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FROM SPANISH VERSION

Unibank, S.A. and Subsidiary

Consolidated Financial Statements for the year ended December 31, 2015 and Independent Auditors' Report of March 29, 2016

Deloitte LATCO
Firma miembro de
Deloitte Touche Tohmatsu Limited

Unibank, S.A. and Subsidiary

Independent Auditors' Report and Consolidated Financial Statements at December 31, 2015

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INDEPENDENT AUDITORS' REPORT

Messrs.
Shareholders and Board of Directors of
Unibank, S.A., and Subsidiary
Panama, Republic of Panama

We have audited the accompanying consolidated financial statements of **Unibank, S.A. and Subsidiary** which comprise the consolidated statement of financial position at December 31, 2015, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income (loss), the consolidated statement of changes in shareholder's equity and the consolidated statement of cash flows for the year ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, as they have been modified by prudential regulations issued by the Superintendency of Banks of Panama for purposes of supervision, and for such internal control as Management determines is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of consolidated the financial statements, whether due to fraud or errors. In making those risk assessments, the auditor considers 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 audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of **Unibank, S.A. and Subsidiary** as of December 31, 2015, and its financial performance and cash flows for the year ended in accordance with International Financial Reporting Standards.

Deloitte (signed)

March 29, 2016
Panama, Republic of Panama

Unibank, S.A. and Subsidiary

Consolidated statement of financial position
December 31, 2015
(In balboas)

Assets	Notes	2015	2014
Cash		4,251,919	1,867,470
Due from banks:			
Demand - domestic		3,534,552	3,970,694
Demand - foreign		4,511,548	7,963,657
Time - domestic		37,900,000	34,400,000
Time - foreign		59,892,800	15,038,706
Total due from banks		105,838,900	61,373,057
Total cash and due from banks	8	110,090,819	63,240,527
Securities available for sale	9	4,031,618	4,007,200
Securities held to maturity	10,18	104,534,422	95,059,158
Less:			
Reserve for securities held to maturity		36,900	-
Securities held to maturity, net		104,497,522	95,059,158
Loans	7,11	318,597,200	315,236,889
Less:			
Allowance for loan losses		1,218,436	1,424,716
Unearned commissions		537,915	1,011,969
Loans, net		316,840,849	312,800,204
Investments in associate	12	1,824,004	1,623,908
Property, equipment and improvements, net	13	4,689,913	4,823,347
Accrued interests receivable	7	3,146,618	2,855,271
Assets held for sale	14	3,079,587	4,200,321
Other assets	15	7,755,435	4,350,104
Total assets		555,956,365	492,960,040

Liabilities and shareholder's equity	Notes	2015	2014
Liabilities			
Due to customers:			
Demand - domestic		31,439,994	33,665,936
Demand - foreign		8,751,476	8,776,487
Savings - domestic		40,063,283	44,316,119
Savings - foreign		12,704,984	12,002,988
Time - domestic		291,532,513	210,310,512
Time - foreign		56,769,230	94,505,440
Total deposits	7	441,261,480	403,577,482
Financing payable	10,17	18,683,797	-
Securities sold under repurchase agreements	10,18	22,884,413	14,041,270
Negotiable commercial securities	20	6,489,379	12,402,756
Cashier's and certified checks		2,400,667	1,242,006
Accrued interests payable	7	4,500,504	4,400,843
Other liabilities	16	2,419,450	3,448,474
Total liabilities		498,639,690	439,112,831
Shareholder's equity:			
Common shares	19	60,000,000	60,000,000
Regulatory provision	25	3,914,318	2,808,951
Unrealized loss on securities available for sale		(2,040,926)	(2,369,893)
Accumulated deficit		(4,556,717)	(6,591,849)
Total shareholder's equity		57,316,675	53,847,209
Total liabilities and shareholder's equity		555,956,365	492,960,040

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

Unibank, S.A. and Subsidiary

Consolidated statement of profit or loss
December 31, 2015
(In balboas)

	Notes	2015	2014
Interests and commissions income			
Interests earned on:			
Loans	7	22,631,916	18,972,094
Bank deposits		146,296	65,737
Investment securities		5,210,361	4,016,962
Commissions income on loans		1,034,087	783,059
Total interest and commission income		29,022,660	23,837,852
Interest expenses:			
Deposits	7	14,665,959	12,116,937
Borrowed funds		900,121	437,728
Total interest expenses		15,566,080	12,554,665
Net interest and commission, before provision		13,456,580	11,283,187
Increase (reversal) of provision for loan losses	11	513,579	(257,612)
Provision for securities held to maturity	10	36,900	-
Provision for assets held for sale	14	1,120,734	-
Net interest income, after provision		11,785,367	11,540,799
Income (expense) and other banking services:			
Commission expenses	22	(171,254)	(155,163)
Gain (loss) on sale of financial instruments	10	304,751	(1,328)
Other commissions	21	721,405	752,621
Other income	21	396,445	346,668
Total income from banking services and other, net		1,251,347	942,798
General and administrative expenses			
Salaries and wages	7	5,015,503	5,844,348
Other personnel expenses		126,098	102,845
Rent	7,22	687,356	677,566
Advertising		152,383	224,580
Fees and professional services		483,164	466,613
Depreciation of fixed assets	13	479,389	462,257
Other expenses	22	2,977,966	2,444,399
Total general and administrative expenses		9,921,859	10,222,608
Operational net profit		3,114,855	2,260,989
Equity interest in associate	12	200,096	23,908
Profit for the year before income tax		3,314,951	2,284,897
Income tax	24	(174,452)	(15,239)
Profit of the year		3,140,499	2,269,658

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

Unibank, S.A. and Subsidiary

Consolidated statement of comprehensive income (loss)
December 31, 2015
(In balboas)

	Note	2015	2014
Net income		3,140,499	2,269,658
Other comprehensive income:			
Items that are and may be subsequently reclassified to the consolidated statement of profit or loss			
Net changes in fair value of securities available for sale	9	24,418	7,200
Amortization charged to profit or loss	9	304,549	329,005
Net changes in fair value of securities available for sale transferred to profit or loss		-	62,582
Total other comprehensive income		328,967	398,787
Total comprehensive income for the year		3,469,466	2,668,445

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

Consolidated statement of changes in shareholder's equity
December 31, 2015
(In balboas)

	Notes	Common shares	Regulatory Provision	Unrealized loss on securities available for sale	Accumulated deficit	Total shareholder's equity
Balance at December 31, 2013		60,000,000	622,437	(2,768,680)	(6,674,993)	51,178,764
Net income		-	-	-	2,269,658	2,269,658
Other comprehensive income (loss)						
Net changes in securities available						
for sale during the year		-	-	7,200	-	7,200
Net realized income transferred to profit or loss		-	-	329,005	-	329,005
Amortization charged to profit or loss		-	-	62,582	-	62,582
Total other comprehensive income		-	-	398,787	-	398,787
Total comprehensive income		-	-	398,787	2,269,658	2,668,445
Other equity transactions						
Increase in regulatory reserve		-	2,186,514	-	(2,186,514)	-
Balance at December 31, 2014		60,000,000	2,808,951	(2,369,893)	(6,591,849)	53,847,209
Net income		-	-	-	3,140,499	3,140,499
Other comprehensive income (loss)						
Net realized income transferred to profit or loss						
Net changes in securities available						
for sale during the year	9	-	-	24,418	-	24,418
Amortization charged to profit or loss	9	-	-	304,549	-	304,549
Total other comprehensive income		-	-	328,967	-	328,967
Total comprehensive income		-	-	328,967	3,140,499	3,469,466
Other equity transactions						
Regulatory reserve on loans	25	-	1,096,255	-	(1,096,255)	-
Regulatory reserve to adjudicated properties	25	-	9,112	-	(9,112)	-
Balance at December 31, 2015		60,000,000	3,914,318	(2,040,926)	(4,556,717)	57,316,675

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

Unibank, S.A. and Subsidiary

Consolidated statement of cash flows
December 31, 2015
(In balboas)

	Notes	2015	2014
Cash flows from operating activities:			
Net income (loss)		3,140,499	2,269,658
Adjustments to reconcile net loss and cash from operating activities:			
Increase (reversal) of provision for loan losses	11	513,579	(257,612)
Provision for securities held to maturity	10	36,900	-
Provision for assets held for sale	14	1,120,734	-
Depreciation	13	479,389	462,257
Current income tax	24	563,126	119,328
Deferred tax	24	(388,674)	(104,089)
Amortization of intangible assets	15	157,836	120,928
(Gain) loss on sale of securities	10	(304,751)	1,328
Amortization of unrealized loss on investments available for sale	9	304,549	391,587
Amortization of premiums and discounts	10	110,890	117,057
Equity interest in associate		(200,096)	-
Interest income and commissions		(29,022,660)	(23,837,852)
Interest expenses		14,665,959	12,116,937
Changes in operating assets and liabilities:			
Deposits with contractual maturities over 90 days	8	(3,817,800)	-
Loans and unearned discounted commissions		(4,554,225)	(46,859,612)
Other assets		(1,406,013)	(155,693)
Demand deposits		(2,250,953)	(3,694,346)
Savings deposits		(3,550,840)	8,084,311
Time deposits		43,485,791	72,216,818
Cashier's and certified checks		1,158,661	366,673
Other liabilities		(793,369)	1,109,508
Cash provided by operating activities:			
Income tax paid		(350,841)	(101,482)
Interest received		28,731,313	22,896,118
Interest paid		(14,566,298)	(11,119,215)
Net cash provided by operating activities		33,262,706	34,142,607
Cash flows from investing activities:			
Purchase of securities available for sale	9	-	(2,000,000)
Purchase of securities held to maturity		(15,399,991)	(74,813,551)
Redemptions of securities held to maturity	10	6,118,588	16,683,374
Purchase of permanent investments	10	-	(1,623,908)
Acquisition of furniture and equipment	13	(345,955)	(375,279)
Acquisition of intangible assets	15	(2,216,420)	(354,888)
Net cash provided by investing activities		(11,843,778)	(62,484,252)
Cash flows from financing activities:			
Financing payment payable		(20,311,665)	(2,418,920)
Proceeds from financings payable		14,398,288	14,821,676
Proceeds from securities sold under repurchase agreements		27,526,940	4,039,525
Net cash provided by financing activities		21,613,563	16,442,281
Increase (decrease) in cash and cash equivalents		43,032,491	(11,899,364)
Cash and cash equivalents at the beginning of the year		63,240,527	75,139,891
Cash and cash equivalents at the end of the year	8	106,273,018	63,240,527
Non-monetary transactions:			
Reclassification of investments available for sale	9	-	2,000,000

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

1. General information

Unibank S.A., formerly Uni Bank & Trust, Inc. and Subsidiary (the Bank) was organized and incorporated under Panamanian law, and was granted a General Banking License by Resolution No.163-2010 of July 19, 2010 and Trust License by Resolution S.B.P.-FID No. 007-2010 both from the Superintendency of Banks of Panama (hereinafter the "Superintendency of Banks"). The General Banking License and Trust License allows conducting the business of banking and trust services, anywhere in the Republic of Panama, carrying out transactions that are completed or take effect abroad, and undertaking such other activities authorized by the Superintendency of Banks.

Unibank, S.A. is supervised by the Superintendency of Banks under Decree Law No. 9 of February 26, 1998, and relevant regulations, as amended by Decree Law No. 2 of February 22, 2008. The Superintendency of Banks has all the faculties to monitor, regulate and inspect banking operations.

Unibank, S.A. provides directly and through its subsidiary, financial services, corporate banking, personal banking and private banking in addition to other financial services; these activities are subject to supervision by regulatory authorities.

Unibank, S.A. and its subsidiary, Uni Leasing, Inc., is hereinafter called the Bank.

The Bank owns 100% of the issued shares of Bienes Raíces Uni, S.A., whose operations have not yet started; it is registered under the laws of the Republic of Panama, at the Public Registry under No.790241 of the business section, Document No. 2303503 of December 21, 2012.

The Bank owns 100% of the issued and outstanding shares of Uni Leasing, Inc., which was organized and incorporated under Panamanian business law, and was granted license by Resolution No. 393 of September 15, 2011, to conduct leasing transactions. The leasing operations in Panama are regulated by the Department of Financial Institutions of the Ministry of Trade and Industry in accordance with Law No. 7 of July 10, 1990.

The Bank is a wholly-owned subsidiary of Uni B & T Holding, Inc., a company registered under the laws of the Republic of Panama, at the Public Registry under No.682912 of the business section, Document No.1712451 dated January 15, 2010.

In September 2014, the Bank, acquired 50% of the equity shares of Invertis Securities, S.A., a company incorporated in the Republic of Panama by Public Deed N°11,653 of December 12, 2012. Invertis Securities S.A. has been established to engage, within and from the Republic of Panama in the business of securities as a brokerage firm according to local regulations.

2. Adoption of new and revised International Financial Reporting Standards (IFRS's)

2.1 Amendments that take effect in the current period

The Bank has applied the following standards and amendments for the first time for annual reporting period beginning on January 1, 2015:

- Annual improvements to IFRSs - Cycle 2010-2012
- Annual improvements to IFRSs - Cycle 2011-2013
- Amendment to IAS 19 - Defined benefit plans: Employee contributions

The adoption of these amendments did not have any significant impact on the consolidated financial statements.

2.2 Standards and interpretations issued that have not yet been adopted

IFRS 9 - Financial Instruments

IFRS 9, issued in July 2014, contains the accounting requirements for financial instruments, replacing IAS 39 Recognition and Measurement and all previous versions of IFRS 9. The standard contains requirements in the following areas:

Classification and Measurement: the classification of assets by financial debt is determined by reference to the business model for managing financial assets and the characteristics of the contractual flows of financial assets. A debt instrument is measured at amortized cost if a) the business model is to hold the financial asset to collect the contractual flow and b) the contractual cash flow instrument represents only payments of principal and interest.

All other debt instruments and equity should be recognized at fair value.

All movements of fair value of financial assets should be recognized through the consolidated statement of profit or loss, except for equity instruments not held for trading, which can be recognized in the consolidated profit or loss statement or in equity reserves (without recycling to profit or loss).

Financial liabilities are classified similarly as under IAS 39, however, there are differences in the requirements to apply for the measurement of their own credit risk.

Impairment IFRS 9 introduces an expected loss model for the measurement of impairment of financial assets, so it is no longer necessary for a credit event to have occurred before an impairment loss is recognized.

Hedge accounting: introduces a new accounting model coverage which is designed to be more aligned with how the entities perform activities of risk management when there is hedging exposure to financial and non-financial risk. As a general rule, it is easier to apply hedge accounting in the future. The new model introduces greater disclosure requirements and presentation changes.

On December 2014, the IASB made additional changes to the classification and measurement rules and introduced a new model of deterioration. With these modifications, IFRS 9 was completed. The changes introduced:

- A third category of fair value measurement through certain financial assets to debt instruments.

- A new model of expected losses involving a three-phase approach where financial assets move through the three scenarios as credit risk varies. The scenarios indicate how an entity measures impairment losses. A simplified method is permitted for financial assets that do not have a significant financing component, such as accounts receivable.

IFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted.

IFRS 15 - *Revenue from contracts with customers*

In May 2014, IFRS 15 was issued, which provides an extensive and detailed model to be used by entities in accounting for revenue from contracts with customers. IFRS 15 will replace the current revenue recognition guidance, including IAS 18 Revenue, IAS 11 Construction Contracts and related interpretations on the date it comes into force.

The fundamental principle of IFRS 15 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration that the entity expects to receive in exchange for goods or services. Specifically, the rule adds a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with customers.
- Step 2: Identify performance obligations in the contract.
- Step 3: Determine the transaction price.
- Step 4: Distribute the transaction price to performance obligations in the contract.
- Step 5: Recognize revenue when (or whenever) the entity meets the requirement.

Under IFRS 15, an entity recognizes revenue when (or whenever) an obligation of performance, i.e. when the "control" of goods and services based on an obligation of individual performance is transferred to the customer and is satisfied. They have added many more prescriptive guidelinesin IFRS 15 to address specific situations. In addition, IFRS 15 requires extensive disclosures.

IFRS 16 Leases

IFRS 16 *Leases* replaces IAS 17 Leases. This standard eliminates the classification of leases and establishesthat they must be recognized in a similar way to financial leases and measured at the present value of future lease payments. 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.*

3. Most significant accounting policies

3.1 Basis of presentation

The consolidated financial statements have been prepared under the historical cost basis, except for the securities available for sale and the non-current assets available for sale, which are stated at fair value.

The Bank's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs). The accounting policies used in preparing the financial statements have been applied consistently in relation to previous years.

3.2 Principle of consolidation

The consolidated financial statements include the financial statements of Unibank, S.A., and its Subsidiary, Uni Leasing, Inc.

Control is achieved when the bank:

- Has power over investment;
- Is exposed, or has rights, to variable returns from its involvement with the entity; and
- Has the ability to affect those returns through its power over the entity in which it invests.

The Bank reassesses whether it controls an entity if the facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Bank has less than the majority of the voting rights over an investee, it has control over an investee when the voting rights give it the current ability to direct unilaterally the relevant activities of the investee, which are the activities that significantly affect the return of the investee. The Bank considers all the facts and circumtances to evaluate if the voting rights over an investee are sufficient to has power.

- The size of the percentage of voting rights of the Bank relative to the size and dispersion of holdings of other holders of voting;
- Potential voting rights held by the Bank, other shareholders or other parties;
- Rights arising from contractual agreements; and
- Any additional facts or circumstances indicating that the Bank has or does not have, the current ability to direct the relevant activities when they need to make decisions, including voting patterns at previous shareholder meetings.

Subsidiaries are consolidated from the date on which the Bank obtains control until the moment the control ends. Revenues and expenses of subsidiaries acquired or disposed during the year are included in the consolidated statement of profit or loss from the effective date of acquisition or from the disposal effective date, as appropriate.

Gains or losses of each component of other comprehensive income are attributed to the owners of the Bank and non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Bank and non-controlling interests even if results in non-controlling interests have a negative balance.

If necessary, adjustments are made to the consolidated financial statements of subsidiaries to bring their accounting policies to those used by other members of Bank.

All significant balances and transactions between the Bank and its subsidiaries were eliminated in the consolidation.

3.3 Foreign currency transactions

Monetary assets and liabilities denominated in foreign currency at the reporting date are retranslated to the functional currency at the spot exchange rate at that date, except for those transactions whose exchange rate were contractually set. Transactions in foreign currencies are translated into the respective functional currency of the Bank at the spot exchange rates at the date of transactions. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated to the functional currency at the spot exchange rate at the date that the fair value was determined. Foreign currency differences arising on translation are generally recognized in profit or loss except for the differences arising from the translation of equity available for sale securities, a financial liability designated as a net investment hedge in a foreign operation or qualifying cash flow hedges, which are directly recognized in the consolidated statements of comprehensive income.

3.4 Functional and presentation currency

Records are carried in balboas (B/.) and the consolidated financial statements are expressed in this currency. The balboa, the monetary unit of the Republic of Panama, is at par and freely exchangeable with the United States dollar (US$). The Republic of Panama does not issue paper money and instead uses the American dollar as legal tender.

3.5 Investment in associated company

An associate is an entity over which the Bank has significant influence. Significant influence is the power to intervene in decisions of financial and operating policy of the investee but to have absolute or joint control thereof.

The results of the assets and liabilities of the associated company are recorded under the equity method. This investment is subject to review to determine any impairment, as long as the changes in the circumstances indicate that the carrying amount is not recoverable.

3.6 *Financial assets*

Financial assets are classified into the following specific categories: securities held to maturity, securities available-for-sale and loans. The classification depends on the nature and purpose of the financial asset and is determined at the time of initial recognition.

Securities available-for-sale

They consist of securities purchased with the intention of keeping them for an indefinite period of time, which can be sold in response to the needs for liquidity or changes in interest rates, or prices of equity instruments. This portfolio has as an economical and financial policy for the search of a comprehensive income.

After initial recognition, securities available-for-sale are measured at their fair value.

Gains or losses arising from changes in fair value of securitires available-for-sale are recognized directly in equity until the financial assets are derecognized or an impairment is determined. At this time, the cumulative gain or loss, previously recognized in equity is recognized in the results, except for the impairment losses, interests based on effecive interest method and the foreign exchange profit or loss that are recognized directly in income.

Dividends on equity instruments available-for-sale are recognized in the consolidated statement of profit or loss when the entity's right to receive payment is established.

The fair value of an investment in securities is generally determined based on the quoted market price at the date of the consolidated statement of financial position. If the quoted market price is not available, the fair value of the instrument is estimated using pricing models or of discounted cash flows techniques.

Securities held to maturity

Securities held to maturity are non-derivative financial assets with fixed or determinable payments and fixed maturities which the Bank's management has the intent and ability to hold to maturity.

Assets held to maturity are recognized at amortized cost using the effective interest method less any impairment, with income recognized on an effective rate basis.

Loans

Loans are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, except: (a) those that the entity will expect to sell immediately or on a short term, which are classified as trading, and those that the entity in its initial recognition designates at fair value through profit or loss, (b) those that the entity upon initial recognition designates as available-for-sale, or (c) those for which the holder do not recover substantially all of its initial investment, unless due to credit deterioration.

Loans are recognized at amortized cost using the effective interest method less any impairment, with income recognized on an effective rate basis.

Financial leasing

Finance leases consist primarily of leases for equipment and vehicles, which are reported as part of the loan portfolio at the present value of the lease. The difference between the gross receivable and the present value of the receivable is recognized as unearned interest income, which is amortized to income using a method that reflects a periodic rate of return.

Derecognition of financial assets

The Bank derecognizes a financial asset only when the contractual rights to receive cash flows have expired or when the Bank has transferred financial assets and substantially all the risks and rewards of ownership of the asset to another entity. If the Bank does not transfer or retain substantially all the risks and benefits of ownership and control continues with the asset transferred, the Bank recognizes its retained interest in the assets and liabilities related to the amounts that it may have to pay. If the Bank retains substantially all risks and rewards of ownership of a transferred financial asset, the Bank continues to recognize the financial asset and also recognizes a liability secured by the amount received.

3.7 Financial liabilities and equity instruments issued by the Bank

Classification as debt or equity

Debt and equity instruments are classified as financial liabilities or as equity in accordance with the contractual arrangements.

Equity instrument

An equity instrument is any contract that evidences a residual interest on the assets of an entity after deducting all its liabilities. Equity instruments issued by the Bank are recorded at the amount received, net of direct issuance costs.

Liabilities from financial guarantee contracts

Contracts that an entity is in the obligation to pay specific amounts on behalf of a third party in case of default, regardless of how this obligation is implemented: either by bond, financial or technical guarantee, documented irrevocably credit issued or confirmed by the entity, insurance and credit derivative.

Financial guarantees, regardless of its owner, instrumentation and other circumstances, are regularly analyzed to determine the credit risk they are exposed to and, if necessary, to estimate the needs of an allowance for them, which is determined by application of similar criteria to those established for quantifying impairment losses experienced by debt instruments measured at their amortized cost as detailed in the note of impairment of financial assets.

Financial guarantees are initially recognized in the consolidated financial statements at fair value at the date on which the guarantee was issued. Subsequent to initial recognition, bank liabilities under such guarantees are measured at the higher of the initial recognition, less amortization calculated for recognition in the consolidated statement of profit or loss from fees earned on a straight-line basis on the life of the guarantee and best estimate of disbursement required to settle any financial obligation arising at the date of the consolidated statement of financial position. These estimates are determined based on the experience of similar transactions and history of past losses, supplemented by Management's judgment.

Financings

Financings arew recognized initially at fair value, net of transaction costs incurred. Subsequently, financings are recognized at amortized cost using the effective interest method, with interest expense recognized on the effective rate base.

Other financial liabilities

Other financial liabilities, including debts, are initially measured at cost, net of transaction costs and are subsequently measured at amortized cost using the effective interest method with interest expenses recognized on the effective rate base.

Derecognition of financial liabilities

The Bank derecognizes financial liabilities when, and only when, the Bank's obligations are liquidated, cancelled or expired.

3.8 *Offsetting of financial instruments*

Financial assets and liabilities are offset, that is, when the net amount is presented in the consolidated statement of financial position, only when the dependent entities have the right, legally enforced, to offset the recognized amounts of such instruments, as well as the intention to liquidate the net amount, or to realize the asset and pay the liability simultaneously.

3.9 *Income and interest expense*

Income and interest expense are recognized in the consolidated statement of profit or loss under the method of effective interest rate for all interest-bearing financial instruments. The effective interest rate is the rate that exactly discounts estimated cash flows over the estimated life of a financial instrument or when appropriate in a shorter period, at its net book value. When calculating the effective interest rate, cash flows are estimated considering the contractual terms of the financial instrument.

The method of effective interest rate is the method used to calculate the amortized cost of a financial asset or liability and to distribute the income or interest expense over a period of time. The effective interest rate is the rate that exactly discounts the estimated cash flows over the expected life of a financial instrument or, when appropriate in a shorter period, to its net carrying amount. In calculating the effective interest rate, cash flows are estimated considering the contractual terms of the financial instrument.

3.10 *Fees and commission income*

Generally, commissions on short-term loans, letters of credit and other banking services are recognized as income at the time of its collection due to being short-term transactions. The revenue recognized at the time of its collection is not significantly different from that recognized under the cumulative or accrual method. Commissions on loans and other transactions at medium and long term, net of certain direct costs from granting the same, are deferred and amortized during their life.

3.11 *Impairment of financial assets*

Loans

The Bank assesses if there is objective evidence that a financial asset or group of financial assets are impaired.

A financial asset or group of financial assets is impaired and incurred in an impairment loss only if there is evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or financial group that can be estimated reliably.

The criteria that the Bank uses to determine that there is objective evidence of an impairment loss include:

- Significant financial difficulty of the issuer or debtor.
- A breach of contract, such as a default or delinquency in interest or principal payments.
- For economic or legal reasons relating to the borrower's financial difficulty, a concession that the lender would not otherwise consider, is granted to the borrower.
- It becoming probable that the borrower will enter bankruptcy or another financial reorganization.
- The disappearance of an active market for that financial asset because of financial difficulties.
- Observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the Bank.

The Bank first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If the Bank determines that no objective evidence of the existence of an impairment of individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses for impairment.

Individually assessed loans

Impairment losses on individually assessed loans are determined by an evaluation of the exposures on a case by case basis. This procedure applies to all loans that are individually significant or not. If it is determined that there is no objective evidence of impairment for an individual loan, this loan is included in a group of loans with similar characteristics and are collectively evaluated to determine whether impairment exists.

The impairment loss is calculated by comparing the present value of expected future cash flows, discounted at the loan's original effective interest loan, with its current carrying value and the amount of any loss is charged as a provision for losses in the consolidated statement of profit or loss. The carrying amount of impaired loans is reduced through the use of an allowance account.

Loans collectively assessed

For purposes of a collective evaluation of impairment, loans are grouped according to similar credit risk characteristics. Those characteristics are relevant to the estimation of future cash flows for groups of such assets indicating the ability of debtors' payment of amounts due according to the contractual terms of the assets being evaluated.

Future cash flows in a group of loans that are collectively evaluated to determine if impairment exists are estimated according to contractual cash flows of the assets in the group, the historical loss experience for assets with credit risk characteristics similar to the group credit and experienced Management opinions on whether the current economy and credit conditions can change the actual level of historical inherent losses suggested.

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 event was recognized, the previously recognized impairment loss is reversed by reducing the reserve account for loan losses. The amount of any reversal is recognized in the consolidated statement of profit or loss.

When a loan is uncollectible, it is canceled against the allowance for loans. Such loans are written off after all the necessary procedures have been considered and the amount of the loss has been determined. Subsequently, recoveries of amounts previously written off are credited to the reserve.

3.12 Property, furniture, equipment and improvements

Property, furniture, equipment and improvements are stated at cost, net of accumulated depreciation and amortization. Major improvements are capitalized, while other minor repairs and maintenance, which do not increase its useful life or improve the assets, are charged to expenses as incurred.

Depreciation and amortization are charged to current operations under the straight-line method, based on the estimated useful lives of the assets:

Assets	Useful life
Property	30 years
Furniture and office equipment	5 - 7 years
Computer equipment	5 - 7 years
Leasehold improvements	20 - 30 years

Assets that are subject to amortization are reviewed for impairment whenever changes in the circumstances indicate that carrying values are not recoverable. The carrying value of fixed assets is immediately written down to its recoverable amount, which is the higher between the fair value less cost and the value in use.

3.13 Intangible assets

Licenses acquired separately are stated at historical cost. Licences have a finite useful life and are carried at cost less accumulated amortization. Depreciation is computed using the straight-line method to allocate the cost of licenses over their estimated lives up to five years. The software licenses acquired are capitalized on the basis of costs incurred to acquire and are able to use the specific software.

3.14 *Foreclosed assets held for sale*

Foreclosed assets held for sale are stated at the lower of the carrying amount of the unpaid loans and its estimated market value less costs to sell. Any impairment that affects the value of the foreclosed assets is adjusted against a provision that was recorded in the results of operations.

3.15 *Assets held for sale*

The Bank maintains assets and liabilities, which it expects to recover through a sale and not through its continued use, and are classified as held for sale. Immediately before being classified as held for sale, the assets or components of a group of assets for disposal will be remeasured in accordance with the Bank's accounting policies.

From this classification, they are recognized by the lower of their carrying amount and its fair value less sale costs. An impairment loss is recognized due to the reductions of the initial value of the assets. Impairment losses on initial and subsequent classification as held for sale are recognized in the consolidated statement of profit or loss.

3.16 *Impairment of non-financial assets*

At each consolidated statement of financial position date, the Bank reviews the carrying amounts of its non-financial assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is calculated in order to determine the extent of the impairment loss (if any). In case the asset does not generate cash flows by itself, that are independent from other assets, the Bank calculates the recoverable amount of the cash-generating unit to which the asset belongs. Intangible assets with indefinite useful lives are tested for impairment annually.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is written down/reduced?? to its recoverable amount. Immediately an impairment loss is recognized in operating results.

3.17 *Financings*

Financings are recognized initially at fair value net of transaction costs incurred. Subsequently, the financings are recorded at amortized cost; any difference between proceeds net of transaction costs and the redemption value is recognized in the consolidated statement of profit or loss over the financing period, using the effective interest rate method.

3.18 Securities sold under repurchase agreements

Securities sold subject to repurchase agreements are short-term financing backed securities transactions in which the Bank has the obligation to repurchase the securities sold at a future date at a specified period. The difference between the selling price and the value of future purchase is recognized as interest expense under the effective interest rate method.

3.19 Employee benefits

Panamanian labor law requires that employers constitute a Severance Fund to guarantee payment of seniority premiums and indemnity in cases of unjustified dismissals or resignation. For the establishment of this fund, employers have to contribute to the fund based on 1.92% of total salaries paid in the Republic of Panama and 5% of the monthly quota part of the indemnity. Payments should be deposited on a quarterly basis in a trust. Such contributions are recognized as expense in the results of operations. The Severance Fund is maintained in a private trust and it is managed by a separate entity of the Bank and its subsidiary.

3.20 Income tax

The income tax of the year comprises current tax and deferred tax. The income tax is recognized in the results of operations for the current year. The current income tax refers to the estimated payable on taxable income for the year, using the effective rate at the date of the consolidated statement of financial position.

Deferred tax is calculated based on the liability method, on temporary differences between the carrying values of assets and liabilities reported for financial purposes and the amounts used for tax purposes, using the income tax rate in force at the date of the consolidated statement of financial position. These temporary differences are estimated to be reversed in future dates.

3.21 Cash equivalents

For purposes of the consolidated statement of cash flows, cash equivalents includes cash, demand and time deposits with banks with original maturities of three months or less as of the acquisition date.

4. Financial risk instruments

4.1 Objectives of financial risk managements

The activities of the Bank are exposed to a several of financial risks and those activities include the analysis, evaluation, acceptance and administration of certain degree of risks or combination of risks. Taking risks is core to the financial business, and the operational risks are an inevitable consequence of being in the business. Therefore,. the objective of the Bank is to achieve an appropriate balance between risk and return and minimize the potential adverse effects on the financial return of the Bank.

The activities of the Bank are mainly related with the use of financial instruments, and, as such, the consolidated statement of financial position is mainly composed of financial instruments. The Bank is therefore exposed to the following risks:

- Credit risk
- Liquidity risk
- Market risk
- Operational risk

The Board of Directors of the Bank has the responsibility to establish and overlook the policies of financial instruments risk management. In that effect, it has appointed committees in charge of the periodic management and to overlook the risks to which the Bank is exposed. The committees are the following:

- Audit Committee
- Assets and Liabilities Committee (ALCO)
- Risk Committee
- Compliance Committee
- Credit Committee
- Steering Committee
- Committee for Prevention of Money Laundering

In addition, the Bank is subject to the regulations of the National Securities Commission of Panama and the Superintendency of Banks of Panama, in relation to concentration risks, liquidity and capitalization risk, among others.

4.2 Credit risk

Credit risk is the risk of a financial loss for the Bank that may take place if a client or a counterparty of a financial instrument fails to meet their contractual obligations arising mainly on loans to clients and investment securities.

For purposes of risk management, the Bank considers and consolidates all the elements of exposure of credit risk, debtor risk, country risk, and sector or industry risk. The credit risk that originates in maintaining securities is managed independently, but informed as a component of credit risk exposure.

The respective committees appointed by the Board of Directors periodically monitor the financial condition of the debtors and issuers of negotiable instruments that involve a credit risk for the Bank. The Credit Committee consists of members of the Board of Directors, credit management staff, and representatives of the business areas. This Committee is in charge of developing the changes to credit policies, and to present them to the Bank's Board of Directors.

The Bank has established certain procedures to manage credit risk summarized as follows:

Issuance of credit policies

Credit policies are issued and revised by recommendation of any member of the Credit Committee or by the Vice-Presidents or Managers of Credit Banking, as well as by the control areas, who must suggest by written considering the following factors:

- Changes in market conditions.
- Risk factors.
- Changes in laws and regulations.
- Changes in financial conditions and credit availability.
- Other factors relevant at the moment.

All changes in policies or the issuance of new policies must be approved by the Credit Committee, who in turn submits them to the Board of Directors for approval, issuing a memorandum of instructions for subsequent disclosure and implementation.

Establishment of authorization limits

The limits for approval of credits depend on the significance of each amount related to the equity of the Bank. These limit levels are presented to the Credit Committee, who in turn submits them for the approval of the Board of Directors of the Bank.

Exposure limits

To limit exposure, maximum limits have been set out for an individual debtor or economic group based on capital funds of the Bank.

Concentration limits

To limit concentration per activity or industry, exposure limits have been approved based on capital distribution and the strategic orientation set for the loan portfolio.

The Bank has also limited its exposure in different geographical areas through the country risk policy, in which countries have been defined where the Bank is willing to have exposure based on its strategic plan; in turn, credit and investment exposure limits have been implemented in such countries based on the credit rating of each one.

Counterparty maximum limits

In regards to counterparty exposure, limits have been defined based on risk rating of the counterparty, as a proportion of the Bank's capital.

Impairment and provisioning policies

Each business unit is responsible for the quality and performance of credit of their portfolios as well as for control and monitoring of risks. However, through the Risk Department, which is separate from the business areas, the debtor's financial condition and ability to pay is evaluated periodically, giving primary importance to the biggest individual debtors. While the rest of the loans that are not individually significant they are being followed up through the ranks of default from their quotas, and the individual characteristics of such portfolios.

The following table analyzes the loan portfolio of the Bank that is exposed to credit risk and its corresponding assessment:

	Loans receivable	
	2015	2014
Maximum exposure		
Book value	316,840,849	312,800,204
At amortized cost		
Grade 1: Normal	316,562,108	313,494,823
Grade 2: Special mention	1,360,967	914,059
Grade 3: Subnormal	499,841	37,425
Grade 4: Doubtful	33,070	183,972
Grade 5: Unrecoverable	141,214	606,610
Gross amount	318,597,200	315,236,889
Reserve for impairment	(1,218,436)	(1,424,716)
Interest and commissions discounted unearned	(537,915)	(1,011,969)
Net book value	316,840,849	312,800,204
Not delinquent or deteriorated		
Grade 1	316,562,108	313,494,823
Grade 2	1,360,967	914,059
Sub-total	317,923,075	314,408,882
Individually impaired		
Grade 3	499,841	37,425
Grade 4	33,070	183,972
Grade 5	141,214	606,610
Sub-total	674,125	828,007
Reserve for impairment		
Individual	448,018	563,098
Collective	770,418	861,618
Total	1,218,436	1,424,716

In the previous table, the major risk exposure factors and information of impaired assets have been detailed, and the assumptions used for such disclosures are as follows:

- *Impairment on loans* - The impairment on loans is determined considering the principal and interests, based on contractual terms.

- *Delinquencies with no impairment of loans* - They are considered delinquencies without deteriorating loans where payments of principal and interest contractually agreed are in arrears, but the Bank believes that impairment is not appropriate considering the level of guarantees available on the amounts owed to Bank.

- *Allowances for impairment* - Allowances for impairment have been established based on estimated expected losses in the loan portfolio. The main components of this allowance are related to individual risks and the allowance for loan losses is collectively established.

- *Write-off policy* - Loans are charged to losses when they are determined uncollectible. This determination is taken after an analysis of financial conditions made from the time the payment obligation was not performed and when it is determined that the guarantee is not sufficient for full payment of the facility granted.

The Bank holds collaterals on loans granted to customers such as mortgages and other guarantees. The fair value estimates are based on the value of the collateral according to the loan period and are generally not updated unless the credit is deteriorating on an individual basis.

The fair value of guarantees and other guarantees of the loans portafolio is detailed as follow:

	2015	2014
Movable property	9,665,149	13,855,581
Inmovable property	283,672,438	416,110,227
Pledged deposits at the same bank	93,597,044	67,297,078
Pledged deposits in others bank	1,250,000	-
Collateral and others	21,603,871	8,219,469
Total	409,788,502	505,482,355

The following detail analyzes the securities available for sale and securities held to maturity that are exposed to credit risk and its corresponding evaluation based on the degree of qualification:

2015	Securities available for sale	Securities held to maturity	Total
Investment grade	2,031,618	83,898,470	85,930,088
Special monitoring	-	928,252	928,252
Ungraded	2,000,000	19,707,700	21,707,700
	4,031,618	104,534,422	108,566,040

2014	Securities available for sale	Securities held to maturity	Total
Investment grade	2,007,200	77,793,261	79,800,461
Special monitoring	-	3,338,697	3,338,697
Ungraded	2,000,000	13,927,200	15,927,200
	4,007,200	95,059,158	99,066,358

In the above table, the factors of greatest risk exposure have been detailed of the securities available for sale and held to maturity.

To manage financial risk exposures of securities available for sale and securities held to maturity, the Bank uses the indicators of external qualifiers, as detailed below:

Grade ratings	*External qualification*
Investment grade	AAA, AA+, AA-, A+, A, BBB+, BBB, BBB-
Standard monitoring	BB+, BB, BB-, B+, B, B-
Special monitoring	CCC a C, D
Ungraded	----

Risk concentration of financial assets with credit risk disclosure

The Banks monitors the credit risk concentration by sector and geographic location. The analysis of the credit risk concentration at the date of the consolidated statement of financial position is the following:

2015	Bank deposits	Loans	Investments
Concentration by sector:			
Corporate and particulars	-	317,597,200	64,134,991
Government	-	-	25,344,515
Banks and financial institutions	105,838,900	1,000,000	19,086,534
	105,838,900	318,597,200	108,566,040
Geographical concentration:			
Panama	41,434,553	307,340,156	38,479,388
Latin America and the Caribbean	-	6,740,154	4,662,255
United States of America	45,037,473	-	4,399,526
Others	19,366,874	4,516,890	61,024,871
	105,838,900	318,597,200	108,566,040

2014	Bank deposits	Loans	Investments
Concentration by sector:			
Corporate and particulars	-	315,236,889	61,416,823
Government	-	-	22,442,579
Banks and financial institutions	61,373,057	-	15,206,956
	61,373,057	315,236,889	99,066,358
Geographical concentration:			
Panama	38,194,677	311,287,079	38,725,215
Latin America and the Caribbean	-	785,774	-
United States of America	11,906,517	-	5,064,505
Others	11,271,863	3,164,036	55,276,638
	61,373,057	315,236,889	99,066,358

The geographical concentrations of loans are based on the debtor's location while investments are based on the issuer's domicile.

4.3 *Market risk*

The Banks is exposed to market risk, which is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risks arise from open positions in interest rate, currency and stocks, which are exposed to general market movements and specific changes in the level and volatility of market rates or prices such as interest rates , credit spread, the exchange rates and stock prices.

Reports on market risks arising from marketable and non-marketable activities are presented for assessment and consideration by the Risk Committee, and then submitted to the Board of Directors for review and approval.

Negotiable portfolios include positions arising from transactions occurring in the market in which the Banks act as principal with clients or with the market. Non-trading portfolios primarily arise from the management of the Banks' interest rates and assets and liabilities of the commercial banks.

As part of the market risk, the Bank is mainly exposed to the interest rate risk. For these purposes, interest rate risk, cash flow and fair value mean as follows:

The interest rate risk of cash flows and the interest rate risk of fair value are the risks that future cash flows and the value of a financial instrument will fluctuate because of changes in market interest rates. Exposure to interest rate risk is reviewed by the Asset and Liability Committee (ALCO) and the Risk Committee.

Risk market administration

To measure and control market risk, the Bank has limits such as net exposure by currency, per issuer, country risk, size offering and time limits, among others.

The following table summarizes the calculation of VaR (Value at Risk) for a portfolio of investments at fair value of the Bank at the date of the consolidated financial statements :

	2015	2014
VaR total	1,552,713	1,431,940

For the calculation of Value at Risk or VaR, the Bank uses a standard model which gives greater weight to the most recent data, with a time horizon of 14 business days (2014: 14 days) and confidence level of 99%.

Although the model of VaR is an important tool in measuring market risk, it involves the following:

- Normal market movements (major financial crisis are excluded).
- Does not calculate the maximum loss of the portfolio.
- Actual losses generated by the portfolio later, some will be above the VaR.
- The Bank maintains its total portfolio in securities held to maturity, so the portfolio risk is strictly credit.

The limitations of the VaR methodology are recognized, but are complemented with other structures of sensitivity limits, including limits to address potential concentration risks within each trading portfolio.

Exchange rate risk

It is the risk that the value of a financial instrument will fluctuate because of changes in exchange rates of foreign currencies, and other financial variables as well as the reaction of market participants to political and economic events.

The Bank has no significant proprietary positions in foreign currencies; it only keeps operating accounts to meet the demand of its customers.

The Bank maintains transactions of monetary financial instruments in the consolidated statement of financial position, contracted in foreign currencies, which are presented below:

2015	Euros expressed in USD	Sterling Pounds expressed in USD	Swiss francs expressed in USD	Canadian Francs expressed in USD	Total
Bank deposits	3,251,216	1,679	484,020	1,085	3,738,000
Other assets	(25,811)	(1,120)	(10,329)	(73)	(37,333)
Total assets	3,225,405	559	473,691	1,012	3,700,667
Customer deposits	3,244,566	-	483,992	827	3,729,385
Total liabilities	3,244,566	-	483,992	827	3,729,385
Net positions	(19,161)	559	(10,301)	185	(28,718)

2014	Euros expressed in USD	Sterling Pounds expressed in USD	Swiss francs expressed in USD	Canadian Francs expressed in USD	Total
Bank deposits	2,117,459	93,087	374,450	1,742	2,586,738
Other assets	487	-	-	37	524
Total assets	2,117,946	93,087	374,450	1,779	2,587,262
Customer deposits	2,100,573	91,313	373,619	1,481	2,566,986
Other liabilities	31,448	1,183	8,228	-	40,859
Total liabilities	2,132,021	92,496	381,847	1,481	2,607,845
Net positions	(14,075)	591	(7,397)	298	(20,583)

Sensitivity analysis for the exchange rate risk is mainly considered in the measurement of the position within a specific currency. The analysis is to verify on a monthly basis how much would the position in the functional currency represent on the currency to which it would be converting, and consequently the combination of the exchange rate risk.

Fair value hedge of interest rate risk

The interest rate risk of the cash flow and the interest rate risk of the fair value are the risks that the future cash flows and the value of a financial instrument will fluctuate because of changes in market interest rates.

The table below summarizes the Bank's exposures to interest rate risk. This includes the balances of the Bank's financial instruments classified by categories by the earliest date between the contractual restatement or the maturity date.

2015	Up to 1 year	1-3 years	3-5 years	More than 5 years	No maturity nor interest rate	Total
Assets:						
Demands deposits	-	-	-	-	8,046,100	8,046,100
Due from banks	97,792,800	-	-	-	-	97,792,800
Investments available for sale	-	-	2,031,618	2,000,000	-	4,031,618
Investments held to maturity	1,500,000	6,867,410	12,434,878	83,732,134	-	104,534,422
Loans	199,208,684	22,210,194	34,562,944	62,615,378	-	318,597,200
Total	298,501,484	29,077,604	49,029,440	148,347,512	8,046,100	533,002,140
Liabilities:						
Demand deposits	-	-	-	-	40,191,470	40,191,470
Savings deposits	52,768,267	-	-	-	-	52,768,267
Time deposits	258,628,365	88,303,579	1,369,799	-	-	348,301,743
Securities sold under repurchase agreements	41,568,210	-	-	-	-	41,568,210
Commercial papers	6,489,379	-	-	-	-	6,489,379
Total	359,454,221	88,303,579	1,369,799	-	40,191,470	489,319,069
Total interest rate sensitivity	(60,952,737)	(59,225,975)	47,659,641	148,347,512	(32,145,370)	43,683,071

2014	Up to 1 year	1-3 years	3-5 years	More than 5 years	No maturity nor interest rate	Total
Assets:						
Demands deposits	-	-	-	-	11,934,351	11,934,351
Due from banks	49,438,706	-	-	-	-	49,438,706
Investments available for sale			2,007,200	2,000,000		4,007,200
Investments held to maturity	500,000	3,449,765	4,627,526	86,481,867		95,059,158
Loans	170,279,211	38,365,902	34,887,069	71,704,707	-	315,236,889
Total	220,217,917	41,815,667	41,521,795	160,186,574	11,934,351	475,676,304
Liabilities:						
Demand deposits	-	-	-	-	42,442,423	42,442,423
Savings deposits	56,319,107	-	-	-	-	56,319,107
Time deposits	248,150,780	51,192,172	5,473,000	-	-	304,815,952
Securities sold under repurchase agreements	14,041,270	-	-	-	-	14,041,270
Commercial papers	12,402,756	-	-	-	-	12,402,756
Total	330,913,913	51,192,172	5,473,000	-	42,442,423	430,021,508
Total interest rate sensitivity	(110,695,996)	(9,376,505)	36,048,795	160,186,574	(30,508,072)	45,654,796

The Bank's Management, based on the requirements of IFRS 7, to assess the risks of interest rates and their impact on the fair value of financial assets and liabilities, performs simulations to determine the sensitivity of the financial margin rate change of interest.

The basis analysis carried out monthly by Management is to determine the impact on assets and liabilities due to increases or decreases of 100 and 200 basis points in interest rates. The following summarizes the impact on profit or loss:

2015	100bp increase	100bp decrease	200bp increase	200bp decrease
Year average	14,928	(14,928)	29,856	(29,856)
Year maximum	24,934	(24,934)	49,867	(49,867)
Year minimum	12,375	(12,375)	24,750	(24,750)

2014	100bp increase	100bp decrease	200bp increase	200bp decrease
Year average	18,268	(18,268)	36,536	(36,536)
Year maximum	23,943	(23,943)	47,886	(47,886)
Year minimum	14,359	(14,359)	28,718	(28,718)

At December 31, 2015, customer deposits accrued annual interest rates ranging from 0.25% to 5.39% (2014: 0.14% to 5.39%).

4.4 *Liquidity risk*

Liquidity risk is the risk that the Bank is unable to meet all its obligations related to its financial liabilities at their maturity date and to replace the funds when they are withdrawn. The consequence may be the failure to meet its obligations and commitments to disburse loans.

Management process of liquidity risk

The risk management process of liquidity risk of the Company, includes:

- Managing and monitoring future cash flows to ensure that requirements can be met. This includes replenisthing funds as they mature or are borrowed by customers. The Bank maintains an active presence in global money markets to prevent any non compliance;
- Maintaining a portfolio of highly marketable assets that can be easily liquidated as protection against any unforeseen availability of cash flow;
- Monitoring liquidity rate of the consolidated financial position against internal and regulatory requirements;
- Managing the concentration and profile of the maturities of financial liabilities.

The Asset and Liability Committee (ALCO) reviews the management process detailed above. . No está en español.

Monitoring and reporting, prepared by Management, becomes a tool for measuring and cash flow projection for the next day, week and month respectively, as these are key periods for liquidity management. The starting point for those projections is an analysis of the contractual maturities of financial liabilities and the expected collection date of the financial assets.

Management also monitors medium-term assets, the level and type of debt obligation, the use of overdraft facilities and the impact of contingent liabilities, such as 'standby' letters of credit and guarantees.

Liquidity risk exposure

The key measure used by the Bank for managing liquidity risk is the ratio of liquid assets to net deposits received from customers. Liquid assets are cash and cash equivalents and debt securities, for which there is an active and liquid market less any deposit received from banks, debt securities issued, other borrowings and commitments maturing within one month. A similar calculation, but not identical, is used for measuring liquidity limits set by the Bank in compliance with that indicated by the Superintendency of Banks of Panama with respect to liquidity risk measurement.

Following is the legal liquidity index corresponding to the margin of the net liquid assets over deposits received from the Bank's customers at the date of the financial statements:

	2015	**2014**
Year average	63.24%	65.65%
Year maximum	69.09%	78.04%
Year minimum	52.76%	54.71%

The Bank is exposed to daily requirements on its resources of funds available from overnight deposits, current accounts, maturing deposits, loan disbursements and collateral and margin requirements settled in cash.

The Bank maintains cash resources to meet all these needs, as experience shows that a minimum level of reinvestment of funds that are maturing can be predicted with a high level of security. The Board of Directors sets limits on the minimum proportion of available funds to meet these requirements and the minimum level of interbank facilities.

The table below shows the discounted cash flows of financial assets and liabilities exposed to the Bank's interest rate recognized in groups of contractual maturity. The flows expected from these instruments may vary significantly from these analyzes.

2015	Up to 1 year	From 1 to 3 years	From 3 to 5 years	Over 5 years	Total
Assets:					
Demand deposits	8,046,100	-	-	-	8,046,100
Time deposits in banks	97,792,800	-	-	-	97,792,800
Securities available for sale	-	-	2,031,618	2,000,000	4,031,618
Securities held to maturity	1,500,000	6,867,410	12,434,878	83,732,134	104,534,422
Loans	199,208,684	22,210,194	34,562,944	62,615,378	318,597,200
Total	306,547,584	29,077,604	49,029,440	148,347,512	533,002,140
Liabilities:					
Demand deposits	40,191,470	-	-	-	40,191,470
Savings deposits	52,768,267	-	-	-	52,768,267
Time deposits	258,628,365	88,303,579	1,369,799	-	348,301,743
Securities sold under repurchase agreement	41,568,210	-	-	-	41,568,210
Negotiable commercial securities	6,489,379	-	-	-	6,489,379
Total	399,645,691	88,303,579	1,369,799	-	489,319,069
Total sensitivity to interest rate	(93,098,107)	(59,225,975)	47,659,641	148,347,512	43,683,071

2014	Up to 1 year	From 1 to 3 years	From 3 to 5 years	Over 5 years	Total
Assets:					
Demand deposits	11,934,351	-	-	-	11,934,351
Time deposits in banks	49,438,706	-	-	-	49,438,706
Securities available for sale			2,007,200	2,000,000	4,007,200
Securities held to maturity	500,000	3,449,765	4,627,526	86,481,867	95,059,158
Loans	170,279,211	38,365,902	34,887,069	71,704,707	315,236,889
Total	232,152,268	41,815,667	41,521,795	160,186,574	475,676,304
Liabilities:					
Demand deposits	42,442,423				42,442,423
Savings deposits	56,319,107				56,319,107
Time deposits	248,150,780	51,192,172	5,473,000	-	304,815,952
Securities sold under repurchase agreement	14,041,270	-	-	-	14,041,270
Negotiable commercial securities	12,402,756	-	-	-	12,402,756
Total	373,356,336	51,192,172	5,473,000	-	430,021,508
Total sensitivity to interest rate	(141,204,068)	(9,376,505)	36,048,795	160,186,574	45,654,796

To manage liquidity risk arising from financial liabilities, the Bank maintains liquid assets such as cash and cash equivalents and investment grade investments for which an active market exists. These assets can be readily sold to meet liquidity requirements.

Off balance sheet items

The table below sumarizes the maturity structure of letters of credit, guarantees and operating leasing commitments, based on the most recent maturity date:

	2015	2014
Letter of credits	49,489	2,279,960
Guarantees and endorsements	2,565,632	3,195,938
Promissory notes	6,874,467	6,874,467
Credit lines	9,333,817	9,333,817
Total	18,823,405	21,684,182

4.5 *Capital risk management*

The Bank manages its capital to ensure:

- Compliance with requirements established by the Superitendency of Banks of Panama.
- Maintain a capital base, strong enough to support business performance.

The Bank, as an entity regulated by the Superintendency of Banks of Panama, is required to maintain a total capital ratio measured on the basis of risk weighted assets.

The capital adequacy and the use of regulatory capital are monitored by the Bank's Management based on guidelines and techniques developed by the Superintendency of Banks of Panama. The information requirements are sent to the regulator on a quarterly basis.

The Bank analyzes its regulatory capital by applying the Agreements of the Superintendency of Banks of Panama established for general license banks, based on Agreement 5-2008 of October 1, 2008 as amended by Agreement 4-2009 of July 9, 2009.

The Panamanian Banking Law requires general license banks to maintain a minimum paid up capital of B/.10,000,000, an equity of at least 8% of risk weighted assets, including financial instruments outside the consolidated statement of financial position. For these purposes, assets must be considered net of their respective allowances or reserves and with the weighted considerations specified in the Agreement of the Superintendency of Banks of Panama.

As established in the regulatory framework, capital requirements are measured as follows:

- *Primary capital* - which includes the paid in share capital, disclosed reserves and retained earnings. Paid in capital is represented by common shares and non-cumulative perpetual preferred shares issued and fully paid. Declared reserves are those identified as such by the Bank coming from its accumulated earnings in their books to strengthen its financial situation and subject to the provisions of Article 69 of the Banking Law.

- Retained earnings are the earnings not distributed of the period and undistributed earnings for prior periods.

- *Secondary Capital* - It comprises hybrid capital instruments and debt, subordinated debt, general loss reserves, undeclared reserves and revaluation reserves of assets.

  To calculate the amount of the Bank's capital funds, the deductions to be made quarterly should take into account, and as detailed below:

  - The unconsolidated equity assigned to foreign branches.
  - The un consolidated paid-in capital of the Bank's subsidiaries.
  - The paid capital of non-banking subsidiaries. The deduction will include amounts recorded under assets at the higher price paid - compared to the book value - in equity investments in companies in the country and abroad.
  - Assets corresponding to expenses or other items, which under generally accepted accounting principles and International Financial Reporting Standards, correspond to overvaluations or other forms of unrecognized losses, and losses experienced at any time of year.

The Bank maintains a regulatory capital position which is composed as follows for the years ended 2015 and 2014, which are detailed below:

	2015	2014
Primary capital (Tier 1)		
Common stock	60,000,000	60,000,000
Dynamic reserves	3,914,318	2,808,951
Accumulated deficit	(4,556,717)	(6,591,849)
Total	59,357,601	56,217,102
Risk weighted assets	310,858,771	319,991,647
Capital adequacy ratio		
Total regulatory capital expressed as a percentage of weighted assets based on risk	**19.09%**	**17.57%**

5. Accounting estimates and critical judgments and contingencies

The Bank applied the following assumptions to estimate the fair value of each class of financial instruments in the consolidated statement of financial position:

- Demand deposits and time deposits - For these financial instruments, the carrying amount approximates their fair value due to their short-term nature.

- Investments in securities - For these securities, fair value is based on quoted market prices or broker price quotations. Investments held to maturity are maintained at calculated discounted cash flows. If a quoted reliable market price is not available, the fair value of the instrument is estimated using price calculation models or techniques of discounted cash flows.

- Loans - The estimated fair value of loans represents the discounted amount of estimated future cash flows expected to be received. Expected cash flows are discounted at current market rates to determine their fair value.

- Savings and demand deposits received- For savings and demand deposits received, the carrying amount approximates their fair value due to their short-term nature.

- Deposits received fixed term - For fixed-term deposits received, fair value is based on discounted cash flows using market interest rates offered to new deposits with remaining maturity like.

- Financings payable - The carrying amount of loans payable with maturity of one year or less, approximates their fair value due to their short-term nature. For obligations maturing over one year, discounted cash flows are used at a current interest rate market to determine their fair value.

- Negotiable commercial securities and securities sold under repurchase agreements - To determine the fair value of these financial instruments, cash flows are discounted at a current market interest rate.

These estimates are subjective in nature, involve uncertainties and critical judgments and therefore can not be determined with accuracy. Changes in assumptions or criteria can significantly affect the estimates.

IFRS 13 specifies a hierarchy level of valuation techniques based on whether the information included in those valuation techniques are observable or unobservable. The observable information reflects market data from independent sources; the unobservable input reflects market assumptions. These two types of information have set the following fair value hierarchy:

- Level 1 - are quoted prices (unadjusted) in active markets for identical assets or liabilities for which the entity has access to the measurement date.
- Level 2 - Inputs other than quoted prices included in Level 1 that are observable, either directly (i.e. as prices) or indirectly (i.e., derived from prices). This category includes valued instruments using quoted 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 where data significant inputs are directly or indirectly observable in a market.
- Level 3 - This category includes all instruments for which the input data are not based on observable market information and they have a significant effect on the fair value measurement.

5.1 Fair value of the financial assets and financial liabilities that are measured at fair value on a recurring basis

Some of the Bank's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table shows the information of how these assets at fair value are determined:

Financial asset	Fair value December 31, 2015	Fair value hierarchy	Valuation technique(s) and key inputs	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
Investments available for sale	4,031,618	Level 1	Quoted prices in an active market	N/A	N/A

Financial asset	Fair value December 31, 2014	Fair value hierarchy	Valuation technique(s) and key inputs	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
Investments available for sale	4,007,200	Level 1	Quoted prices in an active market	N/A	N/A

5.2 *Fair value of financial assets and liabilities that are not measured at fair value on a recurring basis (but fair value disclosures are required)*

The carrying value and fair value of the main financial assets and liabilities that are not presented in the consolidated statement of financial position at fair value of the Bank are summarized below:

	2015		2014	
	Carrying value	Fair value	Carrying value	Fair value
Financial assets:				
Demand deposits	8,046,100	8,046,100	11,934,351	11,934,351
Time deposits	97,792,800	97,792,800	49,438,706	49,438,706
Investments held to maturity	104,497,522	102,468,664	95,059,158	96,291,438
Loans	316,840,849	319,364,199	315,236,889	315,368,084
	527,177,271	527,671,763	471,669,104	473,032,579
Financial liabilities:				
Demand deposits	40,191,470	40,191,470	42,442,423	42,442,423
Savings deposits	52,768,267	52,768,267	56,319,107	56,319,107
Time deposits	348,301,743	363,753,370	304,815,952	308,316,856
Securities sold under repurchase agreements	41,568,210	37,568,209	14,041,270	13,807,535
Negotiable commercial securities	6,489,379	6,580,995	12,402,756	12,536,723
	489,319,069	500,862,311	430,021,508	433,422,644

	Fair value hierarchy			
2015	Level 1	Level 2	Level 3	Total
Financial assets:				
Time deposits	-	-	97,792,800	97,792,800
Investments held to maturity	60,727,266	-	41,741,398	102,468,664
Loans	-	-	319,364,199	319,364,199
Financial liabilities:				
Time deposits	-	-	363,753,370	363,753,370
Securities sold under repurchase agreements	-	-	37,568,210	37,568,210

	Fair value hierarchy			
2014	Level 1	Level 2	Level 3	Total
Financial assets:				
Time deposits	-	-	49,438,706	49,438,706
Investments held to maturity	71,033,925	-	25,257,513	96,291,438
Loans	-	-	315,368,084	315,368,084
Financial liabilities:				
Time deposits	-	-	308,316,856	308,316,856
Securities sold under repurchase agreements	-	-	13,807,535	13,807,535

Financial instruments	Valuation techniques	Level
Local corporate bonds	Quoted prices in active markets.	1
Republic of Panama bonds	Quoted prices in active markets.	1
Local corporate bonds	Discounted cash flows with discount rate.	3
Foreign corporate bonds	Discounted cash flows with discount rate.	3

During 2015, there was a transfer of hierarchy levels of fair value on securities held to maturity from Level 1 to Level 3 for B/.18,733,697, because they did not present sufficient volume in an active market, by which fair value is determined through discounted cash flows.

6. Accounting estimates and critical judgments

The Bank makes estimates and judgments that affect the reported amounts of assets and liabilities within the next fiscal year. Estimates and judgments are continuously evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(a) *Impairment losses on non-performing loans* - The Bank reviews its loan portfolio to assess impairment at least on a quarterly basis. In determining whether an impairment loss should be recorded in the consolidated statement of profit or loss, the Bank makes judgments and makes decisions as to whether there is observable data indicating that there has been an adverse change in the payment status of the debtors, or national or local economic conditions that correlate with defaults on assets. The Bank's Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used to estimate the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

(b) *Impairment of investment securities* - The Bank determines which capital investments available for sale are impaired when there has been a significant or prolonged decline in fair value below its cost. This determination of what is significant or prolonged requires judgment. In making a judgment, the Bank evaluates among other factors, the normal volatility in share price. In addition, impairment may be appropriate when there is evidence of deterioration in the financial health of the investee, industry and sector performance, changes in technology, and operational and financing cash flows.

(c) *Investment securities held to maturity* - The Bank follows the guidance of IAS 39 on classifying non-derivative financial assets with fixed or determinable payments and fixed maturity as held to maturity. This classification requires significant judgment. In making this judgment, the bank evaluates its intention and ability to hold such investments to maturity. If the Bank fails to keep these investments to maturity, except than by circumstance - for example, selling an insignificant amount close to maturity - it may be required to reclassify the entire category as available for sale. Therefore, investments would be measured at cost and not fair value at amortized cost.

7. Balances and transactions with related parties

Balances and transactions with related parties included in the consolidated statement of financial position and consolidated statement of profit or loss, are summarized below:

	2015		2014	
	Directors and key management personnel	Related parties	Directors and key management personnel	Related parties
Assets				
Accounts receivable	-	758,497	-	728,496
Loans	2,726,933	23,234,733	1,998,035	25,377,333
Accrued interest receivable	9,217	73,658	8,309	80,960
Liabilities				
Depostis:				
Demand deposits	162,596	171,193	52,257	829,345
Savings deposits	395,040	-	41,754	98,554
Time deposits	2,214,248	1,500,000	1,454,668	1,813,223
Accrued interest payable	85,309	2,774	46,473	5,562

	2015		2014	
	Directors and key management personnel	Related parties	Directors and key management personnel	Related parties
Interest income on loans	92,816	1,113,043	77,482	1,122,251
Interest expense on deposits	69,108	66,459	59,930	78,726
General and administrative expenses:				
Key executives salaries	1,651,874	-	1,405,471	-
Rental	-	578,849	-	578,849

Loans to related companies during 2015 amounted to B/.23,234,733 (2014: B/.25,377,333), at an interest rate of 5% to 6.5%; several maturities up to 2017 (2014: 4.5% to 6% several maturities up to 2017).

Loans to directors and key executives at December 31, 2015 amounted to B/.2,726,933 (2014: B/.1,998,035) at an interest rate of 2% to 11%; with various maturities up to 2044 (2014: 4% to 11% with various maturities up to 2043).

The balances of pledged loans to related companies, directors and key officers, B/. 12,826,069 (2014: B/.12,885,890) and mortgages loans totaling B/.10,048,894 (2014: B/.10,539,403).

8. Cash, cash equivalents and bank deposits

Cash, cash equivalents and bank deposits are as follows:

	2015	2014
Cash	4,251,919	1,867,470
Demand deposits	8,046,100	11,934,351
Time deposits	97,792,800	49,438,706
Total cash, cash effects and deposits in banks in the consolidated statement of financial position	110,090,819	63,240,527
Less :		
Deposits in banks with original maturities over 90 days	(3,817,800)	-
Total cash and cash equivalents in the consolidated statement of cash flows.	106,273,019	63,240,527

The annual interest rates at December 31, 2015 that accrued time deposits ranged from 0.01% to 2.00% (2014: 0.01% to 1.10%).

9. Securities available for sale

Securities available for sale are comprised by the following:

2015	1 – 5 years	5 – 10 years	Fair value	Amortized cost
Debt securities - private	2,031,618	2,000,000	4,031,618	4,000,000

2014	1 – 5 years	5 – 10 years	Fair value	Amortized cost
Debt securities - private	2,007,200	2,000,000	4,007,200	4,000,000

At December 31, 2015, the annual interest rates accrued by securities available for sale ranged from 4.00% to 6.00%. (2014: 4.00% to 6.00%).

The change in fair value for securities available for sale during the period was an unrealized gain of B/.24,418 (2014: B/.7,200) which is part of the valuation amount in equity.

The movement in securities available for sale are summarized as follows:

	2015 Available for sale	2014 Available for sale
Balance at beginning of the year	4,007,200	-
Purchases	-	2,000,000
Reclassifications held to maturity	-	2,000,000
Net income arising from revaluation during the year	24,418	7,200
	4,031,618	4,007,200

As indicated in Note 10, the Bank's Management, reclassified investments for B/.2,000,000, classified as securities held to maturity to securities available for sale.

During the year ended December 31, 2015, the Bank did not sell securities available for sale from its portfolio.

On August 21, 2013, based on a change in its business model, the Bank notified the Superintendency of Banks of Panama of the reclassification of investments classified as available for sale to investments held to maturity for an amount of B/.29,047,366. Upon transfer, the balance recorded under equity as unrealized loss on investments available for sale was of B/.2,894,282 which is being amortized over the remaining period of the term of the securities reclassified. During the period ended December 31, 2015, the amortized amount recognized in profit and loss amounted to B/. 304,549 (2014: B/.329,005) and the remaining balance to be amortized is B/.2,135,126 (2014: B/.2,439,675).

10. Securities held to maturity

Securities held to maturity are as follows:

2015	1 - 5 years	5 - 10 years	More than 10 years	Amortized cost	Fair value
Debt securities - private	18,695,459	57,494,448	3,000,000	79,189,907	79,089,405
Debt securities - government	2,106,829	14,519,133	8,718,553	25,344,515	23,379,259
Total	20,802,288	72,013,581	11,718,553	104,534,422	102,468,664

2014	1 - 5 years	5 - 10 years	More than 10 years	Amortized cost	Fair value
Debt securities - private	6,511,158	63,105,421	3,000,000	72,616,579	72,902,588
Debt securities - government	540,115	13,164,895	8,737,569	22,442,579	23,388,850
Total	7,051,273	76,270,316	11,737,569	95,059,158	96,291,438

The movement of securities held to maturity is summarized below.

	2015	2014
Balance at beginning of the year	95,059,158	39,047,366
Purchases	15,399,991	74,813,551
Amortization of premiums and discounts	(110,890)	(117,057)
Sales and redemptions	(5,813,837)	(16,684,702)
Reclassifications	-	(2,000,000)
Balance at end of the year	104,534,422	95,059,158

As at 31 December 2015, the Bank provides financing payables and securities sold under repurchase agreements with portfolio investments held to maturity for B/.54,862,955 (2014, B/.19,138,220).

During 2014, at the request of the Superintendency of Banks of Panama, through note SBP-DS-N-4698-2014, the Bank's Management reclassified investments for B/.2,000,000 which were securities classified as held to maturity to available-for-sale securities.

During the year ended December 31, 2015, the Bank performed sales and redemptions of investments held to maturity for B/.5,813,837 (2014: B/.16,684,702) which resulted in a gain recognized for B/.304,751 (2014: loss of B/.1,328), that is included in the consolidated statement of profit or loss.

During the year ended December 31, 2015, the Bank recognized a provision for impairment for securities held to maturity for B/.36,900.

11. Loans

Loans per category are listed below:

	2015	2014
Internal sector		
Corporate loans	231,924,456	233,922,525
Consumer	34,024,246	28,953,403
Automobile	2,241,246	3,379,223
Residential mortgage	28,107,644	34,942,120
Overdrafts	9,013,859	8,072,273
Financial leasing, net	2,028,705	2,017,535
Total loans - Internal sector	307,340,156	311,287,079
External sector		
Corporate loans	11,257,044	3,948,404
Overdrafts	-	1,406
Total loans - External sector	11,257,044	3,949,810
	318,597,200	315,236,889
Less:		
Global allowance	(1,218,436)	(1,424,716)
Unearned commissions	(537,915)	(1,011,969)
Total loans net	316,840,849	312,800,204

At December 31, 2015, the annual interest rates on loans and overdrafts ranged from 2% to 24% (2014: 2% to 24%).

As at December 31, 2015, based on the concentration greater than B/.2 million, loans held for B/.57,221,624 representing 17% of the portfolio (2014: B/.76,614,384 representing 24% of the portfolio) concentrated in 11 economic groups (2014: 15 groups), respectively, which in turn maintain cash deposit guarantees for B/.45,000,287 (2014: B/.50,382,999).

The movement of the allowance for possible loan losses is summarized as follows:

	2015	2014
Balance at beginning of the year	1,424,716	1,955,418
Provision charged to expense	513,579	(257,612)
Loans written-off	(719,859)	(273,090)
Balance at end of the year	1,218,436	1,424,716

The table below shows a detail of the portfolio by product type according to their classification as of December 31:

	2015				2014			
	Mortgage	Comercial	Consumption	Total	Mortgage	Comercial	Consumption	Total
Special mention	128,087	1,222,903	9,977	1,360,967	76,863	781,058	56,138	914,059
Substandard	401,023	-	98,818	499,841	-	-	37,425	37,425
Doubtful	-	-	33,070	33,070	-	154,673	29,299	183,972
Unrecoverable	-	-	141,214	141,214	-	400,000	206,609	606,609
Total	529,110	1,222,903	283,079	2,035,092	76,863	1,335,731	329,471	1,742,065

At December 31, 2015, the portfolio of loans secured by deposits in the same bank amounted to B/.101,459,047 (2014: B/.65,215,181), representing 31.8% (2014: 20.7%) of the total portfolio.

Financial leasing

The balance of financial leasing, net and the maturity profile of minimum lease payments are summarized below:

	2015	2014
Up to 1 year	588,241	-
From 1 to 5 year	1,661,060	2,224,420
Total of minimum payments	2,249,301	2,224,420
Less: unearned interest	(220,596)	(206,885)
Total financial leasing, net	2,028,705	2,017,535

12. Investment in associate

The investment in associate is detailed as follows:

		2015		2014	
Name of associate	Principal activity	% of participation and voting rights	Amount of the participations	% of participation and voting rights	Amount of the participations
Invertis Securities, S.A.	Security house	50%	1,824,004	50%	1,623,908

The summary of financial information of investments in associates is as follows:

	2015	2014
Assets	2,679,545	2,296,252
Liabilities	31,538	48,437
Equity	2,648,007	2,247,815
Income	1,865,986	1,640,535
Expenses	1,465,794	1,101,740
Profit for the year	400,192	538,795

The reconciliation of the financial information summarized above with the carrying amount of the participation of Invertis Securities, S.A. recognized in the consolidated financial statements is presented below:

	2015	2014
Balance at beginning of the year	1,623,908	1,600,000
Equity interest	200,096	23,908
Balance at end of the year	1,824,004	1,623,908

13. Property, furniture, equipment and improvements

Property, furniture, equipment and improvement are summarized as follows:

2015	Furniture and fixtures	Computer equipment	Improvements	Buildings	Total
Cost:					
Balance at beginning of year	1,491,327	1,907,658	2,963,250	761,849	7,124,084
Additions	118,167	96,446	131,342	-	345,955
Balance at end of the year	1,609,494	2,004,104	3,094,592	761,849	7,470,039
Accumulated depreciation					
Balance at beginning of year	544,197	1,206,206	482,614	67,720	2,300,737
Expenses of year	123,463	250,333	86,547	19,046	479,389
Balance at end of the year	667,660	1,456,539	569,161	86,766	2,780,126
Net balance	941,834	547,565	2,525,431	675,083	4,689,913

2014	Furniture and fixtures	Computer equipment	Improvements	Buildings	Total
Cost:					
Balance at beginning of year	1,315,018	1,818,784	2,853,154	761,849	6,748,805
Additions	176,309	88,874	110,096	-	375,279
Balance at end of the year	1,491,327	1,907,658	2,963,250	761,849	7,124,084
Accumulated depreciation					
Balance at beginning of year	431,532	959,397	398,877	48,674	1,838,480
Expenses of year	112,665	246,809	83,737	19,046	462,257
Balance at end of the year	544,197	1,206,206	482,614	67,720	2,300,737
Net balance	947,130	701,452	2,480,636	694,129	4,823,347

14. Assets held for sale

As at December 31, 2015, , together with other financial institutions, the Bank holds a trust of 8.6% in the equity of an operator of a power plant classified as an asset held for sale for the net amount of B/.3,079,587 (2014: B/.4,200,321). This share corresponds to assets received by executing a syndicated loan guarantee, where the financial institutions involved intend to sell the plant in the shortest possible time.

During the 2015 period, loss adjustments were made due to a change in the fair value for the amount of B/.1,120,734 (2014: B/.199,089), corresponding to 8.6% of participation in the decrease of the fair value based on an appraisal performed by independent experts.

15. Other assets

Other assets are summarized as follows:

	2015	2014
Intangible assets, net of amortization	2,950,480	891,896
Guarantee deposits	28,177	28,177
Taxes and prepaid expenses	260,170	240,200
Development assets	203,867	101,296
Adjudicated properties	750,409	91,123
Dismissal fund	262,006	195,525
Accounts receivable related parties	758,497	728,496
Deferred tax	711,837	351,691
Accounts receivable employees	139,568	147,766
Accounts receivable - tax credits	566,669	449,136
Security development projects	132,960	54,000
Claim insurance	138,263	123,616
Assets in legal processes	371,210	158,743
Other assets	481,322	788,439
Total	7,755,435	4,350,104

Assets in development consist primarily of costs incurred in the purchase and implementation of the computerized systems platform for the management and reporting process in the Bank.

The tax credit receivables consisted of mortgage loans with preferential interest processed with the Ministry of Economy and Finance pending receipt of the years 2013, 2014 and 2015.

Intangible assets with finite lives are represented by computer software and data processing licenses, whose movement is presented below:

	2015	2014
Balance at beginning of the year	891,896	657,936
Additions	2,216,420	354,888
Amortization of the year	(157,836)	(120,928)
Balance at end of the year	2,950,480	891,896

16. Other liabilities

Details of other liabilities are shown as follows:

	2015	2014
Provisions for employee benefits	29,917	920,216
Payroll payable	381,439	191,925
Accrued expenses	198,829	224,206
FECI	172,106	155,360
Accounts payable	1,016,803	764,750
Deferred tax of liabilities	219,074	247,602
Non-recurring operations - foreign trade	-	290,375
Accounts payable others	401,282	654,040
	2,419,450	3,448,474

17. Financing payable

The terms and conditions of the financing received from the Bank are detailed below:

Type of financing	Interest rate	Maturity	2015 Book value
Margin line	2.25%	-	9,896,095
Margin line	2.18%	-	4,787,702
Financing commerce	4.00%	April 2016	1,000,000
Financing commerce	2.69%	June 2016	3,000,000
			18,683,797

Margin lines maintain an open maturity under daily review. The Bank maintains financings for B/.18,683,797 (2014: B/.0) of which B/.14,683,797 (2014: B/.0) are guaranteed with securities held to maturity for B/.21,317,400.

18. Securities sold under repurchase agreements

At December 31, 2015, the Bank had obligations arising from securities sold under repurchase agreements for B/.22,884,413 (2014: B/.14,041,270), maturing on March 29, 2016 and May 27, 2016 (2014: due on May 28, 2015). These obligations are secured by a selection of elements of the portfolio of securities held to maturity in the amount of B/.36,179,158 (2014: B/.19,138,220) at a closing rate of 1.74% and 3.35% (2014: 1.44%).

19. Shareholder's equity

The authorized share capital of the Bank is represented by 60,000,000 (2014: 60,000,000) nominal common shares at a par value of B/.1 (2014: B/.1) each. The total balance of the share capital is B/.60,000,000.

Once dividends are declared, the shareholder has the right to receive them from time to time and is entitled to one vote per share at meetings of shareholders.

20. Negotiable commercial securities

The Bank was authorized by Resolution SMV No. 498-13 of November 19, 2013 issued by the Superintendency of Securities of Panama, to provide Negotiable Commercial Securities (VCNs) through a public offer, for a nominal value of up to B /.50,000,000 with maturity up to one year from the date of issue.

VCNs have been issued on a rotating basis, registered, with coupons, in denominations of B/.1,000 or its multiples and as many sets as the Bank deems appropriate according to their needs and market demand. VCNs bear a fixed annual interest rate which will depend on the term of the securities and be determined at the time the sale offer is made. Interest is paid monthly, bimonthly, quarterly or semi-annually, depending on the series and may not be redeemed early. These VCNs are backed by the general credit of the Bank.

Below are listed VCNs issued as of December 31, 2015:

Description	Maturity	Interest rate	Book value
Series F	May 2016	3.50%	30,000
Series G	June 2016	3.75%	1,000,000
Series H	January 2016	3.75%	5,000,000
Series I	October 2016	3.25%	500,000
		Total :	6,530,000
		Transaction cost :	40,621
		Total net of transaction cost:	6,489,379

21. Other commissions earned and other income

Other commissions and other income are as follows:

	2015	2014
Wire transfers	299,005	335,002
Banking services	296,864	365,249
Letters of credit and documentary collections	34,705	34,085
Other commissions	90,831	18,285
	721,405	752,621
Other income:		
Net gain on foreign exchange currencies	87,882	90,128
Dividend income	11,136	2,550
Other income	297,427	253,990
	396,445	346,668

22. Commission expenses and other general and administrative expenses

Details of commission expenses and other expenses are as follows:

	2015	2014
Income expenses:		
Correspondent banking relationships	95,983	101,332
Other commissions	75,271	53,831
	171,254	155,163
Other general and administrative expenses:		
Other taxes	636,073	601,733
Public services	297,042	280,626
Technology services	975,852	916,009
Maintenance and surveillance	53,330	59,747
Stationary supplies	54,933	62,298
Subscriptions	15,126	18,289
Insurances	56,136	50,796
Transportation	68,318	60,640
Others	821,156	394,261
Total	2,977,966	2,444,399

23. Commitments and contingencies

Commitments

The Bank maintains financial instruments outside the consolidated statement of financial position with credit risks that arise in the normal course of business and which involve elements of credit and liquidity risk.

Commercial letters of credit and promissory notes include exposure to some credit loss in the event of default by the customer. The Banks's credit policies and procedures to approve credit commitments and financial guarantees are the same as those used for granting of loans that are recorded on the assets of the Bank.

The Bank's Management does not anticipate that the Bank will incur in losses resulting from these commitments and contingencies for the benefit of customers. At December 31, 2015, the Bank has no contingency reserve for off-balance sheet credit risk because it has classified these transactions as normal risk.

Contingencies

The summary of these transactions with off-balance sheet credit risk:

	2015	2014
Letters of credit	49,489	2,279,960
Endorsements and guarantees	2,565,632	3,195,938
Promissory notes	8,780,841	6,874,467
Credit lines	4,932,482	9,333,817
Total	16,328,444	21,684,182

At December 31, 2015, the Bank maintains commitments with third parties under operating leases of properties, which expire on various dates over the next years. The amount of annual lease rentals for the next five years is as follow:

Year	Amount
2016	756,051
2017	761,863
2018	752,983
2019	712,518
2020	797,687

During the year ended December 31, 2015, the rental expense amounted to B/.687,356 (2014: B/.677,566).

As at December 31, 2015, there are legal claims against the Bank in the amount of B/.6,052,994 (2014: B/.0). The Bank's Management and its legal advisers do not believe that the results of these processes have a material adverse effect on the consolidated financial position, consolidated financial performance and operations of the Bank.

24. Income tax

The income tax returns of companies incorporated in the Republic of Panama are subject to examination by the tax authorities for the last three years, including the year ended December 31, 2015, according to current fiscal regulations.

According to current Panamanian tax legislation, companies are exempt from payment of income tax on profits derived from foreign operations, interest earned on time deposits placed in local banks, interest earned on Panamanian Government securities and securities issued through the Panama Stock Exchange.

In reference to Law No.8 of March 15, 2010 in Official Gazette No. 26489-A, the general income tax rates (ISR) are amended. For financial institutions, the current rate is 25% as of January 1, 2014.

By law No. 8 of March 15, 2010, the alternate calculation method of income tax called (CAIR) is eliminated and is replaced with the presumption of Income Tax, forcing all entities that earn income in excess of one million five hundred thousand dollars (B/.1,500,000), to determine the taxable amount of such tax, the amount greater of: (a) the net taxable income calculated by the standard method established in the Tax Code and (b) the net taxable income resulting from the application of four point sixty-seven percent (4.67%) to total taxable income.

The expense of income tax is as follows:

	2015	2014
Profit before income tax	3,314,951	2,284,897
Less: tax effect - non-taxable income	(7,650,462)	(6,004,405)
Less: temporary difference from assets and liabilities	114,112	(512,898)
Plus: tax base effect - non-deductible expenses	6,845,730	5,081,546
Less: loss carryforward	(371,828)	(371,828)
Tax base	2,252,503	477,312
Current income tax expense	563,126	119,328

The current income tax expense for the year is as follows:

	2015	**2014**
Current	563,126	119,328
Deferred tax	(388,674)	(104,089)
Income taxe, net	174,452	15,239

As at 31 December 2015, the average effective rate of income tax caused was 5% (2014: 5%).

The deferred income tax asset included in the consolidated statement of financial position for an amount of B/.711,837 (2014: B/.351,691), is generated by the temporary tax difference in the application of the reserve for uncollectible loans and recovery of tax losses. The liability for deferred income tax in the consolidated statement of financial position for an amount of B/.219,074 (2014: B/.247,602), is generated by the temporary difference generated by the accelerated depreciation for tax purposes.

25. General regulatory laws and aspects

(a) *Banking law*
Banking operations in the Republic of Panama, are regulated and supervised by the Superintendency of Banks of the Republic of Panama, according to the law established by Executive Decree No. 52 of April 30, 2008, adopting the single text of Decree Law No. 9 of February 26, 1998, as amended by Decree Law No. 2 of February 22, 2008, whereby the banking system in Panama is established and the Superintendency of Banks and the rules governing it are created.

(b) *Financial lease law*
Operations of financial companies in Panama are regulated by the Directorate of Financial Enterprises of the Ministry of Trade and Industry according to the law established in Law No. 7 of July 10, 1990.

(c) *Regulatory standards issued by the Superintendency of Banks which began their lifetimes during 2014*

General Resolution SBP-GJD-003-2013 of the Board of Directors dated July 9, 2013, which establishes the accounting treatment for those differences arising from prudential regulations issued by the Superintendency of Banks and International Financial Reporting Standards (IFRS), in such a way that 1) the accounting records and financial statements are to be prepared in accordance with IFRS as required by Agreement No. 006-2012 of December 18, 2012 and, 2) in the event that the calculation of a provision or reserve under prudential rules applicable to banks, that present additional specific accounting aspects to those required by IFRS is greater than the respective calculation under IFRS, the excess of the provision or reserve under prudential standards will be recognized in a regulatory provision in equity. This General Resolution took effect for accounting periods ending on or after December 31, 2014.

Subject to prior approval from the Superintendency of Banks, banks may reverse the established provision, partially or totally, based on the justifications properly evidenced and presented to the Superintendency of Banks.

Agreement No. 004-2013 dated May 28, 2013, which establishes provisions on the management and administration of the credit risk inherent to the loan portfolio and operations outside the statement of financial position, including general classification criteria of credit facilities for the purpose of determining the specific and dynamic provisions to cover the Bank's credit risk. In addition, this agreement sets certain minimum required disclosures in line with IFRS disclosure requirements on credit risk management and administration.

This Agreement supersedes Agreement No. 6-2000 of June 28, 2000 in its entirety and all its amendments, Agreement No. 6-2002 of August 12, 2002 and Article 7 of Agreement No. 2-2003 of March 12, 2003. This agreement became effective on June 30, 2014.

Specific provisions

Agreement No. 004-2013 indicates that specific provisions arise from objective and concrete evidence of impairment. These provisions must be established for credit facilities classified in the risk category called special mention, substandard, doubtful or irrecoverable, both for the individual credit facilities as well as to a group of such facilities. In case of a group, it corresponds to circumstances indicating the existence of deterioration in credit quality, although individual identification is not yet possible.

The table below shows the balances of delinquent loans and overdue for major categories and amounts of specific provisions for each portfolio as required by Article 29 of Agreement No. 004-2013:

	2015		2014	
Classification	**Portfolio**	**Reserve**	**Portfolio**	**Reserve**
Normal	316,562,108	-	313,494,824	-
Special mention	1,360,967	244,580	914,059	169,530
Subnormal	499,841	46,960	37,425	6,610
Doubtful	33,070	26,456	183,972	147,178
Unrecoverable	141,214	130,023	606,609	379,130
Total	318,597,200	448,019	315,236,889	702,448

The classification of the loan portfolio by maturity profile is presented below:

Classification	2015 Valid	2015 Delinquent loans	2015 Past due	2015 Total	2014 Valid	2014 Delinquent loans	2014 Past due	2014 Total
Corporate loan	255,101,633	1,222,903	-	256,324,536	246,331,839	781,059	554,673	247,667,571
Consumer loan	61,460,475	138,064	674,125	62,272,664	67,162,985	170,425	235,908	67,569,318
Total	316,562,108	1,360,967	674,125	318,597,200	313,494,824	951,484	790,581	315,236,889

Calculation basis

The calculation is made based on the following weighting table and it is the difference between the amount of the credit facility classified in the above mentioned categories, and the present value of the guarantee to mitigate the potential loss. If the difference is negative, the result is zero.

Loan categories	Weighting
Special mention	20%
Substandard	50%
Doubtful	80%
Unrecoverable	100%

As of December 31, 2014, as a minimum, banks must calculate and maintain at all times the amount of the specific provisions determined by the method specified in this agreement, which takes into account the outstanding balance of each credit facility classified in one of the categories subject to provision mentioned in the previous paragraph; the present value of each benefit available as mitigating risk, as required by type of guarantee in this agreement; and a table of weightings applied to the net balance exposed to loss of such credit facilities.

In case of an excess of a specific provision, calculated in accordance with this agreement on the provision calculated according to IFRS, this excess shall be accounted for in a regulatory reserve in equity which increases or decreases with allocations to or from the retained earnings. The balance of the regulatory reserve will not be considered as capital funds for purposes of calculating certain ratios or prudential ratios mentioned in the agreement.

An analysis of the effect from differences between IFRS provision and Agreement 4.-2013 resulting from the regulatory provisions is shown below:

	2015	2014
IFRS provision	1,218,435	1,424,715
Regulatory provision:		
Specific provision	448,019	702,448
Difference between IFRS´s provision and regulatory	770,416	722,267

Dynamic provisioning

Agreement No. 4-2013 indicates that the dynamic provisioning is a reserve established to meet future requirements for the establishment of specific provisions, which is governed by its own prudential standards for banking regulation. The dynamic provision is constituted quarterly on credit facilities that lack specific provision assigned, that is, on credit facilities classified under normal category.

The dynamic reserve is a heritage item that affects retained earnings. The credit balance of the dynamic provision is part of the regulatory capital but cannot replace or compensate for the capital adequacy requirements set by the SBP. This means that the dynamic reserve decreases the amount of retained earnings of each bank to meet the minimum amount required. If that is insufficient, banks will have to provide additional assets to comply with Agreement 4-2013.

At December 31, 2015, the amount of dynamic provisioning by component is as follows:

	2015	2014
Component 1		
By Alpha coefficient (1.50%)	3,109,133	2,776,068
Component 2		
Quarterly variation by Beta coefficient (5.00%)	818,102	25,929
Component 3		
Less: Quarterly positive variation of the specific reserve	22,029	6,954
Total dynamic provison (1.88 and 1.52%)	3,905,206	2,808,951
Restrictions:		
Total dynamic provision:		
Minimum (1.25% of the risk-weighted assets - under normal category)	2,590,944	2,313,391
Maximum (2.50% of the risk-weighted assets - under normal category)	5,181,889	4,626,781

By request of Agreement 4-2013, the Bank has made an appropriation of B/.3,905,206 to incorporate the dynamic regulatory provision which is presented in the consolidated statement of changes in equity.

Foreclosed assets reserve

Agreement 3-2009 of the Superintendency of Banks states that the Bank should create a reserve account in their equity account through appropriation of its profits whether from a prior period or from the same period.

As at December 31, 2015, the Bank has established reserves with the appropriation of its retained earnings for foreclosed assets totaling B/.9,112 (2014: B/.0).

26. Approval of consolidated financial statements

These consolidated financial statements for the year ended December 31, 2015 were authorized by the Board of Directors and approved for their issuance on March 29, 2016.

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