0%	8.0%
Tier 1 Capital to risk weighted assets	13.51%	12.89%	4.0%	4.0%

- *Liquidity Ratio*
  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 65.80% (2014: 83.73%).

- *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%

  At December 31, 2015, the Bank established a provision of foreclosed properties amounting to $1,131,906 (2014: $1,011,213), 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.

(31) Regulatory Matters, continued

- *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 Agreement No. 8-2013, issued by the Superintendency of Securities. The Agreement specifies that broker firms must comply with capital adequacy requirements and its modalities.

(32) Transition to International Financial Reporting Standards

The Bank used IFRS 1 to prepare its consolidated financial statements, and January 1, 2014 was used by the Bank as the transition date.

The accounting policies described in Note 3 have been applied for the preparation of the consolidated financial statements for the year ended December 31, 2015 and for comparative information.

In preparing its initial consolidated statement of financial position with adoption of IFRS, the Bank has adjusted amounts previously reported in the consolidated financial statements prepared in accordance with Generally Accepted Accounting Principles in the United States of America (US GAAP).

With the adoption of IFRS for the year ended December 31, 2015, the Bank presents its figures according to the requirements of IFRS 1 - First-time Adoption of International Financial Reporting Standards. This first-time adoption of IFRS resulted mainly in adjustments to the accounts of allowance for loans losses, property, plant and equipment, accrued interest receivable, deferred tax assets and liabilities, retained earnings, accumulated other comprehensive loss, and non-controlling interest.

(32) Transition to International Financial Reporting Standards, continued

Below are the explanatory tables on the transition to IFRS and how this transition has affected the consolidated statement of financial position, and financial performance of the Bank:

		January 1, 2014			December 31, 2014		
		Previous amounts	Effect of transition to IFRS	IFRS	Previous amounts	Effect of transition to IFRS	IFRS
Assets							
Cash, cash effect and deposits		3,519,779,275	0	3,519,779,275	3,467,411,985	0	3,467,411,985
Investments in securities at fair value through profit or loss	(a)	28,540,391	0	28,540,391	27,655,084	414,699	28,069,783
Investments available for sale at fair value	(a)	988,603,537	8,976,800	997,580,337	1,020,619,439	9,243,073	1,029,862,512
Loans at fair value		22,830,527	0	22,830,527	19,857,304	0	19,857,304
Loans	(b)	10,606,725,310	57,476,786	10,664,202,096	11,531,285,824	40,712,629	11,571,998,453
Less:							
Allowance for loan losses	(b) y (c)	(126,824,539)	(17,450,078)	(144,274,617)	(150,247,705)	(9,968,596)	(160,216,301)
Unearned interest and deferred loans commissions and costs	(b) y (d)	(22,270,759)	(20,493,068)	(42,763,827)	(27,123,180)	(20,355,105)	(47,478,285)
Loans, net		10,457,630,012	19,533,640	10,477,163,652	11,353,914,939	10,388,928	11,364,303,867
Property and equipment, net	(b) y (e)	251,903,724	77,233,735	329,137,459	272,777,231	74,636,765	347,413,996
Clients' obligations for acceptances		10,600,833	0	10,600,833	27,071,271	0	27,071,271
Accumulated interest receivable	(f)	83,459,622	200,606	83,660,228	85,473,771	342,318	85,816,089
Other accounts receivable		166,526,209	0	166,526,209	176,816,767	0	176,816,767
Goodwill and intangibles	(b), (g)	710,895,249	(323,906,251)	386,988,998	692,149,869	(312,724,639)	379,425,230
Other assets	(b), (h) y (i)	181,588,558	(47,652,223)	133,936,335	210,634,635	(59,652,313)	150,982,322
Total assets		16,422,357,937	(265,613,693)	16,156,744,244	17,354,382,295	(277,351,169)	17,077,031,126
Equity and liabilities							
Liabilities:							
Deposits:							
Demand deposits that accrue interest		3,967,418,408	0	3,967,418,408	4,223,677,787	0	4,223,677,787
Savings		2,046,576,371	0	2,046,576,371	2,216,518,445	0	2,216,518,445
Term	(b)	4,900,956,612	(6,719,105)	4,894,237,507	4,933,154,805	(1,940,996)	4,931,213,809
Total deposits		10,914,951,391	(6,719,105)	10,908,232,286	11,373,351,037	(1,940,996)	11,371,410,041
Securities sold under repurchase agreements		36,322,412	0	36,322,412	39,884,399	0	39,884,399
Financial obligations	(b) y (i)	2,674,751,204	(12,808,178)	2,661,943,026	2,773,036,069	(16,947,532)	2,756,088,537
Other financial obligations	(b)	286,207,467	345,855	286,553,322	353,989,172	0	353,989,172
Acceptances outstanding		10,600,833	0	10,600,833	27,071,271	0	27,071,271
Accumulated interest payable		57,041,357	0	57,041,357	56,226,068	0	56,226,068
Other liabilities	(b) y (j)	489,408,893	7,255,678	496,664,571	516,239,716	608,040	516,847,756
Total liabilities		14,469,283,557	(11,925,750)	14,457,357,807	15,139,797,732	(18,280,488)	15,121,517,244
Equity:							
Equity of the Parent Company:							
Common shares		527,803,000	0	527,803,000	755,803,000	0	755,803,000
Paid by issuing shares		78,905,000	0	78,905,000	78,905,000	0	78,905,000
Additional paid-in capital		411,242,625	(317,510,656)	93,731,969	453,667,137	(312,769,649)	140,897,488
Treasury Shares		0	0	0	(4,809,622)	0	(4,809,622)
Voluntary Reserve		54,253,667	0	54,253.667	54,253,667	0	54,253,667
Regulatory Reserve		669,711	0	669,711	58,416,850	0	58,416,850
Retained earnings	(k)	980,112,783	63,418,731	1,043,531,514	959,155,160	58,696,183	1,017,851,343
Other accumulated comprehensive losses	(l)	(100,090,657)	390,700	(99,699,957)	(141,014,576)	(5,005,218)	(146,019,794)
Total Parent Company's equity		1,952,896,129	(253,701,225)	1,699,194,904	2,214,376,616	(259,078,684)	1,955,297,932
Non-controlling interest	(l)	178,251	13,282	191,533	207,947	8,003	215,950
Total equity		1,953,074,380	(253,687,943)	1,699,386,437	2,214,584,563	(259,070,681)	1,955,513,882
Total equity and liabilities		16,422,357,937	(265,613,693)	16,156,744,244	17,354,382,295	(277,351,169)	17,077,031,126

(32) Transition to International Financial Reporting Standards, continued

		December 31, 2014		
		Previous amounts	Effect of transition to IFRS	IFRS
Total interest income	(b) y (d)	1,314,013,050	2,751,422	1,316,764,472
Total interest expense	(b)	412,159,177	4,774,243	416,933,420
Net interest income before provision for losses in loans and impairment		901,853,873	(2,022,821)	899,831,052
Provision for loan losses	(b) y (c)	160,286,846	2,483,622	162,770,468
Net impairment losses on assets held-for-sale		5,934,996	0	5,934,996
Provision for losses on accounts receivable		471,088	0	471,088
Total		166,692,930	2,483,622	169,176,552
Net interest income after provision for losses in loans and impairment		735,160,943	(4,506,443)	730,654,500
Total other income	(d)	565,024,340	6,652,750	571,677,090
Total operating expenses	(d) y (e)	860,084,826	4,104,526	864,189,352
Income before income taxes and non-controlling interest		440,100,457	(1,958,219)	438,142,238
Income tax	(n)	116,433,993	(1,420,728)	115,013,265
Net income		323,666,464	(537,491)	323,128,973
Less: net income attributable to non-controlling interest	(m)	38,830	(829)	38,001
Net income attributable to the Parent Company		323,627,634	(536,662)	323,090,972

No adjustments were determined of relative importance in the consolidated cash flow statement for the year ended December 31, 2014.

Explanation of the notes to the reconciliations:

(a) Reclassification of investments of equity shares.
(b) Adjustment for procurement method in business combinations.
(c) Adjustment for loan IFRS reserve.
(d) Adjustment of origination costs and commissions: exclusion of costs that do not comply with IFRS.
(e) Adjustment for adoption of attributed cost of property, plant and equipment as of the transition date.
(f) Adjustment for interest accrual on impaired loans.
(g) Software reclassification.
(h) Adjustment of the deferred tax asset arising from the different adjustments.
(i) Reclassification of debt origination costs.
(j) Adjustment of the deferred tax liability arising from the different adjustments.
(k) Effect on retained earnings of the b, c, d and f adjustments.
(l) Adjustment of exchange rate differential of available for sale investments and exchange impact caused by currency translation resulting from the b, c, d, e, f and g adjustments.
(m) Impact on non-controlling interest.
(n) Impact on deferred income tax arising from the various settings.

(33) Reorganization of Entities Under Common Control

In December 2014, took place a merger of entities under common control under which the Parent Company merged the operations of Banco BAC de Panama S. A., a subsidiary of the Parent Company, with BAC International Bank, Inc. surviving the latter. The Bank's shareholding was distributed as follows: 90.4456% owned by BAC International Corporation (subsidiary of the Parent Company), 9.4530% owned by the Parent Company and 0.1014% by other shareholders.

For purposes of consolidated financial statements, the figures for 2013 have been retrospectively adjusted, with the aim of make it comparative. The detail by line of the financial statements is presented below:

	BAC International Bank, Inc. & Subsidiaries	Banco BAC de Panamá S. A. & Subsidiary	January 1, 2014
Assets			
Cash and cash equivalents	3,130,571,435	389,207,840	3,519,779,275
Investment in securities	992,404,606	33,716,122	1,026,120,728
Loans at fair value	22,830,527	0	22,830,527
Loans, net	9,059,228,705	1,417,934,947	10,477,163,652
Property and equipment	317,308,743	11,828,716	329,137,459
Goodwill and intangible assets	386,988,998	0	386,988,998
Other assets	364,975,037	29,748,568	394,723,605
Total Assets	14,274,308,051	1,882,436,193	16,156,744,244
Liabilities			
Deposits	9,374,823,789	1,533,408,497	10,908,232,286
Borrowing	2,615,700,809	46,242,217	2,661,943,026
Other liabilities	777,515,400	109,667,095	887,182,495
Total Liabilities	12,768,039,998	1,689,317,809	14,457,357,807