BAC INTERNATIONAL BANK, INC.
AND SUBSIDIARIES

Consolidated Financial Statements

December 31, 2019

(With Independent Auditors’ Report Thereon)

BAC INTERNATIONAL BANK, INC. AND SUBSIDIARIES

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INDEPENDENT AUDITORS' REPORT

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

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of BAC International Bank, Inc. and Subsidiaries ("the Bank"), which comprise the consolidated statement of financial position as of December 31, 2019, the consolidated statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Bank as of December 31, 2019, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Bank in accordance with the Code of Ethics for Professional Accountants of the International Ethics Standards Board of Accountants (Code of Ethics of IESBA) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in Republic of Panama, and we have fulfilled our other ethical responsibilities in accordance with these requirements and Code of Ethics of IESBA. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements.

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

In preparing the consolidated financial statements, management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Bank's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements.

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Bank to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

KPMG

Panama, Republic of Panama
February 20, 2020

BAC INTERNATIONAL BANK, INC. AND SUBSIDIARIES

Consolidated Statement of Financial Position

December 31, 2019

(In U.S. dollars)

Assets	Note	2019	2018
Cash and cash equivalents		727,125,481	704,153,739
Securities purchased under resale agreements	5, 8	18,130,054	20,911,045
Deposits in banks:			
Demand		2,892,989,609	2,982,218,514
Time deposits		351,163,541	483,935,748
Total deposits in banks		3,244,153,150	3,466,154,262
Accrued interest receivable on securities purchased under resale agreements and deposits in banks	5, 7	4,742,864	4,649,605
Total cash, cash equivalents and deposits in banks	7	3,994,151,549	4,195,868,651
Investments and other assets at fair value	5, 9	2,224,029,419	1,684,239,977
Accrued interest receivable from investments at fair value	5, 9	30,737,645	19,499,824
Loans	5,10	16,787,964,052	16,195,415,537
Accrued interest receivable from loans	5,10	118,156,902	104,379,906
Allowance for loan losses	5	(511,282,839)	(483,783,604)
Unearned interest	5	(3,906,631)	(3,072,806)
Unearned commissions, net	5	(47,668,817)	(49,454,624)
Loans at amortized cost		16,343,262,667	15,763,484,409
Property, furniture, equipment and improvements, net	11	614,695,235	362,361,628
Acceptances outstanding		1,968,793	1,526,352
Other accounts receivable, net		237,756,868	222,694,987
Goodwill and intangible assets	12	389,783,432	379,440,351
Deferred Income tax	25	44,636,405	37,142,471
Other assets	13	84,086,107	85,491,058
Total assets		23,965,108,120	22,751,749,708

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

Liabilities and Equity	Note	2019	2018
Liabilities:			
Deposits:			
Demand		5,971,869,356	5,578,267,691
Savings		3,334,869,080	2,965,229,445
Time deposits		7,842,500,039	7,143,421,811
Accrued interest payable of deposits		85,399,296	81,705,890
Total deposits	14	17,234,637,771	15,768,624,837
Securities sold under repurchase agreements		34,683,519	110,737,028
Financial obligations	15	2,322,423,644	3,142,848,528
Other financial obligations	16	316,789,061	296,603,582
Accrued interest payable of obligations and other financial obligations	15, 16	14,371,170	18,956,819
Lease libilities	17	231,563,044	0
Acceptances outstanding		1,968,793	1,526,352
Income tax payable		60,298,059	71,189,646
Deferred income tax	25	68,435,886	37,273,003
Other liabilities	18	758,786,644	612,230,905
Total liabilities		21,043,957,591	20,059,990,700
Equity:			
Common stock	19	834,708,000	834,708,000
Additional paid in capital		140,897,488	140,897,488
Treasury stock		(5,218,370)	(5,218,370)
Retained earnings		1,956,417,802	1,853,737,559
Regulatory reserves		248,433,502	230,621,656
Other comprehensive losses	20	(254,282,553)	(363,198,450)
Total shareholder equity of the controlling Company		2,920,955,869	2,691,547,883
Non-controlling interest		194,660	211,125
Total equity		2,921,150,529	2,691,759,008
Commitments and contingencies	26		
Total liabilities and equity		23,965,108,120	22,751,749,708

BAC INTERNATIONAL BANK, INC. AND SUBSIDIARIES

Consolidated Statement of Income

For the year ended December 31, 2019

(In U.S. dollars)

	Note	2019	2018
Interest income:			
Deposits in banks		46,671,914	39,421,432
Investments		98,162,901	61,315,930
Loans		1,801,899,442	1,731,162,033
Total interest income		1,946,734,257	1,831,899,395
Interest expense:			
Deposits		480,755,680	445,761,090
Financial obligations		137,581,797	146,643,036
Other financial obligations		20,124,663	19,605,131
Securities sold under repurchase agreements		2,472,472	2,760,307
Lease libilities		11,913,779	0
Total interest expense		652,848,391	614,769,564
Interest income, net		1,293,885,866	1,217,129,831
Provision for loan losses	5	379,970,097	374,476,874
Provision for credit risk of investments and time deposits	5	2,899,559	2,142,147
Provision for accounts receivable losses	5	1,476,842	270,153
Interest income, net after provisions		909,539,368	840,240,657
Other income (expenses):			
Gains (losses) in financial instruments, net	21	16,459,219	(162,659)
Service charges		474,521,362	448,108,279
Commissions and other fees, net		213,347,088	200,053,011
Gain on foreign currency exchange, net		81,743,805	165,684,098
Reversal (impairment) of assets held for sale	13	2,336,581	(7,242,021)
Other income	22	55,680,082	48,261,268
Total other income, net		844,088,137	854,701,976
General and administrative expenses:			
Salaries and employee benefits	23	539,890,442	528,511,493
Depreciation and amortization		114,993,288	79,386,474
Administrative		78,565,571	65,558,418
Rentals and related		34,064,529	67,806,822
Other expenses	24	431,592,300	386,777,244
Total general and administrative expenses		1,199,106,130	1,128,040,451
Income before income tax and discontinued operations		554,521,375	566,902,182
Less: income tax	25	144,002,046	165,197,819
Net income from continued operations		410,519,329	401,704,363
Discontinued operations			
Gains from discontinued operations, net of income taxes	29	0	3,567,278
Net income		410,519,329	405,271,641
Net income attributable to:			
Controlling interest		410,501,132	405,252,144
Non-controlling interest		18,197	19,497
		410,519,329	405,271,641

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

BAC INTERNATIONAL BANK, INC. AND SUBSIDIARIES

Consolidated Statement of Comprehensive Income

For the year ended December 31, 2019

(In U.S. dollars)

	2019	**2018**
Net income	410,519,329	405,271,641
Other comprehensive income:		
Items that will not be reclassified to the consolidated statement of income		
Employee benefits plan - change in actuarial effect	(335,009)	(1,488,364)
Net change in fair value of common stocks	568,600	1,261,301
Items that are or can be reclassified to the consolidated statement of income		
Foreign currency translation	39,246,031	(107,777,343)
Foreing currency translation reversal related to discontinued operations	0	(43,306)
Valuation for investments FVOCI:		
Net amount transferred to statement of income	(9,707,184)	(96,023)
Net change in fair value	79,150,377	(5,443,819)
Other comprehensive results	108,922,815	(113,587,554)
Comprehensive income	519,442,144	291,684,087
Comprehensive income attributable to:		
Controlling interest	519,417,029	291,673,756
Non-controlling interest	25,115	10,331
	519,442,144	291,684,087

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

BAC INTERNATIONAL BANK, INC. AND SUBSIDIARIES

Consolidated Statement of Changes in Equity

For the year ended December 31, 2019

(In U.S. dollars)

	Attributable to the Bank´s Controlling interest								
	Common stock	Additional paid in capital	Treasury stocks	Retained earnings	Regulatory reserves	Other comprehensive losses	Total controlling interest	Non-controlling interest	Total
Balance as of December 31, 2017	834,708,000	140,897,488	(5,171,221)	1,685,557,052	224,991,079	(252,765,111)	2,628,217,287	208,559	2,628,425,846
Impact of adopting IFRS 9 at 1 January, 2018 (Note 4 (c))	0	0	0	(152,087,922)	0	3,145,049	(148,942,873)	(6,197)	(148,949,070)
Restated balance at 1 January, 2018	834,708,000	140,897,488	(5,171,221)	1,533,469,130	224,991,079	(249,620,062)	2,479,274,414	202,362	2,479,476,776
Net income	0	0	0	405,252,144	0	0	405,252,144	19,497	405,271,641
Other comprehensive results:									
Foreign currency translation	0	0	0	0	0	(107,768,322)	(107,768,322)	(9,021)	(107,777,343)
Foreing currency translation related to discontinued operations	0	0	0	0	0	(43,306)	(43,306)	0	(43,306)
Valuation of FVOCI securities:									
Net amount transferred to statement of income	0	0	0	0	0	(96,023)	(96,023)	0	(96,023)
Net change in fair value	0	0	0	0	0	(5,443,810)	(5,443,810)	(9)	(5,443,819)
Employee benefits plan - change in actuarial effect	0	0	0	0	0	(1,488,228)	(1,488,228)	(136)	(1,488,364)
Net change in fair value of common stocks	0	0	0	0	0	1,261,301	1,261,301	0	1,261,301
Total other comprehensive results	0	0	0	0	0	(113,578,388)	(113,578,388)	(9,166)	(113,587,554)
Total comprehensive results	0	0	0	405,252,144	0	(113,578,388)	291,673,756	10,331	291,684,087
Other changes in equity:									
Regulatory reserves	0	0	0	(5,630,577)	5,630,577	0	0	0	0
Transactions with the Bank's owners:									
Transactions between the Bank and the non-controlling interest									
Purchase of non-controlling interest	0	0	(47,149)	0	0	0	(47,149)	0	(47,149)
Complementary tax	0	0	0	(288,138)	0	0	(288,138)	0	(288,138)
Contributions and distributions:									
Dividends	0	0	0	(79,065,000)	0	0	(79,065,000)	(1,568)	(79,066,568)
Total transactions with the Bank's owners	0	0	(47,149)	(79,353,138)	0	0	(79,400,287)	(1,568)	(79,401,855)
Balance as of December 31, 2018	834,708,000	140,897,488	(5,218,370)	1,853,737,559	230,621,656	(363,198,450)	2,691,547,883	211,125	2,691,759,008
Net income	0	0	0	410,501,132	0	0	410,501,132	18,197	410,519,329
Other comprehensive results:									
Foreign currency translation	0	0	0	0	0	39,239,766	39,239,766	6,265	39,246,031
Valuation of FVOCI securities:									
Net amount transferred to statement of income	0	0	0	0	0	(9,707,184)	(9,707,184)	0	(9,707,184)
Net change in fair value	0	0	0	0	0	79,149,654	79,149,654	723	79,150,377
Employee benefits plan - change in actuarial effect	0	0	0	0	0	(334,939)	(334,939)	(70)	(335,009)
Net change in fair value of common stocks	0	0	0	0	0	568,600	568,600	0	568,600
Total other comprehensive results	0	0	0	0	0	108,915,897	108,915,897	6,918	108,922,815
Total comprehensive results	0	0	0	410,501,132	0	108,915,897	519,417,029	25,115	519,442,144
Other changes in equity:									
Regulatory reserves	0	0	0	(17,811,846)	17,811,846	0	0	0	0
Transactions with the Bank's owners:									
Transactions between the Bank and the non-controlling interest									
Purchase of non-controlling interest	0	0	0	0	0	0	0	(41,580)	(41,580)
Complementary tax	0	0	0	(88,043)	0	0	(88,043)	0	(88,043)
Contributions and distributions:									
Dividends	0	0	0	(289,921,000)	0	0	(289,921,000)	0	(289,921,000)
Total transactions with the Bank's owners	0	0	0	(290,009,043)	0	0	(290,009,043)	(41,580)	(290,050,623)
Balance as of December 31, 2019	834,708,000	140,897,488	(5,218,370)	1,956,417,802	248,433,502	(254,282,553)	2,920,955,869	194,660	2,921,150,529

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

BAC INTERNATIONAL BANK, INC. AND SUBSIDIARIES

Consolidated Statement of Cash Flows

For the year ended December 31, 2019

(In U.S. dollars)

	Note	2019	2018
Cash flows from operating activities:			
Net Income		410,519,329	405,271,641
Adjustments to reconcile net income and cash by operating activities:			
Depreciation and amortization		78,341,653	79,386,474
Depreciation of the right-of-use assets		36,651,635	0
Provision for loan losses	5	379,970,097	374,476,874
Provision for credit risk of investments and time deposits	5	2,899,559	2,142,147
Provision for accounts receivable losses		1,476,842	270,153
(Reversal) impairment for assets held for sale		(2,336,581)	7,242,021
(Release) provision for unfunded commitments		(46,688)	557,037
Interest income, net		(1,293,885,866)	(1,217,129,831)
(Gain) loss on financial instruments, net	21	(16,459,219)	162,659
Net loss on sale and disposal of property and equipment		623,876	717,018
Disposal of intangible assets		3,605,023	1,199,851
Net gain on sale of assets held for sale		(4,607,814)	(3,102,382)
Dividends earned on securities investments		(1,298,780)	(1,264,025)
Income tax expense		144,002,046	165,197,819
Changes in operating assets and liabilities:			
Deposits with original maturities of 90 days or more		(36,370,996)	29,294,719
Investments and other assets at FVPL		(3,459,836)	3,666,406
Loans		(719,815,822)	(1,553,258,753)
Other accounts receivable		1,790,905	36,038,663
Other assets		(1,602,669)	(34,253,763)
Deposits from costumers		1,282,077,685	1,249,817,777
Securities sold under repurchase agreements		(78,887,084)	54,424,535
Other liabilities		(106,041,517)	21,311,174
Discontinued operations		0	3,147,510
Cash generated by operations:			
Interest received		1,898,181,587	1,801,447,127
Interest paid		(652,761,502)	(604,330,224)
Dividends received		1,298,780	1,264,025
Income tax paid		(141,222,665)	(131,247,614)
Net cash provided by operating activities		1,182,641,978	692,449,038
Cash flows from investment activities:			
Proceeds from sale of investments at FVOCI	9	473,527,822	33,954,990
Maturities, and prepayments of investments at FVOCI		1,406,403,233	1,764,361,701
Purchase of investments at FVOCI		(2,320,074,469)	(1,902,025,250)
Purchase of property and equipment		(70,244,954)	(49,671,320)
Proceeds from sale of property and equipment		632,249	673,175
Acquisition of intangible assets		(28,854,325)	(11,949,124)
Proceeds from sale of assets held for sale		22,574,709	14,589,322
Cash received from discontinued operation		0	5,005,802
Net cash used in investment activities		(516,035,735)	(145,060,704)
Cash flows from financing activities:			
Proceeds from financial obligations		1,666,309,173	2,300,976,248
Payment of financial obligations		(2,520,194,365)	(2,281,380,798)
Proceeds from other financial obligations		135,876,342	68,723,325
Payment of other financial obligations		(115,311,817)	(160,037,995)
Payment of lease liabilities		(39,148,908)	0
Dividends		(79,921,000)	(79,066,568)
Purchase of non-controlling Interest		(41,580)	(47,149)
Net cash used in financing activities		(952,432,155)	(150,832,937)
Effect of exchange rate fluctuation on cash held		80,539,777	(144,716,632)
Effect of exchange rate fluctuation on discontinued operations		0	187,379
Net (decrease) increase in cash and cash equivalents		(205,286,135)	252,026,144
Cash and cash equivalents at beginning of the year		4,175,628,948	3,923,602,804
Cash and cash equivalents at year end	7	3,970,342,813	4,175,628,948

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

Table of Contents to the Notes to the Consolidated Financial Statements

(1) Organization

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

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

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

(2) Basis of Preparation of the Consolidated Financial Statements

(a) Compliance with International Financial Reporting Standards ("IFRS")

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

The consolidated financial statements were approved by the Bank´s Board of Directors on February 20, 2020.

(b) Basis of measurement

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

- Investments and other assets at fair value; and
- Assets held for sale.

Initially, the Bank recognizes financial instruments as of the date they are disbursed.

(c) Functional and presentation currency

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

(3) Basis of Preparation of the Consolidated Financial Statements, continued

(d) Use of estimates and judgments

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

The information on the most significant areas of estimation of uncertainty and critical judgments in applying the accounting policies that have the most important effect on the amounts recognized in the consolidated financial statements is disclosed in Note 6.

(3) Changes in Accounting Policies

The Bank has consistently applied the accounting policies as set out in Note 4 to all periods presented in these consolidated financial statements, except for the changes below:

Policies applicable from January 1, 2019

a) IFRS 16 Leases

The Bank applied IFRS 16 with a date of initial application of January 1, 2019. As a result, the Bank has changed its accounting policy for lease contracts as detailed below:

The Bank applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognized in retained earnings as of January 1, 2019. The details of the changes in accounting policies are disclosed below:

A. Definition of a lease

Previously, the Bank determined at contract inception whether an arrangement is or contains a lease under IFRIC 4. Under IFRS 16, the Bank assesses whether a contract is or contains a lease based on the definition of a lease, as explained in Note 4 (j).

On transition to IFRS 16, the Bank elected to apply the practical expedient to grandfather the assessment of which transactions are leases. It applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed for whether there is a lease. Therefore, the definition of a lease under IFRS 16 was applied only to contracts entered into or changed on or after January 1, 2019.

B. As a lessee

As a lessee, the Bank previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Bank. Under IFRS 16, the Bank recognizes right-of-use assets and lease liabilities for most leases – i.e. these leases are on consolidated statement of financial position.

The Bank decided to apply recognition exemptions to short-term leases (see Note 4 (j)). For leases of other assets, which were classified as operating under IAS 17, the Bank recognized right-of-use assets and lease liabilities.

(3) Changes in Accounting Policies, continued

i. Leases classified as operating leases under IAS 17

At transition, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Bank's incremental borrowing rate as of January 1, 2019. Right-of-use assets are measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.

The Bank used the following practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17.

- Applied the exemption not to recognize right-of-use assets and liabilities for leases with less than twelve months of lease term.

- Excluded initial direct costs from measuring the right-of-use asset at the date of initial application.

ii. Leases previously classified as finance leases

For leases that were classified as finance leases under IAS 17, the carrying amount of the right-of-use asset and the lease liability at January 1, 2019 are determined at the carrying amount of the lease asset and lease liability under IAS 17 immediately before that date.

C. Impacts on financial statements

On transition to IFRS 16, the Bank recognized $249 million of right-of-use assets and $240 million of lease liabilities. At December 31, 2019 right-of-use assets net amounted to $238 million that are registered within the property, furniture, equipment and improvements, and lease liabilities to $232 million.

When measuring lease liabilities, the Bank discounted lease payments using its incremental borrowing rate as of January 1, 2019. The weighted-average rate applied is 5.24%.

	January 1, 2019
Operating lease commitment at December 31, 2018	296,957,017
Discounted using the incremental borrowing rate as of January 1, 2019	247,827,529
- Recognition exemptions for:	
Low-value assets	(8,305,812)
Lease liabilities recognized at January 1, 2019	239,521,717

(4) Summary of Significant Accounting Policies

Except for the changes explained in Note 3, the Bank has consistently applied the following accounting policies to all periods presented in these consolidated financial statements by all entities, which are detailed below:

(a) Basis of consolidation

Subsidiaries

Subsidiaries are entities controlled by the Bank. The Bank controls an entity when it is exposed to, or has rights to, variable return from its involvement with the investee and has the ability to affect those returns through its power over the investee.

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

Balances and Transactions Eliminated in the Consolidation

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

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

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

Disposal of subsidiaries

When the Bank ceases to have control over a subsidiary, it derecognizes the assets and liabilities of the subsidiary, and any non-controlling interest and other components of equity. Any resulting gain or loss is recognized in the consolidated statement of income. Any retained interest in the former subsidiary is measured at fair value when control is lost.

(b) Transactions and balances in foreign currencies

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

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

(4) Summary of Significant Accounting Policies, continued

Subsidiaries of the Bank

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

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

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

(c) Financial assets and liabilities

The Bank has adopted IFRS 9 *Financial Instruments* issued in July 2014 with date of initial implementation of January 1, 2018. The requirements of IFRS 9 represent a significant change from IAS 39 *Financial Instruments: Recognition and Measurement*. The new standard requires fundamental changes to the accounting for financial assets and to certain aspects of the accounting for financial liabilities.

The following table summarizes the impact, net of taxes, of the transition to IFRS 9 on the initial balance of retained earnings.

	Impact of adoption of IFRS 9 as of January 1, 2018
Attributable to controlling interest of the Bank	
Retained earnings	
Recognition of ECL under IFRS 9 - AC	208,341,613
Financial assets' reclassification	202,504
Related deferred tax - AC	(56,456,195)
	152,087,922
Other comprehensive losses	
Recognition of ECL under IFRS 9 - FVOCI	(3,561,995)
Related deferred tax – FVOCI	416,946
	(3,145,049)
Attributable to non-controlling interest	
Recognition of ECL under IFRS 9 - AC	8,946
Recognition of ECL under IFRS 9 - FVOCI	(99)
Related deferred tax – AC	(2,683)
Related deferred tax – FVOCI	33
	6,197
Total	148,949,070

Financial assets are classified on the date of initial recognition, based on the nature and purpose of the financial asset's acquisition.

Classification

IFRS 9 contains three principal classification categories for financial assets: measured at amortized cost (AC), fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVPL). IFRS 9 classification is generally based on the business model in which a financial asset is managed and its contractual cash flows.

At initial recognition, financial assets are classified as measured at: AC, FVOCI or FVPL.

(4) Summary of Significant Accounting Policies, continued

A financial asset is measured at amortized cost and not at fair value through profit or loss, if it meets both of the following conditions:

1. The asset is kept within a business model to collect contractual cash flows; and
2. The contractual terms of the financial asset establish specific dates for cash flows that represent solely payments of principal and interest on the outstanding balance.

A debt instrument is measured at FVOCI only if it meets both of the following conditions and has not been designated as FVPL:

1. The asset is kept within a business model whose objective is achieved by collecting contractual cash flows and selling financial assets and;
2. The contractual terms of the financial asset establish specific dates for cash flows that represent solely payments of principal and interest on the current outstanding balance.

During the initial recognition of investments in equity instruments not traded, the Bank may elect to irrevocably register subsequent changes in fair value as part of other comprehensive profit and loss in equity. This election is made on an instrument by instrument basis.

All financial assets not classified as measured at AC or at FVOCI as described above, are measured at FVPL.

In addition, in the initial recognition, the Bank may irrevocably designate a financial asset that meets the measurement requirements at AC or FVOCI to be measured at FVPL, if doing so eliminates or significantly reduces an accounting mismatch that may occur if not done. For now, the Bank do not use this option.

A financial asset is classified in one of the referenced categories at the time of its initial recognition.

An embedded derivative where the main contract is a financial contract covered under IFRS 9 is not separated and instead the hybrid financial instrument is jointly assessed for classification.

Business Model Assessment

The Bank assess the objectives of the business models that hold the financial assets in a portfolio to better represent how each subsidiary manages the business and how management information is reported. The information considered includes:

- The policies and objectives stated for each portfolio of financial assets and the operation of these policies in practice. These include, whether management's strategy is to collect income from contractual interest; hold a profile of specific interest performance or coordinate the duration of the financial assets with the liabilities being financed or the expected outgoing cash or through cash flows from the sale of assets;

(4) Summary of Significant Accounting Policies, continued

- How they are evaluated or reported to key management personnel for each Bank subsidiary on portfolio performance;

- The risks that affect the performance of the portfolios (and the financial assets held within) and the way those risks are managed;

- How managers of the business are compensated (for example, whether compensation is based on the fair value of the assets managed or the contractual cash flows collected); and,

- The frequency, value and timing of sales in prior fiscal periods, the reasons for those sales and expectations about future sales activity. However, the information on sales activity cannot be considered in isolation, but rather as part of an assessment of how Bank objectives established for managing financial assets is achieved and how cash flows are realized.

Financial assets held or managed for trading and where their performance is evaluated on a fair value basis, are measured at FVPL because these are not held to cover contractual cash flows or to obtain contractual cash flows and to sell these financial assets.

Assessment if contractual cash flows are solely payments of principal and interest
For purposes of this assessment, “principal” is defined as the fair value of the financial asset at initial recognition. “Interest” is defined as compensation for the time value of money and credit risk associated with holding the current principal for a period of time and for other basic risk from loan agreements and other associated costs (e.g. liquidity risk and administrative costs), as well as the profit margin.

When evaluating whether contractual cash flows are solely payment of principal and interest, the Bank considered the contractual terms of the instrument. This includes an assessment to determine whether the financial asset contains a contractual term that could change the timing or amount of the contractual cash flows in such a way that it does not meet this condition. In making this assessment the Bank considers:

- Contingent events that will change the amount and timing of cash flows;

- Hedging conditions;

- Prepayment and extension terms;

- Terms that limit the Bank in achieving cash flows for specific assets (e.g. unfunded asset agreements); and

- Terms that change the considerations on the value of money over time (e.g. periodic revision of interest rates).

(4) Summary of Significant Accounting Policies, continued

Interest rates on certain consumer and business loans are based on variable interest rates established at the discretion of the Bank. Variable interest rates are generally established in accordance with the practices of each of the countries where the Bank operates, plus certain additional discretionary points. In these cases, the Bank assess whether the discretionary feature is consistent with the solely principal and interest criteria considering a number of factors that include whether:

- Debtors can prepay the loans without significant penalties;
- Competitive market factors insure that interest rates are consistent between banks; and,
- Any regulatory protection standard in favor of customers in the country requiring banks to treat customers reasonably (e.g. regulated rates).

All fixed rate consumer and corporate loans contain a prepayment condition.

A prepayment feature is consistent with the solely principal and interest criteria, if the prepayment amount substantially represents unpaid amounts of principal and interest on the amount of outstanding principal, which may include fair compensation for early termination of the contract.

In addition, a prepayment feature is consistent with these criteria, if a financial asset is acquired or originates from a premium or discount to the contractual par amount and the prepayment amount substantially represents the contractual par amount, plus accrued, but unpaid, contractual interest (which may include fair compensation for early termination) and the fair value of the prepayment feature is insignificant in the initial recognition.

Impairment of Financial Assets

The Bank assesses the impairment of financial assets with an ECL model. This model requires the application of considerable judgment regarding how changes in economic factors impact on ECL, which is determined on a weighted average basis.

The impairment model applies to the following financial assets that are not measured at FVPL.

- Debt instruments;
- Lease payments receivable;
- Other accounts receivable;
- Loan portfolio;
- Financial guarantee contracts issued; and
- Loans commitments issued.

(4) Summary of Significant Accounting Policies, continued

The Bank recognizes a provision for impairment of financial assets at AC and FVOCI in an amount equal to the expected impairment losses in a period of twelve months after the end date of financial statements or during the remaining life of the loan. Expected losses during the remaining life of the loan are the losses expected from all possible impairment events during the expected life of the financial instrument, while expected losses in a twelve-month period are the portion of expected losses arising from impairment events resulting from impairment events that are possible during the twelve months following on the date of the report.

Reserves for losses are recognized in an amount equal to the ECL during the life of the asset, except in the following cases, in which the amount recognized is equal to ECL for the twelve months following the measurement date:

- Investments in debt instruments determined to represent low credit risk to the reporting date; and,

- Other financial assets (other than short term accounts receivable) on which the credit risk has not increased significantly since initial recognition.

Impairment requirements are complex and require estimated judgments and significant assumptions by management, particularly in the following areas:

- Assess whether the credit risk has increased significantly from initial recognition; and,

- Incorporate prospective information in the measurement of expected impairment losses.

Measuring ECL

ECL is the estimated weighted probability of credit losses measured as follows:

- Financial assets with no credit impairment to the reporting date: the present value of all contractual cash payments in arrears (for example: the difference between Bank cash flow debt in accordance with the contract and cash flows that the Bank expects to receive);

- Impaired financial assets to the reporting date: the difference between the book value and the present value of estimated future cash flows;

- Outstanding loan commitments: the present value of the difference between contractual cash flows owed to the Bank in the event it enforces the commitment and cash flows that the Bank expects to receive; and

- Financially secured contracts: expected payments to reimburse the holder minus any amount the Bank expects to recover.

(4) Summary of Significant Accounting Policies, continued

Definition of impairment

The Bank considers a financial asset to be impaired when:

- It is highly unlikely that the debtor will fully pay its credit obligations to the Bank, without recourse for the Bank to take such actions as enforcing the guarantees (if any); or

- The debtor is more than 90-days past-due on any material credit obligation. Overdrafts are considered in arrears once the client has exceeded the established limit, or the established limit is less than the outstanding balance.

- For fixed income financial instruments, the following concepts, among others, are included:

  - Downgrade on the issuer's credit risk rating;

  - Contractual payments are not made on the due date or in the term period stipulated;

  - There is a virtual certainty of default;

  - Issuer is likely to go bankrupt or a bankruptcy petition is filed or similar action;

  - The financial asset stops trading in an active market given its financial difficulties;

To assess whether a debtor is impaired, the Bank considers indicators such as:

- Qualitative, e.g. noncompliance with contractual clauses;

- Quantitative, e.g. arrears or non-payment of another obligation from the same issuer to the Bank; and,

- Based on data developed internally and obtained from external sources.

Inputs used in the assessment of whether financial instruments are in impairment and their importance may vary over time to reflect changes in circumstances.

Significant increase in credit risk

When determining whether the credit risk of a financial assets has increased significantly since initial recognition, the Bank considers fair and sustainable information to be relevant and available at no cost or disproportionate effort, including information and quantitative and qualitative analyses based on historical experience and expert assessment of Bank credit risk, including information with future projection.

(4) Summary of Significant Accounting Policies, continued

The Bank identifies if a significant increase in the credit risk has occurred for each exposure by comparing:

- The probability of default (PD) during the remaining life of financial instrument at the closing date, with

- The PD during the remaining life at a point in time, which was estimated at initial recognition of exposure.

The assessment of whether the credit risk has increased significantly from initial recognition of a financial asset requires identification of the initial recognition date of the instrument. For purposes of revolving credit (credit cards, overdrafts, among others), the date when the credit was first delivered may be a long time ago. Changes in the contractual terms of a financial asset may also impact this assessment, as discussed below.

Grading by credit risk categories

The Bank assigns a credit risk grade to each exposure based on a variety of data that is determined to predict the PD and applying the judgment of a credit expert, the Bank use these grades to identify significant increases in credit risk. Credit risk grading is defined using qualitative and quantitative factors indicative of the risk of losses. These factors varies depending on the type of exposure and the type of borrower.

Credit risk grading is defined and calibrated so that the risk of losses increases exponentially as the credit risk is impaired and so that, for example, the difference in the risk of losses between grade satisfactory and special mention is less than the difference between the credit risk between grades special mention and sub-standard.

Each exposure is given a credit risk grade upon initial recognition based on information available on the debtor. Exposures are subject to continuous monitoring, that may result in displacement of an exposure to a different credit risk grade.

Generating the Structure of the PD term

Credit risk grading are the main input to determine the structure of the PD term for the different exposures. The Bank obtains performance and loss information on the credit risk exposures analyzed by jurisdiction or region, type of product and debtor, as well as by credit risk grade. For some portfolios, information purchased from external credit reference agencies could be used.

The Bank uses statistical models to analyze the data compiled and generate estimates of the probability of impairment during the remaining life of the exposures and how these probabilities of impairment change over time.

These analyses include identification and calibration of relationships between changes in impairment rates and key macroeconomic factors, as well as in-depth analysis of certain impairment risk factors (for example, loans portfolio charge-offs). For the majority of loans, key economic factors includes growth in gross domestic product, changes in interest rates on the market and unemployment.

(4) Summary of Significant Accounting Policies, continued

For exposures in specific industries and/or regions, the analysis may extend to products regarding real estate prices.

The approach used by the Bank to prepare prospective economic information within its assessment is indicated below.

Determine if the credit risk has increased significantly

The Bank has established a general framework that incorporates quantitative information and qualitative to determine if the credit risk of a financial asset has significantly increased since its initial recognition.

The initial framework is aligned with the internal process of the Bank for credit risk management.

The criteria to determine whether the credit risk has increased significantly varies by portfolio and includes limits based on noncompliance.

The Bank evaluates whether the credit risk of a particular exposure has increased significantly since initial recognition if, based on Bank qualitative modeling, the expected probability of impairment during the remaining life will increase significantly from initial recognition. In determining the credit risk increase, the expected impairment losses in the remaining life is adjusted by changes in expiration.

Under certain circumstances, using the judgment of credit experts, and based on relevant historical information, the Bank determines that an exposure has had a significant increase in credit risk, if particular qualitative factors indicate this and those factors may not be completely captured by periodic quantitative analyses. As a limit, the Bank assumes that a significant credit risk occurs no later than when the asset is in arrears for more than 30 days.

The Bank monitors the effectiveness of the criteria used to identify significant increases in credit risk based on regular reviews to confirm that:

- The criteria can identify significant increases in credit risk before an exposure becomes impaired;
- The criteria are inconsistent with the time when the asset is more than 30 days past the due date;
- The average time to identify a significant increase in credit risk and noncompliance appear to be reasonable;

(4) Summary of Significant Accounting Policies, continued

- Exposures are not generally transferred directly to the Bank on the probability of expected impairment in the twelve months following the impairment of the group of loans;

- There is no unjustified volatility in the provision for impairment of transfers between groups with the probability of expected losses in the twelve months following and the probability of expected losses in the remaining life of the loans.

Modified financial assets

The contractual terms of the loans may be modified for a number of reasons, including changes in market conditions, client retention and other factors unrelated to an actual or potential impairment of the client's loan.

When the terms of a financial asset are modified and the modification does not result in the removal of the asset from the consolidated statement of financial position, the determination of whether the credit risk has significantly increased reflects comparisons of:

- The PD during the remaining life on the date of the balance sheet based on the terms modified with;

- The PD on the estimated remaining life based on the date of initial recognition and the original contractual terms.

The Bank renegotiates loans to customers in financial difficulties to maximize the opportunities to collect and to minimize the risk of noncompliance. Under the Bank's renegotiation policies, customers in financial difficulties are given concessions that generally involve a reduction in interest rate, extension of the payment term, reductions in the balances due or a combination of these.

For financial assets modified as part of the Bank's renegotiation policies, the estimation of the PD reflects whether the modifications have improved or restored the ability of the Bank to collect principal and interest and the prior experience of the Bank in similar actions. As part of the process, the Bank evaluates the debtor's payment compliance as compared to the modified terms of the debt and considers several performance indicators for the group of debtors modified.

Generally, restructuring indicators are a relevant factor on increased credit risk. Therefore, a restructured debtor must demonstrate a consistent payment behavior over a period of time before no longer being considered as an impaired loan or that the PD has decreased in such a way that the provision may be reversed and the loan measured for impairment over a term of twelve months after the closing date of the report.

(4) Summary of Significant Accounting Policies, continued

Inputs in Measuring ECL

Key inputs in measuring ECL are usually the structure of terms of the following variables:

- Probability of default (PD).
- Losses given default (LGD).
- Exposure at default (EAD).

The foregoing parameters are derived from internal statistical models and other historical information. These models are adjusted to reflect prospective information as described below:

Estimated PDs at a certain date, which is calculated based on statistical classification and assessment models using grading tools adjusted to the different counterpart categories and exposures. These statistical models are based on data compiled internally comprising both qualitative and quantitative factors. If a counterpart or exposure migrates between different grades, then this will result in a change in the estimated PD. PDs are estimated considering contractual terms on expiration of exposures and estimated prepayment rates.

LGD is the magnitude of probable losses in the event of noncompliance. The Bank estimates the parameters of the LGD based on historical loss recovery rates against the noncomplying parties. LGD models consider the structure, collateral and the priority of the lost debt, the industry of the counterpart and the recovery costs of any collateral integrated into the financial asset. For loans secured by real property, indices relating to the value of the security as compared to the loan (Loan to value, “LTV”), are parameters used in the determination of the LGD. LGD estimates are calibrated at different economic scenarios and for loans secured by real estate, variations in price indices for these assets. These loans are calculated on the bases of discounted cash flows using the effective interest rate of the loan.

EAD represents expected exposure in the event of noncompliance. The Bank derives the EAD from the current exposure of the counterpart and potential changes in the current amount permitted under the terms of the contract, including amortization and prepayments. The EAD of a financial asset is the gross value at the time of noncompliance. For loan commitments and financial security, the EAD considers the amount removed, as well as potential future amounts that may be removed or collected under the contract, which are estimated based on historical issues and projected prospective information. For some financial assets, the Bank determines the EAD by modeling a range of possible results of exposures as several points over time using scenarios and statistical techniques.

As described above and subject to using a maximum PD of twelve months for which credit risk has increased significantly, the Bank measures the EAD considering the risk of noncompliance during the maximum contractual period (including options to extend the customer's debt) on which there is an exposure to credit risk, even if, for purposes of risk management, the Bank considers a longer period of time. The maximum contractual period is extended to the date on which the Bank has the right to require payment of a loan or terminate a loan commitment or security given.

(4) Summary of Significant Accounting Policies, continued

For consumer overdrafts, credit card balances and certain corporate revolving credit that includes both a loan and a component of the customer's commission not to withdraw the loan, the Bank measures EADs over a longer period than the maximum contractual period, if the contractual ability of the Bank to demand payments and pay off the commitment not withdrawn does not limit the Bank's exposure to credit losses for the contractual period of the contract. These facilities do not have a fixed term or a collection structure and are managed on a collective basis. The Bank may cancel them immediately, but this contractual right is forced in the normal management of the Bank's day to day management, rather only when the Bank finds that there has been increased credit risk for each loan. This longer period of time will be estimated taking into account the actions for the management of credit risk that the Bank expects to take and that mitigate the EAD. These measures include a reduction in limits and cancellation of loan contracts.

Where parameter modeling is performed on a collective basis, the financial instruments are pooled on the basis of shared risk characteristics that include:

- Type of instrument.
- Credit risk rating.
- Guarantees.
- Date of initial recognition.
- Remaining expiration term.
- Industry.
- Geographical location of the debtor.

The above pooling is subject to regular review to ensure that the exposure of a particular Group remains uniform.

Projection of future conditions

The Bank incorporates information with projection of future conditions in both, the assessment of whether the credit risk of an instrument has increased significantly from initial recognition and a measurement of ECL, based on the recommendations of the Bank's Credit Risk Committee, use of economic experts and consideration of a variety of current and projected external information. The Bank formulates a base case for the projection of relevant economic variables as well as a range representative of other possible projected scenarios. This process involves the development of two more additional economic scenarios and considers the relative probabilities of each outcome.

The external information includes economic data and publication of projections by government committees, monetary authorities (mainly in the countries where the Bank operates), supranational organizations (such as the Organization for Economic Cooperation and Development, the International Monetary Fund and others), academic projections, private sector, and credit risk rating agencies.

(4) Summary of Significant Accounting Policies, continued

The base case represents the most probable outcome consistent with the information used by the Bank for other purposes and strategical planning and the budget. Other scenarios represents a more optimistic or pessimistic outcome. In addition, the Bank uses periodic stress testing to calibrate the determination of these other representative scenarios.

Financial liabilities

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

Recognition, disposal and measurement

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

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

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

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

Offsetting of financial instruments

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

Presentation of allowance for ECL in the statement of financial position

Loss allowances for ECL are presented in the statement of financial position as follows:

- Financial assets measured at amortized cost: as a deduction from the gross carrying amount of the assets;
- Loan commitments and financial guarantee contracts: generally, as a provision; and
- Debt instruments measured at FVOCI: no loss allowance is recognized in the statement of financial position because the carrying amount of these assets is their fair value. However, the loss allowance is disclosed and is recognized in other comprehensive income.

(4) Summary of Significant Accounting Policies, continued

(d) Loans

Loans receivable are non-derivative financial assets with fixed or determinable payments that are not quoted in active markets and are originated when funds are provided to a debtor in the form of a loan. Loans and advances were initially measured at fair value plus incremental direct transaction costs, and subsequently measured at their amortized cost using the effective interest method. Unearned interest and commissions are recognized as income during the life of the loan using the effective interest method.

For purposes of the establishment of an impairment allowance, products are classified into: corporate, small company, vehicles, credit card, personal, mortgage, leases or debt and guarantee commitments, as defined below.

Corporate and Small Company

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

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

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

The portfolio should be classified based on the original amount approved.

Vehicles

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

Credit card

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

Personal

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

(4) Summary of Significant Accounting Policies, continued

Mortgage

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

Leases

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

Debt commitments and guarantees

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

(e) Assets held for sale

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

(f) Derivative financial instruments and hedge accounting

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

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

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

Cash flow hedges

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

(4) Summary of Significant Accounting Policies, continued

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

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

Derivatives not designated for hedge accounting

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

Embedded derivatives

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

- the host contract is not an asset in the scope of IFRS 9;
- the host contract is not itself carried at fair value through profit or loss;
- the terms of the embedded derivative would meet the definition of a derivative if they were contained in a separate contract; and
- the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract.

Separated embedded derivatives are measured at fair value, with all changes in fair value recognized in profit or loss unless they form part of a qualifying cash flow or net investment hedging relationship. Separated embedded derivatives are presented in the statement of financial position together with the host contract.

(g) Recognition of the most significant income and expenses

Interest income and expenses

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

(4) Summary of Significant Accounting Policies, continued

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

Fees and commissions

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

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

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

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

Loyalty programs

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

The estimated fair value of loyalty programs and those points redeemed are recognized in the commissions account in the consolidated statement of income. The Bank recognizes the points based on the earned points expected to be redeemed and the fair value of the point to be redeemed. The points to be redeemed are estimated based on the history of redemption, card product type, account transaction activity and past performance of the cards.

(h) Cash and cash equivalents

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

(i) Property, furniture, equipment and improvements and depreciation method used

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

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

(4) Summary of Significant Accounting Policies, continued

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

Category	Years/Base
Buildings	20 - 50
Furniture and equipment	5 - 10
Vehicles	5
Computers	3 - 5
Leasehold improvements	3 - 10

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

Property and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The carrying amount of an asset is immediate reduced to its recoverable value if the carrying amount of the asset is greater than the estimated recoverable value. The recoverable amount is the highest between the fair value of the asset less the cost of selling and its value in use.

(j) Leases

Policy applicable from January 1, 2019

The Bank has applied IFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under IAS 17 and IFRIC 4. The details of accounting policies under IAS 17 and IFRIC 4 are disclosed separately if they are different from those under IFRS 16 and the impact of changes is disclosed in Note 3.

At inception of a contract, the Bank assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Bank assesses whether:

- the contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;

- the Bank has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and

(4) Summary of Significant Accounting Policies, continued

- the Bank has the right to direct the use of the asset. The Bank has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the Bank has the right to direct the use of the asset if either:

  - the Bank has the right to operate the asset; or

  - the Bank designed the asset in a way that predetermines how and for what purpose it will be used.

This policy is applied to contracts entered into, or changed, on or after January 1, 2019.

At inception or on reassessment of a contract that contains a lease component, the Bank allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices. However, for the leases of land and buildings in which it is a lessee, the Bank has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

i. As a lessee

The Bank recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Bank’s incremental borrowing rate. The Bank uses its incremental borrowing rate as the discount rate.

(4) Summary of Significant Accounting Policies, continued

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Bank is reasonably certain to exercise, lease payments in an optional renewal period if the Bank is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Bank is reasonably certain not to terminate early.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Bank's estimate of the amount expected to be payable under a residual value guarantee, or if the Bank changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Bank presents right-of-use assets that do not meet the definition of investment property in "property, furniture, equipment and improvements" and lease liabilities in "lease liabilities" in the consolidated statement of financial position.

Short-term leases and leases of low-value assets

The Bank has elected not to recognize right-of-use assets and lease liabilities for short-term leases of machinery that have a lease term of twelve months or less and leases of low-value assets, including IT equipment. The Bank recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

ii. As a lessor

When the Bank acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

(4) Summary of Significant Accounting Policies, continued

To classify each lease, the Bank makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Bank considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

If an arrangement contains lease and non-lease components, the Bank applies IFRS 15 to allocate the consideration in the contract.

The Bank recognizes lease payments received under operating leases as income on a straight-line basis over the lease term as part of “other income”.

The accounting policies applicable to the Bank as a lessor in the comparative period were not different from IFRS 16.

Under IAS 17

In the comparative period, as a lessee the Bank classified leases that transfer substantially all of the risks and rewards of ownership as finance leases. When this was the case, the leased assets were measured initially at an amount equal to the lower of their fair value and the present value of the minimum lease payments. Minimum lease payments were the payments over the lease term that the lessee was required to make, excluding any contingent rent.

Subsequently, the assets were accounted for in accordance with the accounting policy applicable to that asset.

Assets held under other leases were classified as operating leases and were not recognized in the Bank’s statement of financial position. Payments made under operating leases were recognized in profit or loss on a straight-line basis over the term of the lease. Lease incentives received were recognized as an integral part of the total lease expense, over the term of the lease.

Policy applicable before January 1, 2019

For contracts entered into before January 1, 2019, the Bank determined whether the arrangement was or contained a lease based on the assessment of whether:

- fulfilment of the arrangement was dependent on the use of a specific asset or assets; and
- the arrangement had conveyed a right to use the asset. An arrangement conveyed the right to use the asset if one of the following was met:
    - the purchaser had the ability or right to operate the asset while obtaining or controlling more than an insignificant amount of the output;

(4) Summary of Significant Accounting Policies, continued

- the purchaser had the ability or right to control physical access to the asset while obtaining or controlling more than an insignificant amount of the output; or
- facts and circumstances indicated that it was remote that other parties would take more than an insignificant amount of the output, and the price per unit was neither fixed per unit of output nor equal to the current market price per unit of output.

(k) Business combinations and goodwill

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

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

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

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

(4) Summary of Significant Accounting Policies, continued

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

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

(l) Intangible assets

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

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

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

Trade names are non-amortizable intangible assets.

(m) Income tax

Tax expense for the year includes current and deferred taxes. Taxes are recognized in profit or loss, except to the extent that they refer to items recognized directly in equity.

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

Deferred taxes are recognized for the temporary differences that arise between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recorded if they arise from the initial recognition of goodwill; deferred taxes are not recognized if they arise from an asset or liability in a transaction, other than a business combination, that at the time of the transaction does not affect the accounting results nor taxable income or loss. Deferred tax is determined using tax rates (and laws) enacted on the balance sheet date and expected to be applicable when the corresponding deferred tax asset is realized or the liability is settled.

(4) Summary of Significant Accounting Policies, continued

Deferred tax assets are recognized only to the extent that it is probable that future tax benefits will be available to compensate for temporary differences.

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

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

(n) Employee benefits

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

(o) Trust Contracts and Securities Management

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

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

(p) Fair value option

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

(4) Summary of Significant Accounting Policies, continued

(q) Fair value estimates

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

The different hierarchy levels have been defined as follows:

- Level 1 - Quoted prices in active markets without adjustments for identical assets or liabilities that the Bank can access at the measurement date.
- Level 2 - Inputs other than quoted prices included in Level 1 that are observable, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using quoted prices in active markets for similar instruments, quoted prices for identical or similar instruments in markets that are not active and other valuation techniques where significant data inputs are directly or indirectly observable in the market.
- Level 3 - Unobservable inputs for the asset or liability. This category includes all instruments where the valuation technique includes unobservable inputs and these have a significant effect on the fair value measurement. This category also includes instruments that are valued based on quoted prices for similar instruments for which we must make significant adjustments using unobservable inputs, assumptions or adjustments in which no observable or subjective data are used when there are differences between the instruments.

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

(r) Transactions between entities under common control

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

The Bank enters into transactions with related parties, which according to the internal policies of the Bank are carried out at market conditions.

(4) Summary of Significant Accounting Policies, continued

(s) Assets and liabilities classified as held for sale

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

(t) Discontinued operations

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

(u) Uniformity in the presentation of the Consolidated Financial Statements

Certain amounts in the 2018 consolidated financial statements have been reclassified to conform their presentation to that of 2019, as a result of the discontinued operations, see Note 29.

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

As of the date of the consolidated financial statements, there were IFRS that were still not applied when preparing them.

- **IFRS 17 "Insurance Contracts"**

  IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts within the scope of the standard. The objective of IFRS 17 is to ensure that an entity provides relevant information that faithfully represents those contracts. This information gives a basis for users of financial statements to assess the effect that insurance contracts have on the entity's financial position, financial performance and cash flows.

  IFRS 17 was issued in May 2017 and applies to annual reporting periods beginning on or after January 1, 2021.

  The Bank considers that IFRS 17 will not have a significant impact on the consolidated financial statements.

(5) Risk Management

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

Classification of financial assets

See the classification under IFRS 9 in accounting policies in Note 4 (c).

The following table provides a reconciliation between line items in the consolidated statement of financial position and categories of financial instruments.

2019	Obligatorily FVPL Debt instruments	Obligatorily FVPL Equity instruments	FVOCI Debt instruments	FVOCI Equity instruments	AC	Total
Cash, cash equivalents and deposits in banks	0	0	0	0	3,989,408,685	3,989,408,685
Accrued interest receivable from cash equivalents and deposits	0	0	0	0	4,742,864	4,742,864
Investments and other assets at fair value	42,636,461	10,617,681	2,165,446,376	5,328,901	0	2,224,029,419
Accrued interest receivable from investments at fair value	0	0	30,737,645	0	0	30,737,645
Loans at amortized costs	0	0	0	0	16,343,262,667	16,343,262,667
Other accounts receivable	0	0	0	0	237,756,868	237,756,868
Total financial assets	42,636,461	10,617,681	2,196,184,021	5,328,901	20,575,171,084	22,829,938,148

2018	Obligatorily FVPL Debt instruments	Obligatorily FVPL Equity instruments	FVOCI Debt instruments	FVOCI Equity instruments	AC	Total
Cash, cash equivalents and deposits in banks	0	0	0	0	4,191,219,046	4,191,219,046
Accrued interest receivable from cash equivalents and deposits	0	0	0	0	4,649,605	4,649,605
Investments and other assets at fair value	35,853,258	10,072,395	1,633,510,965	4,803,359	0	1,684,239,977
Accrued interest receivable from investments at fair value	0	0	19,499,824	0	0	19,499,824
Loans at amortized costs	0	0	0	0	15,763,484,409	15,763,484,409
Other accounts receivable	0	0	0	0	222,694,987	222,694,987
Total financial assets	35,853,258	10,072,395	1,653,010,789	4,803,359	20,182,048,047	21,885,787,848

As of December 31, 2019 and 2018, all of the financial liabilities held by the Bank are classified at amortized cost.

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

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

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

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

(5) Risk Management, continued

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

(a) Credit Risk

This is the risk of financial loss faced by the Bank when a client or counterparty fails to meet their contractual obligations, and is mainly originated from deposits, investments in securities and loans receivable.

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

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

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

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

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

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

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

(5) Risk Management, continued

Information on the portfolio's quality

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

The Bank maintains deposits in banks for $3,244,153,150 as of December 31, 2019 (2018: $3,466,154,262). Deposits are maintained at central banks and other financial institutions, most of which have AA to CC risk ratings, based on Standard & Poor's, Moody's, and/or Fitch Ratings. Of total deposits, excluding deposits in central banks, as of December 31, 2019, approximately $43 million did not have a risk rating (2018: $84 million).

Securities under resale agreements are mostly classified based on the ratings assigned by Standard & Poor's, Moody's, and/or Fitch Ratings.

As of December 31, 2019, all securities under resale agreements and bank deposits are up to date on the payment of principal and interest.

Quality of the investments and other assets at fair value

The Bank segregates the investment portfolio into investments and other assets at FVPL and investments at FVOCI. As of December 31, 2019 investments amounted to $2,224,029,419 (2018: $1,684,239,977). The accrued interest receivable amounted to $30,737,645 (2018: $19,499,824).

- Investments and other assets at FVPL

  As of December 31, 2019, investments at FVPL included in this risk analysis amounted to $42,636,461 (2018: $35,853,258).

  As of December 31, 2019, the Bank does not held derivative financial instruments (2018: $517,888). For further discussion on derivative financial instruments, see Note 27.

  As of December 31, 2019, the other assets at FVPL includes investments in common stocks for $10,617,681 (2018: $10,072,395) which are excluded from the following risk analyzes. As of December 31, 2019, there are mutual funds for $778,884 (2018: $1,157,801). Further details of the investments at FVPL can be found in Note 9.

  The credit quality of investments is monitored according to the international risk rating of the issuer provided by Standard & Poor's, Moody's, and/or Fitch Ratings

  The following table summarizes investments at FVLP categories:

	2019	2018
Governments and agencies		
BB+ or BB-	41,705,042	34,177,569
Total governments and agencies	41,705,042	34,177,569
Corporates		
BB+ or less	152,535	0
Not rated	778,884	1,675,689
Total corporates	931,419	1,675,689
Total investments at FVPL	42,636,461	35,853,258

  As of December 31, 2019, investments at FVPL are current and do not reflect impairment (2018: current and do not reflect impairment).

(5) Risk Management, continued

- Investments at FVOCI

As of December 31, 2019, investments at FVOCI included in this risk analysis amounted to $2,165,446,376 (2018: $1,633,510,965). The accrued interest receivable amounted to $30,737,645 (2018: $19,499,824).

As of December 31, 2019, investments at FVOCI includes investments in common stocks for $5,328,901 (2018: $4,803,359) which are excluded from the following risk analyzes. Further details on investments at FVOCI are included in Note 9.

As of December 31, 2019, investments in securities and other assets measured at fair value included in this risk analysis amounted to $2,208,082,837 (2018: $1,669,364,223). The accrued interest receivable amounted to $30,737,645 (2018: $19,499,824).

The following table summarizes the investments at FVOCI categories:

	2019			2018		
	12 months ECL	Lifetime ECL - without impairment	Total investments at FVOCI	12 months ECL	Lifetime ECL - without impairment	Total investments at FVOCI
Governments and agencies						
AAA	839	0	839	970	0	970
AA+	40,023,370	0	40,023,370	89,673,364	0	89,673,364
BBB+	154,395,736	0	154,395,736	134,696,438	0	134,696,438
BB+ or less	1,509,957,869	0	1,509,957,869	930,853,346	19,976,400	950,829,746
Total governments and agencies	1,704,377,814	0	1,704,377,814	1,155,224,118	19,976,400	1,175,200,518
Corporates						
AA	2,020,000	0	2,020,000	0	0	0
A-	262,364,590	0	262,364,590	269,374,733	0	269,374,733
BBB+	124,886,782	0	124,886,782	171,782,254	0	171,782,254
BB+ or less	71,797,190	0	71,797,190	17,153,460	0	17,153,460
Total corporates	461,068,562	0	461,068,562	458,310,447	0	458,310,447
Accrued interest receivable from investments at FVOCI	30,737,645	0	30,737,645	19,499,824	0	19,499,824
Total	2,196,184,021	0	2,196,184,021	1,633,034,389	19,976,400	1,653,010,789
ECL allowance	8,554,961	0	8,554,961	5,445,181	142,335	5,587,516

As of December 31, 2019 and 2018, investments at FVOCI are current.

(5) Risk Management, continued

Quality of the loans portfolio

Note 4 (c) contains an explanation of the measurement of the quality of financial instruments, which include the loan portfolio.

The following table presents the loans portfolio and the debts commitments and guarantee according to its risk category, in accordance with the grading used for each stated term:

	Loans				Debt commitments and guarantees
2019	**12 months ECL**	**Lifetime ECL - unimpaired**	**Lifetime ECL - impaired**	**Total**	**12 months ECL**
Corporate					
Satisfactory	6,144,076,355	1,929,922	0	6,146,006,277	452,459,196
Special mention	0	161,783,509	0	161,783,509	1,571,378
Sub-standard	0	0	98,698,231	98,698,231	44,071
Doubtful	0	0	15,719,902	15,719,902	0
Loss	0	0	27,599,829	27,599,829	313,981
Gross amount	6,144,076,355	163,713,431	142,017,962	6,449,807,748	454,388,626
Allowance for ECL	35,618,255	17,012,276	41,991,855	94,622,386	380,751
Net amount	6,108,458,100	146,701,155	100,026,107	6,355,185,362	454,007,875
Small company					
Satisfactory	660,981,729	51,711,635	0	712,693,364	8,713,130
Special mention	550,267	37,719,588	0	38,269,855	0
Sub-standard	0	93,538	8,374,118	8,467,656	0
Doubtful	0	0	4,571,559	4,571,559	1,116
Loss	0	0	2,739,913	2,739,913	0
Gross amount	661,531,996	89,524,761	15,685,590	766,742,347	8,714,246
Allowance for ECL	4,568,794	6,047,401	5,217,866	15,834,061	1,571
Net amount	656,963,202	83,477,360	10,467,724	750,908,286	8,712,675
Mortgage					
Satisfactory	2,942,231,106	168,943,334	0	3,111,174,440	45,087,813
Special mention	7,588,423	152,377,405	0	159,965,828	0
Sub-standard	0	683,383	32,707,345	33,390,728	0
Doubtful	0	0	33,743,412	33,743,412	0
Loss	0	0	34,390,549	34,390,549	0
Gross amount	2,949,819,529	322,004,122	100,841,306	3,372,664,957	45,087,813
Allowance for ECL	8,070,830	16,169,515	23,809,469	48,049,814	4,509
Net amount	2,941,748,699	305,834,607	77,031,837	3,324,615,143	45,083,304
Personal banking					
Satisfactory	1,818,621,859	71,676,846	1,834,180	1,892,132,885	0
Special mention	2,394,413	88,910,600	2,693,672	93,998,685	0
Sub-standard	0	332,610	11,529,447	11,862,057	0
Doubtful	0	0	13,281,015	13,281,015	0
Loss	0	15,776	13,285,025	13,300,801	0
Gross amount	1,821,016,272	160,935,832	42,623,339	2,024,575,443	0
Allowance for ECL	37,781,053	33,255,645	22,741,542	93,778,240	0
Net amount	1,783,235,219	127,680,187	19,881,797	1,930,797,203	0
Vehicles					
Satisfactory	838,491,135	53,429,196	0	891,920,331	0
Special mention	1,939,880	39,057,759	0	40,997,639	0
Sub-standard	0	74,827	5,318,846	5,393,673	0
Doubtful	0	0	4,545,350	4,545,350	0
Loss	0	0	6,643	6,643	0
Gross amount	840,431,015	92,561,782	9,870,839	942,863,636	0
Allowance for ECL	3,458,949	6,756,295	4,044,239	14,259,483	0
Net amount	836,972,066	85,805,487	5,826,600	928,604,153	0
Credit card					
Satisfactory	2,703,442,683	148,314,434	4,158,772	2,855,915,889	0
Special mention	11,578,316	79,685,751	95,431,506	186,695,573	0
Sub-standard	0	0	12,828,692	12,828,692	0
Doubtful	291,578	47,007,376	7,106,256	54,405,210	0
Loss	0	0	121,464,557	121,464,557	0
Gross amount	2,715,312,577	275,007,561	240,989,783	3,231,309,921	0
Allowance for ECL	75,472,838	64,541,441	104,724,576	244,738,855	0
Net amount	2,639,839,739	210,466,120	136,265,207	2,986,571,066	0
Accrued interest receivable from loans	82,395,854	11,941,861	23,819,187	118,156,902	0
Unearned interest	(3,657,665)	(166,670)	(82,296)	(3,906,631)	0
Unearned commissions, net	(42,121,818)	(3,983,504)	(1,563,495)	(47,668,817)	0
Net carrying amount, loans at AC	15,003,833,396	967,756,603	371,672,668	16,343,262,667	507,803,854

(5) Risk Management, continued

2018	Loans 12 months ECL	Lifetime ECL - unimpaired	Lifetime ECL - impaired	Acquired - credit Impaired	Total	Debt commitments and guarantees 12 months ECL
Corporate						
Satisfactory	5,945,469,889	3,113,802	82	0	5,948,583,773	454,393,382
Special mention	0	156,659,456	0	0	156,659,456	0
Sub-standard	0	0	67,317,016	1,788,790	69,105,806	0
Doubtful	0	0	22,757,737	0	22,757,737	0
Loss	0	225,957	7,689,166	0	7,915,123	0
Gross amount	5,945,469,889	159,999,215	97,764,001	1,788,790	6,205,021,895	454,393,382
Allowance for ECL	42,512,017	18,587,825	21,607,134	840,731	83,547,707	458,441
Net amount	5,902,957,872	141,411,390	76,156,867	948,059	6,121,474,188	453,934,941
Small company						
Satisfactory	673,604,777	31,118,540	562,260	0	705,285,577	8,306,334
Special mention	2,888,715	27,139,544	97,163	0	30,125,422	0
Sub-standard	0	0	6,986,915	0	6,986,915	0
Doubtful	0	0	3,923,210	0	3,923,210	0
Loss	266,272	107,991	1,989,750	0	2,364,013	0
Gross amount	676,759,764	58,366,075	13,559,298	0	748,685,137	8,306,334
Allowance for ECL	4,839,482	4,918,336	5,422,541	0	15,180,359	6,811
Net amount	671,920,282	53,447,739	8,136,757	0	733,504,778	8,299,523
Mortgage						
Satisfactory	2,856,565,417	200,150,796	7,113,093	0	3,063,829,306	41,874,498
Special mention	4,105,123	125,820,741	389,547	0	130,315,411	0
Sub-standard	0	0	18,019,256	0	18,019,256	0
Doubtful	0	0	22,404,546	0	22,404,546	0
Loss	516,125	1,502,214	17,798,888	0	19,817,227	0
Gross amount	2,861,186,665	327,473,751	65,725,330	0	3,254,385,746	41,874,498
Allowance for ECL	5,959,376	15,482,092	13,401,438	0	34,842,906	12,562
Net amount	2,855,227,289	311,991,659	52,323,892	0	3,219,542,840	41,861,936
Personal banking						
Satisfactory	1,846,648,556	91,780,300	4,089,169	0	1,942,518,025	0
Special mention	2,101,300	63,244,227	240,357	0	65,585,884	0
Sub-standard	0	0	8,620,424	0	8,620,424	0
Doubtful	0	0	11,652,797	0	11,652,797	0
Loss	120,859	2,321,517	16,586,077	0	19,028,453	0
Gross amount	1,848,870,715	157,346,044	41,188,824	0	2,047,405,583	0
Allowance for ECL	41,871,503	31,163,766	22,364,725	0	95,399,994	0
Net amount	1,806,999,212	126,182,278	18,824,099	0	1,952,005,589	0
Vehicles						
Satisfactory	890,591,926	49,692,609	1,468,629	0	941,753,164	0
Special mention	3,299,432	27,603,159	167,803	0	31,070,394	0
Sub-standard	0	0	2,754,346	0	2,754,346	0
Doubtful	0	0	3,350,152	0	3,350,152	0
Loss	315	200	0	0	515	0
Gross amount	893,891,673	77,295,968	7,740,930	0	978,928,571	0
Allowance for ECL	3,295,069	6,502,589	2,693,073	0	12,490,731	0
Net amount	890,596,604	70,793,379	5,047,857	0	966,437,840	0
Credit card						
Satisfactory	2,399,262,706	194,352,841	2,383,459	0	2,595,999,006	0
Special mention	7,055,373	91,959,394	100,656,707	0	199,671,474	0
Sub-standard	0	0	12,729,535	0	12,729,535	0
Doubtful	324,135	43,587,567	7,381,132	0	51,292,834	0
Loss	13,697	8,330,673	92,951,386	0	101,295,756	0
Gross amount	2,406,655,911	338,230,475	216,102,219	0	2,960,988,605	0
Allowance for ECL	78,282,925	72,945,575	91,093,407	0	242,321,907	0
Net amount	2,328,372,986	265,284,900	125,008,812	0	2,718,666,698	0
Accrued interest receivable from loans	85,264,285	13,616,347	5,490,887	8,387	104,379,906	0
Unearned interest	(3,015,548)	(38,395)	(18,863)	0	(3,072,806)	0
Unearned commissions, net	(44,671,082)	(3,936,283)	(847,259)	0	(49,454,624)	0
Net carrying amount, loans at AC	14,493,651,900	978,753,014	290,123,049	956,446	15,763,484,409	504,096,400

(5) Risk Management, continued

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

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

	2019					
	Mortgage	Pledge	Certificates of deposit	Investments in securities	Unsecured	Total
Securities under resale agreements	0	0	0	18,130,054	0	18,130,054
Accrued interest receivable from securities under resale agreements	0	0	0	19,812	0	19,812
Investments in securities and other assets at fair value	0	0	0	0	2,208,082,837	2,208,082,837
Accrued interest receivable from investments at fair value	0	0	0	0	30,737,645	30,737,645
Loans at amortized cost						
Corporate						
Corporate	2,907,548,553	509,829,329	211,071,075	0	2,704,229,385	6,332,678,342
Corporate leases, net	0	117,129,406	0	0	0	117,129,406
Total corporate	2,907,548,553	626,958,735	211,071,075	0	2,704,229,385	6,449,807,748
Personal Banking and Small company						
Small company						
Small company	414,340,524	0	21,090,455	0	221,641,280	657,072,259
Small company leases, net	0	109,670,088	0	0	0	109,670,088
Total Small company	414,340,524	109,670,088	21,090,455	0	221,641,280	766,742,347
Vehicles	0	871,071,317	0	0	0	871,071,317
Credit cards	0	0	0	0	3,231,309,921	3,231,309,921
Personal	403,347,582	0	45,513,232	0	1,575,714,629	2,024,575,443
Mortgage	3,372,664,957	0	0	0	0	3,372,664,957
Personal leases, net of interest	0	71,792,319	0	0	0	71,792,319
Total Personal Banking and Small company	4,190,353,063	1,052,533,724	66,603,687	0	5,028,665,830	10,338,156,304
Accrued interest receivable from loans	54,279,222	11,021,120	1,128,538	0	51,728,022	118,156,902
Allowance for ECL	(129,544,875)	(31,483,749)	(56,057)	0	(350,198,158)	(511,282,839)
Unearned interest	(898,822)	(154,796)	(71,098)	0	(2,781,915)	(3,906,631)
Unearned commissions, net	(14,525,792)	(10,013,274)	(163,871)	0	(22,965,880)	(47,668,817)
Total loans	7,007,211,349	1,648,861,760	278,512,274	0	7,408,677,284	16,343,262,667
Commitments and guarantees, net	53,186,729	873,559	16,954,194	0	437,176,203	508,190,685

	2018					
	Mortgage	Pledge	Certificates of deposit	Investments in securities	Unsecured	Total
Securities under resale agreements	0	0	0	20,911,045	0	20,911,045
Accrued interest receivable from securities under resale agreements	0	0	0	40,643	0	40,643
Investments in securities and other assets at fair value	0	0	0	0	1,669,364,223	1,669,364,223
Accrued interest receivable from investments at fair value	0	0	0	0	19,499,824	19,499,824
Loans at amortized cost						
Corporate						
Corporate	2,953,740,797	434,187,673	220,131,599	0	2,466,148,936	6,074,209,005
Corporate leases, net	0	130,812,890	0	0	0	130,812,890
Total corporate	2,953,740,797	565,000,563	220,131,599	0	2,466,148,936	6,205,021,895
Personal Banking and Small company						
Small company						
Small company	396,189,968	0	19,031,660	0	236,853,491	652,075,119
Small company leases, net	0	96,610,018	0	0	0	96,610,018
Total Small company	396,189,968	96,610,018	19,031,660	0	236,853,491	748,685,137
Vehicles	0	908,112,025	0	0	0	908,112,025
Credit cards	0	0	0	0	2,960,988,605	2,960,988,605
Personal	402,150,492	0	45,062,289	0	1,600,192,802	2,047,405,583
Mortgage	3,254,385,746	0	0	0	0	3,254,385,746
Personal leases, net of interest	0	70,816,546	0	0	0	70,816,546
Total Personal Banking and Small company	4,052,726,206	1,075,538,589	64,093,949	0	4,798,034,898	9,990,393,642
Accrued interest receivable from loans	42,161,566	9,620,798	1,268,253	0	51,329,289	104,379,906
Allowance for ECL	(96,578,174)	(25,006,861)	(80,101)	0	(362,118,468)	(483,783,604)
Unearned interest	(828,621)	(120,215)	(66,391)	0	(2,057,579)	(3,072,806)
Unearned commissions, net	(15,267,740)	(11,023,799)	(130,386)	0	(23,032,699)	(49,454,624)
Total loans	6,935,954,034	1,614,009,075	285,216,923	0	6,928,304,377	15,763,484,409
Commitments and guarantees	46,722,362	3,245,623	17,150,419	0	437,446,810	504,574,214

(5) Risk Management, continued

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

	2019	2018
Property	14,769,068	13,365,053
Other	0	153,242
Total	14,769,068	13,518,295

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

Residential mortgage loans

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

	2019		2018	
LTV Ratio	**Loans**	**Commitments and guarantees**	**Loans**	**Commitments and guarantees**
Less than 50%	682,214,444	3,481,789	643,216,009	3,567,348
51-70%	1,237,158,109	10,826,492	1,212,726,853	10,245,628
71-80%	1,157,457,495	19,530,266	1,086,946,175	16,149,237
81-90%	273,120,079	11,142,973	285,293,164	10,899,928
91-100%	15,881,898	106,293	19,249,760	697,856
More than 100%	6,832,932	0	6,953,785	314,501
Total	3,372,664,957	45,087,813	3,254,385,746	41,874,498

Impaired loans

LTV Ratio	**2019**	**2018**
Less than 50%	10,890,641	7,717,065
51-70%	31,715,674	20,451,733
71-80%	43,868,716	26,410,635
81-90%	11,835,871	9,304,500
91-100%	2,065,495	1,580,624
More than 100%	464,909	260,773
Total	100,841,306	65,725,330

(5) Risk Management, continued

ECL allowance

For a further discussion of the ECL calculation model, see Note 4 (c).

The Bank incorporates forward-looking information into both the assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and the measurement of ECL. For a further discussion, see Note 4 (c).

The scenario probability weightings applied in measuring ECL in each of the countries where the Bank operates, are as follows:

	2019					
Scenario probability weighting	**Guatemala**	**Honduras**	**El Salvador**	**Nicaragua**	**Costa Rica**	**Panama**
Upside	20%	25%	15%	15%	20%	25%
Central	70%	65%	70%	70%	60%	60%
Downside	10%	10%	15%	15%	20%	15%

	2018					
Scenario probability weighting	**Guatemala**	**Honduras**	**El Salvador**	**Nicaragua**	**Costa Rica**	**Panama**
Upside	40%	15%	50%	15%	5%	15%
Central	50%	70%	10%	45%	55%	40%
Downside	10%	15%	40%	40%	40%	45%

Periodically, the Bank carries out stress testing of more extreme shocks to calibrate its determination of the upside and downside representative scenarios. A comprehensive review is performed at least annually on the design of the scenarios by a panel of experts that advises the Bank's senior management.

The Bank has identified and documented key drivers of credit risk and credit losses for each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macro-economic variables and credit risk and credit losses.

The key drivers for credit risk for loans' portfolios are: Monthly Economic Activity Index, Consumer Price Index, Exchange Rate, Local Currency Interest Rate and Dollars Interest Rate.

The Bank estimates each key driver for credit risk over the active forecast period of one year.

(5) Risk Management, continued

The table below lists the macroeconomic assumptions used in the base, upside and downside scenarios over the forecast period.

		2019					
		Guatemala	**Honduras**	**El Salvador**	**Nicaragua**	**Costa Rica**	**Panama**
		%	**%**	**%**	**%**	**%**	**%**
Monthly Economic Activity Index	Upside	3.71	4.04	2.80	(1.26)	3.03	4.89
	Central	3.19	2.95	2.40	(3.08)	2.59	3.83
	Downside	2.15	1.98	1.84	(5.61)	1.76	2.97
Consumer Price Index	Upside	3.26	3.34	0.00	3.34	1.76	0.54
	Central	3.53	4.61	0.97	6.58	1.91	0.77
	Downside	3.72	5.07	2.11	8.92	4.04	1.71
Exchange Rate	Upside	(0.95)	0.72	-	2.72	(1.07)	-
	Central	(0.46)	3.34	-	3.01	0.22	-
	Downside	1.54	4.50	-	3.74	3.39	-
Local Currency Interest Rate	Upside	(0.30)	(3.25)	-	(0.99)	(1.81)	-
	Central	(0.03)	(1.45)	-	1.70	(1.58)	-
	Downside	0.26	(0.30)	-	4.93	(0.99)	-
Dollars Interest Rate	Upside	(0.29)	(0.36)	(0.07)	(0.09)	(1.55)	(0.35)
	Central	(0.12)	(0.34)	0.03	1.03	(1.17)	0.08
	Downside	0.34	0.27	0.34	3.12	(0.18)	0.56

		2018					
		Guatemala	**Honduras**	**El Salvador**	**Nicaragua**	**Costa Rica**	**Panama**
		%	**%**	**%**	**%**	**%**	**%**
Monthly Economic Activity Index	Upside	3.54	4.41	4.64	1.32	4.60	4.85
	Central	2.76	3.46	2.50	(3.64)	2.11	4.60
	Downside	2.33	3.17	1.34	(6.78)	(0.95)	2.16
Consumer Price Index	Upside	5.16	4.22	5.94	2.68	4.69	3.68
	Central	3.23	4.69	1.40	6.62	3.62	2.00
	Downside	6.67	5.02	1.40	9.08	11.41	1.79
Exchange Rate	Upside	0.32	3.92	-	5.68	(1.56)	-
	Central	1.12	4.15	-	7.00	6.43	-
	Downside	1.43	4.35	-	6.26	18.35	-
Local Currency Interest Rate	Upside	(0.15)	(1.49)	-	0.63	(1.90)	-
	Central	0.30	0.30	-	1.69	7.72	-
	Downside	0.47	0.20	-	1.04	9.63	-
Dollars Interest Rate	Upside	(0.45)	(0.19)	0.21	0.71	(0.56)	0.45
	Central	0.11	0.11	0.11	1.74	0.36	0.11
	Downside	0.66	0.08	0.24	2.15	2.29	0.44

Sensitivity of ECL to future economic conditions

The ECL are sensitive to judgements and assumptions made regarding formulation of forward-looking scenarios and how such scenarios are incorporated into the calculations. Management performs a sensitivity analysis on the ECL recognised on material classes of its assets.

(5) Risk Management, continued

The table below shows the loss allowance on loans assuming each forward-looking scenario (e.g. central, upside and downside) were weighted 100% instead of applying scenario probability weights across the three scenarios.

2019	Upside	Central	Downside
Book Value			
Corporate	6,449,807,748	6,449,807,748	6,449,807,748
Small company	766,742,347	766,742,347	766,742,347
Mortgage	3,372,664,957	3,372,664,957	3,372,664,957
Personal banking	2,024,575,443	2,024,575,443	2,024,575,443
Vehicles	942,863,636	942,863,636	942,863,636
Credit card	3,231,309,921	3,231,309,921	3,231,309,921
	16,787,964,052	16,787,964,052	16,787,964,052
ECL Allowance			
Corporate	86,411,296	93,819,741	114,742,964
Small company	15,336,408	15,780,988	16,126,848
Mortgage	47,112,487	48,096,227	50,611,937
Personal banking	91,095,658	93,781,460	97,291,172
Vehicles	13,734,832	14,351,142	15,037,242
Credit card	242,705,884	244,012,603	247,591,486
	496,396,565	509,842,161	541,401,649
Proportion of assets in Stage 2			
Corporate	2.5%	2.5%	2.5%
Small company	10.2%	11.7%	12.1%
Mortgage	8.7%	9.6%	10.3%
Personal banking	7.9%	8.1%	8.9%
Vehicles	9.0%	10.0%	10.6%
Credit card	8.5%	8.5%	8.5%
	6.3%	6.6%	6.9%

2018	Upside	Central	Downside
Book Value			
Corporate	6,205,021,895	6,205,021,895	6,205,021,895
Small company	748,685,137	748,685,137	748,685,137
Mortgage	3,254,385,746	3,254,385,746	3,254,385,746
Personal banking	2,047,405,583	2,047,405,583	2,047,405,583
Vehicles	978,928,571	978,928,571	978,928,571
Credit card	2,960,988,605	2,960,988,605	2,960,988,605
	16,195,415,537	16,195,415,537	16,195,415,537
ECL Allowance			
Corporate	70,578,549	78,669,661	100,153,146
Small company	13,055,160	14,753,950	16,393,640
Mortgage	30,433,940	33,767,880	38,660,770
Personal banking	90,452,782	94,377,129	100,596,497
Vehicles	10,447,800	12,019,710	13,905,380
Credit card	228,745,274	239,391,691	254,481,220
	443,713,505	472,980,021	524,190,653
Proportion of assets in Stage 2			
Corporate	2.6%	2.6%	2.6%
Small company	7.4%	7.8%	8.2%
Mortgage	9.2%	10.1%	11.0%
Personal banking	7.3%	7.8%	9.2%
Vehicles	5.9%	8.6%	9.4%
Credit card	11.2%	11.3%	12.2%
	6.5%	6.9%	7.5%

(5) Risk Management, continued

The following table shows a reconciliation of the opening and closing balances of the period as of December 31, 2019, of the financial assets' ECL allowance.

	2019				2018			
Deposits in banks	**12 months ECL**	**Lifetime ECL - unimpaired**	**Lifetime ECL - impaired**	**Total**	**12 months ECL**	**Lifetime ECL - unimpaired**	**Lifetime ECL – impaired**	**Total**
Balance at beginning of year	21,201	0	0	21,201	0	0	0	0
Impact of adoption of IFRS 9 as of January 1, 2018	0	0	0	0	37,762	0	0	37,762
Restated balance at beginning of year	21,201	0	0	21,201	37,762	0	0	37,762
Net remeasurement of loss allowance	(21,201)	0	0	(21,201)	(37,101)	0	0	(37,101)
New financial assets originated	85,223	0	0	85,223	24,375	0	0	24,375
Foreign currency translation	671	0	0	671	(3,835)	0	0	(3,835)
Balance at year end	85,894	0	0	85,894	21,201	0	0	21,201

	2019				2018			
Investments at FVOCI	**12 months ECL**	**Lifetime ECL - unimpaired**	**Lifetime ECL - impaired**	**Total**	**12 months ECL**	**Lifetime ECL - unimpaired**	**Lifetime ECL - impaired**	**Total**
Balance at beginning of year	5,445,181	142,335	0	5,587,516	0	0	0	0
Impact of adoption of IFRS 9 as of January 1, 2018	0	0	0	0	3,440,711	121,284	0	3,561,995
Restated balance at beginning of year	5,445,181	142,335	0	5,587,516	3,440,711	121,284	0	3,561,995
Net remeasurement of loss allowance	(3,802,214)	(142,335)	0	(3,944,549)	(2,132,567)	7,063	0	(2,125,504)
New financial assets originated	6,780,086	0	0	6,780,086	4,266,389	13,988	0	4,280,377
Foreign currency translation	131,908	0	0	131,908	(129,352)	0	0	(129,352)
Balance at year end	8,554,961	0	0	8,554,961	5,445,181	142,335	0	5,587,516

The above investments' ECL allowance is not recognized within the consolidated statement of financial position, because the book value of the investments at FVOCI is its fair value.

	2019				2018			
Loans at AC	**12 months ECL**	**Lifetime ECL - unimpaired**	**Lifetime ECL - impaired**	**Total**	**12 months ECL**	**Lifetime ECL - unimpaired**	**Lifetime ECL - impaired**	**Total**
Balance at beginning of year	176,760,372	149,600,183	157,423,049	483,783,604	53,815,255	53,859,532	126,997,172	234,671,959
Impact of adoption of IFRS 9 as of January 1, 2018	0	0	0	0	109,081,324	77,728,733	16,326,591	203,136,648
Restated balance at beginning of year	176,760,372	149,600,183	157,423,049	483,783,604	162,896,579	131,588,265	143,323,763	437,808,607
Transfer from stage 1 to 2	(12,103,051)	12,103,051	0	0	(13,457,146)	13,457,146	0	0
Transfer from stage 1 to 3	(3,962,792)	0	3,962,792	0	(3,920,057)	0	3,920,057	0
Transfer from stage 2 to 3	0	(15,952,342)	15,952,342	0	0	(11,702,498)	11,702,498	0
Transfer from stage 3 to 2	0	4,908,385	(4,908,385)	0	0	5,481,777	(5,481,777)	0
Transfer from stage 2 to 1	25,284,859	(25,284,859)	0	0	25,768,484	(25,768,484)	0	0
Transfer from stage 3 to 1	1,537,465	0	(1,537,465)	0	1,561,437	0	(1,561,437)	0
Net remeasurement of loss allowance	(30,121,472)	40,843,940	402,860,205	413,582,673	(14,884,885)	54,139,087	353,452,288	392,706,490
New financial assets originated	48,268,855	0	0	48,268,855	59,331,854	0	0	59,331,854
Net derecognition of financial assets	(40,693,519)	(22,435,785)	(18,752,127)	(81,881,431)	(40,535,894)	(17,595,110)	(19,430,466)	(77,561,470)
Charge-offs	0	0	(465,260,357)	(465,260,357)	0	0	(405,288,309)	(405,288,309)
Recoveries	0	0	109,871,713	109,871,713	0	0	95,718,529	95,718,529
Foreign currency translation	0	0	2,917,780	2,917,780	0	0	(18,932,102)	(18,932,102)
Balance at year end	164,970,719	143,782,573	202,529,547	511,282,839	176,760,372	149,600,183	157,423,049	483,783,604

	2019				2018			
Other accounts receivable	**12 months ECL**	**Lifetime ECL - unimpaired**	**Lifetime ECL - impaired**	**Total**	**12 months ECL**	**Lifetime ECL - unimpaired**	**Lifetime ECL - impaired**	**Total**
Balance at beginning of year	3,965,454	0	0	3,965,454	2,621,251	0	0	2,621,251
Impact of adoption of IFRS 9 as of January 1, 2018	0	0	0	0	1,796,792	0	0	1,796,792
Restated balance at beginning of year	3,965,454	0	0	3,965,454	4,418,043	0	0	4,418,043
Net remeasurement of loss allowance	(1,511,396)	0	0	(1,511,396)	(743,663)	0	0	(743,663)
New financial assets originated	2,988,238	0	0	2,988,238	1,013,816	0	0	1,013,816
Discontinued operations	0	0	0	0	14,639	0	0	14,639
Charge-offs	(851,590)	0	0	(851,590)	(843,648)	0	0	(843,648)
Recoveries	448,670	0	0	448,670	220,435	0	0	220,435
Foreign currency translation	(107,958)	0	0	(107,958)	(114,168)	0	0	(114,168)
Balance at year end	4,931,418	0	0	4,931,418	3,965,454	0	0	3,965,454

(5) Risk Management, continued

Modified financial assets

The following table provides information on individually significant financial assets that were modified while having a loss provision measured in an amount equal to the ECL for the expected life.

	2019	2018
Cost amortized before modification	31,597,006	634,847
Net loss from modification	977,385	0
Total	32,574,391	634,847

Concentration of credit risk

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

	2019					
	Loans at amortized cost	Commitments and guarantees	Securities purchased under resale agreements	Deposits in banks	Investments at FVOCI	Investments at FVPL
Concentration by sector						
Government	0	0	18,130,054	2,516,601,838	1,704,377,814	41,705,042
Corporate						
Trade	1,622,914,692	72,785,084	0	0	0	0
Real estate	1,255,633,856	16,775,962	0	0	9,648,017	0
Services	1,219,810,745	129,324,038	0	0	0	0
Food industry	906,537,978	18,445,008	0	0	0	0
General industry	796,107,238	28,075,759	0	0	0	0
Agriculture	517,566,146	8,249,552	0	0	0	0
Hotels and restaurants	316,554,680	2,841,393	0	0	0	0
Financial	233,547,292	130,269,469	0	727,551,312	437,874,019	931,419
Transportation	175,681,911	10,892,182	0	0	0	0
Construction	138,405,206	43,668,016	0	0	13,546,526	0
Telecommunication	34,442,438	1,776,409	0	0	0	0
Personal banking	9,570,761,870	45,087,813	0	0	0	0
Accrued interest receivable	118,156,902	0	19,812	4,723,052	30,737,645	0
Allowance for loan losses	(511,282,839)	0	0	0	0	0
Unearned interest	(3,906,631)	0	0	0	0	0
Unearned commissions, net	(47,668,817)	0	0	0	0	0
Net carrying amount	16,343,262,667	508,190,685	18,149,866	3,248,876,202	2,196,184,021	42,636,461
Geographic location						
Costa Rica	4,748,495,227	187,085,520	5,141,084	847,046,148	855,595,241	42,434,788
Panama	3,983,112,381	158,418,723	0	58,060,572	193,396,442	0
Guatemala	3,254,925,938	10,818,107	12,988,970	450,512,049	397,267,521	201,673
Honduras	2,075,554,902	31,835,080	0	468,675,367	187,014,662	0
El Salvador	1,854,023,859	102,737,415	0	567,805,037	78,974,929	0
Nicaragua	871,851,745	17,295,840	0	250,216,193	23,901,999	0
Northamerica	0	0	0	572,211,697	426,247,225	0
Europa	0	0	0	17,694,882	0	0
Southamerica	0	0	0	0	1,028,357	0
Others	0	0	0	11,931,205	2,020,000	0
Accrued interest receivable	118,156,902	0	19,812	4,723,052	30,737,645	0
Allowance for loan losses	(511,282,839)	0	0	0	0	0
Unearned interest	(3,906,631)	0	0	0	0	0
Unearned commissions, net	(47,668,817)	0	0	0	0	0
Net carrying amount	16,343,262,667	508,190,685	18,149,866	3,248,876,202	2,196,184,021	42,636,461

(5) Risk Management, continued

	2018					
	Loans at amortized cost	Commitments and guarantees	Securities purchased under resale agreements	Deposits in banks	Investments at FVOCI	Investments at FVPL
Concentration by sector						
Government	0	0	14,448,550	2,382,933,308	1,175,200,518	34,177,569
Corporate						
Trade	1,683,188,468	129,392,984	0	0	0	0
Services	1,244,236,710	110,528,473	0	0	0	0
Real estate	1,036,469,527	13,103,589	0	0	0	0
Food industry	934,176,248	12,900,102	0	0	0	0
General industry	717,704,706	49,808,133	0	0	0	0
Agriculture	468,988,888	23,225,137	0	0	0	0
Hotels y restaurants	271,143,154	6,671,982	0	0	0	0
Financial	231,998,951	63,822,539	6,462,495	1,083,220,954	449,563,551	1,675,689
Transportation	166,825,911	8,591,407	0	0	0	0
Construction	155,681,370	43,628,571	0	0	8,746,896	0
Telecommunication	44,191,209	1,026,800	0	0	0	0
Personal banking	9,240,810,395	41,874,497	0	0	0	0
Accrued interest receivable	104,379,906	0	40,643	4,608,962	19,499,824	0
Allowance for loan losses	(483,783,604)	0	0	0	0	0
Unearned interest	(3,072,806)	0	0	0	0	0
Unearned commissions, net	(49,454,624)	0	0	0	0	0
Net carrying amount	15,763,484,409	504,574,214	20,951,688	3,470,763,224	1,653,010,789	35,853,258
Geographic location:						
Costa Rica	4,491,163,527	173,599,182	14,448,550	927,432,568	458,103,046	35,336,432
Panama	4,026,388,150	160,362,657	0	48,413,288	143,443,334	0
Guatemala	2,973,521,187	21,932,696	6,462,495	399,166,965	291,187,606	10,357
Honduras	1,879,092,831	33,185,739	0	367,927,597	177,386,705	506,470
El Salvador	1,737,777,268	85,125,200	0	569,330,490	12,582,555	0
Nicaragua	1,087,472,574	30,368,740	0	197,015,758	19,976,400	0
Northamerica	0	0	0	916,451,260	529,796,516	0
Southamerica	0	0	0	0	1,034,803	0
Europa	0	0	0	30,396,712	0	0
Others	0	0	0	10,019,624	0	0
Accrued interest receivable	104,379,906	0	40,643	4,608,962	19,499,824	0
Allowance for loan losses	(483,783,604)	0	0	0	0	0
Unearned interest	(3,072,806)	0	0	0	0	0
Unearned commissions, net	(49,454,624)	0	0	0	0	0
Net carrying amount	15,763,484,409	504,574,214	20,951,688	3,470,763,224	1,653,010,789	35,853,258

Since April 2018, the Republic of Nicaragua has been facing a series of socio-political events that have economic implications that are affecting the development of activities in the productive sectors of the country.

The Bank has been and will continue to monitor the evolution of the liquidity and the quality of the portfolio of financial instruments placed or acquired in that country, in order to mitigate and manage the impacts of this situation.

(b) Liquidity Risk

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

The liquidity management conducted by the Bank seeks to meet its obligations of (i) withdrawals of deposits by its customers, (ii) repayment of the service of its debts of institutional funding according to maturity and the payment scheme scheduled, and (iii) compliance with the credit demand and investment funds according to the requirements. In this regard, the Bank has constant control over its short term liabilities and assets.

(5) Risk Management, continued

The liquidity of the Bank is carefully managed and adjusted daily based on the estimated liquidity in a contingent and expected scenario.

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

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

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

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

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

	% of Liquidity	
	2019	**2018**
As of year end	36.0	36.0
Maximum	39.0	41.0
Average	36.0	34.4
Minimum	33.0	31.0

As of December 31, 2019 and December 31, 2018, the banking operations of the Bank comply with the liquidity requirements established by the regulators.

(5) Risk Management, continued

Quantitative information

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

	2019						
Amounts in thousands	Carrying Amount [(1)]	Total nominal gross amount inflows /(outflows)	Up to 1 month	From 1 to 3 months	From 3 months to 1 year	From 1 to 5 years	More than 5 years
Liabilities							
Demand deposits	5,971,869	(5,971,869)	(5,971,869)	0	0	0	0
Savings deposits	3,335,166	(3,335,166)	(3,335,166)	0	0	0	0
Time deposits	7,927,603	(8,746,495)	(815,520)	(1,299,917)	(3,062,124)	(2,088,131)	(1,480,803)
Securities sold under repurchase agreements	34,740	(34,765)	(34,765)	0	0	0	0
Financial obligations	2,334,112	(2,565,918)	(120,994)	(263,556)	(846,167)	(859,832)	(475,369)
Other financial obligations	319,415	(339,999)	(1,517)	(33,096)	(103,457)	(201,929)	0
Sub-total liabilities	19,922,905	(20,994,212)	(10,279,534)	(1,596,569)	(4,011,748)	(3,139,674)	(1,956,172)
Commitments and guarantees	0	(60,116)	(5,199)	(12,577)	(42,340)	0	0
Acceptances	1,969	(1,969)	(441)	(445)	(1,083)	0	0
Total liabilities	19,924,874	(21,056,297)	(10,285,174)	(1,609,591)	(4,055,171)	(3,139,674)	(1,956,172)
Assets							
Cash and cash equivalents	727,125	727,125	727,125	0	0	0	0
Securities purchased under resale agreements	18,150	18,150	18,150	0	0	0	0
Deposits in banks	3,248,876	3,249,729	3,209,442	22,786	17,501	0	0
Investments at FVPL [(2)]	42,636	60,663	784	1,414	18,256	25,906	14,303
Investments at FVOCI [(2)]	2,196,184	2,532,524	171,036	130,617	446,682	1,256,177	528,012
Loans	16,343,263	22,874,588	2,497,266	2,961,135	2,942,747	6,484,159	7,989,281
Sub-total assets	22,576,234	29,462,779	6,623,803	3,115,952	3,425,186	7,766,242	8,531,596
Acceptances outstanding	1,969	1,969	441	445	1,083	0	0
Total assets	22,578,203	29,464,748	6,624,244	3,116,397	3,426,269	7,766,242	8,531,596

(1) Includes interest receivable/payable on financial assets/liabilities
(2) Common stocks are excluded

	2018						
Amounts in thousands	Carrying Amount [(1)]	Total nominal gross amount inflows /(outflows)	Up to 1 month	From 1 to 3 months	From 3 months to 1 year	From 1 to 5 years	More than 5 years
Liabilities							
Demand deposits	5,578,268	(5,578,268)	(5,578,268)	0	0	0	0
Savings deposits	2,965,495	(2,965,495)	(2,965,495)	0	0	0	0
Time deposits	7,224,862	(7,878,424)	(672,428)	(1,272,931)	(3,072,072)	(1,794,062)	(1,066,931)
Securities sold under repurchase agreements	110,873	(110,895)	(110,895)	0	0	0	0
Financial obligations	3,158,988	(3,403,718)	(193,391)	(503,967)	(1,334,982)	(1,099,168)	(272,210)
Other financial obligations	299,285	(315,902)	(3,007)	(6,919)	(87,910)	(218,066)	0
Sub-total liabilities	19,337,771	(20,252,702)	(9,523,484)	(1,783,817)	(4,494,964)	(3,111,296)	(1,339,141)
Commitments and guarantees	0	(66,221)	(6,079)	(15,797)	(44,345)	0	0
Acceptances	1,526	(1,526)	(342)	(646)	(538)	0	0
Total liabilities	19,339,245	(20,320,449)	(9,529,905)	(1,800,260)	(4,539,847)	(3,111,296)	(1,339,141)
Assets							
Cash and cash equivalents	704,154	704,154	704,154	0	0	0	0
Securities purchased under resale agreements	20,952	20,952	18,668	2,284	0	0	0
Deposits in banks	3,470,763	3,470,907	3,458,605	6,536	5,766	0	0
Investments at FVPL [(2)]	35,336	39,588	1	290	8,004	31,293	0
Investments at FVOCI [(3)]	1,653,011	1,782,842	41,197	152,656	383,043	1,187,807	18,139
Loans at amortized cost	15,763,484	21,231,639	2,289,689	2,762,613	2,838,254	6,048,234	7,292,849
Sub-total assets	21,647,700	27,250,082	6,512,314	2,924,379	3,235,067	7,267,334	7,310,988
Acceptances outstanding	1,526	1,526	342	646	538	0	0
Total assets	21,649,226	27,251,608	6,512,656	2,925,025	3,235,605	7,267,334	7,310,988

(1) Includes interest receivable/payable on financial assets/liabilities
(2) Derivative instruments and common stocks are excluded
(3) Common stocks are excluded

(5) Risk Management, continued

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

	2019	2018
Cash and cash equivalents	727,125,481	704,153,739
Securities bought under resale agreements	18,130,054	20,911,045
Deposits in central banks	2,383,147,625	2,282,847,029
Deposits due from banks maturing in less than 90 days	837,591,282	1,163,341,589
Deposits due from banks greater than 90 days	23,414,243	19,965,644
Sub-total	3,989,408,685	4,191,219,046
Interest receivable on securities purchased under resales agreements and deposits in banks	4,742,864	4,649,605
Total cash, cash equivalents and deposits in banks	3,994,151,549	4,195,868,651
Not committed sovereign debt instruments	1,674,926,042	1,076,975,599
Other credit lines available (1)	1,756,600,146	1,730,992,419
Total liquidity reserve	7,425,677,737	7,003,836,669

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

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

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

2019	Committed	Not committed			
	As collateral	Available as collateral	Legal Reserve(1)	Other (2)	Total
Cash and cash equivalents	0	0	0	727,125,481	727,125,481
Securities purchased under resale agreements	0	0	18,130,054	0	18,130,054
Deposits due from banks	5,529,203	205,252,355	2,115,848,345	917,523,247	3,244,153,150
Interest receivable on securities purchased under resales agreements and deposits in banks	0	0	0	4,742,864	4,742,864
Investments in securities and other assets at fair value	20,247,371	2,061,443,623	50,614,876	91,723,549	2,224,029,419
Accrued interest from investments at fair value	0	0	0	30,737,645	30,737,645
Loans at amortized cost	352,448,636	0	0	15,990,814,031	16,343,262,667
Total assets	378,225,210	2,266,695,978	2,184,593,275	17,762,666,817	22,592,181,280

(1) It represents uncommitted assets, but that the Bank believes that, for legal or other reasons, they are to secure financing. These bank deposits represent the amount of legal reserve required in the different jurisdictions where the Bank operates, and which can be accessed according to the regulations of each country
(2) It represents assets that are not restricted for use as collateral.

2018	Committed	Not committed			
	As collateral	Available as collateral	Legal Reserve(1)	Other (2)	Total
Cash and cash equivalents	0	0	0	704,153,739	704,153,739
Securities purchased under resale agreements	0	20,911,045	0	0	20,911,045
Deposits due from banks	0	1,973,243,895	185,610,603	1,307,299,764	3,466,154,262
Interest receivable on securities purchased under resales agreements and deposits in banks	0	0	0	4,649,605	4,649,605
Investments in securities and other assets at fair value	80,831,650	51,230,997	1,517,097,784	35,079,546	1,684,239,977
Accrued interest from investments at fair value	0	0	0	19,499,824	19,499,824
Loans at amortized cost	386,318,397	0	0	15,377,166,012	15,763,484,409
Total assets	467,150,047	2,045,385,937	1,702,708,387	17,447,848,490	21,663,092,861

(1) It represents uncommitted assets, but that the Bank believes that, for legal or other reasons, they are to secure financing. These bank deposits represent the amount of legal reserve required in the different jurisdictions where the Bank operates, and which can be accessed according to the regulations of each country
(2) It represents assets that are not restricted for use as collateral.

(5) Risk Management, continued

(c) Market risk

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

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

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

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

Market risks assumed by the Bank are in line with the structure, complexity, size and nature of its operation, while always respecting the local regulations, the regional guidelines and the guidelines issued by management and/or regional and local board of directors.

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

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

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

(5) Risk Management, continued

Quantitative information

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

2019 *Amounts in millions*	Quetzales	Lempiras	Cordobas	Colones	Total
Cash, cash equivalents and deposits in banks	378	398	127	497	1,400
Investments in securities	368	182	0	228	778
Loans, net	1,703	1,450	56	1,595	4,804
Total assets	2,449	2,030	183	2,320	6,982
Deposits	1,939	1,532	235	2,023	5,729
Obligations	284	198	0	41	523
Total liabilities	2,223	1,730	235	2,064	6,252
Contingencies	0	20	0	38	58
Exchange risk exposure	226	320	(52)	294	788

2018 *Amounts in millions*	Quetzales	Lempiras	Cordobas	Colones	Total
Cash, cash equivalents and deposits in banks	316	291	99	562	1,268
Investments in securities	248	167	20	194	629
Loans, net	1,565	1,297	68	1,499	4.429
Total assets	2,129	1,755	187	2,255	6,326
Deposits	1,634	1,339	207	1,931	5,111
Obligations	263	161	10	123	557
Total liabilities	1,897	1,500	217	2,054	5,668
Contingencies	0	20	0	45	65
Exchange risk exposure	232	275	(30)	246	723

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

2019	Without exposure	Up to 1 year	From 1 to 5 years	More than 5 years	Total
Cash and cash equivalents	727,125,481	0	0	0	727,125,481
Securities purchased under resale agreements	0	18,130,054	0	0	18,130,054
Deposits due from banks	1,451,558,417	1,792,594,733	0	0	3,244,153,150
Interest receivable on securities purchased under resales agreements and deposits in banks	4,742,864	0	0	0	4,742,864
Investments in securities and other assets at fair value	318,731,545	491,509,922	963,701,319	450,086,633	2,224,029,419
Accrued interest receivable from investments at fair value	30,737,645	0	0	0	30,737,645
Loans	0	15,424,100,746	1,178,456,895	185,406,411	16,787,964,052
Accrued interest receivable from loans	118,156,902	0	0	0	118,156,902
Total assets	2,651,052,854	17,726,335,455	2,142,158,214	635,493,044	23,155,039,567
Deposits	963,281,705	13,302,885,613	1,821,675,970	1,061,395,187	17,149,238,475
Accrued interest payable of deposits	85,399,296	0	0	0	85,399,296
Institutional funding	0	1,791,528,281	440,916,445	441,451,498	2,673,896,224
Accrued interest payable of securities sold under repurchase agreements, obligations and other financial obligations	14,371,170	0	0	0	14,371,170
Total liabilities	1,063,052,171	15,094,413,894	2,262,592,415	1,502,846,685	19,922,905,165
Exposure to interest rate risk	1,588,000,683	2,631,921,561	(120,434,201)	(867,353,641)	3,232,134,402

(5) Risk Management, continued

2018	Without exposure	Up to 1 year	From 1 to 5 years	More than 5 years	Total
Cash and cash equivalents	704,153,739	0	0	0	704,153,739
Securities purchased under resale agreements	0	20,911,045	0	0	20,911,045
Deposits due from banks	1,828,263,878	1,637,890,384	0	0	3,466,154,262
Interest receivable on securities purchased under resales agreements and deposits in banks	4,649,605	0	0	0	4,649,605
Investments in securities and other assets at fair value	15,733,482	538,662,665	1,119,753,800	10,090,030	1,684,239,977
Accrued interest receivable from investments at fair value	19,499,824	0	0	0	19,499,824
Loans	0	14,923,891,416	1,093,315,307	178,208,814	16,195,415,537
Accrued interest receivable from loans	104,379,906	0	0	0	104,379,906
Total assets	2,676,680,434	17,121,355,510	2,213,069,107	188,298,844	22,199,403,895
Deposits	935,732,447	12,408,379,620	1,590,819,086	751,987,793	15,686,918,946
Accrued interest payable of deposits	81,705,890	0	0	0	81,705,890
Institutional funding	0	2,511,045,672	815,118,044	224,025,422	3,550,189,138
Accrued interest payable of securities sold under repurchase agreements, obligations and other financial obligations	18,956,819	0	0	0	18,956,819
Total liabilities	1,036,395,156	14,919,425,292	2,405,937,130	976,013,215	19,337,770,793
Exposure to interest rate risk	1,640,285,278	2,201,930,218	(192,868,023)	(787,714,371)	2,861,633,102

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

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

(5) Risk Management, continued

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

	Increase of 100 bps (1)	Decrease of 100 bps (1)
Impact on equity to interest rate movements		
December 31, 2019	(68,620,770)	68,620,770
Average for the year	(59,678,878)	59,678,878
Maximum for the year	(80,284,343)	80,284,343
Minimum for the year	(41,941,795)	41,941,795
December 31, 2018	(78,514,563)	78,514,563
Average for the year	(82,988,274)	82,988,274
Maximum for the year	(95,111,272)	95,111,272
Minimum for the year	(60,288,586)	60,288,586
Impact on net income from interests		
December 31, 2019	62,457,673	(62,457,673)
Average for the year	56,725,165	(56,725,165)
Maximum for the year	62,457,673	(62,457,673)
Minimum for the year	53,085,233	(53,085,233)
December 31, 2018	53,867,583	(53,867,583)
Average for the year	52,456,079	(52,456,079)
Maximum for the year	54,196,121	(54,196,121)
Minimum for the year	49,265,048	(49,265,048)

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

(d) Operational risk

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

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

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

(5) Risk Management, continued

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

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

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

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

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

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

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

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

Loan Impairment Losses

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

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

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

Fair Value of Financial Instruments and Derivatives

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

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

Impairment of Investments at FVOCI

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

Goodwill Impairment

The Bank will determine whether goodwill is impaired annually or when there is indication of possible impairment.

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

Income Tax

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

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

(7) Cash, Cash Equivalents and Deposits

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

	2019	2018
Cash and cash equivalents	727,125,481	704,153,739
Securities purchased under resale agreements	18,130,054	20,911,045
Deposits in central banks	2,383,147,625	2,282,847,029
Deposits in banks and deposits due in less than 90 days	837,591,282	1,163,341,589
Accrued interest receivable on securities purchased under resales agreements and deposits in banks due in less than 90 days	4,348,371	4,375,546
Cash and cash equivalents in the cash flow statement	3,970,342,813	4,175,628,948
Deposits in banks greater than 90 days and pledged	23,414,243	19,965,644
Accrued interest receivable from greater than 90 days and pledged	394,493	274,059
Total cash, cash equivalents and deposits in banks	3,994,151,549	4,195,868,651

(8) Securities Purchased Under Resale Agreements

As of December 31, 2019, securities purchased under resale agreements amounted to $18,130,054 (2018: $20,911,045), which had maturity dates in January 2020 (2018: January and February 2019) and an interest rate between 2.6% and 4.6% (2018: between 3.0% and 5.8%). These securities were guaranteed with local government bonds and corporate bonds, which amounted to $20,186,397 (2018: $25,257,630).

(9) Investments and Other Assets at Fair Value

As of December 31, 2019, investments and other assets at fair value amounted to $2,254,767,064 (2018: $1,703,739,801) are summarized as follows:

(a) *Investments and other assets at FVPL*

The portfolio of investments in securities at FVPL is detailed as follows:

	2019	2018
Government bonds	41,705,042	34,177,569
Corporate bonds	152,534	0
Derivative financial instruments	0	517,888
Mutual funds	778,885	1,157,801
Common stocks	10,617,681	10,072,395
	53,254,142	45,925,653

The Bank made sales of the securities portfolio at FVPL for a total of $23,001,471 (2018: $5,138,230). Net gains in securities at fair value with changes in profit or loss in the consolidated statement of income amounted to $6,451,543 (2018: $896,959), which include unrealized gains in securities at FVPL of $6,195,588 (2018: $886,011). The realized gains amount to $255,955 (2018: $10,948).

As of December 31, 2019 securities at FVPL with a carrying amount of $15,781,926 (2018: $16,311,372) are used as collateral for repurchase agreements.

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

(b) Investments at FVOCI

The portfolio of investments at FVOCI is detailed as follows:

	2019	2018
Governments		
United States of America	55,496,709	89,674,333
Other Governments	1,648,881,105	1,085,526,185
	1,704,377,814	1,175,200,518
Corporate debentures	461,068,562	458,310,447
Accrued interest receivable from investments at FVOCI	30,737,645	19,499,824
Common stocks	5,328,901	4,803,359
	2,201,512,922	1,657,814,148

As of December 31, 2019, the Bank made sales of investments at FVOCI for a total of $473,527,822 (2018: $33,954,990); these sales generate a net gain of $10,463,316 (2018: $137,176).

As of December 31, 2019, the Bank holds certain common stocks for an amount of $5,328,901 (2018: $4,803,359). As of December 31, 2019, the Bank did not made sales of common stocks (2018: did not made sales of common stocks).

The Bank conducts annual reviews to validate that the value of these investments had not incurred in a permanent impairment for which investment value may need to be adjusted. During the year 2019, the portfolio of common stocks at FVOCI has a variation in the Bank's Other Comprehensive Income of $568,600 (2018: $1,261,301). As of December 31, 2019, the Bank received $399,284 for dividends of common stocks at FVOCI (2018: $483,162).

The Bank maintains a portfolio of equity investments issued by the following companies:

Entity	Country	2019	2018
Almacenadora Guatemalteca, S. A.	Guatemala	2,315,547	1,749,854
Latinex Holdings, Inc.	Panama	501,648	571,150
Grupo APC, S. A.	Panama	445,582	365,842
Transacciones y Transferencia, S. A.	Guatemala	311,603	310,068
Others	Others	1,754,521	1,806,445
		5,328,901	4,803,359

Investments in common stocks measured at FVOCI are not held for trading.

(10) Loans

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

	2019 Gross amount	2019 Allowance for ECL	2019 Net carrying amount	2018 Gross amount	2018 Allowance for ECL	2018 Net carrying amount
Loans						
Corporate						
Corporate	6,332,678,342	93,281,117	6,239,397,225	6,074,209,005	81,678,134	5,992,530,871
Corporate leases, net (1)	117,129,406	1,341,269	115,788,137	130,812,890	1,869,573	128,943,317
Total corporate loans	6,449,807,748	94,622,386	6,355,185,362	6,205,021,895	83,547,707	6,121,474,188
Personal Banking and Small company						
Small company						
Small company	657,072,259	14,626,589	642,445,670	652,075,119	13,736,300	638,338,819
Small company leases, net (1)	109,670,088	1,207,472	108,462,616	96,610,018	1,444,059	95,165,959
Total Small company loans	766,742,347	15,834,061	750,908,286	748,685,137	15,180,359	733,504,778
Vehicles	871,071,317	12,767,973	858,303,344	908,112,025	11,601,249	896,510,776
Credit Cards	3,231,309,921	244,738,855	2,986,571,066	2,960,988,605	242,321,907	2,718,666,698
Personals	2,024,575,443	93,778,240	1,930,797,203	2,047,405,583	95,399,994	1,952,005,589
Mortgages	3,372,664,957	48,049,814	3,324,615,143	3,254,385,746	34,842,906	3,219,542,840
Personal leases, net (1)	71,792,319	1,491,510	70,300,809	70,816,546	889,482	69,927,064
Total Personal Banking and Small company	10,338,156,304	416,660,453	9,921,495,851	9,990,393,642	400,235,897	9,590,157,745
Accrued interests receivable from loans, net	118,156,902	0	118,156,902	104,379,906	0	104,379,906
Unearned income	(3,906,631)	0	(3,906,631)	(3,072,806)	0	(3,072,806)
Unearned commissions, net	(47,668,817)	0	(47,668,817)	(49,454,624)	0	(49,454,624)
Total loans at AC	16,854,545,506	511,282,839	16,343,262,667	16,247,268,013	483,783,604	15,763,484,409
(1) Total leases, net of interest	298,591,813	4,040,251	294,551,262	298,239,454	4,203,114	294,036,340

The net value of the financial leases receivable is presented below:

	2019	2018
Minimum lease payments receivable	345,720,162	348,186,924
Less: unearned interest	47,128,349	49,947,470
Minimum lease payments receivable, net	298,591,813	298,239,454
Less: allowance for loss in leases	4,040,251	4,203,114
Less: net deferred commissions	4,040,429	4,342,421
Net value of investment in finance leases	290,511,133	289,693,919

The following table summarizes the minimum lease payments receivable as of December 31, 2019:

Period ended December 31,	
2020	79,430,417
2021	69,834,836
2022	54,135,562
2023	41,805,085
2024 and thereafter	53,385,913
	298,591,813

(11) Property, Furniture, Equipment and Improvements

Property, Furniture, Equipment and Improvements are detailed as follows:

	2019						
	Land and building	Right-of-use assets	Construction in progress	Vehicles	Furniture and equipment	Leasehold improvements	Total
Cost:							
Balance at January 1, 2019	224,785,259	0	3,142,566	10,420,644	393,221,366	81,384,431	712,954,266
Impact of adoption NIIF 16 as of January 1, 2019	0	249,103,818	0	0	0	0	249,103,818
Purchases	1,479,449	20,405,137	14,318,290	1,891,035	50,842,993	1,713,187	90,650,091
Sales and disposals	(1,051,308)	(1,828,424)	(183,842)	(1,104,260)	(30,985,660)	(8,628,350)	(43,781,844)
Transfers	2,150,381	0	(11,579,661)	0	2,055,942	8,424,352	1,051,014
Foreign currency translation	1,428,607	6,396,758	339,064	171,868	8,296,689	1,828,492	18,461,478
Balance at December 31, 2019	228,792,388	274,077,289	6,036,417	11,379,287	423,431,330	84,722,112	1,028,438,823
Accumulated depreciation:							
Balance at January 1, 2019	45,577,991	0	0	4,912,820	254,120,503	45,981,324	350,592,638
Depreciation	3,867,498	36,651,054	0	1,818,738	48,622,956	7,029,430	97,989,676
Sales and disposals	(704,733)	(374,041)	0	(803,451)	(30,521,861)	(8,522,379)	(40,926,465)
Transfers	(137,198)	0	0	0	1,839	(9,512)	(144,871)
Foreign currency translation	217,947	237,741	0	36,761	4,638,089	1,102,072	6,232,610
Balance at December 31, 2019	48,821,505	36,514,754	0	5,964,868	276,861,526	45,580,935	413,743,588
Net balance	179,970,883	237,562,535	6,036,417	5,414,419	146,569,804	39,141,177	614,695,235

	2018					
	Land and building	Construction in progress	Vehicles	Furniture and equipment	Leasehold improvements	Total
Cost:						
Balance at January 1, 2018	227,234,267	2,569,751	10,077,622	381,960,323	81,400,786	703,242,749
Purchases	4,174,875	7,042,991	3,168,824	48,891,170	1,731,722	65,009,582
Sales and disposals	(943,249)	(91,441)	(2,373,253)	(21,438,415)	(1,710,771)	(26,557,129)
Transfers	2,526,913	(6,173,746)	0	(523,827)	3,065,471	(1,105,189)
Foreign currency translation	(8,207,547)	(204,989)	(452,549)	(15,667,885)	(3,102,777)	(27,635,747)
Balance at December 31, 2018	224,785,259	3,142,566	10,420,644	393,221,366	81,384,431	712,954,266
Accumulated depreciation:						
Balance at January 1, 2018	44,109,280	0	5,194,830	237,008,699	42,649,959	328,962,768
Depreciation	3,738,190	0	1,763,047	47,337,718	6,862,590	59,701,545
Depreciation of discontinued operations	0	0	3,979	35,505	0	39,484
Sales and disposals	(891,945)	0	(1,856,570)	(20,362,973)	(1,688,354)	(24,799,842)
Transfers	1,970	0	0	1,402	(3,372)	0
Foreign currency translation	(1,379,504)	0	(192,466)	(9,899,848)	(1,839,499)	(13,311,317)
Balance at December 31, 2018	45,577,991	0	4,912,820	254,120,503	45,981,324	350,592,638
Net balance	179,207,268	3,142,566	5,507,824	139,100,863	35,403,107	362,361,628

During the year 2019, the Bank made a transfer of other assets to property, furniture, equipment and improvements for an amount of $1,051,014 corresponding to artworks.

During the year 2018, the Bank made a transfer of property, furniture, equipment and improvements to other assets for an amount of $1,105,189 corresponding to artworks.

(12) Goodwill and Intangible Assets

Changes in the carrying value of goodwill are as follows:

	2019	2018
Goodwill		
Balance at January 1,	334,238,102	334,828,754
Foreign currency translation	530,127	(590,652)
Balance at year end	334,768,229	334,238,102

As of December 31, 2019 and 2018, no impairment in the cash-generating units has been recorded. The fair value of the cash-generating units (CGUs) exceeds the carrying amount plus goodwill; therefore, no impairment loss was recorded.

(12) Goodwill and Intangible Assets, continued

The recoverable amounts of the CGUs of the Bank have been calculated based on their value in use.

The value in use of the CGUs is determined by discounting the future cash flows expected to be generated from the continuing use of each unit.

Calculation of value in use is based on the following basic assumptions:

	2019	2018
Discount rate	11.1%	11.4%
Terminal value (growth rate)	3.0%	3.0%

The discount rate after taxes used to discount the dividend flows reflects the specific risks relating to the CGUs and has been estimated taking into account the risk profile of each of the different markets in which the Bank operates.

A 10-year projection was carried out, considering that once this period has passed, the maturity of the businesses and the consequent stabilization of the cash flows will be achieved. Macroeconomic and business assumptions were also used for each of the countries where it operates, in order to reflect the reality that each market provides to all CGUs.

When estimating the terminal value, the normalized flow of funds has been projected in perpetuity, adjusted in accordance with the growth expectations. This projection does not exceed the average long-term growth rate for the economy in each of the countries in which the Bank operates; for this reason, an average annual long-term growth rate of 3.0% was estimated (2018: 3.0%).

The main assumptions described above may change as economic and market conditions change. The Bank estimates that the reasonably possible changes in these assumptions do not affect the recoverable amount of the CGUs or that they decrease below the CGUs carrying values.

The gross balance of the carrying amount and the accumulated amortization for each intangible asset acquired by the Bank subject to amortization as of December 31, 2019 is presented below:

2019	Core deposit intangible	Credit card relationships	Merchants relationships	Customer relationships	Trade name	Software	Total
Cost:							
Balance at January 1, 2019	23,562,882	8,060,031	0	12,438,676	1,020,327	97,438,714	142,520,630
Purchases	0	0	0	0	0	28,854,325	28,854,325
Disposals	0	0	0	0	0	(12,345,588)	(12,345,588)
Foreign currency translation	0	436,482	0	26,394	61,389	4,447,339	4,971,604
Balance at December 31, 2019	23,562,882	8,496,513	0	12,465,070	1,081,716	118,394,790	164,000,971
Accumulated amortization:							
Balance at January 1, 2019	18,212,992	7,955,300	0	4,143,709	0	67,006,380	97,318,381
Amortization	1,399,058	41,861	0	1,276,032	0	14,286,661	17,003,612
Disposals	0	0	0	0	0	(8,740,566)	(8,740,566)
Foreign currency translation	0	436,481	0	16,143	0	2,951,717	3,404,341
Balance at December 31, 2019	19,612,050	8,433,642	0	5,435,884	0	75,504,192	108,985,768
Net balance	3,950,832	62,871	0	7,029,186	1,081,716	42,890,598	55,015,203

(12) Goodwill and Intangible Assets, continued

2018	Core deposit intangible	Credit card relationships	Merchants relationships	Customer relationships	Trade name	Software	Total
Cost:							
Balance at January 1, 2018	23,562,882	16,538,473	509,999	12,468,083	1,088,724	89,137,445	143,305,606
Purchases	0	0	0	0	0	20,138,597	20,138,597
Disposals	0	(7,992,127)	(509,999)	0	0	(7,220,637)	(15,722,763)
Foreign currency translation	0	(486,315)	0	(29,407)	(68,397)	(4,616,691)	(5,200,810)
Balance at December 31, 2018	23,562,882	8,060,031	0	12,438,676	1,020,327	97,438,714	142,520,630
Accumulated amortization:							
Balance at January 1, 2018	16,333,393	14,759,252	471,497	2,882,032	0	61,590,146	96,036,320
Amortization	1,879,599	1,644,476	38,502	1,276,898	0	14,845,454	19,684,929
Amortization from discontinued operation	0	0	0	0	0	284,734	284,734
Disposals	0	(7,992,127)	(509,999)	0	0	(6,020,786)	(14,522,912)
Foreign currency translation	0	(456,301)	0	(15,221)	0	(3,693,168)	(4,164,690)
Balance at December 31, 2018	18,212,992	7,955,300	0	4,143,709	0	67,006,380	97,318,381
Net balance	5,349,890	104,731	0	8,294,967	1,020,327	30,432,334	45,202,249

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

During the years ended December 31, 2019 and 2018, no impairment losses were recognized.

(13) Other Assets

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

	2019	2018
Assets held for sale	26,874,987	17,809,175
Deferred expenses	18,706,446	14,682,994
Guarantee deposits	8,441,430	8,259,996
Credit Cards' plastics	6,589,458	8,381,393
Advances of contracts and suppliers	407,584	2,661,678
Other	23,066,202	33,695,822
	84,086,107	85,491,058

During the year 2019, the Bank made a transfer of other assets to property, furniture, equipment and improvements for an amount of $1,051,014 (see note 11).

As of December 31, 2018, the Bank made a transfer of property, furniture, equipment and improvements to other assets the amount of $1,105,189 (see note 11).

Assets held for sale, net of allowance for impairment, are detailed below:

	2019	2018
Vehicles	0	11,761
Real estate – less than a year	13,015,831	11,800,853
Real estate – more than a year	17,307,156	17,453,400
Assets held for sale, gross	30,322,987	29,266,014
Allowance for impairment	(3,448,000)	(11,456,839)
Assets held for sale, net	26,874,987	17,809,175

The Bank made sales of assets held for sale for an amount of $22,362,959 (2018: $14,589,322), these gains amount to $4,607,814 (2018: $3,102,382).

(13) Other Assets, continued

The movement of the allowance for assets held for sale is shown below:

	2019	2018
Balance at January 1,	11,456,839	8,478,159
(Reversal) provision charged to expenses	(2,336,581)	7,242,021
Sales	(2,237,371)	(3,083,811)
Withdrawals	(4,610,634)	(772,152)
Transfer to other assets	1,090,206	1,323,542
Foreign currency translation	85,541	(1,730,920)
Balance at year end	3,448,000	11,456,839

(14) Deposits from Customers

Deposits from customers are detailed below:

	2019	2018
Retail customers		
Demand	1,116,320,740	1,022,382,255
Savings	2,206,634,935	1,958,696,196
Time deposits	1,040,706,535	1,085,362,217
Corporate customers		
Demand	4,855,548,616	4,555,885,436
Savings	1,128,234,145	1,006,533,249
Time deposits	6,801,793,504	6,058,059,594
Interest payable of deposits from customers	85,399,296	81,705,890
	17,234,637,771	15,768,624,837

As of December 31, 2019, within the fixed-term deposits, the carrying amount of the principal issued by BIB Merchant Voucher Receivables Limited, a special purpose consolidated vehicle (from now on SPV), amounting to $750,000,000, divided into two series: 1) Series December 31, 2017-1 with a balance of $350,000,000 (2018: $350,000,000) and 2) Series 2018-1 with a balance of $400,000,000. The origination costs pending amortization of the certificates amounted to $8,092,195 as of December 31, 2019. The certificates issued by the vehicle are guaranteed by future cash flows arising from transactions in affiliated businesses in Panama. Transactions in affiliated businesses are those generated by credit card holders issued by international financial institutions, under the Visa and MasterCard credit programs that are processed by the Bank. The 2017-1 notes pay interest quarterly in January, April, July and October at a fixed rate of 4.08%. Amortization of principal will begin to be paid to the holders, through Citibank N.A., as of January 2021. The notes have an average original duration of 7.0 years. As of December 31, 2019, the weighted average duration of certificates is 4.52 years. The 2018-1 notes pay interest quarterly in January, April, July and October at a fixed rate of 4.18%. The principal repayments will begin to be paid to the holders, through Citibank N.A., as of January 2022. The notes have an average original duration of 7.00 years. As of December 31, 2019, the weighted average duration of the certificates is 5.52 years.

(14) Deposits from customers, continued

As of December 31, 2019, $395,000,000 issued by BIB Central American Card Receivables Limited, a special purpose consolidated vehicle (from now on SPV), is included in the fixed term deposits. The origination costs pending amortization of the certificates amounted to $ 4,979,598 as of December 31, 2019. The certificates issued by the vehicle are guaranteed by future cash flows arising from transactions in affiliated businesses in Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua and Panama. Transactions in affiliated merchants are those generated by credit card holders issued by international financial institutions, under the Visa, MasterCard and American Express credit programs that are processed by the Bank. The notes pay interest quarterly in January, April, July and October at a fixed rate of 3.50%. The principal repayments will begin to be paid to the holders, through Citibank N.A., as of October 2023. The notes have an average original duration of 7.00 years. As of December 31, 2019, the weighted average duration of the certificates is 7.00 years.

(15) Financial Obligations

Financial obligations are detailed below:

	2019		
	Interest rate	**Maturities up to**	**Carrying amount**
Payable in US dollars:			
Fixed rate	6.75%	2031	1,094,205,910
Floating rate	2.17% to 12.53%	2030	794,752,483
Payable in quetzales (Guatemala):			
Fixed rate	5.50% to 6.40%	2020	262,376,880
Floating rate	8.99%	2021	1,325,954
Payable in lempiras (Honduras):			
Fixed rate	1.00% to 15.00%	2044	144,231,871
Payable in colones (Costa Rica):			
Floating rate	6.30% to 12.16%	2031	25,530,546
Sub-total			2,322,423,644
Accrued interest payable of financial obligations			11,687,812
			2,334,111,456

	2018		
	Interest rate	**Maturities up to**	**Carrying amount**
Payable in US dollars:			
Fixed rate	2.83% to 7.88%	2028	1,462,811,352
Floating rate	2.29% to 13.16%	2031	1,283,522,469
Payable in quetzales (Guatemala):			
Fixed rate	6.00% to 6.50%	2019	230,064,661
Floating rate	5.78% to 9.13%	2021	3,146,360
Payable in lempiras (Honduras):			
Fixed rate	1.00% to 15.00%	2038	126,228,569
Payable in colones (Costa Rica):			
Floating rate	6.30% to 12.79%	2031	37,075,117
Sub-total			3,142,848,528
Accrued interest payable of financial obligations			16,140,299
			3,158,988,827

(15) Financial Obligations, continued

On November 2019, the Bank through BIB Central American Card Receivables Limited, a special purpose vehicle (from now on SPV), originated $305,000,000. The origination costs pending amortization from the certificates amounted to $17,007,484 as of December 31, 2019. Certificates issued by this vehicle are secured by future cash flows from merchant vouchers originating in Costa Rica, El Salvador, Guatemala, Honduras and Nicaragua. The merchant vouchers are those generated by credit cardholders issued by third-party international financial institutions, under Visa, MasterCard and American Express credit programs, which are processed by the Bank. The certificates pay interest in January, April, July and October at a fixed interest rate of 3.50%. Amortizations to principal will begin in October 2023, through Citibank N.A. The certificates have an average original duration of 7.00 years. As of December 31, 2019, the weighted average duration of the certificates is 7.00 years.

During the month of November 2019, the Bank made a debt swap of the certificates issued under the special purpose vehicles CIC Receivables Master Trust (a.k.a. Cinco Tierras Holding) and CIC Central American Card Receivables Limited. The vehicles had a balance of $202,443,682 and $210,656,148, respectively, as of December 31, 2018.

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

As of December 31, 2019, the outstanding amount of the principal issued by BAC San Jose DPR Funding Limited, a consolidated special purpose vehicle (here in after SPV), amounted to $64,000,000 (2018: $112,666,664), divided into two programs: 1) Series 2014-1 with a balance of $16,666,664, and 2) Series 2014-2 with a balance of $96,000,000. Origination costs pending amortization from the certificates amounted to $544,035 as of December 31, 2019 (2018: $903,206). The notes issued by the SPV are secured by the current and future Diversified Payment Rights denominated in US dollars, originated by a Bank's subsidiary and sold to the SPV. The notes pay interest in February, May, August and November at a fixed interest rate of 4.50%.The Series 2014-2 notes have an original average term of 4.60 years. As of December 31, 2019, the weighted average duration of the notes is 1.01 years.

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

(16) Other Financial Obligations

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

	2019		2018	
Payable in:	**Interest rate**	**Carrying amount**	**Interest rate**	**Carrying amount**
US dollars	4.75% to 5.85%	262,366,840	4.75% to 5.85%	257,385,965
Quetzales	0%	0	4.25% to 7.50%	4,160,851
Lempiras	9.13% to 9.50%	54,422,221	8.88% to 9.26%	35,056,766
Sub-total		316,789,061		296,603,582
Accrued interest payable of other financial obligations		2,626,299		2,680,573
Total of other financial obligations		319,415,360		299,284,155

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

(17) Lease Liabilities

Lease liabilities are detailed below:

	2019			
	Interest rate	**Maturities up to**	**Carrying amount**	**Undiscounted cash flows**
Payable in US dollars	5.22%	2033	224,321,633	255,922,409
Payable in quetzales (Guatemala)	3.03% to 5.55%	2029	4,568,363	5,235,722
Payable in lempiras (Honduras)	7.56% to 7.58%	2029	1,560,263	2,082,349
Payable in colones (Costa Rica)	3.96% to 8.02%	2033	1,112,785	1,385,233
Total lease liabilities			231,563,044	264,625,713

The following is the detail of the maturity of the undiscounted contractual cash flows, related to lease liabilities:

	2019
Less than a year	35,707,613
One to two years	37,054,443
Two to three years	34,454,541
Three to four years	32,278,530
Four to five years	30,030,247
More than five years	95,100,339
	264,625,713

Based on the applicable regulations (IAS 17), the minimum operating lease payments for each of the five years as of December 31, 2018, are presented below:

	2018
Less than a year	47,475,791
One to two years	36,055,114
Two to three years	35,255,291
Three to four years	32,768,993
Four to five years	30,057,750
More than five years	115,344,078
	296,957,017

(17) Lease liabilities, continued

The following are the items recognized in the consolidated statement of income, related to lease liabilities:

	2019
Interest on leases	11,913,779
Variable payments for leases not included in lease liabilities	0
Expense for leases with less than twelve months	0
Expense for leases of low-value assets	7,180,736
	19,094,515

(18) Other Liabilities

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

	2019	2018
Dividends payable	210,000,000	0
Checks issued but not cashed	68,998,365	66,905,568
Employee benefits	68,537,192	70,743,954
Collections	65,628,657	79,811,968
Accounts payable to merchants	49,670,694	81,775,794
Money orders payable	49,314,943	72,275,649
Loyalty programs	47,814,541	40,959,603
Accounts payable to suppliers	33,133,357	36,339,397
Payments to accounts receivable to be applied	13,736,912	23,581,169
Other accounts payable	18,027,174	15,293,259
Dismantling provision of leasehold properties	9,927,842	0
Commissions payable	8,180,669	12,282,155
Legal contributions to state institutions	8,105,576	8,801,696
Insurance premiums	6,365,741	4,586,225
Sales tax payable	5,299,231	1,947,577
Withholdings taxes collected	2,229,466	6,306,412
Other	93,816,284	90,620,479
	758,786,644	612,230,905

(19) Common Stock

As of December 31, 2019 (December 31, 2018), the Bank's authorized stock comprises 850,000 authorized stock and 834,708 issued and outstanding stock and 814 shares in Treasury (2018: 850,000 authorized shares and 834,708 issued and outstanding stock and 814 shares in Treasury) and with a nominal value of $1,000 per share.

(20) Other Comprehensive Results

The following table presents the components and changes in other accumulated comprehensive results as of December 31, 2019:

	Conversion of operations in foreign currency	Unrealized (loss) income from securities	ECL for investments at FVOCI	Employee benefits plan – change in actuarial effect	Total Other Accumulated Comprehensive Loss
Balance at December 31, 2017	(246,708,127)	(5,091,028)	0	(965,956)	(252,765,111)
Impact of adopting IFRS9 at January 1, 2018	0	0	3,145,049	0	3,145,049
Restated balance at January 1, 2018	(246,708,127)	(5,091,028)	3,145,049	(965,956)	(249,620,062)
Other (loss) income before reclassifications	(107,768,322)	(5,775,587)	1,593,078	(1,488,228)	(113,439,059)
Reclassified amounts from other comprehensive loss	0	(96,023)	0	0	(96,023)
Reclassified amounts from other comprehensive loss and related to assets held for sale	(43,306)	0	0	0	(43,306)
Other net comprehensive (loss) income for the year	(107,811,628)	(5,871,610)	1,593,078	(1,488,228)	(113,578,388)
Balance at December 31, 2018	(354,519,755)	(10,962,638)	4,738,127	(2,454,184)	(363,198,450)
Other (loss) income before reclassifications	39,239,766	77,363,792	2,354,461	(334,939)	118,623,080
Reclassified amounts from other comprehensive loss and related to assets held for sale	0	(9,707,184)	0	0	(9,707,184)
Other net comprehensive (loss) income for the year	39,239,766	67,656,608	2,354,461	(334,939)	108,915,896
Balance at December 31, 2019	(315,279,989)	56,693,970	7,092,588	(2,789,123)	(254,282,554)

The following table presents the breakdown of other comprehensive results reclassified to the consolidated statement of income for the year ended December 31, 2019:

	Reclassified balance of Other Comprehensive Losses		Line of the Consolidated Statement of Income Affected
	2019	2018	
Available for sale investments			
Unrealized net income from securities	10,463,316	(137,176)	Other income
Income tax	(756,132)	41,153	Income tax expense
Total reclassifications	9,707,184	(96,023)	

(21) Income from Financial Instruments, Net

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

	2019	2018
Net income from the sale of investments at FVOCI	10,463,316	137,176
Unrealized net gains from securities at FVPL	6,195,588	886,011
Net gain from the sale of securities at FVPL	255,955	10,948
Net fair value loss on derivative financial instruments	(455,640)	(1,196,794)
	16,459,219	(162,659)

(22) Other Income

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

	2019	2018
Services to affiliates	17,799,701	16,350,065
Other non-banking commissions	6,578,592	10,996,966
VISA Stock	5,529,340	0
Gain on sale of assets held for sale	4,607,814	3,102,382
Commercial recoveries	3,509,008	915,572
Rentals	2,496,172	570,675
Non-banking commission for leasing	956,434	1,242,529
Other income of associates	754,926	1,346,131
Loan appraisals	283,957	130,201
Others	13,164,138	13,606,747
	55,680,082	48,261,268

(22) Other Income, continued

Fees and commission income from contracts with customers is measured based on the consideration specified in a contract with a customer. The Bank recognizes revenue when it transfers control over a service to a customer.

The following table provides information about the nature and timing of the satisfaction of performance obligations in contracts with customers, including significant payment terms, and the related revenue recognition policies.

Type of service	Nature and timing of satisfaction of performance obligations, including significant payment terms	Revenue recognition under IFRS 15
Personal and Corporate Banking Service	The Bank provides banking services to retail and corporate customers, including account management, provision of overdraft facilities, foreign currency transactions, credit card and servicing fees. Fees for ongoing account management are charged to the customer's account on a monthly basis. The Bank sets the rates separately for retail and corporate banking customers in each jurisdiction on an annual basis. Transaction-based fees for interchange, foreign currency transactions and overdrafts are charged to the customer's account when the transaction takes place. Servicing fees are charged on a monthly basis and are based on fixed rates reviewed annually by the Bank.	Revenue from account service and servicing fees is recognized over time as the services are provided. Revenue related to transactions is recognized at the point in time when the transaction takes place.
Investment Banking Service	The Bank's investment banking segment provides various finance-related services, including loan administration and agency services, administration of a loan syndication, execution of client transactions with exchanges and securities underwriting. Fees for ongoing services are charged annually at the end of the calendar year to the customer's account. However, if a customer terminates the contract before December 31, then on termination it is charged the fee for the services performed to date. Transaction-based fees for administration of a loan syndication, execution of transactions, and securities underwriting are charged when the transaction takes place.	Revenue from administrative agency services is recognized over time as the services are provided. The amounts to be collected from customers on December 31 are recognized as trade receivables. Revenue related to transactions is recognized at the point in time when the transaction takes place.
Asset Management services	The Bank provides asset management services. Fees for asset management services are calculated based on a fixed percentage of the value of assets managed and deducted from the customer's account balance on a monthly basis. In addition, the Bank charges a nonrefundable up-front fee when opening an account.	Revenue from asset management services is recognized over time as the services are provided. Non-refundable up-front fees give rise to material rights for future services and are recognized as revenue over the period for which a customer is expected to continue receiving asset management services.

(23) Salaries and Other Personnel Expenses

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

	2019	2018
Salaries and other remuneration	351,371,454	340,255,605
Employee benefits	164,979,653	166,092,913
Compensations	17,524,566	17,071,050
Other	6,014,769	5,091,925
	539,890,442	528,511,493

(24) Other Operating Expenses

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

	2019	2018
Credit card franchises	85,982,058	74,475,339
Advertising and marketing	49,874,252	49,936,780
Other taxes	49,430,970	36,538,570
Computer software and licenses maintenance	34,676,385	29,950,614
Equipment and vehicle maintenance	24,869,765	25,008,389
Armored services	18,715,177	16,455,185
Guarantee deposits	13,920,855	12,606,418
Bank licenses	13,723,386	12,288,779
Telephone service	13,535,937	13,488,487
Security services	13,402,171	13,050,534
Dedicated lines	11,275,738	12,020,693
Travel expenses	9,606,447	9,378,915
Operational losses	9,012,776	5,687,638
Office supplies	7,842,235	7,798,609
Municipal taxes and patents	6,426,169	7,015,930
Courier	4,273,572	4,179,706
Other	65,024,407	56,896,658
	431,592,300	386,777,244

(25) Income Taxes

Income tax expense consists of:

	2019	2018
Current	137,226,843	166,097,390
Deferred	6,775,203	(899,571)
	144,002,046	165,197,819

Income tax expense for the year ended December 31, 2019 was $144,002,046 (2018: $165,197,819), which differed from the amounts computed by applying the current statutory income tax rate to pretax consolidated earnings as a result of the following:

	2019	2018
Computed "expected" income tax expense	138,617,791	141,495,555
Increase (decrease) in income taxes resulting from:		
Nondeductible expenses	62,945,061	39,074,958
Investments in foreign subsidiaries	9,650,562	16,061,147
Foreign income taxes rate differential	7,200,627	5,536,158
Tax incentives	(1,065,006)	(974,901)
Changes in uncertain tax positions	(6,084,515)	7,819,715
Exempt and foreign source income	(67,262,474)	(43,814,813)
Income tax expense	144,002,046	165,197,819

(25) Income Taxes, continued

Temporary differences between the consolidated financial statements carrying amounts and the tax basis of assets and liabilities that give rise to the deferred tax assets and liabilities as of December 31, 2019 are as follows:

	2019						
	Balance at beginning of the year	**Recognized in results of the year**	**Recognized in other comprehensive income**	**Recognized in Equity**	**Balance at year end**	**Deferred tax assets**	**Deferred tax liabilities**
Allowance for loan losses	40,235,283	(5,522,472)	0	0	34,712,811	46,688,837	(11,976,026)
Fair value acquisition adjustment	2,736,644	(583,946)	0	0	2,152,698	3,268,334	(1,115,636)
Unrealized net loss on investments at FVOCI	2,114,749	0	(2,079,325)	0	35,424	44,537	(9,113)
Accrued expenses	796,740	5,648,142	0	0	6,444,882	8,937,610	(2,492,728)
Net loss from the sale of investments at FVPL	267,489	(267,489)	0	0	0	0	0
Provision for accounts receivable losses	161,957	93,479	0	0	255,436	326,362	(70,926)
Provision for credit risk in investments at FVOCI and deposits in bank	51,368	542,531	(612,911)	0	(19,012)	(19,010)	(2)
Deferred expenses	28,278	(6,556,612)	0	0	(6,528,334)	628,276	(7,156,610)
IFRS 16 Adoption	0	1,124,368	0	0	1,124,368	60,820,916	(59,696,548)
Foreign currency translation	0	851,681	(851,681)	0	0	0	0
Investments at cost	(27,556)	(46,651)	23,200	0	(51,007)	0	(51,007)
Net income from the sale of investments at FVPL	(389,379)	(792,063)	0	0	(1,181,442)	0	(1,181,442)
Unrealized net gain on investments at FVOCI	(516,820)	0	(13,479,798)	0	(13,996,618)	0	(13,996,618)
Assets held for sale valuation	(635,345)	(1,425,977)	0	0	(2,061,322)	566,379	(2,627,701)
Employee benefits	(1,251,227)	(2,547,972)	88,400	0	(3,710,799)	4,408,579	(8,119,378)
Deferred loan origination fees and costs	(2,194,419)	1,282,965	0	0	(911,454)	3,135,472	(4,046,926)
Leasing	(3,305,750)	185,080	0	10,857	(3,109,813)	166,318	(3,276,131)
Accrued interest receivable	(10,120,121)	(1,495,703)	0	0	(11,615,824)	1,075,464	(12,691,288)
Investments in foreign subsidiaries, for undistributed earnings	(13,638,058)	2,911,085	0	0	(10,726,973)	0	(10,726,973)
Net premises and equipment depreciation difference	(14,444,365)	(175,649)	0	7,512	(14,612,502)	257,089	(14,869,591)
Net deferred tax assets (liabilities)	(130,532)	(6,775,203)	(16,912,115)	18,369	(23,799,481)	130,305,163	(154,104,644)
Tax compensation						(85,668,758)	85,668,758
Total						44,636,405	(68,435,886)

	2018						
	Balance at beginning of the year	**Recognized in results of the year**	**Recognized in other comprehensive income**	**Recognized in equity**	**Balance at year end**	**Deferred tax assets**	**Deferred tax liabilities**
Fair value acquisition adjustment	2,834,857	(98,213)	0	0	2,736,644	4,174,458	(1,437,814)
Accrued expenses	2,393,227	(1,596,485)	0	0	796,742	2,801,429	(2,004,687)
Unrealized net loss on investments at FVOCI	1,494,458	0	620,291	0	2,114,749	2,114,749	0
Assets held for sale valuation	462,595	(1,097,940)	0	0	(635,345)	900,881	(1,536,226)
Deferred expenses	366,857	(338,579)	0	0	28,278	409,604	(381,326)
Net operating tax loss	236,748	(236,748)	0	0	0	0	0
Mortgage portfolio at fair value	84,071	0	0	(84,071)	0	0	0
Net loss from the sale of securities at investments at FVPL	62,314	205,175	0	0	267,489	267,489	0
Investments at cost	16,098	(43,653)	0	0	(27,555)	0	(27,555)
Foreign currency translation	0	(1,005,162)	1,005,162	0	0	0	0
Provision for credit risk in investments at FVOCI and deposits in bank	0	469,423	(842,650)	424,595	51,368	51,368	0
Provision for accounts receivable losses	0	(37,140)	0	199,097	161,957	166,625	(4,668)
Net income from the sale of investments at FVPL	(370,882)	(18,498)	0	0	(389,380)	0	(389,380)
Unrealized net gain on investments at FVOCI	(547,204)	0	30,384	0	(516,820)	73,401	(590,221)
Employee benefits	(1,267,565)	(232,256)	248,594	0	(1,251,227)	5,626,019	(6,877,246)
Deferred loan origination fees and costs	(1,775,307)	(442,432)	0	23,320	(2,194,419)	1,879,300	(4,073,719)
Leasing	(3,080,474)	(225,276)	0	0	(3,305,750)	648,525	(3,954,275)
Accrued interest receivable	(9,652,765)	(467,357)	0	0	(10,120,122)	178,765	(10,298,887)
Net premises and equipment depreciation difference	(14,598,605)	154,240	0	0	(14,444,365)	213,789	(14,658,154)
Investments in foreign subsidiaries, for undistributed earnings	(16,488,884)	2,850,824	0	0	(13,638,060)	0	(13,638,060)
Allowance for loan losses	(18,720,301)	3,059,648	0	55,895,937	40,235,284	41,361,908	(1,126,624)
Net deferred tax assets (liabilities)	(58,550,762)	899,571	1,061,781	56,458,878	(130,532)	60,868,310	(60,998,842)
Tax compensation						(23,725,839)	23,725,839
Total						37,142,471	(37,273,003)

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

As of December 31, 2019, the Bank has incurred in net operating tax loss carry forwards of $10,052,648 (2018: $11,463,052), which are available to offset future taxable income of the applicable subsidiaries. The net operating losses begin to prescribe in 2030 and through 2036.

As of December 31, 2019, the Bank has not recognized deferred tax assets in the consolidated statement of financial position for such operating losses.

(25) Income Taxes, continued

As of December 31, 2019, the Bank has not recognized a deferred income tax liability of approximately $155,826,000 for undistributed earnings from foreign subsidiaries operations, because the Bank believes that $1,189,069,000 of these profits will be reinvested for an indefinite period.

The Bank's earnings are taxed in various jurisdictions. As of December 31, 2019, the Bank had unrecognized tax positions for $20,544,008 (2018: $24,648,914). Interest expense and penalties related to income tax liabilities and recognized as part of income tax expenses for the year ended December 31, 2019 amounted to $6,084,515 (2018: $4,986,850). As of December 31, 2019, total interest and penalties expenses included in other liabilities amounted to $8,526,292 (2018: $8,374,128).

As of December 31, 2019, the Bank maintains an effective tax rate of 26.3% (2018: 29.4%).

The following are the tax jurisdictions in which the Bank and its affiliates operate and the latest tax year subject to examination: United States of America: 2016, Guatemala: 2015, El Salvador: 2016, Honduras: 2015, Nicaragua: 2015, Costa Rica: 2014 and Panama: 2017.

(26) Off-Balance Financial Instruments with Risk and Other Commitments

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

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

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

As of December 31, 2019 the Bank had outstanding revolving available to its credit card customers in each of the various countries of operation that ranged from approximately $346 million to $2,528 million (2018: from $385 million to $2,511 million). The unused portion of the total amount available in each country, aggregated approximately from $240 million to $1,838 million (2018: from $250 million to $1,715 million). While these amounts represented the available lines of credit to customers per country, the Bank has not experienced, and does not anticipate, that all of its customers will exercise their entire available lines at any given point in time.

(26) Off-Balance Financial Instruments with Risk and Other Commitments, continued

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

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

The Bank uses the same credit policies in making commitments and conditional obligations as it does for on-balance sheet instruments. As of December 31, 2019, outstanding letters of credit and financial guarantees are as follows:

	2019	2018
Stand-by letters of credit	157,397,226	145,476,197
Commercial letters of credit	20,887,930	49,837,601
Financial guarantees	269,789,544	243,038,944
Commitments and guarantees (1)	60,115,985	66,221,472
	508,190,685	504,574,214

(1) Includes commercial and mortgage payment promise letters

The nature, terms and maximum potential amount of future payments the Bank could be required to make under the standby letters of credit and guarantees as of December 31, 2019 and 2018, are detailed as follows:

	2019	2018
Up to 1 year	426,240,440	403,532,420
Over 1 year	61,062,315	51,204,193
	487,302,755	454,736,613

Generally, the Bank has resources to recover from clients the amounts paid under these guarantees; additionally, the Bank can hold cash or other collateral to cover for these guarantees. As of December 31, 2019, the assets held as collateral, that the Bank can obtain and liquidate to recover totally or partially the amounts paid under guarantees amounted to $71,014,482 (2018: $67,127,404).

(27) Derivative Financial Instruments

As of December 31, 2019, the Bank does not have embedded currency derivatives. As of December 31, 2018, the Bank have embedded currency derivatives, recognized in operating lease agreements that are agreed in currencies other than the functional currency of the countries in which it operates. The following table summarizes the embedded currency derivatives:

	2019	2018
Assets	0	517,888
Liabilities	0	1,778,259

(28) Disclosures on the Fair Value of Financial Instruments

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

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

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

Financial instruments at fair value

Recurring Fair Value Measurement

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

Securities

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

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

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

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

Derivatives

Derivatives used by the Bank are embedded currency derivatives, and therefore valued using valuation techniques since there are no market prices available for such instruments.

These instruments are generally categorized in Level 3 of the fair value hierarchy.

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

	Other significant observable assumptions (Level 2)	Significant unobservable Assumptions (Level 3)	2019
Assets			
Investments and other assets at FVPL:			
Other governments	41,705,042	0	41,705,042
Corporate debentures	152,534	0	152,534
Mutual funds	778,885	0	778,885
Common stocks	0	10,617,681	10,617,681
Total investments and other assets at FVPL	42,636,461	10,617,681	53,254,142
Investments at FVOCI:			
Governments			
United States of America	55,496,709	0	55,496,709
Other governments	1,648,881,105	0	1,648,881,105
	1,704,377,814	0	1,704,377,814
Corporate debentures	461,068,562	0	461,068,561
Total investments at FVOCI	2,165,446,376	0	2,165,446,376
Total assets	2,208,082,837	10,617,681	2,218,700,518

	Other significant observable assumptions (Level 2)	Significant unobservable Assumptions (Level 3)	2018
Assets			
Investments and other assets at FVPL:			
Other governments	34,177,569	0	34,177,569
Derivative financial instruments	0	517,888	517,888
Mutual funds	1,157,801	0	1,157,801
Common stocks	0	10,072,395	10,072,395
Total investments and other assets at FVPL	35,335,370	10,590,283	45,925,653
Investments at FVOCI:			
Governments			
United States of America	89,674,333	0	89,674,333
Other governments	1,085,526,185	0	1,085,526,185
	1,175,200,518	0	1,175,200,518
Corporate debentures	458,310,447	0	458,310,447
Total investments at FVOCI	1,633,510,965	0	1,633,510,965
Total assets	1,668,846,335	10,590,283	1,679,436,618
Liabilities			
Derivative financial instruments	0	1,778,259	1,778,259
Total liabilities	0	1,778,259	1,778,259

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

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

The table below includes the movement of the figures in the consolidated balance sheet (including changes in fair value) of the financial instruments classified by the Bank within Level 3 of the fair value hierarchy, for the year ended December 31, 2019. When determining whether to classify an instrument in Level 3, the decision is based on the importance of unobservable assumptions within the overall fair value measurement.

	Investments		
2019	**Common stocks**	**Derivative Financial Instruments**	**Total**
Assets			
Fair value at December 31, 2018	10,072,395	517,888	10,590,283
Valuation of embedded financial derivatives	0	(517,888)	(517,888)
Valuation of investments at FVPL	566,104		566,104
Foreign currency translation	(20,818)	0	(20,818)
Fair value at December 31, 2019	10,617,681	0	10,617,681
Liabilities			
Fair value at December 31, 2018	0	1,778,259	1,778,259
Valuation of embedded financial derivatives	0	(1,778,259)	(1,778,259)
Foreign currency translation	0	0	0
Fair value at December 31, 2019	0	0	0
Total unrealized losses included in the results for the year	0	0	0

	Investments		Loans		
2018	**Common stocks**	**Derivative Financial Instruments**	**Mortgage**	**Mortgage past due**	**Total**
Assets					
Fair value at December 31, 2017	8,492,282	525,443	12,518,391	386,587	21,922,703
Valuation of investments at FVPL	1,627,865	0	0	0	1,627,885
Valuation of embedded financial derivatives	0	22,565	0	0	22,565
Impact of adopting IFRS 9 as January 1, 2018	0	0	(12,518,391)	(386,587)	(12,904,978)
Foreign currency translation	(47,752)	(30,120)	0	0	(77,872)
Fair value at December 31, 2018	10,072,395	517,888	0	0	10,590,283
Liabilities					
Fair value at December 31, 2017	0	604,078	0	0	604,078
Valuation of embedded financial derivatives	0	1,219,359	0	0	1,219,359
Foreign currency translation	0	(45,178)	0	0	(45,178)
Fair value at December 31, 2018	0	1,778,259	0	0	1,778,259
Total unrealized losses included in the results for the year	1,627,865	0	0	0	1,627,865

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

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

Financial instrument	Valuation technique and entry data used	Level
Corporate bonds and bonds issued by the government and agencies	Consensus prices obtained from price providers (Bloomberg). For part of these instruments the Bank applies cash flows discounted using a market rate of an instrument with a similar remaining maturity. Market prices of suppliers or local regulators in markets with lower marketability. Discounted cash flows are used for various bonds using a rate of market for an instrument with a similar remaining maturity.	(2,3)
Common stocks	Discounted cash flow using capital cost rate adjusted for size premium.	(3)
Common stocks	Market prices provided by local stock exchanges.	(2)
Mutual funds	Net Asset Value.	(2)
Embedded financial derivative instruments	Functional currency cash flows Foreign currency cash flows Profitability rates Currency exchange rates	(3)

Fair Value of Financial Instruments, Additional Disclosures

Below is a description of the methods and assumptions used to estimate the fair value of financial instruments that are not measured at fair value in the Bank's consolidated statement of financial position:

Financial Instruments with Approximate Value in Books at Fair Value

Including cash and cash effects, deposits in banks and customer obligations for pending acceptances and acceptances, are valued at their carrying value reported in the consolidated statement of financial position, which is considered an appropriate estimate fair value due to the nature and maturity of these instruments.

Loans

Most of the Bank's loans are not recurrently recognized at fair value and are not actively traded. Fair values are estimated for certain groups of similar loans based on the type of loan and maturity. The fair value of these loans was determined by discounting estimated cash flows using rates approaching the current rates of market participants for new loans and adjusted to reflect the inherent credit risk. This fair value does not represent a current indicator of an exit price. Fair values for consumer loans (including auto and real estate financing), for which market rates for comparable loans are available, are based on the discount on cash flows adjusted for prepaid. Discount rates for consumer loans are based on current credit-adjusted market rates and other risks that apply to a particular class of assets. The fair value of credit cards is based on the discount on expected cash flows. The discount rate for credit cards incorporates only the effects of interest rate changes as cash flows incorporate a credit risk adjustment.

For loans where there is a doubt about the chargeability, cash flows are discounted using a rate that considers recovery time and a premium for the uncertainty of flows.

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

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

Deposits

No maturity defined as are sight deposits, "NOW"/"Money Market" and savings accounts have a fair value that is equal to the amount payable to the demand at the reporting date, that is, their book values. The fair value of term deposits is estimated using a calculation of discounted cash flows that applies the interest rates in force to all scheduled maturities, The assumptions used to perform the analysis of discounted cash flows are expected to approach those that market participants would use to assess these deposits.

Securities sold under repurchase agreements

There are no market price quotes for such instruments, so fair value is determined using discounted cash flow techniques. Cash flows are estimated based on contractual terms, considering any incorporated derivative characteristics and other factors. Expected cash flows are discounted using market rates approaching the expiration of the instrument as well as the nature and amount of the guarantee received.

Financial obligations

Fair value is estimated based on current interest rates for debts with similar and adjusted remaining maturities to reflect the Bank's credit rating and collateral.

Other Financial obligations

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

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

December 31, 2019		Quantitative information of Level 3 fair values		
	Fair value	Valuation technique	Unobservable assumptions	Range (weighted average)
Common stocks	10,617,681	Discounted cash flows	Annual increase rate	10% - 15%

December 31, 2018		Quantitative information of Level 3 fair values		
	Fair value	Valuation technique	Unobservable assumptions	Range (weighted average)
Common stocks	10,072,395	Discounted cash flows	Annual increase rate	10% - 15%
Derivative financial instruments	Assets: 517,888 Liabilities: 1,778,259	Discounted cash flows	Implicit exchange rate	Dependent on each contract
Assets held-for-sale	8,907,763	Valuations adjusted for age range and cost of sales	Aging	Movable property: from 0 to 29 months, 20% from 30 to 47 months, 30% -80% after 47 months, 100% Immovable property from 0 to 5 months, 20% from 6 to 11 months, 40% from 12 to 23 months, 60% after 23 months, 100%

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

The following table sets out the fair values of financial instruments not measured at fair value and analyses them by the level in the fair value hierarchy into which each fair value measurement is categorized:

2019	Level 2	Level 3	Total fair value	Total carrying amount
Financial assets				
Cash and cash equivalents	727,125,481	0	727,125,481	727,125,481
Securities purchased under resale agreements	0	18,130,054	18,130,054	18,130,054
Deposits in banks	0	3,244,153,150	3,244,153,150	3,244,153,150
Accrued interest receivable on securities purchased under resale agreements and deposits of banks.	106,020	4,636,844	4,742,864	4,742,864
Loans at amortized cost, excluding financial leases	0	15,713,221,127	15,713,221,127	15,940,235,371
Acceptances outstanding	0	1,968,793	1,968,793	1,968,793
Total financial assets	727,231,501	18,982,109,968	19,709,341,469	19,936,355,713
Financial liabilities				
Deposits	9,306,738,436	8,033,166,294	17,339,904,730	17,149,238,475
Accrued interest payable of deposits	297,465	85,101,831	85,399,296	85,399,296
Securities sold under repurchase agreements	0	34,683,519	34,683,519	34,683,519
Financial obligations	0	2,354,737,140	2,354,737,140	2,322,423,644
Other financial obligations	0	305,089,928	305,089,928	316,789,061
Accrued interest payable of obligations and other financial obligations	0	14,371,170	14,371,170	14,371,170
Acceptances outstanding	0	1,968,793	1,968,793	1,968,793
Total financial liabilities	9,307,035,901	10,829,118,675	20,136,154,576	19,924,873,958

2018	Level 2	Level 3	Total fair value	Total carrying amount
Financial assets				
Cash and cash equivalents	704,153,739	0	704,153,739	704,153,739
Securities purchased under resale agreements	0	20,911,045	20,911,045	20,911,045
Deposits in banks	0	3,466,154,262	3,466,154,262	3,466,154,262
Accrued interest receivable on securities purchased under resale agreements and deposits of banks.	70,962	4,578,643	4,649,605	4,649,605
Loans at amortized cost, excluding financial leases	0	15,169,602,311	15,169,602,311	15,369,410,584
Acceptances outstanding	0	1,526,352	1,526,352	1,526,352
Total financial assets	704,224,701	18,662,772,613	19,366,997,314	19,566,805,587
Financial liabilities				
Deposits	8,543,497,135	7,203,917,819	15,747,414,954	15,686,918,946
Accrued interest payable of deposits	265,724	81,440,166	81,705,890	81,705,890
Securities sold under repurchase agreements	0	110,737,028	110,737,028	110,737,028
Financial obligations	0	3,161,687,375	3,161,687,375	3,142,848,528
Other financial obligations	0	286,250,724	286,250,724	296,603,582
Accrued interest payable of obligations and other financial obligations	0	18,956,819	18,956,819	18,956,819
Acceptances outstanding	0	1,526,352	1,526,352	1,526,352
Total financial liabilities	8,543,762,859	10,864,516,283	19,408,279,142	19,339,297,145

(29) Assets and Liabilities Classified as Held for Sale

On December 16, 2016, *Credomatic de México S.A de C.V.*, an indirect subsidiary of the Bank, entered into an "Asset Purchase Agreement" with *Banco Invex, S.A.*, a company domiciled in Mexico, for the entirety of its loan portfolio. On June 23, 2017, the Bank sold the loan portfolio according to the "Asset Purchase Agreement". Additionally, the subsidiary *Credomatic de México S.A. of C.V.*, was sold in its entirety on April 11, 2018 to *Banco Invex, S.A.*

On June 7, 2018, the Board of Directors of COINCA Corporation, an indirect subsidiary of the Bank, agreed to sell its subsidiary *COINCA Comunicaciones Inalámbricas de Centroamerica S.A*. The transaction was completed on September 6, 2018.

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

Results of discontinued operations:

	2018
Allowance for loan losses	0
Release provision for account receivable losses	(10,167)
Interest income, net after provisions	(10,167)
Other income (expenses):	
Gains in financial instruments, net	(68,957)
Service charges	3,097,357
Commissions and other fees, net	0
Other income	5,774,951
Total other income, net	8,803,351
General and administrative expenses:	
Salaries and employee benefits	1,942,109
Depreciation and amortization	324,216
Administrative	265,427
Occupancy and related	185,803
Other operating expenses	2,528,740
Total general and administrative expenses	5,246,295
Income (loss) before income tax	3,567,223
Income tax	55
Net income of discontinued operations	3,567,278

(30) Administration of Trust Contracts and Securities Custody

As of December 31, 2019, several subsidiaries of the Bank manage and keep custody of securities for a total amount of approximately $2,579,673,310 (2018: $2,660,565,767).

(31) Related Party Transactions

In the normal course of business, the Bank conducts transactions with related parties, including main executives and directors. These transactions, according to the internal policies of the Bank, are carried out at market conditions.

(31) Related Party Transactions, continued

The following table shows the balances and transactions with related parties as of December 31, 2019:

	2019		2018	
	Key personnel and directors	Related parties	Key personnel and directors	Related parties
Assets:				
Loans	10,600,355	76,668,045	10,347,907	66,318,677
Allowance for loans	0	(527,038)	0	(671,400)
Accumulated interest receivable and other accounts receivable	41,970	437,699	41,745	594,868
	10,642,325	76,578,706	10,389,652	66,242,145
Liabilities:				
Demand deposits	6,535,493	17,584,499	6,184,955	12,739,816
Term deposits	14,157,887	141,516,399	13,977,965	140,909,062
Financial obligations	0	180,000,000	0	182,784,656
Accumulated interest payable and other liabilities	272,038	421,683,208	214,815	1,262,305
	20,965,418	760,784,106	20,377,735	337,695,839

	2019		2018	
	Key personnel and directors	Related parties	Key personnel and directors	Related parties
Interest income and other income	824,579	12,773,739	629,128	12,374,654
Interest expense and other operating expenses	691,035	21,758,412	518,230	20,919,852
Key management personnel benefit	19,535,360	0	19,006,597	0

(32) Litigations

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

(33) Regulatory Aspects

Banking operations of the Bank are subject to various regulatory requirements administered by government agencies in the countries they operated or are licensed. Failure to meet these regulatory requirements can initiate certain mandatory actions, and possibly additional discretionary actions, by regulators who, if assumed, may have a significant effect on the states Bank's consolidated interim financial services. Under capital adequacy guidelines and the regulatory framework for prompt corrective actions, the Bank must meet specific capital guidelines involve quantitative measures for the Bank's assets and certain off balance-sheet items as calculated under regulatory accounting practices. The Bank's capital amounts and classification are also subject to qualitative judgments by regulators on their components, risk weightings and other factors.

As of December 31, 2019, the banking operations of the Bank meet all capital adequacy requirements in the countries where it operates, which range from 8.00% to 12.00% and other regulatory requirements.

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

- *Director's Board General Resolution SBP-GJD-003-2013 issued by the Superintendency of July 9, 2013.*

(33) Regulatory Aspects, continued

This Resolution establishes when the reguthat in the event that the calculation of a provision or reserve in accordance with prudential rules applicable to banks, which present specific aspects in addition to those required by IFRS, is greater than the respective calculation determined under IFRS, over-provision or reserve under prudential rules will be recognized in a wealth regulatory reserve.

Agreement No. 4-2013 "By which provisions are established on the management and administration of credit risk inherent in the letter of credit and off-balance sheet transactions", issued by the Superintendency on May 28, 2013.

- Among other aspects, this Agreement defines the classification categories for credit facilities for specific and dynamic provisions, as well as the criteria that policies for restructured loans, acceptance of guarantees and punishment of operations. Specific impairment provisions of the loan portfolio should be determined and recognized in the financial statements according to the classification of credit facilities in the risk categories currently in use, according to certain weightings of calculations set out in the Agreement and considering certain percentages of minimum provisions per category. Dynamic provisions, as a prudential regulatory criterion, will be determined and recognized quarterly as wealth reserves following certain calculation criteria and restrictions that will be gradually applied.

The table below summarizes the classification of the amortized cost loan portfolio and the reserves for loan losses based on Agreement No. 4-2013, as of December 31, 2019:

			2019			
	Satisfactory	Special Mention	Substandard	Doubtful	Loss	Total
Corporate loans and other loans	6,850,698,271	231,147,141	107,235,648	20,574,074	28,958,727	7,238,613,861
Consumer loans	9,002,149,601	314,225,954	88,959,625	96,006,011	48,009,000	9,549,350,191
Total	15,852,847,872	545,373,095	196,195,273	116,580,085	76,967,727	16,787,964,052
Specific reserve	0	53,649,756	38,032,305	57,184,267	19,334,427	168,200,755

			2018			
	Satisfactory	Special Mention	Substandard	Doubtful	Loss	Total
Corporate loans and other loans	6,600,075,924	262,238,141	76,293,312	25,450,103	11,414,152	6,975,471,632
Consumer loans	8,737,867,152	298,809,700	71,600,530	80,602,382	31,064,141	9,219,943,905
Total	15,337,943,076	561,047,841	147,893,842	106,052,485	42,478,293	16,195,415,537
Specific reserve	0	53,843,781	36,712,918	55,675,901	12,005,164	158,237,764

Agreement No. 4-2013 defines as default any credit facility that presents any amount not paid, by principal, interest or expenses agreed contractually, with an age of more than 30 days and up to 90 days, from the date established for the compliance with payments.

Agreement No. 4-2013 defines as an overdue any credit facility whose non-payment of contractually agreed amounts is more than 90 days old. This period shall be calculated from the date set for the payment to be made. Transactions with a single payment at maturity and overdrafts will be considered due when the age of the non-payment exceeds 30 days, from the date on which the payment obligation is established.

(33) Regulatory Aspects, continued

As of December 31, 2019, the classification of the amortized cost loan portfolio by maturity profile based on Agreement No. 4-2013:

	2019			
	Current	**Past due**	**Overdue**	**Total**
Corporate loans and other loans	7,170,902,734	26,651,679	41,059,448	7,238,613,861
Consumer loans	9,111,884,057	222,468,124	214,998,010	9,549,350,191
Total	16,282,786,791	249,119,803	256,057,458	16,787,964,052

	2018			
	Current	**Past due**	**Overdue**	**Total**
Corporate loans and other loans	6,890,900,532	33,767,858	50,803,242	6,975,471,632
Consumer loans	8,851,370,862	203,191,698	165,381,345	9,219,943,905
Total	15,742,271,394	236,959,556	216,184,587	16,195,415,537

Based on Agreement No. 8-2014, for regulatory purposes, interest recognition as income based on the days of arrears in payment to principal and/or interest and the type of credit transaction is suspended operationally as follows:

a) For consumer and business credits, if there is a default of more than 90 days; And
b) For home mortgage loans, if there is a default of more than 120 days.

Total loans from BAC International Bank, Inc. ("Parent Bank"), As of December 31, 2019 in non-interest calculation status amounts to $91,740,788 (December 31, 2018: $73,160,532). Total unrecognized interest as income on these loans is $6,871,500 (December 31, 2018: $6,678,649).

Article 1 of Agreement No.11-2019 amends Article 27 of Agreement No. 004-2013 as follows:

Article 27. Punishment of Operations: Each bank will punish all loans classified as unrecoverable within a period of no more than one year from the date on which it was classified in this category. The following loans shall be exempt from the application of this period:

- Mortgage loans, consumer loans with real estate guarantees and corporate loans with real estate guarantees, classified as risk mitigators in accordance with Article 42 of Agreement No. 11-2019 and whose guarantee is found duly constituted in the Republic of Panama in favor of the bank. In these cases, each bank will punish all loans classified as unrecoverable within a period of no more than two years, from the date on which it was classified in this category. The above provision may be extended only once for an additional year upon approval by the Superintendent.

(33) Regulatory Aspects, continued

After the year of extension, if the bank has not yet carried out the stated punishment, it must create a reservation in the equity account, by appropriating its retained earnings to which the net loan value of the provisions will be charged already constituted, according to the percentages set out in the following table:

Loans	Period	Applicable percentage
	At the beginning of the first year after the extension (fourth year)	50%
Mortgage loans and consumer loans with real estate guarantees	At the beginning of the first year after the extension (fourth year)	50%
	At the beginning of the third year	50%
Corporate loans with real estate guarantees	At the beginning of the fourth year	50%

As of December 31, 2019, the Bank constituted an estate provision of $210,450, pursuant to Agreement No. 11-2019.

As of December 31, 2019, in compliance with the provisions set out in Articles 36 and 38 of Agreement No. 4-2013, the Bank established a dynamic provision with a balance of $245,551,408 (December 31, 2018: $229,765,429), is allocated from retained profits. The credit balance of this dynamic provision is part of the regulatory capital but does not replace or compensate the requirements for the minimum percentage of capital adequacy established by the Superintendency of Banks of Panama.

Agreement No. 4-2013 establishes a dynamic reserve which shall not be less than 1.25%, nor more than 2.50% of the risk-weighted assets corresponding to credit facilities classified as normal, as of December 31, 2019. These percentages represent the following amounts:

	2019	2018
1.25%	172,189,504	166,324,386
2.5%	344,379,008	332,648,772

(33) Regulatory Aspects, continued

The following table is the calculation of the dynamic reserve, at the consolidated level:

	2019	2018
Component 1		
Risk – weighted assets (credit facilities – Normal category)	13,775,160,334	13,305,950,878
For alpha coefficient (1.50%)		
Result	206,627,405	199,589,263
Component 2		
Variation (positive) between the current quarter versus the previous risk – weighted assets	367,849,501	336,036,404
For beta coefficient (5.00%)		
Result	18,392,475	16,801,820
Less:		
Component 3		
Amount of change in the balance of specific provisions in the quarter	7,448,009	(7,035,644)
Gross dynamic reserve balance	232,467,889	209,355,439
Plus:		
Amount restriction as set forth in paragraphs “a” and “b” of Article 37	13,083,519	20,409,990
Net dynamic reserve balance	245,551,408	229,765,429

As of December 31, 2019 and December 31, 2018, the Bank did not register an excess regulatory credit reserve based on Agreement No. 4-2013.

- *Capital Managment*

  Banking law in Panama states that general license banks must maintain a minimum paid or allocated capital of $10 million; and a minimum capital adequacy rate of 8% of its risk-weighted assets, which should include off-balance sheet operations.

  Quantitative measures established by regulation to ensure capital adequacy require the Bank to maintain minimum amounts of Total Capital and Primary Capital (Pillar 1) on risk-weighted assets. Management considers that, as of December 31, 2019 and 2018, the Bank meets all the financial adequacy requirements to which it is subject.

  The Bank presents its consolidated capital funds on its risk-weighted assets based on Agreements No.1-2015, No.3-2016, No.2-2018 and No.11-2018 of the Superintendency of Banks of Panama.

  Agreement No.1-2015, which lays down capital adequacy rules for banks and banking groups, began to govern on 1 January 2016.

  Agreement No.3-2016, which lays down rules for the determination of assets weighted by credit risks and counterparty risk, began to govern on 1 July 2016.

  Agreement No.2-2018, which lays down the provisions on liquidity risk management and the short-term liquidity hedging ratio, began to govern on 1 January 2020.

(33) Regulatory Aspects, continued

Agreement No.11-2018, by which new provisions on Operational Risks are issued, began to govern on 31 December 2019.

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

	2019	2018
Ordinary Primary Capital (Pilar I)		
Common stocks	834,708,000	834,708,000
Additional paid in capital	140,897,488	140,897,488
Retained earnings	1,956,417,802	1,853,737,559
Non-controlling interest	194,660	211,124
Other Comprehensive losses	(254,282,553)	(363,198,450)
Less: Goodwill	(334,768,229)	(334,238,102)
Less: Intangible assets	(55,015,203)	(33,816,039)
Less: Treasury stock	(5,218,370)	(5,218,370)
Total Ordinary Primary Capital	2,282,933,595	2,093,083,210
Secundary Capital (Pilar II)		
Subordinated debt	36,000,000	72,000,000
Total Secundary Capital	36,000,000	72,000,000
Dynamic Provision	245,551,408	229,765,429
Total Regulatory Capital Fund	2,564,485,003	2,394,848,639
Total Assets Weighted by Net Risk deductions	18,567,192,676	17,714,489,639
Operational Risk Weighted Assets (Agreement No.11-2018)	1,252,962,307	n.a.
Total risk weighted assets	19,820,154,983	17,714,489,639
Ratios:		
Capital Adecuacy Ratio	12.94%	13.52%
Primary Capital Ratio	11.52%	11.82%

- *Liquidity Ratio*

  The percentage of the liquidity index reported by BAC International Bank, Inc. ("Parent Bank") to the regulatory body, under the parameters of Agreement No. 4-2008, as of December 31, 2019 was 54.61% (2018: 58.62%).

- *Assets Held for Sale*

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

(33) Regulatory Aspects, continued

The awarded properties held for sale are recognized at the lowest value between the carrying value of non-cancelled loans or the estimated value of realization of the properties. The agreement provides that the provision of the awarded properties, allocated of the non-distributed profits, is progressively within a range of 10% from the first year of registration up to 90% to the fifth year of award, through the establishment of a heritage reserve. The following is the progressive booking table:

Years	Minimum Reserve Porcentage
First	10%
Second	20%
Third	35%
Fourth	15%
Fifth	10%

As of December 31, 2019, the Bank constituted provision of the awarded properties amounting to $2,671,644, (2018: $856,227), as a property item that is allocated from undistributed profits.

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

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

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

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

(34) Subsequent Events

The Bank has assessed the subsequent events to December 31, 2019 to assess the need for their recognition or disclosure in the accompanying financial statements. Based on this evaluation, we determined that there were no subsequent events which require recognition or disclosure in these consolidated financial statements.