BANCO LA HIPOTECARIA, S. A.
AND SUBSIDIARIES
(Panama, Republic of Panama)

Consolidated Financial Statements

December 31, 2015

(With Independent Auditor's Report Thereon)

(FREE ENGLISH LANGUAGE TRANSLATION
FROM SPANISH VERSION)

BANCO LA HIPOTECARIA, S. A. AND SUBSIDIARIES
(Panama, Republic of Panama)

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Stockholders
Banco La Hipotecaria, S. A.

We have audited the accompanying consolidated financial statements of Banco La Hipotecaria, S. A. and subsidiaries ("the Bank"), which comprise the consolidated statement of financial position as at December 31, 2015, the consolidated 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 Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and of such internal control as management determines is necessary to enable the preparation of consolidated 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 consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. 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 consolidated financial statements.

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

Opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of Banco La Hipotecaria, S. A. and Subsidiaries as at December 31, 2016, and their consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

KPMG (SIGNED)

March 15, 2016
Panama, Republic of Panama

BANCO LA HIPOTECARIA, S. A. AND SUBSIDIARIES
(Panama, Republic of Panama)

Consolidated Statement of Financial Position

December 31, 2015

(Stated in Balboas)

Assets	Note	2015	2014
Cash and cash equivalents		325,366	167,400
Deposits in banks			
Demand deposits in local banks		10,604,590	7,736,826
Demand deposits in foreign banks		4,744,962	3,861,506
Savings deposits in local banks		1,123,364	1,318,212
Savings deposits in foreign banks		5,185,918	3,625,244
Time deposits in local banks		2,500,000	2,500,000
Time deposits in foreign banks		1,251,666	3,000,000
Total deposits in banks		25,410,500	22,041,788
Total of cash, cash equivalents and deposits in banks	7, 11	25,735,866	22,209,188
Investments in securities	10, 11	42,894,265	46,475,296
Investment in affiliate	6	0	47,545
Loans	9, 11	468,103,097	361,305,215
Less: Allowance for loan losses	9, 11	261,314	255,292
Loans, net		467,841,783	361,049,923
Furniture, equipment and improvements, net	12	904,303	1,011,029
Accounts and interests receivable	8	3,491,448	2,621,465
Accounts receivable from related companies	6	0	135,786
Tax credit	27	6,800,239	2,405,082
Other assets	13, 29	1,664,682	2,904,602
Total assets		549,332,586	438,859,916

The consolidated statement of financial position should be read along with the accompanying notes which are an integral part of the consolidated financial statements.

Liabilities and Equity	Note	2015	2014
Liabilities:			
Deposits from customers:			
Local savings	6, 11	814,076	882,511
Foreign savings	6, 11	58,866	4,056,839
Local time deposits	6, 11	137,079,253	128,322,200
Foreign time deposits	6, 11	33,389,067	12,657,418
Total deposits from customers:		171,341,262	145,918,968
Other negotiable debts	14, 11	6,987,535	11,959,405
Negotiable commercial papers	15, 11	53,791,389	48,918,642
Negotiable commercial notes	17, 11	72,128,518	51,064,385
Investment certificates	18, 11	19,875,121	24,352,119
Cuentas por pagar compañías relacionadas	6	0	0
Other liabilities	19	8,771,042	8,665,365
Total liabilities		492,129,894	387,455,294
Equity:			
Common shares	25	15,000,000	15,000,000
Additional paid-in capital		21,300,000	18,500,000
Capital reserve		1,800,000	1,800,000
Fair value reserve	11	3,489,242	1,815,502
Currency translation reserve		(5,261,834)	(2,555,856)
Regulatory reserves		5,876,284	3,415,201
Retained earnings		14,481,045	13,017,085
Total equity of the controlling interest		56,684,737	50,991,932
Non-controlling interest	1	517,955	412,690
Total equity		57,202,692	51,404,622
Commitments and contingencies	28		
Total liabilities and equity		549,332,586	438,859,916

BANCO LA HIPOTECARIA, S. A. AND SUBSIDIARIES
(Panama, Republic of Panama)

Consolidated Statement of Income

Year ended December 31, 2015

(Stated in Balboas)

	Note	2015	2014
Interest and commisions income:			
Interest on:			
Loans		28,177,336	22,511,860
Investment securities		2,038,682	1,825,074
Deposits in banks		221,598	268,132
Loan granting		2,881,246	2,716,573
Management and servicing, net	21	4,026,663	3,307,970
Total interest and commisions income		37,345,525	30,629,609
Interest and commissions expense:			
Deposits		7,598,856	6,120,072
Borrowed funds		10,776,464	8,245,044
Commissions	22	1,152,732	970,070
Total interest expenses and commissions		19,528,052	15,335,186
Net interest and commissions income		17,817,473	15,294,423
Provision for loan losses	9	344,975	273,718
Net interest and commission income, after provision		17,472,498	15,020,705
Income from banking services and others:			
Gain on investments, net		1,016,395	410,275
Other income	6, 21	1,590,505	1,767,408
Total income from banking services and others, net		2,606,900	2,177,683
General and administrative expenses:			
Salaries and other personnel expenses	6, 23	7,400,097	6,821,630
Depreciation and amortization	13	493,527	385,406
Professional and legal fees		1,147,601	926,654
Taxes		1,450,619	1,082,344
Other expenses	6, 23	3,548,556	3,348,551
Total general and administrative expenses		14,040,400	12,564,585
Net income before income tax		6,038,998	4,633,803
Income tax	29	2,068,341	1,772,149
Net income		3,970,657	2,861,654
Income attributable to:			
Controlling interest		4,015,476	2,887,272
Non-controlling interest		(44,819)	(25,618)
		3,970,657	2,861,654
Earnings per share		264.71	190.78

The consolidated statement of income should be read along with the accompanying notes which are an integral part of the consolidated financial statements.

BANCO LA HIPOTECARIA, S. A. AND SUBSIDIARIES
(Panama, Republic of Panama)

Consolidated Statement of Comprehensive Income

Year ended December 31, 2015

(Stated in Balboas)

	2015	2014
Net income	3,970,657	2,861,654
Other comprehensive (loss) income:		
Items that are or may be reclassified to the statement of income		
Fair value reserve:		
Fair value of loan portfolio acquired:		
Initial record	1,361,625	0
Amortization	(36,591)	0
Valuation reserve of available for sale securities:		
Trasferred to profit or loss	(315,000)	99,061
Net change in fair value	663,706	744,562
Foreign currency translation differences for foreign operations	(2,795,848)	(2,586,379)
Total of comprehensive (loss) income:	(1,122,108)	(1,742,756)
Total comprehensive income	2,848,549	1,118,898
Comprehensive income attributable to:		
Controlling interest	2,983,238	1,240,635
Non-controlling interest	(134,689)	(121,737)
Total comprehensive income	2,848,549	1,118,898

The consolidated statement of comprehensive income should be read along with the accompanying notes which are an integral part of the consolidated financial statements.

BANCO LA HIPOTECARIA, S. A. AND SUBSIDIARIES
(Panama, Republic of Panama)

Consolidated Statement of Changes in Equity

Year ended December 31, 2015

(Stated in Balboas)

		Attributable to the Controlling Interest									
						Regulatory reserves					
	Note	Common shares	Additiona paid-in capital	Capital reserve	Fair value reserve	Currency translation reserve	Dynamic provision	Specific provision in excess	Retained earnings	Non-controlling interest	Total equity
Balance at January 1, 2014		15,000,000	18,500,000	0	971,879	(65,596)	0	2,393,169	7,160,870	710,017	44,670,339
Net Income		0	0	0	0	0	0	0	2,887,272	(25,618)	2,861,654
Other comprehensive income (loss)											
Fair value reserve:											
Net change in fair value		0	0	0	843,623	0	0	0	0	0	843,623
Foreign currency translation differences for foreign operations		0	0	0	0	(2,490,260)	0	0	0	(96,119)	(2,586,379)
Regulatory reserves		0	0	0	0	0	3,096,884	(2,074,852)	(1,022,032)	0	0
Total other comprehensive income (loss)		0	0	0	843,623	(2,490,260)	3,096,884	(2,074,852)	(1,022,032)	(96,119)	(1,742,756)
Total comprehensive income		0	0	0	843,623	(2,490,260)	3,096,884	(2,074,852)	1,865,240	(121,737)	1,118,898
Transactions with the shareholders of the Bank:											
Contributions, distributions and change in participations:											
Additional paid-in capital	25	0	0	1,800,000	0	0	0	0	0	0	1,800,000
Complementary tax		0	0	0	0	0	0	0	(83,255)	0	(83,255)
Non-controlling interest	26	0	0	0	0	0	0	0	4,074,230	(175,590)	3,898,640
Total of contributions and distributions		0	0	1,800,000	0	0	0	0	3,990,975	(175,590)	5,615,385
Balance at December 31, 2014		15,000,000	18,500,000	1,800,000	1,815,502	(2,555,856)	3,096,884	318,317	13,017,085	412,690	51,404,622
Net income		0	0	0	0	0	0	0	4,015,476	(44,819)	3,970,657
Other comprehensive income (loss):											
Fair value reserve:											
Fair value of loan protfolio acquired, net		0	0	0	1,325,034	0	0	0	0	0	1,325,034
Net change in fair value		0	0	0	348,706	0	0	0	0	0	348,706
Foreign currency translation differences for foreign operations		0	0	0	0	(2,705,978)	0	0	0	(89,870)	(2,795,848)
Regulatory reserves		0	0	0	0	0	2,258,453	202,630	(2,461,083)	0	0
Total other comprehensive income (loss)		0	0	0	1,673,740	(2,705,978)	2,258,453	202,630	(2,461,083)	(89,870)	(1,122,108)
Total comprehensive income		0	0	0	1,673,740	(2,705,978)	2,258,453	202,630	1,554,393	(134,689)	2,848,549
Transactions with the shareholders of the Bank											
Contributions, distributions and change in participations:											
Additional paid-in capital	25	0	2,800,000	0	0	0	0	0	0	0	2,800,000
Complementary tax		0	0	0	0	0	0	0	(90,433)	0	(90,433)
Non-controlling interest		0	0	0	0	0	0	0	0	239,954	239,954
Total of contributions and distributions		0	2,800,000	0	0	0	0	0	(90,433)	239,954	2,949,521
Balance at December 31, 2015		15,000,000	21,300,000	1,800,000	3,489,242	(5,261,834)	5,355,337	520,947	14,481,045	517,955	57,202,692

The consolidated statement of changes in equity should be read along with the accompanying notes which are an integral part of the consolidated financial statements.

BANCO LA HIPOTECARIA, S. A. AND SUBSIDIARIES
(Panama, Republic of Panama)

Consolidated Statement of Cash Flows

Year ended December 31, 2015

(Stated in Balboas)

	Note	2015	2014
Operating activities:			
Net income		3,970,657	2,861,654
Adjustments to reconcile net income and cash from operating activities:			
Provision for loan losses		344,975	273,718
Unrealized gain on investments at fair value		(701,395)	(509,337)
(Gain) loss from sale of securities available for sale		(315,000)	99,061
Depreciation and amortization		493,527	385,406
Loss on disposal of fixed assets		0	672
Interest income		(30,437,616)	(24,604,417)
Interest expense		18,375,320	14,365,116
Income tax expense		2,068,341	1,772,149
Changes in operating assets and liabilities:			
Loans		(105,811,801)	(193,425,247)
Securitizations of loan's portfolio		0	75,000,000
Accounts receivable with related parties		183,331	(65,597)
Accounts payable with related parties		0	(188,135)
Accounts receivable		(277,928)	(391,278)
Tax credit		(4,395,157)	1,100,586
Other assets		1,239,920	(1,811,021)
Time deposits		29,488,702	20,672,228
Saving deposits		(4,066,408)	4,491,094
Other liabilities		(1,780,130)	2,836,458
Cash generated from operations:			
Interest received		29,844,912	24,161,506
Interest paid		(17,727,830)	(14,644,554)
Income tax paid		(830,024)	(180,733)
Cash flows from operating activities		(80,333,604)	(87,800,671)
Investing activities:			
Purchase of investment securities		(3,937,648)	(20,872,983)
Sale of available for sale securities		7,250,212	4,854,015
Redemption of investment securities		1,634,217	1,555,240
Investment in affiliate		0	7,096
Fixed assets received by the acquisition of a subsidiary		0	(169,852)
Purchases of furniture and equipments		(374,959)	(593,284)
Acquisition of non-controlling interest		0	5,698,620
Cash flows from investing activities		4,571,822	(9,521,148)
Financing activities:			
Proceeds of borrowed funds		111,608,036	85,612,123
Payment of borrowed funds		(48,949,419)	(78,684,340)
Subsidiary acquisition effect		0	87,728,032
Proceeds from issuance of negotiable commercial papers		53,215,000	57,202,000
Redemption of negotiable commercial papers		(48,342,253)	(62,646,459)
Proceeds of issuance of negotiable commercial notes		35,949,000	17,015,000
Redemption of commercial notes		(14,884,867)	(5,436,941)
Issuance of investment certificate		5,492,000	11,900,000
Redemption of investment certificate		(9,968,998)	(3,016,770)
Issuance of negotiable debts		10,000,000	16,248,000
Redemption of negotiable debts		(14,971,870)	(23,485,154)
Additional paid-in capital		2,800,000	0
Capitalization of non-controlling interest		239,954	20
Complementary tax		(90,433)	(83,255)
Cash flows from financing activities		82,096,150	102,352,256
Effect on the fluctuation of exchange rates on cash held		(2,807,690)	(2,589,075)
Net increase on cash		6,334,368	5,030,437
Cash and cash equivalents at the beginning of the year		22,209,188	19,767,826
Cash and cash equivalents at the end of the year	7	25,735,866	22,209,188

The consolidated statement of cash flows should be read along with the accompanying notes which are an integral part of the consolidated financial statements.

(1) General Information

Banco La Hipotecaria, S. A. and Subsidiaries (formerly La Hipotecaria, S. A.), was incorporated on November 7, 1996 under the law of companies of the Republic of Panama. According to Resolution S. B. P. No. 127-2010 of June 4, 2010, the Superintendence of Banks of Panama granted a General Banking License to start operations as a Bank on June 7, 2010, which allows it to carry out banking transactions in Panama and abroad in addition to any other activity authorized by this Superintendence.

Banco La Hipotecaria, S. A. is a private bank whose shareholder is La Hipotecaria (Holding), Inc. a company incorporated under the laws of the British Virgin Islands whose main shareholder is Grupo Assa, S. A. in 69.01% (2014: 69.01%).

Through Resolution FID No. 3-97 of August 6, 1997, the Superintendence of Banks granted the Bank a fiduciary license that allows it to conduct trust business in or from the Republic of Panama. The Bank is registered with the Superintendence of the Securities Market by means of Resolution No.487-01 of December 14, 2001.

Through Resolution S.B.P. No. 0016-2013 of February 7, 2013, the Superintendence of Banks of Panama authorized the transfer by La Hipotecaria Holding, Inc. (BVI) 99.98% of the shares of La Hipotecaria, S. A. de C. V. (El Salvador), in favor of Banco La Hipotecaria, S. A. This transfer was made on April 1st, 2014.

The following table provides the detail of the Bank's significant subsidiaries:

	Activity	Country of Incorporation	Controlling Interest 2015	Controlling Interest 2014
La Hipotecaria Compañía de Financiamiento, S. A.	Grant residential mortgage loans, manage and securitize residential mortgage loans in the Republic of Colombia	Colombia	94.99%	94.99%
La Hipotecaria, S. A. de C. V.	Grant residential and personal mortgage loans, manage and securitize residential and personal loans in the Republic of El Salvador.	El Salvador	99.98%	99.98%

The main office is located on Via España, Plaza Regency, floor No. 4, Tower 195, Panama City.

Thereafter, Banco La Hipotecaria, S. A. and its subsidiaries will be referred to as "the Bank".

(2) Basis of Preparation

(a) Statement of Compliance

These consolidated financial statements of the Bank have been prepared in conformity with International Financial Reporting Standards (IFRS).

The Audit Committee of the Bank authorized the issuance of these consolidated financial statements on March 15, 2016.

(b) Basis of Measurement

These consolidated financial statements have been prepared on a historical cost basis, except for the following items:

Item	Basis of Measurement
Investments at fair value with changes in income	Fair value
Securities available for sale	Fair value

(c) Functional and Presentation Currency

The consolidated financial statements are expressed in Balboas (B/.) the monetary unit of the Republic of Panama, which is at par and freely exchangeable with the United States of America Dollar (US$). The Republic of Panama does not issue its own paper currency and, instead, the United States of America Dollar is used as a legal tender. The functional currency of the subsidiary in Colombia is the Colombian peso (COP), and the functional currency of the subsidiary in El Salvador is the United States of America Dollar (US$).

(3) Summary of Significant Accounting Policies

The accounting policies set out below have been applied by the Bank consistently to all periods presented in these consolidated financial statements.

(a) Consolidation Basis

(a.1) Subsidiaries

The subsidiaries are participated entities controlled by the Bank. The Bank controls a subsidiary as it is exposed, or has rights, to variable returns from its involvement in the subsidiary and has the ability to affect those returns through its power over the investee. The Bank reassesses whether it has control over a participated entity if there are changes to one or more of the three elements of control. The financial statements of subsidiaries, as described in Note 1, are included in the consolidated financial statements from the date on which control commences until the date when control ceases.

(a.2) Structured Entities

A structured entity, is an entity that has been designed so that the rights to vote or similar are not the determinant factor to decide who controls the entity, as when the rights to vote are related only to the administrative tasks and the relevant activities are directed by contractual agreements. In the evaluation to determine if the Bank has sufficient rights to give power on these participated entities, the Bank considers factors of the participated entity; such as, its intention and design; its present aptitude to direct the relevant activities; the nature of its relation with other parts; and the exposition to the implication in the participated entity.

(3) Summary of Significant Accounting Policies, continued

(a.3) Non-controlling interests
Changes in the Bank's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

(a.4) Loss of Control
When the Bank loses control over a subsidiary, it derecognizes the assets and liabilities of the subsidiary, any related non-controlling interest, and other components of equity. Any resulting gain or loss is recognized in the statement of income. Whether the Bank retains any interest in the former subsidiary is measured at fair value when control is lost.

(a.5) Transactions Eliminated on Consolidation
Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

(a.6) Funds Administration
The Bank acts as administrator and trustee of trust contracts at the risk of customers. The financial statements of these entities are not part of these consolidated financial statements except when the Bank has control over the entity.

(b) Foreign Currency

(b.1) Foreign Currency Transactions
Transactions in foreign currencies are translated into the respective functional currency at the current exchange rates at the date of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into the functional currency at the current exchange rate at that date. Foreign currency differences arising on translation are generally recognized in the statement of income. However, foreign currency differences arising from the translation of available-for-sale equity instruments are recognized in after comprehensive income.

(b.2) Foreign Operations
The financial position and the results of any subsidiary in a different functional currency are translated to the presentation currency as follows:

- Assets and liabilities, at the current exchange rate at the end of the year.
- Revenue and expenses, at the monthly average exchange rate of the year.
- Equity accounts are measured at historical cost, at relevant exchange rate at the time of each transaction.

The resulting adjustments due to translation are recorded in a separate account directly in the consolidated statement of changes in equity, under currency translation reserve.

(3) Summary of Significant Accounting Policies, continued

(c) Financial Assets and Liabilities

(c.1) Recognition

The Bank initially recognizes loans, receivables, investments, deposits, debt instruments issued, and borrowing on the date on which they are originated or date of settlement.

(c.2) Offsetting Financial Assets and Liabilities

Financial assets and liabilities are offset only for purposes of presentation in the consolidated statement of financial position when the Bank has a legally enforceable right to set off the amounts and intends either to settle them on a net basis, or to realize the asset and settle the liability simultaneously. Income and expenses are presented on a net basis only when permitted under IFRS, or for gains and losses arising from a group of similar transactions derived from financial instruments held for trading.

(d) Fair Value Measurement

Fair value 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 in the principal or, in its absence, the most advantageous market to which the Bank has access at that date. The fair value of a liability reflects its non-performance risk.

When applicable, the Bank measures fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active, if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Bank uses valuation techniques that maximize the use of relevant observable inputs and minimize the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price.

The fair value of a demand deposit is not less than the amount payable on demand, discounted from the first date on which the amount could be required to be paid.

The Bank recognizes transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

(e) Cash and Cash Equivalents

For purpose of the consolidated statement of cash flows, cash equivalents include demand deposits with banks and term deposits with original maturities of three months or less, excluding pledged deposits.

(3) Summary of Significant Accounting Policies, continued

(f) Loans

Loans are non-derivative financial assets with fixed determinable payments that are not quoted in the active market, and are generally originated by providing funds to debtors and the Bank does not intend to sell immediately or in the near term. Loans are reported at their principal amounts outstanding, less unearned interest and commissions and the allowance for impairment. Unearned interest and commissions on loans are accrued to income under the effective interest method.

(g) Allowance for Impairment

The Bank assesses at each date of the consolidated statement of financial position whether there is objective evidence of impairment in a loan or loan portfolio. The amount of losses on certain loans during the period is recognized as an allowance for loan's impairment in the consolidated statement of income and increases an account allowance for impairment. The allowance is presented deducted from loans receivable in the consolidated statement of financial position. When a loan is determined to be uncollectible, the recoverable amount is deducted from the allowance account.

Impairment losses are determined using two methodologies to determine whether an objective evidence of impairment exists, individually for the loans that are significant individually and collective for loans that are not individually significant.

(g.1) Individually Assessed Loans

Impairment losses on individually assessed loans are determined on an evaluation of the exposures on a case by case basis. If it is determined that no objective evidence of impairment exists for an individually significant loan, it is included in a group of loans with similar characteristics and are collectively assessed for impairment. The impairment loss is calculated by comparing the current value of the expected future cash flows, discounted at the original effective interest rate of the loan, against its current carrying value. Any loss is recognized as an allowance for impairment in the consolidated statement of income. The carrying amount of impaired loans is reduced through the use of an allowance account.

(g.2) Collectively Evaluated Loans

For purposes of a collective assessment of impairment, the Bank uses statistical models of historical trends of probability of default, the timing of recoveries and the amount of the loss incurred, and makes an, adjustment if current economic and credit conditions are such that the real losses are likely to be greater or less than those suggested by historical trends. Default rates, loss rates and expected time for future recoveries are regularly compared with the real results to ensure they still appropriate.

(g.3) Reversal of Impairment

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed by reducing the allowance for impairment account. The amount of any reversal is recognized in the consolidated statement of income.

(3) Summary of Significant Accounting Policies, continued

(g.4) Provision for Contingent Credit Risk

The Bank uses the allowance method to provide for possible losses over contingencies with credit nature. The allowance is increased based on a provision that is recognized as a provision expense in the consolidated statement of income and is reduced by write-offs related to these contingencies of a credit nature.

(g.5) Renegotiated or Restructured Loans

Loans that have been renegotiated or restructured are the ones that a renegotiation or restructuration has been made because of impairment in the borrower's financial condition, and when the Bank considers granting a change in the terms of the credit.

(h) Investment Securities

Investment securities are initially measured at fair value plus, incremental costs related to the transaction, except for securities at fair value through profit or loss, and subsequently accounted based on the maintained classifications according to the characteristics of the instrument and purpose for which its acquisition was determined. The classifications used by the Bank are detailed below:

(h.1) Held-to-Maturity

Held-to-maturity investments are non-derivative assets with fixed or determinable payments and fixed maturity that the Bank's has the positive intent and ability to hold to maturity.

Held-to-maturity investments owned by the Bank consist of debt instruments, which are carried at amortized cost using the effective interest method, less any impairment losses. A sale or reclassification that is not insignificant in relation to the amount of held-to-maturity investments would result in the reclassification of all held-to-maturity investments as available-for-sale, and would prevent the Bank from classifying investment securities as held-to-maturity for the current and the following two financial years. However, sales and reclassifications in any of the following circumstances would not trigger a reclassification:

- Sales or reclassifications that are close to the maturity date or the redemption date of the financial asset because changes in the market interest rate would not have a significant effect on the financial asset's fair value.

- Sales or reclassifications after the Bank has collected substantially all of the asset's original principal.

- Sales or reclassifications that are attributable to non-recurring isolated events beyond the Bank's control that could not have been reasonably anticipated.

(h.2) Securities at Fair Value through Profit or Loss

This category includes those investments securities acquired mainly for the purpose of generating a profit from short - term fluctuations in the price of the instrument. These securities are measured at fair value and changes in fair value are recognized in the consolidated statement of income in the period in which they are generated.

(3) Summary of Significant Accounting Policies, continued

(h.3) Securities Available-for-Sale

This category includes those investments securities acquired with the intention to be held for an indefinite period of time, which may be sold in response to the needs of liquidity or changes in interest rates, exchange rates or equity prices. These securities are measured at fair value and changes in fair value are recognized in consolidated statement of changes in equity and presented in the fair value reserve within equity, until these securities are sold, redeemed, or impaired, in which case, the accumulated gain or loss in other comprehensive income is reclassified the consolidated statement of income.

When the fair value of investments in equity instruments cannot be reliable, investments remain at cost.

Impairment of Securities Available for Sale

The Bank assesses at each consolidated statement of financial position date whether there is objective evidence that investment securities are impaired. In the case, of securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the assets are impaired.

If any such evidence exists for securities available-for-sale, the losses accumulated is reclassified from equity to the consolidated statement of income.

If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be related objectively to an event occurring after the impairment loss was recognized then the impairment loss is reversed through the consolidated statement of income.

(i) Furniture, Equipment and Improvements

Furniture, equipment and improvements include buildings, furniture and equipment used by branches and offices of the Bank. All furniture, equipment and improvements are measured at cost less accumulated depreciation and amortization. The historic cost includes the expense that is directly attributable to the acquisition of the asset.

Subsequent expenditure is capitalized only when it is probable that the future economic benefits of the expenditure will flow to the Bank. Cost considered as repairs and maintenance is charged to the consolidated income statement during the financial period that they are incurred.

(3) Summary of Significant Accounting Policies, continued

The depreciation expense of furniture and equipment, and amortization of improvements to the leased property is charged to current period using the straight-line method over the estimated useful life. The estimated useful life of assets is summarized as follows:

Furniture and equipment	3 - 10 years
Vehicles	5 years
Improvements	3 - 10 years

The assets' useful lives and residual value are reviewed, and adjusted, if appropriate, at each consolidated statement of financial position date. Furniture and equipment are subject to review for impairment when there are events or changes in the circumstances that indicate that the carrying value may not be recoverable. An asset's carrying amount is written-down immediately to its recoverable amount, if the asset's carrying amount is greater than its estimated recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use.

(j) Assets Classified as Held for Sale

Non-current assets, or disposal groups comprising assets and liabilities, that are expected to be recovered primarily through sale rather than through continuing use, are classified as held for sale.

Immediately before classification as held for sale, the assets, or components of a disposal group, are remeasured in accordance with the Bank's accounting policies. Thereafter generally the assets, or disposal group, are measured at the lower of their carrying amount and fair value less cost to sell. An impairment loss is recognized due to reductions in the initial value of such assets. Impairment losses on initial and subsequent classification as held for sale are recognized in the consolidated statement of income.

(k) Deposits, Borrowed Funds and Debt Securities Issued

These financial liabilities correspond to the Bank's main sources of debt funding. They are initially measured at fair value less incremental direct transaction costs, and subsequently are measured at amortized cost using the method of effective interest rate.

(l) Share based payments

The fair value at the date of granting options of the Holding's share purchase plan of Bank employees is recognized as a personnel expense, with the corresponding increase in the account payable to the Holding, within the vesting period in which employees acquire unconditional rights over the shares. The amount recognized as an expense is adjusted to reflect the amount of concessions, which will effectively meet the conditions of service.

(3) Summary of Significant Accounting Policies, continued

(m) Employee Benefits

(m.1) Termination Benefits

Termination benefits are recognized as expenses between occurs first when the Bank can no longer withdraw the offer of those benefits and when the Bank recognizes costs for a restructuring. If benefits are not expected to be wholly settled within twelve months of the consolidated statement of financial position, then such benefits are discounted to determine their present value.

(m.2) Short-term Employee Benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Bank has a present legal or implicit obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(n) Earnings per Share

Basic earnings per share is calculated by dividing the profit or loss that is attributable to ordinary shareholders of the Bank by the weighted-average number of ordinary shares outstanding during the period.

(o) Segment Reporting

A business segment is a main component of the Bank, whose operating results are regularly reviewed by management for decision making about resources to be allocated to the segment and evaluate its performance, and for which we have available financial information for this purpose.

The business segments presented in the consolidated financial statements correspond to a main component of the Bank responsible for providing a single product or service or a group of related products or services within a particular economic environment and that is subject to risks and returns that are different from the other business segments.

(p) Interest Income and Expense

Interest income and expense are recognized in the consolidated statement of income using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or financial liability to the carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Bank estimates future cash flows considering all contractual terms of the financial instrument, but not future credit losses.

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

(3) Summary of Significant Accounting Policies, continued

Interest income and expense presented in the consolidated statement of income and include:

- Interest on financial assets and financial liabilities measured at amortized cost calculated on an effective interest basis.

- Interest on available-for-sale investment securities calculated on an effective interest basis.

(q) Fees and Commission

Income and expenses from fees and commissions, both paid and received, other than those included in determining the effective interest rate, include banking services, premium and other service fees, administration and management of accounts which are recognized as the related services are performed or received.

The Bank receives recurrent income related to management services of trusts. These incomes are registered under the accrual method. Is obligation of the Bank to manage the resources of the trusts in conformity with the contracts and independent of its equity.

(r) Trust Operations

Assets held on trusts or in function of the trustee are not considered part of the Bank and therefore, those assets and its corresponding income are not included in the consolidated financial statements presented. Its obligation of the Bank to manage the resources of the trusts in conformity with the contracts and independent of its equity.

The Bank charges a commission for the trust management of the funds in the trusts, which is paid by the trustees under the basis of the balance that the trusts have or with an agreement between the parties. These commissions are recognized to income under the terms of the trusts contracts monthly, quarterly, or annually under the accrual basis.

(s) Net Income from as Financial Instruments at Fair Value through Profit or Loss

Net income from other financial instruments at fair value through profit or loss relates to non-trading derivatives held for risk management purposes that do not form part of qualifying hedge relationships and financial assets and financial liabilities designated at fair value through profit or loss. It includes all realized and unrealized fair value changes, interest, dividends and foreign exchange differences.

(t) Income tax

Current income tax is the expected tax payable on the taxable income for the year using tax rates enacted at the consolidated statement of financial position date, and any adjustment to the tax payable in respect of previous years.

(3) Summary of Significant Accounting Policies, continued

Deferred income tax represents the amount of income tax payable and/or receivable in future years resulting from temporary differences between the carrying accounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes, using the tax rates enacted at the consolidated statement of financial position date. These temporary differences are expected to be reversed in future years. If it is determined that the deferred tax would not be realized in future years, the deferred tax will be totally or partially reduced.

(u) Uniformity in Presentation of Financial Statements

Accounting policies detailed before, has been applied consistently by the Bank in the periods presented in the financial statements.

Some figures in the financial statements for comparative purposes, has been reclassified in accordance to changes in the current period.

(v) New IFRS and Interpretations that have not been yet adopted

There are standards that have not been yet applied in the preparation of the consolidated financial statements:

- The final version of IFRS 9 "Financial Instruments" (2014) will replace all previous versions of IFRS 9 issued (2009, 2010, and 2013) and complete the project to replace the International Accounting Standards ("IAS") 39 Financial Instruments: Recognition and Measurement. The most significant impact of this standard are:

  - New requirements for classification and measurement of financial assets. Among other things, the standard contains two primary measurement categories for financial assets: amortized cost and fair value. IFRS 9 eliminates the existing categories in IAS 39 of held to maturity, securities available for sale, loans and receivables values.

  - Eliminates the volatility in results caused by changes in the credit risk liabilities measured at fair value, which means that the profits produced by the impairment of the own credit risk of the entity in such obligations are not recognized in the operating results.

  - A substantially reformed approach to hedge accounting, with improved activity on risk management disclosures.

  - A new impairment model based on "expected loss" that will require greater timely recognition of credit losses.

  The effective date for the application of IFRS 9 is for annual periods beginning on or after January 1, 2018. However, this standard may be adopted in advance.

(3) Summary of Significant Accounting Policies, continued

- IFRS 15 "Income from Contracts with Customers". It sets out a comprehensive framework to determine how much and the time when revenue should be recognized. This standard replaces the existing guidelines, including IAS 18 "Revenue", IAS 11 "Construction Contracts" and interpretation by International Financial Reporting Interpretations Committee ("IFRIC") 13 "Customer Loyalty Programs". IFRS 15 is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted.

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

By the nature of the Bank's operations, the adoption of these standards could have an impact on the consolidated financial statements, something that is currently being evaluated by management.

(4) Financial Risk Management

A financial instrument is any contract that originates a financial asset in one entity and a financial liability or equity instrument in another entity. The Bank's activities are mainly related to the use of derivative financial instruments and therefore, the consolidated statement of financial position is comprised mainly of financial instruments. These instruments expose the Bank to various types of risk, for which the Bank Board has established certain committees for administration and regular monitoring of risks to which the Bank is exposed. To manage and monitor these risk, the Board has established the following committees:

- Credit Committee
- Collections Committee
- Audit Committee
- Compliance Committee
- Risk Committee
- Asset and Liability Committee (ALCO)

The Audit Committee of the Bank supervises the way in which Management monitors the compliance of the policies and procedures of risk management and reviews if the risk management framework is appropriate in respect of the risks that the Bank confronts.

(4) Financial Risk Management, continued

This Committee is assisted by Internal Audit in its supervision role. Internal Audit makes periodic revisions of the controls and procedures of risk management. These results are reported to the Audit Committee.

The Bank's Risk Committee main responsibilities are the following:

1. Oversight of the performance and independence of the Risk Department of the Bank, according to its role.

2. To monitor the risk expositions and compare those expositions to the risk limits approved by the Board of Directors; as to bring to the Board of Directors the presented results.

3. To develop and to propose methodologies, procedures, limits and strategies for the administration of the risks; as well as to propose improvements to the risk management policies.

4. Issue recommendations to support the maintenance and/or improvement of the risk qualification of the Bank.

5. Periodically, as well as prior to performing assets and liabilities operations with large entities, to help management quantify the possible losses which the Bank might incur, in case of an operation is carried out.

6. To propose contingency plans on the risks subject, which will be submitted to the approval of the Board of Directors and to recommend courses of action or mechanisms which can normalize any situation in which the Bank has left of the established limits.

7. To watch that the management of the Bank promotes the culture of risk management.

The main risks identified by the Bank are credit, liquidity, market and operational risk, which are described as follows:

(a) Credit Risk:

Is the risk that the debtor, issuer or counterpart of a financial asset owned by the Bank does not fully and timely comply with any payment due to the Bank, in conformity with the agreed upon terms and conditions, when the financial asset was acquired or originated by the Bank. Also this risk is conceived as an impairment in the credit quality of the counterpart, of the collateral and/or of the guarantee agreed initially.

To mitigate the credit risk, the risk management policies establish processes and controls to follow for loans approvals or credit facilities. The Bank structures the levels of credit risk acceptable by the establishment of limits over the quantity of accepted risk in relation to only one borrower, or group of borrowers, and geographic segment. These credits are controlled constantly and subject to a periodic revision.

(4) Financial Risk Management, continued

Exposure to credit risk is also managed through a periodic analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations and by changing these lending limits when appropriate. The exposure to credit risk is also mitigated through collaterals, corporate, and personals obtained by the Bank.

Risk management is carried out under policies approved by the Board of Directors; these policies are reviewed and modified to reflect changes in markets, regulations, and other factors to consider in the formulation of these policies.

The Bank has several risk assessment reports to evaluate the performance of their credit portfolio, allowance requirements, and especially to anticipate the circumstances that can affect the repayment ability of their borrowers.

The Board of Directors has delegated the responsibility for the management of the credit risk in the Credit Committee, Administration of Credit Committee, Risk Committee, Collections Committee which watch periodically the financial condition of the debtors and respective issuers, who involve a credit risk for the Bank.

Credit Quality Analysis

The following table analyzes the credit quality of financial assets and the impairment / loss reserves maintained by the Bank for this assets.

	Loans		Investments securities	
	2015	**2014**	**2015**	**2014**
Maximum exposure				
Carrying amount	467,841,783	361,049,923	42,840,608	46,421,639
At amortized cost				
Low-fair risk	456,335,037	349,856,098	726,392	216,726
Watch list	7,919,832	6,091,292	0	0
Substandard	842,497	1,863,331	0	0
Doubtful	899,324	1,289,257	0	0
Loss	2,106,407	2,205,237	0	0
Gross amount	468,103,097	361,305,215	726,392	216,726
Allowance for impairment	261,314	255,292	0	0
Net carrying amount	467,841,783	361,049,923	726,392	216,726
Available for sale				
Low-fair risk	0	0	34,615,778	35,773,688
Carrying amount	0	0	34,615,778	35,773,688
At fair value through profit or loss				
Low-fair risk	0	0	7,498,438	10,431,225
Carrying amount	0	0	7,498,438	10,431,225
Neither past due nor impair				
Low-fair risk	456,335,037	349,856,098		
Total	456,335,037	349,856,098	0	0
Past due but not impaired				
31 to 60 days	5,554,993	6,091,292	0	0
61 to 90 days	2,364,839	1,863,331	0	0
91 to 180 days	1,741,821	1,289,257	0	0
	9,661,653	9,243,880	0	0

(4) Financial Risk Management, continued

	Loans		Investments securities	
	2015	**2014**	**2015**	**2014**
Individually impaired				
Watch list	0	0	0	0
Substandard	0	0	0	0
Doubtful	0	0	0	0
Loss	2,106,407	2,205,237	0	0
Total	2,106,407	2,205,237	0	0
Allowance for impairment:				
Individual allowance	173,275	184,961	0	0
Collective allowance	88,039	70,331	0	0
	261,314	255,292	0	0

At December 31, 2015, the Bank made the analysis based on the requirement of the Agreement No.4-2013 which regulates off-balance accounts. Of the total off-balance accounts, 100% correspond to revocable promise of payment cards. The total of the promise of payment cards are classified in the normal category.

Renegotiated and restructured loans are presented as follows:

	2015	**2014**
Renegotiated and restructured loans		
Carrying amount	157,662	205,541
Impaired amount	147,019	27,691
Allowance for impairment	(24,309)	(15,460)
Net carrying amount	122,710	12,231

The following are the factors that the Bank considered to determine its impariment:

- Impaired loans and investment debt securities:
  Management assesses whether if there is objective evidence of impairment in the loans, based on the following criteria establish by the Bank:

  - Contractual non-payment of principal or interest;
  - borrowers' cash flow difficulties;
  - non-compliance with covenants and conditions;
  - borrower or issuer will enter bankruptcy;
  - impairment of the competitive position of the borrower; or
  - impairment of warranty

- Past due but not impaired:
  Loans and investments that have a level of guarantees and/or sources of payment sufficient to cover the book value of these loan and investments are considered non-performing, without losses incurred.

- Renegotiated or restructured loans:
  Renegotiated or restructured loans are those loans for which a significant variation in the original credit terms (balance, term, payment plan, rate and guarantees) have been formally documented, due to material difficulties in the payment capacity of the debtor The objective of a restructuration is to obtain a more favorable situation, so that the Bank recovers the debt.

(4) Financial Risk Management, continued

- Write-off policy:
  The Bank determines the write-off a group of loans that demonstrate non-recoverability. This determination is made after performing an analysis of the borrower's financial conditions since the last payment of an obligation, and when the amount of collateral are not enough for the payment of the facility. For loans of lower amounts, write-offs are generally based on the expired time of the credit granted.

- Allowance for impairment:
  The Bank has established reserves to cover losses incurred in the loans portfolio. These reserves are calculated on an individual basis for the loans that are individually significant and collectively for the loans that are not individually significant. The loans that are evaluated on an individual basis and are not impaired, are evaluated on a collective basis.

Deposits placed with Banks
At December 31, 2015, the Bank held deposits placed with banks for B/.25,410,500 (2014: B/.22,041,788). These deposits are held with financial institutions that are rated at least AAA and Baa, based on Fitch Ratings Inc., Moodys, and Standard & Poors.

Collateral held and other credit improvement and their financial effect
The Bank held collateral and other credit enhancements to secure the payment of its financial assets exposed to credit risk improvements. The table below presents the main types of collateral held by different types of financial assets.

	% of exposure subject to requirements of Collaterals		
	2015	**2014**	***Type of Collateral***
Loans	92%	91%	Properties
Investment securities	77%	78%	Mortgage loans portfolio

Residential mortgage loans
The tables below stratify credit exposures from mortgage loans and advances to retail customers by ranges of loan-to-value (LTV) ratio. LTV is calculated as the ratio of the gross amount of the loan to the value of the collateral. The gross amounts exclude any impairment allowance. The valuation of the collateral excludes any adjustments for obtaining and selling the collateral. The value of the collateral for residential mortgage loans is based on the collateral value at origination and generally is not updated.

(4) Financial Risk Management, continued

LTV ranges	2015	2014
0-20%	316,875	198,841
20-40%	3,018,603	2,344,792
40-60%	20,331,857	15,268,286
60-80%	124,488,202	86,910,674
80-100%	281,509,689	222,676,038
Total	429,665,226	327,398,631

The Bank does not update its collateral valuation in a routine basis. The appraisals on the collaterals are updated for consumer loans when the credit risk of a loan becomes significantly impaired and the loan is under close supervision. For loans that are doubtful to recover, the Bank obtains appraisals for collaterals because it is an input for measuring impairment.

Assets obtained by taking possession of collateral
Details of financial and non-financial assets obtained by the Bank during the year by taking possession of collateral held as security against loans and advances as well as calls made on credit enhancements and held at year end are shown below:

	2015	2014
Properties	254,281	532,397

Concentration of the Credit Risk
The Bank monitors concentrations of credit risk by sector and by geographic location. The analysis of concentrations of credit risk at the date of the consolidated financial statements is as follows:

	Loans		Investment Securities	
	2015	2014	2015	2014
Concentration by:				
Sector:				
Mortgage banking	429,665,226	327,398,631	0	0
Personal banking	38,437,871	33,906,584	0	0
Other sectors	0	0	42,894,265	46,475,296
	468,103,097	361,305,215	42,894,265	46,475,296
Geographic:				
Panama	307,619,589	233,429,185	39,288,706	46,475,296
Central America	126,629,172	110,109,271	0	0
Colombia	33,854,336	17,766,759	3,605,559	0
	468,103,097	361,305,215	42,894,265	46,475,296

Concentration by location for loans is based on the customer's country of domicile. Concentration by location for investment securities is based on the country of domicile of the issuer of the security.

(4) Financial Risk Management, continued

(b) Liquidity Risk

The liquidity risk consists of two definitions and depends on its origination:

Funding Liquidity Risk

It represents the difficulty of an entity to obtain the resources necessary to comply with all its obligations, through the income generated by their assets or by the acquisition of new liabilities. This type of risk, generally, is occasioned by a drastic and sudden deterioration of the quality of the assets which originates an extreme difficulty to turn them into liquid resources.

Market Liquidity Risk

It is the probability of economic loss due to the difficulty of disposing assets without a significant reduction in its price. It is incurred in this class of risk as a result of changes in the market (prices, rates, etc.), or when investments realized are in markets or instruments for which does not exist an ample offer and demand.

Liquidity Risk Management

The Bank monitors this risk with sufficient and appropriate liquid funds and assets that can easily be liquidated, usually at level required by the regulator and maintains an adequate gap between maturities of assets and liabilities which is reviewed regularly.

The ALCO Committee is in charge of the management of the liquidity risk in order to assure the Bank can respond in case of unexpected cash withdrawals of deposits or unscheduled loans commitments.

Bank's management and the ALCO Committee periodically monitor the liquidity position by analyzing maturity structure of assets and liabilities, the stability of deposits by type of customer, and the compliance with stablished in the regulations and corporate policies.

Exposure to Liquidity Risk

The key measure used by the Bank for managing liquidity risk is the index of net liquid assets to deposits from customers. The net liquid assets include cash and cash equivalents and debt securities for which there is an active and liquid market, less any deposit from banks, debt securities issued and other borrowings.

The table below shows the Bank's index of net liquid assets on deposits from customers reported to the Superintendence of Banks of Panama; this index should not be less than 30%:

	2015	**2014**
At December 31	39.31%	35.98%
Average of the year	55.93%	42.48%
Maximum of the year	80.90%	57.77%
Minimum of the year	39.31%	35.98%

The table below show the undiscounted cash flows of the financial assets and liabilities of the Bank and its loan commitments not recognized groupings of contractual maturity.

(4) Financial Risk Management, continued

2015	Carrying amount	Gross nominal (outflow)/inflow	Up to 1 year	From 1 to 5 years	From 5 to 10 years	More than 10 years
Financial Liabilities:						
Saving deposits	872,942	(872,942)	(872,942)	0	0	0
Time deposits	170,468,320	(182,420,858)	(86,672,386)	(95,748,472)	0	0
Other negotiable debts	6,987,535	(7,087,125)	(7,087,125)	0	0	0
Negotiable commercial papers	53,791,389	(54,688,948)	(54,688,948)	0	0	0
Negotiable commercial notes	72,128,518	(76,468,391)	(24,239,832)	(52,228,559)	0	0
Investment certificates	19,875,121	(21,226,639)	(10,796,646)	(10,429,993)	0	0
Borrowed funds	159,235,027	(179,852,948)	(15,346,875)	(117,021,166)	(47,484,907)	0
Total financial liabilities	483,358,852	(522,617,851)	(199,704,754)	(275,428,190)	(47,484,907)	0
Financial Assets:						
Cash	325,366	325,366	325,366	0	0	0
Demand deposits	25,410,500	25,410,500	25,410,500	0	0	0
Investment securities	42,894,265	76,579,107	4,590,492	12,688,215	12,602,531	46,697,869
Loans	468,103,097	928,852,124	251,650	10,494,728	27,637,424	890,468,322
Total financial assets	536,733,228	1,031,167,097	30,578,008	23,182,943	40,239,955	937,166,191
Commitments and contingencies						
Loan commitments	64,534,809	(64,534,809)	(64,534,809)	0	0	0

2014	Carrying amount	Gross nominal (outflow)/inflow	Up to 1 year	From 1 to 5 years	From 5 to 10 years	More than 10 years
Financial Liabilities:						
Saving deposits	4,939,350	(4,939,350)	(4,939,350)	0	0	0
Time deposits	140,979,618	(153,663,227)	(50,078,226)	(103,585,001)	0	0
Other negotiable debts	11,959,405	(12,292,125)	(12,292,125)	0	0	0
Negotiable commercial papers	48,918,642	(50,367,044)	(50,367,044)	0	0	0
Negotiable commercial notes	51,064,385	(54,564,051)	(14,820,048)	(39,744,003)	0	0
Investment certificates	24,352,119	(26,205,696)	(11,079,767)	(15,125,929)	0	0
Borrowed funds	96,576,410	(106,187,801)	(30,593,967)	(74,692,419)	(901,415)	0
Total financial liabilities	378,789,929	(408,219,294)	(174,170,527)	(233,147,352)	(901,415)	0
Financial Assets:						
Cash	167,400	167,400	167,400	0	0	0
Demand deposits	22,041,788	22,041,788	22,041,788	0	0	0
Investment securities	46,475,296	144,944,580	9,651,987	35,464,452	0	99,828,141
Loans	361,305,215	781,505,472	173,087	10,406,706	31,260,398	739,665,281
Total financial assets	429,989,699	948,659,240	32,034,262	45,871,158	31,260,398	839,493,422
Commitments and contingencies						
Loan commitments	62,134,352	(62,134,352)	(62,134,352)	0	0	0

For financial assets and liabilities that are non-derivatives, the gross nominal amount is measured based on the undiscounted cash flows which include estimated interest payable and receivable, read on for it to differ from the amounts presented in the consolidated statement of financial position.

The table below sets out the carrying amounts of financial liabilities expected to be settled more than twelve months after the reporting date:

	2015	2014
Financial Liabilities:		
Time deposits	85,381,491	94,995,602
Borrowed funds	145,564,967	56,750,958
Negotiable commercial notes	46,760,000	38,479,000
Investment certificates	9,492,000	16,400,000

(4) Financial Risk Management, continued

The Bank is dedicated to generate mortgage and personal loans and is capable of securitize part of its loans in accordance with its liquidity needs. Mortgage loans reflect a monthly flow in capital subscriptions and interest payments which are not listed in the table above.

The table below shows the Bank's commitment and available assets as collateral in connection with any financial liability or other compromise, and represent those financial assets available to support future commitments or borrowed funds:

2015	Pledged as Collateral	Available as Collateral	Total
Cash and cash equivalent	0	25,735,866	25,735,866
Investment securities	0	42,894,265	42,894,265
Loans, net	182,091,674	285,750,109	467,841,783
Non-financial assets	0	12,860,672	12,860,672
	182,091,674	367,240,912	549,332,586

2014	Pledged as Collateral	Available as Collateral	Total
Cash and cash equivalent	0	22,209,188	22,209,188
Investment securities	0	46,475,296	46,475,296
Loans, net	177,197,855	183,852,068	361,049,923
Non-financial assets	0	9,125,509	9,125,509
	177,197,855	261,662,061	438,859,916

(c) *Market Risk*

It is the risk that the value of a financial asset is reduced as a result of changes in interest rates, in monetary exchange rates, stock prices and other financial variables, as well as the reaction of market participants to political and economic events. These elements cause that the Bank is subject to latent losses as to potential profit. The objective of market risk management is to manage and control/market risk exposures within acceptable parameters to ensure the Bank's solvency while optimizing the risk return.

Market Risk Management:

The management of this risk is supervised constantly by the General Management. To mitigate this risk, the Bank has documented in its control policies related to investment limits, classification and valuation of investments, qualification of portfolio, cross-check of interest payments, sensibility and stress tests.

Below are detailed the composition and analysis of each of the types of market risk:

Exchange Rate Risk

Is the risk that the value of a financial instrument fluctuates as a consequence of changes in exchange rates of foreign currencies and other financial variables. For purposes of IFRS 7, this risk does not derive from financial instruments that are not monetary items, nor for financial instruments denominated in the functional currency.

(4) Financial Risk Management, continued

The Bank holds and makes loans in Colombian Pesos, the national currency of the Republic of Colombia. The value of positions fluctuates as a result of changes in the prices of the exchange rate.

The sensibility analysis for the risk of exchange rate, is mainly considered in the measurement of the position inside a specific currency. The analysis consists of verifying how much would represent the position in the functional currency on the currency to which it would be converting and therefore the mix of the exchange rate risk.

The currency position is presented in its equivalent in dollars as follows:

2015

	Colombian Pesos	Total
Assets		
Cash and cash equivalent	6,468,882	6,468,882
Loans, net	33,854,336	33,854,336
Other assets	4,044,622	4,044,622
Total assets	44,367,840	44,367,840
Liabilities		
Time deposits	18,227,161	18,227,161
Borrowed funds	12,383,036	12,383,036
Other liabilities	491,254	491,254
Total liabilities	31,101,451	31,101,451
Net position	13,266,389	13,266,389

2014

	Colombian Pesos	Total
Assets		
Cash and cash equivalent	4,130,775	4,130,775
Loans, net	17,766,759	17,766,759
Other assets	674,209	674,209
Total assets	22,571,743	22,571,743
Liabilities		
Time deposits	11,401,561	11,401,561
Borrowed funds	268,054	268,054
Total liabilities	11,669,615	11,669,615
Net position	10,902,128	10,902,128

Interest Rate Risk

Interest rate risk is the Bank's financial exposure (net margin and equity market value) to possible losses in the event of unexpected movement in the interest rates.

(4) Financial Risk Management, continued

The Board of Directors establishes that the ALCO Committee has the responsibility to analyze the sensibility to interest rate fluctuations, statement of financial position structure, transaction terms and investment strategies.

The basic analysis carried out every month by management consists in determining the impact caused on financial assets and liabilities by increases or decreases of 25 and 50 basis points in interest rates, considering as a premise, the minimum rate of 0.005% in cases that their results yield negative values to raise the actual values. The impact is summarized as follows:

	Increase of 25 bp	Decrease of 25 bp	Increase of 50 bp	Decrease of 50 bp
Sensitivity of projected net interest income				
2015	43,825	(43,825)	87,651	(87,651)
2014	32,369	(32,369)	64,738	(64,738)
Sensitivity of projected net equity				
2015	(967,494)	967,494	(1,934,988)	1,934,988
2014	(1,042,910)	1,042,910	(2,085,821)	2,085,821

The table below summarizes the Bank's exposure to interest rate risk. It includes the Bank's assets and liabilities at carrying value, categorized by the earlier of contractual repricing rate or maturity:

2015	Up to 1 year	From 1 to 5 years	From 5 to 10 years	More than 10 years	Total
Assets:					
Demand deposits	21,658,834	0	0	0	21,658,834
Time deposits	3,751,666	0	0	0	3,751,666
Investments available for sale	30,272,615	0	2,361,875	2,034,945	34,669,435
Investments held to maturity	0	0	509,018	217,074	726,092
Investments at fair value through profit or loss	0	0	0	7,498,438	7,498,438
Loans	468,103,097	0	0	0	468,103,097
Total assets	523,786,212	0	2,870,893	9,750,757	536,407,862
Liabilities:					
Saving deposits	872,942	0	0	0	872,942
Time deposits	85,086,829	85,381,491	0	0	170,468,320
Borrowed funds	159,235,027	0	0	0	159,235,027
Issued debt	96,530,563	56,252,000	0	0	152,782,563
Total liabilities	341,725,361	141,633,491	0	0	483,358,852
Interest rate sensitivity, net	182,060,851	(141,633,491)	2,870,893	9,750,757	53,049,010

(4) Financial Risk Management, continued

2014	Up to 1 year	From 1 to 5 years	From 5 to 10 years	More than 10 years	Total
Assets:					
Demand deposits	16,541,788	0	0	0	16,541,788
Time deposits	5,500,000	0	0	0	5,500,000
Investments available for sale	26,876,339	0	0	8,951,006	35,827,345
Investments held to maturity	0	0	0	216,726	216,726
Investments at fair value through profit or loss	0	0	0	10,431,225	10,431,225
Loans	361,305,215	0	0	0	361,305,215
Total assets	410,223,342	0	0	19,598,957	429,768,642
Liabilities:					
Saving deposits	4,939,350	0	0	0	4,939,350
Time deposits	45,984,015	94,995,603	0	0	140,979,618
Borrowed funds	96,576,410	0	0	0	96,576,410
Issued debt	83,602,047	52,692,504	0	0	136,294,551
Total liabilities	231,101,822	147,688,107	0	0	378,789,929
Interest rate sensitivity, net	179,121,520	(147,688,107)	0	19,598,957	50,978,713

To evaluate the interest rate risk and its impact in the fair value of financial assets and liabilities, management of the Bank prepares stress tests to determine the sensibility of financial assets and liabilities.

Price Risk
Is the risk that the value of a financial instrument fluctuates due to changes in market prices, independently that they are caused by specific factors related to the particular instrument or its issuer, or factors that affect all securities traded on the market.

The Bank is exposed to price risk of equity instruments classified as available for sale or securities at fair value through profit or loss. To mitigate the price risk in equity or debt instruments, the Bank diversifies its portfolio according to the established limits.

(d) *Operational Risk*
Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the 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 behaviors.

The model of Operative Risk Management covers as principal points:

- Identification and evaluation of the risks.
- Report of events of losses and incidents.
- Definition of mitigating actions.

(4) Financial Risk Management, continued

- Proper follow up to the execution of plans of actions defined by the areas.
- To evaluate the operative risk level in of the Bank's initiatives, products and/or services and significant progress to the processes.
- Development of trainings.
- Participation in the design of policies and procedures.

The different areas that manage the operative risk are:

- Unit of Administration of Risk.
- Technology of Information.
- Unit of Computer Security.
- Monitoring and Prevention of Frauds.
- Unit of Internal control.

As part of the model of Corporate Government, the strategy, methodology of work and follow up to the plans of actions defined for the events and risks valued as critical and high are brought to the Top Management and in turn to the Risk Committee of the Board of Directors quarterly.

The Department of Internal Audit checks and validates the compliance of the policies and defined methodologies and that these are in compliance with existing regulation; the results of this review are presented to the Audit Committee.

(e) *Capital Management:*
One of the Bank's policies is to maintain a level of capital to accompanying credit business and investment growth in the market, maintaining a balance between the return on investments, and the adequacy of capital required by regulators.

The Bank is subject to the Panamanian Banking Law, which states that the total capital adequacy ratio shall not be less than 8% of its total weighted assets and off-balance accounts which represent an irrevocable contingency, weighted based on their risks. Agreement No. 005 - 2008 of the Superintendence of Banks of Panama, indicates that banking groups that include insurance companies, not included as part of capital funds such reserves other than those of patrimonial nature subsidiaries. For the purposes of the Agreement, the capital adequacy requirement is calculated on a consolidated basis.

The Panamanian Bank regulatory capital consists of two pillars:

- *Primary Capital (Tier 1)*: It includes social capital paid in shares, declared reserves, retained earnings and shares representing the interests not controlled in capital accounts of consolidating subsidiaries, less goodwill.

(4) Financial Risk Management, continued

The declared reserves are those classified by the Subsidiary as Capital Reserves to strengthen its financial position, coming from retained earnings in its books and subject to what is established in Article 69 of the Banking Law.

Retained earnings are the earnings not distributed of the current period and the undistributed earnings of previous periods.

- *Secondary Capital (Tier 2)*: It comprises the undeclared reserves, revaluation reserves, general loss reserves and hybrid capital instruments and debt. The sum of the elements computed as secondary capital will be limited to a maximum of 100% of the sum of the elements of the primary capital.

There have been no changes in policies, processes and capital management of the Bank.

The calculation of regulatory capital ratio based on the figures presented in the consolidated statement of financial position is as follows:

	2015	**2014**
Primary Capital (Pillar 1)		
Common shares	15,000,000	15,000,000
Additional paid in capital	21,300,000	18,500,000
Non-controlling interests	517,955	412,690
Retained earnings	14,481,045	13,017,085
Regulatory reserves	5,876,284	0
Capital reserves	1,800,000	1,800,000
Total of regulatory capital	58,975,284	48,729,775
Less: Investment in affiliates	0	(47,545)
Total	58,975,284	48,682,230
Risk weighed assets	357,649,284	278,329,226
Capital Index		
Total of regulatory capital stated as a percentage of risk-based weighted assets	16.49%	17.49%

(5) Use of Estimates and Judgments in Applying Accounting Policies

The Bank's management prepares the consolidated financial statements in accordance with International Financial Reporting Standards. They have applied judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses during the period. Actual results may differ from these estimates.

The assumptions and decisions are continuously evaluated and are based on the historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(5) Use of Estimates and Judgments in Applying Accounting Policies, continued

Bank's management evaluates the selection, disclosures and application of critical accounting policies in the mayor uncertain estimates. The information related to the presumptions and estimates that affect the reported amounts of assets and liabilities under the next fiscal year and critical judgments in the selection and application of the accounting policies detailed as follows:

(a) Impairment losses on Loans

At each reporting date, the Bank reviews its loan portfolios to determine whether there is objective evidence of impairment of a loan or portfolio of loans that must be recognized in the consolidated statement of income for the year. The Bank uses its best judgment to determine whether there is observable data that may indicate a measurable deterioration in a group of loans using estimates based on historical loss experience for loans with similar when predicting recoverable future cash flows of the following features.

This evidence may include observable data indicating that there has been and adverse change in payment status of borrowers or economic conditions that correlate with defaults on loans in the Bank. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between estimated losses and actual loss experience.

(b) Impairment of Investments Securities

The Bank determines that investments securities are impaired when there has been a significant or prolonged decline in the fair value below its cost. This determination of what is significant or prolonged requires the management judgment. Additionally, impairment may be appropriate when there is evidence of impairment in the financial conditions of the issuer, industry and sector performance, changes in technology, and operational and financing cash flows.

(c) Income tax

The Bank is subject to income taxes under the jurisdictions of the Republic of Panama, Colombia, and El Salvador. Significant estimates are required in determining the provision for income taxes and deferred tax product of temporary differences. There are many transactions and calculations for which the final tax determination is uncertain during the ordinary course of business. The Bank recognizes liabilities based on estimates that if there is an obligation to pay additional taxes. When the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the provision for income taxes in the period in which such determination was made.

(d) Non-consolidated structured entities:

The Bank's management conducted an analysis of their structured entities, and in turn concluded that the same should not be consolidated because the Bank performs the function of an agent and not principal. An agent act on behalf and for the benefit of another party or parties (the principal or principals) and therefore does not control an investee when exercising its authority to make decisions. Therefore, sometimes the power of a principal can be maintained and exercised by an agent, but on behalf of the principal. (Note 30).

(6) Balances and Transactions with Related Parties

The consolidated statement of financial position and the consolidated statement of income include balances and transactions with related parties, which are summarized as follows:

	2015	2014
Assets:		
Investment in affiliates	0	47,545
Accounts receivable related parties	0	135,786
Liabilities:		
Savings deposits	327,313	4,274,126
Time deposits	6,948,653	6,229,195
Other income (expenses):		
Interest expense on deposits	(257,974)	(3,949)
Short-term benefits to executives	(973,098)	(748,486)

Transactions with Directors and Executives

As of December 31, 2015, the Bank has paid fees for B/.25,330 (2014: B/.26,063) to Directors that attend the meetings of the Board of Directors and Committees.

La Hipotecaria (Holding), Inc., owner of 100% of Banco La Hipotecaria, S. A., authorized during 2008 to make a capital contribution in one of its subsidiaries in where Banco La Hipotecaria, S.A. acquired a 1.25% share of the paid-in capital of the entity. As December 31, 2015, this related entity was liquidated and all of its assets were transferred to a subsidiary of the Company.

(7) Cash and Cash Equivalents

The cash and cash equivalents are detailed as follows for purposes of reconciliation with the consolidated statement of cash flows:

	2015	2014
Cash and cash effects	325,366	167,400
Demand deposits	15,349,552	11,598,332
Saving deposits	6,309,282	4,943,456
Time deposits	3,751,666	5,500,000
Cash and cash equivalents in the consolidated statement of cash flows	25,735,866	22,209,188

(8) Accounts and Interests Receivable

The following is a detail of accounts and interests receivable:

	2015	2014
Accounts receivable:		
Clients	786,940	687,792
Employees	16,405	11,099
Insurance	467,738	258,875
Others	283,626	319,015
	1,554,709	1,276,781
Interests receivable:		
Loans	1,072,174	912,502
Bonds	864,565	432,182
	1,936,739	1,344,684
	3,491,448	2,621,465

(9) Loans, Net

The composition of the loans portfolio is summarized as follows:

	2015	2014
Local Sector:		
Personal	28,337,519	26,171,458
Residential mortgages	279,282,070	207,257,726
Total local loans	307,619,589	233,429,184
Foreign Sector:		
Personal	10,100,352	7,735,126
Residential mortgages	150,383,156	120,140,905
Total foreign loans	160,483,508	127,876,031
Total loans	468,103,097	361,305,215

The movements of the allowance for loan losses are detailed as follows:

	2015	2014
Balance at beginning of year	255,292	36,177
Allowance that come from acquired subsidiary	0	244,626
Provision charged to expenses	344,975	273,718
Loans charged-off	(338,953)	(299,229)
Balance at end of year	261,314	255,292

In the months of June and September 2015, the Bank has made purchases of residential mortgage loan portfolios from Sixth and Seventh Trust of Mortgage loans bonds with a fair value of B/.4,517,878 and B/.4,773,715, respectively. The difference between the amount paid and the fair value of these purchased loans of B/.1,325,034 was recorded in other comprehensive income.

(10) Investment in Securities

The investment securities and other financial assets are classified as follows:

	2015	2014
Securities available for sale	34,669,435	35,827,345
Securities at fair value through profit or loss	7,498,738	10,431,225
Securities held to maturity	726,092	216,726
Total investments in securities	42,894,265	46,475,296

Securities Available-for-Sale

These securities are detailed as follow:

	2015	2014
Mortgage bonds	29,537,949	34,127,938
Republic of Panama bonds	1,981,288	1,645,750
Republic of Colombia treasury bonds	2,361,875	0
Mutual funds	734,666	0
Shares	53,657	53,657
Total	34,669,435	35,827,345

The Bank holds a share investment amounted on B/.53,657 (2014: B/.53,657), which the Bank could not assess a reliable fair value.

The Bank made sales of investments available for sale of B/.3,315,000 (2014: B/.4,953,076), these sales generate a loss of B/.315,000 (2014: loss B/.99,061).

Securities at Fair Value through Profit or Loss

These securities consist of residual interests that the Bank has retained as part of the securitization of their portfolios, and are detailed as follows:

	2015	2014
Residual interest in trusts	7,498,738	10,431,225
Total	7,498,738	10,431,225

The trust's residual interests were determined by discounting the future cash flows as trustee commissions and incentives that will receive the Bank of these trusts. At the time of creation of these trusts, it was estimated that the realization of values was 30 years for the Eighth, Ninth, Tenth, and Twelfth Mortgage Bonds Trust: (maturing in 2036, 2022, 2039 and 2042 respectively).

As of December 31, 2015, the Bank sold to a related one the residual bond of the Tenth Trust for B/.3,634,182, this transaction did not generate profit or loss.

Securities Held-to-Maturity

The Bank maintains bonds of the Republic of Panama with a nominal value of B/.225,000, which are recorded at amortized cost of B/.217,374 (2014: B/.216,726) with a fair value of B/.311,063 (2014: B/.326,250). These bonds have an interest rate of 8.875% (2014: 8.875%) and maturity date on December 31, 2027. These bonds are held in the Banco Nacional de Panama and are at the disposition of the Superintendence of Banks of Panama, in order to guarantee proper compliance with the fiduciary obligations of the Bank.

(10) Investment in Securities, continued

Similarly the Bank maintain Colombian agricultural development securities (TDA and TDB) with a carrying amount of B/.508,718 (2014: B/.0) a fair value of B/.509,017 (2014: B/.0) with maturity on October 21, 2016.

(11) Fair Value of Financial Instruments

The fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. For all other financial instruments, the Bank determines fair value using other valuation techniques.

For financial instruments that are traded on a low frequency and have few availability of pricing information, the fair value is less objective, and its determination requires the use of varying degrees of judgment that depend on liquidity, geographical concentration, uncertainty of market assumptions factors in determining prices and other risks affecting the specific instrument.

The Bank establishes a fair value hierarchy that categorizes into three levels the input data valuation techniques used in measure fair value:

- Level 1: inputs that are quoted market prices (unadjusted) in active markets for identical instruments.
- Level 2: Inputs other than quoted prices included within 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 market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data.
- Level 3: This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

Other valuation techniques include net present value and discounted cash flow models, comparison with similar instruments for which observable market prices exist and other valuation models. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and other premise used in estimating discount rates.

The objective of valuation techniques is to arrive at a fair value measurement that reflects the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date.

(11) Fair Value of Financial Instruments, continued

The following table presents the carrying value and fair value of financial assets and liabilities, by the level in the fair value hierarchy into which the fair value measurement is categorized. This table does not include information on the fair value of financial assets and liabilities not measured at fair value when its carrying approximates their fair value.

2015	Carrying amount	Fair Value Level 2	Fair Value Level 3	Fair Value Total
Assets:				
Financial assets measured at fair value:				
Securities available for sale	34,615,778	4,343,163	30,272,615	34,615,778
Securities at fair value through profit or loss	7,498,438	0	7,498,438	7,498,438
Financial assets not measured at fair value:				
Loans	468,103,097	0	513,519,069	513,519,069
Securities held to maturity	726,392	820,080	0	820,080
Liabilities:				
Financial liabilities not measured at fair value:				
Deposit from customers – time deposits	170,468,320	0	172,707,004	172,707,004
Other negotiable debt	6,987,535	0	6,916,869	6,916,869
Negotiable commercial paper	53,791,389	0	53,110,264	53,110,264
Negotiable commercial notes	72,128,518	0	68,668,455	68,668,455
Investment certificate	19,875,121	0	18,652,867	18,652,867
Borrowed funds	159,235,027	0	159,277,863	159,277,863

2014	Carrying amount	Fair Value Level 2	Fair Value Level 3	Fair Value Total
Assets:				
Financial assets measured at fair value:				
Securities available for sale	35,773,688	1,645,750	34,127,938	35,773,688
Securities at fair value through profit or loss	10,431,225	0	10,431,225	10,431,225
Financial assets not measured at fair value:				
Loans	361,305,215	0	403,027,448	403,027,448
Securities held to maturity	216,726	326,250	0	326,250
Liabilities:				
Financial liabilities not measured at fair value:				
Deposit from customers – time deposits	140,979,618	0	143,041,250	143,041,250
Other negotiable debt	11,959,405	0	11,811,378	11,811,378
Negotiable commercial paper	48,918,342	0	48,278,523	48,278,523
Negotiable commercial notes	51,064,385	0	48,475,653	48,475,653
Investment certificate	24,352,119	0	22,582,980	22,582,980
Borrowed funds	96,576,410	0	97,527,039	97,527,039

As of December 31, 2015, there were not transfers of fair value hierarchy on securities available for sale and securities at fair value through profit or loss.

(11) Fair Value of Financial Instruments, continued

The following table shows the valuation technique, the input data used, and significant unobservable inputs when measuring the fair value of the instruments classified in Level 2 and Level 3 as at December 31, 2015 and 2014:

Financial Instrument	Valuation Technique and Observable Input Used	Significant Unobservable Input	Sensibility in the Measurement of the Fair Value for Significant Unobservable Variables
Measured at fair value:			
Mortgage bonds	Discounted cash flows	Default Assumptions ("SDA") Speed Assumptions and Prepayment rate ("PSA" y "CPR") Recoveries percentage and estimated time to perform the recoveries (90% y 12 months)	The increase in the discount rate would not increase significantly the fair value in this instrument.
Residual Interests of trust	Discounted cash flows	Default Assumptions ("SDA") Speed Assumptions and Prepayment rate ("PSA" y "CPR") Recoveries percentage and estimated time to perform the recoveries (90% y 12 months)	The increase in the discount rate would not increase significantly the fair value in this instrument.
Government Bonds	The valuation model is based on different prices of observable references on an active market. Present value of the flows of a title, discounting them with the reference rate and the corresponding margin.	N/A	N/A

(11) Fair Value of Financial Instruments, continued

Financial Instrument	Valuation Technique and Observable Input Used
Not measured at fair value:	
Deposits from customers	For saving deposits it fair value represents the outstanding amount expected to receive/pay at reporting date. For time deposits its fair value is determined using discounted cash flows at market interest rate.
Securities held to maturity	Fair value represents the amount receivable / payable at the reporting date
Loans	The fair value of loans represent the discounted expected cash flow to receive. The cash flows are discounted at market interest rates to assess its fair value.
Repurchase agreements	The value of the future cash flows is discounted using a discount rate that represents the present interest rate of market for financings of new debts with maturity similar surplus.
Borrowed funds	The fair value for loans payable in semiannual interest rate adjustments are determined using the future cash flows discounted at the current market interest rate.
Negotiable commercial papers	The fair value for negotiable commercial papers are determined using the future cash flows discounted at the current market interest rate.
Other negotiable debts	The fair value for other negotiable debt are determined using the future cash flows discounted at the current market interest rate.
Negotiable commercial notes and investment certificate	Fair value for the negotiable commercial notes is determined using future cash flows discounted at the current interest rate of the market.

The Bank's management believes that changing any unobservable input data mentioned in the above table to reflect other reasonably possible alternative assumptions, would not result in a significant change in the estimate of fair value.

(11) Fair Value of Financial Instruments, continued

The table below presents the reconciliation as at December 31, 2016 for financial instruments categorized as Level 3 in the hierarchy of levels of fair value:

	2015	2014
Balance at the beginning of the year	44,559,163	29,725,286
Balance of acquired subsidiary	0	3,754,026
Total income or (loss):		
In the consolidated statement of comprehensive income	(1,288,958)	560,183
In the consolidated statement of income	701,395	509,337
Purchases	734,666	16,818,742
Liquidations	(6,935,213)	(6,808,411)
Balance at the end of the year	37,771,053	44,559,163

Although the Bank management believes their estimates of fair value are appropriate, the use of different methodologies or assumptions could lead to different measurements of fair value. For fair value measurements in Level 3, changing one or more assumptions to reflect reasonable alternative assumptions would have the following effects:

2015

	Effect on Consolidated Statement of Income		Effect on Other Comprehensive Income (Loss)	
	Favorable	(Unfavorable)	Favorable	(Unfavorable)
Investments at fair value through profit or loss	528,766	(337,217)	0	0
Securities available for sale	0	0	1,053,785	(1,103,002)
	528,766	(337,217)	1,053,785	(1,103,002)

2014

	Effect on Consolidated Statement of Income		Effect on Other Comprehensive Income (Loss)	
	Favorable	(Unfavorable)	Favorable	(Unfavorable)
Investments at fair value through profit or loss	676,540	(551,608)	0	0
Securities available for sale	0	0	1,282,383	(1,209,392)
	676,540	(551,608)	1,282,383	(1,209,392)

Favorable and unfavorable effects of using reasonably possible alternative assumptions for the valuation of mortgage bonds and bonds of residual interests in securitizations are calculated recalibrating the values of the models, using methods based on possible estimates of unobservable inputs of the Bank.

(11) Fair Value of Financial Instruments, continued

The most important unobservable data inputs refer to the risk discount rates. The reasonable alternative assumptions are 0.5% below and 0.5% higher, respectively, of discount rates used in the models.

The Bank has established a control framework with respect to the measurement of fair values. This control framework includes a separate management unit reporting directly to the Executive Vice President of Finance, and has independent responsibility to verify the results of the operations of investment and significant fair value measurements.

Specific controls include:

- Checking the quoted prices;
- Validation or "re-performance" of valuation models;
- Review and approval of the processes for new models and changes to existing valuation models;
- Review of significant unobservable data; adjustments and significant changes in fair value of Level 3 compared with the previous month.

The Bank uses a third party, as a service provider for this control unit evaluates and documents the evidence obtained from such third parties that support the conclusion that such assessments meet the requirements of IFRS. This review includes:

- Verify that the vendor price is approved by the Bank;
- Obtain an understanding of how the fair value has been determining and whether it reflects current market transactions;
- When similar instruments are used to determine fair value, how these prices have been adjusted to reflect the characteristics of the instrument being measured.

This process is also monitored by the Audit Committee through Internal Audit.

(12) Furniture, Equipment and Improvements, net

Furniture, equipment and improvements are summarized as follows:

2015	Furniture	Office Equipment	Vehicles	Leasehold Improvements	Total
Cost:					
At the beginning of the year	550,305	1,776,252	354,505	858,098	3,539,160
Purchases	14,992	299,777	16,721	43,469	374,959
Sales and disposals	(76)	0	(15,398)	0	(15,474)
At the end of the year	565,221	2,076,029	355,828	901,567	3,898,645
Accumulated depreciation:					
At the beginning of the year	403,211	1,284,092	158,232	682,596	2,528,131
Expense for the year	61,187	286,801	61,786	83,753	493,527
Sales and disposals	(76)	0	(15,398)	0	(15,474)
Adjustment for conversion	(2,169)	(9,673)	0	0	(11,842)
At the end of the year	462,153	1,561,220	204,620	766,349	2,994,342
Net balances	103,068	514,809	151,208	135,218	904,303

2014	Furniture	Office Equipment	Vehicles	Leasehold Improvements	Total
Cost:					
At the beginning of the year	372,960	1,095,975	263,923	649,558	2,382,416
Acquisition of subsidiary	117,707	363,439	125,306	154,844	761,296
Purchases	61,706	420,638	57,244	53,696	593,284
Sales and disposals	(2,068)	(103,800)	(91,968)	0	(197,836)
At the end of the year	550,305	1,776,252	354,505	858,098	3,539,160
Accumulated depreciation:					
At the beginning of the year	255,779	914,287	108,401	472,674	1,751,141
Acquisition of subsidiary	88,110	299,311	77,907	126,116	591,444
Expense for the year	61,714	175,994	63,892	83,806	385,406
Sales and disposals	(1,921)	(103,275)	(91,968)	0	(197,164)
Adjustment for conversion	(471)	(2,225)	0	0	(2,696)
At the end of the year	403,211	1,284,092	158,232	682,596	2,528,131
Net balances	147,094	492,160	196,273	175,502	1,011,029

(13) Other Assets

The other assets are detailed as follows:

	2015	2014
Guarantee deposits	36,252	35,953
Bond of trust license	25,000	25,000
Severance fund	473,674	427,352
Various prepaid	755,125	1,764,026
Foreclosed assets	254,281	532,397
Deferred tax asset	58,580	66,568
Other	61,770	53,306
Total	1,664,682	2,904,602

(14) Other Negotiable Debts

The Bank was authorized by the Superintendence of Securities of El Salvador for one revolving plan of up to B/.35,000,000 of Negotiable Debt (stock market paper) which one of them is guaranteed by the general credit of the Company and a guarantee bond of Grupo ASSA, S. A.

Type	Interest Rate	Maturity	Amount
Tranche 10	4.5000%	January, 2016	3,000,000
Tranche 11	4.5000%	February, 2016	2,000,000
Tranche 13	4.6250%	December, 2016	2,000,000
			7,000,000
		Less issuance costs	(12,465)
			6,987,535

Type	Interest Rate	Maturity	2014
Tranche 3	4.5000%	January, 2015	2,500,000
Tranche 4	4.5000%	February, 2015	1,500,000
Tranche 5	4.5000%	February, 2015	1,500,000
Tranche 6	4.6250%	June, 2015	1,500,000
Tranche 7	4.5000%	September, 2015	2,000,000
Tranche 8	4.5000%	October, 2015	1,000,000
Tranche 9	4.5000%	October, 2015	2,000,000
			12,000,000
		Less issuance costs	(40,595)
			11,959,405

(15) Negotiable Commercial Papers

The Bank maintain five rotating programs for up to B/.150,000,000 in negotiable commercial papers which are backed up by the general credit of the Bank; these programs are authorized by the Superintendence of the Securities Market of the Republic of Panama. Of these programs, three for the amount of B/.80,000,000 are backed by Grupo ASSA, S. A. as solidary Surety, since in 2011 the Superintendence of Securities Market authorized the Company to release the surety of two of its programs for B/.70,000,000.

		2015	
Type	Interest rate	Maturity	Amount
Series CBS	3.5000%	January,2016	1,000,000
Series CBT	3.5000%	January,2016	3,000,000
Series CBU	3.5000%	January,2016	1,000,000
Series CBV	3.5000%	February,2016	2,000,000
Series CBX	3.5000%	February,2016	3,690,000
Series DBC	3.5000%	February,2016	2,500,000
Series DBD	3.5000%	February,2016	1,000,000
Series CBY	3.5000%	March,2016	1,500,000
Series CBZ	3.5000%	April,2016	1,000,000
Series CCA	3.5000%	April,2016	1,000,000
Series CCB	3.5000%	May,2016	3,000,000
Series CCC	3.5000%	May,2016	2,500,000
Series CCD	3.5000%	May,2016	2,500,000
Series CCE	3.5000%	June,2016	2,500,000
Series CCF	3.5000%	June,2016	1,000,000
Series CCG	3.5000%	June,2016	1,000,000
Series DBE	3.5000%	July,2016	2,500,000
Series DBF	3.5000%	August,2016	2,000,000
Series DBG	3.5000%	September,2016	5,305,000
Series DBH	3.5000%	September,2016	2,770,000
Series DBI	3.5000%	October,2016	2,505,000
Series DBJ	3.5000%	October,2016	7,000,000
Series DBK	3.5000%	October,2016	300,000
Series DBL	3.5000%	October,2016	1,315,000
			53,885,000
Less issuance costs			(93,611)
			53,791,389

(15) Negotiable Commercial Papers, continued

	2014		
Type	Interest rate	Maturity	Amount
Series CBF	3.38%	January, 2015	3,000,000
Series CBB	3.50%	February, 2015	1,000,000
Series CBC	3.50%	February, 2015	2,000,000
Series DAO	3.50%	February, 2015	2,500,000
Series DAP	3.50%	February, 2015	1,000,000
Series CBD	3.50%	March, 2015	3,690,000
Series CBE	3.50%	March, 2015	2,500,000
Series CBG	3.50%	March, 2015	1,500,000
Series CBK	3.50%	April, 2015	1,000,000
Series CBL	3.50%	April, 2015	1,000,000
Series CBM	3.50%	Mayo, 2015	3,000,000
Series CBN	3.50%	Mayo, 2015	2,500,000
Series CBP	3.50%	June, 2015	2,500,000
Series CBQ	3.50%	June, 2015	1,000,000
Series CBR	3.50%	June, 2015	1,000,000
Series DAQ	3.50%	July, 2015	1,585,000
Series DAR	3.50%	July, 2015	2,500,000
Series DAS	3.50%	September , 2015	2,000,000
Series DAT	3.50%	September , 2015	2,000,000
Series DAU	3.50%	September , 2015	235,000
Series DAV	3.50%	October, 2015	3,000,000
Series DAX	3.50%	October, 2015	3,000,000
Series DAY	3.50%	November, 2015	2,000,000
Series DAZ	3.50%	November, 2015	2,000,000
Series DBA	3.50%	November, 2015	500,000
Series DBB	3.50%	November, 2015	1,000,000
			49,010,000
		Less issuance costs	(91,358)
			48,918,642

(16) Borrowed Funds

Borrowed funds are summarized as follows:

	2015	2014
Line of credit for working capital for B/.6,000,000, with maturity date every 24 months, renewable at the parties' options and annual Libor interest rate plus a margin, guaranteed by a portfolio of residential mortgage loans.	1,000,000	0
Line of credit for working capital for B/.25,000,000, with maturity in four years (2021) and annual Libor interest rate plus a margin, guaranteed by a portfolio of residential mortgage loans.	18,000,000	0
Revolving line of credit for working capital for B/.6,000,000, with maturity date every 24 months, renewable at the parties' options and annual Libor interest rate plus a margin.	5,000,000	0
Revolving line of credit for working capital for B/.10,000,000, with maturity date every 18 months, renewable at the parties' options and annual Libor interest rate plus a margin.	10,000,000	7,500,000
Line of credit for working capital for B/.10,000,000, with maturity date every 24 months, renewable at the parties' options and annual fixed interest rate, guaranteed by a portfolio of residential mortgage loans.	11,000,000	1,000,000
Line of credit for working capital for B/.10,000,000, with maturity in seven years (2018) and annual Libor interest rate plus a margin, guaranteed by a portfolio of residential mortgage loans.	7,500,000	10,000,000
Line of credit for working capital for B/.9,000,000, with maturity date every 24 months, renewable at the parties' options and annual Libor interest rate plus a margin, guaranteed by a portfolio of residential mortgage loans.	4,200,000	10,000,000
Line of credit for working capital for B/.15,000,000, with maturity in eight years (2016) and annual Libor interest rate plus a margin, guaranteed by a portfolio of residential mortgage loans.	1,666,672	5,000,004
Line of credit for working capital for B/.10,000,000, with maturity date every 24 months, renewable at the parties' options and annual Libor interest rate plus a margin, guaranteed by a portfolio of residential mortgage loans.	9,000,000	2,000,000
Line of credit for working capital for B/.10,000,000, with maturity in seven years (2022) and annual Libor interest rate plus a margin, guaranteed by a portfolio of residential mortgage loans.	8,000,000	8,000,000
Line of credit for working capital for B/.25,000,000, with maturity in eight years (2018) and annual Libor interest rate plus a margin, guaranteed by a portfolio of residential mortgage loans.	25,000,000	20,500,000
Sub - total going to next page	100,366,672	64,000,004

(16) Borrowed Funds, continued

	2015	2014
Sub - total coming from previous page	100,366,672	64,000,004
Line of credit for working capital for B/.25,000,000, with maturity in five years (2018) and six years (2019) and annual Libor interest rate plus a margin, guaranteed by a portfolio of residential mortgage loans.	15,000,000	15,000,000
Revolving line of credit for working capital for B/.20,000,000, with maturity date 3 years and annual Libor interest rate plus a margin, guaranteed by a portfolio of residential mortgage loans.	0	3,076,923
Line of credit for working capital for B/.20,000,000, with maturity in five years (2019) and annual Libor interest rate plus a margin, guaranteed by a portfolio of residential mortgage loans.	7,666,667	4,000,000
Line of credit for working capital for B/.25,000,000, with maturity in eight years (2022) and annual Libor interest rate plus a margin, guaranteed by a portfolio of residential mortgage loans.	25,000,000	0
Revolving line of credit for working capital for B/.2,500,000, with maturity every 24 months, renewable at the parties' options and annual Libor interest rate plus a margin.	0	1,880,909
Revolving line of credit for working capital for B/.15,000,000, with maturity every 24 months, renewable at the parties' options and annual Libor interest rate plus a margin.	6,032,761	4,179,798
Revolving line of credit for working capital for B/.5,000,000, with maturity every 24 months, renewable at the parties' options and annual Libor interest rate plus a margin.	635,027	2,089,899
Revolving line of credit for working capital for B/.6,000,000, with maturity every 24 months, renewable at the parties' options and annual Libor interest rate plus a margin.	3,810,165	3,250,954
Revolving line of credit for working capital for B/.3,000,000, with maturity every 24 months, renewable at the parties' options and annual Libor interest rate plus a margin.	1,905,082	0
Total	160,416,374	97,478,487
Less issuance costs	(1,181,347)	(902,077)
Total of borrowed funds	159,235,027	96,576,410

As at December 31, 2015 and 2014, there has not been non compliance in the payment of capital and interest in relation to the borrowings.

(17) Negotiable Commercial Notes

The Bank has been authorized by the Superintendence of the Securities Market Superintendence of the Republic of Panama of three programs totaling B/.90,000,000 in Negotiable Commercial Notes (NCN). The placements of the first issuance by B/.40,000,000 are supported by the general credit of the Bank, a trust mortgage loan guarantee. The placements of the second issuance by B/.50,000,000, respectively, are only supported by the general credit of the Bank.

(17) Negotiable Commercial Notes, continued

Type	Interest rate	Maturity	2015	2014
SERIES J	4.50%	March 15, 2015	0	2,150,000
SERIES X	4.00%	April 15, 2015	0	2,025,000
SERIES P	4.00%	September 15, 2015	0	1,250,000
SERIES U	4.13%	September 15, 2015	0	4,239,000
SERIES R	4.13%	October 15, 2015	0	1,500,000
SERIES S	4.25%	December 15, 2015	0	1,560,000
SERIES K	4.25%	March 15, 2016	7,046,000	7,046,000
SERIES B	4.00%	March 15, 2016	15,000	15,000
SERIES L	3.88%	April 15, 2016	500,000	500,000
SERIES N	5.00%	April 15, 2016	2,500,000	2,500,000
SERIES C	4.00%	May 12, 2016	1,000,000	1,000,000
SERIES M	5.00%	May 15, 2016	5,000,000	5,000,000
SERIES D	4.00%	May 15, 2016	1,000,000	1,000,000
SERIES E	4.25%	May 18, 2016	1,000,000	1,000,000
SERIES F	4.75%	June 5, 2016	1,000,000	1,000,000
SERIES G	4.75%	June 15, 2016	1,000,000	1,000,000
SERIES H	3.88%	June 16, 2016	2,000,000	2,000,000
SERIES Y	4.75%	August 15, 2016	1,800,000	1,800,000
SERIES T	4.00%	December 5, 2016	1,657,000	1,657,000
SERIES J	4.13%	January 20, 2017	4,000,000	4,000,000
SERIES V	4.75%	February 15, 2017	1,761,000	1,761,000
SERIES L	4.25%	March 1, 2017	3,090,000	0
SERIES A	4.00%	March 10, 2017	1,500,000	1,500,000
SERIES O	4.25%	April 19, 2017	2,000,000	0
SERIES P	4.25%	May 10, 2017	3,000,000	0
SERIES S	4.00%	June 21, 2017	10,000,000	0
SERIES I	4.75%	June 2, 2017	1,500,000	1,500,000
SERIES Z	4.00%	July 17, 2017	1,200,000	1,200,000
SERIES K	4.25%	July 26, 2017	3,000,000	3,000,000
SERIES T	4.00%	August 15, 2017	750,000	0
SERIES Q	4.25%	May 16, 2018	5,000,000	0
SERIES R	4.25%	May 24, 2018	1,000,000	0
SERIES V	4.38%	February 26, 2019	4,239,000	0
SERIES M	4.25%	March 25, 2019	2,150,000	0
SERIES N	4.25%	April 1, 2019	500,000	0
SERIES U	4.50%	August 25, 2019	1,250,000	0
SERIES AA	4.50%	September 24, 2019	820,000	0
			72,278,000	51,203,000
		Less issuance costs	(149,482)	(138,615)
			72,128,518	51,064,385

(18) Investment Certificates

The Bank is authorized by the Superintendence of Securities Market of El Salvador to issue B/.30,000,000 in Investment Certificates (IC) of which are supported by a joint guarantee from Grupo ASSA, S. A.

Type	Interest Rate	Maturity	2015	2014
Tranche 1	5.00%	September, 2015	0	2,000,000
Tranche 3	5.00%	August, 2015	0	2,000,000
Tranche 6	5.00%	October, 2015	0	2,000,000
Tranche 8	5.00%	November, 2015	0	2,000,000
Tranche 9	5.00%	November, 2015	0	2,000,000
Tranche 1	5.00%	June, 2016	5,000,000	5,000,000
Tranche 2	5.00%	July, 2016	1,900,000	1,900,000
Tranche 4	5.25%	September, 2016	1,000,000	1,000,000
Tranche 5	5.25%	September, 2016	1,000,000	1,000,000
Tranche 7	5.25%	October, 2016	1,500,000	1,500,000
Tranche 5	5.00%	September, 2017	3,500,000	0
Tranche 6	5.30%	October, 2017	1,992,000	0
Tranche 3	5.00%	October, 2017	1,000,000	1,000,000
Tranche 4	5.00%	November, 2017	3,000,000	3,000,000
			19,892,000	24,400,000
	Less issuance costs		(16,879)	(47,881)
			19,875,121	24,352,119

(19) Other Liabilities

The other liabilities are detailed as follows:

	2015	2014
Income tax payable	1,248,957	1,697,031
Accrued interest payable of deposits, borrowed funds and other obligations	2,315,845	1,668,355
Allowance for employee benefits and other benefits	785,224	1,150,963
Cashier's checks	933,888	1,040,635
Others	3,487,128	3,108,381
Total	8,771,042	8,665,365

(20) Segment Information

The segment information of the Bank is presented regarding its business lines and has been determined by management based on reports by senior management for decision making.

The composition of the business segments is described as follows:

- *Trust Administration:* This segment includes commissions earned by management and collection of mortgage and personal loans belonging to third parties, which hires the Bank under management contracts to carry out such function.

- *Mortgages as assets:* Within this concept interest income is recognized minus costs generated by financing mortgages loans that Bank hold as assets, plus commissions for disbursements and the proportional share of the commissions from collections and reinsurance services from the insurance Bank to which it provides the service of reinsurance.

(20) Segment Information, continued

- *Personal loans as assets:* Within this concept interest income is recognized minus costs generated by financing personal loans that Bank hold as assets, plus commissions for granted and the proportional share of the commissions from collections and reinsurance services from the insurance Bank to which it provides the service of reinsurance.

- *Other investments:* This concept includes the income generated by other investments of the Bank.

2015	Trust administration	Mortgage as assets	Personal loans as assets	Other investments	Total
Interest income	0	23,140,200	3,684,258	1,574,476	28,398,934
Gain realized in investments at fair value	0	0	0	3,055,077	3,055,077
Interest and commission expense	0	(17,522,760)	(1,051,163)	(954,129)	(19,528,052)
Net commission income for loan granting	0	1,983,996	420,104	0	2,404,100
Net commission income for trust management	1,334,295	0	0	0	1,334,295
Commission income on loans management	807,495	2,159,058	202,961	0	3,169,514
Other income	0	1,427,180	85,614	77,711	1,590,505
Provision for loan losses	0	(235,222)	(109,753)	0	(344,975)
Operating expenses	(1,522,834)	(9,105,275)	(2,315,976)	(602,788)	(13,546,873)
Depreciation and amortization	(55,478)	(331,716)	(84,373)	(21,960)	(493,527)
Profit by segment before tax	563,478	1,515,461	831,672	3,128,387	6,038,998
Segment assets	0	468,688,643	42,273,112	38,370,831	549,332,586
Segment liabilities	0	441,594,178	26,490,545	24,045,171	492,129,894

2014	Trust administration	Mortgage as assets	Personal loans as assets	Other investments	Total
Interest income	0	19,588,034	3,006,260	2,010,772	24,605,066
Gain realized in investments at fair value	0	0	0	509,337	509,337
Interest and commission expense	0	(13,405,513)	(808,772)	(1,120,901)	(15,335,186)
Net commission income for loan granting	0	1,901,515	365,916	0	2,267,431
Net commission income for trust management	1,141,088	0	0	0	1,141,088
Commission income on loans management	815,441	1,609,599	190,984	0	2,616,024
Other income	0	1,319,765	79,623	110,353	1,509,741
Provision for loan losses	0	158,606	0	0	158,606
Operating expenses	0	(211,218)	(62,500)	0	(273,718)
Depreciation and amortization	(1,349,190)	(8,204,537)	(2,224,341)	(401,111)	(12,179,179)
Profit by segment before tax	(42,695)	(259,630)	(70,389)	(12,693)	(385,407)
	564,644	2,496,621	476,781	1,095,757	4,633,803
Segment assets					
Segment liabilities	0	347,988,555	38,086,361	52,785,000	438,859,916
Interest income	0	338,700,629	20,434,246	28,320,418	387,455,294

(20) Segment Information, continued

The composition of the geographic segments is described as follows:

2015	Panama	El Salvador	Colombia	Total
Interest income	16,786,534	8,873,163	2,739,237	28,398,934
Unrealized gain on investments at fair	3,044,826	10,251	0	3,055,077
Interest and commission expense	(13,513,269)	(4,537,008)	(1,477,775)	(19,528,052)
Net commission income for loan granting	2,108,094	296,006	0	2,404,100
Commission income for trust management	748,012	586,283	0	1,334,295
Commission income on loans management	2,917,764	126,806	124,944	3,169,514
Other income	903,857	652,348	34,300	1,590,505
Provision for loan losses	(132,829)	(170,710)	(41,436)	(344,975)
Operating expenses	(8,749,515)	(2,316,016)	(2,481,342)	(13,546,873)
Depreciation and amortization	(345,252)	(105,050)	(43,225)	(493,527)
Profit by segment before tax	3,768,222	3,416,073	(1,145,297)	6,038,998
Segment assets	367,173,853	137,790,893	44,367,840	549,332,586
Segment liabilities	338,394,489	122,657,748	31,077,657	492,129,894

2014	Panama	El Salvador	Colombia	Total
Interest income	17,491,811	5,954,621	1,158,634	24,605,066
Unrealized gain on investments at fair	509,337	0	0	509,337
Interest and commission expense	(12,030,781)	(3,117,872)	(186,533)	(15,335,186)
Net commission income for loan granting	1,961,062	306,369	0	2,267,431
Commission income for trust management	659,547	481,541	0	1,141,088
Commission income on loans management	2,573,139	21,011	21,874	2,616,024
Other income	902,071	485,334	122,335	1,509,740
Trust issuance income	158,606	0	0	158,606
Provision for loan losses	(107,529)	(166,189)	0	(273,718)
Operating expenses	(8,743,647)	(1,756,126)	(1,679,406)	(12,179,179)
Depreciation and amortization	(299,324)	(63,285)	(22,797)	(385,406)
Profit by segment before tax	3,074,292	2,145,404	(585,893)	4,633,803
Segment assets	298,343,399	117,944,774	22,571,743	438,859,916
Segment liabilities	270,981,402	104,804,277	11,669,615	387,455,294

(21) Service Commissions, Net and Other Income

The breakdown of service commissions and other income are detailed as follows:

	2015	2014
Commissions for administration and management, net:		
Trusts administration	1,334,295	1,140,631
Management collection	1,770,296	1,615,675
Insurance management	596,424	516,474
Others	802,794	519,145
Sales commissions	(477,146)	(483,955)
	4,026,663	3,307,970
Other income:		
Tax credit	20,957	95,947
Trusts	221,397	413,707
Insurance	440,252	297,349
Sale of foreclosed assets	72,634	66,819
Other income	835,265	893,586
	1,590,505	1,767,408

(22) Commission Expenses

The detail of commission expenses are detailed as follows:

	2015	2014
Commissions expenses:		
Negotiable Commercial paper	308,077	375,553
Negotiable Commercial rates	259,427	188,543
Line of credit commissions	469,870	324,080
Other commissions	115,358	81,894
	1,152,732	970,070

(23) Salaries, Other Personnel Expenses, and Other Operating Expenses

Salaries, other personnel expenses, and other operating expenses are detailed as follows:

	2015	2014
Salaries and other personnel expenses:		
Wages, thirteenth month and vacations	4,231,327	3,915,198
Representation expenses	777,726	727,611
Bonuses	442,194	412,996
Social security costs	680,453	600,647
Severance costs	236,205	155,664
Travel, allowances and fuel	174,495	191,959
Others	857,697	817,555
	7,400,097	6,821,630
Other operational expenses:		
Rent	485,513	470,891
Advertising	563,505	816,950
Equipment maintenance	503,646	423,224
Office supplies	137,982	113,652
Utilities expenses	305,301	260,936
Bank charges	150,926	93,305
Other expenses	1,401,683	1,169,593
	3,548,556	3,348,551

Option Plan of Purchase of Shares

In 2012, the Board of Directors of La Hipotecaria (Holding), Inc., approved an option plan for Bank's executives. As of December 31, 2015, a total of four attributions have been delivered, including the award of a total of 29,490 options (2014: 29,490) which have and average execution price of B/.27.10 (2014: B/.27.10). In 2014, the Board of Directors of La Hipotecaria (Holding), Inc., approved the second option plan for Bank's executives. The plan grants the executive the right to exercise the options of La Hipotecaria (Holding), Inc., at the time of the award in equals parts from the first anniversary of the assignment, at a specific price, established by the Board of Directors. In 2015, no stock option for executives was issued (2014: B/.130,127). As of December 31, 2015, no options have been exercised.

(24) Trust under Management

The Bank held in trust management contracts at customer risk amounted to B/.213,283,930 (2014: B/.244,168,142). Considering the nature of these services, management believes that there are not significant risks for the Bank.

(25) Capital and Reserves

The composition of common shares is detailed as follows:

	2015	2014
Authorized shares with nominal value of B/.1,000	15,000	15,000
Shares issued and paid on January 1st and at the end of the period	15,000	15,000
Carrying amount of the shares at the end of the period	15,000,000	15,000,000

Reserves

Nature and purpose of reserves:

Capital Reserve

One of the subsidiaries constitutes a reserve to support any loans portfolio´s impairment loss considering the country risks in which the debtors are located. This reserve is established from the retained earnings.

Fair Value Reserve

Comprises the cumulative net change in the fair value of available-for-sale financial assets, until the assets is derecognized, redeemed, or impaired. In addition, includes the net amount of the loan portfolio acquired fair value, which will be amortized during the remaining life of the loans or until been cancelled.

Currency Conversion Reserve

Comprises all foreign exchange differences arising on foreign currency translation to the currency presented in the financial statements of foreign subsidiaries with a functional currency different from the presentation currency for purposes of presentation of the consolidated financial statements.

Dynamic Provision

Is constituted according to prudential criteria on all credit facilities that lack specific provision allocated, i.e. on credit facilities classified in the Normal category, as defined in the Agreement No. 004-2013 issued by the Superintendence of Banks of Panama. It corresponds to an equity account presented under the heading of regulatory reserve in the statement of changes in equity and appropriates retained earnings.

Specific Provision in Excess

Provisions that are to be constituted on the basis of the classification of credit facilities in the risk categories Watch list, Substandard, Doubtful or Loss, as provided in the Agreement No. 004-2013 issued by the Superintendence of Banks of Panama. They are for individual credit facilities as for a group of these. For a group corresponds to circumstances indicating the existence of deterioration in credit quality, although it is not yet possible the individual identification. It corresponds to an equity account that is presented under the heading of regulatory reserve in the statement of changes in equity and appropriates retained earnings.

(26) Non-Controlling Interest

On April 1, 2014, the Bank acquired 579,896 shares that represent 99.98% of the common shares of La Hipotecaria, S. A. de C. V., an entity that in turn was a subsidiary of La Hipotecaria (Holding), Inc., the holding Company of the Group. As a result of this transaction, La Hipotecaria (Holding), Inc., loses direct control over la Hipotecaria, S. A. de C. V., and this in tur becomes a subsidiary of the Bank.

This transaction is summarized below:

- An increase in its controlling interest by B/.11,236,603;
- An increase in retained earnings by B/.3,639,123; by the acquisition of 99.98% of the subsidiary.
- No gains or losses were generated in this transaction.

The carrying amount of the net assets of La Hipotecaria, S. A. y de C. V., in the consolidated financial statements of La Hipotecaria (Holding), Inc., at the date of acquisition was B/.11,238,851.

The following table presents the effect of the changes in non-controlling interest of the Bank, when acquiring the subsidiary La Hipotecaria, S. A. de C. V.:

Non-controlling interest as of January 1, 2014	0
Effect of increase in shareholding	11,236,603
Portion of profit and comprehensive income	1,901,266
Non-controlling interest as of December 31, 2014	13,137,869

(27) Preferential Interests on Mortgage Loans

According to current fiscal regulations in Panama, the financial institutions that grant mortgage loans not exceeding B/.120,000 with preferential interest, receive the benefit of an annual fiscal credit. From July 2010 according to the law 8 of 15 March, 2010 repealing Article 6 of Act 3 of 1985, it increases the benefit of a tax credit of ten (10) years, to, the first (15) years for new loans for the purpose of new houses in the amount equal to the difference between the income that the lender would have received if you have taken the benchmark interest rate market, which has been in effect during that year and the actual income received in interest in relation to each preferential mortgage loans.

Law No. 3 of May, 1985 in the Republic of Panama establishes that fiscal credit can be used for payment of national taxes, including income tax. The fiscal credit, under Law No. 11 of September, 1990, which extends the previous law, and Law No. 28 of June, 1995, establishes that it can be used only for payment of income tax. If in any fiscal year the financial institution cannot effectively use the entire fiscal credits to which it is entitled, then it can use the excess credit over the next three years, at their convenience, or transfer, in whole or in part, to another taxpayer.

(27) Preferential Interests on Mortgage Loans, continued

At December 31, 2015, the Bank recorded, net of reserve, B/.5,492,427 (2014: B/.5,128,190), as preferential interest income on the portfolio of residential mortgage loans. During the same period, the Bank sold to third parties prior years' fiscal credits for B/.1,397,144 (2014: B/.6,396,471), which generated an income of B/.20,957 (2014: B/.95,947).

As at December 31, 2015, the accumulated fiscal credit is included in the consolidated statement of financial position for the amount of B/.6,800,239 (2014: B/.2,405,082).

(28) Commitments and Contingencies

The Bank has subscribed lease contracts, for terms of up to five (5) years, related to the use of properties where its offices operate. A detail of annual lease payments that the Bank have to pay for the next five years according the lease contracts is as follows:

Year	Amount
2016	471,793
2017	474,213
2018	474,213
2019	474,213
2020	474,213

As at December 31, 2015, there is an ongoing complaint filed against the subsidiary of El Salvador by the Consumer Advocacy. The Bank's management and its legal counsel believe it is not expected that the result of this process have a material adverse effect on the financial position of the Bank.

(29) Income Tax

The of income tax returns of the Bank incorporated in the Republic of Panama, to current tax regulations are subject to review by tax authorities for up to three (3) years according. According to current tax regulations, companies incorporated in Panama are exempt of income tax for earnings from foreign operations, interest earned on deposits in local banks, Panamá government securities and of debt Panama investments in securities listed in the Superintendence of stock market securities and traded on the Bolsa de Valores de Panama, S. A. (Stock Exchange of Panama).

According as required by Article 699 of the Tax Code, as amended by Article 9 of Law 8 of March 15, 2010 with effect from January 1, 2010, the income tax for legal entities engaged in the banking business in the Republic of Panama, should calculate the tax according to the rate of 25% effective as of January 1, 2014.

(29) Income Tax, continued

Additionally, legal entities whose taxable income exceeds one million five hundred thousand dollars (B/.1,500,000) annually, will pay tax on income greater of:

a. The net taxable income calculated by the traditional method, or
b. The taxable net income that results from applying to total taxable income, four point sixty-seven percent (4.67%)

Act 52 of August 28, 2012, restored the payment of estimated income tax from September 2012. According to this law, the estimated income tax payable in three equal amounts over June, September and December each year.

The Bank´s subsidiaries shall calculate the income tax according the following rates:

	Colombia	El Salvador
Current rates	34%	30%

The total expense on income tax as at December 31, 2016 is detailed is follows:

	2015	2014
Estimated income tax	1,954,496	1,709,247
Deferred tax temporary differences	113,845	62,902
Total income tax costs	2,068,341	1,772,149

The effective rate of the estimated income tax is detailed as follows:

	2015	2014
Profit before income taxes	6,038,998	4,633,803
Income tax expense	2,068,341	1,772,149
Effective rate of income tax	34.25 %	37.16 %

Deferred tax arises from temporary differences related to the provision for loan losses and the valuation of a residual bond of a trust. The deferred tax amount is included as part of the other liabilities in the consolidated statement of financial position. As of December 31, 2015, the deferred tax movement is as follows:

	2015	2014
Beginning balance	66,568	21,785
Acquisition of subsidiary	0	107,685
Provision for loan losses	(31,077)	(99,816)
Valuation of residual bond of trust	(82,768)	36,914
Deferred income tax at year end	(47,277)	66,568

(29) Income Tax, continued

The conciliation between financial income before income tax and net income tax as at December 31, 2015, is a follows:

	2015	2014
Net financial income before income tax	6,038,998	4,633,803
Calculation of "expected" income tax expense	1,509,750	1,158,451
Non-deductible expenses	403,407	631,784
Income and expense from foreign and exempt sources, net	(666,082)	(551,016)
Change for temporary differences	113,845	62,902
Difference in foreign tax rates	707,421	470,028
Total income tax	2,068,341	1,772,149

(30) Participations in Non-Consolidated Structured Entities

The following table describes the types of structured entities in which the Bank holds a participation and acts as an agent thereof. (See Note 3 (a5)).

Type	Nature and purpose	Participation maintained by the Bank
Loan Securitization Trusts	Generate: • Fund for lending activities of the Bank • Commission for administration and management of loan portfolio This trusts are financed by the sale of debt instruments.	Investments in the mortgage bonds issued by the trusts

The participation maintained by the Bank in the non-consolidated structured entities represents 10%, 10% and 3% (2015: 11%, 11% y 4%) in three trusts.

(31) Earnings per Share

The calculation of basic income per share is based on net income attributable to common shareholders amounting to B/.3,970,657 (2014: B/.2,861,654) by the weighted average number of common shares outstanding 15,002 (2014: 15,002).

Attributable income to common shareholders:

	2015	2014
Net income for the year	3,970,657	2,861,654
Attributable net income to the common shareholders	3,970,657	2,861,654

(31) Earnings per Share, continued

Weighted average of common shares:

	2015	2014
Issued shares at January 1st	15,000	15,000
Weighted average of common shares	15,000	15,000

Net income attributable to common stockholders is as follows:

	2015	2014
Attributable income to common shareholders	3,970,657	2,861,654
Weighted average of common share (basics)	15,000	15,000
Earnings per share basic and diluted	264.71	190.78

(32) Main Applicable Laws and Regulations

The principal laws and regulations applicable in the Republic of Panama are:

(a) *Banking Law*

Banking operations in the Republic of Panama, are regulated and supervised by the Superintendence of Banks of the Republic of Panama, according to the laws established by Executive Decree No.52 of April 30, 2008, which adopts the only text Decree Law 9 of February 26, 1998, as amended by Decree Law 2 of 22 February 2008, by which the banking system in Panama is established and the Superintendence of Banks and the rules that govern it is created.

(b) *Trust Law*

Trust operations in Panama are regulated by the Superintendence of Banks of Panama in accordance with the legislation established in Law No. 1 of January 5, 1984.

(c) *Securities Law*

The operations brokerage firm in Panama are regulated by the Superintendence of the share market in accordance with the legislation established in Decree Law No.1 of July 8, 1999, reformed by Act No. 67 of September 1, 2011.

The operations of brokerage houses are in the process of adaptation to the Agreement No.4-2011, amended certain provisions by Agreement 8-2013, established by the Superintendence of the share market, which indicate that they have to comply with the capital adequacy rules and modalities.

The main regulations or norms in the Republic of Panama, which have an effect on the preparation of these consolidated financial statements are described below:

(32) Main Applicable Laws and Regulations, continued

(a) *General Board Resolution SBP-GJD-0003-2013 issued by the Superintendence of Banks of Panama on July 9, 2013*

This resolution establishes the accounting treatment for those differences arising between prudential standards issued by the Superintendence of Banks and International Financial Reporting Standards (IFRS), such that 1) the accounting records and financial statements are prepared in accordance with IFRS as required by the Agreement No.006-2012 December 18, 2012 and 2) in the event that the calculation of a provision or reserve under prudential rules applicable to banks to submit additional accounting specific aspects required IFRS, is greater than the respective calculation under IFRS oversupply or under prudential reserves is recognized in a regulatory reserve in equity.

Prior authorization of the Superintendence of Banks, banks shall be able to partially or totally reverse the provision established, after submitting due justification before the Superintendence of Bank.

(b) *Agreement No. 003 – 2009 Dispositions on Acquired Foreclosed Assets, issued by the Superintendence of Banks of Panama on May 12, 2009*

For regulatory purposes, the Superintendence sets a term of five (5) years, effective the date of registration before the Public Registry to sell immovable goods acquired for the payment of past due credits. If after that term the Bank has not sold the property acquired, it shall conduct an independent appraisal to determine if its value has decreased, by applying in such case the provisions of IFRS.

Likewise, the Bank shall create a reserve in equity, through the appropriation in the following order of: a) undistributed earnings; b) profits for the period, to which the following value of the foreclosed asset will be transferred:

First year:	10%
Second year:	20%
Third year:	35%
Fourth year:	15%
Fifth year:	10%

The aforementioned reserves shall maintain until the acquired asset is actually transferred, and it shall not be considered a regulatory reserve for purposes of calculating the equity ratio.

(c) *Agreement No. 004-2013, "Whereby provisions on credit risk management inherent of in credit portfolio and off-balance sheet transactions are established", issued by the Superintendence of Banks of Panama on May 28, 2013*

Sets forth general classification criteria for credit facilities in order to determine the specific and dynamic provisions to cover the Bank's credit risk. Additionally, this Agreement establishes certain required minimum disclosures, in line with IFRS disclosure requirements about credit risk management and administration.

(32) Main Applicable Laws and Regulations, continued

This Agreement repeals in all its parts the Agreement No. 006-2000 of June 28, 2000 and all its amendments, the Agreement No. 006-2002 of August 12, 2002 and Article 7 of the Agreement No. 002-2003 of March 12, 2003. This Agreement became effective on June 30, 2014.

Specific Provisions
Agreement No.004-2013 sets forth that specific provisions are generated by any objective and concrete evidence of impairment. These provisions shall be recorded for credit facilities classified in the risk categories named: special-mention, substandard, doubtful or loss, both for individual or collective credit facilities.

Banks shall calculate and maintain the amount of the specific provisions determined through the methodology explained in this Agreement, which takes into consideration the balance owed by each credit facility classified in any of the categories subjected to provision, mentioned in the preceding paragraph; the present value of each collateral available as risk mitigating, as established per type of collateral in this Agreement, and a table of estimates applied to the net balance exposed to losses for such credit facilities.

In case of a surplus in the specific provision, calculated in conformity with this Agreement, over the provision calculated in conformity to IFRS; this surplus shall be accounted for in a regulatory reserve in equity increasing or decreasing through allocations from or to retained earnings. The balance of the regulatory reserve shall not be considered as capital funds for purposes of calculating certain indices or ratios mentioned in this Agreement.

The table below summarizes the loans at amortized cost of the Panamanian Bank classified according this Agreement and the specific provision:

	2015		2014	
Classification	**Portfolio**	**Allowance**	**Portfolio**	**Allowance**
Normal	303,291,791	0	230,670,937	0
Watch list	1,526,608	87,151	1,240,599	80,587
Substandard	533,709	83,692	541,362	62,868
Doubtful	333,191	91,365	453,749	99,961
Loss	609,256	112,197	522,538	99,015
Total of portfolio exposed to amortized cost	306,294,555	374,405	233,429,185	342,431

(32) Main Applicable Laws and Regulations, continued

The table below summarizes the balances of past due and default loans for the principal categories:

2015	Current	Past due	Default	Total
Loans to customers	300,392,686	4,509,950	1,391,919	306,294,555
2014	**Current**	**Past due**	**Default**	**Total**
Loans to customers	227,507,567	4,615,351	1,306,267	233,429,185

At December 31, 2015, the balances of the loans which accumulation of interests has been suspended due to an impairment in the quality of the credit or for the nonperformance of payment in accordance with the indicated in the Agreement No. 4-2013 was of B/.1,470,468 (2014: B/.1,748,107).

Dynamic Provision

Agreement No. 004 - 2013 indicates that the dynamic provision is a reserve established to meet possible future needs for establishment of specific provisions, which is governed by its own prudential bank regulation criteria. The dynamic provision constitutes at quarterly basis on credit facilities that lack specific provision allocated, i.e. on credit facilities normally classified category.

This agreement regulates the methodology for calculating the dynamic provision amount, which considers a maximum and minimum percentage restriction applicable to the amount of the specific provision for credit facilities classified in the normal category.

The dynamic provisioning is a equity item that increases or decreases with assignments to or from retained earnings. The credit balance of this provision is part of dynamic regulatory capital but does not replace or offset the capital adequacy requirements established by the Superintendence.

The principal laws and regulations applicable in the Republic of El Salvador are:

(a) *Law of the Superintendence of Corporate Obligations (formerly Business Enterprises)*
The operations of business enterprises in El Salvador are regulated by the Superintendence of Companies and Corporations, contained in Legislative Decree No.448 of 09 October 1973.

(32) Main Applicable Laws and Regulations, continued

(b) *Securities Law*
The operations of issuers and brokerage positions in El Salvador are regulated by the Securities in accordance with the procedures established in the Decree Law No.809 of April 31, 1994. According to Legislative Decree No.592 of 14 January 2011, the Securities ceased to exist as of August 2, 2011, which contains the Law on Regulation and Supervision of the Financial System, published in Official Journal No.23 of February 2, 2011, which became effective on August 2, 2011, and gave birth to the new Financial System Superintendence as single supervisory body that integrates the functions of the former Superintendence of the Financial System, Pensions and Securities

The principal laws and regulations applicable in the Republic of Colombia are:

(a) *Laws for Commercial Business*
The operations of commercial business in Colombia are regulated by the Superintendence of Companies in accordance with the laws established in the Decree Law No.222 of December 20, 1995.

(b) *Equity Tax*
According to Decree 4825 of December 29, 2010, issued by the Ministry of Finance and Public Credit, establishing the state tax applicable to juridical persons, natural and indeed societies. This tax is generated by the possession of wealth by January 1st of 2011, whose value equals or exceeds one billion dollars and less than three billion pesos. The tax rate ranges from 1% to 1.4% and added a surcharge of 25% of the estate tax result. The estate tax is presented in the consolidated statement of comprehensive income in the area of taxes.

(c) *Income Tax for Equity (CREE)*
The Congress of the Republic of Colombia, enacted the 1607 Act on December 26, 2012, introducing major reforms to the Colombian tax system, mainly the following:

- The income tax rate is reduced from 33% to 25 % from 2013 and the income tax for equity (CREE) is created, with rate of 9% between 2013 and 2015 and 8% from 2016. debugging which is made the basis for determining the tax has some differences with respect to which is made for income tax purposes, calculated by the ordinary income.

- Taxpayers of income tax for equity are not required to pay contributions to SENA and ICBF for employees earning less than 10 minimum monthly wages; this exemption will be extended for the contributions to the contributory health scheme from the first of January 2014.

- The concept of permanent establishment is defined, which is identified as a fixed place through which a foreign company develops business in the country.

(32) Main Applicable Laws and Regulations, continued

- The method on how to calculate the taxable and non-taxable profits for companies that distribute profits to its partners or shareholders is amended.

- New rules are introduced on the transfer pricing regime. Among others, the scope of the transactions with related parties located in free zones is increased and some operations from taxpayers with foreign entities related to a permanent establishment in Colombia or abroad are regulated.

For this purpose, the Technical Board of Public Accountancy of Colombia, through the strategic management directions classified the companies in groups according to our analysis with cutoff date of December 31, 2013, the subsidiaries in Colombia belong to Group 2, classified as SMEs, in which transition period begins on January 1, 2015 and the issuance of the financial statements under International financial Reporting Standards in 2016.