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FREE ENGLISH LANGUAGE TRANSLATION
FROM SPANISH VERSION

Prival Bank, S.A. and Subsidiaries

(100% subsidiary of Grupo Prival, S.A.)

Consolidated Financial Statements for the year ended June 30, 2015 and Independent Auditors' Report dated August 18, 2015

Deloitte LATCO
Firma miembro de
Deloitte Touche Tohmatsu Limited

Prival Bank, S.A. and Subsidiaries
(100% subsidiary of Grupo Prival, S.A.)

Independent Auditors' Report and 2015 Consolidated Financial Statements

Content **Pages**

Deloitte.

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Free English Language Translation from Spanish Version

INDEPENDENT AUDITORS' REPORT

Messrs
Board of Directors and Shareholders of
Prival Bank, S.A. and Subsidiaries

We have audited the accompanying consolidated financial statements of **Prival Bank, S.A. and Subsidiaries** which comprise the consolidated statement of financial position as at June 30, 2015, and the consolidated statements of profit or loss, comprehensive income, changes in shareholder's equity and cash flows for the year ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of **Prival Bank, S.A. and Subsidiaries** as at June 30, 2015, and its financial performance and its cash flows for the year ended in accordance with International Financial Reporting Standards.

The accompanying consolidated financial statements have been translated from Spanish into English for the convenience of readers outside of the Republic of Panama.

Deloitte (signed)

August 18, 2015
Panama, Republic of Panama

Prival Bank, S.A. and Subsidiaries
(100% subsidiary of Grupo Prival, S.A.)

Consolidated statement of financial position
at June 30, 2015
(In balboas)

	Notes	2015	2014
Assets			
Cash and cash equivalents		1,295,803	400,471
Due from banks:			
Demand - domestic		22,003,122	7,741,474
Demand - foreign		85,295,327	13,985,484
Time - domestic		12,200,000	45,500,074
Time - foreign		7,635,005	1,053,000
Total due from banks		127,133,454	68,280,032
Total cash, cash equivalents and due from banks	8,15	128,429,257	68,680,503
Trading securities	9, 15	7,217,449	11,506,099
Securities available for sale	10, 15	111,971,247	88,331,237
Investment in associate	7, 12	2,612,500	2,612,500
Loans:			
Internal sector		204,531,714	163,667,035
External sector		206,722,788	38,592,592
		411,254,502	202,259,627
Less:			
Allowance for possible loan losses		(4,336,424)	(100,070)
Unearned interests and discounted commissions		(1,610,015)	(78,862)
	7,11,15	405,308,063	202,080,695
Furniture, equipment and improvements, net	13,15	7,622,475	1,917,399
Other assets:			
Accrued interest receivable:			
Loans	7	1,946,796	710,736
Investments		464,497	214,311
Time deposits		674	653
Deferred income tax	25	1,248,865	25,018
Intangible assets	14,15	4,433,796	288,803
Goodwill	15	7,172,809	3,333,635
Other assets	7, 16	10,526,915	3,817,098
Total other assets		25,794,352	8,390,254
Other assets held for sale	17	3,185,016	3,876,350
Total assets		692,140,359	387,395,037

	Notes	2015	2014
Liabilities and equity			
Liabilities			
Due to customers:			
Demand - domestic		107,421,240	61,063,554
Demand - foreign		21,150,788	16,603,217
Savings - domestic		82,713,800	110,230,497
Savings - foreign		39,188,005	13,442,641
Time - domestic		156,574,810	123,451,404
Time - foreign		155,343,476	16,065,889
Total customers deposits	7,15	562,392,119	340,857,202
Borrowed funds	15,18	16,753,065	-
Bonds payable	15,19	25,787,973	-
Other liabilities:			
Cashier's and certified checks		988,823	2,211,632
Accrued interests payable	7	2,459,483	917,642
Deferred income tax	25	184,375	-
Other liabilities	15, 20	8,770,108	3,825,147
Total other liabilities		12,402,789	6,954,421
Total liabilities		617,335,946	347,811,623
Equity:			
Common shares	21	25,000,000	25,000,000
Additional paid-in capital	21	30,000,000	-
Regulatory reserve	26	5,871,164	1,717,477
Net changes in securities available for sale		(215,267)	699,338
Retained earnings		14,148,516	12,166,599
Total equity		74,804,413	39,583,414
Total liabilities and equity		692,140,359	387,395,037

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

Prival Bank, S.A. and Subsidiaries
(100% subsidiary of Grupo Prival, S.A.)

Consolidated statement of profit or loss
for the year ended June 30, 2015
(In balboas)

	Notes	2015	2014
Interest and commissions income			
Interest earned on:			
Loans	7	15,786,279	12,667,950
Deposits		108,033	115,660
Investments		5,837,221	3,852,901
Total interest earned		21,731,533	16,636,511
Commission income		1,178,764	716,841
Total interest and commission income		22,910,297	17,353,352
Interest and commission expenses:			
Interest expenses	7	(9,842,189)	(8,966,271)
Commission expenses	7	(1,516,088)	(1,424,029)
Total interest and commission expenses		(11,358,277)	(10,390,300)
Net interest and commission income, before allowance for uncollectable loans		11,552,020	6,963,052
Allowance for loan losses	11	(288,388)	(43,070)
Net interest income and commissions, after provision		11,263,632	6,919,982
Brokerage service and structuring	22	11,758,829	10,797,879
Income realized in trading securities	9	1,136,337	201,222
Unrealized loss in trading securities	9	(803,483)	(6,040)
Realized gain in securities available for sale	10	507,063	1,179,417
Other incomes		613,567	350,467
Income from operations, net		24,475,945	19,442,927
Operating expenses:			
Salaries and fringe benefits	7	8,352,746	6,420,910
Fees and professional services		1,112,328	661,725
Depreciation	13	1,643,137	358,929
Amortization of intangible assets	14	564,516	519,941
Insurances		50,636	45,342
Taxes		692,216	509,193
Maintenance		147,775	98,745
Rentals		1,302,812	1,038,008
Others		1,883,075	2,636,965
Total operating expenses		15,749,241	12,289,758
Profit before income tax		8,726,704	7,153,169
Income tax:			
Current	25	(1,347,710)	(825,119)
Deferred	25	313,506	9,343
Total income tax, net		(1,034,204)	(815,776)
Net income		7,692,500	6,337,393

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

Prival Bank, S.A. and Subsidiaries
(100% subsidiary of Grupo Prival, S.A.)

Consolidated statement of comprehensive income
for the year ended June 30, 2015
(In balboas)

	Note	2015	2014
Net income		7,692,500	6,337,393
Other integrals incomes (expenses):			
Items that may be subsequently reclassified to consolidated statement of profit or loss			
Net income realized in securities available for sale transferred to income	10	(507,063)	(1,179,417)
Net (income) loss unrealized		(407,542)	1,647,286
Net changes in (gain) loss unrealized in securities available for sale	10	(914,605)	467,869
Total of comprehensive income		6,777,895	6,805,262

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

Prival Bank, S.A. and Subsidiaries
(100% subsidiary of Grupo Prival, S.A.)

Consolidated statement of changes in equity
for the year ended June 30, 2015
(In balboas)

	Notes	Common shares	Additional paid-in capital	Regulatory reserve	Net changes in securities available for sale	Retained earnings	Total
Balance at June 30, 2013		25,000,000	-	1,421,769	231,469	6,245,050	32,898,288
Profit of year		-	-	-	-	6,337,393	6,337,393
Others integrals incomes (expenses):							
Net changes in securities	10	-	-	-	467,869	-	467,869
Total integrals incomes (expenses)		-	-	-	467,869	6,337,393	6,805,262
Oher equity transactions:							
Regulatory reserve	26	-	-	295,708	-	(295,708)	-
Transactions attributable to shareholders:							
Complementary tax		-	-	-	-	(120,136)	(120,136)
Balance at June 30, 2014		25,000,000	-	1,717,477	699,338	12,166,599	39,583,414
Profit of year		-	-	-	-	7,692,500	7,692,500
Others integrals incomes (expenses):							
Net changes in securities	10	-	-	-	(914,605)	-	(914,605)
Total integrals incomes (expenses)		-	-	-	(914,605)	7,692,500	6,777,895
Oher equity transactions:							
Additional paid in capital	21	-	30,000,000	-	-		30,000,000
Regulatory reserve	26	-	-	4,153,687	-	(4,153,687)	-
Transactions attributable to shareholders:							
Complementary tax		-	-	-	-	(126,896)	(126,896)
Declared dividends	21	-	-	-	-	(1,430,000)	(1,430,000)
Balance at June 30, 2015		25,000,000	30,000,000	5,871,164	(215,267)	14,148,516	74,804,413

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

Prival Bank, S.A. and Subsidiaries

(100% subsidiary of Grupo Prival, S.A.)

Consolidated statement of cash flows

for the year ended June 30, 2015

(In balboas)

	Notes	2015	2014
Cash flows from operating activities:			
Net income		7,692,500	6,337,393
Provision for possible loan losses	11	288,388	43,070
Adjustments from changes in fair value			
of other assets held for sale	17	648,990	-
Depreciation	13	1,643,137	358,929
Amortization of intangible assets	14	564,516	519,941
Current income tax	25	1,347,710	825,119
Deferred income tax	25	(313,506)	(9,343)
Realized income in trading securities	9	(1,136,337)	(201,222)
Unrealized loss in trading securities	9	803,483	6,040
Net realized income in securities available for sale	10	(507,063)	(1,179,417)
Income expenses		(21,731,533)	(16,636,511)
Interest expenses		9,842,189	8,966,271
Net changes in operating assets and liabilities:			
Decrease (increase) in trade securities		35,054,162	(1,989,753)
(Increase) decrease in loans		(55,442,197)	4,830,208
Decrease in discounted interests and unearned fee commission		(30,750)	(29,852)
Increase in other assets		(5,542,331)	(617,984)
Increase in demand deposits		38,589,707	6,845,599
Decrease in savings deposits		(4,554,159)	(11,479,619)
Increase in time deposits		22,278,897	29,871,115
(Decrease) increase in other liabilities		(4,762,082)	3,578,038
Income tax paid		(825,119)	(988,529)
Interest received		21,540,524	16,906,070
Interest paid		(9,797,409)	(8,948,406)
Net cash provided by operating activities		35,651,717	37,007,157
Cash flow from investing activities:			
Net cash received on acquisition of subsidiary	15	5,283,479	-
Increase in demand and restricted time deposits	8	(29,654,620)	-
Purchase of securities available for sale	10	(70,383,754)	(86,901,471)
Proceeds from sale of securtiies available for sale	10	58,617,009	34,426,178
Goodwill		(49,491)	-
Investments in associates		-	(325,000)
Other assets held for sale	17	785,951	(3,876,350)
Acquisition of intangible assets	14	(590,193)	(464,353)
Acquisition of properties and equipments, net	13	(3,779,220)	(383,381)
Net cash used in investing activities		(39,770,839)	(57,524,377)
Cash flow from financing activities:			
Borrowed funds		(1,125,795)	-
Bonds payable		5,823,447	-
Additional paid in capital	21	30,000,000	-
Dividends paid	21	(357,500)	-
Complementary tax		(126,896)	(120,136)
Net cash provided by (used in) financial activities		34,213,256	(120,136)
Increase (decrease) in cash and cash equivalents, net		30,094,134	(20,637,356)
Cash and cash equivalents at beginning of year	8	67,327,503	87,964,859
Cash and cash equivalents at end of year	8	97,421,637	67,327,503
Non monetary transactions in cash flows activities:			
Payable dividends		1,072,500	-

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

1. General information

Prival Bank, S.A. (the "Bank") before Keen Holding, Inc. was incorporated by Public Deed No.18876 of January 20, 2008 in accordance with the laws of the Republic of Panama and started operations on April 2009. Keen Holding, S.A. changed its name to Banco Prival, S.A. (in Spanish) - Prival Bank, S.A. (in English), by Public Deed No.1082 of January 21, 2010.

General License is granted to Prival Bank, S.A. to operate banking business in the Republic of Panama and transactions are executed, or having effect abroad, and perform such other activities authorized, by Resolution No.048-2010 of February 25, 2010, issued by the Superintendency of Banks of Panama. The Bank started operations on March 24, 2010 and is a 100% subsidiary owned by Grupo Prival, S.A., entity incorporated on April 8, 2009 in accordance with Republic of Panama laws.

The Bank's main office is located at 50 and 71 Street, San Francisco, Panama City.

The Bank owns 100% of the issued and outstanding shares of the following subsidiaries:

- Prival Securities, Inc., Panamanian company, which started operations in September 2010, which is licensed to operate as a brokerage house issued by the Superintendence of Panama Securities Exchange in accordance to Decree Law No.1 of July 8, 1999, modified by Decree Law No.67 of September 1, 2011. Additionally, the operations of the brokerage houses are regulated by the Agreement 4-2011 of June 27, 2011 modified by the Agreement 8-2013 of September 18, 2013 which indicates that they are required to comply with capital adequacy, solvency and liquidity ratios, capital funds and concentration of credit risk rules established the Superintendence of Panama Securities Exchange.

- Prival Leasing, Inc., a Panamanian company, is dedicated to the leasing operations.

- Prival Trust, S.A., Panamanian company which started operations in April 2011, is licensed to operate as fiduciary issued by the Superintendency of Banks of Panama, according to Resolution FID-001-2011 of February 18, 2011.

- Grupo Prival Costa Rica, S. A., (the Subsidiary) company incorporated on January 31, 2011 by Public Deed 159, folio 86, volume 26. In October 2014, Grupo Prival Costa Rica, S. A. signed a purchase sale agreement for the acquisition of all the shares issued and outstanding of Banco de Soluciones (Bansol) de Costa Rica, S. A., a company incorporated on November 1st., 2010 under the Costa Rican banking system as a private banking entity. Regulated by the Organic Law of the National Banking System, the Organic Law of the Costa Rica Central Bank and the prudential rules and regulations established by the National Council of Supervision of Financial System, the Central Bank of Costa Rica and by the General Superintendence of Financial Entities (SUGEF).

  Bansol offices are located at San Pedro Montes de Oca, broadside north of San Pedro Mall.

In the Republic of Panama, banks are regulated by the Superintendency of Banks of Panama, as Executive Decree No.52 of April 30, 2008, adopting its sole text from Decree Law 9 of February 26, 1998, amended by Decree Law 2 of February 22, 2008, as well as by Resolutions and Agreements issued by this entity. The major features of this law are the following: authorization of bank licenses, minimum requirements of capital and liquidity, consolidated supervision, procedures for management of credit and market risks, prevention of money laundering and procedures of bank intervention and liquidation, among others. Also, the banks will be subject, at least, to an inspection every two (2) years performed by the auditors of the Superintendency of Banks of Panama, to determine the fulfillment of the dispositions of Executive Decree No.52 of April 30, 2008, and Law No.42 of October 2, 2000, the latest related to the prevention of money laundering.

2. Application of International Financial Reporting Standards (IFRS)

2.1 Amendments to IFRS's and the new Interpretations that are mandatorily effective for the current year

The following new and revised, standards and interpretations, have been adopted in the current period and the impact of the adoption has no impact on the reported results or financial position of the Bank.

Annual Improvements 2010-2012:

IFRS 3 - Business combinations

The amendments clarify that an obligation to pay a contingent consideration that meet the definition of financial instrument should be classified as financial liability or equity in accordance to the definition of IFRS 32. Besides, has been modified to clarify that the financial and non-financial contingent consideration should be measured at fair value at each reporting date.

IFRS 13 - Fair value

The amendments to the basis for conclusions clarify that the short-term receivables and payables with no stated interest rate should be measured at their invoice amounts without discounting, if the effect of discounting is immaterial.

IAS 16 - Property, plant and equipment

Both standards have been modified to clarify the treatment of gross carrying amount and the accumulated depreciation when an entity uses the revaluation model.

IAS 24 - Related party disclosures

The standard has been amended to include, as a related party, an entity that provides key management personnel services to the reporting entity.

Annual Improvements 2011 - 2013:

IFRS 3 - Business combinations

The amendments modified the paragraph 2 (a) to clarify that IFRS 3 does not apply to the accounting for the formation of all types of joint arrangements in the financial statements of the joint arrangement itself.

IFRS 13 - Fair value

The amendments clarify that the scope of the portfolio exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis includes all contracts that are within the scope of, and accounted for in accordance with, IAS 39 or IFRS 9, even if those contracts do not meet the definitions of financial assets or financial liabilities within IAS 32.

2.2 New and revised IFRS's that are not mandatorily effective as of this date

The Bank has not applied the following IFRS new and revised that have been issued but are not mandatorily effective:

- IFRS 9 - Financial Instruments
- IFRS 15 - Revenue from Contracts with Customers
- Amendments to: IFRS 11 - Accounting for Acquisitions of Interests in Joint Operations
- IAS 16 and IAS 38 - Clarification of Acceptable Methods of Depreciation and Amortization
- IAS 16 - Defined Benefit Plans
- IAS 19 - Employee Contributions

IFRS 9 - Financial instruments

IFRS 9 Financial Instruments revised version of 2014 and effective is for the annual periods beginning on or after 1 January 2018:

- Phase 1: Classification and measurement of financial assets and financial liabilities;
- Phase 2: Impairment methodology; and
- Phase 3: Hedge accounting.

In July 2014, the IASB finalised the reform of financial instruments accounting and issued IFRS 9 - which will supersede IAS 39 - Financial Instruments: Recognition and Measurement in its entirety upon the former's effective date.

Includes limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' (FVTOCI) measurement category for certain simple debt instruments. It also adds the impairment requirements relating to the accounting for an entity's expected credit losses on its financial assets and commitments to extend credit.

The completed IFRS 9 contains the requirements for a) the classification and measurement of financial assets and financial liabilities, b) impairment methodology and c) general hedge accounting.

Phase 1: Classification and measurement of financial assets and financial liabilities

With respect to the classification and measurement under IFRS 9, all recognised financial assets that are currently within the scope of IAS 39 will be subsequently measured at either amortised cost or fair value. 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 fair value through profit or loss (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 of the financial asset 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 (FVTOCI), unless the asset is designated at (FVTPL) under the fair value option.

- All other debt instruments must be measured at (FVTPL).

- All equity investments are to be measured in the statement 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 recognised. 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 non-financial 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. More disclosure requirements about an entity's risk management activities have been introduced.

Transitional provisions

IFRS 9 is effective for annual periods beginning on or after 1 January 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.

IFRS 11 - Joint ventures

IFRS 11 replaced IAS 31 - Interests in Joint Ventures. Under IFRS 11, joint arrangements are classified as either joint operations or joint ventures, according to the rights and obligations of the parties to the agreements.

IFRS 14 - Regulatory deferral accounts

Permits eligible first-time adopters of IFRSs to continue their previous GAAP rate-regulated accounting policies, with limited changes.

IFRS 15 - Revenue from contracts with customers

The standard establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. It will supersede the revenue Standards and Interpretations upon its effective date. The fundamental principle of the model is to recognise 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 standard provides a simple, five-step model based on principles to be applied to all contracts with customers. The effective date is for annual periods beginning on or after January 1, 2017.

Amendments to IAS 16 and IAS 38 - Clarification of acceptable methods of depreciation and amortization

The amendments to IAS 16 prohibit entities from using a revenue-based depreciation method for items of property, plant and equipment. The amendments to IAS 38 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.

The amendments apply prospectively for annual periods beginning on or after 1 January 2016.

IAS 19 - Employee benefits

The amendments require the recognition of changes in defined benefit obligations and the fair value of the assets of the plan when they occur. Actuarial gains and losses are immediately recognized in other comprehensive income to net assets or pension liabilities recognized in the consolidated statement of financial position, reflect the total value of the surplus or deficit of the plan.

Management is in the process of assessing the possible impact of these amendments on the financial statements of the Bank.

2.3 New Rules of the Superintendency of Banks of Panama

New regulatory rules will soon enter into force

Rule No.1-2015

Rule No.1-2015 of February 3, 2015, whereby Rules for Capital Adequacy applicable to banks and banking groups and the minimum consolidated equity requirement are established. The purpose is to update the regulatory framework for capital requirements following international standards. This Rule shall become effective on 1 January 2016. However, compliance with the minimum capital adequacy index will be subject to the calendar below, taking 1 January of each year as the compliance date.

Type of Capital	**2016**	**2017**	**2018**	**2019**
Common Tier 1 capital	3.75%	4%	4.25%	4.5%
Tier 1 capital	5.25%	5.5%	5.75%	6%
Tier 2 capital	8%	8%	8%	8%

The Administration is in the process of assessing the possible impact of this new Rule on the Bank consolidated financial statements.

3. Significant accounting policies

3.1 Basis de preparation

The consolidated financial statements have been prepared under the historical cost basis except for the investments available for sale, which are stated at fair value.

The Bank's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements.

3.2 Principle of consolidation

The consolidated financial statements include the assets, liabilities, shareholder's equity and results of operations of Prival Bank, S.A. and the companies controlled by the Bank and its subsidiaries: Prival Securities, Inc., Prival Leasing, Inc. y Prival Trust, S.A. and Grupo Prival Costa Rica, S. A. Control is achieved when the Bank:

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

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

When the Bank has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Bank considers all relevant facts and circumstances in assessing whether or not the Bank voting rights in an investee are sufficient to give it power, including:

- The size of the Bank's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- Potential voting rights held by the Bank, other vote holders or other parties;
- Rights arising from other contractual arrangements; and
- Any additional facts and circumstances that indicate that the Bank has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

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

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Bank's accounting policies.

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

Changes in the Bank's ownership interests in existing subsidiaries

Changes in the Bank's ownership interests in subsidiaries that do not result in the Bank losing control over the subsidiaries are accounted for as equity transactions.

When the Bank loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Bank had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

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

3.3 Functional and presentation currency

Records are carried in Balboas (B/.) and the consolidated financial statements are expressed in this currency. The Balboa, the monetary unit of the Republic of Panama, is at par and freely exchangeable with the United States dollar (US$).

The balboa, monetary unit of the Republic of Panama, is at par and freely exchangeable with the United States dollar of America. The Republic of Panama does not issue paper money and instead uses the US dollar as legal tender.

3.4 Foreign currencies transactions

Monetary assets and liabilities denominated in foreign currency at the reporting date are retranslated to the functional currency at the spot exchange rate at that date except for those transactions whose exchange rate were contractually set. Transactions in foreign currencies are translated into the respective functional currency of the Bank at the spot exchange rates at the date of transactions. Non monetary assets and liabilities that are measured at fair value in a foreign currency are translated to the functional currency at the spot exchange rate at the date that the fair value was determined.

Foreign currency differences arising on retranslation are generally recognized in profit or loss except for the differences arising from the reconversion on available for sale securities, a financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective and qualifying cash flow hedges to the extent that the hedge is effective.

3.5 Investments in associates

For associates in whom the Bank has significant influence but no control of its financial and operating policies recorded using participation method.

On acquisition are recorded at cost that includes the transaction costs and adjusted thereafter to recognize the Group's share of the profit or loss of the associate accounted under the equity method in the consolidated statement of profit or loss until the date when the investment ceases to be an associate because there is no significant influence.

3.6 Financial assets

Financial assets are classified into the following specific categories: securities available for sale, loans and securities held to maturity. The classification depends on the nature and purpose of the financial asset and is determined at initial recognition. At June 30, the financial assets are as follows:

Trading securities

Trading securities are those investments acquired for the purpose of generating a profit in the short-term market price fluctuations. These securities are stated at fair value and changes in value are recognized in the consolidated financial statements in the period in which they arise.

Securities available for sale

They consist of securities acquired with the intention of holding them for an indefinite period, which can be sold in response to needs for liquidity or changes in interest rates, or prices of equity instruments.

After initial recognition, investments available for sale are measured at fair value. For those cases which are not reliable estimates of fair value, investments are held at cost or amortized cost.

Gains or losses arising from changes in the fair value of financial assets available for sale are recognized directly in equity, until they are discharged from financial assets or an impairment is determined. At this time, the cumulative gain or loss, previously recognized in equity, is recognized in results of operations, with the exception of impairment losses, interest calculated using the effective interest rate method and gains or losses from changes in foreign currency are recognized directly in operating results.

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

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

Loans

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

Loans are recognized at amortized cost using the effective interest rate method less any impairment, with revenue recognized on a basis of actual rate.

Restructured loans consist of financial assets whose original term conditions, interest, monthly or guarantees have been amended due to the debtor's payment difficulties.

Finance leases

Finance leases consist primarily of leasing of equipment and transportation equipment, which are recorded as part of the loan portfolio at the present value of the lease. The difference between the gross receivable and the present value of the receivable is recognized as unearned interest income, where income is amortized to operations using a method that reflected a periodic rate of return.

Derecognition of financial assets

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

On derecognition of a financial asset in its entirety, the difference between the asset´s carrying amount (or the carrying amount allocated to the portion of the asset transferred), and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed and (ii) any cumulative gain or loss that had been recognized in other comprehensive income is recognized in the consolidated statement of profit or loss and other comprehensive income.

3.7 Financial liabilities and equity instruments issued by the Bank

Classification as debt or equity

Debt and equity instruments are classified as financial liabilities or equity based on its contractual agreement.

Equity instrument

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

Financial liabilities

Financial liabilities are classified as financial liabilities through changes in results and other financial liabilities.

Other financial liabilities

Including debts, are initially measured at fair value, net of transaction costs and are subsequently measured at amortized cost using the effective interest method with interest expenses recognized on the effective rate base.

Derecognition of financial liabilities

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

3.8 Offsetting of financial instruments

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

3.9 Income and interests expenses

Interest income and expense are recognized in the consolidated statement of profit or loss for all financial instruments that generate interest using the effective interest method.

The method of effective interest rate is the method used to calculate the amortized cost of an asset or financial liability and to distribute the income or interest expense over a period of time. The effective interest rate is the rate that exactly discounts the estimated cash flows over the expected life of a financial instrument or, when appropriate in a shorter period, to its net carrying amount. When calculating the effective interest rate, cash flows are estimated considering the contractual terms of the financial instrument, but future losses due to credit are not considered.

3.10 Commission income

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

Moreover, income from brokerage and structuring of debt issuance correspond to the fees charged for the purchase and sale of securities to customers and debt structuring. These revenues are recognized in the results of the bank on the (settlement date) of the transaction.

3.11 Impairment of financial assets

<u>*Loans*</u>

The Bank assesses at each date of the statement of financial position when there is objective evidence that a financial asset or group of financial assets are impaired.

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

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

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

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

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

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

Securities available for sale

At the date of the consolidated statement of financial position, the Bank assesses whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity instruments classified as available for sale, a significant or prolonged decline in fair value of the financial asset that is below its cost is considered in determining whether the financial asset is impaired. If such evidence exists for financial assets available for sale, the accumulated loss measured as the difference between acquisition cost and current fair value, less any impairment loss in the previously recognized financial assets, in profit or loss, is removed from equity and recognized in the consolidated statement of profit or loss.

Impairment losses recognized in the consolidated statement of profit or loss on equity instruments are not reversed through the consolidated statement of profit or loss. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and this increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, the impairment loss is recognized through the consolidated statement of profit or loss.

3.12 Furniture, equipment and improvements

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

Depreciation and amortization are charged to income and are calculated using the straight-line method based on estimated useful life of assets:

Furniture and office equipment	5 - 10 years
Computer equipment	3 - 10 years
Transportation equipment	3 - 5 years
Improvements	7 - 10 years

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

An item of property, furniture, equipment and improvements are written off to their eventual disposal or when no future economic benefits are expected to arise from the continuing use of the asset. Any gain or loss arising on the disposal or discard of an item of property, furniture, equipment and improvements are determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in the consolidated statement of profit or loss.

3.13 Financial lease receivable

Financial lease receivables mainly consist of rolling stock, machinery and equipment leasing, whose contracts have a maturity period of thirty-six (36) to sixty (60) months.

Leases receivable are recorded under financial method, which are classified as part of the loan portfolio, at present value of the contract.

3.14 Goodwill

At acquisition date, goodwill is calculated as the excess of acquisition cost over the fair value of identified net assets. Goodwill is not amortized. Instead, it is reviewed annually to determine whether there are indicators of impairment in carrying value. If such indicators exist, the difference between the carrying value and the recoverable amount of goodwill is recognized in profit or loss of the period. Goodwill is presented at cost less accumulated impairment losses, if any. Goodwill is allocated to cash generating units for the purpose of assessing impairment.

3.15 Intangible assets

Software licenses or software are stated at amortized cost. Amortization is calculated on the cost of the license based on the straight-line method over the estimated useful life of three years.

3.16 Assets held for sale

Assets held for sale are recorded in accordance to IFRS 5 “Non-current assets held for sale and discontinued operations” and they are classified as such is the carrying amount will be mainly recovered through a sales transaction and not by continued use.

Assets held for sale are stated at the lower of carrying amount and fair value less cost to sell.

3.17 Impairment of non-financial assets

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

The recoverable amount is the higher of fair value less sale costs and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate before tax that reflects current market assessments with respect to the time value of money and the specific risks of the asset to which estimated future cash flows have not been adjusted.

If it is estimated that the recoverable amount of an asset (or cash-generating unit) is less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. Immediately an impairment loss is recognized as expense.

When an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but in such a way that the increased carrying amount does not exceed the carrying amount that would have been determined if no impairment loss would not have been recognized for the asset (cash-generating unit) in prior years. Immediately a reversal of an impairment loss is recognized as income.

At June 30, 2015, Management has not identified any impairment of non-financial assets.

3.18 Employee benefits

Panamanian legislation:

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

Costa Rica legislation:

Costa Rican law requires payment of a severance fund for employees in cases of unjustified dismissal, retirement or death. The legislation provides for the payment of 7 days for employees with 3 or 6 months of employment, 143 days for those with more than 6 months and less than a year and finally for those with more than a year a maximum of 8 years in accordance with a rate established by the Worker Protection Act.

In accordance with Worker Protection Act, during the time that the employment relationship is maintained all employers have to contribute the fund based o 3% of monthly salaries paid to the Supplementary Pension Scheme. This fund will be collected by the Costa Rican Social Security Fund and transferred to entities authorized by the employee. Besides, 3% of wages paid is transferred to the Employees Solidarity Association, which is recorded as an expense when incurred. Both contributions are considered as advances to the unemployment fund.

3.19 Income tax

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

Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. 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 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 would follow from the manner in which the Bank expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Complementary tax

The complementary tax corresponding to a portion of tax on dividends prepaid in advance on behalf of the shareholders, which is deducted when dividends are paid to shareholders.

3.20 Trust operations

Assets held in trust or in trust function are not considered part of the Bank, and accordingly, such assets and related income are not included in the accompanying consolidated financial statements. The commission income generated from management trusts activities are recorded under the accrual method, in the consolidated statement of profit or loss.

3.21 Cash equivalents

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

3.22 Fair value measurement and valuation process

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal, or in its absence, the most advantageous market to which the Bank has access at that date. The fair value of a liability reflects its non-performance risk.

To estimate the fair value of an asset or liability, the Bank uses observable data when they are available. Periodically, the Management informs to the Board of Director the reasons of the significant in the fair value of the assets and liabilities variations, to report on the valuation techniques and inputs used in the fair value of assets and liabilities. (See Note 5).

The Bank discloses transfers between fair value hierarchy level at the end of the period during which the change occurred.

3.23 Legal reserve

The banks in Costa Rica Republic, according to Article 154 of the Organic Law of the National Banking System, must allocate 10% of net profits for the year for the constitution of a special reserve.

4. Financial risk management

4.1 Objectives of financial risks management

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

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

- Credit Risk
- Liquidity Risk
- Market Risk
- Operational Risk

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

- Audit Committee, under the direction of the Board of Directors
- Assets and Liabilities Committee (ALCO)
- Risk Committee
- Credit Committee
- Technology Committee

Additionally, the Bank are subject to the regulations of the Superintendency of Banks of Panama and the Superintendency of Securities Exchange of Panama, in relation to risks, liquidity and capitalization risk concentration, among others. The Superintendency of Banks of Panama, regulates Prival Bank, S.A. operations.

Bansol is subject to the supervision of the National Council of Supervision of the Financial System (CONASSIF) and the General Superintendency of Financial Institutions (SUGEF), who issue regulations on comprehensive risk administration and structure of capital among other regulations.

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

4.2 Credit risk

Is the risk of a financial loss for the Bank, that may take place if a client or a counterparty of a financial instrument fail to meet their contractual obligations arising mainly on loans to customers and investment in securities.

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

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

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

Formulation of Credit Policies:

Credit policies are issued or revised as recommended by any member of the Credit Committee or by the Managers of the Credit portfolios, as well as control areas, who must suggest in writing, considering the following factors:

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

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

Establishment of Authorization Limits:

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

Exposure Limits:

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

Concentration Limits

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

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

Maximum Limits by Counterparty:

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

Impairment and Provisioning Policies:

The internal and external systems are centralized classification more in projecting credit quality since the beginning of the loan and investment activities. By contrast, impairment provisions are recognized for financial reporting purposes only for losses that have been incurred at the date of the consolidated statement of financial position with objective evidence of impairment. Due to the different methodologies applied, the amount of credit losses provided for in the consolidated financial statements are usually lower than the amount determined from the expected loss model that is used for internal operational management and banking regulation purposes.

The table below details the loan portfolio of the Bank that is exposed to credit risk and its evaluation:

2015 Clasification	Condition	Individually assessed for impairment	Assessed for collective impairment	Total loans
Normal	Low risk	981,292	372,743,731	373,725,023
Special mention	Special mention	5,979,095	19,763,660	25,742,755
Subnormal	Impairment	3,835,200	3,773,043	7,608,243
Doubtful	Impairment	2,980,560	633,588	3,614,148
Unrecoverable	Impairment	564,333	-	564,333
Total		14,340,480	396,914,022	411,254,502
Less:				
Provision for impairment		(4,109,534)	(226,890)	(4,336,424)
Unearned discounted commissions		-	-	(1,610,015)
Net book value		10,230,946	396,687,132	405,308,063

2014 Clasification	Condition	Individual assessed for impairment	Assessed for collective impairment	Total loans
Normal	Low risk	-	202,234,668	202,234,668
Special mention	Special mention	-	-	-
Subnormal	Impairment	-	-	-
Doubtfull	Impairment	24,067	-	24,067
Unrecoverable	Impairment	892	-	892
Total		24,959	202,234,668	202,259,627
Less:				
Provision for impairment		(12,925)	(87,145)	(100,070)
Unearned discounted commissions		-	-	(78,862)
Net book value		12,034	202,147,523	202,080,695

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

- *Impaired loans* - Loan impairment is determined by considering the amount of principal and interest, based on contractual terms.

- *Write-off policy* - Loans are charged to losses when they are determined uncollectible. This determination is taken after considering into account factors as: payment capacity of the debtor; insufficiency of guarantee or when all resources to recover the credit have been realized.

The following schedule shows an analysis of the gross and net amount of allowances for impairment of the individual loans due to risk assessment:

2015	Loans			
	Gross amount	Individual reserve	Collective reserve	Gross, net
Normal	373,725,023	(132,105)	(226,890)	373,366,028
Special mention	25,742,755	(1,915,865)	-	23,826,890
Subnormal	7,608,243	(1,147,607)	-	6,460,636
Doubtfull	3,614,148	(504,331)	-	3,109,817
Unrecoverable	564,333	(409,626)	-	154,707
	411,254,502	(4,109,534)	(226,890)	406,918,078
Less:				
Unearned interest and discounted commissions				(1,610,015)
Total				405,308,063

2014	Loans			
	Gross amount	Individual reserve	Collective reserve	Gross, net
Normal	202,234,668	(87,145)	-	202,147,523
Doubtfull	24,067	(12,033)	-	12,034
Unrecoverable	892	(892)	-	-
	202,259,627	(100,070)	-	202,159,557
Less:				
Unearned interest and discounted commissions				(78,862)
Total				202,080,695

The Bank holds collateral on mortgages loans and other guarantees. The fair value estimate is based on the collateral value with the time credit period, basis. However, we have taken prudential reserves in response to regulatory requirements, according to the classification of credit risk, which are included within the equity section (See Note 26).

Guarantees of the loan portfolio are as follows:

	2015	**2014**
Fixed assets	9,742,287	9,266,661
Properties	236,533,684	188,784,144
Pledged deposits	65,382,615	72,308,483
Collateral guarantees	53,670,262	37,126,450
Others	281,982,289	96,360,275
	647,311,137	403,846,013

The following table shows the composition of the Banks investments that are exposed to credit risk and its corresponding evaluation in accordance with their rating:

2015	**Trading securities**	**Securities available for sale**	**Total**
Investment grade	7,204,449	72,004,150	79,208,599
Standard monitoring	-	7,036,352	7,036,352
Unrated	13,000	32,930,745	32,943,745
Total	7,217,449	111,971,247	119,188,696

2014	**Trading securities**	**Securities available for sale**	**Total**
Investment grade	5,446,595	43,158,715	48,605,310
Unrated	6,059,504	45,172,522	51,232,026
Total	11,506,099	88,331,237	99,837,336

In the above table, are the detailed factors of major risk exposure of the investments portfolio.

To manage the credit risk exposures of the investments portfolio, the Bank uses the assessment of the external risk ratings agency, as detailed as follows:

Grade description	*External qualification*
Investment grade	AAA, AA+, AA-, A+, A-, BBB+, BBB, BBB-
Standard monitoring	BB+, BB, BB-, B+, B, B-
Special monitoring	CCC to C
Unrated	-

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

	2015		2014	
	Loans	**Investments**	**Loans**	**Investments**
Concentration by sector:				
Corporate	356,279,398	-	177,698,708	-
Consumer	54,975,104	-	23,747,210	-
Others	-	-	813,709	-
Securities	-	119,188,696	-	99,837,336
	411,254,502	119,188,696	202,259,627	99,837,336
Geographical concentration:				
Panama	204,531,714	88,532,922	163,667,034	94,720,604
Latin America and Caribbean	200,839,550	30,337,053	31,746,333	4,622,181
North America	257,867	318,721	17,438	494,551
Europe, Asia and Oceania	5,625,371	-	6,828,822	-
	411,254,502	119,188,696	202,259,627	99,837,336

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

4.3 Liquidity risk

Liquidity risk is the risk that the Bank is unable to meet all its obligations. The Bank mitigates this risk by setting limits on the minimum proportion of the funds must be held in highly liquid instruments and composition limits of interbank and financing facilities.

Process Management of liquidity risk

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

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

The Asset and Liability Committee (ALCO) reviews the exposure to interest rate risk.

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

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

Liquidity risk exposure

The key measure used by the Bank for managing liquidity risk is the ratio of liquid assets to net deposits received from customers. Liquid assets are cash and cash equivalents and debt securities, for which there is an active and liquid market less any deposit received from banks, debt securities issued, other borrowings and commitments maturing within one month.

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

	2015	**2014**
At June 30 closing	**54%**	**56%**
Year average	67%	63%
Year maximum	76%	76%
Year minimum	54%	52%

The Bank is exposed to daily demands on its available cash resources from overnight deposits, current accounts, time deposits, loan payments and collateral margin requirements and cash-settled.

As required by Rule No.4-modified by Rule 8-2013 issued by the Superintendence of Panama Securities Exchange, the indexes correspondent to the subsidiary Prival Securities, S.A. are detailed as follow:

		Year minimum		Year maximum	
2015	**Closing**	**Amount**	**Date**	**Amount**	**Date**
Capital fund	12,401,802	8,459,923	02-July-14	12,470,831	24-June-15
Liquidity index	9962.5%	972.57%	04-Sept -14	13952.89%	21-Jan-15
Solvency relation	942.9%	243.09%	31-July-14	942.94%	30-June-15

2014	Closing	Year minimum Amount	Year minimum Date	Year maximum Amount	Year maximum Date
Capital fund	8,458,984	8,458,984	June 30	9,155,204	June 27
Liquidity index	3312%	184.52%	April 25	13502.54%	June 23
Solvency relation	657.6%	246.69%	June 30	291.48%	May 13

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

The following schedule summarizes financial assets and liabilities of the Bank by maturity, based on the remaining period since the date of the consolidated financial statement in respect to the contractual maturity dates:

2015	Overdue	Less than 1 year	1 to 5 years	5 to 10 years	More than 10 years	Without maturity	Total
Assets							
Cash and cash equivalents	-	128,429,257	-	-	-	-	128,429,257
Trading securities	-	2,100,815	2,629,699	2,473,935	-	13,000	7,217,449
Securities available for sale	-	15,061,630	37,075,499	44,647,500	12,469,487	2,717,131	111,971,247
Loans	4,520,610	249,788,280	103,379,370	34,390,716	19,175,526	-	411,254,502
Investment in associates	-	-	-	-	-	2,612,500	2,612,500
Total assets	4,520,610	395,379,982	143,084,568	81,512,151	31,645,013	5,342,631	661,484,955
Liabilities							
Received deposits	-	509,524,256	52,867,863	-	-	-	562,392,119
Bonds payable	-	-	25,787,973	-	-		25,787,973
Loan payable	-	11,890,503	4,838,339	24,224	-	-	16,753,066
Total liabilities	-	521,414,759	83,494,175	24,224	-	-	604,933,158
Commitments and contingencies	-	47,726,831	20,123,320	-	-	-	67,850,151
Net position	4,520,610	(173,761,608)	39,467,073	81,487,927	31,645,013	5,342,631	(11,298,354)

2014	Overdue	Less than 1 year	1 to 5 years	5 to 10 years	More than 10 years	Without maturity	Total
Activos							
Cash and cash equivalents	-	68,680,503	-	-	-	-	68,680,503
Trading secutiries	-	2,175,000	2,452,328	3,701,866	-	3,176,905	11,506,099
Securities available for sale	-	11,703,050	7,902,675	9,527,500	55,840,237	3,357,775	88,331,237
Loans	22,429	116,941,869	55,895,434	29,399,895	-	-	202,237,198
Investment in associates	-	-	-	-	-	2,612,500	2,612,500
Total assets	22,429	199,500,422	66,250,437	42,629,261	55,840,237	9,147,180	373,367,537
Liabilities							
Received deposits	-	295,175,745	45,681,457	-	-	-	340,857,202
Commitments and contingencies	-	40,029,000	10,274,811	-	-	-	50,303,811
Net position	22,429	(135,704,323)	10,294,169	42,629,261	55,840,237	9,147,180	(17,793,476)

The following table shows the undiscounted cash flows of the financial liabilities of the Bank and the commitments recognized on the base of earliest possible maturity. The expected flows of these instruments may vary significantly as a result of this analysis:

2015	Carrying value	Cash flows undiscounted	Up to 1 year	From 1 to 2 years	From 2 to 5 years	More than 5 years
Financial liabilities						
Received deposits	562,392,119	564,769,346	511,683,784	32,391,488	20,694,074	-
Bonds payable	25,787,973	26,219,512	25,909,118	254,749	55,645	-
Borrowed funds	16,753,065	17,125,356	10,754,302	2,452,446	2,037,640	1,880,968
Total financial liabilities	604,933,157	608,114,214	548,347,204	35,098,683	22,787,359	1,880,968

2014	Carrying value	Cash flows undiscounted	Up to 1 year	From 1 to 2 years	From 2 to 5 years	More than 5 years
Financial liabilities						
Received deposits	340,857,202	341,774,844	295,760,064	38,736,827	7,277,948	-

To manage the liquidity risk arising from financial liabilities, the Bank maintains liquid assets such as cash and cash equivalents and investment grade investments for which an active market exists. These assets are can be easily sold to meet liquidity requirements. Consequently, the Bank believes that it is not necessary to disclose the maturity analysis related to these assets to allow assessment of the nature and extent of liquidity risk.

The SUGEF 24-00 Agreement (Regulation to judge the economic-financial situation of the auditees) provides that the term mismatch indicator to one and three months corresponds relates to the methodology that evaluates liquidity risk of supervised entities. The term mismatch indicator is a ratio that compares the liquid assets with obligations within a specified period. The minimum required is 1.00 times. At June 30, 2015; Subsidiary complies with this ratio.

4.4 Market risk

Is the risk that the value of a financial asset is reduced by the Bank due to changes in interest rates, changes in foreign exchange rates, by movements in stock prices or the impact of other financial variables are beyond the control of the Bank.

The Bank mitigates its market risk through a policy of investment diversification and the requirement that, except by approval of the Board, substantially all of the assets and liabilities are denominated in United States dollar or Balboas.

Managing market risk:

Policies and global limits of exposure to investments established in the Investment Manual are established and approved by the Bank Board based on the recommendation of the Asset and Liability Committee, taking into consideration the same portfolio and assets they contain.

The Bank's investment policies have limits compliance with total investment portfolio, individual limits by asset type, issuer and country, for each portfolio are specified and instruments include credit risk rating of thereof.

Additionally, the Bank has established maximum limits for market risk losses of its trading portfolio arising from movements in interest rates, credit risk and fluctuations in market values of equity investments. Bansol uses the model of Value at Risk (VAR) for managing market risks of its investment portfolio. The methodology corresponds to the historical mode, where the market pricing information is used for an earlier period and the calculation reflects the market risk observed. Pursuant to the provisions of the Agreement SUGEF 3-06, the historical method is applied with the last 521 observations with a confidence level of 95% and over a period of 21 days.

Moreover, the Subsidiary calculates the indicator established by SUGEF, which measures the change in the value of assets and liabilities to changes in interest rates, specifically the basic passive rate of colones Costa Rica Central Bank national currency and Prime Rate three months in US dollars. To manage this risk, the Bank has established adjustable rate loans in order to reduce gaps in the length of the amortization of assets and liabilities. Currently, the Bank's investment policy does not provide proprietary trading in currency markets or "commodities".

Investment policy also not contemplates the use of derivatives as part of its investment strategy or for the management of financial assets and liabilities of the Bank.

Exposure to market risk:

The portfolios of trading securities and available for sale of the Bank are intended primarily to maintain an inventory of securities to meet the demand of its customers investment private banking and Prival Securities, S.A. Additionally, the Bank's investment policies provide for a limit of up to B/.15 million whose purpose is to generate profits in the short term period.

Below is a breakdown and analysis of each of the types of market risk:

- Exchange rate risk: the risk that the value of a financial instrument will fluctuate because of changes in exchange rates of foreign currencies, and other financial variables, as well as the reaction of market participants to political events and economic. For purposes of accounting standards are not from this risk financial instruments that are not monetary items, no financial instruments denominated in the functional currency.

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

The net interest margin of the Bank may vary as a result of unexpected movements in interest rates. The table below summarizes the exposure of the Bank of financial assets and liabilities subject to interest rate based on the earlier of the contractual rate repricing or maturity date.

2015	Up to 3 months	From 3 to 6 months	From 6 months to 1 year	From 1 year to 5 years	From 5 years to 10 years	More than 10 years	Without accrued interest	Total
Assets:								
Cash and due from banks	19,671,193	-	200,000	-	-	-	108,558,064	128,429,257
Securities investments	2,100,815	1,047,069	14,014,561	37,723,418	44,100,061	17,472,641	2,730,131	119,188,696
Loans	113,527,665	61,381,753	76,091,561	113,880,371	30,618,492	15,754,660	-	411,254,502
Total	135,299,673	62,428,822	90,306,122	151,603,789	74,718,553	33,227,301	111,288,195	658,872,455
Liabilities:								
Cash and due from banks	221,417,062	80,782,031	66,994,912	52,867,863	-	-	140,330,251	562,392,119
Bonds payable	-	-	25,787,973	-	-	-	-	25,787,973
Loans payable	1,748,226	3,096,218	7,046,060	4,674,193	188,368	-	-	16,753,065
Total	223,165,288	83,878,249	99,828,945	57,542,056	188,368	-	140,330,251	604,933,157
Total sensitivity to interest rate	(87,865,615)	(21,449,427)	(9,522,823)	94,061,733	74,530,185	33,227,301	(29,042,056)	53,939,298

2014	Up to 3 months	From 3 to 6 months	From 6 months to 1 year	From 1 year to 5 years	From 5 years to 10 years	More than 10 years	Without accrued interest	Total
Assets:								
Cash and due from banks	68,580,503	-	100,000	-	-	-	-	68,680,503
Securities investment	-	4,228,050	9,650,000	19,882,502	59,542,103	-	6,534,681	99,837,336
Loans	197,167,783	-	1,000,000	-	3,466,953	-	445,959	202,080,695
Total	265,748,286	4,228,050	10,750,000	19,882,502	63,009,056	-	6,980,640	370,598,534
Liabilities:								
Cash and due from banks	237,251,542	27,409,156	29,951,047	46,245,457	-	-	-	340,857,202
Total sensitivity to interest rate	28,496,744	(23,181,106)	(19,201,047)	(26,362,955)	63,009,056	-	6,980,640	29,741,332

The management of interest rate risk against the interest rate gap limit is supplemented by monitoring the sensitivity of assets and liabilities to various interest rate scenarios at the date of the consolidated statement of financial position. The scenarios that are considered on a monthly basis includes an increase and a decrease of 100 basis points above the interest rate. This analysis takes into consideration rate gaps in various time bands and are set according to the re-expression or contractual maturity date. A sensitivity analysis of the Company for increases and decreases in interest rates is as follows:

	Increase of 100 pb	Decrease of 100 pb
2015		
Investments in securities - Net impact	5,201,462	5,547,341
2014		
Investments in securities - Net impact	4,117,253	4,431,370

4.5 *Operational risk*

Is the risk of potential losses, direct or indirect, relating to Bank processing, personnel, technology and infrastructure, and external factors that are not related to credit, market and liquidity, such as those from legal and regulatory requirements and the behavior of generally accepted corporate standards.

The objective of the Bank is to manage operational risk, in order to avoid financial losses and damages to the Bank's reputation.

The Bank has established an integral Risk administration and management Policy approved by the Risk Committee, General Management and the Audit Committee of the Board of Directors. The Risk Committee measures liquidity risk, market risk, credit risk and operational risk.

The structure of operational risk management has been developed to provide a segregation of responsibilities among owners, executors, control areas and those areas responsible for ensuring compliance with policies and procedures. Business units and services of the Bank assume an active role in identifying, measuring, monitoring and controlling operational risk and are responsible for understanding and managing these risks within their daily activities.

The implementation of this risk management structure has made the Bank adopt a methodology for evaluating business processes based on risk, which consist on identifying the key areas and processes in relation to strategic objectives, identifying risks inherent to the business and laying out the cycle of the process to identify mitigating risks and controls. This is supported by technological tools to document, quantify and monitor the risks identified in the different processes through risk matrices. The internal audit department through its programs ensures compliance with the procedures and controls identified and together with the Risk Management Department monitors the severity of the risks. This methodology has as a main objective to add the maximum fair value in each of the organization's activities, reducing the possibility of failure and loss.

To establish this methodology, the Bank has allocated resources to strengthen the internal control and organizational structure allowing independence between business, risk control and registration areas. This includes a proper operating segregation in the registration, reconciliation and transaction authorization, which is documented through defined policies, processes and procedures including control and security standards.

In relation to human resources, existing policies of recruitment, evaluation and personnel retention have been strengthened, thus achieving highly qualified personnel with professional experience, which has to meet various induction processes in different positions, training plans and certification of understanding and acceptance about behavior policies and business standards established in the Code of Business Ethics.

The Bank has made a significant investment in adapting the technology platform in order to be more efficient in the different business processes and to reduce risk profiles. To this end, security policies have been strengthened and a policy for technology risk management has been established.

4.6 Capital management

The Bank manages its capital to ensure:

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

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

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

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

As set forth by the regulatory system, capital requirements are measured as follows:

- *Primary capital* - Which includes the capital paid in shares, disclosed reserves and retained earnings. Paid-in capital is represented by common stock and preferred non-cumulative shares perpetual issued and fully paid. The declared reserves are those identified as such by the Bank from earnings on its books to strengthen its financial position.

- The retained earnings are earnings not distributed of the period, and earnings not distributed in prior periods.

- *Secondary capital* - The same includes hybrid capital instruments and debt, preferred cumulative shares perpetual issued and fully paid, subordinated term debt, the general reserves for losses, the undeclared reserves and asset revaluation reserves.

To calculate the amount of capital funds for a General License Bank the following quarterly deductions should be considered, and are detailed as follow:

- Non- consolidated capital assigned to foreign branches.
- Non-consolidated paid-in capital of Bank's subsidiaries.
- Non-banking subsidiaries paid-in capital. The deduction includes recorded assets at higher paid-value, in respect of the carrying amount, of permanent investments in local or foreign entities.
- Assets related to expenses or other items that under generally accepted accounting Principles and International Accounting Standards correspond to overvaluations or unrecognized losses, and also losses incurred anytime during the fiscal period.

The Bank maintains a regulatory capital position comprised as follows:

	2015	2014
Primary capital (pilar 1)		
Common stocks	25,000,000	25,000,000
Paid in excess capital	30,000,000	-
Goodwill	(7,172,809)	(3,333,635)
Retained earnings	14,148,516	12,166,599
Regulatory provision - specific	72,916	-
Regulatory provision - dynamic	5,258,442	-
Total	67,307,065	33,832,964
Total regulatory capital	67,307,065	33,832,964
Risk weighted assets	473,929,593	189,133,924
Capital ratios		
Total of regulatory capital expressed as a percentage on risk weighted assets	14.20%	17.89%
Total pilar 1 expressed as a percentage on risk weighted assets	14.20%	17.89%

Prival Costa Rica, S. A. Group (the Subsidiary)

The banking laws in Costa Rica require Banks to maintain a minimum paid-up capital of ₡15,617,547,972 (that represents B/.22,539,766 at June 30, 2015) and an equity of at least 10% of their risk-weighted assets, including financial instruments off-balance sheet.

The regulation of base capital is analyzed in three aspects:

Primary Capital: Includes paid-in capital, declared reserves and retained earnings.

Secondary capital: It is determined y the sum of equity adjustments for property revaluation up to an amount not exceeding 75% of the account balance, adjustments to the fair value available for sale financial instruments, non-capitalized contributions, results of previous periods and current period less any deductions that correspond by law to other items.

Deductions: amount resulting from the sum of the primary capital plus the secondary should be deducted the participation in the capital of other companies and loans granted to the holding company of the same group or financial conglomerate.

Risk assets: Assets plus contingent liabilities are weighted according to the degree of risk established by regulations plus an adjustment for capital requirement for price risk.

The Banks policy is to maintain a strong capital base so as to maintain a balance between the level of shareholders' equity and return on investment. The Bank has complied with during the period and capital requirements have been no significant changes in capital management.

Restricted subsidiary assets:

At June 30, 2015, the minimum percentage of legal reserve is 15%. According to the current banking legislation, the amount must be deposited in cash in the Bank of Costa Rica (BCCR). The reserve is calculated as a percentage of funds raised from third parties which varies according to the time and manner of taking deposits used by the subsidiary.

Additionally, the subsidiary must permanently maintain a minimum balance of bank loans placed in Banco de Costa Rica and Banco Nacional de Costa Rica, which administers the Fund Credit for Development equivalent to 17% of term deposits of 30 days or less, in national and foreign currency Previously, it was administered by Banco Crédito Agricola de Cartago.

Detail of restricted assets in Subsidiary:

Restricted asset	Amount	Restriction cause
Cash deposit in Banco Central of Costa Rica	29,554,620	Minimum reserve requirement
Credit portfolio	2,376,607	Art. 59 (LOSBN) subsection i
Credit portfolio	22,732,213	Guarantee obligations with financial institutions
Financial instruments investments	105,141	Guarantee interbank market securities
Financial instruments investments	568,062	Guarantee the payment system of B.C.C.R
Leasehold, furniture and equipment	1,259,362	Bank credit guarantee
Other assets	9,475	Guarantee deposits

5. Accounting estimates and critical judgements

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

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

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

(c) *Fair value of financial instruments* - The Bank measures the fair value using hierarchy levels that reflect the meaning of data input used in the measures. In order to determine the fair value, the Bank has constituted a documented process and policies which has set the responsibilities and the segregation of duties among the different responsible areas that are involved in this process which has been approved by the Assets and Liabilities Committee, Risk Committee, and the Board of Directors.

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

- Level 1 - Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

- Level 2 - Inputs are inputs other than quoted market prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

- Level 3 - Inputs are unobservable inputs for the asset or liability.

Fair value of financial assets and financial liabilities that are measured at fair value

Some of the Banks financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used).

	Fair value					
Financial assets	**2015**	**2014**	**Fair value hierarchy**	**Valuation technique and key imputs**	**Significant unobservable input(s)**	**Relationchip of unobservable inputs to fair value**
Trading securities (see Note 8)						
Corporate bonds quoted in local organized market	724,072	882,599	Level 2	Transactions prices in a organized market, 90 days prior to June 30, 2015	N/A	N/A
Corporate bonds quoted in local organized market	551,997	2,000,000	Level 3	Discounted cash flow	The discount rate used to discount the flows comprising the bond price subject to the last date of transaction	The higher the discount, the lower the fair value
Mutual funds	2,100,815	-	Level 2	Quoted prices in active market	N/A	N/A
Governments bonds quoted in international markets	3,827,565	5,446,595	Level 1	Quoted prices in active market	N/A	N/A
Quoted shares in organized local market	13,000	3,176,905	Level 2	Transactions prices in a organized market, 90 days prior to June 30, 2015	N/A	N/A
	7,217,449	11,506,099				

Financial assets	Fair value 2015	Fair value 2014	Fair value hierarchy	Valuation technique and key inputs	Signifant unobservable input(s)	Relationchip of unobservable inputs to fair value
Securities available for sale (see Note 9)						
Corporate bonds quoted in organized local market	25,301,684	-	Level 1	Quoted prices in active market	N/A	N/A
Corporate bonds quoted in organized local market	39,427,098	50,690,165	Level 2	Transactions prices in a organized market, 90 days prior to June 30, 2015	N/A	N/A
Corporate bonds quoted in organized local market	16,289,276	17,978,191	Level 3	Discounted cash flow	The discount rate used to discount the flows comprising the bond price subject to he last date of transaction	The higher the discount, the lower the fair value
Corporate bonds quoted in organized foreign market	7,036,352	-	Level 1	Quoted prices in active market	N/A	N/A
Corporate bonds quoted in organized foreign market	21,199,707	4,622,055	Level 2	Transactions prices in a organized market, 90 days prior to June 30, 2015	N/A	N/A
Trade commercial securities	-	11,683,050	Level 2	Quoted prices in local active market	N/A	N/A
Quoted shares in a local organize market	1,230,055	2,513,049	Level 2	Transactions prices in a organized market, 90 days prior to June 30, 2015	N/A	N/A
Quoted shares in a local organize market	818,176	-	Level 3	Discounted cash flow	The discount rate used to discount the flows comprising the bond price subject to he last date of transaction	The higher the discount, the lower the fair value
Unquoted shares in local market	350,000	350,000	Level 3	Discounted cash flow	The discount rate used to discount the flows comprising the bond price subject to he last date of transaction	The higher the discount, the lower the fair value
Unquoted shares in foreign market	318,720	492,792	Level 3	Discounted cash flow	The discount rate used to discount the flows comprising the bond price subject to he last date of transaction	The higher the discount, the lower the fair value
Quoted shares in a foreign organize market	179	1,935	Level 1	Quoted prices in local active market	N/A	N/A
	111,971,247	88,331,237				

If the above unobservable inputs to the valuation model were 100bps higher/lower while all the other variables were held constant, the book value of the investment would decrease by B/.259,310 or increase by B/.266,578 (2014: decrease B/.543,772 or increase B/.569,628), respectively.

As at June 30, 2015 there were no transfers between Level 1 and 2.

Fair value of the Banks financial assets and liabilities that are not measured at fair values (but fair value disclosures are required)

Administration considers that the book values of financial assets and liabilities recognized in the consolidated financial statements at their fair values are as follows:

	2015		2014	
	Book value	**Fair value**	**Book value**	**Fair value**
Financial assets:				
Demand deposits	107,298,449	107,298,449	21,726,958	21,230,020
Time deposits	19,835,005	19,835,005	46,553,074	46,553,074
Loans	411,254,502	413,675,044	202,080,695	202,080,695
Total financial assets	538,387,956	540,808,498	270,360,727	269,863,789
Financial liabilities:				
Demand deposits	128,572,028	127,771,847	77,666,771	77,666,771
Savings deposits	121,901,805	121,605,501	123,673,138	123,673,138
Time deposits	311,918,286	316,173,012	139,517,293	140,290,160
Bonds payable	25,787,973	28,206,313	-	-
Borrowed funds	16,753,065	13,181,283	-	-
Total financial liabilities	604,933,157	606,937,956	340,857,202	341,630,069

Fair value hierarchy

2015	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets:				
Demand deposits	-	107,298,449	-	107,298,449
Time deposits	-	19,835,005	-	19,835,005
Loans	-	-	412,273,657	412,273,657
Total financial assets	-	127,133,454	412,273,657	539,407,111
Financial liabilities:				
Demand deposits	-	120,857,623	6,914,224	127,771,847
Savings deposits	-	119,453,573	2,151,928	121,605,501
Time deposits	-	243,300,058	72,872,954	316,173,012
Bonds payable	-	28,206,313	-	28,206,313
Borrowed funds	-	-	13,181,283	13,181,283
Total financial liabilites	-	511,817,567	95,120,389	606,937,956

Fair value hierarchy

2014	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets:				
Demand deposits	-	21,726,958	-	21,726,958
Time deposits	-	46,553,074	-	46,553,074
Loans	-	-	202,080,695	202,080,695
Total financial assets	-	68,280,032	202,080,695	270,360,727
Financial liabilities:				
Demand deposits	-	77,666,771	-	77,666,771
Savings deposits	-	123,673,138	-	123,673,138
Time deposits	-	140,290,160	-	140,290,160
Total financial liabilities	-	341,630,069	-	341,630,069

The fair value of financial assets in Level 2 above, approximates to fair value due to their short term nature. The fair value of loans approximates to book value due to they were granted at floating rate.

Fair value of term deposits greater than a year, is estimated based on discounted cash flow at a similar rate offered to deposits with terms and similar maturities and for terms deposits taken less than a year the fair value is equal to book value.The fair value of interbank deposits and customers are estimated using the technique of discounted cash flows using rates that are offered for deposits with similar terms and maturities. The fair value of deposits is the amount payable to the date of the consolidated financial statements.

The movement of classified financial instruments in Level 3 is as follows:

	2015	**2014**
Balance at beginning of year	20,975,983	16,289,967
Purchases and additions	1,015,022	3,000,000
Reclassifications of category	4,981,854	2,175,000
Change in fair value	(22,378)	19,225
Sales and redemptions	(8,622,312)	(508,209)
Balance at end of year	18,328,169	20,975,983

During 2015, classified as available for sale, investments were transferred from level 2 to level 3, because certain inputs used to determine fair value became unobservable.

6. Main laws and applicable regulations

6.1 Bank Law

Panama Republic regulatory aspects

In the Republic of Panama, the banks are regulated by the Superintendency of Banks of Panama, through Executive Decree No. 52 of April 30, 2008, adopting its sole text from Decree Law 9 of February 26, 1998, amended by Decree Law No.2 of February 22, 2008, as well as by Resolutions and Agreements issued by this entity. Among the principal aspects of this law are the following: authorization of bank licenses, minimum requirements of capital and liquidity, consolidated supervision, procedures for management of credit and market risks, prevention of money laundering and procedures of bank intervention and liquidation and others. Also, the banks will be subject, at least, to an inspection every two (2) years performed by the auditors of the Superintendency of Banks of Panama to determine the fulfillment of the dispositions of Executive Decree No.52 of April 30, 2008, and Law No.42 of October 2, 2000 related to the prevention of money laundering.

Compliance with Regulator

Liquidity Index

The liquidity index reported to the Regulatory Institution under the parameters of Agreement 4-2008, was 39.60% (2013: 49.13%). (See Note 4.3)

Capital Adequacy

Under the Banking Law, the general license banks are subject to maintain a shares capital paid or an assigned capital of ten million of balboas (B/.10,000,000) and capital funds that cannot be less than eight percent (8%) of the total of its weighted assets and off-balance-sheet operations that represent an irrevocable contingency. The Bank has consolidated capital funds of approximately 14.05% (2013: 4.79%) over its risk based weighted assets under the Agreement 5-2008 of the Superintendency of Banks of Panama. (See Note 4.6)

In conformity with the prudential standards issued by the Superintendency of Banks of Panama, the accounting treatment for recognition of losses on loans, investment securities and foreclosed properties in lieu of payment differs in some respects from the accounting treatment according to International Financial Reporting Standards, specifically IAS 39 and IFRS 5. The General License Banks are required to comply with the prudential standards as stipulated by the Superintendency of Banks of Panama. (See Note 26).

Costa Rica Republic regulatory aspects

In the Republic of Costa Rica, the Banks are regulated by the Superintendency of Financial Entities (SUGEF), through the Organic Law No. 7558 of November 27, 1995 of the Central Bank of Costa Rica. The main aspects of this law include the following: authorization of banking licenses, minimum capital requirements, financial and banking monetary policies, consolidated supervision, procedures for managing credit risk, money laundering prevention and intervention and liquidation banking procedures among others.

As indicated in Note 4.3, the Subsidiary must comply relating to the liquidity ratio with the Rule SUGEF 24-00 and with the minimum capital required by SUGEF. (See Note 4.6).

6.2 Securities Law

The operations of brokerage house in Panama are regulated by the Superintendence of Panama Securities Exchange in accordance with the laws established by Decree Law No.1 of July 8, 1999. The operations of brokerage business, are regulated by the Agreement 4-2011 established by the Superintendence of Panama Securities Exchange, that establishes the obligation to comply with the capital adequacy standards, solvency ratio, capital fund, liquidity index, concentration of credit risk and overheads. Additionally, as of September 18, 2013, the Superintendence of Panama Securities Exchange, issued 8-2013 Agreement, whereby certain provisions of the Agreement 4-2011 dated 27 June 2011 such as: adequate capital on relationship solvency capital funds, liquidity ratio and risk concentration that brokerage house must be comply were amended.

6.3 Trust Law

Trusts operations in Panama are regulated by the Superintendency of Banks of Panama according to Act No.1 of January 5, 1984.

The trust operations of the subsidiary in Costa Rica are ruled by the General Superitendency of Financial Entities, according to the Commercial Code of Costa Rica Chapter XII, Articles 633 thru 66.

6.4 Financial Lease Law

The operations of finance lease in Panama are regulated by the Directorate of Financial Entities of Ministry of Commerce and Industries according to Act No.7 of July 10, 1990.

7. Balances and transactions with related parties

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

	2015	2014
Operations with related companies:		
Balances with related parties:		
Assets		
Investment in associate	2,612,500	2,612,500
Loans receivable	42,227,072	30,720,002
Accrued interest receivable	117,300	131,479
Other assets	3,856,464	-
	48,813,336	33,463,981
Liabilities		
Demad deposits	8,033,572	2,055,565
Savings deposits	8,900,962	1,882,498
Time deposits	31,198,114	3,016,479
Other liabilities - dividends payable	1,072,500	-
Interest payable	365,060	3,460
	49,570,208	6,958,002
Transactions with related parties:		
Interest income	1,569,548	1,771,511
Interest expenses	273,116	120,174
Paid commissions	255,000	-
Operations with directors and key management personnel:		
Balances with related parties:		
Assets		
Loans receivable	5,391,991	4,186,408
Accrued interest receivable	13,418	3,809
	5,405,409	4,190,217
Liabilities		
Demand deposits	599,931	1,245,534
Savings deposits	117,441	179,690
Time deposits	2,773,168	441,000
Interests payable	7,857	1,041
	3,498,397	1,867,265
Transactions with related parties:		
Interest income	196,350	142,678
Interest expenses	85,132	17,231
Key managemnt employee benefits:		
Salaries and fringe benefits	1,822,874	1,037,294

Loans with related companies during the year 2015 amounted to B/.42,227,072 (2014: B/.30,720,002), at interest rates ranged from 4.375% to 10%, with various maturities until 2026.

Loans with directors and key executives during 2015 amounted to B/.5,391,991 (2014: B/.4,186,408), at interest rates ranged from 4.25% to 6%, with various maturities until 2042.

The balances of loans with related companies, directors and key executives with cash totaling guaranteed B/.28,572,579 (2014: B/.25,317,164) and the balance secured by mortgages totaling B/.8,149,100 (2014: B/.2,971,003).

8. Cash, cash equivalents and bank deposits

Cash, cash equivalents and bank deposits are as follows:

	2015	2014
Cash	1,295,803	400,471
Deposits in banks:		
Demand deposits	107,298,449	21,726,958
Time deposits with original maturities up to 90 days	19,835,005	46,553,074
Total deposits in banks	127,133,454	68,280,032
Total cash and deposits in banks	128,429,257	68,680,503
Less: restricted demand and time deposits	31,007,620	1,353,000
Total cash, cash equivalents and bank deposits	97,421,637	67,327,503

The restricted time deposits totaled to B/.1,453,000 (2014:B/.1,353,000), of which B/.200,000 are at Pershing LLC, required to manage the investment portfolio and B/.200,000 in Bac Panama Bank which guarantees lines of credit y B/.1,053,000 in Euroclear Bank, required for the custody and settlement of securities transactions.

Grupo Prival Costa Rica, S.A. the Subsidiary has restricted deposits B/.29,554,620, corresponding to the legal reserve required by the its local regulations.

Average rate on interest-bearing deposits is 0.157%, with several maturities until May 20, 2016 (2014: 0.08%).

9. Trading securities

Trading securities are comprised by the following:

	2015	2014
At fair value:		
Common shares - domestic companies	13,000	161,320
Private debt securities - domestic	1,276,069	2,882,599
Government debt securities - domestic	3,827,565	5,446,595
Mutual funds - domestic	-	3,015,585
Mutual funds - foreign	2,100,815	-
	7,217,449	11,506,099

The annual interest rate of the trading securities ranged from 3% to 6.75% (2014: 4% and 6.75%) with maturities until 2025 (2014: with maturities until 2023).

The Bank sold trading securities by B/.99,196,980 (2014: B/.65,224,382). These sales generated a profit of B/.1,136,337 (2014: B/.201,222). The unrealized loss on changes in fair value amounted B/.803,483 (2014: B/.6,040).

As shown in Note 15, there was an increase in trading securities by B/.30,432,658 as a result of the acquisition of the subsidiary, the balance at June 30, 2015 is B/.2,100,815.

10. Securities available for sale

Securities available for sale are comprised by the following types of investments:

	2015	2014
Listed securities (at fair value):		
Private debt securities - domestic companies	60,021,233	80,351,456
Private debt securities - foreign companies	13,034,625	4,622,005
Government debt securities - domestic	20,996,824	-
Government debt securities - foreign	15,201,434	-
Mutual funds - domestic	1,969,631	2,156,924
Mutual funds - foreign	318,900	492,792
Common shares - domestic companies	428,600	706,125
Common shares - foreign companies	-	1,935
	111,971,247	88,331,237

The annual interest rate accrued on securities available for sale ranged from 2.5% to 6.5% (2014: from 2.5% to 6.85%).

The movement of securities available for sale is summarized below:

	2015	**2014**
Balance at beginning of year	88,331,237	34,208,658
Acquisitions	70,383,754	86,901,471
Sales and redemptions	(58,109,946)	(33,246,761)
Acquire subsidiary balance (See Note 15)	12,280,807	-
Change in fair value, net	(914,605)	467,869
Balance at end of year	111,971,247	88,331,237

At June 30, 2015, the net gain on sale of securities available for sale is B/.507,063 (2014: B/.1,179,417).

11. Loans

Loans by type are listed below:

	2015	2014
Domestic:		
Consumer:		
Personal	13,683,420	5,059,802
Automobile	464,649	107,649
Overdrafts	-	3,886,582
Mortgages	15,101,566	13,289,326
Credit cards	892,668	773,163
Corporates:		
Services	53,403,659	40,819,425
Construction	60,520,793	42,813,495
Minning	819,560	779,684
Leasing	241,576	610,793
Industrial	2,934,287	9,320,215
Agricultural	3,600,000	4,439,632
Commercial	50,854,401	40,953,560
Financial services	2,015,135	-
Others	-	813,709
	204,531,714	163,667,035
Foreign:		
Consumer:		
Personal	8,402,003	133,750
Automobile	1,738,779	-
Credit cards	5,711,555	-
Mortgages	8,980,464	-
Corporates:		
Services	64,828,263	13,434,794
Construction	36,167,874	12,140,064
Minning	-	3,252,742
Leasing	4,148,964	-
Industrial	19,894,858	-
Agricultural	4,156,487	-
Ports and railroads	4,500,000	9,631,242
Commercial	37,486,544	-
Financial services	10,706,997	-
	206,722,788	38,592,592
	411,254,502	202,259,627
Less:		
Provision for posibles uncollected loans	(4,336,424)	(100,070)
Unearned discounted interests and commissions	(1,610,015)	(78,862)
Total loans, net	405,308,063	202,080,695

At the moment of purchase, the acquisition of the subsidiary represented a net increase in the portfolio of the external sector of B/.148,042,809 (See Note 15).

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

	2015	**2014**
Balance at beginning of year	100,070	57,000
Acquire subsidiary balance (See Note 15)	4,573,745	-
Provision charged to expenses	288,388	43,070
Loans written-off	(625,779)	-
Balance at end of year	4,336,424	100,070

The loan portfolio includes leases receivable which maturity profile is as follows:

	2015	**2014**
Minimum lease payment receivable:		
From 1 to 5 years	241,576	610,793
Balance at end of year	241,576	610,793

12. Investments in associates

At June 30, 2015, the investment in associate is summarized as follows:

Associate name	**Activity**	**Incorporation country**	**% of participation**	**June 30 2015**	**2014**
Acerta Holdings, S. A.	Insurance company	Panamá	17.50%	2,537,500	2,537,500
Prival Bond Fund, S.A.	Mutual fund	Panamá	0.01%	25,000	25,000
Prival Multi Strategy Income and Growth Fund, S.A.	Mutual fund	Panamá	0.29%	25,000	25,000
Prival Mila Fund, S. A.	Mutual fund	Panamá	0.34%	25,000	25,000
				2,612,500	2,612,500

13. Furniture, equipment and improvements

Furniture, equipment and improvements, are detailed bellow:

	Initial balance	Additions	Decreases	Acquired subsidiary	Final balance
2015					
Cost					
Land	-	-	-	592,356	592,356
Building	-	-	-	1,826,696	1,826,696
Furnitures and equipments	671,949	1,514,246	(10,399)	307,364	2,483,160
Office equipment	157,909	107,556	-	-	265,465
Communication equipment	176,443	50,565	-	-	227,008
Transportation equipment	94,838	98,000	-	202,421	395,259
Leasehold improvements	1,541,377	1,980,658	-	59,805	3,581,840
Construction in progress	10,126	9,070	(10,126)	10,428	19,498
Computer equipment	478,172	34,870	-	569,923	1,082,965
	3,130,814	3,794,965	(20,525)	3,568,993	10,474,247
Accumulated depreciation and amortization					
Building	-	19,078	-	-	19,078
Furnitures and equipments	219,682	757,298	(4,780)	-	972,200
Office equipment	112,558	30,844	-	-	143,402
Communication equipment	152,412	23,738	-	-	176,150
Transportation equipment	19,053	28,802	-	-	47,855
Leasehold improvements	476,080	623,328	-	-	1,099,408
Computer equipment	233,630	160,049	-	-	393,679
	1,213,415	1,643,137	(4,780)	-	2,851,772
Net balance	1,917,399	2,151,828	(15,745)	3,568,993	7,622,475
2014					
Cost	2,758,181	398,006	(25,373)	-	3,130,814
Accumulated depreciation and amortization	865,234	358,929	(10,748)	-	1,213,415
Net balance	1,892,947	39,077	(14,625)	-	1,917,399

14. Intangible assets

2015	Initial balance	Additions	Acquired subsidiary	Final balance
Cost:				
Programs and licensing	1,465,726	590,193	1,329,316	3,385,235
Deposits portfolio	-	-	2,790,000	2,790,000
Total	1,465,726	590,193	4,119,316	6,175,235
Acummulated amortization:				
Programs	1,176,923	564,516	-	1,741,439
Intangible assets, net	288,803	25,677	4,119,316	4,433,796
2014				
Cost:				
Programs and licensing	1,001,373	464,353	-	1,465,726
Acummulated amortization:				
Programs	656,982	519,941	-	1,176,923
Intangible assets, net	344,391	(55,588)	-	288,803

15. Goodwill

On April 21, 2015, Grupo Prival Costa Rica, S.A. (Subsidiary), acquired 13,524,423,096 shares of Banco de Soluciones, (Bansol) de Costa Rica, S.A. for an amount of B/.32,530,000 that represents 100% of the outstanding shares at that date. This acquisition generated a goodwill of B/.3,789,683.

This operations allows to Prival Bank, S.A. continue the development of corporate banking and expand its private banking operations and investment in the financial market of Costa Rica.

	2015
Cash and demand deposits in bank	37,813,479
Securities available for sale	12,280,807
Trading securities	30,432,658
Loan receivable, net	148,042,809
Intangible assets	2,790,000
Other assets	9,025,628
Clients deposits	(165,220,472)
Borrowed funds	(37,843,386)
Other liabilities	(8,581,206)
	28,740,317
Goodwill	3,789,683
Total purchase price paid in cash	32,530,000
Less:	
Cash and acquire subsidiary deposits	(37,813,479)
Net cash received in subsidiary acquisition	(5,283,479)

By agreement signed on August 12, 2010, the Subsidiary Prival Securities, Inc. acquired 100% of the shares of the brokerage firm whose net assets were B/.1,366,364. This acquisition generated a goodwill of B/.3,383,126. At June 30, 2015, the Administration has not seen indicators that goodwill impairment exists.

16. Other assets

Other assets are summarized below:

	2015	2014
Prepaid insurance	55,482	25,125
Commissions and accounts receivable	4,431,213	2,423,176
Receivable invoices	3,856,464	-
Prepaid taxes	222,354	351,926
Guarantee deposits	91,306	92,116
Project in process	115,513	77,056
Severance funds	313,889	254,706
Other prepaid expenses	973,674	532,631
Other assets	467,020	60,362
	10,526,915	3,817,098

Commissions and accounts receivable correspond mainly to services for structuring and securities brokerage.
The accounts receivable have a maturity of 90 days, accruing an annual interest rate of 6.0%.

17. Other assets held for sale

At June 30, 2015, classified as other assets held for sale of B/.3,185,016 (2014: B/.3,876,350), the Bank jointly with other financial institutions, held a fiduciary interest of 17% in the assets of an operator of a power plant.

These assets come from the execution of the guarantee of a loan and are recorded at fair value based on recent bid offer and assessment by an independent expert. The banks group continued searching for a suitable buyer for the power plant. In the meantime, has hired a professional management to manage the operation and proper maintenance of the plant in order to keep in optimal conditions for its sale. The intention of the banks is to sell the power plant as soon as possible.

During the period there were adjustments made for changes in fair value of B/.648,990 and were made sales of assets from the subsidiary acquired.

18. Borrowed funds

Borrowed funds were summarized as follows:

Entity	Amount	Average rate	Maturities
Banco Centroamericano de Integración Económica (BCIE)	5,025,511	4.52%	September 2015 and in 2021
Banco de Costa Rica	7,885,165	5.13%	2016 and 2020
Banco Nacional de Costa Rica	2,583,693	5.64%	2016
Global Bank Panamá	1,258,696	5%	2018
	16,753,065		

These financial statements correspond mainly to the acquire Subsidiary. (See Note 15)

Following the guarantees of borrowed funds:

Banco Centroamericano de Integración Económica (BCIE), credit guarantee facility are comprised by the general responsibility of Subsidiary Banco de Soluciones Bansol de Costa Rica, S.A. and an agreement of specific guarantee over its portfolio generated by its own resources, classified as A in conformity with the qualifying criteria established by the subsidiary in an amount of at least 1,2 to 1,0 in assets and 1,0 in liabilities. The overall authorized lines of credit is B/.6,050,000.

Banco de Costa Rica credit facilities is maintained with a guarantee of assignment of promissory notes portfolio classified as A and B in conformity with the qualifying criteria established by the Bank, coverage of 135% of the balances used, with a limit per customer 20% over credit direct and 10% on the credit line. The authorized direct credit is B/.2,150,000 and the line of credit for B/.6,000,000.

Banco Nacional de Costa Rica credit facility with a guarantee of assignment of mortgages, mortgage and endorsement of the trust agreement, administered by a collateral trust bonds. The amount of the authorized credit line is B/.6,000,000.

Global Bank Panamá, the authorized credit line is B/.1,825,000, guarantee by the Bank´s headquarters facilities.

At June 30, 2015, annual interest rates from these obligations ranging between 2.84% and 5.94% (2.76% and 6.00% in December 2014 and 2.72% and 5.86 % in June 2014) in US dollars.

19. Bonds payable

At June 30, 2015, bonds remain with Costa Rica Central Securities Stock Exchange in the amount of B/.25.787.973.

The balances in bonds payable relate mainly to the acquired subsidiary. (See Note 15).

The Issuance BANSOL Program of Standarized bonds corresponds to a multicurrency program in which the maximums amount to be placed in their Series could not exceed USD.70,000,000 in the aggregate.

The Series BANSOL 02003 y BANSOL 02005 bear interest at a fixed annual interest rate equivalent to 5.50%, payable quarterly, with maturing at the end of 2016.

The Serie BANSOL 02006 bears interest at a fixed annual interest rate equivalent to 5.00%, payable quarterly, with maturing at the end of 2017.

Series	Interest rate	Maturities	2015
Bansol 02003 and 02005	5.50%	2016	20,000,000
Bansol 02006	5.00%	2017	5,787,973
			25,787,973

20. Other liabilities

The details of other liabilities are summarized below:

	2015	2014
Accounts payable	1,580,354	563,495
Insurance payable	1,848	16,991
Employer contributions payable	219,137	110,229
Tax payable	842,592	242,122
Other reserves	1,640,055	699,203
Employees discounts	18,217	16,448
Dividends payable	1,072,500	-
Labor reserves	3,291,336	2,043,881
Deferred income	104,069	132,778
	8,770,108	3,825,147

21. Common shares

The capital of the Bank of B/.25,000,000 is comprised by 25,000 common shares issued and outstanding at no nominal value.

According to minutes of Board of Directors meeting held on December 11, 2014, an additional capital contribution of B/.30,000,000 was approved.

According to minutes of Board of Directors meeting held on April 7, 2015, dividends of B/.1,430,000 were declared payable in four quarterly installments. At June 30, 2015, the dividends payable amounted B/.1,072,500.

22. Revenue from brokerage and structuring fees

Revenue from brokerage and structuring fess of B/: 11,758,829 (2014: B/.10,797,879) relate mainly from operations of financial intermediation and structuring investments that offer to their customers.

23. Assets under management

The Bank provides trust management services contracts, which manages assets in accordance with customer instructions. Assets and liabilities are not recognized in the financial statements of the Bank. The Bank is not exposed to any credit risk on these assets, or guarantees any of the assets. The total managed portfolio amounted to B/.390,389,926 (2014: B/.258,737,085).

Besides, held in administration, investment portfolio at the risk of customers amounting to B/.1,821,668,194 (2014: B/.1,680,527,882). Considering the nature of these services, management believes that there is no risk to the Bank.

24. Commitments and contingencies

The Bank maintains financial instruments outside the consolidated statement of financial position with credit risks that arise in the normal course of business and which involve elements of credit and liquidity risk. Such financial instruments include commercial letters of credit, guarantees and endorsements granted and promissory notes, which are summarized as follows:

	2015	2014
Endorsement and sureties	12,645,038	913,217
Credit lines	49,837,605	33,194,153
Promissory notes	5,367,508	16,196,441
	67,850,151	50,303,811

As indicated in Note 15, product resulting from the acquisition of the subsidiary, the Bank acquired commitments and contingencies for B/.21,491,167, which at June 30 2015 showed a balance of B/.22,005,747.

Credit lines, endorsements and sureties include exposure to some credit loss in the event of default by the customer. The Banks' credit policies and procedures to approve credit commitments and financial guarantees are the same as those for granting of loans that are recorded on the consolidated statement of financial position.

Guarantees issued have fixed maturity dates, and most of them expire without being drawn upon, and therefore, they generally do not represent a significant liquidity risk.

Loan commitments represent conditional promises accepted by the Bank, once certain conditions have been met, which have an average maturity of six months and are used basically for disbursements of mortgage loans. The Bank does not anticipate losses as a result of these transactions.

25. Income tax

Panama Republic tax legislation

The income tax returns of the companies incorporated in the Republic of Panama are subject to revision by the local tax authorities for the last three years, including the year ended June 30, 2015, according to current fiscal regulations.

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

Income tax expense is detailed as follows:

	2015	2014
Current income tax	1,347,710	825,119
Deferred tax from temporary differences	(313,506)	(9,343)
Total income tax	1,034,204	815,776

The deferred tax temporary difference arises mainly from the reserve for possible loan losses. The deferred asset is recognized based on the deductible tax differences considering their past operations and projected taxable income, on which the estimates of government influence.

Based on actual and projected results, the Banks management and its subsidiaries believe that there will be sufficient taxable profits to absorb the deferred taxes detailed above.

In reference to Law No.8 of March 15, 2010 in Official Gazette No.26489-A, the general income tax rates (ISR) are amended. For financial institutions, the current rate of 30% is maintained in the years 2010 and 2011, and subsequently, reduced to 27.5% as of January 1, 2012, and to 25% as of January 1, 2014. By means of Law No. 8 of March 15, 2010 the alternate calculation method of income tax called (CAIR) is eliminated and is replaced with the presumption of Income Tax, forcing all individuals who earn income in excess of one million five hundred thousand dollars (B/.1,500,000), to determine the taxable amount of such tax, the amount greater of: (a) the net taxable income calculated by the standard method established in the Tax Code and (b) net taxable income resulting from the application of four point sixty-seven percent (4.67%) to total taxable income.

Costa Rica Republic fiscal legislation

According to Law 7092 of Income Tax and its Regulations, the Banks must file their income tax at a rate of 30%.

Current

Current income tax is the estimated tax payable on the taxable income of the year as stipulated by Regulation of Income Tax Law at the prevailing rate at the balance sheet date and any adjustment to tax payable in respect of previous years.

Deferred

The deferred income tax arises from temporary differences between the carrying value of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The temporary differences are identified as either taxable temporary differences (which result in future taxable amounts) or deductible temporary differences (which result in future deductible amounts). A deferred tax liability represents a taxable temporary difference and a deferred tax asset represents a deductible temporary difference.

At June 30, 2015, deferred income tax is detailed as follows:

	Asset	Liability	Net
Allowance for impairment of the loan portfolio	1,112,583	-	1,112,583
Estimation for foreclosed assets	4,372	-	4,372
Recognition of diferred commissions on credit portfolio and credit contingency	114,066	-	114,066
Adjustments to fixed assets at historical exchange rates	13,662	-	13,662
Deferred investment account equity	4,182	-	4,182
Assets revaluation	-	(157,041)	(157,041)
Recognition of interest on course	-	(14,540)	(14,540)
Interest recognition on credit cards	-	(12,794)	(12,794)
	1,248,865	(184,375)	1,064,490

At June 30, 2014, deferred income tax of B/.25,018, is principally related to the allowance for doubtful loans.

Movement for deferred income tax register by the Bank is as follows:

	2015	2014
Balance at beginning of year	25,018	34,361
Acquired subsidiary balance	742,370	
Included in equity	-	-
Loss / unrealized gains on valuation of investments effect	(16,404)	-
Difference in credit portfolio and contingency effect		
Reserve for loan losses	381,664	(9,343)
Reserve for foreclosed sale assets	(54,244)	-
Adjustment of fixed assets	(6,325)	-
Recognition of interests	10,628	-
Difference in credit portfolio and contingency	(18,217)	-
Balance at end of year	1,064,490	25,018

The deferred assets are recognized based on the deductible fiscal differences considering its past operations and the projected taxable income influenced by management's estimates. Based on actual and projected results, the Bank's management considers that there will be sufficient taxable income to absorb the deferred income taxes previously described.

At June 30, 2015, income tax using traditional method is presented below:

	2015	2014
Net income before income tax	8,726,704	7,153,169
Less: foreign and non taxable incomes, net	(3,702,894)	(10,199,093)
Plus: non deductible cost and expenses	482,371	6,723,348
Tax base	5,506,181	3,677,424
Less: fiscal benefit loss	(164,288)	(376,953)
Net taxable income	5,341,893	3,300,471
Current income tax	1,347,710	825,119

Effective estimated income tax average rate for the year ended June 30, 2015 is 15% (2014: 12%).

On August 29, 2012, the Law No.52 was enacted, reforming regulations on transfer pricing regime toward to regulate prices for tax purposes transactions between related parties, so that the considerations between them are similar to those which third parties.

According to those rules taxpayers carrying out transactions with related parties that have an impact on revenues, costs or deductions in determining taxable income for purposes of income tax, the tax period in which declare or the operation takes place, must prepare an annual report on the operations performed within six months following the termination of the relevant tax period (Form 930). These transactions are subject to a review in order to verify that they meet the assumptions established ruled in the Act. At the date of these consolidated financial statements, the Bank is in the process of completing this analysis; however, according to the Administration it is not expected that it has a major impact on the estimated income tax for the period.

26. Regulatory standards - Superintendency of Banks of Panama regulatory provisions on loans presented in equity

The Superintendency of Banks of Panama issued on May 28, 2013, the Agreement 04-2013 by which is set out the provisions on the management and administration of credit risk inherent in the loan portfolio and of balance operation.

Agreement 4-2013 maintains classification ranges in five (5) categories: normal, special mention, substandard, doubtful and irrecoverable and establishes the creation of two (2) types of provisions:

26.1 Specific provisions

They are defined as provisions that result from the objective and concrete evidence of impairment. They are on credit facilities in sub-standard, doubtful or unrecoverable, also for individual credit facilities and to a group of these risk categories. In case a group corresponds to circumstances indicating the existence of deterioration in credit quality, even though the identification of the impairment of individual loans within the portfolio is not yet possible.

Basis for calculation
The basis for calculation of the provision is the difference between the amount of the credit facility classified in any of the categories subject to provisions, and the present value of the guarantee that exists for mitigating the possible loss. If the difference is negative, the result is zero.

Loans categories	Weight
Mention special	20%
Subnormal	50%
Doubtful	80%
Unrecoverable	100%

Accounting treatment
In the event there is an excess of specific provision on the provision calculated according to IAS, this excess is accounted for in a regulatory reserve in equity that decreases retained earnings. The balance of the regulatory reserve will not be considered as capital funds for purposes of calculating certain ratios and any other reasonable relationship.

The table below summarizes the classification of the loan portfolio and loan loss reserves of the Bank:

Agreement 4-2013	June 2015					
	Normal	Special mention	Subnormal	Doubtful	Uncollectible	Total
Corporate loans	319,927,093	25,461,314	7,407,778	3,155,378	327,835	356,279,398
Consumer loans	53,797,930	281,441	200,465	458,770	236,498	54,975,104
Total	373,725,023	25,742,755	7,608,243	3,614,148	564,333	411,254,502
Specific reserve	421,067	1,915,865	1,147,607	504,331	409,626	4,398,496

Agreement 6-2000	June 2014					
	Normal	Special mention	Subnormal	Doubtful	Uncollectible	Total
Corporate loans	177,698,708	-	-	-	-	177,698,708
Consumer loans	23,722,251	-	-	24,067	892	23,747,210
Others	813,709	-	-	-	-	813,709
Total	202,234,668	-	-	24,067	892	202,259,627
Specific reserve	87,145	-	-	12,033	892	100,070

Agreement 4-2013 defined as default credit facility of those that present contractual amounts unpaid with a length of more than 30 and up to 90 days from the date established for the fulfillment of payments; and overdue one whose nonpayment present older than 90 days for commercial and personal and more than 90 days in mortgage loans. Operations with a single payment at maturity and overdrafts are considered past due when the age of nonpayment than 30 days.

At June 30, the classification of the loan portfolio by maturity profile of the Bank, is as follows:

	2015				2014			
	Current	Defaulter	Overdue	Total	Current	Defaulter	Overdue	Total
Corporate loans	316,403,424	36,243,642	3,632,332	356,279,398	177,698,708	-	-	177,698,708
Consumer loans	53,813,230	273,596	888,278	54,975,104	23,711,560	13,221	22,429	23,747,210
Others	-	-	-	-	813,709	-	-	813,709
Total	370,216,654	36,517,238	4,520,610	411,254,502	202,223,977	13,221	22,429	202,259,627

On the other hand, based on Article 30 of Agreement 8-2014 (amending certain articles of Agreement 4-2013), the recognition of interest in revenue is suspended when the deterioration in the financial condition of the customer, with base determined in the days late in paying principal and/or interest and the type of credit operation according to the following:

a) More than 90 days for corporate, consumer and personal home equity loans; and
b) More than 120 days for residential mortgage loans.

Total Bank's loans in the non-accrual basis amount to B/.1,850,558 (2014: B/.5,101). Total unrecognized interest income on loans is B/.32,732 (2014: B/.283).

26.2 Dynamic provisions

Established as of September 30, 2014, they are defined as provisions required to deal with possible future needs for specific provisions. They are governed by their own prudential standards for banking regulations and are established on credit facilities classified under the normal category; their frequency is quarterly taking into account the data of the last day of the quarter.

Basis of calculation
Dynamic provision is obtained by calculating the following three (3) components.

a) Component 1: The amount obtained by multiplying the Alpha coefficient (1.50%) by the balance of risk- weighted assets for loans classified under the normal category.

b) Component 2: The amount obtained by multiplying the Beta coefficient (5.00%) by the quarterly variation in risk-weighted assets classified under the normal category if positive. If the change is negative, the amount is zero.

c) Component 3: The amount of the variation in the balance of specific reserves during the quarter.

The amount of the dynamic provision to be maintained at the end of the quarter is the sum of the two components obtained in numbers 1 and 2 above less component 3. That is, if component 3 is negative, it should be added.

Restrictions

- It cannot be greater than 2.5% of risk-weighted assets related to credit facilities classified under the normal category.

- It cannot be less than 1.25% of risk-weighted assets related to credit facilities classified under the normal category.

- It cannot be less than the amount established in the previous quarter, unless the decrease is attributed to the conversion to specific provisions. The Superintendency of Banks will establish criteria for the above conversion.

At December 31, 2014, the Superintendency of Banks of Panama has considered to establish percentages of gradual, which may be considered by the Bank notwithstanding that it decides to apply the amount that corresponds to the provision dynamic.

Quarter	Applicable percentage
Quarter at December 31, 2014	1.50%
Quarter at March 31, 2015	1.75%
Quarter at June 30, 2015	2.00%
Quarter at September 30, 2015	2.25%
Quarter at December 31, 2015	2.50%

Accounting treatment
The dynamic reserve is an equity item affecting retained earnings. The credit balance of the dynamic provision is part of the regulatory capital but cannot substitute or compensate capital adequacy requirements established by the SBP. This means that the dynamic reserve decreases the amount of retained earnings of each bank until it complies with the minimum amount required. If that is insufficient, banks will have to provide additional equity to comply with Agreement 4-2013.

At June 30, 2015, the amount of dynamic provision by component is as follows:

For dynamic provision purposes of Prival Bank, S.A., Prival Securities, Inc and Prival Leasing, S. A. we proceed to detail as follows:

	2015
Component 1	
By Alpha coeficient (1.50%)	2,615,267
Component 2	
Quarterly variation by Beta coefficient (5.00%)	1,247,509
Component 3	
Quarterly positive variation for specifics reserve	(20,186)
Total dynamic provision by components	3,842,590
Total of dynamic reserve correspondent to 2.00% of risk weighted assets of normal category	3,487,024

For dynamic provision purposes of Grupo Prival Costa Rica S.A. we proceed to detail as follows:

	2015
Component 1	
By coefficient Alfa (1.50%)	1,616,254
Component 2	
Quarterly variation for coefficient Beta (5.00%)	155,164
Component 3	
Quarterly positive variation for specific reserve	-
Total dynamic reserve by components correspondent to 1.64% of risk weighted assets of normal category	1,771,418
Total dynamic provision (Note 26.3)	5,258,442

26.3 Accounting treatment of differences between prudential standards and IFRS

According to General Resolution SBP-GJD-0003-2013 of the Board of Directors, the accounting treatment is established as the differences between prudential standards and IFRSs based on the following methodology.

- The respective figures of the calculations from the implementation of IFRSs and prudential standards issued by the Superintendency of Banks of Panama will be made and compared.
- When the calculation performed in accordance with IFRSs results in a greater provision than that resulting from the use of prudential standards, IFRS figures will be accounted.
- When using prudential standards resulting in a higher provision, IFRS figures will also be recognized in profit and loss and the difference will be appropriated from retained earnings, which will move to a regulatory reserve in equity. If the Bank does not have sufficient retained earnings, this difference is presented as accumulated deficit account.
- The regulatory reserve referred to in the previous paragraph cannot be reversed against retained earnings while there are differences between IFRS and prudential standards which originated it.

At June 30, 2015, difference between NIIF specific provision and SBP prudential standards is for B/.612,722 (2014: B/.1,717,477) and is presented as regulatory reserve within the equity category.

27. Approval of consolidated financial statements

Prival Bank, S.A. and Subsidiaries consolidated financial statements for the year ended June 30, 2015 were authorized by General Management and approved for issuance by the Board of Directors on August 18, 2015.

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