BAC INTERNATIONAL BANK
(GRAND CAYMAN)

Financial Statements

December 31, 2015

(With Independent Auditors' Report Thereon)

BAC INTERNATIONAL BANK (GRAND CAYMAN)

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Independent Auditors' Report to the Directors

We have audited the accompanying financial statements of BAC International Bank (Grand Cayman) (the "Bank"), which comprise the statement of financial position as at December 31, 2015, the statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these 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 financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Bank's preparation and fair presentation of the 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 Bank's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the 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 financial statements present fairly, in all material respects, the financial position of Bank as at December 31, 2015, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Independent Auditors' Report to the Directors (continued)

Emphasis of Matter

Without qualifying our opinion, we draw attention to notes 2 and 19 to the financial statements. The Bank has adopted International Financial Reporting Standards as its basis of preparation of the financial statements for the year ended December 31, 2015.

Without qualifying our opinion, we draw attention to notes 1 and 17 to the financial statements which describe that the Bank's operations include extensive transactions and balances with related parties.

KPMG

April 29, 2016

BAC INTERNATIONAL BANK (GRAND CAYMAN)

Statement of Financial Position

December 31, 2015

(In U.S. dollars)

	Note(s)	December 31, 2015	December 31, 2014	January 1, 2014
Assets				
Cash and cash equivalents	17	299,823,573	811,630,546	433,262,817
Investment in securities	4, 6	222,093	224,249	2,340,291
Loans, net	4, 7,8,17	114,378,610	102,931,397	29,684,945
Accrued interest receivable		510,057	151,678	179,785
Other receivables	17	12,659,920	3,552,515	2,202,952
Other assets	9	108,516	192,471	192,726
Total assets		427,702,769	918,682,856	467,863,516
Liabilities and Equity				
Liabilities:				
Due to depositors:				
Demand	17	73,404,457	618,851,923	213,731,403
Savings		43,032	137,977	126,770
Time deposits		212,888,554	199,249,867	178,051,426
Total due to depositors		286,336,043	818,239,767	391,909,599
Accrued interest payable	17	4,226,336	2,578,456	3,427,527
Other liabilities	10,17	2,073,625	2,112,316	400,067
Total liabilities		292,636,004	822,930,539	395,737,193
Equity:				
Common stock	11	31,500,000	31,500,000	31,500,000
Retained earnings		101,396,850	62,035,662	40,633,343
Regulatory reserve		2,169,646	2,216,577	0
Accumulated other comprehensive income (loss)		269	78	(7,020)
Total equity		135,066,765	95,752,317	72,126,323
Commitments and contingencies	15			
Total liabilities and equity		427,702,769	918,682,856	467,863,516

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

BAC INTERNATIONAL BANK (GRAND CAYMAN)

Statement of Comprehensive Income

For the year ended December 31, 2015

(In U.S. dollars)

	Note	2015	2014
Interest income:			
Interest-bearing deposits	17	27,209,108	18,926,357
Loans	17	11,465,633	2,068,787
Investment in securities		605	37,127
Total interest income		38,675,346	21,032,271
Interest expense:			
Deposits	17	6,984,129	6,227,901
Total interest expense		6,984,129	6,227,901
Net interest income before provision for loan losses		31,691,217	14,804,370
Provision for loan losses	8	1,139,457	520,126
Net interest income after provision for loan losses		30,551,760	14,284,244
Other income:			
Commissions, net		12,505,267	13,739,754
Gain on investment securities		0	7,760
Other income	12	60,354	217,484
Total other income		12,565,621	13,964,998
Operating expenses:			
Salaries and employee benefits	17	2,635,083	3,571,788
Administrative expenses		415,297	401,451
Banking license		88,568	96,885
Occupancy and related expenses		10,644	10,525
Other expenses	13	653,532	549,697
Total operating expenses		3,803,124	4,630,346
Net income		39,314,257	23,618,896
Other comprehensive income:			
Fair value reserve for investments in securities:			
Net change in fair value		191	7,098
Total comprehensive income for the year		39,314,448	23,625,994

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

BAC INTERNATIONAL BANK (GRAND CAYMAN)

Statement of Changes in Equity

For the year ended December 31, 2015

(In U.S. dollars)

	Common stock	Retained earnings	Regulatory reserve	Accumulated other comprehensive (loss) income	Total
Balance at January 1, 2014	31,500,000	40,633,343	0	(7,020)	72,126,323
Net income	0	23,618,896	0	0	23,618,896
Other comprehensive income					
Net change in fair value	0	0	0	7,098	7,098
Total comprehensive income	0	23,618,896	0	7,098	23,625,994
Regulatory reserve	0	(2,216,577)	2,216,577	0	0
Balance at December 31, 2014	31,500,000	62,035,662	2,216,577	78	95,752,317
Net income	0	39,314,257	0	0	39,314,257
Other comprehensive income					
Net change in fair value	0	0	0	191	191
Total comprehensive income	0	39,314,257	0	191	39,314,448
Regulatory reserve	0	46,931	(46,931)	0	0
Balance at December 31, 2015	31,500,000	101,396,850	2,169,646	269	135,066,765

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

BAC INTERNATIONAL BANK (GRAND CAYMAN)

Statement of Cash Flows

For the year ended December 31, 2015

(In U.S. dollars)

	2015	2014
Cash flows from operating activities:		
Net Income	39,314,257	23,618,896
Adjustments to reconcilie net income to net cash (used in) provided by operating activities:		
Provision for loan losses	1,139,457	520,126
Release provision for unfunded committments	(2,517)	(1,678)
Amortization of deferred loans and cost	101	(3,602)
Interest income	(38,675,346)	(21,032,271)
Interest expense	6,984,129	6,227,901
Gain on investment securities	0	(7,760)
Changes in operating assets and liabilities:		
Loans	(12,571,499)	(73,735,134)
Other receivables	(9,107,405)	(1,349,563)
Other assets	68,683	(7,841)
Deposits from custumers	(531,903,724)	426,330,168
Other liabilities	(36,174)	1,713,927
Cash generated by operations:		
Interest received	38,316,967	21,060,378
Interest paid	(5,336,249)	(7,076,972)
Net cash (used in) provided by operating activities	(511,809,320)	376,256,575
Cash flows from investing activities:		
Proceeds from sale of available for sale securities	0	2,101,000
Maturities of available for sale securities	221,352	2,057
Purchase of available for sale securities	(219,005)	0
Proceeds from sale of property and equipment	0	8,097
Net cash provided by investing activities	2,347	2,111,154
Net (decrease) increase in cash and cash equivalents	(511,806,973)	378,367,729
Cash and cash equivalents at beginning of year	811,630,546	433,262,817
Cash and cash equivalents at end of year	299,823,573	811,630,546

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

Table of contents for the notes to the financial statements

December 31, 2015

(1) Organization

BAC International Bank (Grand Cayman) (the "Bank") was incorporated in the Cayman Islands as an exempt company on January 20, 1977. On August 13, 1981, the Bank was granted Banking a category "B" and Trust license under the Banks and Trust Companies Law of the Cayman Islands and, as an offshore bank, it is permitted to conduct bank and trust business with any clients outside the Cayman Islands.

The Bank is a wholly owned subsidiary of BAC International Bank, Inc. (the "Parent Company"), a bank incorporated in the Republic of Panama. The Parent Company is an indirect subsidiary of Grupo Aval Acciones y Valores S. A., which is a company incorporated in the Republic of Colombia.

The Bank is primarily involved in investment, corporate and retail banking.

A substantial portion of the Bank´s business is with the related parties. Accordingly, the Bank is economically dependent on the related parties (see note 17).

(2) Basis of Preparation

(a) Statement of compliance

The financial statements have been prepared in conformity with International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board ("IASB"). These are the first annual financial statements prepared in conformity with IFRSs, and the Bank has applied the IFRS 1 *"First-Time Adoption of International Financial Reporting Standards".*

Note 19 provides an explanation of how the transition to IFRSs has affected the financial position, financial performance and reported cash flows.

The financial statements were approved for issuance by Management of the Bank on April 29, 2016.

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis, except for investment in securities available for sale which are measured at fair value.

The Bank initially recognizes loans, accounts receivable and deposits on the date on which they are originated. All other financial instruments are recognized on the trade date, which is the date on which the Bank becomes a party to the contractual provisions of the instrument.

(c) Functional and presentation currency

These financial statements are presented in United States dollars ($), which is the Bank's functional currency.

(2) Basis of Preparation, continued

(d) Use of estimates and judgments

Preparation of 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, income 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.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognized prospectively.

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

(3) Summary of Significant Accounting Policies

The accounting policies explained below have been applied consistently to all periods presented in these financial statements.

(a) Foreign currency

Assets and liabilities in foreign currencies are translated at prevailing exchange rates at the reporting date. Transactions in foreign currencies during the year are translated at exchange rates in effect on the date of the transaction. Differences arising from such translations is included in other income or other expenses in the statement of comprehensive income.

(b) 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:

Investment in securities

Investment in securities are classified into of the following category based on management's intention to generate gains from the fluctuations in the instrument's price, or to sell them eventually.

- Investment in securities available for sale
  This category includes those investment in securities acquired with the intention of holding them for an indefinite term. These financial instruments are presented at fair value, when they have a market price quoted in an active market, and when their fair value can be measured reliably. Changes in the fair value are recognized as other comprehensive income through charges in equity. These can be sold after authorization from the Bank's Assets and Liabilities Committee (ALCO) to meet liquidity needs or to make a profit.

(3) Summary of Significant Accounting Policies, continued

Impairment of investment in securities

The Bank assesses, at each date of the financial statements, whether there is objective evidence of impairment on investment securities. In the event that the investments are classified as available for sale, a significant and prolonged decline in fair value below its cost is considered in determining whether the assets are impaired.

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 statement of comprehensive income. 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 occurring after the impairment loss recognized in statement of comprehensive income, the impairment loss will be reversed through the statement of comprehensive income. Any subsequent recovery in the fair value of an equity instrument shall be recognized in the statement of comprehensive income.

Financial liabilities

Financial liabilities are classified at amortized cost using the effective interest method, except when there are financial liabilities measured at fair value through changes in statement of comprehensive income.

Recognition, disposal and measurement

The Bank regularly recognizes the purchase or sale of financial instruments on the date of each transaction, 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 statement of comprehensive income when incurred for financial assets and liabilities at fair value with changes in statement of comprehensive income, and they are recorded as part of the initial value of the instrument for assets and liabilities at amortized cost. 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 statement of financial position when the payments derived from it are 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. The Bank derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire.

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.

(3) Summary of Significant Accounting Policies, continued

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the 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.

(c) Loans

Loans receivable are non-derivative financial assets with fixed or determinable payments that are not quoted in an active marked and that the Bank does not intend to sell immediately or in the near term. They are originated when funds are provided to a debtor in the form of a loan. Loans are presented at their principal value pending collection, less unearned interest and commissions (when applicable) and the allowance for losses in loans, except for those loans for which the fair value option was chosen. Unearned interest and commissions are recognized as revenue during the life of the loan using the effective interest method.

For purposes of managing the loan portfolio and creating a reserve, products are classified into: corporate, small and medium enterprise (SME), credit card, personal, mortgage, and debt commitments and guarantees, as defined below.

Corporate and SME

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

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

Credit card

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

(3) Summary of Significant Accounting Policies, continued

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.

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.

(d) Allowance for Impairment of financial assets

The Bank assesses at each 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) the loss that causes 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, nonpayment 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 drop 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 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.

(3) Summary of Significant Accounting Policies, continued

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

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

Reserve model for homogeneous loans (SMEs, personal, credit cards and mortgage)
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 reserve for losses in homogeneous loan groups: the progression rate model (SMEs, credit cards and personal) 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 default range, with a weighted average for various months (per product) in each default level until it is reflected as a loss in the portfolio.

The methodology to allowance mortgages is based on two components:

- the loss rate incurred, which is the loss rate observed at which the account will tend to progress for each range, until reaching 180 days past due.
- the 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.

(3) Summary of 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 recognized in the provision for loan losses.

Restructured loans

Restructured loans are those to which the Bank has made them a permanent concession due to deterioration 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.

Allowance for losses in loans and off-balance sheet commitments

The allowance for losses in loans 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 losses in loans and the allowance for off-balance sheet commitments are adequate. When adequate, this assessment includes a monitoring of quantitative and qualitative trends, including changes in delinquency levels, if the operation was classified as substandard or a lower level.

(3) Summary of Significant Accounting Policies, continued

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 allowance for loan losses in loans are estimated based on a variety of factors, including without being limited to, an analytical review of the experience in losses 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.

(e) Recognition of the most significant income and expense

Interest income and expense

Finance income and expense are recognized in the statement of comprehensive income using the effective interest rate method. The effective interest rate is the discounts rate that estimated future cash receipts and payments through the expected life of the financial asset or liability to the carrying amount of the financial asset or liability. The effective interest rate is established on initial recognition of the financial asset and liability and is not revised subsequently.

The calculation of the effective interest rate includes all fees paid or received, transaction costs and discounts or premiums. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or liability.

Fees and commission

Fees and commission income that are integral to the effective interest rate of a financial asset or liability are included in the measurement of the effective interest rate.

Other fees and commission income, including service commissions are recognized as the related services are provided.

Deferred loan fees, if any, are amortized over the period of the loan using the effective interest rate method.

(f) Cash and cash equivalents

For purposes of the statement of cash flows, cash equivalents comprise time deposits with banks with original maturities of 90 days or less.

(g) Income Taxes

There are no taxes on income or gains in the Cayman Islands, and the Bank has received an undertaking form the Governor in Cabinet of the Cayman Islands exempting it from all local income, profits and capital taxes for a period of 20 years from May 2, 2000. Accordingly, no provision for income taxes is included in these financial statements.

(3) Summary of Significant Accounting Policies, continued

(h) 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 fair values 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.

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.

(3) Summary of Significant Accounting Policies, continued

(i) New International Financial Reporting Standards (IFRS) and interpretations not yet adopted

At the date of the financial statements there are standards have not been adopted in preparing these financial statements:

- The final version of IFRS 9 Financial Instruments (2014) supersedes any previous versions of IFRS 9 (2009, 2010 and 2013), and forms part of the comprehensive 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 measurement categories for financial assets: amortized cost and fair value. IFRS 9 eliminates the categories previously implemented by IAS 39 corresponding to held to maturity investments, available for sale investments, loans and receivables.
  - 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 results of the period, but in equity.
  - A substantially amended approach for hedge accounting, with improved disclosures on the risk management activity.
  - A new impairment model, based on "expected losses" that will require greater and 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, with early adoption permitted.

- IFRS 15 "Revenue from Contracts with Customers". This Standard establishes a single comprehensive framework to determine how, how much and when 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.

Given the nature of financial transactions held by the Bank, the adoption of these standards could have a significant impact on the financial statements, these matters are being evaluated by management.

(4) Risk Management

The Bank has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risk
- operational risk
- capital management

(4) Risk Management, continued

This note presents information about the Bank's exposure to each of the above risks, the Bank's objectives, policies and processes for measuring and managing risk, and the Bank's management of capital.

<u>Risk management framework</u>

The Board of Directors has overall responsibility for the establishment and oversight of the Bank's risk management framework. The Board has established the ALCO committee, Credit and Operational Risk committees, which are responsible for developing and monitoring risk management policies in their specified areas. All committees have both executive and non executive members and report regularly to the Board of Directors on their activities.

The Bank's risk management policies are established to identify and analyze the risks faced by the Bank, to set appropriate risk limits and controls, and to monitor risks and adherence to regulatory and internal limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered. The Bank aims to develop a disciplined and constructive control environment through trainings, established procedures, and manuals, in which all employees understand their roles and responsibilities.

The Audit Committee is responsible for monitoring compliance with the Bank's risk management policies and procedures, and for reviewing the adequacy of the risk management framework in relation to the risks faced by the Bank. The Audit Committee is assisted in these functions by the Internal Audit department, which reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

This following section provides information of the Bank's exposure to risk and describes the methods used by management to control these risks.

(a) Credit risk

<u>Management of credit risk</u>

Credit risk is the risk of financial loss to the Bank if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Bank's loans and advances to customers and other banks and investment in securities For risk management reporting purposes, the Bank considers any and all elements of credit risk exposure (such as individual obligor default risk, country and sector risk).

For risk management purposes, credit risk arising on investment in securities is managed independently, but reported as a component of market risk exposure.

(4) Risk Management, continued

Information on the portfolio's quality

Quality of the portfolio of bank deposits

The Bank maintains deposits on banks for $296,275,757, as of December 31, 2015 (2014: $808,287,954). Deposits are maintained at financial institutions, most of which have A+ to BBB- risk ratings, based on Standard & Poors. Of total deposit as of December 31, 2015, approximately $3,547,816 did not have a risk rating.

Quality of the portfolio of investment in securities

The credit quality of cash instruments and financial instruments is monitored by the international risk rating of the issuer provided by the agency Standard & Poors. The following table summarizes these scores:

	2015 Investment in securities	2015 Investment in securities
Government and Agencies		
AA+	218,788	219,544
Not rated	3,305	4,705
Total Government and Agencies	222,093	224,249

At December 31, 2015 the Bank has no impaired investment in securities.

The Board of Directors has delegated responsibility for the management of credit risk to the Parent Company's Credit Committee. A separate credit department, reporting to the Credit Committee, is responsible for oversight of the Bank's credit risk, including:

- Formulating credit policies in consultation with business units, covering collateral requirements, credit assessment, risk grading and reporting, documentary and legal procedures, and compliance with regulatory and statutory requirements.

- Establishing the authorization structure for the approval and renewal of credit facilities. Authorization limits are allocated to business unit Credit Officers.

- Larger facilities require approval by the Head of the Credit Committee or the Board of Directors, as appropriate.

- Reviewing and assessing credit risk. The Credit Committee assesses all credit exposures in excess of designated limits, prior to facilities being committed to customers by the business unit concerned. Renewals and reviews of facilities are subject to the same review process.

- Limiting concentrations of exposure to counterparties, geographic areas and industries (for loans to customers), and by issuer, credit rating band, market liquidity and country (for investments).

(4) Risk Management, continued

- Developing and maintaining the Bank's risk grading system in order to categorize exposures according to the degree of risk of financial loss faced and to focus management on the attendant risks. The risk grading system is used in determining where impairment provisions may be required against specific credit exposures. The current risk grading framework consists of nine grades reflecting varying degrees of risk of default and the availability of collateral or other credit risk mitigation. The responsibility for setting risk grades lies with the final approving executive/committee as appropriate. Risk grades are subject to regular reviews.

- Reviewing compliance of business units with agreed exposure limits, including those for selected industries, country risk and product types. Regular reports are provided to the Credit Committee on the credit quality of local portfolios and appropriate corrective action is taken.

- Providing advice, guidance and specialist skills to business units to promote best practice throughout the Bank management of credit risk.

Each business unit is required to implement credit policies and procedures, with credit approval authorities from the Credit Committee. Each business unit has a Chief Credit Risk officer who reports on all related to local management and the Credit Committee. Each business unit is responsible for the quality and performance of its credit portfolio and for monitoring and controlling all credit risk in its portfolios, including those subjects to central approval. Regular audits of business units and credit processes are undertaken by Parent Company´s Internal Audit department.

<u>Quality of the loans portfolio</u>

- 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 quantified individually.

  Below are the definitions of the risk ratings for the corporate portfolio:
  - <u>Satisfactory:</u>
    "Satisfactory risk" loans are divided into additional categories, mainly based on the borrower's financial health, and their capacity to service debt costs.

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

  - <u>Sub-standard:</u>
    A loan with well defined credit weaknesses that has 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.

(4) Risk Management, continued

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 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.

• Consumer 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: past due status, percentage of impaired portfolio and composition by Loan to Value “LTV” level for loans with a real guarantee (the LTV measures the loan's carrying amount as a percentage of the value of the property securing the loan, this indicator is updated each month).

In credit cards, the historic delinquency behavior, payments are the factors used to monitor the portfolio's quality. Since this is one of the most relevant products, its risk rating is updated each month.

(4) Risk Management, continued

Exposure to credit risk of loans to customers is shown below.

	2015		2014	
	Loans	**Debt commitments and guarantees**	**Loans**	**Debt commitments and guarantees**
Loans				
Corporate				
Satisfactory	57,142,927	10,990,324	44,497,653	10,990,324
Gross amount	57,142,927	10,990,324	44,497,653	10,990,324
Allowance for loan losses	(114,099)	(1,678)	(61,155)	(2,517)
Net carrying amount	57,028,828	10,988,646	44,436,498	10,987,807
Consumer and SME's				
0 to 30 days	56,915,849	0	58,113,051	0
31 to 89 days	551,544	0	854,153	0
90 to 120 days	181,505	0	131,703	0
121 to 180 days	214,644	0	46,435	0
181 to 365 days	138,330	0	28,462	0
More than 365 days	0	0	61,431	0
Gross amount	58,001,872	0	59,235,235	0
Allowance for loan losses	(676,794)	0	(749,867)	0
Net carrying amount	57,325,078	0	58,485,368	0
Unearned income and deferred loan fees and costs	24,704	0	9,531	0
Net carrying amount loans	114,378,610	10,988,646	102,931,397	10,987,807

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 provided 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.

- 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.

(4) Risk Management, continued

- 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.

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				
Restructured Loans – Consumer ans SME				
Gross loan portfolio restructured	9,646	0	2,043	0
Allowance for impaired loans	(672)	0	(24)	0
Net, restructured loans	8,974	0	2,019	0
Corporate				
Neither past due nor impaired				
Satistactory	57,142,927	10,990,324	44,113,691	10,990,324
Total	57,142,927	10,990,324	44,113,691	10,990,324
Portfolio with 30 to 90 days in arrears but not impaired				
Satistactory	0	0	383,962	0
Total	0	0	383,962	0
Total Corporate	57,142,927	10,990,324	44,497,653	10,990,324
Collective allowance for loan losses	(114,099)	(1,678)	(61,155)	(2,517)
Total allowance for loans losses, Corporate	(114,099)	(1,678)	(61,155)	(2,517)
Consumer and SME loans				
Current and non-impaired portfolio				
Current (up to 30 days)	56,897,651	0	58,307,371	0
Portfolio with 30 to 90 days in arrears but not impaired				
31 to 60 days	376,359	0	392,797	0
61 to 90 days	174,091	0	274,746	0
Total	550,450	0	667,543	0
Impaired loans				
1 to 30 days	8,552	0	2,043	0
31 to 90 days	1,094	0	0	0
91 to 120 days	181,505		121,952	0
121 to 180 days	214,644	0	46,435	0
181 to 365 days	138,330	0	28,461	0
More than 365 days	0	0	61,430	0
Total	544,125	0	260,321	0
Total Consumer and SME loans	57,992,226	0	59,235,235	0
Collective allowance for loan losses consumer and SME loans(1):	(676,122)	0	(749,867)	0
Unearned income and deferred loan fees and cost	24,704	0	9,531	0
Net loan portfolio	114,378,610	10,988,646	102,931,397	10,987,807

(1) Does not include restructured loans

(4) Risk Management, continued

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

	2015 Loans		2014 Loans	
	Gross	**Net**	**Gross**	**Net**
Impaired loans				
Consumer and SMEs				
Impaired portfolio				
0 to 30 days	8,552	122	2,043	2,018
31 to 90 days	1,094	550	0	0
91 to 120 days	181,505	89,930	121,952	57,317
121 to 180 days	214,644	131,549	46,435	0
181 to 365 days	138,330	0	28,461	28,461
More than 365 days	0	0	61,430	61,430
Total impaired loans	544,125	222,151	260,321	149,226

The Bank has no impaired loans for its corporate business portfolio at the reporting dates.

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	Certificates of deposit	Unsecured	Total
Loans at amortized cost				
Corporate				
Corporate	8,690,791	2,661,684	45,790,452	57,142,927
Total Corporate	8,690,791	2,661,684	45,790,452	57,142,927
Consumer and SMEs				
Small and medium enterprises	0	54,577	0	54,577
Total SMEs	0	54,577	0	54,577
Credit cards	0	0	43,558,058	43,558,058
Personal	3,421,277	78,175	8,362,820	11,862,272
Mortgage	2,526,965	0	0	2,526,965
Total Consumer and SMEs	5,948,242	132,752	51,920,878	58,001,872
Total loans at amortized cost	14,639,033	2,794,436	97,711,330	115,144,799
Debt commitments and guarantees	0	2,600,000	8,390,324	10,990,324

(4) Risk Management, continued

	2014			
	Mortgage	Certificates of deposit	Unsecured	Total
Loans at amortized cost				
Corporate				
Corporate	5,000,000	4,002,707	35,494,946	44,497,653
Total corporate	5,000,000	4,002,707	35,494,946	44,497,653
Consumer and SMEs				
Small and medium enterprises	0	222,916	0	222,916
Total SMEs	0	222,916	0	222,916
Credit cards	0	0	47,560,241	47,560,241
Personal	2,383,507	126,565	6,422,342	8,932,414
Mortgage	2,519,664	0	0	2,519,664
Total consumer and SMEs	4,903,171	349,481	53,982,583	59,235,235
Total loans at amortized cost	9,903,171	4,352,188	89,477,529	103,732,888
Debt commitments and guarantees	0	2,600,000	8,390,324	10,990,324

The following table shows the ratio of loans from the mortgage portfolio to the value of collaterals ("Loan to Value" - LTV). LTV is calculated as a percentage of the gross amount of the loan in relation to the value of collaterals. The gross amount of the loan excludes any loss impairment. The value of collaterals for mortgages is based on the original value of the guarantee as of the date of disbursement.

	2015	2014
LTV Ratio		
Less than 50%	420,723	481,628
51-70%	905,583	747,248
71-80%	776,742	793,949
91-100%	235,750	61,431
More than 100%	188,167	435,408
Total	2,526,965	2,519,664

(4) Risk Management, continued

Concentration of credit risk

The Bank follow-up to 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 financial statements is as follows:

	2015			
	Loans	Debt commitments and guarantees	Cash and cash equivalents	Investment in Securities
Concentration by economic sector:				
Governments	0	0	0	222,093
Corporate				
Trade	39,276,076	0	0	0
Services	5,634,421	0	0	0
Financial	12,287,007	10,990,324	299,823,573	0
Consumer	57,947,295	0	0	0
Total concentration by economic sector	115,144,799	10,990,324	299,823,573	222,093
Geographic concentration:				
Costa Rica	44,636,297	0	91,120	0
Panama	67,364,644	2,600,000	282,398,222	0
Guatemala	246,430	0	91,138	0
Honduras	338,940	0	0	0
El Salvador	29,451	0	830,935	0
Nicaragua	2,529,037	0	438,687	0
United States of America	0	0	11,482,912	222,093
British Virgin Islands	0	8,390,324	0	0
Bahamas	0	0	4,490,559	0
Total geographic concentration	115,144,799	10,990,324	299,823,573	222,093

	2014			
	Loans	Debt commitments and guarantees	Cash and cash equivalents	Investment in securities
Concentration by economic sector:				
Governments	0	0	0	224,249
Corporate				
Trade	25,984,511	0	0	0
Services	4,236,058	0	0	0
Financial	14,500,000	10,900,324	811,630,546	0
Consumer	59,012,319	0	0	0
Total concentration by economic sector	103,732,888	10,990,324	811,630,546	224,249
Geographic concentration:				
Costa Rica	49,299,513	0	86,438	0
Panama	35,280,332	2,600,000	803,385,751	0
Guatemala	14,500,000	0	90,729	0
Honduras	376,903	0	0	0
El Salvador	33,864	0	716,605	0
Nicaragua	4,242,276	0	443,998	0
United States of America	0	0	6,705,451	224,249
British Virgin Island	0	8,390,324	0	0
Bahamas	0	0	201,574	0
Total geographic concentration	103,732,888	10,990,324	811,630,546	224,249

(4) Risk Management, continued

(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.

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. These best practices are primarily defensive, in the sense of seeking to maintain appropriate levels of liquidity at all times.

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 ALCO Committee and Integrated 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 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 is established; as well as ensuring that reports related to liquidity risk to be remitted to the different internal instances are adequate in terms of content, quality of information, generation, transmission and validation according to the requirements set forth in the respective standards.

(4) Risk Management, continued

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 cut-off date and during the period:

% of Liquidity	**2015**	**2014**
As of December 31,	369.0%	131.0%
Maximum	369.9%	176.0%
Average	165.0%	146.5%
Minimum	74.0%	131.0%

Exposure to liquidity risk

The key measure used by the Bank for managing liquidity risk is the maturity wise analysis, volatility measurements and stress testing. For this purpose, net liquid assets are considered to include cash and cash equivalents and investment securities for which there is an active and liquid market less any deposits from banks, debt securities issued and debt commitments maturing within the next month, including any statistical analysis of assets and liabilities that may not have a defined maturity.

The following table shows the undiscounted cash flows on the Bank's financial liabilities and assets on the basis of their earliest possible contractual maturity.

				2015			
	Carrying amount	**Gross nominal (outflow) - inflow**	**On demand and less than 1 month**	**1-3 months**	**3 months to 1 year**	**1-5 years**	**More than 5 years**
Amounts in thousands							
Liabilities							
Due to depositors:							
Demand	73,404	(73,404)	(73,404)	0	0	0	0
Savings	43	(43)	(43)	0	0	0	0
Time deposits	212,889	(219,249)	(7,815)	(32,758)	(142,685)	(35,991)	0
Total liabilities	286,336	(292,696)	(81,262)	(32,758)	(142,685)	(35,991)	0
Assets							
Cash and cash equivalents	299,824	299,824	299,824	0	0	0	0
Investment in securities	222	225	0	0	222	0	3
Loans, net	114,379	127,375	32,674	39,034	9,276	34,346	12,045
Total assets	414,425	427,424	332,498	39,034	9,498	34,346	12,048

				2014			
	Carrying Amount	**Gross nominal (outflow) - inflow**	**On demand and less than 1 month**	**1-3 months**	**3 months to 1 year**	**1-5 years**	**1-5 years**
Amounts in thousands							
Liabilities							
Due to depositors:							
Demand	618,852	(618,852)	(618,852)	0	0	0	0
Savings	138	(138)	(138)	0	0	0	0
Time deposits	199,250	(209,056)	(17,129)	(15,247)	(102,886)	(73,794)	(73,794)
	818,240	(828,046)	(636,119)	(15,247)	(102,886)	(73,794)	(73,794)
Assets							
Cash and cash equivalents	811,631	811,631	811,631	0	0	0	0
Investment in securities	224	226	0	0	220	2	4
Loans, net	102,931	111,456	52,350	37,863	5,915	6,055	9,272
	914,786	923,313	863,981	37,863	6,135	6,057	9,276

(4) Risk Management, continued

The liquidity of the Bank is measured and monitored on a daily basis by the Treasury. In addition, to maintain 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	
	Carrying amount	Fair value	Carrying amount	Fair value
Cash and cash equivalents	299,823,573	299,823,573	811,630,546	811,630,546
Total cash and cash equivalents	299,823,573	299,823,573	811,630,546	811,630,546
Not committed sovereign debt instruments	3,199	3,305	4,552	4,705
Total liquidity reserve	299,826,772	299,826,878	811,635,098	811,635,251

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

2015	**Restricted**	**Not Restricted**		**Total**
	As collateral	**Available as collateral**	**Other (1)**	
Cash and cash equivalents	0	299,823,573	0	299,823,573
Loans, net	454,577	113,924,033	0	114,378,610
Investments	218,788	3,305	0	222,093
Non-financial assets	0	0	13,278,493	13,278,493
Total assets	673,365	413,750,911	13,278,493	427,702,769

2014	**Restricted**	**Not Restricted**		**Total**
	As collateral	**Available as collateral**	**Other (1)**	
Cash and cash equivalents	0	811,630,546	0	811,630,546
Loans, net	17,907,441	85,023,956	0	102,931,397
Investments	219,544	4,705	0	224,249
Non-financial assets	0	0	3,896,664	3,896,664
Total assets	18,126,985	896,659,207	3,896,664	918,682,856

(1) 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 risk is the risk that changes in market prices, such as interest rates, equity prices, foreign exchange rates and credit spreads (not relating to changes in the obligor's / issuer's credit standing) will affect the Bank's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the returns.

Overall authority for market risk is vested in the ALCO Committee. Risk committees are responsible for the development of detailed risk management policies (subject to review and approval by the ALCO Committee) and for the day to day review of their implementation.

(4) Risk Management, continued

Management of market risks

Exposure to currency risk:

The Bank conducts all of its transactions denominated in United States dollars and therefore, is not exposed to any currency risk.

Exposure to interest rate risk:

The Bank's operations are subject to the risk of interest rate fluctuations to the extent that interest earning assets and interest bearing liabilities mature or re-price at different times or in differing amounts. In the case of floating rate assets and liabilities, the Bank is also exposed to basis risk, which is the difference in re-pricing characteristics of the various floating rate indices. Risk management activities are aimed at optimizing net interest income, given market interest rate levels consistent with the Bank's business strategies.

A summary of the interest rate gap position on the Bank´s financial instruments is shown below:

2015	Without exposure	Up to 1 year	From 1 to 5 years	More than 5 years	Total
Cash and cash equivalents	12,934,792	286,888,781	0	0	299,823,573
Investments	0	222,093	0	0	222,093
Loans at amortized cost, gross	0	113,655,903	1,488,896	0	115,144,799
Total assets	12,934,792	400,766,777	1,488,896	0	415,190,465
Demand and saving deposits	0	73,447,489	0	0	73,447,489
Time deposits	0	177,757,703	35,130,851	0	212,888,554
Total liabilities	0	251,205,192	35,130,851	0	286,336,043
Exposure to interest rate risk	12,934,792	149,561,585	(33,641,955)	0	128,854,422

2014	Without exposure	Up to 1 year	From 1 to 5 years	More than 5 years	Total
Cash and cash equivalents	8,043,220	803,587,326	0	0	811,630,546
Investments	0	224,249	0	0	224,249
Loans at amortized cost, gross	0	103,349,173	383,715	0	103,732,888
Total assets	8,043,220	907,160,748	383,715	0	915,587,683
Demand and saving deposits	0	618,989,900	0	0	618,989,900
Time deposits	0	128,575,090	68,024,777	2,650,000	199,249,867
Total liabilities	0	747,564,990	68,024,777	2,650,000	818,239,767
Exposure to interest rate risk	8,043,220	159,595,758	(67,641,062)	(2,650,000)	97,347,916

Based on the above, it's calculated the exposure of the 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.

(4) Risk Management, continued

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.

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	(1,142,281)	1,142,281
Average for the year	(1,133,641)	1,133,641
Maximum for the year	(1,378,539)	1,378,539
Minimum for the year	(1,251,965)	1,251,965
2014		
As of December 31, 2014	(1,733,595)	1,733,595
Average for the year	(1,209,421)	1,209,421
Maximum for the year	(1,160,305)	1,160,305
Minimum for the year	(892,184)	892,184
Impact on net income from interests		
2015		
As of December 31, 2015	(9,093)	9,093
Average for the year	(931,881)	931,881
Maximum for the year	(831,809)	831,809
Minimum for the year	(665,744)	665,744
2014		
As of December 31, 2014	(846,191)	846,191
Average for the year	(1,078,269)	1,078,269
Maximum for the year	(1,592,260)	1,592,260
Minimum for the year	(782,231)	782,231

(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.

(4) Risk Management, continued

(d) Operational risks

Operational risk is the risk of direct or indirect loss or damage in any form arising from a wide variety of causes associated with the Parent Company and Bank's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behavior. Operational risks arise from all of the Bank's operations and are faced by all business entities.

The Bank's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Bank's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

As per Basel II, operational risk management is performed as a continuous process, with several distinct components:

- risk identification & assessment,
- risk mitigation (control development & implementation),
- control self-assessment (control testing),
- risk monitoring (key risk indicators follow up),
- risk measurement (incident collection & capital calculation), and
- control environment assessment & management (control culture measurement & corrective action implementation).

The primary responsibility for operational risk management is assigned to senior management within each business unit. This responsibility is supported by the development of overall policies and a central unit (Parent Company's Operational Risk Management Department) coordinates and follows up on the business unit's performance. Status and developments are reported to a bi-monthly Operational Risk Committee, this Committee oversees the risk management cycle. Additionally, compliance with the Bank's policies is supported by periodic reviews undertaken by the Parent Company's Internal Audit department.

The results of internal audit reviews are discussed with the business unit's management and then summaries are submitted to the Audit Committee and senior management of the Bank.

(e) Capital management

The Cayman Islands Monetary Authority requires the Bank to maintain a minimum ratio of total capital to risk-weighted assets of 12%. The capital to risk-weighted assets ratio at December 31, 2015 was 52.59% (2014: 30.30%).

The Bank's policy is to maintain a strong capital base so as to maintain the confidence of stakeholders and to sustain future development of the business. The Bank has complied with all externally imposed capital requirements throughout the period.

There were no changes in Bank's approach to capital management during the period.

(5) Critical Accounting Estimates and Judgments in Applying Accounting Policies

The Bank's management has made a number of estimates and assumptions relating to the reported amount of assets, liabilities, results of operations and commitments and contingencies, based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(a) *Loan impairment provisions and losses*

The Bank reviews its loan portfolio to assess the impairment at least on a quarterly basis.

The Bank makes it best judgment as to whether there is any observable data indicating that there is a measurable decrease in the recoverable amount of a loan portfolio using estimates based on historical loss experience for loans with similar characteristics.

(b) *Fair Value of Financial Instruments*

The fair value of financial instruments that are not quoted on active markets are determined using valuation techniques. When valuation techniques (for example, models) are used to determine the fair values, they are validated and reviewed periodically by qualified independent personnel from the field that created them. 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.

(c) *Impairment of financial investments available for sale*

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

(6) Investment in Securities

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

	2015	2014
Investment in securities available for sale		
Government bonds and agencies:		
United States of America	222,093	224,249
Total investment in securities available for sale	222,093	224,249

(7) Loans

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

	December 31, 2015	December 31, 2014	January 1, 2014
Commercial loans			
Corporate	57,142,927	44,497,653	21,332,888
Small and medium business	54,577	222,916	440,878
Total commercial loans	57,197,504	44,720,569	21,773,766
Consumer loans			
Personal	11,862,272	8,932,414	6,007,902
Credit cards	43,558,058	47,560,241	0
Total consumer loans	55,420,330	56,492,655	6,007,902
Mortgage	2,526,965	2,519,664	2,217,627
Total loan portfolio	115,144,799	103,732,888	29,999,295
Less allowance for losses in loans	(790,893)	(811,022)	(320,279)
Unearned income and deferred loan fees and costs	24,704	9,531	5,929
Net loan portfolio	114,378,610	102,931,397	29,684,945

During the year ended December 31, 2014, the Bank acquired a credit card portfolio amounting to $47,560,241 from an entity under common control of the Bank's parent entity (the seller), there is no premium or discount derived from this purchase. The seller remain servicing and providing administrative services to the credit card portfolio purchased.

(8) Allowance for Losses in Loans

The changes in the allowance for losses in loans are presented below:

	2015	2014
Balances at beginning of year	811,022	320,279
Allowance from acquired portfolio from entity under common control	0	332,609
Increase of allowance for losses in loans	1,139,457	520,126
Charge off	(1,212,280)	(361,992)
Recoveries	52,694	0
Balance at end of year	790,893	811,022

(9) Other Assets

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

	2015	2014
Deferred expenses	45,008	130,115
Guarantee deposits	9,000	9,000
Other	54,508	53,356
	108,516	192,471

(10) Other Liabilities

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

	2015	2014
Accounts payable – Related Party	1,225,651	561,361
Checks issued but not cashed	304,999	615,140
Employee benefits	107,327	910,384
Other	435,648	25,431
	2,073,625	2,112,316

(11) Common Stock

The Bank´s authorized share capital is $50,000,000 represented by 50,000,000 common stocks at $1.00 par value each of which as at December 31, 2015 and 2014, 31,500,000 common stocks were issued and outstanding for a total consideration of $31,500,000.

(12) Other Income

Other income included in the statement of comprehensive income is summarized below:

	2015	2014
Other income-related party	1,146	27,639
Gain on sale of foreclosed assets	0	61,935
Investment recoveries	59,142	127,799
Other	66	111
	60,354	217,484

(13) Other Expenses

Other expense included in the statement of comprehensive income is summarized below:

	2015	2014
Other rental expense-related party	375,737	281,571
Municipal taxes and patents	11,761	10,294
Foreclosed assets	650	769
Other	265,384	257,063
	653,532	549,697

(14) Taxation

The Bank is established as a Cayman Islands exempted company. Under current laws of the Cayman Islands, there is no income, estate, transfer, sales or Cayman Islands taxes payable by the Bank.

The Bank does not consider itself to be engaged in a United States trade or business and, consequently, is not subject to United States income taxes. If the Bank should be considered to be engaged in a United States trade or business, it could be subject to federal income tax, federal alternative minimum tax and branch profit tax.

(15) Financial Instruments Outside the Statement of Financial Position and Other Commitments

The Bank holds financial instruments with risk off-balance sheet 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 statement of financial position.

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

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. The commitments may expire without being drawn upon. Therefore, the total commitment amounts do not necessarily represent future cash requirements. The amount of collateral obtained, if it is deemed necessary by the Bank, is based on management's credit evaluation of the customer. At December 31, 2015 and 2014, the Bank had not entered into non-cancelable commitments to extend credit.

As of December 31, 2015, the Bank had outstanding revolving line of credit available to their credit card customers, which had a limit of $325 million ($306 million in 2014). The unused portion of the total amount available for this line of credit was $282 million ($263 million in 2014). While these amounts represented the available line of credit to customers in the 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.

The Bank uses the same credit policies in making commitments and conditional obligations as it does for on-balance sheet instruments. At December 31, 2015 and 2014, outstanding letters of credit are as follows:

	2015	2014
Standby letters of credit	10,990,324	10,990,324

The nature, terms and maximum potential amount of future payments the Bank could be required to make under the standby letters of credit as of December 31, 2015 are $10,990,324, (2014: $10,990,324). All of those letters of credit and financial guarantees have terms not exceeding one year.

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 these guarantees.

The fair value of the letters of credit and guarantees as of December 31, 2015 is $1,678 (2014: $2,517).

(16) 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 is 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.

Investment in securities available for sale

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.

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

Assets recorded at fair value on a recurring basis, are summarized below:

2015	Other significant observable assumptions (Level 2)
Assets	
Investment in securities available for sale:	
Bonds from governments and agencies:	
United States of America	222,093

2014	Other significant observable assumptions (Level 2)
Assets	
Investment in securities available for sale:	
Bonds from governments and agencies:	
United States of America	224,249

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. No financial instrument was transferred between levels of the fair value hierarchy as of reporting dates.

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
Bonds from the Government and Agencies: United States of America	Consensus prices obtained through price providers (Bloomberg).	(2)

Fair Value of Financial Instruments, additional disclosures

The following disclosures present the financial instrument not recorded at fair value in the Bank's statement of financial position as at December 31, 2015.

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.

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

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 pending acceptances are measured at book value reported in the statement of financial position, which is considered a reasonable fair value estimate due to the short term to 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 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.

(16) 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 financial statements) in the statement of financial position as of December 31, 2015, is as follows:

	Level 2	Level 3	Total fair value	Total carrying amount
2015				
Assets:				
Cash and cash equivalents	299,823,573	0	299,823,573	299,823,573
Loans	0	113,267,970	113,267,970	115,144,799
Total assets	299,823,573	113,267,970	413,091,543	414,968,372
Liabilities:				
Due to depositors	287,762,058	0	287,762,058	286,336,043
Total liabilities	287,762,058	0	287,762,058	286,336,043

	Level 2	Level 3	Total fair value	Total carrying amount
2014				
Assets:				
Cash and cash equivalents	811,630,546	0	811,630,546	811,630,546
Loans	0	102,437,782	102,437,782	103,732,888
Total assets	811,630,546	102,437,782	914,068,328	915,363,434
Liabilities:				
Due to depositors	819,789,814	0	819,789,814	818,239,767
Total liabilities	819,789,814	0	819,789,814	818,239,767

(17) Related Party Balances and 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:						
Cash and cash equivalents	0	288,340,661	0	804,925,096	0	424,063,166
Loans	138,330	13,094,485	211,271	15,301,671	200,781	15,286,051
Accrued interest receivable and other receivables	25	8,466,232	38	456,347	36	327,836
	138,355	309,901,378	211,309	820,683,114	200,817	439,677,053
Liabilities:						
Demand deposits	75,862	53,380,448	157,752	593,090,854	29,362	195,623,285
Time deposits	1,005,094	0	1,005,094	14,500,000	2,505,094	14,500,000
Accrued interest payable and other liabilities	4,537	1,225,691	4,519	671,700	9,019	114,282
	1,085,493	54,606,139	1,167,365	608,262,554	2,543,475	210,237,567

	December 31, 2015		December 31, 2014	
	Key personnel	Related parties	Key personnel	Related parties
Interest income and other income	10,028	27,679,068	13,689	19,630,370
Interest expense, commissions and other operating expenses	55,459	5,543,377	99,898	748,578
Salaries and employees benefits	1,932,002	0	1,737,918	0

(18) Regulatory Matters

Banking operations of the Bank are subject to various regulatory requirements administered by governmental agencies in the countries they operate or are licensed. Failure to meet these regulatory requirements can initiate certain mandatory and possibly additional discretionary, actions by the regulators that, if undertaken, could have a material effect on the Bank's 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 components, risk weightings and other factors.

To monitor adequacy of its capital, the Bank uses ratios established by the Cayman Islands Monetary Authority ("CIMA"). These ratios measure adequacy by comparing the Bank´s eligible capital with its balance sheet assets at weighted amounts to reflect their relative risk.

The Bank is required at all times to maintain a capital adequacy ratio of at least 12% according to current regulations and the provisions of its license. The Bank is in compliance with this requirement as of December 31, 2015 and 2014.

Quantitative measures established by regulation to help ensure capital adequacy require the Bank to maintain minimum amounts and ratios of Total and Tier I Capital (as defined in the regulations) to risk-weighted assets (as defined) and of Tier I Capital (as defined).

Management believes that, as of December 31, 2015 and 2014, the Bank meets all capital adequacy requirements to which it is subject. The table below summarizes the composition of regulatory capital and shows the capital adequacy ratio of the Bank as of the reporting date.

As of December 31, 2015 and 2014, the Bank has complied with all of the externally imposed capital requirements to which it was subject.

	2015	**2014**
Tier I Capital		
Common stock	31,500,000	31,500,000
Retained earnings	103,566,496	64,252,239
Total regulatory capital	135,066,496	95,752,239
Risk-based weighted assets	256,809,610	316,029,075
Capital ratio	52.59%	30.30%

The parent company is regulated by the Superintendence of Banks of the Republic of Panama. The Superintendence issued a regulation applicable to the parent company and all its subsidiaries in relation to certain regulatory reserves.

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", was issued by the Superintendence of Banks of Panama on May 28, 2013.

(18) Regulatory Matters, continued

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 restructures loans, financial guarantees, and charge off operations should contain. The dynamic provisions were established by the Superintendence, as prudential regulation, in order to meet future needs of specific provisions. The Specific provision for impairment of the loan portfolio should be determined and recognized in the financial statements in accordance with the credit facilities classification within the risk categories currently in use and calculated based on minimum percentages weighted by each category specified in the Agreement. The Agreement also requires establishing the dynamic provision, to be determined and recognized quarterly as reserves in equity following certain calculation criteria and restrictions that will be implemented gradually.

The Agreement establishes that the dynamic reserve cannot be less than 1.25% nor greater than 2.50% of risk-weighted assets related to credit facilities classified as normal.

Based on this Agreement at December 31, 2015, the Bank established the regulatory reserve in the amount of $2,169,646, for dynamic provisions (2014: $2,216,577 comprised of specific and dynamic provisions), as part of equity through the appropriation of retained earnings.

(19) Transition to International Financial Reporting Standards (IFRSs)

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

The accounting policies described in Note 2 have been applied for the preparation of the financial statements for the year ended December 31, 2015 and for comparative information.

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

With the adoption of IFRSs 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 in adjustments to the allowance for losses in loans and retained earnings.

(19) Transition to International Financial Reporting Standards (IFRSs), continued

Below are the explanatory tables on the transition to IFRS and how this transition has affected the statement of financial position, financial performance and cash flows 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 and cash equivalents		433,262,817	0	433,262,817	811,630,546	0	811,630,546
Loans, net	(a)	29,687,302	(2,357)	29,684,945	103,208,253	(276,856)	102,931,397
Investment in securities		2,340,291	0	2,340,291	224,249	0	224,249
Accrued interest receivable		179,785	0	179,785	151,678	0	151,678
Other receivables and other assets		2,395,678	0	2,395,678	3,744,986	0	3,744,986
Total assets		467,865,873	(2,357)	467,863,516	918,959,712	(276,856)	918,682,856
Equity and liabilities							
Liabilities:							
Due to depositors:							
Demand		213,731,403	0	213,731,403	618,851,923	0	618,851,923
Savings		126,770	0	126,770	137,977	0	137,977
Time deposits		178,051,426	0	178,051,426	199,249,867	0	199,249,867
Total due to depositors		391,909,599	0	391,909,599	818,239,767	0	818,239,767
Accrued interest payable		3,427,527	0	3,427,527	2,578,456	0	2,578,456
Other liabilities		400,067	0	400,067	2,112,316	0	2,112,316
Total liabilities		395,737,193	0	395,737,193	822,930,539	0	822,930,539
Equity:							
Common stock		31,500,000	0	31,500,000	31,500,000	0	31,500,000
Retained earnings	(a)	40,635,700	(2,357)	40,633,343	62,312,518	(276,856)	62,035,662
Regulatory reserve		0	0	0	2,216,577	0	2,216,577
Accumulated other comprehensive income (loss)		(7,020)	0	(7,020)	78	0	78
Total equity		72,128,680	(2,357)	72,126,323	96,029,173	(276,856)	95,752,317
Total liabilities and equity		467,865,873	(2,357)	467,863,516	918,959,712	(276,856)	918,682,856

		December 31, 2014		
		Previous amounts	Effect of transition to IFRS	IFRS
Total interest income		21,032,271	0	21,032,271
Total interest expense		(6,227,901)	0	(6,227,901)
Net interest income before provision for loan losses		14,804,370	0	14,804,370
Provision for loan losses	(a)	(245,627)	(274,499)	(520,126)
Net interest income after provision for loan losses		14,558,743	(274,499)	14,284,244
Other income		13,964,998	0	13,964,998
Operating expenses		(4,630,346)	0	(4,630,346)
Net income		23,893,395	(274,499)	23,618,896

Explanation of the note to the reconciliation:

(a) IFRS adjustment for the provision for loan losses.

(20) Litigation

To the best knowledge of Bank's management, there is currently no litigation or assessment that may result in a material adverse effect on its business, its financial condition or results of operations.