FINCA International, Inc.

Consolidated Financial Statements as of and
for the Years Ended December 31, 2016 and 2015,
and Independent Auditors' Report

FINCA INTERNATIONAL, INC.

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Deloitte.

Deloitte & Touche LLP
7900 Tysons One Place
Suite 800
McLean, VA 22102-5974
USA

Tel: +1 703 251 1000
www.deloitte.com

INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Members of
FINCA International, Inc.
Washington, D.C.

We have audited the accompanying consolidated financial statements of FINCA International, Inc. and its subsidiaries (the "Company"), which comprise the consolidated statements of financial position as of December 31, 2016 and 2015, and the related consolidated statements of profit or loss, other comprehensive loss, changes in equity, and of cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated 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 consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of FINCA International, Inc. and its subsidiaries as of December 31, 2016 and 2015, and the results of their operations and their cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Deloitte + Touche LLP

July 17, 2017

FINCA INTERNATIONAL, INC.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2016 AND 2015

	2016	2015
ASSETS		
Cash and cash equivalents	$ 140,797,035	$ 137,325,636
Restricted cash and cash equivalents (Note 12)	26,428,949	24,876,413
Available for sale financial assets (Note 13)	7,670,352	6,916,967
Financial assets held-to-maturity (Note 14)	25,360,625	12,981,994
Financial assets at fair value through profit or loss (Note 15)	19,491,195	29,973,025
Loans receivable-net of allowance (Note 16)	741,756,202	793,927,099
Due from banks	7,610,297	3,933,334
Other receivables, prepaid, and other assets (Note 17)	32,305,818	22,475,965
Property and equipment (Note 18)	30,556,863	31,056,503
Intangible assets (Note 19)	8,058,153	11,058,837
Goodwill	1,042,135	1,041,608
Deferred tax assets (Note 11)	2,469,769	6,901,755
Assets of disposal group classified as held for sale (Note 27)	-	11,089,682
TOTAL	$1,043,547,393	$1,093,558,818
LIABILITIES AND EQUITY		
LIABILITIES:		
Accounts payable and other accrued liabilities (Note 20)	$ 27,869,722	$ 32,992,028
Financial liability at fair value through profit and loss (Note 15)	8,259,574	1,152,086
Client deposits (Note 21)	262,340,157	168,340,679
Bank deposits	38,341,223	19,704,318
Notes payable (Note 22)	455,536,704	584,814,387
Subordinated debt (Note 23)	5,598,931	24,453,715
Deferred revenue (Note 24)	5,593,390	6,038,938
Employee benefits (Note 25)	3,707,898	3,599,046
Current income tax liability	9,154,377	3,880,606
Deferred tax liabilities (Note 11)	2,119,289	997,302
Liabilities of disposal group classified as held for sale (Note 27)	-	3,035,692
Total liabilities	818,521,265	849,008,797
EQUITY:		
Reserves	18,458,417	16,837,266
Retained earnings	176,281,639	190,871,939
Currency translation reserve	(58,472,480)	(59,795,383)
Equity attributable to owners of the parent company	136,267,576	147,913,822
Noncontrolling interest	88,758,552	96,636,199
Total equity	225,026,128	244,550,021
TOTAL	$1,043,547,393	$1,093,558,818

See notes to consolidated financial statements.

FINCA INTERNATIONAL, INC.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	2016	2015
Interest income	$ 287,783,222	$ 322,766,895
Interest expense	(71,004,366)	(91,610,351)
Net interest income (Note 7)	216,778,856	231,156,544
Impairment losses on loans (Note 16)	(57,333,825)	(35,797,344)
Net interest income after provision for impairment losses on loans	159,445,031	195,359,200
Other operating income (Note 8)	29,099,563	14,811,273
Net operating income	188,544,594	210,170,473
(Loss) gain on financial assets and liabilities at fair value through profit or loss	(5,785,999)	25,333,519
Personnel expenses (Note 9)	(112,204,926)	(133,985,874)
Other operating expenses (Note 10)	(86,804,671)	(88,767,794)
Depreciation and amortization (Notes 18 and 19)	(10,777,162)	(11,281,198)
Total expenses	(209,786,759)	(234,034,866)
(Loss) profit before other income (expenses)	(27,028,164)	1,469,126
Other income (expenses):		
Grants and donations	22,497,497	27,418,532
Foreign exchange gains/(losses)	3,242,633	(25,884,981)
Nonoperating expenses	(2,229,907)	(360,109)
(Loss) profit before income tax	(3,517,941)	2,642,568
Income tax (Note 11)	(17,562,140)	(8,199,484)
Loss for the year from continuing operations	$ (21,080,081)	$ (5,556,916)
(Loss) profit for the year from discontinued operations (Note 27)	$ (513,989)	$ 2,741,143
(Loss) profit for the year attributable to:		
The parent	$ (13,043,454)	$ 1,486,922
Noncontrolling interest	(8,550,616)	(4,302,695)
Total loss for the year	$ (21,594,070)	$ (2,815,773)

See notes to consolidated financial statements.

FINCA INTERNATIONAL, INC.

CONSOLIDATED STATEMENTS OF OTHER COMPREHENSIVE LOSS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	2016	2015
Loss for the year	$ (21,594,070)	$ (2,815,773)
Other comprehensive income (loss):		
Foreign currency movement during the year	2,103,521	(50,248,616)
Fair value revaluation reserve	141,448	(41,937)
Benefit plan fair value adjustment (Note 25)	(13,792)	93,838
Total other comprehensive income (loss)	2,231,177	(50,196,715)
Total comprehensive loss for the year	$ (19,362,893)	$ (53,012,488)
Total comprehensive loss for the year attributable to:		
The parent	$ (11,646,246)	$ (29,941,243)
Noncontrolling interest	(7,716,647)	(23,071,245)
	$ (19,362,893)	$ (53,012,488)
Total comprehensive (loss) profit attributable to the parent company arises from:		
Continuing operations	$ (11,322,793)	$ (32,682,386)
Discontinued operations	(323,453)	2,741,143
	$ (11,646,246)	$ (29,941,243)

See notes to consolidated financial statements.

FINCA INTERNATIONAL, INC.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	Reserves	Retained Earnings	Currency Translation Reserve	Total	Noncontrolling Interest	Total Equity
BALANCE—December 31, 2014	$ 17,706,184	$ 188,448,532	$ (28,299,651)	$ 177,855,065	$ 119,559,445	$ 297,414,510
Comprehensive income or loss:						
Profit (loss) for the year	-	1,486,922	-	1,486,922	(4,302,696)	(2,815,774)
Foreign currency movement during the year	-	-	(31,495,732)	(31,495,732)	(18,752,884)	(50,248,616)
Fair value revaluation reserve	-	(26,271)	-	(26,271)	(15,666)	(41,937)
Benefit plan fair value adjustment	-	93,838	-	93,838	-	93,838
Total comprehensive income or loss	-	1,554,489	(31,495,732)	(29,941,243)	(23,071,246)	(53,012,489)
Issue of ordinary shares by subsidiary	-	-	-	-	148,000	148,000
Transfer to reserve	(868,918)	868,918	-	-	-	-
BALANCE—December 31, 2015	16,837,266	190,871,939	(59,795,383)	147,913,822	96,636,199	244,550,021
Comprehensive income or loss:						
Loss for the year	-	(13,043,454)	-	(13,043,454)	(8,550,616)	(21,594,070)
Foreign currency movement during the year	-	-	1,322,903	1,322,903	780,618	2,103,521
Fair value revaluation reserve	-	88,097	-	88,097	53,351	141,448
Benefit plan fair value adjustment	-	(13,792)	-	(13,792)	-	(13,792)
Total comprehensive income or loss	-	(12,969,149)	1,322,903	(11,646,246)	(7,716,647)	(19,362,893)
Dividends to noncontrolling interest	-	-	-	-	(161,000)	(161,000)
Transfer to reserve	1,621,151	(1,621,151)	-	-	-	-
BALANCE—December 31, 2016	$ 18,458,417	$ 176,281,639	$ (58,472,480)	$ 136,267,576	$ 88,758,552	$ 225,026,128

See notes to consolidated financial statements.

FINCA INTERNATIONAL, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss for the period after tax	$ (21,594,070)	$ (2,815,774)
Adjustments to reconcile net loss for the period after tax to net cash used in operating activities:		
Depreciation and amortization	12,824,660	12,229,982
Loss on disposal of fixed assets and intangibles	828,419	157,043
Impairment on loan losses and other financial assets	60,649,024	40,894,280
Impairment on other assets	2,449,501	1,896,096
Foreign exchange losses	7,824,262	25,957,601
Changes in deferred tax assets and liabilities	3,344,210	2,487,719
Gain on disposal of subsidiaries before tax	(9,032,489)	
Other noncash adjustments	(2,024,274)	(12,986,942)
(Decrease) increase of assets and liabilities from operating activities after noncash items:		
Change in loans receivable, including interest receivables	(39,974,826)	(74,262,169)
Change in due from banks	(3,727,694)	(3,933,332)
Change in other receivables and other assets	4,582,318	4,905,353
Change in other liabilities	(65,702)	2,489,637
Change in client deposits	99,747,105	53,186,572
Change in bank deposits	19,215,624	17,062,048
Change in deferred revenue	(1,505,981)	(4,562,224)
Change in employee benefits	261,807	(916,824)
Net cash provided by operating activities	133,801,894	61,789,066
CASH FLOWS FROM INVESTING ACTIVITIES:		
(Purchase) of/proceeds from financial assets	(15,180,110)	17,286,280
Purchase of property and equipment	(11,156,347)	(12,784,178)
Purchase of intangible assets	(2,890,808)	(3,615,480)
Proceeds from sales/disposal of fixed assets	501,006	857,838
Net cash inflow on disposal of subsidiaries	14,944,775	-
Principal collection from note receivable	5,320,662	-
Net cash (used in)/provided by investing activities	(8,460,822)	1,744,460
CASH FLOWS FROM FINANCING ACTIVITIES:		
Issue of shares	-	148,000
Proceeds from lenders	232,092,248	297,126,207
Repayment of loans and borrowings to lenders	(347,440,683)	(361,942,205)
Net cash used in financing activities	(115,348,435)	(64,667,997)

(Continued)

FINCA INTERNATIONAL, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	2016	2015
Net increase/(decrease) in cash and cash equivalents	$ 9,992,637	$ (1,134,471)
Cash and cash equivalents—beginning of the year	137,325,636	149,154,910
Cash held for sale—beginning of the year	892,988	-
Total cash and cash equivalents—beginning of the year	138,218,624	149,154,910
Effect of exchange rate changes on cash and cash equivalents	(7,414,226)	(9,801,815)
Cash held for sale (Note 27)	-	(892,988)
Cash and cash equivalents—end of the year	$ 140,797,035	$ 137,325,636
SUPPLEMENTAL DISCLOSURES TO CASH FLOWS FROM OPERATING ACTIVITIES:		
Interest received	$ 267,329,591	$ 344,248,793
Interest paid	$ (73,426,243)	$ (90,596,230)
Income taxes paid	$ (4,244,371)	$ (7,089,947)

See notes to consolidated financial statements. (Concluded)

1. NATURE OF ACTIVITIES

FINCA International, Inc. (FINCA or “FINCA International” or the “Company”) is a not-for-profit corporation, incorporated in the state of New York, United States of America (USA), that has received a determination letter from the United States Internal Revenue Service classifying it as a tax-exempt public charity described in Section 501(c)(3) of the United States Internal Revenue Code of 1986, as amended. Founded in 1984, FINCA’s mission is to alleviate poverty through lasting solutions that help people build assets, create jobs, and raise their standard of living. FINCA’s headquarters is located in Washington, D.C., USA.

In October 2010, FINCA formed a 100% owned limited liability company subsidiary, FINCA Microfinance Holding Company, LLC (FMH), incorporated in the state of Delaware, USA. In December 2011, FINCA reorganized its structure by placing all of its microfinance institutions under FMH, the holding company through which it could obtain additional capital for expansion of FINCA’s mission. Upon completion of this group reorganization, FMH obtained equity funding of approximately $70.3 million from external parties. FINCA International is the substantial majority shareholder, with minority positions held by social and development institutions. In exchange for its majority ownership in FMH, FINCA contributed the ownership of all of its microfinance operating subsidiaries to FMH, in which all operating subsidiaries became wholly owned subsidiaries of FMH. In 2013, FMH completed its second capital raise and received $50 million in additional equity primarily from its existing shareholders. In 2014, one of the existing members contributed an additional $1.7 million in equity to FMH. The proceeds are used by FINCA to expand outreach, enter additional countries, and provide a greater range of needed products, including savings accounts.

Since 2011, FMH and its subsidiaries have been operated and managed by FINCA, its ultimate parent company, through terms set out in a management services agreement (MSA). Under the MSA, FINCA manages and protects FMH’s capital investments in the microfinance operating subsidiaries. FINCA maintains FMH’s compliance with regulatory, tax, and other legal requirements applicable to FMH. FINCA operates FMH with existing FINCA employees and provides stewardship services that include management, finance and accounting, administrative, personnel, and legal functions. Additionally, oversight of FMH’s shareholder, policy enforcement, system, personnel, and coordination functions are provided by FINCA as set out in the terms of the MSA. Provision of these services, intangibles, and other activities with regard to facilitation of financing to its subsidiaries generate related-party transactions between FMH and its subsidiaries. The MSA between FMH and FINCA expired on December 31, 2016. FMH follows FINCA’s mission of poverty alleviation, and no changes may be made to the corporate purpose without the consent of FINCA. In order to ensure complete alignment of interests with the microentrepreneur clients that it serves, no FINCA employee, board member, or officer may hold any equity interest in FMH or any of the subsidiaries. FINCA, as the controlling entity, remains a not-for-profit corporation and maintains its designation as a Section 501(c)(3) charitable entity.

At present, FINCA through FMH operates in 21 developing countries in Latin America (Ecuador, Guatemala, Haiti, Honduras, and Nicaragua), Africa (Democratic Republic of the Congo, Malawi, Nigeria, Tanzania, Uganda, and Zambia), Eurasia (Armenia, Azerbaijan, Georgia, Kosovo, Kyrgyzstan, Russia, and Tajikistan), and the Middle East (Afghanistan, Jordan, and Pakistan). FINCA operates through local entities ("subsidiaries") that are owned and/or controlled by FINCA through FMH, including predominantly corporations and, in some cases, nongovernmental organizations, or as branches of FINCA International.

Subsidiaries principally provide small loans to individuals and to groups of individuals that lack access to traditional financial institutions. In most cases, FINCA loans are made to either groups, individuals, or small and medium-sized enterprises ("SME"). Other loans consist of agricultural loans, education loans, and other microfinance loans. Group and village loans consist of individuals that know each other, guarantee each other's loans, and provide a network of support for the group members. Individual loans, typically larger in size, are made where individual small businesses demonstrate adequate need and creditworthiness. In addition to loans, FINCA provides other financial services needed by the working poor through a growing number of its subsidiaries, including savings deposits, remittances, and microinsurance.

Approximately half of FINCA's clients worldwide are women who often lack the ability to secure adequate formal employment and in many cultures, are the primary providers for a family. FINCA's loans are a renewable resource that can improve the economy of an entire community. FINCA operates on a twin bottom line approach of sustainability and social outreach.

2. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board (IASB) and Interpretations issued by the IFRS Interpretations Committee (IFRIC) together (IFRS) and stated in U.S. dollars (USD), the functional currency of FINCA.

The consolidated financial statements were approved by the board of directors on July 10, 2017.

Basis of Measurement—The consolidated financial statements have been prepared on the historical cost basis, except for the following:

- Financial instruments at fair value through profit or loss (FVTPL) are measured at fair value;
- Available-for-sale (AFS) financial assets are measured at fair value; and
- Held-for-sale assets are measured at fair value, less cost of sale.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

3. SIGNIFICANT ACCOUNTING POLICIES

Management has discussed with the FINCA's audit committee the development, selection, and disclosure of FINCA's significant accounting estimates and judgments and the application of these policies and estimates.

Principles of Consolidation—The consolidated financial statements consolidate the financial statements of FINCA and entities controlled by FINCA and its subsidiaries. Control is achieved when FINCA:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

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

Consolidation of a subsidiary begins when FINCA obtains control over the subsidiary and ceases when FINCA loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statements of profit or loss and other comprehensive loss from the date FINCA gains control until the date when FINCA ceases to control the subsidiary.

Noncontrolling Interests—Noncontrolling interests represent the portion of profit or loss and net assets of subsidiaries not owned, directly or indirectly, by FINCA. Noncontrolling interests are presented separately in the consolidated statements of profit or loss and other comprehensive income and within equity in the consolidated statements of financial position.

Estimates and Assumptions—Preparing consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue, and expenses. Examples of estimates include loss contingencies; the fair value of and/or potential impairment of goodwill for our subsidiaries; useful lives of our tangible and intangible assets; allowances for loan losses; and impairment of investments. Examples of assumptions include the future performance of loan portfolios and their related default rate and collectibility, the potential outcome of future tax consequences of events that have been recognized in our consolidated financial statements or tax returns, and the determination of investment impairments that are other than temporary. Actual results and outcomes may differ from management's estimates and assumptions.

Goodwill—Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business, less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to the Company's cash-generating unit that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually or more frequently when there is evidence that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the goodwill allocated to the cash-generating unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognized directly in profit or loss. An impairment loss recognized for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Goodwill arose in the acquisition of FINCA Microfinance Bank Ltd. (Pakistan) in 2013 because the consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies, revenue growth, future market development, and the assembled workforce of FINCA Microfinance Bank Ltd.

FINCA performed its annual impairment testing of goodwill in December 2016 by comparing the recoverable amount of the cash-generating unit with its carrying value. The recoverable amount of the cash-generating unit exceeds its carrying value and, therefore, management concluded that goodwill was not impaired.

Assets of Disposal Group Classified as Held for Sale and Discontinued Operations—Assets of disposal group classified as held for sale are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the asset (or disposal group) is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such asset (or disposal group) and its sale is highly probable. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

In the consolidated statements of profit or loss of the reporting period and other comparable period of the previous year, income and expenses from discontinued operations are reported separately from income and expenses from continuing operations even when the Company retains a noncontrolling interest in the subsidiary after the sale. The resulting profit or loss (after taxes) is reported separately in the statements of profit or loss. When the Company is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Company will retain a noncontrolling interest in its former subsidiary after the sale.

Noncurrent assets (and disposal groups) classified as held for sale are measured at the lower of their carrying amount and fair value, less costs to sell.

Revenue Recognition

Net Interest Income—Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the Company and the amount of income can be measured reliably. Interest income and expense are recognized on an accrual basis using the effective interest method. The effective interest rate is the rate that discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs, and other premiums or discounts) through the expected life of the financial asset or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Fair value changes on other financial assets and liabilities carried at FVTPL are presented within the "nonoperating income" line in the consolidated statements of profit or loss.

Other Operating Income—Other operating income includes fees and commission income that is recognized on an accrual basis when the service has been provided. Loan origination fees are deferred and recognized as an adjustment to the effective interest rate on the loan. Loan servicing fees are recognized as revenue as the services are provided.

Grant and Donations—Grant revenue is recognized when there is reasonable assurance that FINCA has complied with the terms and conditions associated with the grant and that grants will be received. Grants are recognized in profit or loss over the periods in which the underlying grant expense is recognized.

Donations received are recorded as revenue when the amount can be reliably measured and there is reasonable assurance that it will be received.

Foreign Currency

Foreign Currency Transactions and Balances—In preparing the financial statements of each individual subsidiary, transactions in currencies other than FINCA's functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Nonmonetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Nonmonetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Exchange differences on monetary items are recognized in profit or loss in the period in which they arise.

Income Tax Expense—FINCA is exempt from federal income tax under Section 501(c)(3) of the United States Internal Revenue Code of 1986, as amended; however, income from certain activities not directly related to the tax-exempt purpose is subject to taxation as unrelated business taxable income. Accordingly, no provision for income taxes is made in the consolidated financial statements. However, some of the foreign operations of the subsidiaries are subject to local income tax in the jurisdictions where they operate, and certain cross-border payments are subject to foreign withholding taxes.

Income tax expense comprises current and deferred tax. Income tax expense is recognized in the consolidated statements of profit or loss, except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity. The current tax is calculated using tax rates that have been enacted, or substantively enacted, by the end of the reporting period in the respective jurisdictions.

Deferred tax is provided using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax basis used. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax liabilities are generally recognized for all taxable temporary differences. However, deferred tax liabilities are not recognized for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that FINCA is able to control the reversal of temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that FINCA would expect to occur if it were recover or settle the carrying amount of its assets and liabilities at the end of the reporting period.

Financial Assets—FINCA recognizes its financial assets within the following specified categories: FVTPL, AFS, held-to-maturity (HTM), and loans receivable. The classification depends on the nature and purpose for which the financial assets were acquired and is determined at the time of initial recognition.

Financial Assets at FVTPL—Financial assets are classified as at FVTPL when the financial asset is either held for trading or it is designated as FVTPL and:

- it has been acquired principally for the purpose of selling it in the near term or

- it is a derivative that is not designated nor effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise;

- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed, and its performance is evaluated on a fair value basis, in accordance with FINCA's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

- it forms part of a contract containing one or more embedded derivatives and International Accounting Standards (IAS) 39, Financial Instruments: Recognition and Measurement, which permits the entire combined contract to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with remeasurement gains or losses recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any dividend or interest earned on the financial asset and is included in the (loss) gain on financial assets and liabilities at FVTPL. Fair value is determined in the manner described in Note 6.

HTM Investments—HTM investments are nonderivative financial assets with fixed or determinable payments and fixed maturities that the Company has positive intent and ability to hold to maturity. Subsequent to initial recognition, HTM investments are measured at amortized cost using the effective interest method, less any impairment.

AFS Financial Assets—AFS are nonderivatives that are either designated as AFS or are not classified as (a) loans and receivables, (b) HTM investments, or (c) financial assets as at FVTPL. AFS are stated at fair value at the end of reporting period. Changes in the carrying amount of AFS monetary financial assets relating to changes in foreign currency rates, interest income calculated using the effective interest method, and dividends on AFS equity investments are recognized in the profit or loss. Other changes in the carrying amount of AFS are recognized in the other comprehensive income and accumulated under the investment valuation reserve. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the revaluation reserve is reclassified to profit or loss.

Loans Receivable—Net of Allowance—Loans receivable are nonderivative financial assets with fixed or determinable payments and that FINCA does not intend to sell immediately or in the near term.

Loans receivable are initially measured at fair value, plus directly attributable transaction costs, and subsequently measured at their amortized cost using the effective interest method, less any impairment.

Impairment of Loans—FINCA assesses at each balance sheet date whether there is objective evidence that its loans receivable are impaired. If there is objective evidence of impairment of a credit exposure or a portfolio of credit exposures has occurred that influences the future cash flow of the financial assets, the respective losses are immediately recognized. Depending on the size or type of the credit exposure, such losses are either calculated on an individual credit exposure basis or are collectively assessed for a portfolio of credit exposures. The carrying amount of the loan is reduced through the use of an allowance account and the amount of the loss is recognized in the consolidated statements of profit or loss through impairment losses on loans. FINCA does not recognize losses from expected future events.

Individually Assessed Loans—Credit exposures are considered individually significant if they have a certain size, partly depending on the individual subsidiary. As a FINCA-wide rule, all credit exposures over a country-specific threshold are individually assessed for impairment. For such credit exposures, it is assessed whether objective evidence of impairment exists, i.e., any factors that might influence the client's ability to fulfill his contractual payment obligations towards the individual subsidiary, such as:

- Delinquencies in contractual payments of interest or principal
- Breach of covenants or conditions
- Initiation of bankruptcy proceedings
- Any specific information on the client's business (e. g., reflected by cash flow difficulties experienced by the client)
- Changes in the client's market environment
- The general economic situation

Additionally, the aggregate exposure to the client and the realizable value of collateral held are taken into account when deciding on the allowance for impairment. If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of its estimated future cash flows discounted at the financial asset's original effective interest rate (specific impairment). If a credit exposure has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. The calculation of the present value of the estimated future cash flow of a collateralized financial asset reflects the cash flow that may result from foreclosure, less costs for obtaining and selling the collateral.

If FINCA determines that no objective evidence of impairment exists for an individually assessed loans receivable whether individually significant or not, it includes the loans receivable asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment (impairment for collectively assessed credit exposures).

Collectively Assessed Loans—There are two cases in which credit exposures are collectively assessed for impairment:

- Individually insignificant credit exposures that show objective evidence of impairment

- Credit exposures that do not show signs of impairment, in order to cover all losses that have already been incurred, but not yet detected on an individual credit exposure basis

For the purpose of the evaluation of impairment of individually insignificant credit exposures, the credit exposures are grouped on the basis of similar credit risk characteristics, i.e., according to the number of days they are in arrears. Arrears of more than 30 days are considered to be a sign of impairment. This characteristic is relevant for the estimation of future cash flows for the defined groups of such assets, based on historical loss experiences with loans that showed similar characteristics. The collective assessment of impairment for individually insignificant credit exposures and for unimpaired credit exposures belonging to a group of financial assets is based on a quantitative analysis of historical default rates for loan portfolios with similar risk characteristics in the individual subsidiary (migration analysis), grouped into geographical segments with a comparable risk profile. After a qualitative analysis of this statistical data, FINCA management approves appropriate rates as the basis for their portfolio-based impairment allowances. Deviations from this guideline are allowed at the discretion of FINCA management.

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows of the assets in the group and historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently. The methodology and assumptions used for estimating future cash flows are reviewed regularly by FINCA to reduce any differences between loss estimates and actual loss experience.

Writing off Loans—When a loan is determined uncollectible, it is written off against the related allowance for loan impairment. 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 decrease the amount of the provision for loan impairment in the consolidated statements of profit or loss.

FINCA writes off a loan (and any related provision for impairment losses) when FINCA's credit committees and a subsidiary's audit committee determines that the loans are uncollectible. This determination is reached after considering information, such as the occurrence of significant changes in a client's financial position, such that the client can no longer pay the obligation, or that proceeds from collateral, if any, will not be sufficient to pay back the entire exposure. For smaller balance standardized loans, charge-off decisions are generally based on a product-specific past due status.

Derecognition of Financial Assets—FINCA derecognizes a financial asset when the contractual rights to the cash flow for the asset expire or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. On derecognition of the financial asset, the difference between the asset's carrying amount and the sum of consideration received and receivable as well as the cumulative gain or loss that had been recognized in other comprehensive income and accumulated in equity is recognized in profit or loss.

FINCA also derecognizes certain assets when it charges off balances pertaining to the assets deemed to be uncollectible (see Note 5). Any interest in transferred financial assets that is created or retained by FINCA is recognized as a separate asset or liability.

Impairment of Financial Assets—At each balance sheet date, FINCA assesses whether there is objective evidence that financial assets not carried at FVTPL are impaired. Financial assets are impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset and that the loss event has an impact on the future cash flows of the asset that can be reliably estimated.

For AFS equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

Impairment losses on assets carried at amortized cost are measured as the difference between the carrying amount of the financial assets and the present value of estimated cash flows discounted at the assets' original effective interest rate. Losses are recognized in the consolidated statements of profit or loss and reflected in an allowance account against the financial assets.

When a subsequent event causes the amount of impairment loss to decrease, the impairment loss is reversed through profit or loss.

Financial Liabilities—Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities.'

Financial Liabilities at FVTPL—Financial liabilities are classified as 'at FVTPL' when the financial liability is held for trading or it is designated as 'at FVTPL.' FINCA did not have any financial liabilities held for trading at December 31, 2016 and 2015.

A financial liability other than a financial liability held for trading may be designated at FVTPL upon initial recognition if:

- it has been incurred principally for the purpose of repurchasing it in the near term;

- on initial recognition, it is part of a portfolio of identified financial instruments that FINCA manages together and has a recent actual pattern of short-term profit taking;

- it is a derivative that is not designated and effective as a hedging instrument, such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise;

- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed, and its performance is evaluated on a fair value basis, in accordance with FINCA's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

- it forms part of a contract containing one or more embedded derivatives and IAS 39 permits the entire combined contract to be designated as at FVTPL.

Financial liabilities at FVTPL are stated at fair value with remeasurement gains or losses recognized in consolidated statements of profit or loss in (loss) gain on financial assets at FVTPL. The net gain or loss recognized in profit or loss incorporates any interest paid on the financial liability and is included in the "other gains or losses" line item.

Accounts Payable and Other Accrued Liabilities—Accounts payable and other accrued liabilities are measured at amortized cost using the effective interest method.

Notes Payable—Notes payable are recognized initially at fair value, net of transaction costs incurred. Notes payable are subsequently carried at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the consolidated statements of profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fees is deferred until the drawdown occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fees is capitalized as a prepayment for liquidity services and amortized over the period of the facility to which it relates.

Subordinated Debt—Subordinated debt consists mainly of liabilities to other international financial institutions, which in the event of insolvency or liquidation are not repaid until all nonsubordinated creditors have been satisfied. There is no obligation to repay early. Following initial recognition at acquisition cost, the subordinated debt is recognized at amortized cost. Premiums and discounts are amortized over the respective terms in the consolidated statements of profit or loss under "net interest income."

Client Deposits—Client deposits are recognized initially at fair value, net of transaction costs incurred. Changes to client deposits are subsequently stated at amortized cost; any difference between proceeds net of transaction costs and the redemption value is recognized in the consolidated statements of profit or loss over the period of the borrowings using the effective interest rate method.

Financial Guarantee Contracts—Financial guarantee contracts issued by FINCA are initially measured at their fair value and if not designated as 'at FVTPL' are subsequently measured at the higher of:

- The amount of obligation under the contract as determined in accordance with IAS 37, *Provisions, Contingent Liabilities and Contingent Assets*.

- The amount initially recognized, less, where appropriate, cumulative amortization recognized, in accordance with the revenue recognition policies.

Derecognition of Financial Liabilities—Financial liabilities are derecognized when they have been redeemed or otherwise extinguished. All financial liabilities are derecognized when they are extinguished—that is, when the obligation is discharged, canceled, or expires. The difference between the carrying amount of financial liability derecognized and consideration paid is recognized in the consolidated statements of profit or loss.

Derivatives—The Company enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange risk, including foreign exchange forward contracts, interest rate, and foreign exchange swaps.

Derivative instruments are initially recognized at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in profit or loss immediately. FINCA does not designate any of the hedging instruments for the purposes of qualifying for hedge accounting.

Offsetting—Financial assets and liabilities are offset and the net amount is presented in the consolidated statements of financial position when, and only when, FINCA has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted by the accounting standards or for gains and losses arising from a group of similar transactions.

Property and Equipment—Items of property and equipment are measured at cost, less accumulated depreciation and recognized impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labor, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment.

The cost to replace an item of property or equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to FINCA and its cost can be reliably measured.

Depreciation is recognized in the consolidated statements of profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property and equipment:

Buildings and offices	20–50 years
Computer equipment	2–5 years
Furniture and office equipment	5–7 years
Vehicles	3–5 years
Other	2–5 years

Leasehold improvements are depreciated over the shorter of the lease term or their useful lives. When necessary, assets are componentized to address different useful lives of the component.

Depreciation methods, useful lives, and residual values are reassessed at each reporting date.

Intangible Assets—Costs associated with maintaining computer software programs are recognized as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by FINCA are recognized as intangible assets when the following criteria are met:

- It is technically feasible to complete the software product so that it will be available for use;
- Management intends to complete the software product and use it;
- There is an ability to use or sell the software product;
- It can be demonstrated how the software product will generate probable future economic benefits;
- Adequate technical, financial, and other resources to complete the development and to use or sell the software product are available; and
- The expenditure attributable to the software product during its development can be reliably measured.

Directly attributable costs that are capitalized as part of the software product include the software development employee costs and an appropriate portion of the overhead costs.

Other development expenditures that do not meet these criteria are recognized as an expense as incurred. Development costs previously recognized as an expense are not recognized as an asset in a subsequent period.

Computer software development costs recognized as assets are amortized over their useful lives, which is three to five years depending on facts and circumstances. Capital work in progress is represented by capitalized costs of information systems implementation in process. Capital work in progress is not amortized.

Impairment of Nonfinancial Assets—The carrying amounts of FINCA's nonfinancial assets are reviewed on an annual basis or whenever a triggering event has been observed to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated to determine the extent of the impairment loss (if any).

An impairment loss is recognized if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that are largely independent from other assets and groups. Impairment losses are recognized in the consolidated statements of profit or loss.

The recoverable amount of an asset or cash-generating unit is the higher of its value in use and its fair value, less cost to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pretax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. Such impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. Such an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized in previous years.

Government and Other Grants—Grants are accounted for in accordance with IAS 20, *Accounting for Government Grants and Disclosure of Government Assistance*, following the gross approach, where the money received and the obligation to use the money for ongoing expenses is not offset. The liability to fulfill the obligation, recognized as deferred revenue in the consolidated statements of financial position, is amortized through the consolidated statements of profit or loss at the same time as funds are spent to cover expenditures. When donor contributions are used to purchase assets, the assets are recognized as property and equipment or intangible assets in the consolidated statements of financial position. Another liability is recognized to reflect the obligation to use the funds for restricted purposes. The liability is amortized through the consolidated statements of profit or loss at which time the expenses are incurred for program activities.

Awards not yet received are accrued to the extent unreimbursed expenses have been incurred for the purposes specified by an approved award. FINCA defers award revenue received under approved awards to the extent they exceed expenses incurred for the purposes specified under the awards' restrictions. Proceeds from monetization of commodities inventory are also reported as refundable advances until proceeds are used for program expenses.

Application of New and Revised IFRSs

New and Revised IFRSs in Issue, but Not Yet Effective—FINCA has not applied the following new and revised IFRSs that have been issued, but are not yet effective:

Effective for annual periods beginning on or after January 1, 2018, with earlier application permitted.

- IFRS 9, *Financial Instruments, and*
- IFRS 15, *Revenue from Contracts with Customers*.

IFRS 9 *Financial Instruments (as revised in 2014)*

Effective for annual periods beginning on or after January 1, 2018.

In July 2014, the IASB finalized the reform of financial instruments accounting and issued IFRS 9 (as revised in 2014), which contains the requirements for a) the classification and measurement of financial assets and financial liabilities, b) impairment methodology, and c) general hedge accounting. IFRS 9 (as revised in 2014) will supersede IAS 39 upon its effective date.

Phase 1: Classification and Measurement of Financial Assets and Financial Liabilities

With respect to the classification and measurement, the number of categories of financial assets under IFRS 9 has been reduced; all recognized financial assets that are currently within the scope of IAS 39 will be subsequently measured at either amortized cost or fair value under IFRS 9. Specifically:

- a debt instrument that (i) is held within a business model whose objective is to collect the contractual cash flows and (ii) has contractual cash flows that are solely payments of principal and interest on the principal amount outstanding must be measured at amortized cost (net of any write down for impairment), unless the asset is designated at FVTPL under the fair value option;

- a debt instrument that (i) is held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets and (ii) has contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding must be measured at fair value through other comprehensive income (FVTOCI), unless the asset is designated at FVTPL under the fair value option;

- all other debt instruments must be measured at FVTPL; and

- all equity investments are to be measured in the consolidated statements of financial position at fair value, with gains and losses recognized in profit or loss, except that if an equity investment is not held for trading, an irrevocable election can be made at initial recognition to measure the investment at FVTOCI, with dividend income recognized in profit or loss.

IFRS 9 also contains requirements for the classification and measurement of financial liabilities and derecognition requirements. One major change from IAS 39 relates to the presentation of changes in the fair value of a financial liability designated as at FVTPL attributable to changes in the credit risk of that liability. Under IFRS 9, such changes are presented in other comprehensive income, unless the presentation of the effect of the change in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as FVTPL is presented in profit or loss.

Phase 2: Impairment Methodology

The impairment model under IFRS 9 reflects *expected* credit losses, as opposed to incurred credit losses under IAS 39. Under the impairment approach in IFRS 9, it is no longer necessary for a credit event to have occurred before credit losses are recognized. Instead, an entity always accounts for expected credit losses and changes in those expected credit losses. The amount of expected credit losses should be updated at each reporting date to reflect changes in credit risk since initial recognition.

Phase 3: Hedge Accounting

The general hedge accounting requirements of IFRS 9 retain the three types of hedge accounting mechanisms in IAS 39. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify as hedging instruments and the types of risk components of nonfinancial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship.' Retrospective assessment of hedge effectiveness is no longer required. Far more disclosure requirements about an entity's risk management activities have been introduced.

The work on macro hedging by the IASB is still at a preliminary stage—a discussion paper was issued in April 2014 to gather preliminary views and direction from constituents with a comment period that ended on October 17, 2014. The project is under redeliberation at the time of writing.

Transitional Provisions

IFRS 9 (as revised in 2014) is effective for annual periods beginning on or after January 1, 2018, with earlier application permitted. If an entity elects to apply IFRS 9 early, it must apply all of the requirements in IFRS 9 at the same time, except for those relating to:

1. the presentation of fair value gains and losses attributable to changes in the credit risk of financial liabilities designated as at FVTPL, the requirements for which an entity may early apply without applying the other requirements in IFRS 9 and

2. hedge accounting, for which an entity may choose to continue to apply the hedge accounting requirements of IAS 39 instead of the requirements of IFRS 9.

It is not practicable to provide a reasonable estimate of the effect of IFRS 9 until FINCA performs a detailed review.

IFRS 15

Effective for annual periods beginning on or after January 1, 2018.

IFRS 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. It will supersede the following revenue standards and interpretations upon its effective date:

- IAS 18, *Revenue*;
- IAS 11, *Construction Contracts;*
- IFRIC 13, *Customer Loyalty Programs;*
- IFRIC 15, *Agreements for the Construction of Real Estate;*
- IFRIC 18, *Transfers of Assets from Customers;* and
- Standard Interpretation Committee Interpretation 31, *Revenue—Barter Transactions Involving Advertising Services.*

As suggested by the title of the new revenue standard, IFRS 15 will only cover revenue arising from contracts with customers. Under IFRS 15, a customer of an entity is a party that has contracted with the entity to obtain goods or services that are an output of the entity's ordinary activities in exchange for consideration. Unlike the scope of IAS 18, the recognition and measurement of interest income and dividend income from debt and equity investments are no longer within the scope of IFRS 15. Instead, they are within the scope of IAS 39 (or IFRS 9 if IFRS 9 is early adopted).

As mentioned above, the new revenue standard has a single model to deal with revenue from contracts with customers. Its core principle is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

The new revenue standard introduces a five-step approach to revenue recognition and measurement:

Step 1: Identify the contract(s) with a customer.

Step 2: Identify the performance obligations in the contract.

Step 3: Determine the transaction price.

Step 4: Allocate the transaction price to the performance obligations in the contract.

Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation.

Under IFRS 15, an entity recognizes revenue when (or as) a performance obligation is satisfied, i.e., when ‘control’ of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.

It is not practicable to provide a reasonable estimate of the effect of IFRS 15 until FINCA performs a detailed review.

Amendments to IFRS 11

Effective for annual periods beginning on or after January 1, 2016.

The amendments to IFRS 11 provide guidance on how to account for the acquisition of a joint operation that constitutes a business as defined in IFRS 3, *Business Combinations*. Specifically, the amendments state that the relevant principles of accounting for business combinations in IFRS 3 and other standards (e.g., IAS 36, *Impairment of Assets*, regarding impairment testing of a cash-generating unit to which goodwill on acquisition of a joint operation has been allocated) should be applied. The same requirements should be applied to the formation of a joint operation if and only if one of the parties that participate in the joint operation contributes an existing business to the joint operation.

A joint operator is also required to disclose the relevant information required by IFRS 3 and other standards for business combinations.

Amendments to IAS 16 and IAS 38—The amendments to IAS 16, *Property, Plant, and Equipment*, prohibit entities from using a revenue-based depreciation method for items of property, plant, and equipment. The amendments to IAS 38, *Intangible Assets*, introduce a rebuttable presumption that revenue is not an appropriate basis for amortization of an intangible asset. This presumption can only be rebutted in the following two limited circumstances:

a) when the intangible asset is expressed as a measure of revenue or

b) when it can be demonstrated that revenue and consumption of the economic benefits of the intangible asset are highly correlated.

The amendments apply for annual periods beginning on or after January 1, 2016. Currently, FINCA uses the straight-line method for depreciation and amortization for its property, plant, and equipment and intangible assets. The management of FINCA believes that the straight-line method is the most appropriate method to reflect the consumption of economic benefits inherent in the respective assets.

Amendments to IFRS 10 and IAS 28

Effective for annual periods beginning on or after January 1, 2016.

The amendments deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture.

IAS 28, *Investments in Associates*, has been amended to reflect the following:

- Gains and losses resulting from transactions involving assets that do not constitute a business between an investor and its associate or joint venture are recognized to the extent of unrelated investors' interests in the associate or joint venture.

- Gains or losses from downstream transactions involving assets that constitute a business between an investor and its associate or joint venture should be recognized in full in the investor's consolidated financial statements.

IFRS 10, *Consolidated Financial Statements*, has been amended to reflect the following:

Gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method are recognized in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognized in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

The application of these amendments did not have a significant impact on FINCA's consolidated financial statements.

Amendments to IFRS 10, IFRS 12, and IAS 28

Effective for annual periods beginning on or after January 1, 2016.

The amendments clarify that the exemption from preparing consolidated financial statements is available to a parent entity that is a subsidiary of an investment entity, even if the investment entity measures all its subsidiaries at fair value in accordance with IFRS 10. Consequential amendments have also been made to IAS 28 to clarify that the exemption from applying the equity method is also applicable to an investor in an associate or joint venture if that investor is a subsidiary of an investment entity that measures all its subsidiaries at fair value.

The amendments further clarify that the requirement for an investment entity to consolidate a subsidiary providing services related to the former's investment activities applies only to subsidiaries that are not investment entities themselves.

Moreover, the amendments clarify that in applying the equity method of accounting to an associate or a joint venture that is an investment entity, an investor may retain the fair value measurements that the associate or joint venture used for its subsidiaries.

Lastly, clarification is also made that an investment entity that measures all its subsidiaries at fair value should provide the disclosures required by IFRS 12, *Disclosures of Interests in Other Entities*.

These amendments did not have a significant impact on FINCA's consolidated financial statements since FINCA does not have subsidiaries that are investment entities.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Allowances for Credit Impairment—The specific counterparty component of the total allowances for impairment applies to claims evaluated individually for impairment and is based upon management's best estimate of the present value of the cash flows that are expected to be received. In estimating these cash flows, management makes judgments about a counterparty's financial situation and the net realizable value of any underlying collateral. Each impaired asset is assessed on its merits, and the workout strategy and estimate of cash flows considered recoverable are independently approved by FINCA management.

Collectively assessed impairment allowances cover credit losses inherent in portfolios of claims with similar economic characteristics when there is objective evidence to suggest that they contain impaired claims, but the individual impaired items cannot yet be identified. A component of collectively assessed allowances is for country risks. In assessing the need for collective loan credit loss allowances, management considers factors, such as credit quality, portfolio size, concentrations, and economic factors. In order to estimate the required allowance, assumptions are made to define the way inherent losses are modeled and to determine the required input parameters, based on historical experience and current economic conditions. The accuracy of the allowances depends on how well these estimated future cash flows for specific counterparty allowances are forecast and the model assumptions and parameters used in determining collective allowances.

Income Taxes—FINCA is subject to income tax in several international jurisdictions and significant judgment is required in determining the provision for income taxes. During the ordinary course of business, there are transactions and calculations for which the ultimate tax determination is uncertain. As a result, FINCA recognizes tax liabilities based on estimates of whether additional taxes and interest will be due. These tax liabilities are recognized when, despite FINCA's belief that its tax return positions are supportable, FINCA believes that certain positions are likely to be challenged and may not be fully sustained upon review by tax authorities. FINCA believes that its accruals for tax liabilities are adequate for all open audit years based on its assessment of many factors, including past experience and interpretations of tax law. This assessment relies on estimates and assumptions and may involve a series of complex judgments about future events. To the extent that the final tax outcome of these matters is different than the amounts recorded, such differences will impact income tax expense in the period in which such determination is made.

5. FINANCIAL RISK MANAGEMENT

FINCA believes that effective risk management is of primary importance to its overall operations. Accordingly, FINCA's risk management process has been designed to monitor, evaluate, and manage the principal risks it assumes in conducting its activities. Specifically, the activities that FINCA engages in, and the risks those activities generate, must be consistent with FINCA's underlying goal of serving the world's lowest income entrepreneurs.

FINCA's risks are generally categorized into:

- Credit risk
- Market risk
  - Interest rate risk
  - Foreign currency risk
- Liquidity risk
- Third-party risk

In today's environment, FINCA has placed primary emphasis on solvency, liquidity, anti-money laundering, treasury, budgeting and planning, and capital adequacy.

FINCA's financial risks are mitigated through three programs: (i) business management, (ii) independent control functions, and (iii) internal audit.

- ***Business Management***—Each of FINCA's subsidiaries, including in-business risk personnel, own and manage the risks, including compliance risks, inherent in or arising from the business, and are responsible for having controls in place to mitigate key risks and promoting a culture of compliance and control.

- ***Independent Control Functions***—FINCA's independent control functions, including finance, legal, and risk, set standards according to which FINCA and its businesses are expected to manage and oversee risks, including compliance with applicable laws, regulatory requirements, and policies and standards of ethical conduct. In addition, among other things, the independent control functions provide advice and training to FINCA's businesses and establish tools, methodologies, processes, and oversight of controls used by the businesses to foster a culture of compliance and control and to satisfy those standards.

- ***Internal Audit***—FINCA's internal audit function independently reviews activities of the first two lines of defense discussed above based on a risk-based audit plan and methodology approved by the FINCA's board of directors.

FINCA has maintained a minimum capital policy that requires subsidiaries to maintain common tangible equity equal to at least 20% of total assets. Certain subsidiaries were granted approval from FMH's audit committee to lower their minimum tangible equity level to 15% (this lowering was coordinated with relevant lenders). FINCA's capital ratios exceeded this minimum policy level in 2016 and 2015.

Credit Risk—Credit risk is the potential for financial loss resulting from the failure of a client or counterparty to honor its financial or contractual obligations. Credit risk arises from FINCA's microfinance activities.

FINCA's loan portfolio is made up entirely of loans made to individuals, groups of individuals, and Small and Mid-Sized Enterprises for a specific purpose and is sufficiently diversified to reduce concentration risk. At December 31, 2016 and 2015, FINCA had 0.9 million and 1.2 million borrowers, respectively.

FINCA's aggregate loan portfolio was $784.6 million and $818.9 million as of December 31, 2016 and 2015, respectively (see Note 16). FINCA's total allowance for impairments totaled $42.9 million, a coverage ratio of 5.5% of total loans, and $24.9 million, a coverage ratio of 3.0% of total loans, as of December 31, 2016 and 2015, respectively.

Regionally, impairment losses on loans approximate 1.9% to 10.1% and 1.8% to 5.5% of the average total loan portfolio at December 31, 2016 and 2015, respectively. 2015 includes operations that were discontinued in 2016.

	Impairment Losses on Loans		Average Gross Loans to Customers		Impairment Losses as Percentage of Average Gross Loans	
	2016	2015	2016	2015	2016	2015
Eurasia	$ 37,472,821	$ 23,904,084	$ 370,437,331	$ 489,901,816	10.1 %	4.9 %
Latin America	6,438,828	9,084,152	128,878,059	164,670,801	5.0	5.5
Africa	11,174,980	6,116,054	161,856,200	148,049,311	6.9	4.1
MESA	2,247,196	1,538,989	120,301,645	85,030,669	1.9	1.8

FINCA conducts biannual historical loan loss migration analysis across its subsidiary network in order to determine the probability of default, defined as all loans in arrears in excess of 180 days, as well as an examination of other current observable factors (e.g., macroeconomic, operational, policy and systems changes, political risk) in order to establish subsidiary credit reserves. The loan loss migration data is used to form the statistical base of the credit risk calculation in order to estimate the probability of default over a six-month period.

The regional segmentation by arrears category for gross loans and allowances at December 31, 2016, is as follows:

	Total Gross Loans for Each Portfolio-Aging Segment						
	Gross Loan Portfolio						Total Gross Loan Portfolio
	Current	1–30	31–60	61–90	91–180	180+	
Eurasia	$ 269,428,810	$ 10,738,716	$ 6,164,643	$ 5,144,013	$ 13,081,589	$ 30,187,421	$ 334,745,192
Latin America	126,916,142	2,319,243	1,177,709	1,011,717	2,136,172	439,736	134,000,719
Africa	153,867,922	5,329,790	2,524,532	1,647,639	3,368,948	2,998,776	169,737,607
MESA	142,335,309	1,733,524	606,227	431,799	1,048,577	-	146,155,436
Total	$ 692,548,183	$ 20,121,273	$ 10,473,111	$ 8,235,168	$ 19,635,286	$ 33,625,933	$ 784,638,954

	Aging of Allowance for Impairment						
	Current	1–30	31–60	61–90	91–180	180+	Total Allowance for Impairment
Eurasia	$ 2,273,357	$ 2,660,040	$ 2,287,999	$ 2,063,864	$ 5,899,804	$ 15,027,508	$ 30,212,572
Latin America	1,460,855	162,162	303,956	471,599	1,031,158	219,615	3,649,345
Africa	1,986,704	617,861	844,839	599,715	1,535,198	1,953,816	7,538,133
MESA	112,928	164,976	195,745	220,082	788,971	-	1,482,702
Total	$ 5,833,844	$ 3,605,039	$ 3,632,539	$ 3,355,260	$ 9,255,131	$ 17,200,939	$ 42,882,752

The regional segmentation by arrears category for gross loans and allowances at December 31, 2015, is as follows:

	Total Gross Loans for Each Portfolio Aging Segment						
	Current	1–30 Days	31–60 Days	61–90 Days	91–180 Days	180+ Days	Total Gross Loan Portfolio
Eurasia	$371,928,829	$19,407,605	$4,803,184	$3,334,223	$3,525,822	$3,129,810	$406,129,473
Latin America	154,551,784	3,339,435	1,414,954	1,162,878	3,194,037	635,607	164,298,695
Africa	145,036,312	3,628,824	1,452,409	864,978	1,761,663	1,230,609	153,974,795
MESA	90,719,473	1,589,149	707,686	409,131	1,022,415	-	94,447,854
Total	$762,236,398	$27,965,013	$8,378,233	$5,771,210	$9,503,937	$4,996,026	$818,850,817

	Aging of the Allowances for Impairment						
	Current	1–30 Days	31–60 Days	61–90 Days	91–180 Days	180+ Days	Total Allowance for Impairment
Eurasia	$ 2,124,771	$ 1,480,625	$3,629,914	$1,282,351	$2,458,905	$3,065,065	$ 14,041,631
Latin America	881,541	504,105	543,537	668,815	2,276,753	638,547	5,513,298
Africa	485,048	476,055	552,966	507,678	1,399,532	908,413	4,329,692
MESA	89,323	136,866	215,166	192,706	405,036	-	1,039,097
Total	$ 3,580,683	$ 2,597,651	$4,941,583	$2,651,550	$6,540,226	$4,612,025	$ 24,923,718

Market Risk—Market risk includes price risk, foreign exchange risk, and liquidity risk, which arise in the normal course of FINCA's business:

- Price risk is the risk to earnings from changes in interest rates
- Foreign exchange rate risk arises from the different markets in which FINCA operates, which are mostly developing countries with so called exotic currencies

FINCA's financial performance is subject to some degree of risk due to changes in interest rates; however, FINCA's subsidiaries' balance sheets have significantly less interest rate risk than that of a traditional financial institution as:

- Neither the assets nor the liabilities of the subsidiaries are tied to one specific short-term market index and, therefore, are unlikely to automatically "reprice" during their stated tenor and
- The short-term tenor of subsidiaries' loans to its clients mean that changes in market rates will have little or no impact on prepayment activity.

The consideration of interest rate risk by term of asset and liability as of December 31, 2016, is as follows:

	Up to 3 Months	3–6 Months	7–12 Months	1–3 Years	More than 3 Years	Non-Interest Sensitive Balances	2016 Total
Cash and cash equivalents	$ 28,852,945	$ -	$ -	$ -	$ -	$ 111,944,090	$ 140,797,035
Restricted cash and cash equivalents	16,062,158	3,601	1,160,000	50,000	-	9,153,190	26,428,949
AFS financial assets	5,490,187	-	11,925	-	-	2,168,239	7,670,352
Financial assets HTM	16,855,821	2,248,156	5,530,111	471,513	255,024	-	25,360,625
Financial assets at FVTPL	997,445	9,195,564	1,789,005	828,242	-	6,680,939	19,491,195
Loans receivable, net	125,240,836	154,538,186	232,685,940	212,487,596	16,803,644	-	741,756,202
Due from banks	2,667,265	1,574,133	1,305,821	-	-	2,063,078	7,610,297
Other receivables, prepaid, and other assets	12,458,937	279,345	35,317	-	-	19,532,219	32,305,818
Property and equipment, net	-	-	-	-	-	30,556,863	30,556,863
Intangible assets, net	-	-	-	-	-	8,058,153	8,058,153
Goodwill	-	-	-	-	-	1,042,135	1,042,135
Deferred tax assets	-	-	-	-	-	2,469,769	2,469,769
Assets of disposal group classified as held for sale	-	-	-	-	-	-	-
Total assets	208,625,594	167,838,985	242,518,119	213,837,351	17,058,668	193,668,675	1,043,547,393
Accounts payable and other accrued liabilities	373,947	-	29,614	-	-	27,466,161	27,869,722
Financial liability at FVTPL	250,379	7,869,650	-	92,257	-	47,288	8,259,574
Client deposits	129,232,050	23,542,847	42,316,305	44,604,042	5,802,484	16,842,429	262,340,157
Bank deposits	17,969,580	9,866,487	10,220,843	256,332	-	27,981	38,341,223
Notes payable	163,125,928	32,395,771	92,467,927	147,699,113	19,847,965	-	455,536,704
Subordinated debt	-	-	94,263	2,437,396	-	3,067,272	5,598,931
Deferred revenue	7,999	-	-	-	-	5,585,391	5,593,390
Employee benefits	-	-	689,563	1,075,720	1,942,615	-	3,707,898
Current income tax liability	-	-	-	-	-	9,154,377	9,154,377
Deferred tax liabilities	68,854	-	-	-	-	2,050,435	2,119,289
Liabilities of disposal group classified as held for sale	-	-	-	-	-	-	-
Total liabilities	311,028,737	73,674,755	145,818,515	196,164,860	27,593,064	64,241,334	818,521,265
Open position	$(102,403,143)	$ 94,164,230	$ 96,699,604	$ 17,672,491	$(10,534,396)	$ 129,427,341	$ 225,026,128

The consideration of interest rate risk by term of asset and liability as of December 31, 2015 is as follows:

	Up to 3 Months	3–6 Months	7–12 Months	1–3 Years	More than 3 Years	Non-Interest Sensitive Balances	2015 Total
Cash and cash equivalents	$ 29,365,525	$ 592,967	$ -	$ -	$ -	$ 107,367,144	$ 137,325,636
Restricted cash and cash equivalents	20,204,543	607,587	-	50,000	-	4,014,283	24,876,413
AFS financial assets	4,763,714	500,000	814,770	70,327	-	768,156	6,916,967
Financial assets HTM	8,435,196	1,906,532	1,555,461	281,849	802,956	-	12,981,994
Financial assets at FVTPL	4,488,287	6,591,139	3,599,217	5,254,649	599,731	9,440,002	29,973,025
Loans receivable, net	182,311,448	178,563,978	230,738,541	190,877,574	11,435,558	-	793,927,099
Due from banks	2,129,670	622,615	1,181,049	-	-	-	3,933,334
Other receivables, prepaid and other assets	394,131	334,765	162,400	351,441	-	21,233,228	22,475,965
Property and equipment, net	-	-	-	-	-	31,056,503	31,056,503
Intangible assets, net	-	-	-	-	-	11,058,837	11,058,837
Goodwill	-	-	-	-	-	1,041,608	1,041,608
Deferred tax assets	55,814	-	-	-	-	6,845,941	6,901,755
Assets of disposal group classified as held for sale	-	-	-	-	-	11,089,682	11,089,682
Total assets	252,148,328	189,719,583	238,051,438	196,885,840	12,838,245	203,915,384	1,093,558,818
Accounts payable and other accrued liabilities	338,084	748,799	-	-	-	31,905,145	32,992,028
Financial liability at FVTPL	34,714	927,210	-	190,162	-	-	1,152,086
Client deposits	83,665,611	17,556,382	34,223,176	20,229,189	2,089,381	10,576,940	168,340,679
Bank deposits	8,524,961	2,817,940	7,231,603	1,129,814	-	-	19,704,318
Notes payable	218,529,020	73,581,198	74,201,067	151,775,041	66,728,061	-	584,814,387
Subordinated debt	12,978,457	163,699	7,738,670	1,500,000	2,072,889	-	24,453,715
Deferred revenue	49,647	-	-	-	-	5,989,291	6,038,938
Employee benefits	-	-	133,903	946,068	2,519,075	-	3,599,046
Current income tax liability	42,631	-	-	-	-	3,837,975	3,880,606
Deferred tax liabilities	-	-	-	-	-	997,302	997,302
Liabilities of disposal group classified as held for sale	-	-	-	-	-	3,035,692	3,035,692
Total liabilities	324,163,125	95,795,228	123,528,419	175,770,274	73,409,406	56,342,345	849,008,797
Open position	$ (72,014,797)	$ 93,924,355	$ 114,523,019	$ 21,115,566	$ (60,571,161)	$ 147,573,039	$ 244,550,021

FINCA has performed interest rate simulations based on the gap analysis to estimate the effect on net interest margin and on the longer-term economic value of equity for differing levels of immediate and ongoing changes to market interest rates. A gap analysis consists of separating FINCA's consolidated balance sheets into different time frames in which assets or liabilities mature. FINCA can influence certain interest rates, e.g., deposit and lending rates, whereas other interest rates are determined by exogenous factors in the global macroeconomy.

On a group level, the network-wide impacts from simultaneous interest rate shocks of 200 basis points (bps) for USD and EUR and the weighted average of local currency shocks are considered. The effect on net interest income for the year and consolidated net consolidated equity from these assumed interest rate shocks are as follows:

	2016
USD/EUR net interest income impact @ 200 bps (in USD millions)	(1.38)
Local current net interest income impact (in USD millions)	4.48
Total	3.10
Total as a percentage of total capital	1.4 %

Since FINCA's interest-sensitive assets reprice more quickly than its interest-sensitive liabilities, increases in market interest rates result in higher net interest income (and the opposite is also true).

Impacts to the economic value of equity of the longer time bands are also estimated according to the guidance set forth by the Basel Committee on Bank Supervision under the Basel Accords recommendations on bank capital adequacy.

As of December 31, 2016	**Shock (Average)**	**Economic Value Impact (in Millions)**
USD/EUR	200 bps	0.91
Local	764 bps	3.78
Total		4.69
Total as a percentage of total capital		2.1 %

Foreign Currency Risk—Foreign currency risk exists at both FINCA and at the subsidiaries level. Subsidiaries are exposed to exchange rate risk when their liabilities or assets are denominated in a currency that differs from their functional currency (the nonfunctional currency is typically the USD). Subsidiaries are not exposed to any exchange rate risk on either assets or liabilities that are denominated in their functional currency. Certain subsidiaries have no foreign currency risk either because all of their assets and liabilities in their statements of financial position are denominated in their functional currency, their functional currency is the USD, or their functional currency is pegged to the USD.

Subsidiaries match their nonfunctional currency assets with their nonfunctional currency liabilities to the fullest possible extent, thereby minimizing or reducing any foreign currency risk. This matching occurs either by converting nonfunctional currency borrowings into functional currency borrowings, by lending in nonfunctional currency, or by maintaining other assets in nonfunctional currency. It is FINCA's policy not to allow speculative open currency positions; rather, each subsidiary's open currency position is maintained within prescribed limits relative to the subsidiary's capital. Currency positions are measured and reported to each subsidiary's Asset and Liability Committees (ALCO) on a monthly basis. At the consolidated level, FINCA experienced transaction gains of $3.2 million in 2016 in comparison to transaction losses of $25.9 million in 2015, representing about 0.30% and -2.26% of average total assets in 2016 and 2015, respectively. For assessment of the group foreign exchange risk, a Value-at-Risk (VaR) analysis is performed on a quarterly basis. The VaR measure estimates the potential loss in capital over a given holding period for a specified confidence level. The VaR is a statistically defined, probability-based approach that takes into account market volatilities as well as risk diversification by recognizing offsetting positions and correlations between markets. Risks can be measured consistently across all markets, and risk measures can be aggregated to arrive at a single risk number. The methodology employed is the variance-covariance approach, also known as the delta-normal approach. The holding period is one year, and the look-back period is 3.5 years. A limitation of the variance-covariance, or delta-normal, approach is the assumption of a standard normal (or Gaussian) distribution of portfolio returns, and therefore the methodology may underestimate the proportion of outliers and hence the VaR.

The results are shown in the following table:

	95% Confidence	**99% Confidence**
As of December 31, 2016	$16.6 million	$23.5 million
	95% Confidence	**99% Confidence**
As of December 31, 2015	$18.8 million	$26.5 million

FINCA's portfolio VaR decreased in 2016 primarily due to a $11.9 million reduction of net peso assets in Mexico. The most notable increase in individual currency volatility was in Nigeria. Overall correlation among FINCA's basket of currencies held stable.

Liquidity Risk—Liquidity risk management includes the identification, measurement, and establishment of limits on potential losses arising from the difficulty of renewing liabilities under normal market conditions. FMH's funding and liquidity objective is to fund its existing asset base (and maintain sufficient excess liquidity), so that it can operate under unusual or adverse market conditions. At the aggregate level, FMH's goal is to ensure that there is sufficient funding in amount and tenor so that adequate liquid resources are available for all operating entities. The liquidity framework requires that entities be liquidity self-sufficient or net providers of liquidity. The primary sources of funding are (i) client and bank deposits, (ii) medium- and long-term borrowings, (iii) credit lines from local banks, and (iv) shareholders' equity.

FINCA works to ensure that the structural tenor of these funding sources is sufficiently long in relation to the tenor of its asset base. The goal of FINCA's asset-liability management is to ensure that there is excess tenor in the liability structure to provide excess liquidity to fund all assets. The excess liquidity resulting from a longer-term liability tenor can effectively offset potential downward pressures on liquidity that may occur under market stress. This excess funding is held in the form of bank deposits and, to lesser extent, unencumbered liquid securities.

Total cash and cash equivalents totaled $140.8 million as of December 31, 2016, compared to $137.3 million as of December 31, 2015. FINCA has maintained total cash balance equal to 13.5% and 12.6% of total assets as of December 31, 2016 and 2015, respectively.

Liquidity Risk Management—FINCA runs a centralized treasury model where the overall balance sheet is managed by the Treasury department through subsidiaries' ALCO. Day-to-day liquidity and funding are managed by subsidiaries' Chief Financial or Finance Officers (CFOs) and treasurers at the country level and are monitored by subsidiary ALCO and FINCA treasury on a monthly basis.

Liquidity management is the responsibility of senior management through FINCA's consolidated ALCO and is overseen by the board of directors through its audit and finance committee. ALCOs are established at each of FINCA's microfinance operating subsidiaries. Regulated savings deposit taking subsidiaries maintain legal reserve requirements in accordance with local regulations.

FINCA's microfinance operating subsidiaries are required to comply with a liquidity policy that specifies a minimum amount of liquid assets (cash and cash equivalents) that is to be maintained at all times. This minimum liquidity policy requires that approximately 5.0% of total assets be held in cash and cash equivalents. As of December 31, 2016, the ratio of subsidiaries' unrestricted cash and cash equivalents to total subsidiaries' assets was 10.5%, compared with 10.0% as of December 31, 2015.

A traditional view of FINCA's liquidity is provided by a gap analysis. Considering the contractual terms of client loans, FINCA has a substantial amount of excess liquidity in the under one-year time frame (gap < one year of $181 million in 2016 and $231 million in 2015). Due to the short-term nature of the loan portfolio (69.1% of which matures within one year), the negative liquidity in years three to five will be covered by the normal course of business operations as new loans are disbursed.

At December 31, 2016	Up to 1 Year	1 Year to 3 Years	More than 3 Years	Total
Cash and cash equivalents	$ 140,797,035	$ -	$ -	$ 140,797,035
Restricted cash and cash equivalents	26,026,969	377,083	24,897	26,428,949
Available for sale financial assets	7,116,713	-	553,639	7,670,352
Financial assets held-to-maturity	24,634,088	471,513	255,024	25,360,625
Financial assets at fair value through profit and loss	18,662,953	44,151	784,091	19,491,195
Loans receivable—net	512,464,962	212,487,596	16,803,644	741,756,202
Due from banks	7,610,297	-	-	7,610,297
Other financial assets	17,350,161	-	28,787	17,378,948
	754,663,178	213,380,343	18,450,082	986,493,603
Other financial liabilities	27,708,115	504,647	2,045,371	30,258,133
Financial liability at fair value through profit and loss	8,123,166	136,408	-	8,259,574
Clients deposits	211,933,633	44,597,393	5,809,131	262,340,157
Bank deposits	38,084,892	256,331	-	38,341,223
Notes payable	287,989,629	147,699,112	19,847,963	455,536,704
Subordinated debt	94,263	2,437,396	3,067,272	5,598,931
	573,933,698	195,631,287	30,769,737	800,334,722
Liquidity gap	$ 180,729,480	$ 17,749,056	$ (12,319,655)	$ 186,158,881

At December 31, 2015	Up to 1 Year	1 Year to 3 Years	3 Years to 5 Years	Total
Cash and cash equivalents	$ 137,325,636	$ -	$ -	$ 137,325,636
Restricted cash and cash equivalents	24,803,022	50,000	23,391	24,876,413
Available for sale financial assets	6,148,811	7,584	760,572	6,916,967
Financial assets held-to-maturity	11,897,189	281,849	802,956	12,981,994
Financial assets at fair value through profit and loss	16,901,901	13,071,124	-	29,973,025
Loans receivable—net	591,613,967	190,877,574	11,435,558	793,927,099
Due from banks	3,933,334	-	-	3,933,334
Other financial assets	10,359,809	-	82,003	10,441,812
	802,983,669	204,288,131	13,104,480	1,020,376,281
Other financial liabilities	18,901,126	-	-	18,901,126
Financial liability at fair value through profit and loss	961,924	190,162	-	1,152,086
Clients deposits	146,022,109	20,229,189	2,089,381	168,340,679
Bank deposits	18,574,504	1,129,814	-	19,704,318
Notes payable	366,311,286	151,775,040	66,728,061	584,814,387
Subordinated debt	20,852,472	1,528,354	2,072,889	24,453,715
	571,623,421	174,852,559	70,890,331	817,366,311
Liquidity gap	$ 231,360,248	$ 29,435,572	$ (57,785,851)	$ 203,009,969

The traditional gap view may overstate the amount of near-term liquidity since it does not take into consideration the behavioral characteristics of FINCA's client loan portfolio as well the diversified nature of FINCA's clients deposit base. From a behavioral perspective, FINCA's clients are able to renew their loans for multiple terms, which lessens the amount of short-term liquidity (lowers the positive gap in that time frame). A significant portion of small-scale deposits based on historical behavior may be deemed as a stable source of funding and can be allocated beyond the one-year time frame. FMH's consolidated statements of financial position remain liquid in all time frames owing to the diversified nature of customer deposits and short asset tenor as well as to the fact that client loans amortize. FMH's borrowings are predominately two-year tenor with principal repaid at maturity.

Third-Party Risk—New risks emerge as FINCA's business model continues to evolve. In particular, FINCA may engage third-party relationships in the delivery of services to our clients that brings with it a commensurate emphasis on third-party/vendor risk management. Third-party risk management is conducted to assess the ongoing behavior, performance, and risks that each third-party relationship introduces. This includes corporate and social responsibility compliance; reputational, operational, and regulatory/legal compliance; information security; technology; and financial risks. Each third-party/vendor engagement requires specific due diligence and ongoing monitoring activities depending on the nature of the services being provided. This includes all phases of the vendor relationship, including review of proposals, implementation, system integration, and performance monitoring of the third-party services.

6. FINANCIAL ASSETS AND LIABILITIES—FAIR VALUE MEASUREMENTS

FINCA applies IFRS 13, *Fair Value Measurement*, guidance on fair value measurement that established a framework for measuring and disclosing fair value. As defined in the guidance, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. FINCA utilizes market data or assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and the risks inherent in the inputs to the valuation technique.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, FINCA takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for leasing transactions that are within the scope of IAS 17, *Leases*, and measurements that have some similarities to fair value, but are not fair value, such as value in use in IAS 36. The following tables set forth, by level within the fair value hierarchy, the fair value of FINCA's financial assets and liabilities as of December 31, 2016 and 2015. This table includes both financial assets and liabilities accounted for at fair value on a recurring basis and amortized cost. As required by the guidance, financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. FINCA's assessment of the significance of a particular input to the fair value measurement requires the exercise of judgment and may affect the valuation of fair value assets and liabilities and their placement within the fair value hierarchy levels.

FINCA classifies its fair value balances in the fair value hierarchy based on the observability of the inputs used in the fair value calculation as follows:

Level 1—Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions for the asset or liability occur in sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2—Pricing inputs are other than quoted prices in active markets included in Level 1, which are either directly or indirectly observable as of the reporting date. Level 2 includes those financial instruments that are valued using broker quotes in liquid markets and other observable data. Level 2 also includes those financial instruments that are valued using methodologies that have been corroborated by observable market data through correlation or by other means. Significant assumptions are observable in the marketplace throughout the full term of the instrument and can be derived from observable data or are supported by observable levels at which transactions are executed in the marketplace.

FVTPL assets, categorized as Level 2, consist of foreign exchange forward and cross-currency interest rate swaps. These financial instruments are categorized as Level 2 assets because they are valued based on the indirectly observable inputs, including forward exchange rates, interest rate yield curves, and counterparty credit risk.

The fair value of loans receivable, notes payable, deposits from clients, and subordinated debt categorized as Level 2 are based on a blend of quoted prices for the instruments and quoted prices for similar instruments on the measurement date. FINCA adjusted the discount rate on notes payable by using a credit margin that reflects the credit risk rating for companies similar to FINCA.

Level 3—Pricing inputs that are significant and generally less observable than those from objective sources. Level 3 includes those financial instruments that are valued using models or other valuation methodologies.

Except as detailed in the following table, management considers that the carrying amounts of financial assets and financial liabilities recognized in the consolidated financial statements approximate their fair values and are categorized as Level 2.

	2016		2015	
	Carrying Amount	**Fair Value**	**Carrying Amount**	**Fair Value**
Financial Assets				
Loans receivable	$ 741,756,202	$ 763,784,531	$ 793,927,099	$ 809,811,356
AFS financial assets	530,036	553,639	761,142	761,142
Financial Liabilities				
Financial liabilities held at amortized cost:				
Deposits from clients	$ 262,340,157	$ 260,875,587	$ 168,340,679	$ 168,396,446
Notes payable	455,536,704	456,177,202	584,814,387	588,305,417
Subordinated debt	5,598,931	5,621,172	24,453,715	24,846,814

Fair value hierarchy at December 31, 2016, is as follows:

	Level 1	**Level 2**	**Level 3**	**Total**
Financial Assets				
Loans receivable	$ -	$763,784,531	$ -	$763,784,531
AFS financial assets (Note 13)	-	-	553,639	553,639
Financial Liabilities				
Financial liabilities held at amortized cost:				
Deposits from clients	$ -	$260,875,587	$ -	$260,875,587
Notes payable	-	456,177,202	-	456,177,202
Subordinated debt	-	5,621,172	-	5,621,172

Financial Assets/ Financial liabilities	Fair Value as at December 31 2016 Asset (Liability)	2015 Asset (Liability)	Fair Value Hierarchy	Valuation Techniques and Key Inputs	Significant Unobservable Inputs	Relationship of Unobservable Inputs to Fair Value
1) Foreign currency forward contracts measured at FVTPL (Note 15)	$ 5,733,680 (13,798)	$ 9,402,790	2	Discounted cash flow. Future cash flows are estimated based on forward exchange rates (spot exchange rate at the end of the reporting period) and contract forward rates, discounted at a rate that reflects the credit risk of the counterpart in the contract	N/A	N/A
2) Foreign exchange swaps measured at FVTPL (Note 15)	13,757,515 (8,245,776)	20,570,235 (1,152,086)	2	Discounted cash flow. Future cash flows are estimated based on forward exchange rates (spot exchange rate at the end of the reporting period) and contract forward rates, discounted at a rate that reflects the credit risk of the counterpart in the contract	N/A	N/A
3) AFS financial assets—Treasury bills (Note 13)	2,620,655	1,961,697	1	Quoted bid prices in an active market	N/A	N/A
4) AFS financial assets—time deposits (Note 13)	4,496,058	4,194,128	2	Quoted prices of similar instruments traded in active markets	N/A	N/A

There were no transfers between Levels 1 and 2 or Levels 2 and 3 during the year.

7. NET INTEREST INCOME BEFORE PROVISION FOR IMPAIRMENT LOSSES ON LOANS

Net interest income for the years ended December 31, 2016 and 2015, is as follows:

	2016	2015
Interest income:		
Cash and cash equivalents and investments	$ 8,126,438	$ 9,413,897
Loans to clients	279,656,784	313,352,998
Total interest income	287,783,222	322,766,895
Interest expense:		
Deposits from clients	20,197,311	10,917,711
Notes payable and subordinated debt	50,807,055	80,692,640
Total interest expense	71,004,366	91,610,351
Net interest income	$ 216,778,856	$ 231,156,544

8. OTHER OPERATING INCOME

Total other operating income for the years ended December 31, 2016 and 2015, was $29.1 million and $14.8 million, respectively. Included in this amount is $5.8 million and $5.5 million of fines and penalties income and $1.3 million and $2.1 million of insurance income for the years ended December 31, 2016 and 2015, respectively and includes principal forgiveness for certain debt obligations of FINCA Azerbaijan totaling $9.4 million for the year ended December 31, 2016.

9. PERSONNEL EXPENSES

Personnel expenses for the years ended December 31, 2016 and 2015, consist of the following:

	2016	2015
Wages and salaries	$ 88,257,270	$ 104,289,746
Compulsory social security obligations	8,109,618	11,237,790
Allowances, incentives, and other benefits	11,443,301	12,810,956
Health insurance	4,394,737	4,315,949
Increase in liability for long-term service leave	-	1,103,083
Increase in liability for employee benefits	-	228,350
Total	$ 112,204,926	$ 133,985,874

10. OTHER OPERATING EXPENSES

Other operating expenses for the years ended December 31, 2016 and 2015, consist of the following:

	2016	2015
Professional fees	$ 20,605,903	$ 17,181,263
Rent/utilities	14,823,393	16,333,395
Travel	10,464,802	9,680,297
Consumables and office supply	3,908,317	7,178,437
Communication	6,111,707	5,689,192
Taxes other than income	2,564,782	3,466,262
Security	4,473,809	5,529,711
License/memberships/meetings	3,742,981	5,501,595
Marketing	4,303,325	4,332,279
Repairs and maintenance	2,277,990	3,557,149
Training and hiring	2,077,995	2,083,050
Bank charges	1,933,131	2,451,634
Motor vehicles expenses	1,481,511	1,827,600
Insurance	1,272,032	1,399,036
Impairment on assets held for use	1,024,180	-
Other expenditures	5,738,813	2,556,894
	$ 86,804,671	$ 88,767,794

11. INCOME TAX

Income tax expense for the years ended December 31, 2016 and 2015, were as follows:

	2016	2015
Current tax expense	$ 13,743,746	$ 8,081,375
Deferred tax expense	3,818,394	118,109
Total income tax expense	$ 17,562,140	$ 8,199,484

In calculating both the current tax and the deferred tax, the respective country-specific tax rates are applied. The total income tax expense includes the local country income taxes for the subsidiaries and foreign withholding taxes on certain cross-border payments. The average actual income tax rate for the subsidiaries remained the same at 26.1% in 2015 and 2016. FINCA is exempt from taxes on income, except unrelated business taxable income, under provision of Section 501(c)(3) of the United States Internal Revenue Code and the applicable income tax regulations of the District of Columbia. For 2015, the current income tax expense includes $0.7 million of tax benefit for the reversal of a tax provision related to the transfer of one of FINCA's subsidiaries to FINCA Microfinance Cooperatief U.A. (FMC) during the 2011 reorganization of its organizational structure.

Reconciliation of income tax expense for the years ended December 31, 2016 and 2015, is as follows:

	2016	2015
(Loss)/income before income tax expense	$ (3,517,941)	$ 2,642,568
Income tax expense	(17,562,140)	(8,199,484)
(Loss)/profit for the year	$ (21,080,081)	$ (5,556,916)

	2016	2015
Tax rate using domestic tax rate of FINCA (exempt on taxes on income)	$ -	$ -
Foreign income tax (taxable subsidiaries) at local statutory rates	(1,150,701)	686,858
Expenses not deductible for tax purposes	3,902,926	3,986,018
Tax-exempt loss (income)	(155,478)	172,530
Recognition of previously unrecognized tax losses	(90,055)	(234,420)
Adjustment for under provision in previous periods	871,840	389,625
Foreign withholding taxes	3,412,049	3,081,392
Effect of unused tax losses and tax offsets not recognized as deferred tax assets	7,399,341	783,592
Other	3,372,218	(666,111)
Total income tax expense	$ 17,562,140	$ (8,199,484)

Deferred income taxes are calculated, under the consolidated statements of financial position method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts, using the applicable tax rate as stipulated by the tax legislation of the respective countries.

The movements in deferred tax assets and liabilities (the balances are offset within the same jurisdiction as permitted by IAS 12, *Income Taxes*, and shown on a net basis by subsidiaries), details of the deferred tax liability, amounts charged or credited directly to profit or loss during the period, and amounts charged or credited directly to equity during the period are shown below.

In 2016, FINCA recorded $2.1 million of income tax expense on $18.5 million of temporary differences associated with FINCA's investments in subsidiaries because it was probable that the temporary differences associated with the distribution of retained earnings through payments of dividends will reverse in the foreseeable future. The temporary differences of $18.5 million include $14.3 million of expected distributions of retained earnings from 2016 and $4.2 million for an increase of expected distributions of retained earnings from prior years. In 2015, FINCA recorded $0.2 million of income tax expense on $(2.0) million of temporary differences associated with FINCA's investments in subsidiaries because it was probable that the temporary differences associated with the distribution of retained earnings through payments of dividends would reverse in the foreseeable future. The temporary differences of $(2.0) million include $4.3 million of expected distributions of retained earnings from 2015 and $(6.3) million for a reversal of expected distributions of retained earnings from prior years. The deferred tax liability related to the future distributions of retained earnings by subsidiaries is $1.8 million and $0.5 million as of December 31, 2016 and 2015, respectively.

Deferred Tax Assets—Deferred tax assets were recognized by the subsidiaries in the following jurisdictions in 2016: Armenia, Georgia, Tajikistan, Honduras, Democratic Republic of Congo (DRC), Tanzania, and Pakistan (2015—USA, Armenia, Azerbaijan, Georgia, Tajikistan, Honduras, Mexico, DRC, Malawi, Tanzania, Uganda, and Pakistan).

			(Charged)	
2016	**Assets (Liabilities)**	**Credited to Profit or Loss**	**Credited to Equity**	**Credited to Disc Ops**
Property and equipment and software	$ (123,763)	$ 86,816	$ (23,494)	$ 14,867
Provision for loan-loss impairment	2,004,029	38,548	(147,986)	(715,361)
Cash flow hedges	(980,957)	720,101	19,414	-
Deferred income/accrued interest	777,855	(552,781)	(26,630)	-
Tax loss carryforwards	119,663	(3,193,018)	(44,295)	-
Other	672,942	161,586	(12,681)	(757,073)
Net tax assets	$2,469,769	$(2,738,748)	$(235,672)	$(1,457,567)

2015	Assets (Liabilities)	(Charged) Credited to Profit or Loss	(Charged) Credited to Equity
Property and equipment and software	$ (201,953)	$ 182,847	$ (484,571)
Provision for loan-loss impairment	2,828,828	2,021,304	(1,371,083)
Cash flow hedges	(1,720,472)	(2,938,328)	773,855
Deferred income/accrued interest	1,357,267	174,510	(413,759)
Tax loss carryforwards	3,356,975	193,241	(831,829)
Other	1,281,110	(216,637)	98,547
Net tax assets	$ 6,901,755	$ (583,063)	$ (2,228,840)

Deferred Tax Liabilities—Deferred tax liabilities are recorded by FMH, the Netherlands, USA, Kyrgyzstan, Ecuador, Nicaragua, Malawi, and Uganda in 2016 (2015—FMH, the Netherlands, Kyrgyzstan, Ecuador, Nicaragua, and Zambia) as follows:

2016	Assets (Liabilities)	(Charged) Credited to Profit or Loss	(Charged) Credited to Equity
Property and equipment and software	$ (258,623)	$ (134,165)	$ (3,170)
Provision for loan-loss impairment	(260,474)	(1,956)	(26,567)
Deferred income/accrued interest	11,440	133,662	388
Tax loss carryforwards	57,780	(6,548)	6,398
Future distribution of retained earnings	(1,760,873)	(1,284,995)	1
Other	91,461	214,356	(19,391)
Net tax (liabilities) assets	$ (2,119,289)	$ (1,079,646)	$ (42,341)

2015	Assets (Liabilities)	(Charged) Credited to Profit or Loss	(Charged) Credited to Equity
Property and equipment and software	$ (121,288)	$ (91,067)	$ 50,430
Provision for loan-loss impairment	(231,951)	284,411	62,971
Deferred income/accrued interest	(122,610)	(85,442)	4,147
Tax loss carryforwards	57,930	(40,984)	(87,144)
Future distribution of retained earnings	(475,879)	59,340	-
Other	(103,504)	172,111	1,751
Net tax (liabilities) assets	$ (997,302)	$ 298,369	$ 32,155

12. RESTRICTED CASH AND CASH EQUIVALENTS

Restricted cash balances of $26.4 million and $24.9 million as of December 31, 2016 and 2015, respectively, comprise undisbursed grant funds to be used in lending and operations, cash balances for country-specific regulatory requirements, and pledged collateral related to local borrowings and deposits, all of which can be contractually released within 12 months.

13. AFS FINANCIAL ASSETS

	2016	2015
Certificates of deposit and other	$ 7,670,352	$ 6,916,967
Total	$ 7,670,352	$ 6,916,967

Certificates of deposit with maturity over three months are qualified and reported as AFS financial assets in the consolidated statements of financial position.

14. FINANCIAL ASSETS HTM

Financial assets HTM in the amount of $25.4 million and $13.0 million at December 31, 2016 and 2015, respectively. Assets at December, 31 2016, include $17.9 million of market Treasury bills issued by State Bank of Pakistan, of which $16.5 million mature within three months of the balance sheet date and $7.3 million of Georgia Ministry of Finance Treasury Bills, of which $6.5 million mature within 12 months of the balance sheet date. Assets at December, 31 2015, include $9.9 million of market Treasury bills issued by State Bank of Pakistan and $1.7 million of Georgia Ministry of Finance Treasury Bills.

As of December 31, 2015, FINCA held an investment in the FINCA microfinance fund. The microfinance fund provided $20.6 million in subordinated loans to a number of subsidiaries. The notes matured in November 2016 at which time available funds were insufficient to pay in full all amounts due on the notes. The fund was wound up and liquidated and the investment was written off. The total impairment, including accrued unpaid interest, was $1.4 million and was written off through the impairment loss line item in the consolidated statements of profit or loss.

15. FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

The financial assets and liabilities at FVTPL are represented by the following balances:

2016	Notional Amount	Fair Value Assets	Fair Value Liabilities
Fair value from derivatives with third parties:			
Foreign exchange swaps	$ 60,581,978	$ 13,757,515	$ 8,245,776
Foreign exchange forwards	20,094,840	5,733,680	13,798
Total derivatives with third parties	$ 80,676,818	$ 19,491,195	$ 8,259,574

2015	Notional Amount	Fair Value Assets	Fair Value Liabilities
Fair value from derivatives with third parties:			
Foreign exchange swaps	$ 82,066,838	$ 20,570,235	$ 1,152,086
Foreign exchange forwards	34,381,405	9,402,790	-
Total derivatives with third parties	$ 116,448,243	$ 29,973,025	$ 1,152,086

Neither of the above balances related to hedge transactions qualified for hedge accounting.

16. LOANS RECEIVABLE—NET

Loans receivable as at December 31, 2016 and 2015, consist of the following:

	2016	2015
Gross loans to clients	$ 784,638,954	$ 818,850,817
Less allowances for impairment	(42,882,752)	(24,923,718)
Loans receivable	$ 741,756,202	$ 793,927,099

	2016	2015
Allowances for impairments—balance at January 1	$ 24,923,718	$ 17,533,632
Discontinued operations	(2,421,037)	-
Impairment loss for the year:		
Charge for the year	57,333,825	40,643,279
Amounts written off—net of recovery	(35,111,860)	(26,912,121)
Reclass to other assets and assets held for sale	-	(508,303)
Effect of foreign currency movements	(1,841,894)	(5,832,769)
Balance at December 31	$ 42,882,752	$ 24,923,718

2015 includes operations that were discontinued in 2016.

While not all products require collateral, and collateral requirements vary by country, FINCA utilizes several methods for clients to collateralize their loans, including mandatory savings, real estate, fixed assets, or an additional guarantor.

Collateral

Two forms of collateral may be applied against impairment losses, cash and marketable precious metals. Compulsory cash collateral is required from the clients in some subsidiaries. The use of precious metals is mainly presented in the Pakistan subsidiary. Where local law allows, voluntary client deposits are also considered collateral for the purposes of provisioning.

Collateral as at December 31, 2016 and 2015, is represented as follows:

Outstanding Amount of Loan	Balance at January 1, 2016	Discontinued Operations	Collateral Accepted	Collateral Released	Effect of Foreign Currency Movements	Balance at December 31, 2016
Up to $1,000	$17,218,477	$(602,312)	$ 4,283,191	$(10,616,209)	$ 65,886	$10,349,033
$1,001–$5,000	22,202,829	(2,056)	9,312,641	(19,154,396)	2,280,545	14,639,563
$5,001–$10,000	13,267,922	-	3,555,313	(10,236,548)	47,882	6,634,569
more than $10,001	25,132,211	-	7,286,441	(17,387,095)	(4,020,840)	11,010,717
Total	$77,821,439	$(604,368)	$24,437,586	$(57,394,248)	$(1,626,527)	$42,633,882

Outstanding Amount of Loan	Balance at January 1, 2015	Collateral Accepted	Collateral Released	Effect of Foreign Currency Movements	Balance at December 31, 2015
Up to $1,000	$16,157,890	$20,402,255	$(17,496,084)	$ (1,845,584)	$17,218,477
$1,001–$5,000	22,965,584	18,228,746	(13,130,875)	(5,860,626)	22,202,829
$5,001–$10,000	21,205,425	15,724,267	(17,648,250)	(6,013,520)	13,267,922
more than $10,001	39,078,136	30,305,451	(35,528,374)	(8,723,002)	25,132,211
Total	$99,407,035	$84,660,719	$(83,803,583)	$(22,442,732)	$77,821,439

17. OTHER RECEIVABLES, PREPAID, AND OTHER ASSETS

The balances represent other receivables, prepaid, and other assets at December 31, 2016 and 2015, as follows:

	2016	2015
Receivable from money remittance and other agencies	$ 1,863,609	$ 788,480
Grants receivable	-	3,797,035
Deposit with Internal Revenue Service and other fiduciary agencies	998,980	779,670
Receivable commission, rebates, and refunds from banks and agencies	191,774	2,436,038
Receivables from sales of discontinued operations	12,113,000	-
Current income tax asset	3,400,776	2,851,581
Prepaid rent	2,485,785	2,738,951
Office supplies	1,232,698	868,597
Prepaid taxes	1,148,435	3,348,840
Investment property	1,080,792	1,080,249
Staff advances and loans	564,389	649,764
Other prepayments and debtors	7,225,580	3,136,760
Total	$32,305,818	$22,475,965

18. PROPERTY AND EQUIPMENT

Depreciation and amortization expense charged for the years ended December 31, 2016 and 2015, were $7.8 million and $8.3 million, respectively. Depreciation expense in 2015 includes operations that were discontinued in 2016.

Property and equipment at December 31, 2016 and 2015, are as follows:

	Total	Buildings and Offices	Construction in Progress	Leasehold Improvements	Computer Equipment	Furniture and Office Equipment	Vehicles	Other
Cost								
Balance—January 1, 2015	$ 65,235,911	$ 5,437,185	$ 3,509,516	$ 12,609,224	$ 19,377,192	$ 14,796,673	$ 4,814,080	$ 4,692,041
Acquisitions	16,468,179	2,488,035	3,325,397	3,557,444	3,627,093	2,681,334	422,601	366,275
Disposals	(7,959,915)	(1,222,128)	(3,409,413)	(715,976)	(715,940)	(427,711)	(564,108)	(904,639)
Currency translation	(9,893,096)	(367,411)	(543,754)	(1,734,954)	(2,602,178)	(3,141,634)	(651,993)	(851,172)
Disposal of held for sale assets	(836,356)	(109,560)	-	(10,480)	(253,143)	(221,318)	(197,474)	(44,381)
Balance—December 31, 2015	$ 63,014,723	$ 6,226,121	$ 2,881,746	$ 13,705,258	$ 19,433,024	$ 13,687,344	$ 3,823,106	$ 3,258,124
Balance—January 1, 2016	$ 63,014,723	$ 6,226,121	$ 2,881,746	$ 13,705,258	$ 19,433,024	$ 13,687,344	$ 3,823,106	$ 3,258,124
Acquisitions	11,255,963	2,756,649	1,748,934	1,814,201	2,172,014	2,138,805	527,710	97,650
Disposals	(5,417,921)	1,185,208	(1,466,592)	(1,835,082)	(1,838,118)	(655,432)	(444,536)	(363,369)
Currency translation	(843,750)	(27,580)	115,522	(315,812)	(212,832)	(288,766)	(96,642)	(17,640)
Disposal related to discontinued operations	(3,797,022)	-	-	(804,938)	(1,117,117)	(781,618)	(688,678)	(404,671)
Balance—December 31, 2016	$ 64,211,993	$ 10,140,398	$ 3,279,610	$ 12,563,627	$ 18,436,971	$ 14,100,333	$ 3,120,960	$ 2,570,094
Depreciation and Impairment Losses								
Balance—January 1, 2015	$ 31,727,870	$ 1,338,834	$ -	$ 5,067,724	$ 11,423,356	$ 9,521,194	$ 3,406,624	$ 970,138
Depreciation and amortization	8,287,633	456,873	-	1,649,717	2,918,770	2,205,600	558,548	498,125
Disposals	(2,313,493)	(7,341)	-	(553,320)	(781,688)	(414,235)	(462,808)	(94,101)
Currency translation	(5,092,521)	(38,160)	-	(811,788)	(1,761,587)	(1,790,318)	(463,831)	(226,837)
Disposal of held for sale assets	(651,269)	(74,414)	-	(4,367)	(244,285)	(218,370)	(71,579)	(38,254)
Balance—December 31, 2015	$ 31,958,220	$ 1,675,792	$ -	$ 5,347,966	$ 11,554,566	$ 9,303,871	$ 2,966,954	$ 1,109,071
Balance—January 1, 2016	$ 31,958,220	$ 1,675,792	$ -	$ 5,347,966	$ 11,554,566	$ 9,303,871	$ 2,966,954	$ 1,109,071
Depreciation and amortization	7,777,515	471,656	-	1,516,537	3,037,111	1,975,804	456,140	320,267
Disposals	(2,642,658)	8,811	-	(499,055)	(847,829)	(614,186)	(423,213)	(267,186)
Currency translation	(510,126)	(2,912)	-	(87,770)	(205,252)	(135,671)	(62,119)	(16,402)
Disposal related to discontinued operations	(2,927,821)	-	-	(549,641)	(1,039,196)	(459,797)	(685,689)	(193,498)
Balance—December 31, 2016	$ 33,655,130	$ 2,153,347	$ -	$ 5,728,037	$ 12,499,400	$ 10,070,021	$ 2,252,073	$ 952,252
Net Carrying Amounts								
Balance—January 1, 2015	$ 33,508,041	$ 4,098,351	$ 3,509,516	$ 7,541,500	$ 7,953,836	$ 5,275,479	$ 1,407,456	$ 3,721,903
Balance—December 31, 2015	$ 31,056,503	$ 4,550,329	$ 2,881,746	$ 8,357,292	$ 7,878,458	$ 4,383,473	$ 856,152	$ 2,149,053
Balance—December 31, 2016	$ 30,556,863	$ 7,987,051	$ 3,279,610	$ 6,835,590	$ 5,937,571	$ 4,030,312	$ 868,887	$ 1,617,842

19. INTANGIBLE ASSETS

Amortization expense for the years ended December 31, 2016 and 2015, amounts to $3.0 million and $4.1 million, respectively. Amortization expense in 2015 includes operations that were discontinued in 2016.

Intangible assets at December 31, 2016 and 2015, consist of the following:

	Total	Capitalized Software	Capital Work-In-Progress	Other
Costs				
Balance—January 1, 2015	$ 24,628,485	$ 22,865,806	$ 1,011,305	$ 751,374
Acquisition	4,317,887	3,448,610	869,277	-
Disposals	(797,797)	(675,040)	(122,757)	-
Currency translation	(4,827,666)	(4,676,937)	(150,729)	-
Disposal of held for sale	(13,099)	(13,099)	-	-
Balance—December 31, 2015	$ 23,307,810	$ 20,949,340	$ 1,607,096	$ 751,374
Balance—January 1, 2016	$ 23,307,810	$ 20,949,340	$ 1,607,096	$ 751,374
Acquisition	3,332,292	2,482,377	849,915	-
Disposals	(5,868,396)	(3,920,844)	(1,947,552)	-
Currency translation	(109,505)	(74,857)	(34,648)	-
Disposal related to discontinued operations	(2,627,181)	(2,627,181)	-	-
Balance—December 31, 2016	$ 18,035,020	$ 16,808,835	$ 474,811	$ 751,374
Amortization and Impairment				
Balance—January 1, 2015	$ 11,666,125	$ 11,200,653	$ -	$ 465,472
Amortization for the year	4,075,062	3,920,796	-	154,266
Disposals	(92,566)	(92,566)	-	-
Currency translation	(3,396,823)	(3,396,823)	-	-
Disposal of held for sale	(2,825)	(2,825)	-	-
Balance—December 31, 2015	$ 12,248,973	$ 11,629,235	$ -	$ 619,738
Balance—January 1, 2016	$ 12,248,973	$ 11,629,235	$ -	$ 619,738
Amortization for the year	2,999,647	2,895,953	49,223	54,471
Disposals	(3,875,269)	(3,867,240)	(8,029)	-
Impairment loss	(254,693)	(254,693)	-	-
Currency translation	20,963	20,963	-	-
Disposal related to discontinued operations	(1,162,754)	(1,162,754)	-	-
Balance—December 31, 2016	$ 9,976,867	$ 9,261,464	$ 41,194	$ 674,209
Net Carrying Amounts				
Balance—January 1, 2015	$ 12,962,360	$ 11,665,153	$ 1,011,305	$ 285,902
Balance—December 31, 2015	$ 11,058,837	$ 9,320,105	$ 1,607,096	$ 131,636
Balance—December 31, 2016	$ 8,058,153	$ 7,547,371	$ 433,617	$ 77,165

20. ACCOUNTS PAYABLE AND OTHER ACCRUED LIABILITIES

Accounts payable and other accrued liabilities at December 31, 2016 and 2015, are as follows:

	2016	2015
Personnel	$ 7,927,635	$ 12,957,797
Professional services	3,447,568	4,006,455
Office supplies	1,633,775	905,240
Other accounts payable and accrued expenses	6,754,085	6,378,753
Interest refundable to clients	-	183,696
Non-income taxes	5,346,587	5,617,227
Deferred rent	2,760,072	2,942,860
Total	$ 27,869,722	$ 32,992,028

All accounts payable and other accrued liabilities have a maturity of no more than 12 months from the balance sheet date, other than the noncurrent portion of deferred rent of $2.6 million of which has an amortization term of 10 years. Carrying values approximate fair value at December 31, 2016 and 2015.

21. CLIENT DEPOSITS

FINCA accepts and maintains savings deposits from clients in subsidiary operations. FINCA has been pursuing a strategy to increase client savings in subsidiary operations eligible to accept voluntary deposits, offering clients access to banking services while receiving lower-cost funding in return.

These voluntary deposits represent the majority of FINCA's savings deposits. Additionally, certain loan products are structured to require a deposit at the time the loan is made, representing an additional source of client deposits maintained by FINCA.

	2016	2015
Compulsory savings/cash collateral	$ 8,148,912	$ 5,913,554
Voluntary savings:		
Saving accounts	84,416,693	54,414,511
Term deposit accounts	147,252,736	96,766,899
Other voluntary savings	22,521,816	11,245,715
Total voluntary savings	254,191,245	162,427,125
Total client deposits	$ 262,340,157	$ 168,340,679

22. NOTES PAYABLE

FINCA and its subsidiaries have two broad categories of debt: charitable and commercial. The majority of FINCA loans are sourced from international financial institutions supporting microfinance, but FINCA has also borrowed from private sources. Interest rates paid by subsidiaries range from six months London InterBank Offered Rate + 375 bps up to 36.1% floating and up to 37.5% fixed in local currencies for commercial loans in countries with high perceived risk or with depreciating currencies. In some situations, FINCA, as the parent company, may be directly liable or may offer support for loans provided to subsidiaries without adequate credit standing, which may be in the form of a direct guarantee, letter of credit, comfort letter, or another form of credit enhancement.

As of the balance sheet date, some subsidiaries have breached covenants contained in financing agreements underlying these obligations. Management believes that these breaches are primarily due to recent global economic conditions, which have impacted microfinance, or in some cases due to local political and economic developments. A breach of a loan covenant could permit a lender to accelerate payment of the loan, but would not permit a cross default beyond the particular subsidiary. As of December 31, 2016, subsidiaries in Armenia, Azerbaijan, Georgia, Russia, Tajikistan, Guatemala, DRC, Malawi, Tanzania, Zambia, and FMH were in breach of financial covenants regarding loans from international financial institutions amounting to $141 million. As of December 31, 2016, FINCA and its subsidiaries had obtained formal waivers for these breaches of covenants accounting for $8.4 million and prior to the date of issuance of these consolidated financial statements a further $64.1 million. All loans for which no formal waivers were obtained or were not obtained before December 31, 2016, are classified as current in the maturity table below. Although management has obtained formal waivers of some of these breaches or assurances from lenders that the covenants will be waived, there is no assurance that these waivers or assurances will be extended indefinitely or that performance can be brought into full compliance.

Notes payable and overdrafts at December 31, 2016 and 2015, are as follows:

	2016	2015
Overdrafts	$ 3,401,292	$ -
Notes payable:		
Principal amount	448,983,858	577,909,053
Accrued interest	3,151,554	6,905,334
	$ 455,536,704	$ 584,814,387

Maturities of principal amounts on notes payable and overdrafts due in future fiscal years are as follows:

2017	$ 284,939,732
2018	105,871,075
2019	41,734,184
2020	13,979,230
2021	5,860,929
Thereafter	-
	$ 452,385,150

The book value of notes payable and overdrafts at December 31, 2016 and 2015, is as follows:

	2016	2015
Current:		
Overdrafts	$ 3,401,292	$ -
Notes payable:		
Secured	38,074,794	24,660,523
Unsecured	246,615,201	341,495,857
Collateralized borrowings	-	607,260
	288,091,287	366,763,640
Non-current:		
Notes payable:		
Secured	40,242,686	25,894,591
Unsecured	125,340,585	142,438,986
Collateralized borrowings	1,862,146	49,717,170
	167,445,417	218,050,747
Total notes payable and overdrafts	$ 455,536,704	$ 584,814,387

23. SUBORDINATED DEBT

The subordinated debt balance consists of debt from external financial institutions to FINCA Georgia ($2.5 million and $2.8 million) and FINCA Nicaragua ($3.1 million and $2.0 million) as of December 31, 2016 and 2015, respectively.

In 2016, subordinated debt in the amount of $19.6 million from the FINCA Microfinance Fund matured at which time available funds were insufficient to pay in full the amounts due on the notes. Principal and interest of $7.1 million due from FINCA Azerbaijan LLC was unpaid and forgiven by the lenders.

24. DEFERRED REVENUE

FINCA receives awards from U.S. government and other agencies for various purposes. Awards not yet received are accrued to the extent unreimbursed expenses have been incurred for the purposes specified by an approved award. FINCA defers award revenue received under approved awards, to the extent they exceed expenses incurred for the purposes specified under the awards' restrictions. Proceeds from monetization of commodities inventory are also reported as refundable advances until proceeds are used for program expenses.

The balance of deferred revenue at December 31, 2016 and 2015, is as follows:

	2016	2015
United States Department of Agriculture	$ -	$ 1,958,984
Others	5,593,390	4,079,954
Total	$ 5,593,390	$ 6,038,938

25. EMPLOYEE BENEFITS

Defined Contribution Pension Plan—FINCA has implemented an employee retirement plan (the "Plan") under Internal Revenue Code Section 403(b). Under the Plan, qualified employees may defer compensation up to the maximum amount permitted by the Internal Revenue Code. The elective deferral limit was $18,000 for 2016 and 2015. The catch-up contribution was $6,000 for 2016 and 2015. FINCA may make contributions to the Plan as a discretionary employer match. FINCA's contributions to the Plan during both years ended December 31, 2016 and 2015, were $0.4 million.

Defined Benefit Agreement—FINCA also maintains a defined senior executive retirement plan agreement (the "Agreement") for certain officers and directors, which provides benefits payable upon retirement from FINCA (no sooner than at age 65). In addition, a death benefit is payable to a surviving spouse or named beneficiary in the event of the death of the eligible officer/director. The Agreement is offered at the sole discretion of FINCA's board of directors. Currently, several key employees are enrolled in the Agreement. No changes were made to the Plan in 2016 and 2015.

The net liability of FINCA's defined benefit plan recognized at December 31, 2016 and 2015, is summarized as follows:

	2016	2015
Benefit obligation—beginning of year	$ 3,599,046	$ 4,618,476
Service cost	99,538	79,309
Interest cost	135,279	149,041
Actuarial loss (gain)	13,792	(93,838)
Settlement	-	(445,653)
Net employer benefits paid	(139,757)	(708,289)
Benefit obligation—end of year	$ 3,707,898	$ 3,599,046

The change in plan assets at December 31, 2016 and 2015, is summarized as follows:

	2016	2015
Fair value of assets—beginning of year	$ -	$ -
Employee contributions	-	-
Employer contributions	139,757	708,288
Settlements	-	(565,788)
Benefits paid	(139,757)	(142,500)
Fair value of assets—end of year	$ -	$ -

The amounts recognized in comprehensive income related to FINCA's defined benefit plan at December 31, 2016 and 2015, are summarized as follows:

	2016	2015
Service costs:		
Current service cost	$ 99,538	$ 79,309
Past service cost	-	-
Settlement gain	-	(445,653)
Interest cost	135,279	149,041
Defined benefit cost recognized in P/L	234,817	(217,303)
Remeasurements:		
Actuarial gains (losses) arising from experience adjustments	(22,958)	30,582
Actuarial gains (losses) arising from financial adjustments	(49,248)	250,769
Other	58,414	(187,515)
Defined benefit cost recognized in other comprehensive income	(13,792)	93,836
Total	$248,609	$(311,139)

FINCA does not have any plan assets. As a result, the entire balance of the defined benefit obligation at December 31, 2016 and 2015, of $3.7 million and $3.6 million, respectively, is unfunded.

Weighted-average assumptions used to determine benefit obligations at December 31, 2016 and 2015, are as follows:

	2016	2015
Discount rate	3.7 %	3.8 %
Salary scale	NA	N/A

Weighted-average assumptions used to determine net period pension cost for the years ended December 31, 2016 and 2015, are as follows:

	2016	2015
Discount rate	3.8 %	3.3 %
Salary scale	NA	N/A

Based upon the assumptions used to measure pension obligations, FINCA expects to make the following benefit payments in aggregate over the next five years:

Years Ending December 31	
2017	$689,563
2018	167,069
2019	165,494
2020	743,157
2021	198,535
In aggregate for five fiscal years thereafter	937,606

FINCA's defined benefit plan is exposed to actuarial risks, such as investment, interest rate, and life expectancy risks.

Investment Risk—The present value of the defined benefit plan liability is calculated using the December 31, 2016, Citigroup pension discount curve and the expected benefit payments from the Plan. This curve is the published yield curve of high-grade corporate bond rates.

Interest Risk—A decrease in the bond interest rate will increase the Plan liability.

Life Expectancy Risk—The present value of the defined benefit plan liability is calculated using the published mortality tables for Plan participants during and after employment with FINCA. An increase in the life expectancy of the Plan participants will increase the Plan's liability.

Significant actuarial assumptions for the determination of the defined obligation are discount rate and the life expectancy of the Plan participants. The sensitivity analysis below has been determined based on reasonably possible changes of the discount rate assumption occurring at the end of the reporting period, while holding all other assumptions constant.

If the discount rate is a 500 bps higher (lower) the defined benefit obligation would decrease (increase) by $0.2 million.

26. COMMITMENTS AND CONTINGENCIES

In accordance with IFRS, FINCA recognizes a provision where there is a present obligation from a past event, a transfer of economic benefits is probable and the amount of costs of the transfer can be estimated reliably. In instances where the criteria are not met, a contingent liability may be disclosed in the notes to the consolidated financial statements. Obligations arising in respect of contingent liabilities that have been disclosed, or those which are not currently recognized or disclosed in the consolidated financial statements, could have a material effect on FINCA's financial position. Application of these accounting principles to legal cases requires FINCA management to make determinations about various factual and legal matters beyond its control. FINCA makes assessments of the outstanding legal proceedings at each reporting date in order to determine the need for provisions and disclosures in its consolidated financial statements. Among the factors considered in making decisions on provisions are the nature of litigation, claim, or assessment; the legal process and potential level of damages in the jurisdiction in which the litigation, claim, or assessment has been brought; the progress of the case (including the progress after the date of the consolidated financial statements, but before those consolidated statements are issued); the opinions or views of legal advisers; experience on similar cases; and any decision of FINCA's management as to how it will respond to the litigation, claim, or assessment.

At December 31, 2016, FINCA was obligated under a number of operating leases for premises used primarily for branch operations and office purposes. In a significant portion of the business locations where FINCA operates, the operating lease agreements are negotiated on a month-to-month or year-by-year basis and are in line with general rental market conditions.

Future minimum lease payments under existing lease contracts are due, in dollars, as follows:

	2016	**2015**
Less than one year	$ 6,444,307	$ 5,958,420
Between one and five years	19,270,300	21,463,948
More than five years	7,912,269	7,817,441
	$ 33,626,876	$ 35,239,809

Rent expense was $12.5 million and $13.7 million for the years ended December 31, 2016 and 2015, respectively.

FINCA International, jointly and severally with FMH, provided a guarantee directly on a line of credit with a total commitment of $4.9 million ($3.3 million outstanding) and $4.6 million ($4.6 million outstanding) as of December 31, 2016 and 2015, respectively. In March 2017, this agreement was amended to remove FINCA International as a party and guarantor. FMH became the sole guarantor on this line of credit.

There are no contingent assets, contingent liabilities, and capital commitments at December 31, 2016 and 2015.

27. NONCURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

In 2016, FINCA sold its interests in two subsidiaries—FINCA S.A. de CV ("FINCA El Salvador") was sold in June 2016 and Financiera Finca S.A de C.V SOFOM ENR Mexico (SOFOM) was sold in November 2016.

FINCA El Salvador and SOFOM represent discontinued operations in accordance with IFRS 5, *Non-Current Assets Held for Sale and Discontinued Operations*.

Under IFRS 5, para 38, the assets and liabilities of a disposal group should be presented as separate line items within current assets and current liabilities on the face of the balance sheet and should not be offset.

The assets and liabilities of FINCA El Salvador were presented as held for sale as of December 31, 2015.

Assets of disposal group classified as held for sale:

	2016	2015
Cash and cash equivalents	$ -	$ 892,988
Loans to customers, net	-	10,196,694
Total	$ -	$ 11,089,682

Liabilities of disposal group classified as held for sale, excluding intercompany liabilities of $5.6 million:

	2016	2015
Accounts payable and other liabilities	$ -	$ 613,552
Notes payable and overdrafts	-	2,401,536
Deferred revenue and refundable advances	-	14,263
Deferred tax liability	-	6,341
Total	$ -	$ 3,035,692

In accordance with IFRS 5, the assets and liabilities held for sale were written down to their fair value, less costs to sell, of $2,469,145. This is fair value that is equal to the selling price negotiated with the buyer, and therefore it is recorded within Level 3 of the fair value hierarchy.

Results of the discontinued operations in 2016 includes the net income or loss for both FINCA El Salvador and SOFOM for the period up to disposition in 2016. For 2015, the results of FINCA El Salvador include the loss recognized on the remeasurement of assets:

	2016	2015
Net operating income	$ 19,913,700	$ 28,076,856
Expenses	(18,629,377)	(25,943,251)
Intercompany expenses eliminated on consolidation	1,629,490	2,685,953
Other income	727,823	1,016,515
Profit before income tax of discontinued operations	3,641,636	5,836,073
Income tax expense	(841,225)	(1,198,834)
Profit after income tax of discontinued operations	2,800,411	4,637,239
Loss recognized on the remeasurement of assets of disposal group	-	(1,896,096)
Profit after remeasurement of assets of disposal group	2,800,411	2,741,143
Loss on sale	(3,314,400)	-
(Loss) profit from discontinued operations	$ (513,989)	$ 2,741,143

The gain on sale from assets of the disposal group in the year ended December 31, 2016, is as follows:

	2016
Consideration received	$ 29,049,635
Net assets disposed of	(20,017,146)
Gain on sale before income tax expense and reclassification of foreign currency translation reserve	9,032,489
Reclassification of foreign currency translation reserve	(11,065,884)
Income tax expense on gain	(1,281,005)
Loss on sale	$ (3,314,400)

Net cash inflow on sale of assets of the disposal group in the year ended December 31, 2016, is as follows:

	2016
Consideration received in cash and cash equivalents	$ 16,623,734
Less cash and cash equivalent balances disposed of	(1,678,959)
Net cash consideration received	$ 14,944,775

Cash flows from the activities of assets of the disposal group for the years ended December 31, 2016 and 2015, are as follows:

	2016	2015
From operating activity	$ 4,395,077	$ 1,705,866
From investing activity	1,015,445	(688,965)
From financing activity	(9,603,998)	(3,476,788)
Total cash flows used by disposal group	$ (4,193,476)	$ (2,459,887)

28. FINCA ENTITIES

Through its headquarters, foreign representative offices and branches, controlled subsidiaries and affiliates, FINCA operates in 26 countries. All subsidiaries are controlled by FINCA directly or indirectly through FMH. The significant microfinance operating subsidiaries and controlled affiliates of FINCA at the end of the reporting period are listed below:

Americas	
Ecuador	Banco para la Asistencia Comunitaria, FINCA S.A. Joint Stock Company
Guatemala	Fundación Internacional para la Asistencia Comunitaria de Guatemala Foundation
	FINCA Microfinanzas, S.A.
Haiti	FINCA HAITI Non-Governmental Organization
	FINCA Haiti. S.A.
Honduras	Sociedad Financiera FINCA Honduras, S.A. Joint Stock Company
Mexico	Tenedora SAPI de C.V
	Fundación Integral Comunitaria, A.C. Civil Association
Nicaragua	Financiera FINCA Nicaragua, S.A. Joint Stock Company
	Fundación Internacional para la Asistencia Comunitaria de Nicaragua Not-for-profit Foundation
Africa	
Congo	FINCA DR CONGO SARL Limited Liability Joint Stock Company
Malawi	FINCA Limited Company Limited by Shares
Nigeria	FINCA Microfinance Bank Limited
Tanzania	FINCA Tanzania Limited Company Limited by Shares
Uganda	Foundation for International Community Assistance Uganda Limited Company Limited by Shares
Zambia	Foundation for International Community Assistance-Zambia Limited Company Limited by Shares
Eurasia	
Armenia	FINCA Universal Credit Organization Closed Joint Stock Company
Azerbaijan	FINCA Azerbaijan Limited Liability Company
Georgia	JSC FINCA Bank Georgia Closed Joint Stock Company
Kosovo	FINCA International, Inc. (Branch)
Kyrgyzstan	FINCA Bank Closed Joint Stock Company
Russia	FINCA Joint Stock Company
Tajikistan	FINCA Micro-Credit Deposit Organization Limited Liability Company
Middle East	
Jordan	FINCA Jordan Specialized Micro Loans Company
Afghanistan	FINCA Afghanistan Joint Stock Company Limited by Shares
Pakistan	FINCA Microfinance Bank Ltd.
Nonmicrofinance Subsidiaries	
Netherlands	FINCA Network Support Services BV.
Netherlands	FINCA Microfinance Cooperatief U.A.
USA	FINCA Services USA LLC
USA	FINCA Microfinance Global Services LLC
USA	FINCA International LLC
USA	FINCA Plus LLC
Charitable Affiliates	
United Kingdom	FINCA UK
Canada	FINCA Canada

In 2016, FMH sold its interests in FINCA S.A. de C.V. in El Salvador and in Financiera Finca S.A. de C.V. SOFOM E.N.R Mexico (see Note 27). FMH retained ownership or control in Fundacion Integral Comunitaria A.C. Civil Association and Tenedora SAPI de CV in Mexico.

Noncontrolling members of FMH hold 37.1% and 37.4% of shares and voting rights as of December 31, 2016 and 2015, respectively. Assets and liabilities attributable to FMH noncontrolling members are $382.9 million and $298.6 million as of December 31, 2016, and $401.6 million and $308.9 million as of December 31, 2015, respectively. Net loss is $9.3 million and $4.3 million for the years 2016 and 2015, respectively. Accumulated net loss is $4.0 million and accumulated net income is $5.3 million as of December 31 2016 and 2015, respectively.

Non-controlling interest is attributable to non-controlling shareholders of FINCA Microfinance Bank Ltd. (Pakistan) holds 13.6% of shares and voting rights as of December 31, 2016 and 2015. Assets attributable to non-controlling interests are $20.2 million and $11 million as of December 31, 2016 and 2015, respectively. Liabilities attributable to non-controlling interests are $17.1 million and $8.5 million as of December 31, 2016 and 2015, respectively. Net income is $0.7 million and $0.3 million for the years 2016 and 2015, respectively. Accumulated net income is $1.3 million and $0.6 million as of December 31, 2016 and 2015, respectively.

29. RELATED PARTIES

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note.

Senior Management Compensation—Total compensation paid to the senior management of the Company for the years ended December 31, 2016 and 2015, amounted to:

	2016	2015
Short-term benefits	$ 3,943,577	$ 4,357,179
Postemployment benefits	139,757	135,393
	$ 4,083,334	$ 4,492,572

30. SUBSEQUENT EVENTS

Effective January 1, 2017, a wholly owned subsidiary of FMH, FINCA Microfinance Global Services (FMGS) entered into an MSA with FINCA under which FMGS will provide certain services to FINCA. These services include finance and accounting, information technology, legal, and human resources services. The service agreement is for the initial period of one year and may be renewed at the option of FINCA. The MSA between FMH and FINCA expired on December 31, 2016.

In March 2017, FINCA Micro-Credit Deposit Organization LLC (FINCA Tajikistan) entered into a financial debt reprofiling agreement with its lenders to restructure its debt obligations and FMH has agreed to inject up to an additional $4 million of equity. The debt restructuring included $4 million in principal repayments, simplified the covenant structure, and extended the maturities of all scheduled principal payments.

In mid-2016, FINCA Azerbaijan LLC entered into negotiations with its lenders to wind down the operations of FINCA Azerbaijan in order to maximize the collections on its loan portfolio and protect the interests of FMH. In April 2017, FINCA Azerbaijan LLC entered into a wind-down agreement with the majority of its lenders under the terms of which FINCA Azerbaijan LLC continues to operate to collect amounts outstanding on its loan portfolio in return for certain forgiveness of debt from the lenders to meet regulatory capital standards. The wind-down period ends on June 30, 2018, or such other date as the parties to the agreement may agree.

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