Audited Financial Statements

Inteligo Bank Ltd.

Year ended December 31, 2015
with Independent Auditors' Report

CONTENTS

Ernst & Young
One Montague Place
3rd Floor
East Bay Street
P.O. Box N-3231
Nassau, Bahamas

Tel: +242 502 6000
Fax: +242 502 6090
ey.com

Independent Auditors' Report

The Board of Directors
Inteligo Bank Ltd.

We have audited the accompanying financial statements of Inteligo Bank Ltd. (the "Bank") which comprise the statement of financial position as at December 31, 2015, and the statement of income, statement of comprehensive income, statement of changes in shareholder's equity, and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Inteligo Bank Ltd. as at December 31, 2015, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Ernst & Young

March 31, 2016

Inteligo Bank Ltd.
Statement of Financial Position
December 31, 2015

(Amounts expressed in thousands of US$ dollars)

Notes		**2015**	2014
		US$ 000	US$ 000
	ASSETS		
	Cash and deposit with banks		
	Cash	**13**	13
	Deposit with banks:		
	Demand deposits	**96,908**	42,650
	Time deposits	**56,170**	43,983
5		**153,091**	86,646
	Securities		
6, 20	Securities at fair value	**6,348**	21,412
6, 20	Securities available for sale	**306,125**	353,581
		312,473	374,993
7	Loans, net	**484,953**	470,428
	Accrued interest receivable	**10,119**	9,863
		495,072	480,291
8	Furniture, equipment and improvements	**6,216**	7,539
9	Securities sold pending settlement	**547**	2,423
10	Other assets	**12,928**	20,310
		19,691	30,272
	TOTAL ASSETS	**980,327**	972,202

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

Notes		2015 US$ 000	2014 US$ 000
	LIABILITIES AND SHAREHOLDER'S EQUITY		
	Liabilities		
	Deposits:		
11	Demand	279,694	215,021
	Time	508,115	555,760
		787,809	770,781
12	Borrowings	20,000	40,096
	Accrued interest payable	6,076	6,324
	Other liabilities	3,473	4,816
		9,549	11,140
	Total liabilities	817,358	822,017
	Shareholder's Equity		
13	Share capital	20,000	20,000
	Unrealized gain on available for sale securities	1,474	7,761
	Regulatory reserve	1,727	1,142
	Retained earnings	139,768	121,282
	Total Shareholder's Equity	162,969	150,185
	TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY	980,327	972.202

Approved on behalf of the Board of Directors on March 28, 2016, by the following:

Roberto Hoyle	*Reynaldo Roisenvit*
Director	*Director*

Inteligo Bank Ltd.
Statement of Income
For the year ended
December 31, 2015

(Amounts expressed in thousands of US$ dollars)

Notes		**2015**	2014
		US$ 000	US$ 000
	Interest income:		
	Interest on loans	**25,663**	24,210
	Interest on securities	**13,651**	10,175
	Interest on deposits with banks	**27**	19
	Dividend income	**4,559**	2,811
	Total interest income	**43,900**	37,215
	Interest expense	**(16,556)**	(17,257)
	Net interest income	**27,344**	19,958
	Income (expense) from financial services and other items:		
15	Gain on financial instruments, fair value	**4,883**	1,699
15	(Loss) gain on financial instruments, available for sale	**(1,699)**	19,057
6	Impairment loss on securities available for sale	**(9,239)**	(5,400)
18	Commision income	**37,774**	30,674
	Commision and other expense	**(3,727)**	(1,963)
	Other (expense) income	**(469)**	107
	Total income from financial services and other items, net	**27,523**	44,174
	General and administrative expenses:		
16	Salaries and employee benefits	**7,086**	6,990
17	Rent	**746**	700
16	Professional fees	**6,502**	5,616
8	Depreciation and amortization	**1,682**	621
16	Other	**3,579**	2,934
	Total general and administrative expenses	**19,595**	16,861
14	**Net profit**	**35,272**	47,271

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

Inteligo Bank Ltd.
Statement of Comprehensive Income
For the year ended
December 31, 2015

(Amounts expressed in thousands of US$ dollars)

Notes		**2015** **US$ 000**	2014 US$ 000
	Net profit for the year	**35,272**	47,271
	Other comprehensive income:		
	Unrelized gain (loss) on securities available for sale:		
	Net change in fair value	**(7,371)**	(4,045)
6, 14	Net value transferred to profit	**1,084**	(7,610)
	Other comprehensive loss for the year	**(6,287)**	(11,655)
	Total comprehensive income for the year	**28,985**	35,616

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

Inteligo Bank Ltd.
Statement of Changes in Shareholder's Equity
For the year ended
December 31, 2015

(Amounts expressed in thousands of US$ dollars)

	Share Capital US$ 000	*Unrealized Gain (Loss) on Available for Sale Securities US$ 000*	*Regulatory Reserve US$ 000*	*Retained Earnings US$ 000*	*Total Shareholder's Equity US$ 000*
At January 1, 2014	20,000	19,416	964	95,739	136,119
Net profit for the year	-	-	-	47,271	47,271
Other comprehensive income:					
Unrealized gain (loss) on available for sale securitites:					
Net change in fair value	-	(4,045)	-	-	(4,045)
Net value transferred to profit	-	(7,610)	-	-	(7,610)
Total comprehensive income for the year	-	(11,655)	-	47,271	35,616
Transactions with owners, recorded directly in equity:					
Dividends paid	-	-	-	(21,550)	(21,550)
Regulatory reserve	-	-	178	(178)	-
At December 31, 2014	20,000	7,761	1,142	121,282	150,185
Net profit for the year	**-**	**-**	**-**	**35,272**	**35,272**
Other comprehensive income:					
Unrealized gain (loss) on available for sale securitites:					
Net change in fair value	**-**	**(7,371)**	**-**	**-**	**(7,371)**
Net value transferred to profit	**-**	**1,084**	**-**	**-**	**1,084**
Total comprehensive income for the year	**-**	**(6,287)**	**-**	**35,272**	**28,985**
Transactions with owners, recorded directly in equity:					
Dividends paid	**-**	**-**	**-**	**(16,200)**	**(16,200)**
Regulatory reserve	**-**	**-**	**585**	**(585)**	**-**
At December 31, 2015	**20,000**	**1,474**	**1,727**	**139,769**	**162,970**

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

Inteligo Bank Ltd.
Statement of Cash Flows
For the year ended
December 31, 2015

(Amounts expressed in thousands of US$ dollars)

Notes		**2015** **US$ 000**	2014 US$ 000
	Cash flows from operating activities		
	Net profit	**35,272**	47,271
	Adjustments to reconcile net profit to net cash flows:		
8	Depreciation and amortization	**1,682**	621
	Net gain on financial instruments, available for sale	**1,699**	(19,057)
	Interest income	**(43,900)**	(37,215)
	Interest expense	**16,556**	17,257
	Operating results before working capital changes	**11,309**	8,877
	Time deposits	**-**	-
	Securities at fair value	**13,059**	(179)
	Loans	**(14,525)**	(62,060)
	Deposits	**17,028**	54,830
	All other assets	**9,258**	(7,477)
	All other liabilities	**(1,345)**	178
	Net cash flows generated from operations	**34,784**	(5,831)
	Interest received	**43,645**	36,203
	Interest paid	**(16,584)**	(16,229)
	Net cash flows provided by operating activities	**61,845**	14,143
	Cash flows from investing activities		
	Acquisition of securities available for sale	**(183,449)**	(200,266)
	Proceeds from sale of securities available for sale	**224,924**	147,898
8	Purchase of furniture, equipment an improvements	**(360)**	(308)
	Net cash flows provided by (used in) investing activities	**41,115**	(52,676)
	Cash flows from financing activities		
12	Net proceeds from issue of borrowings	**(20,096)**	(40,281)
	Interest paid	**(219)**	(493)
13	Dividends paid	**(16,200)**	(21,550)
	Net cash flows used in financing activities	**(36,515)**	(62,324)
	Net increase (decrease) in cash and cash equivalents	**66,445**	(100,857)
	Cash and cash equivalents at January 1	**86,646**	187,503
	Cash and cash equivalents at December 31	**153,091**	86,646

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

1. Corporate Information

Inteligo Bank Ltd. ("the Bank") was incorporated under the laws of The Commonwealth of The Bahamas in 1995 and is licensed by The Central Bank of The Bahamas to conduct various types of banking, financing and investment activities. The registered office of the Bank is located at Seventeen Shop Building, First Floor, Collins Avenue & Fourth Terrace, Centreville, Nassau, The Bahamas. The Bank is a wholly-owned subsidiary of Inteligo Group Corp., an entity incorporated under the laws of the Republic of Panama. Inteligo Group Corp. was acquired by Intercorp Financial Services Inc. on August 1st, 2014, from Intercorp Peru, Ltd., its majority shareholder, as part of a corporate reorganization. Intercorp Financial Services Inc. is a public company listed in the Lima Stock Exchange (Bolsa de Valores de Lima, BVL) under the ticker IFS.

The Bank established a branch in Panama ("the Branch"), on January 10th, 1997 under the laws of the Republic of Panama. The Branch operates under an international license issued by the Superintendence of Banks of Panama through resolution No.26-96 of December 1996. The banking operations in Panama (primarily, lending and borrowing activities) are subject to regulatory requirements and supervision of the Superintendence of Bank of Panama, pursuant to Agreement No. 9 of February 26, 1998 as modified by Law Decree No.2 of February 22, 2008.

The financial statements were approved for issuance according to resolution of the Board of Directors of Inteligo Bank Ltd. on March 31, 2016.

2. Statement of Compliance

The financial statements of Inteligo Bank Ltd. have been prepared in accordance with International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board ("IASB").

3. Basis of Preparation of Financial Statements

3.1 Basis of presentation

The financial statements have been prepared on an historical cost basis, except for the measurement at fair value of available-for-sale financial assets, trading securities and financial assets designated at fair value through profit or loss. The financial statements are prepared in United States of America dollars (US$) and all values are rounded to the nearest thousand (US$000) except when otherwise indicated. The Bank presents its statements of financial position in order of liquidity.

3. Basis of Preparation of Financial Statements (continued)

3.2 Recent changes in accounting policies and disclosures

As of January 1st, 2015 the following accounting policies and disclosures came into effect:

Amendments to IAS 19 Defined Benefit Plans: Employee Contributions
IAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. Where the contributions are linked to service, they should be attributed to periods of service as a negative benefit. These amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognize such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service. This amendment is effective for annual periods beginning on or after July 1, 2014.

Annual improvements 2010-2012 cycle
The following list of improvements to standards is effective from July 1, 2014:

- *IFRS 2 Share-based Payment.* This improvement is applied prospectively and clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions.

- *IFRS 3 Business Combinations.* The amendment is applied prospectively and clarifies that all contingent consideration arrangements classified as liabilities (or assets) arising from a business combination should be subsequently measured at fair value through profit or loss whether or not they fall within the scope of IFRS 39.

- *IFRS 8 Operating Segments.* The amendments are applied retrospectively and clarifies that: a) an entity must disclose the judgments made by management in applying the aggregation criteria in paragraph 12 of IFRS 8, including a brief description of operating segments that have been aggregated and the economic characteristics (e.g., sales and gross margins) used to assess whether the segments are "similar"; and b) the reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker, similar to the required disclosure for segment liabilities.

3. Basis of Preparation of Financial Statements (continued)

- *IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets*. The amendment is applied retrospectively and clarifies in IAS 16 and IAS 38 that the asset may be revalued by reference to observable data by either adjusting the gross carrying amount of the asset to market value or by determining the market value of the carrying value and adjusting the gross carrying amount proportionately so that the resulting carrying amount equals the market value. In addition, the accumulated depreciation or amortization is the difference between the gross and carrying amounts of the asset.

- *IAS 24 Related Party Disclosures*. The amendment is applied retrospectively and clarifies that a management entity (an entity that provides key management personnel services) is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services.

Annual improvements 2011-2013 cycle
The following list of improvements to standards is effective from July 1, 2014:

- *IFRS 3 Business Combinations*. The amendment is applied prospectively and clarifies for the scope exceptions within IFRS 3 that: a) joint arrangements, not just joint ventures, are outside the scope of IFRS 3; and b) this scope exception applies only to the accounting in the financial statements of the joint arrangement itself.

- *IFRS 13 Fair Value Measurement*. The amendment is applied prospectively and clarifies that the portfolio exception in IFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of IFRS 39.

- *IAS 40 Investment Property*. The description of ancillary services in IAS 40 differentiates between investment property and owner-occupied property (i.e., property, plant and equipment). The amendment is applied prospectively and clarifies that IFRS 3, and not the description of ancillary services in IAS 40, is used to determine if the transaction is the purchase of an asset or business combination.

International Financial Reporting Standards or their interpretations issued but not yet effective as of the date of issue of the Bank's financial statements are listed below. The standards or interpretations listed are those which Management believes may have a significant effect on the disclosures, position or financial performance of the Bank when applied on a future date. The Bank intends to adopt these standards or interpretations when they enter into effect.

3. Basis of Preparation of Financial Statements (continued)

IFRS 9 Financial Instruments
In July 2014, the IASB issued the final version of IFRS 9 *Financial Instruments* which replaces IAS 39 *Financial Instruments: Recognition and Measurement* and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. Except for hedge accounting, retrospective application is required, but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

IFRS 14 Regulatory Deferral Accounts
IFRS 14 is an optional standard that allows an entity, whose activities are subject to rate-regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first-time adoption of IFRS. Entities that adopt IFRS 14 must present the regulatory deferral accounts as separate line items on the statement of financial position and present movements in these account balances as separate line items in the statement of profit or loss and other comprehensive income. The standard requires disclosure of the mature of, and risks associated with, the entity´s rate-regulation and the effects of that rate-regulation on its financial statements. IFRS 14 is effective for annual periods beginning on or after January 1, 2016.

IFRS 15 Revenue from Contracts with Customers
IFRS 15 was issued in May 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15 revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The new revenue standard will supersede all current revenue recognition requirements under IFRS. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after January 1, 2018, when the IASB finalizes their amendments to defer the effective date of IFRS 15 by one year. Early adoption is permitted.

3. Basis of Preparation of Financial Statements (continued)

Amendments to IFRS 11 Joint Arrangements: Accounting for Acquisitions of Interests
The amendments to IFRS 11 require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business must apply the relevant IFRS 3 principles for business combinations accounting. The amendments also clarify that a previously held interest in a joint operation is not re-measured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to IFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party. The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation and are prospectively effective for annual periods beginning on or after January 1, 2016, with early adoption permitted.

Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortization
The amendments clarify the principle in IAS 16 and IAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortize intangible assets. The amendments are effective prospectively for annual periods beginning on or after January 1, 2016, with early adoption permitted.

Amendments to IAS 16 and IAS 41 Agriculture: Bearer Plants
The amendments change the accounting requirements for biological assets that meet the definition of bearer plants. Under the amendments, biological assets that meet the definition of bearer plants will no longer be within the scope of IAS 41. Instead, IAS 16 will apply. After initial recognition, bearer plants will be measured under IAS 16 at accumulated cost (before maturity) and using either the cost model or revaluation model (after maturity). The amendments also require that produce that grows on bearer plants will remain in the scope of IAS 41 measured at fair value less costs to sell. For government grants related to bearer plants, IAS 20 *Accounting for Government Grants and Disclosure of Government Assistance* will apply. The amendments are retrospectively effective for annual periods beginning on or after January 1, 2016, with early adoption permitted.

3. Basis of Preparation of Financial Statements (continued)

Amendments to IAS 27: Equity Method in Separate Financial Statements
The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying IFRS and electing to change to the equity method in its separate financial statements will have to apply that change retrospectively. For first-time adopters of IFRS electing to use the equity method in its separate financial statements, they will be required to apply this method from the date of transition to IFRS. The amendments are effective for annual periods beginning on or after January 1, 2016, with early adoption permitted.

Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
The amendments address the conflict between IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that the gain or loss resulting from the sale or contribution of assets that constitute a business, as defined in IFRS 3, between an investor and its associate or joint venture, is recognized in full. Any gain or loss resulting from the sale or contribution of assets that do not constitute a business, however is recognized only to the extent of unrelated investor's interest in the associate or joint venture. These amendments must be applied prospectively and are effective for annual periods beginning on or after January 1, 2016, with early adoption permitted.

Annual improvements 2012-2014 cycle
These improvements are effective for annual periods beginning on or after January 1, 2016. They include:

- *IFRS 5 Non-current Assets Held for Sale and Discontinued Operations*. Assets (or disposal groups) are generally disposed of either through sale or distribution to owners. The amendment clarifies that changing from one of these disposal methods to the other would not be considered a new plan of disposal, rather it is a continuation of the original plan. There is, therefore, no interruption of the application of the requirements in IFRS 5. This amendment must be applied prospectively.

- *IFRS 7 Financial Instruments: Disclosures*
    - (i) Servicing contracts: The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and the arrangement against the guidance for continuing involvement in IFRS 7 in order to assess whether the disclosures are required. The assessment of which servicing contracts constitute continuing involvement must be done retrospectively. However, the required disclosures would not need to be provided for any period beginning before the annual period in which the entity first applies the amendments.

3. Basis of Preparation of Financial Statements (continued)

- (ii) Applicability of the amendments to IFRS 7 to condensed interim financial statements: The amendment clarifies that the offsetting disclosure requirements do not apply to condensed interim financial statements, unless such disclosures provide a significant update to the information reported in the most recent annual report. This amendment must be applied retrospectively.

- *IAS 19 Employee Benefits*. The amendment clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used. This amendment must be applied prospectively.

- *IAS 34 Interim Financial Reporting*. The amendment clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the interim financial report (e.g., in the management commentary or risk report). The other information within the interim financial report must be available to users on the same terms as the interim financial statements and at the same time. This amendment must be applied retrospectively.

- *Amendments to IAS 1 Disclosure Initiative*. The amendments to IAS 1 *Presentation of Financial Statements* clarify, rather than significantly change, existing IAS 1 requirements. The amendments clarify: (a) the materiality requirements in IAS 1, (b) that specific line items in the statement(s) of profit or loss and other comprehensive income and the statement of financial position may be disaggregated, (c) That entities have flexibility as to the order in which they present the notes to financial statements, (d) That the share of other comprehensive income of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss. Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement(s) of profit or loss and other comprehensive income. These amendments are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted.

3. Basis of Preparation of Financial Statements (continued)

- *Amendments to IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception.* The amendments address issues that have arisen in applying the investment entities exception under IFRS 10. The amendments to IFRS 10 clarify that the exemption from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity, when the investment entity measures all of its subsidiaries at fair value. Furthermore, the amendments to IFRS 10 clarify that only a subsidiary of an investment entity that is not an investment entity itself and that provides support services to the investment entity is consolidated. All other subsidiaries of an investment entity are measured at fair value. The amendments to IAS 28 allow the investor, when applying the equity method, to retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries. These amendments must be applied retrospectively and are effective for annual periods beginning on or after January 1, 2016, with early adoption permitted.

3.4 Significant accounting judgments and estimates

Judgment

The preparation of the financial statements in conformity with International Financial Reporting Standards requires Management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on Management's best knowledge of current events and actions, actual results may ultimately differ from those estimates.

Estimates

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimate is revised and in any future years affected.

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

3. Basis of Preparation of Financial Statements (continued)

(a) Loan impairment allowance and losses

The Bank reviews its loan portfolio at least monthly to determine if there is objective evidence of impairment in a loan or groups of loans which share similar credit risk characteristics.

The Bank seeks to use collateral, where possible, to mitigate its risk on financial assets. The fair value and the total amount disbursed do not exceed 60% of the market value of the investment portfolio given as guarantee. If the collateral deteriorates, the Bank has the right to request a margin from the borrower or to proceed with the execution of the guarantee.

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

If there is objective evidence that an impairment loss on loans and receivables exists, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in the statement of income. The calculation of the present value of the estimated future cash flows of a collateralized financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

Future cash flows in a group of loans that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows of the loans and historical loss experience for loans with similar credit risk characteristics.

When a loan is uncollectible, it is written off against the related allowance for loan losses. Such loans are written off after all the necessary procedures have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off are recognized in the statement of income.

Management believes that the allowance for loan losses is adequate. The regulatory agencies in certain jurisdictions, as an integral part of their examination process, periodically review the allowance for loan losses. Such agencies may require additions to the allowance to be recognized based on their evaluation of information available at the time of their examinations. Regulatory loan loss allowance requirements that exceed the Bank's allowance for loan losses are treated as an appropriation of retained earnings.

3. Basis of Preparation of Financial Statements (continued)

(b) Impairment of securities

The Bank determines that securities are impaired when there has been a significant and prolonged decline in the fair value as compared to the carrying value. The determination of what significant or prolonged means requires judgment. The Bank evaluates, among other factors, historical share price movement and the extent to which the fair value of an investment has been reduced or lies below its cost.

(c) Fair value of financial instruments

The Bank determines the fair values of certain financial instruments by means of valuation techniques that use a significant amount of inputs, not necessarily based on observable data, when these unobservable inputs have a significant effect on the instruments' valuation.

Availability of observable market prices and model inputs reduces the need for management judgment and estimation; and therefore the possible uncertainty associated with the determination of fair values. Availability of observable market prices and inputs varies depending on the products and markets and is prone to changes based on specific events and general conditions in the financial markets.

As stated above, for more complex instruments the Bank uses proprietary valuation models, which are usually developed from recognized valuation models. Some or all of the significant inputs used in these models may not be observable in the market, and are derived from market prices or rates or are estimated based on assumptions. Valuation models that employ significant unobservable inputs require a higher degree of management judgement and estimation in the determination of fair value. Management judgement and estimation are usually required for selection of the appropriate valuation technique, determination of expected future cash flows on the financial instrument being valued, determination of the probability of counterparty default and for the selection of appropriate discount rates.

The Bank has an established control framework with respect to the measurement of fair values. This framework includes a portfolio valuation function, which is independent of front office management. Specific controls include: verification of observable pricing inputs and performance of model valuations; a review and approval process for new models and changes to existing models; calibration and back testing of models against observed market transactions; and review of significant unobservable inputs and valuation adjustments.

Regardless of the established control framework, the economic environment prevailing during recent years has increased the degree of uncertainty inherent in these estimates and assumptions.

3. Basis of Preparation of Financial Statements (continued)

Fair value estimates are made at a specific date based on relevant market estimates and information about the financial instruments. The Bank holds financial instruments for which limited or no observable market data is available. Fair value measurements for these instruments fall within Level 3 of the fair value hierarchy of IFRS 7. These fair value measurements are based primarily upon managements` own estimates and are often calculated based on the Bank's current pricing policy, the current economic and competitive environment, the characteristics of the instrument, credit, interest, and currency rate risks and other such factors. Therefore, the results cannot be backed by comparison to quoted prices in active markets, and may not be fully realized in a sale or immediate settlement of the asset or liability. Additionally, there are inherent uncertainties in any fair value measurement technique, and changes in the underlying assumptions used, including movements in discount rates, liquidity risks, and estimates of future cash flows that could significantly affect the fair value measurement amounts.

3.5 Going Concern

The Bank's Management has made as assessment of the Bank's ability to continue as a going concern and is satisfied that the Bank has the resources to continue in business for the foreseeable future. Furthermore, the Management is not aware of any material uncertainties that may cast significant doubt upon the Bank's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

4. Summary of Significant Accounting Policies

Cash and cash equivalents

For presentation purposes, in its statement of cash flows, the Bank considers as cash and cash equivalents all highly liquid instruments with initial maturities of three months or less. As of December 31, 2015, cash and cash equivalents are represented by cash and bank deposits.

Fair value of financial instruments

Financial instruments are used by the Bank to manage market risk, facilitate customer transactions, hold proprietary positions and meet financing objectives. Fair value is determined by the Bank based on available listed market prices or broker price quotations. Assumptions regarding the fair value of each class of financial assets and liabilities are fully described in Note 20 to the financial statements.

4. Summary of Significant Accounting Policies (continued)

Financial assets

The Bank recognizes, in compliance to IAS 39, four classes of financial assets: Financial assets at fair value through profit or loss, loans and receivables, available for sale and held to maturity investments. The classification depends on the purpose for which the financial assets were acquired and on their intended use. Management determines the classification of its financial assets at initial recognition or acquisition, whichever comes first.

Further detail on each of the four categories is provided below.

Financial assets at fair value through profit or loss. This category has two subcategories:

- Designated upon initial recognition. The first includes any financial asset that is designated on initial recognition as one to be measured at fair value with fair value changes affecting the profit or loss statement.
- Held for trading. The second category includes financial assets that are held for trading. All derivatives (except those designated as hedging instruments) and financial assets acquired or held for the purpose of selling in the short term or for which there is a recent pattern of short-term profit taking are classified as held for trading.

Available for sale financial assets (AFS) are any non-derivative financial assets designated on initial recognition as available for sale. AFS assets are measured at fair value in the statement of financial position. Fair value changes on AFS assets are recognized directly in equity, through the statement of comprehensive income, except for interest on AFS assets (which is recognized in income on an effective yield basis), impairment losses, and (for interest-bearing AFS debt instruments) foreign exchange gains or losses. The cumulative gain or loss that was recognized in equity is recognized in profit or loss when an available for sale financial asset is derecognized.

Loans and receivables are non-derivative financial assets with fixed or determinable payments, originated or acquired, that are not quoted in an active market, not held for trading, and not designated on initial recognition as assets at fair value through profit or loss or as available for sale. Loans and receivables are measured at amortized cost using the effective interest rate method.

Held to maturity investments are non-derivative financial assets with fixed or determinable payments that an entity intends and is able to hold to maturity and that: do not meet the definition of loans and receivables and are not designated on initial recognition as assets at fair value through profit or loss or as available for sale. Held to maturity investments are measured at amortized cost. If an entity sells a held-to-maturity investment other than in insignificant amounts or as a consequence of a non-recurring, isolated event beyond its control that could not be reasonably anticipated, all of its other held-to-maturity investments must be reclassified as available-for-sale for the current and next two financial reporting years.

4. Summary of Significant Accounting Policies (continued)

Financial liabilities

The Bank recognizes, in compliance to IAS 39, two classes of financial liabilities:

Fair value through profit or loss: Include financial liabilities held for trading, derivatives and financial liabilities designated as at fair value through profit or loss on initial recognition. All gains and losses are recognized in the profit or loss statement.

Amortized cost: All financial liabilities not classified at fair value through profit or loss are measured at amortized cost using the effective interest method.

Borrowings

After initial recognition, borrowings are subsequently measured at amortized cost using the effective interest rate method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well through the effective interest rate amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate is included as finance costs in the statement of income.

Derivative financial instruments

Derivatives are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at their fair value. Fair values are obtained from quoted market prices in active markets, including recent market transactions; or using valuation techniques, including discounted cash flows models and options pricing models, as appropriate. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

The derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognized immediately in the statement of income under “Gain on financial instruments, net”. Gains and losses arising from changes in the fair value of derivatives that are managed in conjunction with designated financial assets are also included in “Gain on financial instruments, net”.

4. Summary of Significant Accounting Policies (continued)

Initial recognition and measurement

The Bank uses a classification of financial asset or a financial liability depending on the purposes for which they were acquired and their characteristics. All financial assets or liabilities are recorded at their fair value plus, in the case of financial assets and financial liabilities not at fair value through profit or loss, any directly attributable incremental costs of acquisition or issue. Financial assets and liabilities carried at fair value through profit or loss are initially recognized at fair value and transaction costs are expensed in the statement of income. A regular way purchase or sale of financial assets and liabilities is recognized and derecognized using either trade date or settlement date accounting. The Bank has adopted the method of trade accounting to recognize its financial assets and liabilities; this method has been applied consistently for all purchases and sales of financial assets and liabilities that belong to the same category of financial assets and liabilities.

Measurement subsequent to initial recognition

Subsequently, the Bank measures their financial assets and liabilities (including derivatives) at fair value, with the following exceptions:

Loans and receivables, held to maturity investments, and non-derivative financial liabilities, which have been measured at amortized cost using the effective interest method.

Financial assets and liabilities that are designated as a hedged item or hedging instrument are subject to measurement under the hedge accounting requirements.

Determination of fair value

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. For its available-for-sale financial assets the Bank uses quoted market prices in an active market or dealer prices, which are the best evidence of fair value, where they exist, to measure the financial instrument. For investments where there is no active market, fair value is determined using valuation techniques such as: recent arm’s length market transactions; reference to the current market value of a substantially similar instrument; discounted cash flow analysis or other valuation models. The fair value of investment funds is determined by reference to the net asset values of the funds as provided by the respective administrators of such funds; reviewed in order to determine the appropriateness of the reported balance or whether adjustments are necessary.

4. Summary of Significant Accounting Policies (continued)

After initial measurement, available for sale financial assets are subsequently measured at fair value with unrealised gains or losses recognised in the Statement of Comprehensive Income and credited in the available for sale reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in other operating income, or the investment is determined to be impaired, and the cumulative loss is reclassified from the available for sale reserve to the statement of profit or loss as a finance cost. Interest earned whilst holding available for sale financial assets is reported as interest income using the effective interest rate method.

Amortized cost is calculated using the effective interest method. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to the net carrying amount of the financial asset or liability.

Derecognition

Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Bank has transferred substantially all risks and rewards of ownership. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognized in equity are included in the statement of income as gains and losses from investment securities.

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of the existing liability are substantially modified, such an exchange or modification is treated as derecognition of the original liability, and the difference in the respective carrying amounts is recognized in profit or loss.

Interest income and expense

Interest income and expense is recognized in the statement of income for all interest-bearing instruments on an accrual basis applying the effective yield method to the actual purchase price. Interest income includes coupons earned on fixed income investment and accredited discount on debt instruments. When a loan becomes of doubtful collection, it is written down to recoverable amount and interest income is thereafter recognized at the rate of interest which had been used to discount the future cash flows for the purpose of determining the recoverable amount.

Fees and commissions income

Fees and commissions are generally recognized on an accrual basis once service has been rendered. Loan origination fees are deferred and recognized over the life of the loan.

4. Summary of Significant Accounting Policies (continued)

Foreign currency operations

The Bank's transactions are performed mostly in U.S. dollars, its functional and reporting currency. Foreign currency transactions are translated into U.S. dollars at the prevailing exchange rates on the date of the transaction. Foreign exchange gains or losses resulting from the settlement of such transactions and from the translation of monetary assets are measured at the date of the statement of financial position and liabilities denominated in foreign currencies are recognized in the statement of income.

Translation differences on debt securities and other financial assets measured at fair value are included as foreign exchange income in the statement of income with the exception of differences on foreign borrowing that provide an effective hedge against a net investment in a foreign security: these are taken directly to equity until the disposal of the net investment, at which time they are recognized in the statement of income.

Furniture, equipment and improvements

Furniture, equipment and improvements are stated at cost, less accumulated depreciation and amortization. Depreciation and amortization are calculated on a straight-line basis over the useful life of the assets as follows:

Furniture and office equipment	2 to 3 years
Vehicles	5 years
Leasehold improvements	5 years

The carrying values of furniture, equipment and improvements are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

Intangible asset

Costs associated with maintaining computer software programs are recognized as an expense when they are incurred. Costs that are directly associated with identifiable and unique software products controlled by the Bank and that will generate economic benefits exceeding costs beyond one year, are recognized as intangible assets.

Expenditures which enhance or extend the performance of computer software programs beyond their original specifications are recognized as a capital improvement and therefore added to the original cost of the software. Computer software costs recognized as assets are amortized using the straight-line method over their useful lives, not exceeding 5 years.

4. Summary of Significant Accounting Policies (continued)

Fiduciary activities

Assets and income arising from fiduciary activities, together with related undertakings to deliver such assets to customers, are excluded from these financial statements if the Bank acts in a fiduciary capacity such as a nominee, trustee or agent.

Interest income compensation

For presentation purposes, interest income received by Inteligo Bank Ltd. from its Panama Branch as payment for funds received by the latter to finance lending operations booked in Panama is compensated against the interest expense account of the Panamanian branch. For the year 2015, the compensation amounted to US$5,581 (2014: US$5,350).

Income taxes

The Bank operations are tax exempted in both jurisdictions, the Commonwealth of The Bahamas and the Republic of Panama.

5. Cash and Deposits with Banks

	December 31,	
	2015	2014
	US$ 000	US$ 000
Cash	**13**	13
Demand deposits with banks	**96,908**	42,650
Time deposits with banks	**56,170**	43,983
Cash and cash equivalents	**153,091**	86,646

At December 31, 2015, the annual interest rates on time deposits ranged from 0.03% to 0.05% (2014: 0.03% to 0.05%).

All counterparts are at least AA credit rating.

6. Securities

Securities are summarized as follows:

Securities at Fair Value

	December 31,	
	2015	2014
	US$ 000	US$ 000
Corporate bonds	**8,298**	2,235
Equity shares and mutual funds	**-**	19,867
Derivatives financial instruments	**(1,950)**	(690)
	6,348	21,412

During 2015, the Bank sold its total position in GDR's – 218,554 shares – for a price of US$ 117.67 per share, for a total of US$ 25,717. The operation yielded a gain of US$ 4,193. The portfolio of securities detailed above is since comprised mainly of a small portfolio of bonds (US$ 6,348 Book Value) and derivative financial instruments that are part of an investment portfolio managed by PIMCO.

During 2015 the Bank bought securities at fair value for US$453,327 (2014: US$80,899), sold securities for US$469,556 (2014: US$85,178), redeemed securities for US$ 1,651 (2014: US$ 0).

6. Securities (continued)

Securities Available for Sale

The portfolio and maturity analysis of securities available for sale is shown below:

	2015					
	0-1 Year US$000	**1 - 5 Years US$000**	**5 - 10 Years US$000**	**More than 10 years US$000**	**With no Maturity US$000**	**Total US$000**
Equity shares and mutual funds	**-**	**-**	**-**	**-**	**185,454**	**185,454**
Third party administrated portfolio	**(17,069)**	**34,483**	**17,653**	**52,977**	**-**	**88,044**
Corporate bonds	**20,000**	**29**	**8,898**	**3,700**	**-**	**32,627**
	2,931	**34,512**	**26,551**	**56,677**	**185,454**	**306,125**

	2014					
	0-1 Year US$000	1 - 5 Years US$000	5 - 10 Years US$000	More than 10 years US$000	With no Maturity US$000	Total US$000
Equity shares and mutual funds	-	-	-	-	169,368	169,368
Third party administrated portfolio	22,738	21,640	42,805	24,227	4,535	115,945
Corporate bonds	-	19,492	35,087	13,689	-	68,268
	22,738	41,132	77,892	37,916	173,903	353,581

During 2015, the Bank bought securities available for sale for US$183,449 (2014: US$200,266), sold securities for US$218,853 (2014: US$125,949) and redeemed securities for US$6,071 (2014: US$9,940).

During 2015, impairment losses for securities available for sale, accounted for US$9,239 (2014: US$5,400). Of these, US$6,272 are related to investments in mining equity and funds, US$ 2,600 to diversified investments, mainly in the fixed income asset class and US$ 367 to equity investments in fishing related companies.

The coupon rate on bonds classified as available for sale ranged from 5.375% to 10.75% p.a. (2014: 3.375% to 9.25% p.a.).

Securities for both the available for sale and fair value portfolios, classified by type of interest, are shown below:

6. Securities (continued)

	December 31, **2015** **US$ 000**	December 31, 2014 US$ 000
Fixed rate	**40,926**	70,504
Equity (non-interest bearing)	**54,954**	65,937
Funds (mixed)	**130,500**	123,297
Third party administered funds (mixed)	**86,093**	115,255
	312,473	374,993

The Bank uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation techniques:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.

Level 2: valuation techniques for which the lowest input that is significant to the fair value measurement is directly or indirectly observable.

Level 3: valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

	December 31, 2015			
	Level 1	Level 2	Level 3	Total
	US$000	US$000	US$000	US$000
Securities at fair value				
Corporate bonds	**2,321**	**5,977**	**-**	**8,298**
Derivatives financial instruments	**-**	**-**	**(1,950)**	**(1,950)**
	2,321	**5,977**	**(1,950)**	**6,348**
Securities available for sale				
Equity shares and mutual funds	**14,064**	**-**	**42,374**	**56,438**
Mutual funds	**20,580**	**51,762**	**72,350**	**144,692**
Corporate bonds	**66,806**	**38,189**	**-**	**104,995**
	101,450	**89,951**	**114,724**	**306,125**

6. Securities (continued)

	December 31, 2014			
	Level 1	Level 2	Level 3	Total
	US$000	US$000	US$000	US$000
Securities at fair value				
Equity shares and mutual funds	-	19,867	-	19,867
Corporate bonds	2,235	-	-	2,235
Derivatives financial instruments	-	-	(690)	(690)
	2,235	19,867	(690)	21,412
Securities available for sale				
Equity shares and mutual funds	20,867	-	25,204	46,071
Mutual funds	6,707	59,800	56,790	123,297
Corporate bonds	165,002	19,211	-	184,213
	192,576	79,011	81,994	353,581

The fair value of the investments is calculated as the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair value:

- Fair value of quoted debt securities and shares is based on quoted market prices in active markets at the reporting date. When not available, fair value is determined by reference to quoted market prices for similar instruments, adjusted as appropriate to the circumstances of the instruments.

- Fair value of private investment funds depends on the underlying assets in their portfolios. If the assets are quoted bonds, shares or derivatives, fair value is based on market prices at the reporting date. If the assets are private debt or equity, fair value is estimated using a discounted cash flow (DCF) model. The valuation requires management to make certain assumptions about the model inputs, including forecast cash flows, the discount rate, credit risk and volatility. The probabilities of the various estimates within the range can be reasonably assessed and are used in management's estimate of fair value for these unquoted investments.

6. Securities (continued)

The table below shows a description of significant unobservable inputs to valuation:

	Valuation technique	**Significant unobservable inputs**	**Value**	**Sensitivity of the input to fair value**
Private Equity Fund - Pharmaceutical sector	DCF Method	Sales Forecast	Sector Analysts Median Estimates	10% increase (decrease) in the sales forecast would result in increase (decrease) in fair value by US$4,763
		WACC	8%	500 basis points increase in the WACC would result in decrease in fair value by US$ 6,719 500 basis points decrease in the WACC would result in increase in fair value by US$9,888
Mutual Funds and Investment Participations	DCF Method	Discount Rate	According to Credit Risk	500 basis points increase in the discount rate would result in decrease in fair value by US$3,881 500 basis points decrease in the discount rate would result in increase in fair value by US$4,880

The tables below include a reconciliation of fair value measurement of financial instruments classified by the Bank within level 3 of the valuation hierarchy:

	2015		2014	
	Securities at Fair Value US$000	Securities Available for Sale US$000	Securities at Fair Value US$000	Securities Available for Sale US$000
Balance at January 1	**(690)**	**81,994**	2,109	65,060
Purchases	**(1,950)**	**53,704**	(690)	50,657
Settlements	**690**	**(26,568)**	(2,151)	(38,842)
Total gain (losses) recognised in P&L	**-**	**5,594**	42	5,120
Remeasurements recognised in OCI	**-**	**-**	-	-
Balance at December 31	**(1,950)**	**114,724**	(690)	81,995

6. Securities (continued)

The distribution by industry for level 3 securities classified as available for sale is as follows:

	Pharmaceutical	Financial Services	Mining	Diversified	Total
	US$000	US$000	US$000	US$000	US$000
Balance at January 1	**39,182**	**12,764**	**9,887**	**30,048**	**91,881**
Purchases	34,158	2,048	1,497	17,498	**55,201**
Settlements / distributions	(12,324)	(2,260)	-	(11,984)	**(26,568)**
Total gain (loss) recognised in P&L	7,618	495	(882)	(2,519)	**4,712**
Impairments	-	-	(5,400)	-	**(5,400)**
Balance at December 31	**68,634**	**13,047**	**5,102**	**33,043**	**119,826**

The amount reported for Level 3 securities classified at Fair Value corresponds to derivative instruments part of the portfolio managed by PIMCO.

The table below represents an analysis of the securities at fair value and available for sale by rating agency designation at December 31, based on Standard & Poor's rating of equivalent funds.

	2015				
	Federal Agencies Notes	US Corporate Bonds	Non - US Corporate Bonds	Equity Securities & Funds	Total
	US$000	US$000	US$000	US$000	US$000
AA- to AA+	**14,119**	**21**	**-**	**-**	**14,140**
A- to A+	**2,399**	**1,375**	**-**	**-**	**3,774**
BBB- to BBB	**-**	**2,342**	**912**	**-**	**3,254**
Lower than BBB-	**-**	**60,559**	**25,582**	**-**	**86,141**
Unrated	**(21,578)**	**25,614**	**298**	**200,830**	**205,164**
	(5,060)	**89,911**	**26,792**	**200,830**	**312,473**

	2014				
	Federal Agencies Notes	US Corporate Bonds	Non - US Corporate Bonds	Equity Securities & Funds	Total
	US$000	US$000	US$000	US$000	US$000
AA- to AA+	4,582	-	-	-	4,582
A- to A+	14,897	-	3,162	-	18,059
BBB- to BBB	-	1,012	46,079	-	47,091
Lower than BBB-	-	53,991	34,632	-	88,623
Unrated	-	4,832	1,945	209,861	216,638
	19,479	59,835	85,818	209,861	374,993

7. Loans, Net

The position of the loan portfolio is summarized below:

	December 31,		
	2015		2014
	US$ 000		US$ 000
Financial	**48,252**		56,899
Commercial	**41,554**		44,405
Industrial	**23,580**		24,816
Services	**107,762**		103,042
Construction and real estate	**93,450**		81,042
Fishing and agriculture	**14,028**		21,347
Consumer	**156,957**		138,878
Mortgages	**449**		479
	486,032		470,908
Less allowance for loan losses	**1,079**	*	480
	484,953		470,428
Accrued interest receivable	**10,119**		9,863
	495,072		480,291

*Compliant to Central Bank of the Commonwealth of the Bahamas Supervisory and Regulatory Guidelines 2003-05 Credit Risk Management, the Regulatory Reserve account holds US$1,727 at December 2015.

At December 31, 2015, the annual interest rates on loans ranged from 0.65% to 12.25% (2014: 0.65% to 18.00%), and the weighted average interest rate was 5.12% (2014: 5.14%).

The classification of the loan portfolio by type of interest rate is summarized below:

	December 31,	
	2015	2014
	US$ 000	US$ 000
Fixed rate	**339,357**	344,369
Variable rate (Libor or prime)	**146,675**	126,539
	486,032	470,908

7. Loans, Net (continued)

Loans are secured as follows:

	December 31,	
	2015	2014
	US$000	US$000
Cash	**306,942**	320,178
Securities	**140,910**	118,434
Mortgages	**1,370**	9
Others	**27,418**	31,062
Without collateral	**9,392**	1,225
	486,032	470,908

Changes in the allowance for loan losses are summarized below.

	December 31,	
	2015	2014
	US$ 000	US$ 000
Balance at January 1	**480**	480
Allowance changes to expense	**599**	-
Balance at December 31	**1,079**	480

At December 31, 2015, there were no past due, non-accruing, impaired or renegotiated loans.

The table below represents an analysis of the loans, by the credit rating internal designation used by the Bank as of December 31, based on the capacity of the obliged to meet its financial commitments:

	December 31,	
	2015	2014
	US$ 000	US$ 000
Loans rating		
AAA	**486,032**	470,908

(Amount expressed in thousands of US$ dollars)

8. Furniture, Equipment and Improvements, Net

Furniture, equipment and improvements are shown below:

December 31, 2015

	Leasehold Improvements	*Furniture and Equipment*	*Vehicles*	*Work in Progress*	*Total*
Cost					
At beginning of year	**1,475**	**847**	**102**	**5,921**	**8,345**
Additions	**-**	**44**	**51**	**264**	**359**
Reclassification	**-**	**5,836**	**-**	**(5,836)**	**-**
Reduction	**-**	**(116)**	**(60)**	**-**	**(176)**
At end of year	**1,475**	**6,611**	**93**	**349**	**8,528**
Accumulated depreciation and amortization					
At beginning of year	**368**	**395**	**43**	**-**	**806**
Depreciation and amortization for the year	**295**	**1,341**	**46**	**-**	**1,682**
Reduction	**-**	**(116)**	**(60)**	**-**	**(176)**
At end of year	**663**	**1,620**	**29**	**-**	**2,312**
Net balance	**812**	**4,991**	**64**	**349**	**6,216**

December 31, 2014

	Leasehold Improvements	*Furniture and Equipment*	*Vehicles*	*Work in Progress*	*Total*
Cost					
At beginning of year	1,475	989	102	5,764	8,330
Additions	-	151	-	157	308
Reduction	-	(293)	-	-	(293)
At end of year	1,475	847	102	5,921	8,345
Accumulated depreciation and amortization					
At beginning of year	73	383	22	-	478
Depreciation and amortization for the year	295	305	21	-	621
Reduction	-	(293)	-	-	(293)
At end of year	368	395	43	-	806
Net balance	1,107	452	59	5,921	7,539

Furniture and Equipment includes software licenses with a cost of US$ 6,049 (2014: US$ 277), of which US$ 5,836 correspond to the new banking core, in use since January 2015.

9. Securities Sold Pending Settlement and Securities Purchased Pending Settlement

The Bank recognizes each sale and purchase of financial instruments on the trade date. At such date, the purchased instrument is recognized as an asset (securities sold pending settlement) and the instrument sold is recognized as a liability (securities purchased pending settlement). The settlement of the transaction generally occurs within three working days following the trade date. The period between the trade date and the settlement date varies depending on the type of financial instrument traded and the regulations in effect when the negotiation occurred.

10. Other Assets

Other assets are shown below:

	December 31,	
	2015	2014
	US$ 000	US$ 000
Accounts receivable	**7,511**	16,772
Accrued commissions	**5,417**	3,538
	12,928	20,310

11. Time Deposits with Banks, Due to Depositors and Borrowings

The annual interest rates in time deposits with banks, due to depositors and borrowings are shown below:

	December 31,	
	2015	2014
	%	%
Deposits with banks:		
Interest rate range	**0.03% to 0.05%**	0.03% to 0.05%
Weighted average interest rate	**0.05%**	0.04%
Due to depositors:		
Non banks:		
Interest rate range	**0.10% to 11.00%**	0.10% to 17.00%
Weighted average interest rate	**3.21%**	3.18%

12. Borrowings

As of December 2015, outstanding lines of credit are as follows:

	December 31,	
	2015	2014
	US$ 000	US$ 000
Outstanding balance revolving line of credit	**20,000**	40,096
	20,000	40,096

During 2015, the Bank repaid the entire outstanding balance owed to the Royal Bank of Canada for the line of credit approved in 2012 with a revolving limit of up to US$40,000.

In June 2015, Bank J. Safra Sarasin approved a new facility in the form of a revolving line of credit for up to US$ 20,000 to the Bank. By year end 2015 the, outstanding balance for this line is shown in the table above. The Bank may borrow, repay and re-borrow up to a maximum of US$20,000. Interest expense for the year was US$188 (2014: US$493). Borrowings are collateralized by a portfolio of investments.

	December 31,	
	2015	2014
	%	%
Borrowings		
Interest rate range	0.88% to 1.12%	0.65% to 0.94%
Weighted average interest rate	0.95%	0.79%

13. Share Capital

At December 31, 2015, the Bank's capital is comprised of 20,000 (2014: 20,000), common shares issued and outstanding with a par value of US$1 (2014: US$1) each.

During the year ended December 31, 2015, the Bank declared and paid a dividend of US$16,200 and US$16,200. (2014: US$21,550 and US$21,550, respectively) or US$0.81 per share (2014: US$1.08 per share).

14. Income Taxes

As of December 31, 2015 there was no income tax liability reflected in the financial statements, as there is no income tax imposed by the Government of The Commonwealth of The Bahamas. In accordance with the current tax regulations in Panama, the Branch is exempt from the payment of income taxes on profits derived from foreign operations. In addition, profits derived from interest earned on time deposits and interest earned from Panamanian Government securities is also exempt from the payment of income taxes.

There are no income taxes imposed on the Bank in the Commonwealth of The Bahamas. Value Added Tax (VAT) of 7.50% is paid on almost all local purchases, however all amounts paid can be reclaimed by filing an application with the Inland Revenue Department of the Commonwealth of the Bahamas, due to the classification of the Bank as zero rated for VAT.

15. Gain on Financial Instruments, Net

The net gain on financial instruments included in the statement of income is summarized as follows:

	December 31,	
	2015	2014
	US$ 000	US$ 000
Unrealized gain on securities at fair value	**800**	1,497
Realized gain on securities at fair value	**4,083**	202
Realized (loss) gain on securities available for sale	**(1,699)**	19,057
	3,184	20,756

The Bank realized gain on securities at fair value for a total of US$4,083 (2014: US$202) and (losses) gain on securities available for sale for (US$1,699) (2014: US$19,057). Furthermore, the unrealized gain on securities at fair valued amounted to US$800 (2014: US$1,497).

16. General and Administrative Expenses

	December 31,	
	2015	2014
	US$ 000	US$ 000
Salaries and employee benefits		
Salaries	**4,663**	3,905
Social security	**227**	213
Employee benefits	**1,996**	2,659
Seniority premium and idemnity	**88**	45
Training	**112**	168
	7,086	6,990
Professional fees		
Inteligo SAB	**4,200**	4,565
Others	**2,302**	1,051
	6,502	5,616
Other expenses		
Repairs and maintenance	**957**	854
Communication and postage	**168**	166
Taxes and banking license fees	**194**	143
Electricity	**89**	80
Office supplies	**27**	28
Travel	**305**	264
Insurance	**237**	210
Other	**1,602**	1,189
	3,579	2,934

17. Commitments and Contingencies

In the normal course of business, the Bank has commitments and contingencies which are not reflected in the statement of financial position and involve certain levels of credit and liquidity risk.

a) Customer Credit

Stand-by letters of Credit and Credit Facilities
Letters of credit imply certain exposure to credit loss in the event of non compliance of the customer, net of collateral guarantees securing these transactions. The Bank's credit policies and procedures to approve these commitments are similar to those for extending loan facilities.

It is the Management's opinion that the Bank will not incur any losses from these commitments on behalf of customers. These commitments are summarized below:

	December 31,	
	2015	2014
	US$ 000	US$ 000
Stand by letters of credit	**6,467**	6,636
Lines of credit to be disbursed	**24,555**	14,992

Consumer Credit - Visa
As of December 2015, the Bank had outstanding revolving lines of credit available to its credit card customers for US$7,776 (2014: US$7,606). The unused portion of the total credit facility available amounted to approximately US$6,709 (2014: US$6,770). While these amounts represent the available lines of credit to customers the Bank has not experienced and does not anticipate, that all of its customers will use their entire available lines at any given point in time. The Bank generally has the right to increase, decrease, cancel, alter or amend the terms of these lines at any time.

b) Lease Agreements

During 2013, the bank signed a lease contract for the use of its offices. The rental expense for office space in 2015 amounted to US$608 (2014: US$590).

As of December 31, 2015, the Bank's lease commitments include the rental of office space as summarized below:

Years	**Amount**
	US$000
2016	562
2017	562
2018	187

17. Commitments and Contingencies (continued)

In January 2016, the Bank bought the office space it occupies. Further details about the operation can be found in Note 22 – Subsequent Events.

Furthermore, rental expense of other equipment amounted to US$138 for 2015 (2014: US$110).

c) Contingencies

Inteligo Bank Ltd. is involved in legal proceedings in the ordinary course of its banking operations. Inteligo Bank Ltd. has been named as a defendant in the following litigation matters involving the Bernie Madoff cases, with each of the claims below involving approximately U$11 million:

- Fairfield Case (Madoff Liquidator) filed September 2, 2010; and
- Irving Picard (Madoff Trustee) filed October 6, 2011

This litigation involves the request for return of certain redemption payments received by Inteligo Bank Ltd. as a result of an agreement with Madoff Liquidator and trustee by which all funds collected are to be distributed in a proportion of 40% to the liquidator and 60% to the trustee. Inteligo's redemption payments were less than its subscription payments. According to Inteligo's external counsel, the liability risk under the Fairfield or Irving Picard case is remote and, as such, we have not recognized a provision in regards to these litigation matters.

18. Commission Income

Administration services of trust assets and third party securities generate several types of commission income including but not limited to: fees relating to trading of structured notes based on a certain spread over face value for each particular note, fund subscription and redemption fees when applicable, custody fees and portfolio management fees. This type of income amounted to US$37,774 in 2015. (2014: US$30,674).

19. Balance and Transactions with Related Parties

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

	Directors and Key Management Personnel		*Related Companies*	
	2015	2014	**2015**	2014
	US$ 000	US$ 000	**US$ 000**	US$ 000
Assets				
Securities	**-**	-	**17,574**	34,921
Other assets	**40**	24	**1,000**	1,000
Liabilities				
Demand deposits	**-**	-	**4,657**	6,994
Time deposits	**-**	-	**21,000**	4,000
Interest payable	**-**	-	**36**	30
Interest income:				
Loans	**-**	-	**52**	224
Interest expense:				
Deposits	**-**	-	**264**	15
Income from financial services and other items:				
Commission income	**-**	-	**4**	201
General and administrative expenses				
Key management salaries	**1,100**	1,000	**-**	-
Professional fees	**-**	-	**4,200**	4,565

Transactions with related parties include mainly fixed-income security operations with coupon rates ranging from 5.25% to 8.5% and maturities or call schedules within the next ten years; as well as demand and time deposits from related companies. In the case of time deposits, interest rates are in the range of 1.00% to 4.00% p.a. and maturities within the first semester of 2015. Demand deposits do not generate interest. Furthermore, key management salaries are also shown in the table above; as well as various receivables from key management personnel.

20. Fair Value of Financial Instruments

The following assumptions, when practical, have been made by Management to estimate the fair value for each financial instruments category in the statement of financial position:

a) Cash and deposits with banks/accrued interest receivable/demand deposits due to customers/accrued interest payable/other liabilities.

For the financial instruments described above, the carrying values approximate their fair value due to their short term nature.

b) Securities

For securities, the fair value is based on published market price quotations, quotes from electronic pricing systems, net asset value provided by fund administrators, quotations provided by banks and estimates based on internal models of valuation. Unquoted equity securities classified as available for sale, whose fair value cannot be reliably measured are carried at cost.

c) Loans

The fair value of the loan portfolio is determined by discounting the future cash flows using interest rates that represent: (i) current market rates, and (ii) future expected interest rates, for a term that takes into account the expected anticipated prepayments in the loan portfolio.

d) Demand and time deposits from customers

The fair value of these financial instruments was determined by discounting the future cash flows using interest rate that reflect: (i) current market rates, and (ii) future expected interest rates, for a term that represents the remaining life of these instruments.

The following table summarizes the carrying value and the fair value of the Bank's significant financial assets and liabilities.

	December 31,			
	2015		2014	
	Carrying Value US$ 000	**Fair Value US$ 000**	Carrying Value US$ 000	Fair Value US$ 000
Assets				
Cash and deposits with banks	**153,091**	**153,091**	86,646	86,646
Securities	**312,473**	**312,473**	374,993	374,993
Loans, net	**484,953**	**491,470**	470,428	468,910
	950,517	**957,034**	932,067	930,549
Liabilities				
Demand deposits	**279,694**	**279,694**	215,021	215,021
Time deposits	**508,115**	**511,775**	555,760	554,872
Borrowings	**20,000**	**20,007**	40,096	39,805
	807,809	**811,476**	810,877	809,698

(Amount expressed in thousands of US$ dollars)

20. Fair Value of Financial Instruments (continued)

The following table analyzes the fair values of financial instruments not measured at fair value in books, by the level of fair value hierarchy in which have been classified:

Fair Value	**2015**	**Level 1**	**Level 2**	**Level 3**
Assets				
Loans	**491,470**	**-**	**491,470**	**-**
	491,470	**-**	**491,470**	**-**
Liabilities				
Demand deposits	**279,694**	**279,694**	**-**	**-**
Time deposits	**511,775**	**511,775**	**-**	**-**
Borrowings	**20,007**	**-**	**20,007**	**-**
	811,476	**791,469**	**20,007**	**-**

Fair Value	2014	Level 1	Level 2	Level 3
Assets				
Loans	468,910	-	468,910	-
	468,910	-	468,910	-
Liabilities				
Demand deposits	215,021	215,021	-	-
Time deposits	554,872	554,872	-	-
Borrowings	39,805	-	39,805	-
	809,698	769,893	39,805	-

21. Financial Risk Management

A financial instrument is any contract that originates a financial asset in one entity and a financial liability or equity instrument in another entity. The Bank's statement of financial position is primarily comprised of financial instruments.

The Bank's Board of Directors is responsible for the establishment and monitoring of the risk administration policies for financial instruments. In order to manage and monitor the various risks the Bank is exposed to, the Board of Directors has created the Credit and Investment Committee, the Assets and Liabilities Committee, the Credit Risk Committee and the Audit Committee. These committees are engaged in managing these risks and in making periodic reviews. In addition, the Bank is subject to the regulations of The Central Bank of The Bahamas concerning the risks of liquidity, credit and levels of capitalization, among others.

The significant risks identified by the Bank are credit, counterparty, liquidity, market risk, other market price and capital management which are described as follows:

a) Credit Risk

This is the risk that the debtor or issuer of a financial asset owned by the Bank does not fully and timely comply with any payment, in conformity with the terms and conditions agreed when the respective financial asset was acquired or originated by the Bank.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was as follows:

	December 31,	
	2015	2014
	US$ 000	US$ 000
Deposits with banks	**153,078**	86,633
Securities	**312,473**	374,993
Loans	**486,033**	470,428
Securities sold pending settlement	**547**	2,423
Accrued interest receivable	**10,118**	9,863
Other assets	**12,928**	20,310
	975,177	964,650

To mitigate credit risk, the Bank's policies establish limits by country, industry, and debtor. The Committee appointed by the Board of Directors, periodically oversees the financial condition of debtors and issuers of financial instruments that involve risk for the Bank. To mitigate credit risk, the Bank's risk management policies establish the following:

21. Financial Risk Management (continued)

- Financing granted by the Bank to its clients is within financing limits established by the Board of Directors, as well as within the requirements established by The Central Bank of The Bahamas and the Superintendence of Banks of Panama. Exposure limits are applied to individuals and economic groups.

- The Bank limits exposure by sector and geographic location.

Credit Policies

The credit policies of the Bank include a series of rules and measures which allow those persons involved in the credit process to have information on the procedures that must be followed to be in compliance with credit related functions. The Bank's view is that having comprehensive information when deciding to approve credit requests, is a key factor in making informed decisions and maintaining a healthy credit portfolio. All direct and indirect credits, as well as credit operations and guarantees classified as contingent assets are considered as part of the Bank's credit policy.

Establishment of authorization limits:

- The Board of Directors establishes credit policies and can delegate its authority to approve loans. The Board of Directors also establishes the authorization limits of officers, establishes procedures to monitor compliance, and can delegate these responsibilities to the Credit Committee and the Audit Committee.

- The Board of Directors establishes the authorization structure for the approval and renewal of credit facilities. The Credit Committee is responsible for implementing of the policies approved by the Board.

- The Credit Committee is responsible for risk management policies, including the establishment of authorization limits to approve and renew credit facilities, and establishment of limits for counterparty, geographic area and economic risk concentrations.

Concentration and Exposure Limits

The Bank defines limits according to prudential norms and guidelines established by The Central Bank of The Bahamas and the Superintendence of Banks of Panama. The limits considered are primarily individual exposures to related parties as well as economic sector and geographic concentrations.

21. Financial Risk Management (continued)

As of December 31, 2015 the Bank was in compliance with all nine of the prudential norms established by The Central Bank of The Bahamas. The Bank is now compliant with the norm that limits investments in securities of a single issuer to 15% of the Bank's total equity; after having adequately timed the market to realize gains on the investment that caused non-compliance as of year-end 2014.

The Central Bank of The Bahamas requires banks to have a general allowance for loan losses of not less than 1% of the total loan portfolio net of cash collateralized loans. During 2015 the Bank made an adjustment of US$585 (2014: US$178) and recognized this amount as an additional provision to the required total allowance for loan losses in the equity section of the statement of financial position. This was accomplished by means of an appropriation and transfer from retained earnings. Regulatory reserve by year-end 2015 amounts to a total of US$2,806 (2014 US$1,622), which includes both the required total allowance for loan losses calculated in accordance with IFRS (US$1,079, 2014: US$480) and the additional allowance (US$1,727, 2014: US$ 1,142). Compliant with IAS 39 the Bank reviews its loan portfolio on a monthly basis and estimates its potential credit loss to measure if the provision for loan losses is adequate.

The following table analyzes the Bank's most significant financial instruments that are exposed to credit risk:

	Loans		Securities		Deposits with Banks	
	2015	2014	**2015**	2014	**2015**	2014
	US$ 000	US$ 000	**US$ 000**	US$ 000	**US$ 000**	US$ 000
Gross amount	**486,033**	470,908	**312,473**	374,993	**153,078**	86,633
Allowance for loan losses	**(1,079)**	(480)	**-**	-	**-**	-
Carryng amount	**484,954**	470,428	**312,473**	374,993	**153,078**	86,633

21. Financial Risk Management (continued)

The Bank monitors the credit risk concentration by sector and geographic location. The analysis of credit risk concentration is shown below:

	Loans		Securities		Deposits with Banks	
	2015	2014	**2015**	2014	**2015**	2014
	US$ 000	US$ 000	**US$ 000**	US$ 000	**US$ 000**	US$ 000
Concentration by sector:						
Corporate	**328,626**	331,551	**177,469**	165,286	**-**	-
Consumer	**157,407**	139,357	**-**	-	**-**	-
Others sectors	**-**	-	**135,004**	209,707	**153,078**	86,633
	486,033	470,908	**312,473**	374,993	**153,078**	86,633
Geographic concentration:						
Panama - off shore	**112,129**	96,336	**-**	-	**966**	1,168
Caribbean	**10,768**	11,068	**102,963**	74,729	**47**	16
United States of America	**3,200**	6,800	**114,641**	145,448	**145,935**	84,346
Europe	**270**	146	**67,089**	48,855	**6,129**	1,103
Peru	**349,315**	350,565	**22,702**	57,332	**-**	-
Others	**10,352**	5,993	**5,078**	48,629	**-**	-
	486,033	470,908	**312,473**	374,993	**153,078**	86,633

The geographic concentration is based on the debtor's location in the case of loans, and on the issuer's location in the case of securities. When evaluating credit risk, management considers the following:

Impairment of loans, securities and deposits with banks

Impairment of loans, securities and deposits with banks is determined by comparing the carrying value of the asset with its estimated recoverable amount.

Financial assets past due but not impaired

Defined as loans and securities where contractual interest or principal payments are past due but are not considered to be impaired because of the level of security / collateral available and the stage of collection of amounts owed to the Bank.

Renegotiated loans

Renegotiated loans are those for which a significant variation in the original credit terms has been formally documented, due to difficulties in the payment capacity of the debtor, and the result of the current assessment does not permit them to be classified as standard performing loans.

21. Financial Risk Management (continued)

Impairment allowance

The Bank has established impairment allowance to cover losses incurred on the loan and security portfolios.

Charge-off policy

The Bank periodically reviews its loan portfolio to identify those loans that need to be written-off due to their non-collectability and does so up to the amount not covered by the collateral. For unsecured consumer loans, write-offs are calculated based on the amount past due. In the case of secured loans, the write-off is calculated after considering the value of collateral held.

The Bank periodically analyzes the loan portfolio to identify required impairment provisions calculated as the difference between the carrying value and the realizable value of security or collateral held. Impairment allowances are computed individually for loans with significant risks and collectively for groups of loans with similar credit risk characteristics. The Bank also uses estimates to establish a general impairment allowance based on historical write-off rates. The methodology and assumptions used to make these estimates are reviewed periodically.

The Bank holds guarantees and security for certain loans granted, comprised primarily of customers' deposits, securities and real-estate.

As at December 31, 2015, the Bank held as collateral on loans to customers primarily dollar deposits, equities, structured notes, debt instruments, among others, indistinctly.

b) Counterparty Risk

This is the risk that a counterparty does not comply with the settlement of a redemption, purchase or sale of securities.

Risk management policies establish counterparty limits that determine the maximum amount of net exposure to transactions not yet liquidated that the Bank is permitted to have with a given counterparty. The Assets and Liabilities Committee is responsible for identifying acceptable counterparties taking into consideration the counterparty's history with respect to the fulfillment of obligations, as well as other indications of it being able to comply with obligations in the future.

(Amount expressed in thousands of US$ dollars)

21. Financial Risk Management (continued)

c) Liquidity and Financing Risk

This is the risk that the Bank cannot comply with all of its obligations because of, among other reasons, an unexpected withdrawal of funds by depositors, the deterioration of the quality of the loan portfolio, the devaluation of securities, the excessive concentration of liabilities from one particular source, a gap between assets and liabilities, a shortage of asset liquidity, or the mismatch of long-term asset financing with short-term liabilities. The Bank manages its liquidity resources to honor liabilities at maturity under normal contractual terms.

Liquidity Risk Management

Risk management policies establish a liquidity limit in order to determine the amount of the Bank's assets that should be maintained in highly liquid instruments; as well as financing limits, leverage limits and duration limits.

The Board of Directors has established liquidity levels as to the minimum amount of available funds required to comply with such requirements and the minimum level of inter-banking facilities and other loan facilities that should exist to cover unexpected withdrawals. The Bank holds a short-term asset portfolio, comprised of loans and liquid investments to ensure sufficient liquidity.

The Bank's financial assets include unlisted equity investments, which generally are illiquid. In addition, the Bank holds investments in unlisted closed and open-ended investments funds, which may be subject to redemption restrictions such as side pockets or redemption gates. As a result, the Bank may not be able to liquidate some of its investments in these instruments in due time in order to meet its liquidity requirements.

Exposure to Liquidity Risk

A primary measure of liquidity is the Bank's net liquidity margin.

The Bank's liquidity index which is calculated by dividing liquid assets by total deposits is shown below:

	December 31,	
	2015	2014
	%	%
At year end	**45%**	41%
Average for the year	**39%**	47%
Maximum during the year	**45%**	56%
Minimum during the year	**35%**	41%

21. Financial Risk Management (continued)

The table below shows the undiscounted contractual cash flows of the Bank's significant financial instruments on the basis of the earliest possible contractual maturity at the reporting date. The expected cash flows of these instruments could differ significantly from this analysis. For example, demand deposits from customers are expected to maintain a stable or increasing balance.

	2015						
	Total US$ 000	**Up to 1 Month US$ 000**	**1 to 3 Months US$ 000**	**3 to 12 Months US$ 000**	**1 to 5 Years US$ 000**	**More than 5 Years US$ 000**	**Without Maturity US$ 000**
Assets:							
Demand and time deposits	**153,078**	**153,078**	**-**	**-**	**-**	**-**	**-**
Securities at fair value	**6,348**	**-**	**-**	**-**	**6,223**	**2,075**	**(1,950)**
Securities available for sale	**306,124**	**-**	**-**	**-**	**30**	**32,598**	**273,496**
Loans	**486,033**	**31,300**	**47,750**	**371,175**	**34,645**	**1,163**	**-**
Total Assets	**951,583**	**184,378**	**47,750**	**371,175**	**40,898**	**35,836**	**271,546**
Liabilities:							
Deposits	**787,809**	**43,730**	**64,424**	**349,280**	**50,372**	**309**	**279,694**
Borrowings	**20,000**	**-**	**-**	**20,000**	**-**	**-**	**-**
Total Liabilities	**807,809**	**43,730**	**64,424**	**369,280**	**50,372**	**309**	**279,694**
Net liquidity gap	**143,774**	**140,648**	**(16,674)**	**1,895**	**(9,474)**	**35,527**	**(8,148)**

	2014						
	Total US$ 000	Up to 1 Month US$ 000	1 to 3 Months US$ 000	3 to 12 Months US$ 000	1 to 5 Years US$ 000	More than 5 Years US$ 000	Without Maturity US$ 000
Assets:							
Demand and time deposits	86,633	86,633	-	-	-	-	-
Securities at fair value	21,412	-	-	-	853	692	19,867
Securities available for sale	353,581	1,461	5,212	14,600	41,132	121,808	169,368
Loans	470,908	28,058	46,110	334,371	54,216	8,153	-
Total Assets	932,534	116,152	51,322	348,971	96,201	130,653	189,235
Liabilities:							
Deposits	555,760	40,213	57,905	388,235	61,591	7,816	-
Borrowings	40,096	-	-	40,096	-	-	-
Total Liabilities	595,856	40,213	57,905	428,331	61,591	7,816	-
Net liquidity gap	336,678	75,939	(6,583)	(79,360)	34,610	122,837	189,235

21. Financial Risk Management (continued)

(d) Market Risk

Market risk is the risk that changes in market prices, foreign exchange rates, interest rates and equity prices, as well as changes in net asset values of unlisted closed and open-ended investment funds, may affect the Bank's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing returns.

Risk management policies provide for compliance limits by financial instrument, limits with respect to maximum loss amounts that trigger the settlement of positions that caused such loss; and the requirement that, except with the approval from the Board of Directors, substantially all assets and liabilities are denominated in United States dollars.

Market Risk Administration

The Board of Directors has determined that market risk should be monitored directly by the Credit Risk Committee which is comprised of members of the Board of Directors and executive personnel. This committee is responsible for developing policies to administer market risk. In addition, this committee is responsible for review and approval of policy implementation.

Cash flows and fair value interest rate risk

Cash flows and fair value interest rate risk are the risks of fluctuation of both the future cash flows and the value of a financial instrument due to changes in market interest rates.

The Bank establishes limits to interest rate risk and periodically, this exposure is monitored by the Risk Department and Risk Committee.

The following table summarizes the Bank's exposure based on the re-pricing terms of interest rates of financial assets and liabilities.

21. Financial Risk Management (continued)

	2015					
	Up to 1 Month US$ 000	**1 to 3 Months US$ 000**	**3 to 12 Months US$ 000**	**1 to 5 Years US$ 000**	**Without Interest Rate US$ 000**	**Total US$ 000**
Assets:						
Deposits with banks	**153,078**	**-**	**-**	**-**	**-**	**153,078**
Securities	**-**	**-**	**-**	**40,927**	**271,546**	**312,473**
Loans	**31,300**	**47,750**	**371,175**	**34,645**	**1,163**	**486,033**
Total Assets	**184,378**	**47,750**	**371,175**	**75,572**	**272,709**	**951,584**
Liabilities:						
Deposits	**43,730**	**64,424**	**349,280**	**50,681**	**279,694**	**787,809**
Borrowings	**-**	**-**	**20,000**	**-**	**-**	**20,000**
Total Liabilities	**43,730**	**64,424**	**369,280**	**50,681**	**279,694**	**807,809**
Net interest gap	**140,648**	**(16,674)**	**1,895**	**24,891**	**(6,985)**	**143,775**

	2014					
	Up to 1 Month US$ 000	1 to 3 Months US$ 000	3 to 12 Months US$ 000	1 to 5 Years US$ 000	Without Interest Rate US$ 000	Total US$ 000
Assets:						
Deposits with banks	86,633	-	-	-	-	86,633
Securities	-	-	-	70,503	304,490	374,993
Loans	28,058	46,110	334,371	54,216	8,153	470,908
Total Assets	114,691	46,110	334,371	124,719	312,643	932,534
Liabilities:						
Deposits	40,213	57,905	388,235	61,591	222,837	770,781
Borrowings	-	-	40,096	-	-	40,096
Total Liabilities	40,213	57,905	428,331	61,591	222,837	810,877
Net interest gap	74,478	(11,795)	(93,960)	63,128	89,806	121,657

Exposure to Market Risk

Trading portfolios include those positions arising from market-making transactions where the Bank acts as principal with clients or with the market.

The net interest margin of the Bank may vary as a result of unexpected movements in interest rates.

21. Financial Risk Management (continued)

As of December 31, 2015, the annual interest rates on deposits due to depositors ranged from 0.10% to 11.00% (2014: 0.10% to 17.00%).

In order to assess interest rate risks and their impact on the fair value of financial assets and liabilities, the Bank's management performs simulations to determine the sensitivity on financial assets and liabilities.

The sensitivity analysis prepared by the Bank measures the impact on the Bank's financial instruments from increases and decreases in market interest rates (assuming asymmetrical movement in yield curves with all other variables, in particular foreign currency rates, remaining constant) using a linear approach as shown below:

2015	100bp Increase US$ 000	100bp Decrease US$ 000
Loans	**2,821**	**2,882**
Securities	**4,188**	**(4,188)**
Deposits	**(3,112)**	**3,180**
	3,897	**1,874**

2014	100bp Increase US$ 000	100bp Decrease US$ 000
Loans	1,762	(1,762)
Securities	6,605	(6,605)
Deposits	(2,505)	2,421
	5,862	(5,946)

The total impact shown above represents the net (gain)/loss impact on profit or loss.

Overall non-trading interest rate risk positions are managed by the Central Treasury Department, which uses investment securities, advances to banks, deposits with banks and derivative instruments to manage the overall position arising from the Bank's non-trading activities.

Exchange rate risk

This is the risk that the value of a financial instrument changes as a consequence of fluctuations in foreign currency exchange rates, and other financial variables, as well as the market participants' reactions to political and economic events.

21. Financial Risk Management (continued)

The table below summarizes the Bank's exposures to foreign currency exchange risk at December 31, 2015. Included in the table are the carrying amounts of the Bank's financial instruments, categorized by currency.

	December 31,			
	2015		2014	
	US$000		US$000	
Assets:	Euros	Soles	Euros	Soles
Deposits with banks	**956**	**-**	772	-
Securities	**(1,722)**	**2,384**	(2,549)	3,628
Total Assets	**(766)**	**2,384**	(1,777)	3,628
Liabilities:				
Demand deposits	**775**	**-**	612	-
Total Liabilities	**775**	**-**	612	-

Furthermore, the bank has exposure to a basket of other currencies as part of the portfolio of investments managed by PIMCO, for a net total of US$4,675 (2014: US$1,686).

(e) Other Market Price Risk

Other market price risk is the risk that the fair value of the financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk), whether caused by factors specific to an individual investment, its issuer or factors affecting all instruments traded in the market.

The following table sets out the concentration of securities at the reporting date:

	December 31,	
	2015	2014
	%	%
Equity investments:		
Exchange traded equity investments	**1.43**	4.19
Unlisted private equity investments	**8.22**	5.53
Total equity investments	**9.65**	9.72
Mutual funds:		
Funds invested with fund managers (1)	**5.80**	4.67
Unlisted closed and open ended investments funds	**3.79**	3.60
Total mutual funds	**9.59**	8.27
Debt securities:		
Exchange traded debt securitites	**6.42**	17.95
Unlisted private debt securities	**6.20**	2.62
Total debt securities	**12.62**	20.57
Total investment assets	**31.86**	38.56

(Amount expressed in thousands of US$ dollars)

21. Financial Risk Management (continued)

(1) Funds available with fund managers include cash and U.S. Treasury bills, as reported by fund managers at December 31, 2015.

Investment assets are placed in various industries. Some investments are placed in mutual funds which invest in particular sectors; other mutual funds, as well as equity investment vehicles, which invest in financial assets within certain risk profiles, regardless of the industry sector where they fall into.

Securities are concentrated in the following industries:

	December 31,	
	2015	2014
	%	%
Equity investments:		
Banks / financial services	**4.70**	10.53
Pharmaceutical	**17.46**	8.25
Fishing	**0.19**	0.24
Diversified (mining, energy, real-estate)	**7.95**	6.17
Mutual funds:		
Banks / financial services	**5.69**	4.51
Mining	**1.63**	2.64
Biotechnology	**4.57**	2.20
Diversified (telecom, industrial, building materials, energy, leisure and entretainment, etc.)	**18.20**	12.12
Debt securities:		
Banks / financial services	**2.70**	9.22
Pharmaceutical	**6.40**	-
Diversified (mining, energy, basic materials, etc.)	**3.99**	9.58
Funds invested with fund managers	**26.52**	34.54
	100.00	100.00

(f) Operational Risk

Operational risk is the risk that losses may occur due to failure or weaknesses in the Bank’s internal processes, persons or systems; and external events such as those from legal and regulatory requirements.

21. Financial Risk Management (continued)

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within each business unit. This responsibility is supported by the development of the following standards:

- Requirements for appropriate segregation of duties, including the independent authorization of transactions
- Requirements for the reconciliation and monitoring of transactions
- Compliance with regulatory and other legal requirements
- Documentation of controls and procedures
- Requirements for the periodic assessment of operational risks, and the adequacy of controls and procedures to address the risks identified
- Requirements for the reporting of operational losses and proposed remedial action
- Development of contingency plans
- Training and professional development
- Ethical and business standards
- Risk mitigation, including insurance where deemed effective.

The policies established by the Bank are supported by a program of periodic reviews undertaken by the Internal Audit Department. The results of the Internal Audit Department's reviews are discussed with the management of the business unit to which they relate, and summary reports are submitted to the Audit Committee and senior management of the Bank.

(g) Capital Management

The Bank's policies on capital management are to maintain a robust capital base, with the ability to sustain the Bank's future growth. The Bank recognizes the need to maintain a balance between returns to shareholders and the adequacy of capital required by regulatory entities. There was no change to the Bank's approach to capital management from the prior year.

The Central Bank of The Bahamas requires the Bank to maintain capital of not less than 8% of its risk weighted assets. The Bank's capital ratio at December 31, 2015 was 26.60% (2014: 19.82%).

	December 31,	
	2015	2014
	US$ 000	US$ 000
Total elegible capital	**145,663**	111,476
Total risk weighted assets	**547,526**	562,398
Capital adequacy ratio	**26.60%**	19.82%

22. Subsequent Event

The Bank has evaluated the impact of all subsequent events through March 31st, 2016, which is the date that the financial statements were available to be issued and has determined that there were no additional subsequent events requiring adjustment.

The following transactions took place during the first quarter of 2016, and according to management, require appropriate disclosure:

Asset Acquisition:

On January 4, 2016, the Bank acquired floors 47 and 48 of the PH Torre Financial Center building, for a price of US$6,500. Upon signing the contract, it received a rebate equivalent to the amount outstanding at December 31, 2015 of the rent paid in advance for the period of five years starting on July 1st 2013; for a total of US$ 1,311 as detailed in Note 17 – Commitments and Contingencies. The net cash disbursement generated by this operation was therefore US$ 5,189.

The Bank considers this agreement to be beneficial to its operations in the future since it will allow for the reduction of expenses by the differential between the expected depreciation expense and the agreed rent expense. Furthermore, the acquisition of the office space mitigates the uncertainty related to the renewal of the lease agreement once the contract expired in 2019, therefore avoiding potentially high moving and office implementation expenses.