Prival Bank, S.A. and Subsidiaries
(A wholly-owned subsidiary of Grupo Prival, S.A.)

Report and Consolidated Financial Statements
June 30, 2023

"This document has been prepared with the knowledge that its content will be made available to the public investor and the general public".

Independent Auditors ' Report

To the Board of Directives and Shareholders of
Prival Bank, S.A. and Subsidiaries

Report on the audit of the consolidated financial statements

Our opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Prival Bank, S.A. and Subsidiaries (the "Bank") as of June 30, 2023, as well as its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards.

What we have audited

The consolidated financial statements of the Bank comprise:
- the consolidated statement of financial position as of June 30, 2023;
- the consolidated statement of profit or loss and other comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Bases for the opinion

We have conducted our audit in accordance with International Standards on Auditing. Our responsibilities under those standards are further described in the *auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

We consider that the evidence of audit that we have obtained is enough and appropriate for provide a basis for our opinion.

Other matters

The consolidated financial statements of the Bank for the year ended June 30, 2022, were audited by another auditor who expressed an unqualified opinion on the consolidated financial statements on October 14, 2022.

Independence

We are independent of the Bank in accordance with the International Code of Ethics for Professional Accountants (including International Standards of Independence) issued by the International Ethics Standards Board for Accountants (IESBA Code) and the professional ethics code requirements for certified public accountant that are applicable to our audit of the consolidated financial statements in the Republic of Panama. We have fulfilled all other ethical responsibilities in accordance with the IESBA Code and the ethical requirements of the Republic of Panama.

Keys audit matters

The key audit matters are the ones that, in our professional judgment, were the most significant in our audit of the consolidated financial statements for the current year. These matters were addressed in the context of our audit of the consolidated financial statements taken as a whole and to form our audit opinion thereon, and we do not provide a separate opinion on these matters.

Keys audit matters

Valuation of goodwill	How our which our audit addressed the matter
As of June 30, 2023, the balance of goodwill shown in the consolidated statement of financial position amounts to B/.13,284,741 and originates from acquisitions from previous years and represents 1% of total assets. The Bank is required to perform a goodwill impairment analysis annually or more frequently if events or changes in circumstances indicate a potential impairment loss. We considered this area of emphasis in our audit because this analysis is complex and involves the use of critical and subjective judgments and assumptions that are based on future economic and market conditions, particularly projections of cash flows, profitability and growth rates. and discount. See more detail in Note 15 of the consolidated financial statements.	Our procedures included, among others, the following: • We involved Financial Instruments specialists to evaluate the model and assumptions established by the Bank. • We understood and evaluated the process followed by the Bank to calculate the impairment of goodwill. • We analyzed the projected future cash flows that were used in the models to determine whether they were reasonable, and the expected future performance of the Cash Generating Units. • We performed a sensitivity analysis on the discount rate in determining value in use compared to book value. • We validate the underlying information of the assumptions used to calculate the discount rates, including the assumptions of the Bank's strategic plan. • The determined value of the projected future flows was compared with the net book value of the Cash Generating Units. • We analyze the adequacy of disclosures, specifically related to the sensitivity of the discount rate.

Valuation of investments at fair value

As of June 30, 2023, investments measured at fair value with changes in profit or loss of the Group amounted to B/.1,306,817 and B/.221,333,498 with changes in other comprehensive income, which represents 0.1 % and 28% of total assets, respectively. Of these financial investments measured at fair value, B/.45,735,741 are classified as Level 2 fair value, measured using valuation techniques whose data are observable, and B/.63,369,034 are classified as Level 3 fair value, measured using valuation techniques with unobservable input data.

We have considered this a key audit matter due to the material balance of financial investments measured at fair value and that significant judgment and assumptions are required by Management, including the selection and determination of unobservable inputs, when valuing financial investments at Level 3.

Our procedures focused on obtaining audit evidence, as follows:

- We involved Financial Instruments specialists to evaluate investment valuation models.
- Understanding and evaluation of the process followed by Management to calculate the fair value of investments. We review the classification of investments.
- We recalculate the independent price used for the valuation of the investments.
- We analyze the adequacy of disclosures in the consolidated financial statements in relation to the valuation of investments.

We understood and evaluated management's process for valuing financial investments measured at fair value.

We evaluate the inherent risk of material error considering the risk factors inherent to the different levels of fair value, such as the degree of uncertainty of the estimate, the complexity of valuation techniques and models, the subjectivity of management's judgments and assumptions.

We evaluate the appropriateness of the Bank's valuation models and compare them with common market models, taking into account industry practice;

For the input data used for the valuation of Level 2 financial investments, we compare the data used from the valuation model with respect to observable market data;

For the unobservable input data used for the valuation of Level 3 financial investments, we obtained an understanding of management's methodology for selecting input data and evaluated such data by examining information and comparison with alternatives in the market. We also perform sensitivity analyzes on the unobservable inputs.

Responsibilities of management and those charged with governance of the Bank in relation to the consolidated financial statements

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

In preparing the consolidated financial statements, management is responsible to evaluate the Bank's capacity to continue operations as a going concern, revealing, as appropriate, issues related to business as a going concern and utilizing the basis for accounting for going concern, unless management has the intention to liquidate the Bank or cease operations, given there is no other realistic alternative.

Those responsible for the governance of the Bank are responsible for the supervision of the financial information reporting process of the Bank.

Auditor's responsibilities in relation to the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance that the consolidated financial statements are free from material misstatement, due to fraud or error, and issue an audit report with our opinion. Reasonable assurance is a high degree of assurance, but it does not guarantee that an audit conducted in accordance A reasonable assurance is a high degree of assurance, but it does not guarantee that an audit performed according to International Standards on Auditing will always detect a material error when it exists. Errors may be due to fraud or error and are considered material if, individually or aggregated, may be reasonable expected to influence users' economic decisions that are based on these consolidated financial statements.

As part of an audit in accordance with International Standards on Auditing, we apply our professional judgment, and we maintain an attitude of professional skepticism during the whole the audit. Also:

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

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

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

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

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

- We obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities that make up the Bank to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and execution of the Bank's audit. We are solely responsible for our audit opinion.

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

We also provide those charged with governance of the Bank with a statement that we have complied with applicable ethical requirements regarding independence and have disclosed all relationships and other matters that may reasonably affect our independence and, where applicable, actions taken to eliminate the threats or safeguards applied.

From the matters communicated to those charged with governance of the Bank, we determined those matters that were the most significant in the audit of the consolidated financial statements of the current year and, therefore, are the key audit matters. We describe these matters in our audit report unless public disclosure of the matter is prohibited by law or regulation, or when, in extremely rare circumstances, we determine that a matter should not be disclosed in our report because the consequences could reasonably be expected. adverse consequences of doing so would outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

In compliance with Law 280 of December 30, 2021, which regulates the profession of the authorized public accountant in the Republic of Panama, we declare the following:

- That the management, execution and supervision of this audit work has been physically carried out in Panamanian territory.

- The audit partner who has prepared this report of the independent auditors is Diana Mosquera, with suitability number of the authorized public accountant No.5160.

- The work team that has participated in the audit referred to in this report is made up of Diana Mosquera, Partner; and Héctor Luna; Manager.

PricewaterhouseCoopers

September 5, 2023
Panama, Republic de Panama

DM

Diana Mosquera
CPA 5160

Prival Bank, S.A. and subsidiaries
(A wholly-owned subsidiary of Grupo Prival, S.A.)

Index to the Financial Statements
June 30, 2023

"This version of our consolidated financial statements is a translation from the original, which was prepared in Spanish. In all matters of interpretation of information, views or opinions, the original language version of our financial statements takes precedence over this translation".

Prival Bank, S.A. and Subsidiaries

(Wholly-owned subsidiary of Grupo Prival, S.A.)

Consolidated Statement of Financial Position
June 30, 2023
(In balboas)

	Notes	2023	2022
Assets			
Cash and cash equivalents	8	94,778,741	122,870,177
Securities purchases under resale agreements	9	5,851,659	414,028
Financial assets measured at fair value through profit or loss	10	1,306,817	11,598,521
Financial assets measured at fair value through other comprehensive income	7, 10	221,333,498	234,676,017
Loans	7, 11	299,208,031	339,887,171
Investment in associates	7, 12	200,000	225,000
Property, furniture, equipment and improvements	13	61,862,901	36,265,771
Intangible assets	14	3,833,854	3,806,931
Goodwill	15	13,284,741	13,284,741
Righ of use assets	38	302,570	794,436
Deferrent income tax	39	2,249,850	2,197,708
Investment property	16	5,635,018	5,731,534
Assets held for sale	17	11,013,091	7,258,604
Reinsurers participations	26	12,254,697	12,507,032
Other assets	7, 18	52,665,257	52,598,428
Total assets		785,780,725	844,116,099
Liabilities and Equity			
Liabilities			
Deposits from customers	7, 19	533,469,687	612,999,867
Deposits from banks	20	17,758,278	10,531,499
Securities sold under repurchase agreements	21	10,327,982	-
Borrowings	22	9,930,369	-
Bonds Payables	23	21,971,055	47,067,047
Marketable Securities	24	39,031,436	14,344,230
Lease liabilities	38	352,703	840,129
Expected credit loss provision -commitments and contingencies	37	135,480	129,535
Deferred income tax	40	744,405	989,825
Insurance operatoins reserves	26	21,025,646	22,162,943
Other liabilities	7, 27	28,158,206	30,919,329
Total liabilities		682,905,247	739,984,404
Equity			
Common shares	28	25,000,000	25,000,000
Preferred shares	29	1,764,000	1,764,000
Additional paid-in capital		30,940,000	30,940,000
Regulatory reservces	42	9,642,152	10,394,118
Net changes in other comprehensive income		(7,573,782)	(9,442,970)
Impairment of financial assets measured at fair value through other comprehensive income reserve	4	321,835	369,786
Retained earnings		29,515,694	33,341,600
Total controlling equity		89,609,899	92,366,534
Non-controlling participation		13,265,579	11,765,161
Total equity		102,875,478	104,131,695
Total liabilities and equity		785,780,725	844,116,099

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

Prival Bank, S.A. and Subsidiaries
(Wholly-owned subsidiary of Grupo Prival, S.A.)

Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the year ended June 30, 2023
(In balboas)

	Notes	2023	2022
Interest income	7, 30	34,968,162	35,522,055
Interest expense	7, 32	(19,305,297)	(18,093,874)
Net financial revenue		15,662,865	17,428,181
Commisios income	7, 33	3,428,504	2,675,997
Brokerage and structuring services	7, 31	22,368,151	24,297,840
Commisions expenses	33	(6,579,217)	(7,628,840)
Net income from commisions, brokerage and structuring services		19,217,438	19,344,997
Net realized gain (loss) in financial assets measured at FVTPL		484,068	(12,062)
Net unrealized gain (loss) in financial assets measured at FVTPL		153,138	(389,567)
Realized gain in financial assets measured at FVTOCI	10	2,703,036	1,086,525
Revenue from ordinary activities		38,220,545	37,458,074
Net insurance revenue		7,596,962	5,748,476
Other revenue		2,118,413	1,593,230
Changes in fair value of investment property		(123,039)	-
(Provision) reverse of expected credit loss provision		(2,274,229)	1,530,202
Reversion of provision for possible impairment of foreclosed assets for sale		29,303	-
Personal expense	7, 34	(17,582,241)	(17,434,201)
Depreciation and amortization	13, 14, 38	(3,231,750)	(3,418,095)
Other expenses	35	(13,499,915)	(11,745,482)
Profit before income tax expense		11,254,049	13,732,204
Income tax expense	39	(1,318,682)	(2,653,660)
Profit of the year		9,935,367	11,078,544
Profit attributable to:			
Owners of the controlling party		8,426,928	10,511,615
Non-controlling participation		1,508,439	566,929
Profit of the year		9,935,367	11,078,544
Other comprehensive income:			
Items that can be later reclassified to profit or loss:			
Net realized fain in financial assets through FVTOCI transferred to profit or loss		(2,703,036)	(1,086,525)
Credit risk valuation		(213,210)	158,354
Impairment reserve		(47,951)	164,981
Net unrealized gain (loss)		4,777,413	(9,616,254)
Net changes in financial assets through FVTOCI		1,813,216	(10,379,444)
Total comprehensive income		11,748,583	699,100
Owners of the controlling party		10,248,165	267,969
Non-controlling participation		1,500,418	431,131
Total of comprehensive income		11,748,583	699,100

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

Prival Bank, S.A. and Subsidiaries
(Wholly-owned subsidiary of Grupo Prival, S.A.)

Consolidated Statement of Changes in Equity
For the year ended June 30, 2023
(In balboas)

	Common Shares	Preferred shares	Additional paid-in capital	Regulatory reserves	Net changes in other comprehensive income	Impairment of financial assets measured at fair through other comprehensive income reserve	Retained Earnings	Total equity attributable to owners	Non-controlling participation	Total Equity
Balance as at June 30, 2021	25,000,000	1,764,000	30,940,000	16,329,661	965,657	204,805	29,217,466	104,421,589	11,334,030	115,755,619
Profit of the year	-	-	-	-	-	-	10,511,615	10,511,615	566,929	11,078,544
Other comprehensive income										
Credit risk valuation	-	-	-	-	158,354	-	-	158,354	-	158,354
Net changes of financial assets at fair value through OCI	-	-	-	-	(10,566,981)	164,981	-	(10,402,000)	(135,798)	(10,537,798)
Total of comprehensive income for the year	-	-	-	-	(10,408,627)	164,981	10,511,615	267,969	431,131	699,100
Transactions attributable to the owners directly registered in the equity:										
Complementary tax	-	-	-	-	-	-	292,914	292,914	-	292,914
Dividends paid	-	-	-	-	-	-	(12,621,251)	(12,621,251)	-	(12,621,251)
Total of transations attributable to the owners registered directly in the equity	-	-	-	-	-	-	(12,328,337)	(12,328,337)	-	(12,328,337)
Other equity transactions:										
Legal reserve	-	-	-	(5,935,543)	-	-	5,940,856	5,313	-	5,313
Balance as at June 30, 2022	25,000,000	1,764,000	30,940,000	10,394,118	(9,442,970)	369,786	33,341,600	92,366,534	11,765,161	104,131,695
Profit of the year	-	-	-	-	-	-	8,426,928	8,426,928	1,508,439	9,935,367
Other comprehensive income										
Credit risk valuation	-	-	-	-	(213,210)	-	-	(213,210)	-	(213,210)
Net changes of financial assets at fair value through OCI	-	-	-	-	2,082,398	(47,951)	-	2,034,447	(8,021)	2,026,426
Total of comprehensive income for the year	-	-	-	-	1,869,188	(47,951)	8,426,928	10,248,165	1,500,418	11,748,583
Transactions attributable to the owners directly registered in the equity:										
Complementary tax	-	-	-	-	-	-	(51,812)	(51,812)	-	(51,812)
Income tax	-	-	-	-	-	-	(12,809)	(12,809)	-	(12,809)
Differential exchange adjustments	-	-	-	-	-	-	(300,592)	(300,592)	-	(300,592)
Dividends paid	-	-	-	-	-	-	(12,600,000)	(12,600,000)	-	(12,600,000)
Total of transations attributable to the owners registered directly in the equity	-	-	-	-	-	-	(12,965,213)	(12,965,213)	-	(12,965,213)
Other equity transactions:										
Legal reserve	-	-	-	(777,886)	-	-	803,305	25,419	-	25,419
Reserve 9-2020	-	-	-	25,920	-	-	(90,926)	(65,006)	-	(65,006)
Balance as at June 30, 2023	25,000,000	1,764,000	30,940,000	9,642,152	(7,573,782)	321,835	29,515,694	89,609,899	13,265,579	102,875,478

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

Prival Bank, S.A. and Subsidiaries
(Wholly-owned subsidiary of Grupo Prival, S.A.)

Consolidated Statement of Cash Flows
For the year ended June 30, 2023
(In balboas)

	Notes	2023	2022
Cash flow from operating activities:			
Profit of the year		9,935,367	11,078,534
Provision (reversion) for expected credit losses		2,274,229	(1,530,202)
Provision for possible impairment of foreclosed assets		(29,303)	-
Depreciation and amortization	13, 14	2,652,624	2,458,757
Amortization of right of use	38	579,126	959,338
Changes in the fair value of investment property	16	123,039	-
Income tax expense	39	1,318,682	2,653,670
Realized gain (loss) in financial assets measured at FVTPL		(484,068)	12,062
Unrealized gain (loss) in financial assets measured at FVTPL		(153,138)	389,567
Realized gain in financial assets measured at FVTOCI	10	(2,703,036)	(1,086,525)
Interest income		(34,968,162)	(35,522,055)
Interest expense		19,305,297	18,093,874
Net changes in operating assets and liabilities:			
Financial assets measured at FVTPL		10,904,318	(4,270,198)
Loans receivable		38,670,340	44,940,305
Other assets		(206,236)	(9,486,101)
Net assets held for sale		(1,502,524)	304,331
Client deposits		(72,553,714)	19,656,234
Other liabilities		(3,190,823)	5,775,520
Income tax paid		(2,653,670)	(2,802,255)
Received interest		34,513,613	38,383,452
Paid interest		(18,883,939)	(18,685,585)
Net cash (used in) provided by the operating activities		(17,051,978)	71,322,723
Cash flow from investing activities:			
Bank deposits with maturities less than three months	8	(546,141)	(5,068,510)
Demand deposits and restricted time deposits		5,531,839	9,585,566
Purchased ot financial assets measured at FVTOCI	10	(233,444,059)	(187,867,043)
Proceeds of the sales of financial assets measured at FVTOCI	10	251,533,966	160,367,216
Securities purchased under resales agreements		(5,399,083)	(118,502)
Investment property	16	(26,523)	(655,978)
Investment in associates		25,000	(10,000)
Acquisition of property, furniture, equipment and improvements	13	(28,379,994)	(6,737,715)
Decrease in property, furniture, equipment and improvements	13	172,090	21,862
Acquisitoin of intangibles (programs and licenses)	14	(2,294,811)	(2,488,508)
Decrease in intangible assets	14	-	(39,146)
Net cash used in the investing activities		(12,827,716)	(33,010,758)
Cash flow from financing activities:			
Securities sold under repurchase agreement	25	28,323,820	1,256,968
Cancellations of securities sold under repurchase agreement	25	(18,123,953)	(1,819,637)
Proceeds from borrowings received	25	10,782,020	-
Payment of borrowings	25	(876,415)	(5,229,848)
Proceeds from bonds payable	25	6,000,000	7,329,893
Redemption of placements	25	(30,901,952)	(19,497,800)
Proceeds of marketable securities	25	52,739,000	39,471,000
Cancellations of marketable securities	25	(28,264,000)	(59,358,000)
Payment of leasing liabilities		(487,426)	(771,092)
Dividends paid	29	(12,386,938)	(12,209,032)
Complementary tax		(30,200)	(119,304)
Net cash provided by (used in) the financing activities		6,773,956	(50,946,852)
Net decrease in cash and cash equivalents		(23,105,738)	(12,634,887)
Cash and cash equivalent at the beginning of the year		102,677,769	115,312,656
Cash and cash equivalent at the end of the year	8	79,572,031	102,677,769

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

1. General Information

Prival Bank, S.A., together with its subsidiaries (the "Bank"), formerly called Keen Holding, S.A., 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. Through Public Deed No.1082 of January 21, 2010, the name of the company Keen Holding, S.A. was changed to Banco Prival, S.A. (in Spanish) - Prival Bank, S.A. (in English).

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

The main Bank's subsidiaries are as follows:

Name of the subsidiary	Main activity	Place of incorporation and operation	Proportion of share participation and voting power 2023	2022
Prival Securities, Inc.	Brokerage Firm	Panama	100%	100%
Prival Leasing, S.A.	Leasing	Panama	100%	100%
Prival Trust, S.A.	Trustee	Panama	100%	100%
Grupo Prival (Costa Rica), S.A.	Banking	Costa Rica	100%	100%
Prival Investment Management (BVI)	Administrator	British Virgin Islands	100%	100%
Prival Private Equity Fund, S. A.	Mutual fund	Panama	100%	100%
Acerta Holdings, Inc.	Insurance	Panama	50.13%	50.13%
Prival SM Business Park, S. A.	Real State	Panama	100%	100%
Villamar Uno, S. A.	Real State	Panama	100%	100%
Villamar Dos, S. A.	Real State	Panama	100%	100%
Level 35, Inc.	Real State	Panama	100%	0%
PS Factoring Fund, Ltd.	Mutual fund	British Virgin Islands	100%	100%

The investment in Prival Private Equity Fund, S.A. has been consolidated because the Bank maintains control of the fund while its shares are sold to private investors.

Prival Bank, S.A. acquired the subscription rights for the shares of the company Level 35, Inc., through an agreement signed on September 12, 2022, its only asset is real estate.

The Bank's offices are located at Calle 50 and Calle 71 San Francisco, Panama City.

The consolidated financial statements of Prival Bank, SA and Subsidiaries for the year ended June 30, 2023, were authorized by General Management and approved by the Board of Directors for issuance on September 5, 2023

2. Adoption of the New and Revised International Financial Reporting Standards (IFRS)

New Amendments Adopted by the Bank

New Amendments that have been adopted by the Bank as of July 1, 2022

Modification to IAS 16 Property, Plant and Equipment – Amounts Obtained Prior to Intended Use
The amendments prohibit the deduction of the cost of a property, plant and equipment asset from any income from selling the asset after it is ready for use, for example, income while the asset is brought to the location and the necessary conditioning is carried out to make it operable in the way it is intended in accordance with the Administration. Therefore, an entity must recognize those sales revenues and costs in profit or loss.

Amendments to IFRS 3 Business Combinations – Reference to the Conceptual Framework
The amendments update IFRS 3 so that it can refer to the 2018 Conceptual Framework instead of the 1989 Conceptual Framework. A requirement was also added that, for obligations within the scope of IAS 37, a buyer applies IAS 37 to determine whether at the acquisition date it is a present obligation or exists as a result of a past event. For liens that are within the scope of IFRIC 21 – Liens, the buyer applies IFRIC 21 to determine whether the obligation gives rise to a liability to pay the lien that occurred on the acquisition date.

Finally, the amendments add an explicit statement that the buyer will not recognize a contingent asset acquired from a business combination. The Bank did not present any impacts from this modification.

Amendment to IAS 37 Provisions, Contingent Liabilities and Contingent Assets – Cost of Performance of a Contract
The purpose of this amendment, which was published in May 2020, is to specify the costs that an entity includes when determining the "cost of performance" of a contract for the purpose of evaluating whether a contract is onerous; clarifies that the direct costs of fulfilling a contract include both the incremental costs of fulfilling a contract and an allocation of other costs that are directly related to fulfilling the contract. Before recognizing a separate provision for an onerous contract, for an onerous contract, the entity must recognize impairment losses on the assets used to fulfill the contract. The Bank did not present significant impacts due to this modification.

Annual Improvements to IFRS Standards 2018-2020 published by the International Accounting Standards Board (the Board)
IFRS 9 Financial Instruments: clarifies which fees should be included in the 10% test for derecognition of financial liabilities.

IFRS 16 Leases: modifies illustrative example 13 of the standard to eliminate the illustration of lessor payments related to improvements to leased assets, to eliminate any confusion about the treatment of leasing incentives.

IFRS 1 First-time adoption of International Financial Reporting Standards: allows entities that have measured their assets and liabilities at the book value recorded in the accounting of their parent company to also measure accumulated translation differences using the amounts reported by matrix. This amendment will also apply to associates and joint ventures with some conditions.

The Bank did not present significant impacts due to these modifications.

IFRS 17 - Insurance Contracts
IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and replaces IFRS 4 - Insurance contracts.

IFRS 17 describes a general model, which is modified for insurance contracts with direct participation features, which is described as the variable rate approach. The overall model is simplified if certain criteria are met when measuring liability for remaining coverage using the premium allocation method.

The overall model will use current assumptions to estimate the amount, timing and uncertainty of future cash flows and will explicitly measure the cost of that uncertainty, taking into account market interest rates and the impact of options and guarantees. the insured.

The Standard is applied retrospectively unless it is not feasible, in which case the modified retrospective approach or the fair value approach is applied. A draft of the changes to IFRS 17 addresses concerns and implementation difficulties that were identified after the publication of IFRS 17. One of the main changes proposed is the postponement of the initial application date of IFRS 17 by one year, to reporting periods beginning on or after January 1, 2023.

In accordance with the transition requirements, the date of initial application is the beginning of the annual reporting period in which the Bank first applies the Standard time and, the transition date is the beginning of the period immediately preceding the date of initial application.

New Amendments Revised, but not yet Effective

Amendments to IAS 1 - Presentation of financial statements and Statement of Practice No.2 of IFRS Making material judgments - Disclosure of accounting policies. The amendments change the requirements of IAS 1 with respect to the disclosure of accounting policies
The amendments issued to IAS 1 and Practice Statement No.2 of the IFRS in February 2021 have the objective of replacing the term "significant" with "material" to require entities to disclose material information about its accounting policies, rather than its significant accounting policies. Thus, information about accounting policies can be considered material when considered together with other information in a complete set of financial statements. In the Board's opinion, information on accounting policies is expected to be material if its disclosure is necessary for primary users to understand the information provided about material transactions, other events or conditions in the financial statements.

The supporting paragraphs of IAS 1 are also amended to clarify that accounting policy information that relates to transactions, other immaterial events or conditions is immaterial and does not need to be disclosed. Accounting policy information may be material due to the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material.

The Board has also developed guidance and examples to explain and demonstrate the application of the "four-step materiality process" described in IFRS Practice Statement No.2.

The effective date of adoption is January 1, 2023. The Bank does not expect significant impacts from this modification; in any case, it is evaluating the impact that they could have on the financial statements.

Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Accounting Estimate
In February 2021, the Board issued amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors, in order to include the definition of accounting estimates in paragraph 5 and other amendments to IAS 8 to help entities distinguish changes in accounting estimates from changes in accounting policies. The amendments to IAS 8 are effective for annual periods beginning on or after January 1, 2023. Early application is permitted.

Management is evaluating the impact of the changes that this modification would have on the Bank's financial statements and disclosures.

Amendments to IAS 12 Income tax – Deferred taxes Assets and Liabilities arising from a single transaction.
In May 2021, the Board issued amendments to IAS 12, in order to modify paragraphs 15, 22 and 24 that define that the Exemption from the initial recognition of deferred tax does not apply to transactions that at that time give rise to equal taxable and deductible temporary differences.

The effective date of adoption is January 1, 2023. The Bank does not expect significant impacts from this modification; in any case, it is evaluating the impact that they could have on the financial statements.

Amendments to IFRS 10 and IAS 28 Sale or contribution of assets between the investor and its associate or joint venture.
The Board made limited scope amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures.

The modifications clarify the accounting treatment for the sale or contribution of assets between the investor and its associates or joint ventures. They confirm that the accounting treatment depends on whether non-monetary assets sold or contributed to the associate or joint venture constitute a “Business” (as defined in IFRS 3 Business Combinations).

Where non-monetary assets constitute a business, the investor will recognize in full the gain or loss obtained on the sale or contribution of the asset. If the asset does not meet the definition of a business, the gain or loss is recognized by the investor only for the percentage of the other investors' participation in the associate or joint venture. Modifications apply prospectively.

These modifications will be applicable to reporting periods beginning on or after the IASB has completed its research project on the equity method. The Bank does not expect any impact from these modifications; in any case, it is evaluating the impact that they could have on the consolidated financial statements.

3. Most Significant Accounting Policies

Basis of Preparation
The Bank's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB).

General Management and the Board of Directors have, at the time of approving the consolidated financial statements, a reasonable expectation that the Bank has adequate resources to continue operating for the foreseeable future. Therefore, they continue to adopt the ongoing business accounting basis when preparing the consolidated financial statements.

The consolidated financial statements have been prepared on a historical cost basis, except for assets at fair value with changes in profit or loss and changes in other comprehensive income, which are presented at fair value.

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

The fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Bank takes into account the characteristics of the asset or liability if market participants would take those characteristics when pricing the asset or liability at the measurement date. The fair value measurement and disclosure purposes in these consolidated financial statements are determined on this basis, except for transactions based on shares payments that are within the scope of IFRS 2, leasing transactions that are within the scope of IFRS 16 and measurements that have some similarities to fair value but are not considered as such, as the net realizable value in IAS 2 or measuring the value in use of IAS 36.

Basis of Consolidation

Subsidiaries
The consolidated financial statements include the assets, liabilities, equity and operations results of Prival Bank, S.A. and subsidiaries controlled by the Bank. Control is achieved when all the criteria shown below are met:

- Has power over investment;
- Is exposed, or has rights, to variable returns derived from its participation 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 or not it controls an entity if 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.

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

Profit or loss and each component of other comprehensive income are attributed to the owners of the Bank and to the non-controlling interests. The total comprehensive result of the subsidiaries is attributed to the owners of the Bank and to the non-controlling interests, even if this results in the non-controlling interest having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other Bank members.

All significant intercompany balances, transactions, revenues, and expenses are eliminated on 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.

The carrying amounts of the Bank's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to owners of the Bank.

When the Bank loses control of a subsidiary, a gain or loss is recognized 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 recognized 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 IFRS). 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 IFRS 9, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Non-Controlling Interest
Non-controlling interest represents the participation of minority shareholders in consolidated subsidiaries and includes the amount of net equity, including the part attributed to them of the results for the year. When the losses attributable to the non-controlling interest exceed the value of its participation in the equity of the corresponding entity, such excess is allocated to the controlling interest even if this would give rise to a deficit balance. If subsequently, that subsidiary obtains operating profits, these will be allocated to the controlling interest until the non-controlling interest recovers the amount of the losses that were previously absorbed in its capacity as majority.

Investment Companies and Separate Vehicles
The Bank manages and administers assets held in trusts and other investment vehicles in support of investors. The financial statements of these entities are not part of these consolidated financial statements, except when the Bank has control over the entity.

Investments in Associates
It is an entity over which the Bank has significant influence but does not have control or joint control over financial or operating policies. Investments in other entities are accounted for using the equity method and are initially recognized at cost. The cost of the investment includes transaction costs.

The consolidated financial statements include the participation on the profit or loss and other comprehensive income under the equity method, after adjustments to present them consistently with the accounting policies, as of the date on which the significant influence began until the date on which the same ceases.

When the participation in an associate's losses equals or exceeds its participation in the associate, participation in the additional losses is no longer recognized. The carrying amount of the investment, together with any long-term interest that, in essence, forms part of the investee's net investment, is reduced to zero, except if the Bank has an obligation or payments to make on behalf of the investee.

Functional and Presentation Currency
The functional and presentation currency of the consolidated financial statements is the United States dollar.

The functional currency of the subsidiaries is:

- United States Dollars for Panama.
- Colones for Costa Rica.
- United States Dollars for British Virgin Islands.

In preparing the financial statements of the individual entities members of the Bank, transactions in currencies other than the entity's functional currency (foreign currencies) are recognized at the exchange rates prevailing at the dates in which operations are conducted. At the end of each reporting period under review, monetary items denominated in foreign currencies are converted at the exchange rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are converted at the exchange rates prevailing at the date on which such fair values were determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not reconverted.

Exchange differences on non-monetary items are recognized in profit or loss in the period in which they arise except for:

- Exchange differences from borrowings denominated in foreign currencies related to assets under construction for productive use future, which are included in the cost of such assets to be considered as an adjustment to interest costs on such loans denominated in currency foreign;
- Exchange differences from transactions related with exchange rate hedges; and
- Exchange differences on monetary items receivable from or payable to related to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are initially recognized in other comprehensive income and reclassified from equity to profit or loss on repayment of non-monetary items.

For presentation purposes of the consolidated financial statements, the assets and liabilities of the foreign currency transactions of the Bank are converted into the presentation currency using the exchange rates prevailing at the end of the reporting period. Income and expenses items of are translated at average exchange rates for the period, unless exchange rates fluctuate significantly during the period, in which case the exchange rates at the dates transactions are used. Exchange differences arising are recognized in the consolidated statement of profit or loss and other comprehensive income and accumulated in equity (and attributed to non-controlling interests as appropriate).

On the disposal of a foreign operation (i.e. a disposal of the Bank's entire interest in a foreign operation, a disposal involving loss of control over a subsidiary that includes a foreign operation or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest becomes a financial asset) all of the exchange differences accumulated in equity in respect of that operation attributable to owners of the Bank are reclassified to profit or loss.

In addition, with respect to a partial disposal of a subsidiary (including a foreign operation), the entity shall re-attribute the proportionate share of accumulated exchange differences to non-controlling interests amount and are not recognized in profit or loss. In any other partial disposal (i.e. partial disposal of associates or joint agreements that do not involve the loss of significant influence and joint control by the Bank) the entity will reclassify to profit or loss only the proportionate share of the cumulative amount of exchange differences.

Adjustments for goodwill and fair value of identifiable assets and liabilities acquired arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the exchange rate prevailing at the end of each reporting period. Exchange differences arising are recognized in other comprehensive income.

Financial assets
The Bank classifies its financial assets and liabilities at the time of initial recognition in the categories of financial assets and financial liabilities as discussed below.

When applying that classification, a financial asset or liability is considered to be held for trading if:

- It is acquired or incurred primarily for the purpose of selling or repurchasing it in the near term,
- On the initial recognition, it is part of a portfolio of identified financial instruments that are jointly managed and for which there is evidence of a recent actual pattern of obtaining short-term profit-taking, or
- It is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

The Bank classifies its financial assets as subsequently measured at amortized cost or measured at fair value with changes in profit or loss based on:

- The entity's business model for the management of financial assets.
- The contractual cash flows characteristics of the financial asset.

Financial assets measured at amortized cost
A debt instrument is measured at amortized cost if it is maintained within a business model whose objective is to maintain financial assets to collect cash flows and their contractual terms give rise to cash flows that are only payments of principal and interest on the principal pending payment.

The Bank includes loans receivable, earned income and other accounts receivable in this category.

Loans
Loans are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, except (a) those that the Bank intends to sell immediately or in the short term, which are classified as negotiable, and those that the Bank in its initial recognition designates as fair value through profit and loss; (b) those that the Bank in its initial recognition designates as available for sale; or (c) those for which the holder does not recover substantially all of its initial investment, unless due to credit impairment.

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

Financial assets measured at fair value through profit or loss (FVTPL)
A financial asset is measured at fair value through profit or loss if:

- On initial recognition, it is irrevocably designated as measured in FVTPL when doing so eliminates or significantly reduces an inconsistency in measurement or recognition that would otherwise arise when measuring assets or liabilities or when recognizing gains or losses.

Financial assets measured at fair value through other comprehensive income (FVTOCI)
A debt instrument is measured at FVTOCI if it meets both of the following conditions and has not been designated as FVTPL:

- The asset is maintained within a business model whose objective is to collect contractual cash flows and sell these financial assets, and;

- The contractual terms of the financial asset establish specific dates for cash flows derived only from payments of principal and interest on the current balance.

Derecognition of financial assets
The Bank derecognizes a financial asset only when the contractual rights to receive cash flows from the asset expire; 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 asset and an associate liability for amounts it may 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 collateralized borrowing for the proceeds received.

On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and any cumulative gain or loss should be recognized in the consolidated statement of profit or loss and other comprehensive income.

The Bank carries out transactions by which it transfers assets recognized in the consolidated statement of financial position, but conserves all or substantially all risks and rewards of the transferred assets or a part of them. In such cases, the transferred assets are not derecognized. Examples of this type of operations are securities lending transactions and sale and repurchase transactions.

In transactions in which the Bank neither retains nor transfers substantially all the risks and rewards of ownership of a financial asset and control of the asset is retained, the asset continues to be recognized to the extent of its continuing involvement, determined by the extent to which it is exposed to the changes in the value of the transferred asset.

In certain transactions, the Bank retains the obligation to recognize a transferred financial asset by which a commission is received. The transferred assets are derecognized at the time of transfer if they have met the characteristics that allow it. An asset or liability is recognized for the service contract depending on the management fee, if this is more than adequate (asset) or is less than adequate (liability) for performing the service.

Financial liabilities and equity instruments issued

Classification
Financial liabilities measured at fair value through profit or loss (FVTPL): A financial liability is measured at FVTPL if it meets the definition of held for trading. The Bank includes short-term capital and debt instruments in this category, since they are classified as held for trading.

Financial liabilities measured at amortized cost**:** This category includes all financial liabilities, other than those measured at fair value through profit or loss. The Bank includes in this category customer deposits, securities sold under repurchase agreements, obligations and other short-term accounts payable.

Amortized cost
The amortized cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, less payments to the principal, plus or less the cumulative amortization using the effective interest method of any difference between the initial amount recognized and the maturity amount, less any reduction for impairment.

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

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.

Interest income and expenses are presented on a net basis only when permitted under IFRS, or for gains or losses arising from a group of similar transactions.

Common shares
Common shares are issued at their nominal value without costs or expenses of any kind as they are privately issued.

Preferred shares
Preferred shares are classified as part of equity because the Bank has total discretion in their redemption and declaration of dividends. The payment of dividends is deducted from the undistributed profits.

Additional paid-in capital
The additional paid-in capital corresponds to the excess contributions made by shareholders that are pending capitalization.

Dividends
Dividends on common shares are recognized in equity in the period in which they have been approved by the Board of Directors.

Interest
Interest income and expense are recognized in the consolidated statement of profit or loss and other comprehensive income 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.

The calculation of the effective interest rate includes transaction costs, fees and commissions paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issuance of an asset or a financial liability.

Commission income and expenses
Fees, income and commission expenses that are an integral part of the effective interest rate of a financial asset or liability are included in the effective interest rate measurement.

Interest income and commissions of the loan portfolio and other medium - and long-term transactions are recorded using the effective interest method, on an accrual basis.

Loans and advances accrue interest until they are collected or deemed uncollectible credit, at which time they are written off; fees for loan origination, net of costs arising from direct loans, are deferred and recognized over the life of the loan as an adjustment to yield using the effective interest rate. Interest income and commissions at the time the receivables are paid in full, any unamortized amounts of administrative loan fees, net of costs arising from direct loans, are recognized as part of interest income. Deferred income net of costs is presented under the heading of Loan in the consolidated statement of financial position.

Other income and expenses fees and commissions are mainly related to fees for transactions and services, which are recorded as income and expenses as they give or receive services.

Commissions on loans and other transactions, net of certain direct costs from providing them, are deferred and amortized during their lives.

On the other hand, revenues from brokerage services and issuance structuring correspond to fees charged for the purchase and sale of securities on behalf of clients and debt structuring. These revenues are recognized in the Bank's results on the settlement date of the transaction.

Impairment identification and measurement
The Bank recognizes a provision for ECLs (Expected Credit Losses) in the following financial instruments that are not measured at FVTPL:

- Loans receivable;
- Financial assets at fair value with changes in profit or loss;
- Other accounts receivable.

No impairment loss is recognized on equity investments.

Expected credit losses are required to be measured through a loss allowance at an amount equal to:

- 12-month ECL: the expected credit losses resulting from possible default events within 12 months after the reporting date of the consolidated financial statements, (referred to as Bucket 1); or
- Full lifetime ECL: these are the expected credit losses resulting from all possible default events during the expected life of the financial asset, (referred to as Bucket 2 and Bucket 3).

A loss allowance for full lifetime ECL is required for a financial instrument if the credit risk in that financial instrument has increased significantly since initial recognition. For all other financial instruments, ECLs are measured at an amount equal to the 12-month ECL.

ECLs are a probability-weighted estimate of the present value of credit losses. These are measured as the present value of the difference between the cash flows due to the Bank under the contract and the cash flows that the Bank expects to receive arising from the weighting of multiple future economic scenarios, discounted at the asset's effective interest rate (EIR).

Impaired financial assets
A financial asset is considered as impaired when one or more events have occurred that have a detrimental effect on the estimated future cash flows of the financial asset. Impaired financial assets are referred to as Bucket 3 level assets. Evidence of credit impairment includes observable data about the following events:

- Significant financial difficulty of the borrower or issuer;
- A breach of contract, such as a default or past due event;
- The lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;
- It is 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; or
- The purchase of a financial asset at a deep discount that reflects the incurred credit losses.

It may not be possible to identify a single specific event; instead, the combined effect of several events may have caused the financial asset to become credit impairment. The Bank assesses whether debt instruments that are financial assets measured at amortized cost or at FVTOCI, are impaired at each reporting date of the consolidated financial statements. To assess whether sovereign and corporate debt instruments are impaired, the Bank considers credit risk ratings. Credit risk ratings are defined using quantitative and qualitative factors that are indicative of loss risk. These factors may vary depending on the nature of the exposure and the type of borrower. With regard to foreign investments, the Bank uses the international risk ratings from Fitch, Standard and Poor's or Moody's.

A loan is considered impaired when a concession is granted to the borrower due to a deterioration in the borrower's financial condition, unless there is evidence that as a result of granting the concession the risk of not receiving contractual cash flows has been reduced significantly and there are no other indicators. For financial assets where concessions are contemplated but not granted, the asset is considered impaired when there is observable evidence of credit impairment, including meeting with the definition of default. The definition of default includes the unlikeliness to pay indicators and a back-stop if the amounts are overdue for 90 days or more.

Definition of default
The definition of default is used in measuring the amount of ECL and in the determination of whether the loss allowance is based on 12-month or lifetime ECL, as default is a component of the probability default (PD = probability of default) which affects both the measurement of ECLs and the identification of a significant increase in credit risk.

When assessing whether a borrower is in default, the Bank considers the following indicators:

- The borrower is past due more than 90 days on any credit obligation.
- Breach of contractual clauses or legal situation.

The definition of default is tailored to reflect the different characteristics of different types of assets. Overdrafts are considered as being past due once the customer has breached the limit granted and does not correct his situation in a period of 30 days.

When assessing whether the borrower is unlikely to pay all of his credit obligations, the Bank takes into account both qualitative and quantitative indicators. The information assessed depends on the type of asset; for example, in corporate lending a qualitative indicator used is the breach of covenants, which is not relevant for consumer loans. Quantitative factors, such as overdue status and non-payment on another obligation of the same counterparty, are key inputs in this analysis.

Significant increase in credit risk
The Bank monitors all financial assets, which are subject to impairment requirements to assess whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk, the Bank will measure the loss allowance based on ECL during the lifetime.

Economic scenarios form the basis for determining the probability of default on initial recognition and at subsequent reporting dates. Different economic scenarios will lead to a different probability of default. It is the weighting of these different scenarios that forms the basis of a weighted average probability of default that is used to determine whether the credit risk has significantly increased.

For corporate lending, forward looking information includes forecasts of economic indicators of the industries in which the Bank's counterparties operate, as well as internally generated information on the customer's payment behavior. The Bank assigns its counterparties to the relevant internal degree of credit risk depending on the quality of its credit. Quantitative information is a primary indicator of a significant increase in credit risk and is based on the change in the debtor's credit rating through the rating as of the initial recognition. Qualitative factors that indicate a significant increase in credit risk are reflected in the probability of default models on a timely basis. However, the Bank considers some qualitative factors separately to assess whether the credit risk has increased significantly.

Given that a significant increase in credit risk from initial recognition is a relative measure, a given change, in absolute terms, in the probability of default will be more important for a financial instrument with a lower initial probability of default than compared to a financial instrument with a higher probability of default.

Measurement of ECLs
The key inputs used for the measurement of ECLs are:

- Probability of default (PD);
- Loss given default (LGD); and
- Exposure at default (EAD).

The measurement of ECLs is derived from internally developed statistical models and other historical data and is adjusted to reflect probability-weighted forward-looking information.

The probability of default (PD) is an estimate of the likelihood of default over a given time horizon. It is estimated at one point of time. The calculation is based on statistical classification models, and assessed using classification tools tailored to the various categories of counterparties and exposures.

These statistical models are based on market data (where available), as well as internal data comprising both quantitative and qualitative factors. PDs are estimated considering the contractual maturities of exposures and estimated prepayment rates. The estimate is based on current conditions, adjusted to take into account future conditions that will impact PD.

The loss given default (LGD) is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the Bank would expect to receive, taking into account cash flows from any collateral. The LGD models for secured assets consider forecast of future collateral valuation taking into account sale discounts, time to realization of collateral and cost of realization of collateral. The LGD models for unsecured assets consider time of recovery and recovery rates. The calculation is based on discounted cash flows, where the cash flows are discounted by the effective interest rate (EIR) of the asset.

Exposure at default (EAD) is an estimate of the exposure at a future default date, taking into account the expected changes in the exposure after the reporting date, including repayments of principal and interest, and expected drawdowns on compromised facilities. The Bank's modelling approach reflects the expected changes in the outstanding balance over the lifetime of the loan exposure that is permitted by the current contractual terms, such as amortization profiles, early repayment or overpayment, changes in utilization of undrawn commitments and credit mitigation actions taken before default. The Bank uses EAD models that reflect the characteristics of the portfolios.

The Bank measures ECL considering the risk of default over the maximum contractual period (including extension options) over which the entity is exposed to credit risk and not a longer period, even if contract extension or renewal is common business practice.

However, for financial instruments such as credit cards, revolving credit facilities and overdraft facilities that include both a loan and an undrawn commitment, the Bank's contractual ability to demand repayment and cancel the undrawn commitment does not limit Bank exposure to credit losses for the contractual notice period. For such financial instruments, the Bank measures the ECL over the period in which it is exposed to credit risk and ECL would not be mitigated by credit risk management actions, even if that period extends beyond the maximum contractual period. These financial instruments do not have a fixed term or repayment structure and have a short contractual cancellation period.

The measurement of ECLs is based on probability weighted average credit loss. As a result, the measurement of the loss allowance should be the same regardless of whether it is measured on an individual basis or a collective basis.

Groupings based on shared risks characteristics
When ECL are measured on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics, such as:

- Instrument type;
- Credit risk grade;
- Collateral type;
- Date of initial recognition;
- Remaining term to maturity;
- Industry;

- Geographic location of the borrower;
- Income range of the borrower; and
- The value of collateral relative to the financial asset if it has an impact on the probability of a default occurring (LTV = loan-to-value ratios).

The groupings are reviewed on a regular basis to ensure that each group is comprised of homogeneous exposures.

Presentation of allowance for ECL in the consolidated statement of financial position:
Loss allowance for ECL is presented in the consolidated statement of financial position as follows:

- For financial assets measured at amortized cost: as a deduction from the gross carrying amount of the assets;
- For debt instruments measured at FVTOCI: The loss allowance is included in the consolidated statement of profit or loss and credited to an equity allowance.

Write-off
Loans and debt securities are written off when the Bank has no reasonable expectations of recovering the financial asset (either in its entirety or a portion of it). This is the case when the Bank determines that the borrower has no assets or sources of income that could generate sufficient cash flows to reimburse the amounts subject to the penalty. A write-off constitutes an event of derecognition. The Bank may apply activities that enforce compliance with the financial assets written-off. Recoveries resulting from Bank activities that enforce compliance will result in impairment gains.

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

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

Building	30 years
Furniture and office equipment	5 - 10 years
Computer equipment	3 - 10 years
Transportation equipment	3 - 5 years
Leasehold improvements	7 - 10 years

Assets that are subject to depreciation and 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 and other comprehensive income.

Non-current assets available for sale
Non-current assets received by the Bank's consolidated entities for the satisfaction, in whole or in part, of the payment obligations of its debtors are considered assets received in lieu of payment, unless the consolidated entities have decided to make continuing use of these assets and they are recognized by the lowest value between the carrying amount of loans not paid or fair value, less selling costs.

Management considers it prudent to maintain an allowance to recognize the risks associated with the devaluation of assets that could not be sold, which is recorded against results of operations.

Impairment of non-financial assets
At the date of each consolidated statement of financial position, 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 are 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.

On June 30, 2023, Management has not identified any impairment of non-financial assets.

Business combination
A business combination should be accounted for by applying the acquisition method. The consideration for each acquisition is measured at fair value, which is calculated as the sum of the fair value at the acquisition date of the assets transferred, liabilities incurred or assumed, and equity instruments issued by the Bank in exchange for control of the acquiree. Costs related to the acquisition are recognized in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognized at their fair value, except that:

- Deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognized and measured in accordance with IAS 12 *Income Taxes* and IAS 19 respectively*;*

Liabilities or equity instruments related to share-based payment arrangements of the acquiree, or share-based payment arrangements of the Bank entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 at the acquisition date.

- Assets (or disposal groups of assets) that are classified as held for sale in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

Non-controlling interests that represent ownership interests and guarantee their holders a proportionate share of the net assets of the entity in liquidation may be initially measured at fair value or the proportionate share of the non-controlling of the amounts recognized in the net identifiable. The choice of measurement basis is made on a transaction based on transaction. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another IFRS.

When the consideration transferred by the Bank in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at fair value at the acquisition date and is included as part of the consideration transferred in a combination of business. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments to goodwill. The settings of the measurement period are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is re-measured at subsequent reporting dates in accordance with IFRS 9, or IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, as appropriate, with the corresponding gain or loss being recognized in profit or loss.

In the cases of business combinations achieved in stages, the Bank's participation in the acquiree is re-measured to fair value at the acquisition date (i.e. the date on which the Bank obtained control) and the resulting gain or loss, if any, it is recognized in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognized in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Bank reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognized, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognized at that date.

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.

Intangible Assets
Software licenses or software are stated at amortized cost. The amortization is calculated on the cost of the license based on the straight-line method over the estimated useful life of three years and is included in the statements of profit or loss in the line of depreciation and amortization.

Subsequent to their initial recognition, these intangible assets are accounted for at cost less accumulated amortization and any impairment losses (if any).

Employee Benefits

Panamanian Legislation
Current libor regulations require that on completion of the employment relationship, regardless of the cause, the employer must recognize in favour of the employee a seniority premium rate of one week's salary for each year of service. Additionally, the Bank is required to pay termination benefits to those employees terminated without cause. There is no material reduction plan making it necessary to create a reserve for the percentage required by the labour regulations for this item.

The Bank has established allowance for the seniority premiums of workers, consisting of 1.92% of all wages earned, required by the existing labour regulations. These are deposited in a trust fund administered by a private, independent trustee to the Bank; said funds are included in the figures for other liabilities in the consolidated statement of financial position.

Law No.44 of 1995 establishes that companies must contribute to a Severance Fund to cover seniority and dismissal premium payments to workers. This contribution is determined based on the compensation paid to employees. To manage this Fund, the Bank established a trust with an authorized private entity. The contribution for the year was B/.101,386 (2022: B/.102,824).

These contributions are considered a defined benefit plan, where they are measured at the present value of the expected future payments with respect to services provided by employees through the end of the reporting period using the projected unit credit method. It takes into account the expected levels of future salaries and wages, experience of departures and periods of service of employees. Expected future payments are discounted using market yields at the end of the period using Panama Government bonds as a reference. New measurements as a result of adjustments due to experience and changes in actuarial assumptions are recognized in the consolidated statement of comprehensive income.

Social Security
According to Law No.51 of December 27, 2005, companies must make monthly contributions to the Social Security Fund, equivalent to a percentage of the total salaries paid to their employees. A portion of these contributions is used by the Panamanian State to pay for future employee retirements. The contribution for the period amounted to B/.828,608 (2022: B/.758,044). These contributions are considered a defined contribution plan, where the Group has no future payment obligations in addition to the contributions made.

Costa Rican 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, 14 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 of 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.

Leases
Financial leases consist primarily of equipment and vehicle leases, which are reported as part of the loan portfolio.

The Bank as lessor
The Entity enters into leasing contracts as lessor with respect to some of the investment properties.

Leases in which the Bank acts as lessor are classified as financial leases or operating leases. When the terms of the contract substantially transfer all risks and rewards of ownership to the lessee, the contract is classified as a financial lease. All other contracts are classified as operating contracts.

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging the operating lease are added to the carrying value of the leased asset and are recognized on a straight-line basis over the term of the lease.

Outstanding amounts of finance leases are recognized as lease receivables in the amount of the net investment in the leases. Finance lease income is allocated to the accounting periods to reflect a constant periodic rate of return on the net investment in the lease.

The Bank as lessee
The Bank assesses whether a contract is or contains a lease, at the beginning of the contract. The Bank recognizes a right-of-use asset and a corresponding lease liability in relation to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a term of 12 months or less) and low-value asset leases. For these leases, the Bank recognizes the lease payments as an operating expense on a straight-line basis over the term of the lease, unless another systematic basis is more representative of the time pattern in which the economic benefits of the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments not paid at the inception date, discounted using the rate implicit in the lease. If this rate cannot be readily determined, the Bank uses its incremental borrowing rates.

Lease payments included in the measurement of lease liabilities consist of:

- Fixed payments (including fixed payments in substance), less any lease incentive received;
- Variable payments that are based on an index or rate, initially measured using the index or rate on the start date;
- Amounts expected to be paid by the lessee as residual value guarantee;
- Price of a purchase option if the lessee is reasonably certain to exercise it; and
- Penalties for termination of the lease, whether the lease period reflects the exercise of a lease termination option.

The lease liability is presented as a separate line item in the consolidated statement of financial position.

The lease liability is measured at amortized cost using the effective rate method.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and reducing the carrying amount to reflect the lease payments made.

The Bank re-measures the lease liability (and makes appropriate adjustments related to the right-of-use asset) provided that:

- The lease term has changed or there is a change in the assessment of the exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

- The lease payments change due to changes in an index or rate or a change in an expected payment under a guaranteed residual value, in which case the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change due to a change in a floating interest rate, in which case a revised discount rate is used).

- A lease is changed and the change in lease is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate, updated at the effective date of the amendment.

The Bank has not made these adjustments during the period presented.

Right-of-use assets comprise the initial measurement of the related lease liability, lease payments made on or before the start date, and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated over the shorter of the lease term and the useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Bank expects to exercise a purchase option, the related right-of-use asset is depreciated over the life of the underlying asset. Depreciation begins on the start date of the lease.

The right-to-use asset is presented as a separate line item in the consolidated statement of financial position.

The Bank applies IAS 36 to determine whether a right-to-use asset is impaired and accounts for any identified impairment loss as described in the policy “Property , furniture, equipment and improvements”.

Variable rentals that are not dependent on an index or rate are not included in the measurement of the lease liability and right-of-use asset. The related payments are recognized as an expense in the period in which the event or condition that triggers those payments occurs and are included in the item line "other expenses - rent" in the consolidated statement of profit or loss and other comprehensive income.

As a practical expedient, IFRS 16 allows not to separate the non-lease components and instead to account for any lease and its associated non-lease components as a single agreement. The Bank has not used this practical expedient. For contracts that contain both lease components and one or more additional lease or non-lease components, the Bank assigns the contract consideration to each lease component under the method of the relative sale price separate from the lease component and relative sale price added for all non-lease components.

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

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. Commission income generated from management of trusts are recorded under the accrual method, in the consolidated statement of profit or loss and other comprehensive income.

Policies applicable to insurance
Recognition and measurement of insurance contracts

General insurance business
The general insurance business includes the following branches: fire, multi-risk, transportation, automobile, hull, civil liability, theft, miscellaneous and technical insurance. General insurance contracts protect clients against risks caused by an uncertain event on third parties or on the insured itself.

The premiums issued from the general insurance business are composed of the contracts' premiums that have been agreed upon during the year, regardless of whether they relate totally or partially to a subsequent accounting period. The accrued portion of premiums subscribed is recognized as income in the statement of profit or loss and other comprehensive income.

Premiums are accrued from the date the risk is fixed for the coverage period. Premiums ceded in reinsurance are recognized in the statement of income and other comprehensive income as expenses in accordance with the pattern of reinsurance service received.

Premiums corresponding to personal insurance policies are handled in accordance with the basis of the general insurance business, except for individual life, whose income is recognized on the basis of cash received.

Personal insurance business
Personal insurance business includes individual term life, collective life and personal accident. Personal insurance contracts protect clients from the consequences of events such as accidents, temporary or permanent disability and even death.

Financial guarantee or bond contracts
The Bank has previously and explicitly stated that it considers such contracts as insurance contracts and that it has used the accounting applicable to insurance contracts, and therefore, they are not subject to the application of IAS 32, IFRS 9 and IFRS 7.

Financial guarantees are those contracts by which the Bank undertakes to pay specific amounts on behalf of a third party in case the latter does not do so, regardless of the form in which the bond obligation is established: guarantee, financial or technical endorsement, irrevocably documented credit issued or confirmed by the Bank, insurance and credit derivative.

Premiums receivable, coinsurance receivables and other accounts receivable
Premiums receivable, coinsurance receivables and other accounts receivable are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Premiums and other receivables (including premiums receivable, accounts receivable from reinsurers and co-insurers, accrued interest receivable and other accounts receivable) are measured at amortized cost using the effective interest method, less any impairment. Interest income is recognized applying the effective interest rate, except for short-term accounts receivable in the event that the recognition of interest is immaterial, they are reviewed to determine if there is any objective evidence that they will not be recovered. If so, an impairment loss is recognized in results.

Subscribed premiums
Subscribed premiums comprise premiums for contracts that have been agreed during the year, regardless of whether they relate in whole or in part to a subsequent accounting period. The accrued portion of written premiums is recognized as income. Written premiums are accrued as of the risk assessment date, over the term of the contract.

Unearned premiums are the proportions of written premiums issued in a year that refer to periods of risk after the closing date of the consolidated financial statements. Unearned premiums are deferred over the life of the policies using the daily pro-rata method.

Reinsurance premiums
Reinsurance premiums comprise premiums assigned to reinsurers for the coverage provided in the contracts held in the period and are recorded on the date the policy is issued. The accrued portion of reinsurance premiums is recognized as costs. Reinsurance premiums are accrued as of the date the risk is fixed, over the term of the contract.

Unearned reinsurance premiums are the proportions of reinsurance premiums issued in a year that refer to the risk periods subsequent to the closing date of the consolidated financial statements. Unearned reinsurance premiums are deferred over the life of the policies using the daily pro-rata model.

Commissions
Income from reinsurance commissions is recognized according to the term of the policy, under the pro-rata temporis method.

In the normal course of business, the Insurer enters into automatic non-proportional (excess of loss) and facultative proportional contracts for assigned premiums, in order to limit its risk exposure to each of the insured and to recover a portion of the benefits paid.

Automatic non-proportional (excess of loss) contracts for fire, general and other classes of insurance are recognized in the results of the period as they accrue. The characteristics of these contracts are that they establish a maximum coverage capacity in favour of the insured and a fixed withholding amount for the Insurer, they have annual coverage and are renewed mostly every year.

The Insurer recognizes one hundred percent (100%) of the reserve for incurred claims, net of the reinsurer's share pending settlement or payment at the end of the fiscal year. Claims are reported to the reinsurer and credited to the statements when they are paid, except for those that exceed the minimum claim notice amount included in the reinsurance contracts.

Reserve for unearned premiums
The reserve for unearned premiums consists of the proportion of net premiums retained (net of reinsurance ceded and retrocessions) that is estimated to be earned in subsequent months. This is calculated separately for each insurance contract using the daily pro-rata method.

The Insurance Company recognizes the reserve of unearned premiums at the moment of the issuance of the policy/endorsement according to the effective date of the same. This unearned premium reserve is recognized gross in the balance sheet where the portion corresponding to the unearned premiums for the insurance contracts issued and in force at the valuation date are presented under the heading of provisions for insurance contracts and the unearned portion corresponding to the related reinsurance on such contracts is presented under the item line of reinsurers' participation in the provisions for insurance contracts.

For individual life insurance, industrial life insurance, annuities and pension plans, one hundred percent (100%) of the mathematical reserve will be calculated on all current policies according to generally accepted actuarial techniques. The mathematical reserves of the life branch of the policies in force at the end of the period must be certified by an independent actuary.

The mathematical reserves are calculated using current actuarial techniques, normally used by insurance companies for these purposes and in accordance with the technical bases authorized by the Superintendence of Insurance and Reinsurance of Panama.

Liabilities subject to the liability adequacy test
Where a deficit is identified in an insurance business provision, an additional provision is accumulated and the Insurer recognizes the deficiency in the consolidated statement of profit or loss and other comprehensive income for the year.

Claims
Claims are recognized in the consolidated statement of profit or loss and other comprehensive income based on an estimate of the liabilities expected to be settled to policyholders and/or third parties, in accordance with the coverage of the policy. These include direct or indirect claims and settlement costs that have occurred up to the date of the consolidated statement of financial position, even when they have not been reported to the Insurer. The Insurer does not discount liabilities for claims that have not been paid. Liabilities for unpaid claims are estimated using individual assessment inputs for cases that have been reported to the Insurer and statistical actuarial analyses for incurred claims that have not been reported.

Liabilities for incurred but unreported claims are estimated using standard actuarial methods accepted worldwide in the market.

The results of this study are calculated by an independent actuary. Any adjustments arising after a study or review are applied to the current operation.

Claims in process and payment of future benefits
Claims arising from general insurance business consist of claims and their handling expenses paid during the year along with the movement in the provision for claims receivable. Claims in process consists of the accumulation of final costs to settle all reported and incurred claims as of the date of the consolidated statement of financial position and are analysed on an individual basis and through provisions for claims incurred but not yet reported. Incurred but unreported claims are those that occur at a time interval during the life of the policy, but are known subsequent to the closing or valuation date of an accounting period.

The Insurance Company incorporates the expenses of the liquidation of the claims in the valuation of the claims reserve, in order to effectively reflect the total expense that will be incurred by the obligations derived from the insurance contracts. The gross reserve for claims in process is presented in the consolidated statement of financial position under insurance liabilities. In the event that the claim involves reinsurers, such recoveries should also be considered "gross" and recognized as an asset presented in the statement of financial position in the reinsurers' share of insurance liabilities. Reinsurance and other recoveries are evaluated in a similar manner to the evaluation of claims in process.

The Insurer considers that gross provisions for claims in process and associated amounts recoverable from reinsurers are reasonably presented based on information that is available, the final liability may vary as a result of subsequent information and could result in significant adjustments to the provision amounts. The method used and the estimates made are reviewed regularly; any adjustments arising after a study or review are applied to the current operation.

Recoveries, salvages and subrogations
The Insurance Company recognizes the recoveries and/or subrogations of third parties in its financial statements, as a reduction of the cost of the loss as well as the salvage that is generated in the sale of damaged goods, which are normally applied against payment of the loss.

Reinsurance claims
Reinsurance claims are recognized when the related gross insurance claim is recognized in accordance with the terms of the respective contract.

Policy acquisition costs
Commissions and other policy acquisition costs that are related to the acquisition of a contract or renewal of an existing contract are capitalized and presented as deferred policy acquisition costs. Other costs are charged against expenses when incurred. Deferred costs are subsequently amortized over the life of the contract.

Any deferred costs or intangible assets derecognized are not subsequently reversed.

Classification of reinsurance contracts
In the normal course of business, the Insurer seeks to limit its loss exposure to each policyholder and to recover a portion of the benefits paid through reinsurance assignments to other insurance or reinsurance entities under proportional, non-proportional and co-insurance contracts.

On proportional contracts of patrimonial, personal, bonds and automobile line of business, the Insurer assigns in reinsurance under part and surplus quota contracts up to the limits established in the contracts.

For the miscellaneous line of business of civil liability, theft, fidelity/3D, various risks, maritime hull and transport, the Company maintains a non-proportional risk contract with maximum withholdings up to the limits established in said contracts. Additionally, the Insurer maintain protection for excess of loss for risks of a catastrophic nature in patrimonial line of business and an excess of catastrophe loss people´s line of business.

As established in the reinsurance agreements, reinsurance premiums assigned are recorded as an expense in the period in which they are incurred and reported to the reinsurer in the period underwritten. The difference between the reported assigned premium and the incurred assigned reinsurance premium is presented under the reinsurers' share of liabilities on insurance contracts in the statement of financial position. Claims are reported to the reinsurer and credited to the statements of account when they are paid, except for those that exceed the minimum claim notice amount included in the reinsurance contracts. The insurer's profits to compensate for losses from incurred and unpaid claims are recognized as an asset for reinsurers' share of the liabilities on the insurance contracts.

At each reporting date, the Insurer assesses the impairment on assets for reinsurance contracts. If there is objective evidence that a reinsurance asset is impaired, the Insurer reduces the carrying value of its reinsurance asset to the recoverable amount and recognizes an impairment loss. The impairment analysis factors used by the Insurer are the same as those used for the evaluation of financial assets.

Accounts receivable and payable for reinsurance contracts
The Insurer has reinsurance contracts that transfer significant insurance risk. The Insurer assigns insurance risks by reinsurance in the normal course of business, with settlement and withholding limits varying by product line. Outgoing reinsurance premiums are generally accounted for in the same accounting period as the premiums for the related direct business being reinsured.

Reinsurance recoveries are accounted for in the same accounting period as the direct claims to which they relate.

Reinsurance assets include balances due from reinsurance companies for assigned insurance liabilities. The amounts recoverable from reinsurers are estimated consistently with the reserves of claims in process or settled claims associated with the reinsured policies and in accordance with the relevant reinsurance contract.

A reinsurance bad debt provision is assessed with respect to reinsurance debtors to allow for the risk that the reinsurance asset may not be collected or when the reinsurer's credit rating has been significantly lowered. This also includes an assessment of the assigned portion of the claim reserves to reflect the counterparty risk exposure of the long-term reinsurance assets, particularly in relation to periodic payments. Increases in this provision affect the Insurer by reducing the carrying value of the asset and the impairment loss is recognized in the income statement.

Reinsurance and/or coinsurance payable
Other financial liabilities including reinsurance accounts payable are initially measured at fair value, net of transaction costs and are subsequently measured at amortized cost using the effective interest rate method.

Reinsurance and/or coinsurance accounts payable originate from the transfer of premiums issued based on the evaluation of the risk assumed, which is determined by the Company (reinsurance) and (coinsurance).

These reinsurance and coinsurance payable are recognized each time a policy is issued, simultaneously recording a charge to the reinsurance and coinsurance ceded item in the statement of profit or loss and other comprehensive income and to the reinsurance and/or coinsurance payable account in the statement of financial position having as a basis for the recognition of these transactions a coverage contract or note signed with the reinsurer and/or a ceded coinsurance clause.

Reinsurance ceded to reinsurance counterparties
The Insurer cedes insurance risks in the normal course of business of all its businesses. Reinsurance assets represent balances owed by reinsurance companies. Amounts recoverable from reinsurers are estimated consistent with the provision for outstanding losses or settled claims associated with the reinsurer's policies and are in accordance with the related reinsurance contract.

The assigned reinsurance agreements do not relieve the Company of its obligations to the insured.

Segment information
A business segment is a component of the Bank that engages in business activities in which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with the other components of the Bank, whose operating results are regularly reviewed by the Bank's Board of Directors, for decisions about resources to be allocated to the segment and to evaluate its performance, and for which financial information is available for this purpose.

Cash equivalents
For purposes of the consolidated statement of cash flows, the Bank considers as cash and cash equivalents, cash, demand and time deposits in banks with original maturities of three months or less.

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 participants of the main market at the measurement date, or in its absence, the most advantageous market to which the Bank has access at that date. The fair value of a liability reflects the risk of default.

To estimate the fair value of an asset or liability, the Bank uses observable data when they are available. Periodically, Management informs the Board of Directors the reasons of the most significant fluctuations in the fair value of the assets and liabilities, to report on the valuation techniques and inputs used in the fair value of assets and liabilities. (See Note5).

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

Comparatives
The consolidated statement of cash flow and the Note 41 of Capital Adequacy has been modified for comparative purposes.

4. Financial Risk Management

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 management of a certain degree of risk or combination of risks. Taking risks is inherent 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 returns of the Bank.

The activities of the Bank are mainly related to 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 on financial instruments risk management. For this purpose, it has appointed committees that are in charge of the administration and periodic surveillance of the risks to which the Bank is exposed. These committees are as follows:

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

Additionally, the Bank is subject to the regulations of the Superintendency of Capital Markets of Panama and the Superintendency of Banks of Panama, regarding risk concentration, liquidity and capitalization, among others. The Superintendency of Banks of Panama regulates the operations of Prival Bank, S.A.

Prival Bank, S.A. (Costa Rica) is subject to the provisions of the National Council of Supervision of the Financial System (CONASSIF) and the General Superintendency of Financial Entities (SUGEF), which issue regulations regarding the comprehensive administration of risks and capital structure, among others.

Prival Securities Costa Rica and Sociedad Administradora de Fondos de Inversión (SAFI) are regulated by the Superintendency of Capital Markets of Costa Rica (SUGEVAL), which is the public entity responsible for regulating and supervising the operation of the stock markets and their participants.

Credit Risk
It is the risk of a financial loss for the Bank, which 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, and sector or industry risk. The credit risk that originates in maintaining securities is managed independently, but informed as a component of credit risk exposure.

The respective committees appointed by the Board of Directors 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.

Formulation of credit policies
Credit policies are issued or revised as recommended by any member of the Credit Committee, 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, who in turn submits them for the approval of the Board of Directors of the Bank.

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

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

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

Maximum limits by counterparty
Regarding counterparty exposure, limits have been defined based on risk rating of the counterparty, as a proportion of the Bank's capital.

Compliance review policies
Each business unit is responsible for the quality and performance of their credit portfolios as well as for the control and monitoring of risks. However, through the Risk Department, which is independent of the business areas, the debtor's financial condition and its ability to pay is periodically evaluated, giving primary importance to the biggest individual debtors. While for the rest of the loans that are not individually significant, they are followed up through the delinquency ranges presented by their payments, and to the particular characteristics of such portfolios.

Credit risk management
The Bank performs a qualitative and quantitative analysis of the client, for the qualitative analysis, the industry in which the client performs, the competence of the debtor or counterpart, its references, management, its products, customers, suppliers and operating performance of the company are taken into account. In the quantitative analysis, financial ratios are evaluated, depending on the industry in which the client operates.

The Bank structures the acceptable credit risk levels through the establishment of policies and procedures for a single borrower, group of borrowers, and geographic segment. Exposure to risk is mainly covered by obtaining guarantees.

It is worth mentioning that, as of June 30, 2023, 21.07% (2022 : 13.21%) of the loan portfolio was backed by cash deposits. The rest of the portfolio is guaranteed by financial assets, fixed assets and properties, bonds or guarantees and other guarantees.

Credit quality analysis
The following table shows the information related to the credit quality of financial assets:

	Maximum exposure	
	2023	**2022**
Deposits in banks	93,887,496	121,863,372
Financial assets at fair value through profit or loss	1,306,817	11,598,521
Financial assets at fair value through other comprehensive income	221,333,498	234,676,017
Loan portfolio	299,208,031	339,887,171
Premiums receivable	12,012,911	10,949,633
Reinsures' share in the liabilities of insurance contracts	12,254,697	12,507,032
Subrogated bonds	4,104,165	6,310,723
Co-insurance receivable	589,477	828,685
Commission receivables	2,173,394	2,091,211
	646,870,486	740,712,365

	Maximum exposure	
	2023	**2022**
Credit risk exposure related to off-balance sheet operations:		
Banking guarantees	22,950,482	21,806,803
Endorsements and bonds	814,749	409,402
Promissory notes	1,954,443	5,043,296
Unused granted credit lines	1,101,865	986,155
	26,821,539	28,245,656

The table above represents the most critical scenario of credit risk exposure to the Bank on June 30, regardless of credit guarantees or of another increase of exposure to credit risk.

For the assets in the consolidated statement of financial position, exposures set out above are based on net carrying amounts reported in the consolidated statement of financial position.

The following table analyses the credit quality of the loan portfolio amortized cost and off-balance sheet operations:

2023	Bucket 1, 12-month ECLs	Bucket 2, lifetime ECLs	Bucket 3, lifetime ECLs	Total
Corporate				
Rating 1-2	107,240,642	2,358,374	-	109,599,016
Rating 2-3	14,419,594	14,457,109	9,496,560	38,373,263
Rating NA	46,906,243	-	-	46,906,243
Gross carrying amount	168,566,479	16,815,483	9,496,560	194,878,522
Allowance for ECLs	(683,493)	(41,713)	(4,219,897)	(4,945,103)
Carrying amount	167,882,986	16,773,770	5,276,663	189,933,419
Consumer				
Current	64,537,244	124,915	965,259	65,627,418
1-30 days of delinquency	5,247,423	-	-	5,247,423
31-60 days of delinquency	52,277	-	-	52,277
61-90 days of delinquency	-	-	-	-
More than 90 days of delinquency	70,257	-	648,138	718,395
Gross carrying amount	69,907,201	124,915	1,613,397	71,645,513
Allowance for ECLs	(279,627)	(7,852)	(704,818)	(992,297)
Carrying amount	69,627,574	117,063	908,579	70,653,216
Home mortgage				
Current	32,118,865	176,718	-	32,295,583
1-30 days of delinquency	1,209,053	-	-	1,209,053
31-60 days of delinquency	276,587	458,834	-	735,421
61-90 days of delinquency	-	75,786	-	75,786
More than 90 days of delinquency	95,910	-	549,199	645,109
Gross carrying amount	33,700,415	711,338	549,199	34,960,952
Allowance for ECLs	(127,905)	(3,239)	(113,102)	(244,246)
Carrying amount	33,572,510	708,099	436,097	34,716,706
Credit cards				
Current	1,225,755	-	-	1,225,755
1-30 days of delinquency	23,026	-	-	23,026
31-60 days of delinquency	-	36,606	-	36,606
61-90 days of delinquency	-	-	-	-
More than 90 days of delinquency	-	-	17,620	17,620
Gross carrying amount	1,248,781	36,606	17,620	1,303,007
Allowance for ECLs	(66,117)	(1,933)	(17,620)	(85,669)
Carrying amount	1,182,664	34,673	-	1,217,338
Total gross loans	273,422,876	17,688,342	11,676,776	302,787,995
Interest receivable	1,721,624	293,684	882,023	2,897,331
	275,144,500	17,982,026	12,558,799	305,685,326
Total allowance for EC`Ls	(1,157,142)	(54,737)	(5,055,437)	(6,267,316)
Total loans, net	273,987,358	17,927,289	7,503,362	299,418,010
Loan commitments and guarantee contracts				
Gross carrying amount	26,821,539	-	-	26,821,539
Allowance for ECLs	(135,480)	-	-	(135,480)
Carrying amount	26,686,059	-	-	26,686,059

2022	Bucket 1, 12-month ECLs	Bucket 2, lifetime ECLs	Bucket 3, lifetime ECLs	Total
Corporate				
Rating 1-2	73,200,861	-	-	73,200,861
Rating 2-3	86,221,867	3,620,973	5,050,202	94,893,042
Rating NA	78,010,204	657,775	13,348	78,681,327
Gross carrying amount	237,432,932	4,278,748	5,063,550	246,775,230
Allowance for ECLs	(1,640,112)	(321,962)	(1,047,708)	(3,009,782)
Carrying amount	235,792,820	3,956,786	4,015,842	243,765,448
Consumer				
Current	45,545,897	-	118,486	45,664,383
1-30 days of delinquency	2,682,975	-	-	2,682,975
31-60 days of delinquency	-	124,653	61,290	185,943
61-90 days of delinquency	-	168	196,288	196,456
More than 90 days of delinquency	-	-	762,948	762,948
Gross carrying amount	48,228,872	124,821	1,139,012	49,492,705
Allowance for ECLs	(111,104)	(4,701)	(117,821)	(233,626)
Carrying amount	48,117,768	120,120	1,021,191	49,259,079
Home mortgage				
Current	40,579,894	802,192	-	41,382,086
1-30 days of delinquency	1,454,757	-	-	1,454,757
31-60 days of delinquency	-	75,778	-	75,778
61-90 days of delinquency	-	210,062	-	210,062
More than 90 days of delinquency	-	-	408,338	408,338
Gross carrying amount	42,034,651	1,088,032	408,338	43,531,021
Allowance for ECLs	(147,091)	(12,386)	(22,783)	(182,260)
Carrying amount	41,887,560	1,075,646	385,555	43,348,761
Credit cards				
Current	1,203,798	-	-	1,203,798
1-30 days of delinquency	19,516	-	-	19,516
31-60 days of delinquency	-	34,240	-	34,240
61-90 days of delinquency	-	-	-	-
More than 90 days of delinquency	-	-	23,144	23,144
Gross carrying amount	1,223,314	34,240	23,144	1,280,698
Allowance for ECLs	(67,137)	(2,184)	(23,144)	(92,465)
Carrying amount	1,156,177	32,056	-	1,188,233
Total gross loans	328,919,769	5,525,841	6,634,045	341,079,655
Interest receivable	1,852,183	30,800	748,917	2,631,900
	330,771,952	5,556,641	7,382,962	343,711,555
Total allowance for EC`Ls	(1,965,444)	(341,233)	(1,211,456)	(3,518,133)
Total loans, net	328,806,508	5,215,408	6,171,506	340,193,422
Loan commitments and guarantee contracts				
Gross carrying amount	28,245,656	-	-	28,245,656
Allowance for ECLs	(129,535)	-	-	(129,535)
Carrying amount	28,116,121	-	-	28,116,121

The following table analyses the credit quality of financial assets at fair value through other comprehensive income and their allowance for impairment maintained by the Bank.

2023	12 month ECL	Lifetime ECL without credit impairment	Lifetime ECL with credit impairment	Valuation of the credit risk
Domestic:				
AAA to BBB-	189,158	-	-	189,158
BBB to B-	-	-	-	-
Domestic carrying value	189,158	-	-	189,158
Foreign:				
AAA- to BBB-	48,640	-	-	48,640
BB+ to B-	84,037	-	-	84,037
Foreign carrying value	132,677	-	-	132,677
Total carrying value	321,835	-	-	321,835

2022	12 month ECL	Lifetime ECL without credit impairment	Lifetime ECL with credit impairment	Valuation of the credit risk
Domestic:				
AAA to BBB-	186,705	-	-	186,705
BBB to B-	-	-	-	-
Domestic carrying value	186,705	-	-	186,705
Foreign:				
AAA- to BBB-	48,410	-	-	48,410
BB+ to B-	134,671	-	-	134,671
Foreign carrying value	183,081	-	-	183,081
Total carrying value	369,786	-	-	369,786

The information and assumptions used for these disclosures are detailed below:

- *Impairment of loans and investments* - Impairment of loans and investments is determined by considering the amount of principal and interest, based on the breach of contractual terms.

- *Past due loans but not impaired* - Refers to those loans where contractual payment of principal or interest is past due, but that the Bank considers as not impaired based on the level of guarantees available to cover the loan balance.

- *Renegotiated loans* - These are loans mainly due to material difficulties in the repayment ability of the debtor, has been subject to extensions, payment arrangement, restructuring, refinancing and any other form that causes variations in time and/or amount or other terms and conditions of the original contract, which respond to difficulties in the debtor's capacity to pay.

- *Write-off policy* - The Bank periodically reviews its impaired portfolio to identify those credits that merit being written off based on the uncollectibility of the balance and even for the amount in which the real guarantees do not cover it. For unsecured consumer loans, write-offs are made based on the level of accumulated delinquency. In the case of guaranteed housing and consumer loans, the write-off is made when the guarantee is executed and for the estimated amounts in which they do not cover the carrying amount of the credit.

As of June 30, 2023, the Bank has maintained in investment grade banking institutions demand deposits equivalent to B/.54,535,301 (2022: B/.73,239,711).

The Bank's portfolio consists of highly liquid investments with AAA rating up to BBB- that can be converted into cash in a period of less than one week, according to the international risk rating agencies recognized as Standard & Poor's, Moody's and Fitch Ratings.

	2023			2022		
	Bank deposits	**Financial assets at FVTPL**	**Financial assets at FVTOCI**	**Bank deposits**	**Financial assets at FVTPL**	**Financial assets at FVTOCI**
Maximum exposure						
Carrying amount	93,887,496	1,306,817	221,333,498	121,863,372	11,598,521	234,676,017
Investment grade	54,535,301	1,052,121	92,897,877	73,239,711	11,059,804	94,832,778
Standard monitoring	39,152,979	-	82,600,804	47,381,199	-	85,057,985
Without rating	199,216	254,696	45,834,817	1,242,462	538,717	54,785,254
	93,887,496	1,306,817	221,333,498	121,863,372	11,598,521	234,676,017

In the above table, the factors of greatest risk exposure of the investment portfolio have been detailed.

To manage financial risk exposures of the investment portfolio, the Bank uses the rating from external credit rating, as detailed below:

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
Without rating	-

Collateral and other guarantees against credit exposures
The Bank holds collateral on loans to customers relating to deposits pledged in the Bank. Estimates of fair value are based on the collateral value as the credit period and generally are not updated unless the credit is deteriorating individually.

Guarantees to reduce credit risk and their financial effect
The Bank holds collateral to reduce credit risk and to ensure the collection of their financial assets exposed to credit risk.

The main types of collateral held with respect to different types of financial assets are presented below:

	Exposure % subject to collateral requirements		Type of guarantee
	2023	2022	
Loan portfolio	78%	73%	Cash, properties and others

Loans are subject to individual credit assessment and impairment tests. The overall solvency of a corporate client tends to be the most relevant indicator of the credit quality of the loans granted. However, the guarantee provides additional security. It is accepted as collateral movable and immovable property, deposits and other encumbrances and guarantees.

Residential mortgage loans
The following table shows the ratio range of the mortgage portfolio loans relative to the value of collateral (“Loan to Value” - LTV). The LTV is calculated as a percentage of gross loan amount relative to the value of the collateral. The gross amount of the loan, excludes any impairment loss. The value of collateral for mortgages is based on the original value of the guarantee at the date of disbursement.

	2023	2022
Residential mortgage loans:		
Less than 50%	8,615,062	7,148,401
51% - 70%	9,039,617	10,813,345
71% - 90%	14,555,950	13,450,202
More than 90%	2,684,007	3,529,844
	34,894,636	34,941,792

Concentration of credit risk
The Bank monitors the concentration of credit risk by sector and geographical location. The analysis of the concentration of credit risk at the date of the consolidated financial statements is as follows:

	2023			2022		
	Loans		Financial assets at fair value	Loans		Financial assets at fair value
Concentration by sector:						
Corporate	240,834,047	-	158,072,798	287,254,265	-	161,014,482
Consumer	64,851,288	-	-	56,457,290	-	4,678,713
Government	-	-	64,567,517	-	-	80,581,343
	305,685,335		222,640,315	343,711,555		246,274,538
Geographical concentration:						
Panama	199,689,268		76,988,941	205,174,597		82,952,351
Latin America and Caribbean	95,253,019		39,505,158	124,146,616		36,178,283
North America	10,675,762		87,025,581	14,316,023		120,039,700
Europe, Asia and Oceania	67,276		19,120,635	74,319		7,104,204
	305,685,325		222,640,315	343,711,555		246,274,538

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

The Bank's exposure to credit risk by financial asset class, internal classification and the "Bucket" without taking into account the effects of any guarantees or other credit improvements, are provided in the following tables. Unless specifically stated, for financial assets, the amounts in the table represent the gross carrying value. For loan commitments and financial guarantee contracts, the amounts in the table represent the amounts committed or guaranteed, respectively.

As of June 30, the provision for expected credit loss by type of financial instrument is detailed below:

	2023	**2022**
Credit portfolio at amortized cost	6,267,316	3,518,133
Commitments and contingencies	135,480	129,535
Financial assets measured at fair value with changes in other comprehensive income	321,835	369,786
Deposits in bank	48,407	37,796
	6,773,038	4,055,250

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 that must be held in highly liquid instruments and composition limits of interbank and financing facilities.

Management process of liquidity risk
The risk management process of liquidity risk of the Bank as is performed, includes:

- The cash supply, managing and monitoring of future cash flows to ensure that requirements can be met. This includes replenishment of funds as they mature or 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 statement of financial position against internal and regulatory requirements;
- Managing the concentration and profile of maturities of financial liabilities.

The Asset and Liability Committee (ALCO) reviews the above management process.

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

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

Liquidity risk exposure
The key measure used by the Bank for managing liquidity risk is the ratio of liquid assets on 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 other deposit received from banks, debt securities issued, other borrowings and commitments maturing within one month.

The indexes corresponding to the margin of net assets on the deposits received from customers of Prival Bank, S.A. at the date of the consolidated financial statements, as follows:

	2023	**2022**
At end of the year	**54%**	**59%**
Year average	47%	62%
Year maximum	54%	69%
Year minimum	41%	56%

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

The information presented below shows the discounted cash flows of financial assets and liabilities of the Bank on maturity groupings based on the remaining time on the date of the consolidated statement of financial position with respect to the contractual maturity date:

2023	Up to 1 month	From 1 to 3 months	From 3 months to 1 year	From 1 to 5 years	More than 5 years	Total
Financial assets						
Deposits in banks	71,883,457	16,423,843	2,876,326	2,703,870	-	93,887,496
Securities purchased under resale agreements	3,741,272	2,023,248	87,139	-	-	5,851,659
Financial assets at FVTOCI	74,953,436	19,095,265	12,395,166	67,069,661	47,819,970	221,333,498
Financial assets at FVTPL	517,846	9,989	60	778,922	-	1,306,817
Loans	21,392,059	14,230,960	70,420,051	107,595,244	92,047,011	305,685,325
Total financial assets	172,488,070	51,783,305	85,778,742	178,147,697	139,866,981	628,064,795
Financial liabilities						
Client deposits	272,393,808	42,391,966	157,038,797	61,645,116	-	533,469,687
Interbank deposits	15,173,393	2,073,241	511,644	-	-	17,758,278
Securities sold under repurchase agreements	201,804	-	10,126,178	-	-	10,327,982
Borrowings received	-	-	9,930,369	-	-	9,930,369
Bonds payable	-	2,184,097	11,301,762	8,485,196	-	21,971,055
Marketable securities	3,025,833	4,294,408	31,711,195	-	-	39,031,436
Lease liability	-	-	215,873	136,830	-	352,703
Total financial liabilities	290,794,837	50,943,712	220,835,818	70,267,142	-	632,841,510
Total sensitivity to interest rate	(118,306,768)	839,593	(135,057,076)	107,880,555	139,866,981	(4,776,715)

2022	Up to 1 month	From 1 to 3 months	From 3 months to 1 year	From 1 to 5 years	More than 5 years	Total
Financial assets						
Deposits in banks	100,404,815	-	17,911,889	3,546,668	-	121,863,372
Securities purchased under resale agreements	414,028	-	-	-	-	414,028
Financial assets at FVTOCI	97,353,683	8,811,835	6,954,463	63,345,859	58,210,177	234,676,017
Financial assets at FVTPL	10,634,749	-	-	87	963,685	11,598,521
Loans	3,634,437	3,142,539	24,666,154	212,775,845	99,492,580	343,711,555
Total financial assets	212,441,712	11,954,374	49,532,506	279,668,459	158,666,442	712,263,493
Financial liabilities						
Client deposits	369,004,611	45,692,881	106,556,137	91,756,238	-	613,009,867
Interbank deposits	10,531,499	-	-	-	-	10,531,499
Bonds payable	5,068,946	6,528,032	22,806,428	12,663,641	-	47,067,047
Marketable securities	3,209,785	3,802,158	7,332,287	-	-	14,344,230
Lease liability	-	-	514,664	325,465	-	840,129
Total financial liabilities	387,814,841	56,023,071	137,209,516	104,745,344	-	685,792,772
Total sensitivity to interest rate	(175,373,129)	(44,068,697)	(87,677,010)	174,923,115	158,666,442	26,470,721

The table below shows the undiscounted cash flows of the Bank's financial liabilities recognized on the basis of their closest possible maturity. The expected flows of these instruments may vary significantly from these analyses.

2023	amount	cash flows	1 year	2 years	5 years
Financial liabilities					
Client deposits	533,469,687	524,431,741	441,547,353	53,338,638	29,545,750
Interbank deposits	17,758,278	18,501,844	18,501,844	-	-
Securities sold under repurchase agreement	10,327,982	10,930,097	10,930,097	-	-
Borrowings	9,930,369	10,503,537	10,503,537	-	-
Bonds payable	21,971,055	23,727,839	13,956,552	1,989,704	7,781,583
Marketable securities	39,031,436	40,285,688	40,285,688	-	-
Lease liability	352,703	352,703	215,873	1,287,782	8,048
Total financial liabilities	632,841,510	628,733,449	535,940,944	56,616,124	37,335,381

2022	Carrying amount	Undiscounted cash flows	Up to 1 year	From 1 to 2 years	From 2 to 5 years
Financial liabilities					
Client deposits	613,009,867	605,398,435	505,028,346	51,262,221	49,107,868
Interbank deposits	10,531,499	10,534,999	10,534,999	-	-
Borrowings	-	-	-	-	-
Bonds payable	47,067,047	49,491,252	33,881,174	10,507,997	5,102,081
Marketable securities	14,344,230	14,476,742	14,476,742	-	-
Lease liability	840,129	840,129	514,665	214,976	110,488
Total financial liabilities	685,792,772	680,741,557	564,435,926	61,985,194	54,320,437

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 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.

Financial assets available to support future funding
In Management's opinion, the investment portfolio and other financial assets of the Bank include highly liquid investments (rated AAA up to BBB-) for approximately B/.94,027,228 (2022: B/.111,111,758), which can be converted into cash in a period of less than a week.

In addition, the Bank maintains contingent funding lines available. These lines are guaranteed with the Bank's own investments and are adjusted according to the composition of the securities held with these entities. On June 30, 2023, these lines had an available value of B/.37,500,000 (2022: B/.35,000,000).

Financial assets given in guarantee
As of June 30, 2023, FVTOCI investments are held as collateral at fair value for B/.12,743,551 (2022: B/.1,076,532). See Note 10.

Market Risk
It is the risk that the value of the Bank's financial asset is reduced 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, unless by approval of the Board of Directors, substantially all of the assets and liabilities are denominated in United States Dollars or Balboas.

Market risk management
The Board of Directors of the Bank establishes and approves the policies and global limits of exposure to investments established in the Investment Manual based on the recommendation of the Asset and Liability Committee, taking into consideration the portfolio and assets they contain.

The Bank's investment policies handle the compliance of limits for a total amount of the investment portfolio, individual limits per asset type, issuer and country; for each portfolio, specifying the instruments to be included and their credit risk rating.

Additionally, the Bank has established maximum limits for market risk losses in its trading portfolio, arising from movements in interest rates, credit risk and fluctuations in market values of equity investments.

The Bank uses the model of Value-at-Risk (VAR) for managing the market risks of its investment portfolio in trading securities. The methodology corresponds to the historical model, which is based on the volatility presented by the prices of each of the positions in a time lapse of one year with a confidence level of 99%.

The investment policy does not contemplate 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 financial assets measured at FVTPL and FVTOCI of the Bank are intended primarily to maintain an inventory of securities to meet the demand of its customers of private banking investments and Prival Securities, Inc. In addition, the Bank's investment policies provide a limit up to B/.25,000,000 to June 2023 (2022: B/. 25,000,000) whose purpose is to generate profits in a short-term period.

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

- Exchange rate risk: It is the risk that the value of a financial asset will fluctuate because of changes in exchange rates of foreign currencies, and other financial variables, as well as the reaction of market participants to political and economic events. For purposes of accounting standards, this risk comes neither from financial assets that are not monetary items, nor from financial assets denominated in the functional currency of each of the countries where the subsidiaries are settled.

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

Exchange rate risk
The table below shows the net position of the Bank to foreign exchange risk in foreign operations:

	2023				
	Colones expressed in USD	**Euros expressed in USD**	**CHF expressed in USD**	**Other currencies expressed in USD**	**Total**
Exchange rate	**549.48**	**1.0865**	**1.1117**		
Deposits in banks	9,850,399	4,897,047	3,361,362	1,217,266	19,326,074
Financial instruments at fair value	6,806,549	14,716,098	-	-	21,522,647
Loans	9,063,280	75	-	-	9,063,355
Total financial assets	25,720,228	19,613,220	3,361,362	1,217,266	49,912,076
Customer deposits	9,574,239	16,702,290	3,479,424	1,193,402	30,949,355
Securities sold under repurchase agreements	199,867	-	-	-	199,867
Bonds payable	15,833,151	-	-	-	15,833,151
Total financial liabilities	25,607,257	16,702,290	3,479,424	1,193,402	46,982,373
Total net currency positions	112,971	2,910,930	(118,062)	23,864	2,929,703

	2022				
	Colones expressed in USD	Euros expressed in USD	CHF expressed in USD	Other currencies expressed in USD	Total
Exchange rate	**1.0442**	**0.7756**	**1.2124**		
Deposits in banks	10,292,078	18,812,745	3,816,582	1,231,535	34,152,940
Financial instruments at fair value	6,581,927	2,883,778	-	-	9,465,705
Loans	20,415,809	-	-	-	20,415,809
Total financial assets	37,289,814	21,696,523	3,816,582	1,231,535	64,034,454
Customer deposits	6,446,076	17,266,659	3,866,067	918,661	28,497,463
Bonds payable	23,235,103	-	-	-	23,235,103
Total financial liabilities	29,681,179	17,266,659	3,866,067	918,661	51,732,566
Total net currency positions	7,608,635	4,429,864	(49,485)	312,874	12,301,888

Interest rate risk

The Bank's net interest margin may vary due to the movement in unanticipated interest rates. The table below summarizes the Bank's exposure to financial assets and liabilities based on whichever occurs first between the new contractual fixed rate and the maturity date.

2023	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	Total
Financial assets:						
Deposits in banks	71,883,457	16,423,843	2,876,326	2,703,870	-	93,887,496
Securities purchased under resale agreements	3,741,272	2,023,248	87,139	-	-	5,851,659
Financial assets at FVTOCI	74,953,436	19,095,265	12,395,166	67,069,661	47,819,970	221,333,498
Financial assets at FVTPL	517,846	9,989	60	778,922	-	1,306,817
Loans	21,392,059	14,230,960	70,420,051	107,595,244	92,047,011	305,685,325
Total financial assets	172,488,070	51,783,305	85,778,742	178,147,697	139,866,981	628,064,795
Financial liabilities:						
Deposits from customers	272,393,808	42,391,966	157,038,797	61,645,116	-	533,469,687
Deposits from banks	15,173,393	2,073,241	511,644	-	-	17,758,278
Securities sold under repurchase agreements	201,804	-	10,126,178	-	-	10,327,982
Borrowings	-	-	9,930,369	-	-	9,930,369
Bonds payable	-	2,184,097	11,301,762	8,485,196	-	21,971,055
Marketable securities	3,025,833	4,294,408	31,711,195	-	-	39,031,436
Lease liabilities	-	-	215,873	136,830	-	352,703
Total financial liabilities	290,794,837	50,943,712	220,835,818	70,267,142	-	632,841,510
Total interest rate sensitivity	(118,306,768)	839,593	(135,057,075)	107,880,555	139,866,981	(4,776,715)

2022	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	Total
Financial assets:						
Deposits in banks	100,404,815	-	17,911,889	3,546,668	-	121,863,372
Securities purchased under resale agreements	414,028	-	-	-	-	414,028
Financial assets at FVTOCI	97,353,683	8,811,835	6,954,463	63,345,859	58,210,177	234,676,017
Financial assets at FVTPL	10,634,749	-	-	87	963,685	11,598,521
Loans	3,634,437	3,142,539	24,666,154	212,775,845	99,492,580	343,711,555
Total financial assets	212,441,712	11,954,374	49,532,506	279,668,459	158,666,442	712,263,493
Financial liabilities:						
Deposits from customers	368,994,611	45,692,881	106,556,137	91,756,238	-	612,999,867
Deposits from banks	10,531,499	-	-	-	-	10,531,499
Bonds payable	5,068,946	6,528,032	22,806,428	12,663,641	-	47,067,047
Marketable securities	3,209,785	3,802,158	7,332,287	-	-	14,344,230
Lease liabilities	-	-	514,664	325,465	-	840,129
Total financial liabilities	387,804,841	56,023,071	137,209,516	104,745,344	-	685,782,772
Total interest rate sensitivity	(175,363,129)	(44,068,697)	(87,677,010)	174,923,115	158,666,442	26,480,721

Sensitivity to interest rates

The sensitivity analysis below has been determined on the basis of the Bank's exposure to interest rates on interest-bearing assets (included in the interest rate exposure tables above) at the date of the consolidated statement of financial position and the stipulated change that takes place at the beginning of the financial year.

	Sensitivity of net equity in relation to movement of interest rates			
	Increase of 50 bps	**Decrease of 50 bps**	**Increase of 100 bps**	**Decrease of 100 bps**
2023				
As at June 30	(7,055,194)	7,126,101	(14,040,535)	14,324,182
Average for the year	(7,254,303)	7,327,210	(14,436,780)	14,728,433
Maximum for the year	(6,488,104)	7,982,561	(12,911,969)	16,045,754
Minimum for the year	(7,903,132)	6,553,311	(15,728,016)	13,172,816
2022				
As at June 30	(7,381,238)	7,471,979	(14,705,543)	15,002,625
Average for the year	(8,115,175)	8,215,069	(16,167,884)	16,494,508
Maximum for the year	(6,560,894)	9,826,152	(13,072,978)	19,729,874
Minimum for the year	(9,707,230)	6,643,390	(19,339,184)	13,337,078

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

The analysis performed quarterly by Management is to determine the net impact on financial instruments subject to market risk, taking into account the specific effects caused by increases and decreases of 100 basis points in interest rates.

Operational risk
It is the risk of potential losses, direct or indirect, relating to Bank processing, personnel, technology and infrastructure, and external factors that are unrelated to credit, market and liquidity, such as those from legal and regulatory requirements and the behaviour 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.

To manage operational risk, the Bank has established an organizational structure with functions and responsibilities clearly established for the Board of Directors, Senior Management, Risk Committee and the Risk Management Unit, as well as the form and periodicity of the reports, with a level of acceptable operational risk.

The purpose of operational risk management is to:

- Prevent and minimize losses caused by incidents or operational risk events.
- Formalize identification, measurement, mitigation, monitoring, control, and operational risk information.
- Focus resources and efforts on key operational risks.
- Continuously improve controls and learning.

Periodic audits and internal audits are routinely carried out to improve efficiency, control and neutralize identified weaknesses. The corresponding manual is updated periodically.

The Bank uses operational risk monitoring in accordance with operational risk indicators (ORIs).

Capital Management
The Bank manages its capital to ensure:

- Compliance with requirements established by the Superintendency of Banks of Panama.
- The continuation as a going concern while maximizing returns to shareholders through the optimization of debt and equity balance.
- Maintain a capital base, strong enough to support its business performance.

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

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

The Bank analyses its regulatory capital by applying the rules of the Superintendency of Banks established for General License banks, based on Agreement 1-2015 of February 3, 2015 and amended by Agreement 13-2015 of December 24, 2015. The Bank has capital funds of 15.69% (2022: 14.12%) on its weighted risk-based assets.

5. Fair Value of Financial Instruments

The estimated fair value is the amount by which financial instruments can be traded in a common transaction between interested parties, other than in a forced sale or liquidation and is best evidenced by market quotations, if any.

The fair value estimates are made at a specific date, based on market estimates and information on financial instruments. These estimates do not reflect any premium or discount that could result from offering a particular financial instrument for sale at a given date. These estimates are subjective in nature, involve uncertainties and matters of significant judgment and, therefore, cannot be determined accurately. Any changes in assumptions could affect estimates significantly.

Financial Instruments Measured at Fair Value

Fair Value Hierarchy
IFRS 13 sets a hierarchy level of the valuation techniques based on the transparency of the variables used in determining the fair value. All the financial instruments at fair value are categorized in one of the three levels of hierarchy:

- Level 1 – Inputs are quoted prices (unadjusted) in active markets for assets or liabilities identical to those the entity can access at the measurement date.
- Level 2 – Inputs are other than quoted market prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, or similar in markets that are not active.
- Level 3 – Inputs are unobservable inputs for the asset or liability.

When the fair value measurements for assets and liabilities that are required or permitted to be recorded at fair value are determined, the Bank considers the main market or the best market that could make the transaction and considers the assumptions that a market participant would use to value the asset or liability. When possible, the Bank uses active markets and observable market prices for identical assets and liabilities.

When identical assets and liabilities are not traded in active markets, the Bank uses observable market data for similar assets and liabilities. However, certain assets and liabilities are not actively traded in observable markets and the Bank must use alternative valuation techniques to determine the fair value measurement. The frequency of transactions, the size differential between supply and demand and the investment size are factors considered in determining the liquidity of markets and the relevance of observed prices in these markets.

Financial assets at FVTOCI are carried at fair value based on quoted market prices when available, or if they are not available, based on discounted future cash flows using market rates commensurate with the credit quality and maturity of the investment.

When the reference prices are available in an active market, financial assets at FVTOCI are classified within level 1 of the fair value hierarchy. If the prices of market value are not available or available in markets that are not active, the fair value is estimated based on the quoted prices of similar instruments, or where these are not available, internal valuation techniques are used, primarily models of discounted cash flows. Such securities are classified within level 2 of the fair value hierarchy.

Some of the financial assets and liabilities of the Bank are valued at fair value at the end of each year.

Fair value of financial assets and liabilities measured at fair value

Some of the Bank's financial assets are measured at fair value at the end of each year. The following table provides information on how the fair values of financial assets are determined (including the valuation technique and inputs used).

Measurement of financial assets at fair value through profit or loss

	2023	Level 1	Level 2	Level 3
Private debt securities	60	-	-	60
Mutual funds	254,696	-	254,696	-
Government debt securities	273,138	273,138	-	-
Listed shares on the local securities market	778,923	-	778,923	-
	1,306,817	273,138	1,033,619	60

	2022	Level 1	Level 2	Level 3
Private debt securities	87	-	-	87
Mutual funds	538,717	-	538,717	-
Government debt securities	10,962,796	10,962,796	-	-
Listed shares on the local securities market	96,921	-	96,921	-
	11,598,521	10,962,796	635,638	87

Measurement of financial assets at fair value through other comprehensive income

	2023	Level 1	Level 2	Level 3
Governmental debt securities	63,691,090	49,536,690	14,084,221	70,179
Private debt securities	107,248,891	63,725,712	30,257,128	13,266,051
Mutual funds	16,903,627	-	267,647	16,635,980
Listed shares	93,126	-	93,126	-
Unlisted shares	33,366,764	-	-	33,366,764
Preferred shares	30,000	-	-	30,000
	221,333,498	113,262,402	44,702,122	63,368,974

	2022	Level 1	Level 2	Level 3
Governmental debt securities	69,618,546	57,012,838	12,457,907	147,801
Private debt securities	115,069,740	55,342,501	41,575,445	18,151,794
Mutual funds	16,866,091	-	1,777,155	15,088,936
Listed shares	4,607,510	4,514,393	93,117	-
Unlisted shares	28,484,130	-	-	28,484,130
Preferred shares	30,000	-	-	30,000
	234,676,017	116,869,732	55,903,624	61,902,661

The following table presents non-observable inputs used in the valuation of financial instruments classified as Level 3 of the fair value hierarchy:

Instruments	Valuation techniques	Non-observable inputs used	Relationship between non-observable inputs and fair value
Private debt	Discounted cash flows	Credit margin	If the credit margin increases, the price decrease and viceversa.
Equity instrument	The last purchase/sale price is taken	Observable share price or reference value	If unobservable data increases, the fair value will decrease.

Below are the main valuation methods, assumptions and inputs used in the estimation of the fair value of financial instruments.

Instruments	Valuation techniques	Inputs used	Level
Governmental debt securities	Market prices	Observable market prices	1 - 2
Private debt securities	Market prices	Observable market prices	1 - 2
Corporate common shares	Market prices	Observable market prices	1 - 2
Mutual funds	Net asset value	Unobservable market prices	3

During the year ended June 30, 2023, there were no transfers between level 1 and 2.

The movement of financial instruments measured at fair value though other comprehensive income and profit or loss classified in Level 3 is as follows:

	2023	**2022**
Balance at the beginning of the year	61,902,748	55,066,127
Purchase and additions	11,480,448	23,844,377
Category reclassifications Level 2 to 3 (i)	1,482,594	-
Changes in fair value	(194,716)	1,904,013
Sales and redemptions	(12,225,738)	(19,998,825)
Accrued interest receivable	923,698	1,087,056
Balance at the end of the year	63,369,034	61,902,748

(i) As of December 31, 2022, local mutual funds were reclassified from Level 2 to Level 3, since the underlying instruments are part of the fund's assets.

Fair value of the Bank's financial assets and liabilities not measured at fair value (but fair value disclosures are required)

The following is a summary of the carrying value and the estimated fair value of the significant financial assets and liabilities not measured at fair value:

2023	Fair value hierachy				
	Level 1	Level 2	Level 3	Total	Carrying value
Financial assets					
Deposits in banks	-	-	93,911,385	93,911,385	93,887,496
Securities purchased under resale agreements	-	2,831,572	2,973,887	5,805,459	5,851,659
Loans	-	-	267,479,314	267,479,314	305,685,325
Total financial assets	-	2,831,572	364,364,586	367,196,158	405,424,480
Financial liabilities					
Deposits from customers	-	-	522,248,046	522,248,046	533,469,687
Deposits from banks	-	-	17,676,261	17,676,261	17,758,278
Securities sold under repurchase agreements	-	10,068,897	199,867	10,268,764	10,327,982
Borrowings	-	9,953,031	-	9,953,031	9,930,369
Marketable securities	-	-	38,760,402	38,760,402	39,031,436
Bonds payable	-	21,187,104	-	21,187,104	21,971,055
Total financial liabilities	-	41,209,032	578,884,576	620,093,608	632,488,807

2022	Fair value hierachy				
	Level 1	Level 2	Level 3	Total	Carrying value
Financial assets					
Deposits in banks	-	-	121,863,372	121,863,372	121,863,372
Securities purchased under resale agreements	-	414,028	-	414,028	414,028
Loans	-	-	331,126,369	331,126,369	343,711,555
Total financial assets	-	414,028	452,989,741	453,403,769	465,988,955
Financial liabilities					
Deposits from customers	-	-	613,285,225	613,285,225	613,009,867
Deposits from banks	-	-	10,529,840	10,529,840	10,531,499
Marketable securities	-	-	14,375,888	14,375,888	14,344,230
Bonds payable	-	46,788,161	-	46,788,161	47,067,047
Total financial liabilities	-	46,788,161	638,190,953	684,979,114	684,952,643

Assumptions used to determine the fair value of assets and liabilities
The following is a summary of the assumptions used in the fair value estimate for the Bank's most important financial instruments:

Deposits in banks
Discounted cash flows using the current market interest rates of 5.13% (2022: 1.70%) for placements or new debt financings with similar remaining maturities.

Securities purchased/sold under repurchase/resale agreements
The fair value of financial assets shown above in Level 2 approximates its fair value due to their short-term nature.

Loans
The estimated fair value for loans represents the amount of estimated future discounted cash flows receivable. The portfolio's cash flows are discounted at a present value at a rate of 7.2131% (2022: 7.2331%) for the consumer portfolio, 6.6621% (2022: 6.4879%) for the corporate portfolio and 7.3608% (2022: 7.4208%) for financial leasing.

Deposits from customers
The fair value of time deposits, with maturities greater than one year, is estimated using the discounted cash flows technique applying current market interest rates offered for deposits with similar terms and maturities, and for those with maturities under one year, the carrying amount is estimated.

Bonds payable
The fair value of bonds payable is estimated using the discounted cash flows technique applying market reference rates offered for the bonds for each currency.

Marketable securities (VCNs)
The fair value of VCNs payable is estimated using the discounted cash flow technique by applying the market reference rates that are offered to VCNs.

Borrowings
The fair value of borrowings is estimated using the discounted cash flows technique applying market reference rates offered for the borrowings for each currency.

Investment fund
The fair value of the investment funds is estimated on the base of net asset value per share at the date of the financial statements, according to the custodies account statements.

6. Critical accounting judgments and key principles of uncertainty in estimates

In applying the Bank's accounting policies, which are described in Note 3, Management must make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources.

Estimates and assumptions are based on historical experience and other factors considered relevant. Actual results may differ from these estimates.

The underlying estimates and assumptions are reviewed regularly. Revisions to accounting estimates are recognized in the period in which the estimate is revised when it affects only that period or on the revision period and future periods if the revision affects both the current and future periods.

Critical Accounting Judgments and Key Principles of Estimating Uncertainty
Below are key assumptions concerning the future and other key principles of the estimation for uncertainty at the date of the consolidated statement of financial position that have a significant risk causing material adjustments to the carrying amount of assets and liabilities within the next financial period.

Expected credit losses
The Bank reviews the loan portfolio to assess impairment on a monthly basis. In determining whether an impairment loss should be recorded in the consolidated statement of profit or loss, the Bank uses several models and assumptions in the estimation of ECLs. The judgment is applied in the identification of the most appropriate model for each type of asset, as well as to determine the assumptions used in those models, including the assumptions that relate to the key credit risk guides. See note 3 for more details on ECLs.

The following are key estimates that Management has used in the process of applying the Bank's accounting policies and that have the most significant effect on the amounts recognized in the consolidated financial statements (refer to note 3 for more details):

- Probability of default: PD constitutes a key input in the measurement of PD, it is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions.

- Loss given default: LGD loss is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the Bank would expect to receive, taking into account cash flows from the collateral and the integral credit improvements.

- Significant increase in credit risk: As explained in Note 3, ECLs are measured as a provision equal to the 12-month ECL for stage 1 assets or full lifetime ECL for the assets of stage 2 or the assets of stage 3. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition.

Fair value of financial assets
The fair value of investments that have no active market price is determined using valuation techniques. In these cases, fair value is estimated using observable data regarding similar financial instruments or valuation models. When observable market data for valuation cannot be obtained, the estimate is made on key assumptions and by applying valuation models that are adequate with the Bank's business model. The ALCO Committee approves all models before they are used and are calibrated to ensure that the output values adequately estimate the fair value.

Some assets and liabilities are measured at fair value for financial reporting purposes.

In estimating the fair value of an asset or a liability, observable market data is used to the extent it is available.

The Bank's treasury closely cooperating with qualified external appraisers establishes techniques and appropriate inputs to the valuation model.

Valuation findings are reported monthly to the Risk Committee, which in turn, analyses fluctuations in the fair value of the asset or liability in question.

Valuation techniques used to determine the fair values of Level 2
Level 2: Quoted prices in active markets for similar financial instruments or using a valuation technique where all variables are obtained from observable market data for assets or liabilities, directly or indirectly.

In some cases, the Bank uses reference information of active markets for similar instruments and in others, it uses discounted cash flow techniques where all model variables and inputs are derived from observable market information.

Valuation techniques used to determine the fair values of Level 3
When "inputs" are not available and are required to determine the fair value using a valuation model, the Bank relies on entities engaged in the valuation of exchange instruments or of the very same entities managing the asset or liability in question. The models used to determine fair value are usually through discounted cash flows or valuations employing historical market observations.

When the Bank uses or contracts third parties, who provide the pricing service to determine the fair values of the instruments, this control unit evaluates and documents the evidence obtained from these third parties that support the conclusion that said valuations comply with the requirements of the IFRS. This review includes:

- Verify that the price provider has been approved by the Bank;
- Obtain an understanding of how fair value has been determined and whether it reflects current market transactions.

Determination of the fair value of investment properties
The Bank makes judgments in determining the fair value of investment properties. The fair value of investment properties is established by current prices in an active market for similar properties in the same location and condition. Valuation techniques used to determine fair values are validated and reviewed by independent evaluators. The estimation of property values is made according to commercial demand in the real estate market, through research and analysis of recent sales made in the sector or surrounding areas, as well as the sales prices per square meter that are offered in nearby premises, whose uses are clearly identified with the predominant use in the urban sector where they are located. The Bank determined the market value of its investment properties based on the fair value determined through appraisals.

Reserve for claims in process
The determination of the reserve for claims in process requires that the Insurer's Management estimate the gross provisions for claims for claims in process and the amounts recoverable from reinsurers, and they are based on the information that is available at the date of the valuation. This estimate is made based on the experience of the adjusters or other specialists that the Company must involve depending on the type of claim to be booked. Due to the foregoing, the final reserved liability could vary as a result of subsequent information and could result in significant adjustments to the provisioned amounts. The estimates made for the reserve for claims in process are reviewed regularly. As a complement to the establishment of this reserve, the Company established the reserve for incidents that have occurred and not reported, which is calculated on actuarial bases as disclosed in Note 27.

Estimation of the liability for payment of benefits in long-term insurance contracts
The Insurer estimates the value of future benefits to policyholders under long-term insurance contracts using actuarial calculations. Each product offered by the Insurer is subject to approval by the industry Regulatory Entity, which includes a technical note that establishes, among other factors, the mortality table used in the presumptions of death, discount rates, savings components., etc. At the end of each period the balance is updated through the application of actuarial methods contained in the technical note. Adverse factors such as deaths due to congenital diseases, lifestyle habits, among others, are contained within the factors for the actuarial calculation and are not considered variables that could cause significant deviations in the accumulation of the liability for future benefits.

7. Balances and Transactions with Related Parties

A summary of balances and transaction with related parties included in the consolidated financial statement is as follows:

2023	Directors and key management personnel	Related companies	Associated companies	Total
Assets				
Investments in other entities	-	-	200,000	200,000
Financial assets at FVTOCI	-	-	5,435,405	5,435,405
Loans	17,969,451	24,984,224	1,462,703	44,416,378
Other assets	-	355,607	1,853,553	2,209,160
Liabilities				
Deposits from customers	1,488,552	44,155,544	11,265,316	56,909,412
Other liabilities	-	24,963	28,486	53,449
Income and expenses				
Interest income	417,420	775,891	166,668	1,359,979
Interest expenses	11,078	1,242,367	34	1,253,479
Commision income	510	41,240	3,828,375	3,870,125
Benefits for key Management personnel				
Salaries and other wages	7,204,742	-	-	7,204,742

2022	Directors and key management personnel	Related companies	Associated companies	Total
Assets				
Investments in other entities	-	-	225,000	225,000
Financial assets at FVTOCI	-	10,848,347	-	10,848,347
Loans	8,138,582	11,792,234	-	19,930,816
Other assets	-	-	1,359,957	1,359,957
Liabilities				
Deposits from customers	3,969,294	25,959,398	4,656,874	34,585,566
Other liabilities	-	27,375	36,000	63,375
Income and expenses				
Interest income	313,332	751,374	61,286	1,125,992
Interest expenses	93,207	634,584	8,056	735,847
Commision income	4,085	3,705,504	94,875	3,804,464
Benefits for key Management personnel				
Salaries and other wages	3,591,590	-	-	3,591,590

Loans to related companies during the year amounted to B/.26,446,927 (2022: B/.11,792,234), at interest rates ranging between 3.75% and 18% (2022: 3.75% to 19%), with multiple maturities until 2046. (2022: multiple maturities until 2046).

Loans granted to directors and key management personnel during the year amounted to B/.17,969,451 (2022: B/.8,138,582), at interest rates ranging between 1.25% and 18% (2022: between 3% to 18%), and with multiple maturities until 2053 (2022: with multiples maturities until 2049).

Loans to related companies guaranteed with cash at the end of June 2023 amounted to B/.5,515,647 and those guaranteed with mortgages amounted to B/.2,732,069 (2022: B/.2,196,562).

Deposits of related companies on June 30, 2023, amounted to B/.55,420,860 (2022: B/.30,616,272), at interest rates between 0.50% and 6.25%, with multiple maturities until 2025 (2022: interest rates between 0.50% to 9% and maturities until 2024).

Deposits from directors and key management personnel during the year amounted to B/.1,488,552 (2022: B/.3,969,294), at interest rates between 0.5% and 6.25% (2022: between 0.5% and 4.75%) with multiple maturities until 2027 (2022: with various maturities until 2026).

As of June 30, 2023, the Bank recognized allowance for expected credit losses with respect to loans granted to related parties for B/.157,329 (2022: B/.313,303).

Prival Securities, Inc. maintains a Management Agreement with the Family of Mutual Funds dated March 12, 2012. Under the terms of the agreement, it receives up to 1% of total net assets from the funds. Management, administration and custody fees as of June 30, 2023 amounted to B/.3,734,861 (2022: B/.3,664,082).

The off-balance sheet of the consolidated statement of financial position as of June 30 are detailed below:

2023	Directors and management personnel	Related companies	Total
Off-balance sheet assets			
Bank guarantees, bonds, endorsements	-	22,950,482	22,950,482
Credit cards to be used	385,537	-	385,537
Managed assets	956,621	116,015,894	116,972,515
Total operations off-balance sheet assets	1,342,158	138,966,376	140,308,534

2022	Directors and management personnel	Related companies	Total
Off-balance sheet assets			
Bank guarantees, bonds, endorsements	-	21,806,803	21,806,803
Credit cards to be used	496,842	-	496,842
Managed assets	831,090	170,258,950	171,090,040
Total operations off-balance sheet assets	1,327,932	192,065,753	193,393,685

8. Cash and Cash Equivalents

Cash and cash equivalents are summarized below:

	2022	2022
Cash	939,652	1,044,601
Demand deposits	72,143,472	99,708,775
Time deposits	21,744,024	22,154,597
Less: Allowance for expected credit losses	(48,407)	(37,796)
Total cash and cash equivalents	94,778,741	122,870,177
Less:		
Deposits over 90 days	5,614,651	5,068,510
Restricted demand and time deposits	9,592,059	15,123,898
Cash and cash equivalents for the purpose of the consolidated statement of cash flows	79,572,031	102,677,769

As of June 30, 2023, there are no restricted deposits in Prival Bank.

The subsidiary Grupo Prival Costa Rica, S.A., holds restricted deposits for B/.9,592,059 (2022 B/.15,123,898) corresponding to the legal reserve required by the local regulation thereof. These deposits are not considered in the liquidity reported to the Superintendency of Banks of Panama.

The average interest rate earned on time deposits is 3.79%, with various maturities until July 3, 2025 (2022: 2.352%, with various maturities until October 30, 2024).

9. Securities Purchased under Resale Agreements

As of June 30, 2023, the securities purchased under resale agreements summarize B/.5,851,659 and details as follows:

- As of June 30, 2023, Prival Bank, S.A. held repurchase investments for a total of B/.2,875,584 with maturities between July and September 2023 and yield rates of 4.5%.

- Prival Bank (Costa Rica), held resale investments for B/.2,976,075 with maturity in July 2023 and yield rates between 4.79% and 5.10%. These investments are guaranteed with bonds of the Republic of Costa Rica in USD for B/.3,975,000.

As of June 30, 2022, Prival Securities (Costa Rica) Sitio de Bolsa, S.A., maintained investments in repurchases for B/.414,028 with maturity in July 2022 and a yield rate of 2.50%. These investments were guaranteed with Costa Rica External Debt Bonds in USD for B/.500,000.

10. Financial Assets at Fair Value

The financial assets at fair value are summarized as follows:

	2023	**2022**
Financial asset at FVTPL	1,306,817	11,598,521
Financial asset at FVTOCI	221,333,498	234,676,017
	222,640,315	246,274,538

Financial assets at fair value through profit and loss

	2023	**2022**
Securities traded in a market		
Govermental debt securities	273,138	10,962,796
Private debt securities	60	87
Common sahres	778,923	96,921
	1,052,121	11,059,804
Securities not traded in a market		
Mutual funds	254,696	538,717
Total financial assets at FVTPL	1,306,817	11,598,521

The annual interest rates accrued by financial assets at fair value through profit or loss are between 3.00% and 6.25% (2022: between 1.17% and 6.25%) with various maturities until 2023 (2022: various maturities until 2031).

Financial assets at fair value through other comprehensive income

	2023	2022
Securities traded in a market		
Governmental debt securities	63,620,911	69,470,743
Private debt securities	107,048,890	114,869,742
Mutual funds	12,913,285	9,806,205
Preferred shares	30,000	30,000
Common shares	4,693,054	4,607,510
	188,306,140	198,784,200
Securities not traded in a market		
Governmental debt securities	70,180	147,801
Private debt securities	200,000	200,000
Common shares	28,766,836	28,484,130
Mutual funds	3,990,342	7,059,886
	33,027,358	35,891,817
Total financial assets at FVTOCI	221,333,498	234,676,017

The annual interest rates accrued by VROUI financial assets ranged between 1.88% and 11.36% (2022: between 1.25% and 9.0%) with various maturities until 2050 (2022: with various maturities until 2034).

Below is the movement of financial assets at fair value with changes in other comprehensive income at the end of June 2023 and 2022:

	2023	2022
Initial balance	232,302,536	214,124,811
Purchases	232,279,010	188,409,828
Sales and redemptions	(248,830,930)	(159,280,691)
Conversion effect	1,165,049	(542,785)
Credit risk valuation	(213,210)	158,354
Movement of financial assets measured at fair value thrigh other comprehensive income	2,082,398	(10,566,981)
	218,784,853	232,302,536
Interest receivable	2,548,645	2,373,481
	221,333,498	234,676,017

The Bank recognized a provision for expected credit losses of B/.321,835 (2022: B/.369,786) for the financial assets of VROUI, which is recognized in equity.

The movement in the allowance for expected losses on investments as of June 30, 2022, is summarized below:

2023	12-month ECLs	ECL during total life without credit impairment	ECL during total life with credit impairment	Total
Balance at the beginning of the year	369,786	-	-	369,786
Transferred to 12 months	-	-	-	-
Transferred to total life without credit impairment	-	-	-	-
Transferred to total life with credit impairment	-	-	-	-
Total transfers	-	-	-	-
Write-off-loans				
ECL allowance charged to equity				
Recalculation of the portfolio, net	(42,418)	-	-	(42,418)
New originated financial assets	67,972	-	-	67,972
Investments	(73,505)	-	-	(73,505)
Total ECL allowance charged to profit or loans	(47,952)	-	-	(47,952)
Balance at the end of the year	321,835	-	-	321,835

2022	12-month ECLs	ECL during total life without credit impairment	ECL during total life with credit impairment	Total
Balance at the beginning of the year	204,805	-	-	204,805
Transferred to 12 months	-	-	-	-
Transferred to total life without credit impairment	-	-	-	-
Transferred to total life with credit impairment	-	-	-	-
Total transfers	-	-	-	-
Write-off-loans				
ECL allowance charged to equity				
Recalculation of the portfolio, net	30,379	-	-	30,379
New originated financial assets	265,022	-	-	265,022
Investments	(130,420)	-	-	(130,420)
Total ECL allowance charged to profit or loans	164,981	-	-	164,981
Balance at the end of the year	369,786	-	-	369,786

As of June 30, 2023, VROUI investments are maintained as collateral at fair value for B/.12,743,551 (2022: B/1,076,532).

11. Loans

Loans by type are broken down as follows:

	2023			2022		
	Domestic	Foreign	Total	Domestic	Foreign	Total
Consumer						
Personal	13,546,746	4,059,117	17,605,863	15,213,277	5,243,238	20,456,515
Automobile	1,188,986	186,213	1,375,199	905,573	161,586	1,067,159
Overdrafts	9,672,582	-	9,672,582	16,326,575	-	16,326,575
Mortgages	28,864,995	6,029,641	34,894,636	28,358,747	6,583,045	34,941,792
Credit cards	1,014,318	288,689	1,303,007	994,498	286,201	1,280,699
Corporate						
Services	53,648,853	41,067,423	94,716,276	86,848,114	50,935,104	137,783,218
Construction	37,879,368	9,674,793	47,554,161	19,547,822	20,021,714	39,569,536
Mining	3,219,870	-	3,219,870	3,058,066	-	3,058,066
Industrial	17,923,409	3,278,332	21,201,741	21,406,017	9,076,727	30,482,744
Agricultural	-	7,418,906	7,418,906	-	7,928,837	7,928,837
Commercial	3,377,670	13,731,345	17,109,015	10,004,740	12,062,377	22,067,117
Financial services	29,352,471	15,450,867	44,803,338			
Other	-	4,810,731	4,810,731	2,511,169	26,238,128	28,749,297
	199,689,268	105,996,056	305,685,325	205,174,598	138,536,958	343,711,555
Less:						
Allowance for uncollectible loans	-	-	(6,267,316)	-	-	(3,518,133)
Discounted unearned interest and commissions	-	-	(209,978)	-	-	(306,251)
Total loans	-	-	299,208,031	-	-	339,887,171

The movement of the allowance for expected credit losses on loans as at June 30, is summarized below:

2023	12-month ECLs	ECL during total life without credit impairment	ECL during total life with credit impairment	Total
Balance at the beginning of the year	1,965,444	341,233	1,211,456	3,518,133
Transferred to 12 months	322,658	(321,950)	(708)	-
Transferred to total life without credit impairment	(112,687)	112,687	-	-
Transferred to total life with credit impairment	(24,902)	(13,547)	38,449	-
Total transfers	185,069	(222,810)	37,741	-
Writte-off loans	(820,314)	(309)	(37,328)	(857,951)
ECL allowance charged to profit or loss				
Recalculation of the portfolio, net	(758,173)	(91,221)	3,864,373	3,014,979
New originated financial assets	413,986	27,843	150,326	592,155
Total ECL allowance charged to profit or loss	(344,187)	(63,378)	4,014,699	3,607,134
Balance at the end of the year	986,012	54,736	5,226,568	6,267,316

2022	12-month ECLs	ECL during total life without credit impairment	ECL during total life with credit impairment	Total
Balance at the beginning of the year	1,888,301	1,634,012	1,905,003	5,427,316
Transferred to 12 months	458,272	(443,262)	(15,010)	-
Transferred to total life without credit impairment	(1,680)	1,680	-	-
Transferred to total life with credit impairment	(24,015)	(21,308)	45,323	-
Total transfers	432,577	(462,890)	30,313	-
Writte-off loans	(5,830)	-	(49,355)	(55,185)
ECL allowance charged to profit or loss				
Recalculation of the portfolio, net	(352,066)	(356,216)	(140,989)	(849,271)
New originated financial assets	824,245	10,711	3,720	838,676
Paid loans	(821,783)	(484,384)	(537,236)	(1,843,403)
Total ECL allowance charged to profit or loss	(349,604)	(829,889)	(674,505)	(1,853,998)
Balance at the end of the year	1,965,444	341,233	1,211,456	3,518,133

As of June 30, 2023, the allowance for doubtful accounts presented in the consolidated statement of cash flows for B/.2,274,229 includes loan allowance for B/.2,749,183 and B/.474,954 that correspond to recoveries of previously written off loans.

The loan portfolio includes financial leases receivable whose maturity profiles are as follows:

	2023	2022
Minimum financial lease payments receivable:		
Less than 1 year	-	60,469
1 to 5 years	1,188,024	916,232
More than 5 years	139,167	-
Balance at the end of the year	1,327,191	976,701

Interest rates of financial leases range between 6% and 8.50%.

12. Investment in Associates

As of June 30, investments in associates are as follows:

Name	Activity	Country of incorporation	% of participation 2022	2023	2022
Prival Bond Fund, S.A. (i)	Mutual fund	Panamá	0.75%	25,000	25,000
Prival Multi Strategy Income and Growth Fund, S.A. (i)	Mutual fund	Panamá	0.62%	25,000	25,000
Prival Mila Fund, S. A. (i)	Mutual fund	Panamá	0.00%	-	25,000
Prival Real Estate Fund (i)	Mutual fund	Panamá	1,06%	50,000	50,000
Insigneo Private Ventures Fund, S. A. (ii)	Mutual fund	Panamá	4.70%	50,000	50,000
PS Multi-Asset Class Fund, Inc. (iii)	Mutual fund	Panamá	2.27%	50,000	50,000
				200,000	225,000

(i) The Bank holds class “B” shares with voting rights and without dividend rights and therefore no participation is calculated for those funds in management.

(ii) Prival Securities, Inc. owns of 500 Class A common shares of Insigneo Private Ventures Fund, S.A. and PS Multi-Asset Class Fund, Inc. with a nominal value of B/.100 each of the investment company. The right to vote belongs exclusively to class A shares, at the rate of one vote for each share.

Insigneo Private Ventures Fund, S.A. is a venture capital investment company, closed and umbrella type regulated and supervised by the Superintendency of the Securities Market, under resolution SMV No.520-20 of December 7, 2020.

(iii) PS Multi-Asset Class Fund, Inc. is a venture capital, closed and umbrella-type investment company regulated and supervised by the Superintendency of the Securities Market, under resolution SMV No.183-21 of April 16, 2021.

(iv) Through Resolution SMV 153-22 of April 26, 2022, the dissolution of the company Prival Mila Fund, SA was approved

Investments in other entities correspond to unlisted equity instruments recognized at cost considering it is the most suitable estimate of the fair value of the instruments. Every year the Bank performs impairment assessments on these equity instruments to determine whether the cost is still the best estimate of their fair value.

13. Property, Furniture, Equipment and Improvements

Property, furniture, equipment and improvements are detailed below:

2023	Beginning balance	Additions	Decreases	Reclassification	Ending balance
Cost					
Land	11,392,356	-	-	(592,356)	10,800,000
Building	1,917,776	79,469	-	(1,957,245)	40,000
Furniture and fixtures	1,352,263	187	(9,921)	(8,037)	1,334,492
Office equipment	746,537	42,850	(3)	-	789,384
Communication equipment	113,141	-	-	-	113,141
Vehicles	565,660	188,549	(236,826)	-	517,383
Leasehold improvements	3,705,469	96,700	-	-	3,802,169
Construction in progress	22,337,986	27,835,428	-	-	50,173,414
Computer equipment	1,012,439	136,811	(6,428)	-	1,142,822
	43,143,627	28,379,994	(253,178)	(2,557,638)	68,712,805
Accumulated depreciation and amortization					
Building	301,422	25,431	-	(326,853)	-
Furniture and fixtures	1,141,694	82,377	(7,454)	(4,747)	1,211,870
Office equipment	689,676	21,361	-	-	711,037
Communication equipment	113,122	19	-	-	113,141
Vehicles	264,302	48,078	(69,189)	-	243,191
Leasehold improvements	3,614,892	103,615	-	-	3,718,507
Computer equipment	752,748	103,855	(4,445)	-	852,158
	6,877,856	384,736	(81,088)	(331,600)	6,849,904
Net value	36,265,771	27,995,258	(172,090)	(2,226,038)	61,862,901

2022	Beginning balance	Additions	Decreases and reclassification	Ending balance
Cost				
Land	11,392,356	-	-	11,392,356
Building	1,917,776	-	-	1,917,776
Furniture and fixtures	1,323,445	29,021	(203)	1,352,263
Office equipment	720,819	25,718	-	746,537
Communication equipment	113,141	-	-	113,141
Vehicles	495,697	83,306	(13,343)	565,660
Leasehold improvements	3,683,009	22,460	-	3,705,469
Construction in progress	15,896,632	6,462,158	(20,804)	22,337,986
Computer equipment	933,797	115,052	(36,410)	1,012,439
	36,476,672	6,737,715	(70,760)	43,143,627
Accumulated depreciation and amortization				
Building	617,190	43,070	(358,838)	301,422
Furniture and fixtures	1,311,459	90,984	(260,749)	1,141,694
Office equipment	54,662	15,569	619,445	689,676
Communication equipment	108,348	4,774	-	113,122
Vehicles	233,121	43,527	(12,346)	264,302
Leasehold improvements	3,230,139	384,753	-	3,614,892
Computer equipment	699,203	89,955	(36,410)	752,748
	6,254,122	672,632	(48,898)	6,877,856
Net value	30,222,550	6,065,083	(21,862)	36,265,771

There are reclassifications in this note in the items of building, land and furniture that went to the item of active assets held for sale.

14. Intangible Assets and Goodwill

The movement of intangible assets is detailed as follows:

2023	Beginning balance	Additions	Decreases	Ending balance
Cost:				
Software and licenses	6,322,435	2,294,811	680,758	9,298,004
Deposits' portfolio	2,790,000	-	-	2,790,000
Health portfolio	421,457	-	-	421,457
Total	9,533,892	2,294,811	680,758	12,509,461
Accumulated amortization:				
Software	4,037,345	2,017,049	680,758	6,735,152
Deposits' portfolio	1,333,000	186,000	-	1,519,000
Health portfolio	356,616	64,839	-	421,455
	5,726,961	2,267,888	680,758	8,675,607
Net intangible assets	3,806,931			3,833,854

2022	Beginning balance	Additions	Decreases	Ending balance
Cost:				
Software and licenses	7,419,111	2,488,508	(3,585,184)	6,322,435
Deposits' portfolio	2,790,000	-	-	2,790,000
Health portfolio	421,457	-	-	421,457
Total	10,630,568	2,488,508	(3,585,184)	9,533,892
Accumulated amortization:				
Software	6,191,229	1,470,446	(3,624,330)	4,037,345
Deposits' portfolio	1,147,000	186,000	-	1,333,000
Health portfolio	226,937	129,679	-	356,616
	7,565,166	1,786,125	(3,624,330)	5,726,961
Net intangible assets	3,065,402			3,806,931

For the year ended June 30, 2023, the balance of additions for B/.2,294,811 (2022: B/.2,488,508) corresponds to acquisitions and renewals of software and licenses.

15. Goodwill

The Bank's goodwill is as follows:

	2023	2022
Balance at the beginning of the year	13,284,741	13,284,741

The following table summarizes the Bank's goodwill balance, generated by the acquisition of the following companies:

Company	Acquisition date	Acquired interest	2023	2022
Prival Bank Costa Rica, S.A. (Formerly Bansol)	April 21, 2015	100%	4,552,453	4,552,453
Prival Securities, Inc.	August 12, 2010	100%	3,383,126	3,383,126
Acerta Holding, Inc.	September 9, 2019	50.13%	5,349,162	5,349,162
			13,284,741	13,284,741

In order to test for impairment of goodwill, the Bank annually performs a valuation of the various businesses acquired and which have generated such goodwill. The calculation of the valuation of goodwill was determined according to the estimated growth forecast for the two businesses, using the cash flow discount method, based on the financial budgets approved by the Board of Directors covering a period of 5 years and using a discount rate of 10%.

To carry out the valuation of assets and businesses acquired, its expected net cash flows are projected for the assets or business in the corresponding cash-generating unit in 5-years periods. Likewise, its growth in perpetuity or a multiple of flows were defined at the end of the flow projection period to estimate the terminal cash flow.

Growth rate used for Prival Costa Rica was placed at 10% for Private Banking and 1% for Corporate Banking; Prival Securities Inc.10% and Acerta Holding was 10%. To determine the growth rates of the businesses, growth, performance and historical metrics, business plan and their future prospects, were used as reference. It incorporates a multiple price to book value of banking industry of 1.48 and insurance industry of 1.62 with comparable from the United States and Mexico.

To calculate the present value of future cash flows and determine the value of the assets or businesses that are being assessed, the performance of free cash flows was used as the discount rate, required by the shareholder, when the evaluated cash-generating unit is the Bank. The capital cost used is 10%.

16. Investment Property

As of June 30, the Bank maintains a balance of B/.5,635,018 (2022: B/.5,731,534) which is comprised of commercial premises, land and residences.

The fair value of investment properties at June 30 was obtained through appraisals performed by the company AIR Avalúos, S. A. at June and July 2023 and Compañía Nacional de Avalúos, both are members of the Instituto de Valuaciones y Peritajes de Panamá (IVAPPAN) (Institute of Appraisals and Expertise of Panama), and have all the appropriate certifications and recent experience in the valuation of properties in the referred locations, therefore it do not show significant changes in fair value.

The movement of investment properties is presented below:

	2023	**2022**
Beginning balance	5,731,534	5,075,556
Additions	26,523	655,978
Changes in fair value	(123,039)	-
	5,635,018	5,731,534

The addition of B/.26,523 is made up of improvements to the offices located in Parque Urracá for the adaptation and use of Acerta's collections department (2022: B/.617,500 corresponds to the transfer of two plots of land located on Avenida Ricardo J. Alfaro and B/.38,478 for improvements made to properties).

The fair value of the investment property of B/.5,635,018 (2022: B/.5,731,534) has been classified as a Level 3 fair value based on the valuation technique and significant unobservable variables used, in accordance with International Valuation Standards.

	Fair value			
Financial asset	**2023**	**2022**	**Hierarchy of fair value**	**Valuation techniques and main input data**
Investment properties	5,635,018	5,731,534	Level 3	Appraisal carried out by a qualified company

Below are the valuation techniques used to measure the fair value of investment properties, as well as the significant unobservable variables used.

Comparative approach
It considers sales of similar or substitute goods, as well as data obtained from the market and establishes an estimate of the value using processes that include comparison. For this method, the main characteristics that a potential buyer or seller would consider were taken into account and their estimate corresponds to the current market conditions.

Income capitalization approach - value over income
It considers the income and expense data related to the valued assets and estimates their value through a capitalization process. The income value corresponds to the estimated annual gross income considering the real and effective rent for facilities with the characteristics and finishes of the property less the expenses.

The fair value of the property was determined through a weighting between the comparative approach and the capitalized lease method considering that the latter better reflects the fair value of the property.

17. Assets Held for Sale

As of June 30, 2023, the Bank maintains real estate classified as other assets held for sale in the amount of B/.11,013,091 (2022: B/.7,258,604).

The movement of foreclosed assets for sale is presented below:

	2023	**2022**
Balance at the beginning of the year	7,258,604	7,562,935
Increases	4,294,927	3,606,075
Decreases	(2,841,855)	(3,910,406)
Reclassification	2,301,415	-
Balance at the end of the year	11,013,091	7,258,604

The reclassifications come from assets that were not in use within the fixed assets of Grupo Prival Costa Rica, S. A. in the building and land category. The rest of the balance corresponds to assets received as a result of the execution of loan guarantees and are recorded at the lower value between the book value of the unpaid loans and their fair value less estimated sales costs. As of June 30, 2023 and 2022, no permanent impairment has been identified on the investment properties.

The Bank maintains permanent sales efforts for these properties, through real estate agents and publications in local media; these sales arrangements have been carried out partially as of June 30, 2023.

18. Other Assets

The other assets are as follows:

	2023	2022
Premiums receivable, net (vi)	12,012,911	10,949,633
Accounts receivable (i)	16,503,248	14,355,447
Sugrogated bonds (ii)	4,104,165	6,310,723
Guarantee deposits Fund (vi)	1,655,043	2,578,782
Commissions receivable (iii)	2,005,176	2,091,211
Project in progress (iv)	2,893,045	2,458,144
Items pending application	3,498,618	3,238,200
Prepaid income tax expense	2,871,796	3,118,941
Prepaid taxes	-	344,311
Other prepaid expenses	2,068,664	745,933
Severance fund	1,527,728	1,342,684
Guarantee deposits	372,312	439,384
Dividends receivable	718,824	675,539
Other debtors	381,053	-
Others	2,052,674	3,949,496
	52,665,257	52,598,428

i. Accounts receivable relate mainly to transitional items.
ii. Subrogated bonds correspond to disbursements made by the Insurance Company (Acerta Compañía de Seguros, S. A.) for the completion of several projects on behalf of third parties, on guarantees not fulfilled by client guarantees (subrogated guarantees), which are being managed until the delivery of the contracted projects and the collection is received at the end of the projects by the contractor. The Insurance Company maintains the administration of projects in execution which total B/.35,412,417, whose amount retained is B/.5,750,279, corresponding to subrogated bonds.

iii. Commissions and accounts receivable are mainly for securities structuring and brokerage services.
iv. The balance of the project in process corresponds to the update of the version of the Banking Core.
v. As of June 30, 2021, in Costa Rica, the guideline of the contingent use of resources of the Minimum Legal Reserve to finance the Guarantee Deposit Fund came into force, therefore, Prival Bank (Costa Rica), S.A. being subject to the requirement of legal reserve, must apply 2% to the average balance of liabilities subject to legal reserve of the first half of the previous month. On June 30, 2023, this 2% corresponded to ¢292,546,112 and B/.1,022,553 (2022: ¢397,867,797 and B/.1,904,036).
vi. The premiums receivable and the provision for expected credit losses according to their seniority are detailed below:

	2023					
	Current	1 to 30 days	31 to 60 days	61 to 90 days	Over 91 days	Total
Automobile	2,804,310	93,963	88,398	34,373	536,405	3,557,449
Fire and related insurance	1,279,106	34,406	55,964	11,307	115,171	1,495,954
Bonds	2,332,619	295,829	385,151	313,071	1,501,055	4,827,725
Medical and life insurance	649,651	37,561	12,700	3,584	21,135	724,631
Technical line insurance	755,990	99,714	110,376	100,486	313,312	1,379,878
Marine insurance	130,720	31,753	12,665	868	25,276	201,282
Other lines business	1,302,532	64,295	34,393	19,749	179,600	1,600,569
	9,254,928	657,521	699,647	483,438	2,691,954	13,787,488
Less:						
Advanced premiums						(736,076)
Provision for credit losses						(1,038,501)
						12,012,911

	2022					
	Current	1 to 30 days	31 to 60 days	61 to 90 days	Over 91 days	Total
Automobile	3,354,533	98,966	100,959	48,726	652,747	4,255,931
Bonds	2,872,020	219,880	177,458	42,234	981,986	4,293,578
Fire and related insurance	1,237,062	31,421	30,741	8,175	119,440	1,426,839
Medical and life insurance	684,937	11,147	3,519	2,347	11,413	713,363
Marine insurance	162,014	817	2,392	-	18,661	183,884
Technical line insurance	664,549	23,706	44,513	17,769	344,760	1,095,297
Other lines business	1,237,120	94,747	77,746	14,139	211,434	1,635,186
	10,212,235	480,684	437,328	133,390	2,340,441	13,604,078
Less:						
Advanced premiums						(1,325,944)
Provision for credit losses						(1,328,501)
						10,949,633

19. Deposits from Customers

The deposits from customers are summarized as follows:

	2023	2022
Time deposits	265,650,007	252,920,748
Savings deposits	113,636,886	112,243,004
Demand deposits	154,182,794	247,836,115
	533,469,687	612,999,867

The annual interest rate earned on the deposits ranged between 1.25% and 6.4% (2022: between 1% and 5.25%) with maturities between July 2023 and November 2027 (2022: maturities between July 2022 and May 2027).

20. Deposits from Banks

The deposits from banks are summarized as follows:

	2023	2022
Time deposits	17,758,278	10,531,499

The annual interest rate accrued on the deposits ranged between 3.70% and 7.33% (2022: between 0.19% and 4.00%), with maturities between July and August 2023 (2022: maturities between July and August 2022).

21. Securities Sold under Repurchase Agreement

As of June 30, 2023, the securities sold under a repurchase agreement amount to B/.10,327,982 and are detailed as follows:

As of June 30, 2023, Prival Bank, S.A. maintained obligations resulting from securities sold under repurchase agreements for B/.10,126,178 with maturities in April 2024 and an annual interest rate of 6.68%.

Prival Securities (Costa Rica) Sitio de Bolsa, S.A., held obligations resulting from securities sold under repurchase agreements that amounted to B/.201,804 with maturity in July 2023 and an annual interest rate of 11.14%. These values are guaranteed with monetary stabilization bonds in CRC for B/.231,226. As of June 30, 2022, there were no obligations resulting from securities sold under repurchase agreements.

22. Borrowings

	2023	2022
Obligations with financial institutions		
Obligations with domestic banks for the financing of interim of construction short term stretch with maturity until June 2024 and annual interest rates of 6%	9,930,369	-
	9,930,369	-

As of June 30, 2023, the Bank maintains a balance payable for financial costs as a result of financing received for B/.24,764.

The Bank has not defaulted in the payment of principal and interest and does not have additional agreements within the clauses of the contract that condition the financing received.

23. Bond Payable

As of June 30, the Bank holds bonds with Interclear, the Central Stock Exchange of Costa Rica, for an amount of B/.21,971,055 (2022: B/.47,067,047). The following is the balance of the bonds issued as at June 30th:

Type	Interest rate	Maturity	2023	2022
Prival 01008	4.82%	2023	-	4,349,953
Prival 01009	5.88%	2024	3,696,900	2,934,449
Prival 01010	5.41%	2023	1,840,421	1,460,852
Prival 01011	5.88%	2024	1,840,123	1,460,616
Prival 01012	4.41%	2022	-	1,451,174
Prival 01013	4.71%	2023	-	1,450,407
Prival 01014	4.41%	2022	-	1,446,158
Prival 01015	3.53%	2023	2,184,097	1,733,648
Prival 01016	3.53%	2023	2,748,588	2,181,718
Prival 01017	5.06%	2025	3,643,897	2,892,377
Prival 02026	5.00%	2022	-	2,009,167
Prival 02030	5.88%	2022	-	2,039,216
Prival 02031	5.00%	2022	-	3,029,583
Prival 02032	5.00%	2022	-	3,017,500
Prival 02033	4.71%	2022	-	3,510,523
Prival 02034	5.29%	2022	-	6,067,941
Prival 02035	5.29%	2022	-	6,031,765
Prival 02036	5.76%	2023	3,015,853	-
Prival 02037	6.00%	2026	3,001,176	-
Total			21,971,055	47,067,047

As of June 30, 2023, the Bank has a balance payable for financial costs as a result of bonds payable of B/.137,904 (2022: B/.331,943).

The 2019 standardized bond issuance program corresponds to a multi-currency program to capture resources needed for working capital and support the growth of the Bank's business, in which the maximum amount to be placed in its series may not exceed the amount of B/.100,000,000 on a consolidated basis, of which B/.81,582,731 has been issued and B/.21,833,151 used, and divided into the following series:

Serie	Interest rate	Frecuency	Maturity
PRIVAL 01009	5.88%	Semi-annual	Mar-24
PRIVAL 01010	5.41%	Semi-annual	Oct-23
PRIVAL 01011	5.88%	Semi-annual	Aug-24
PRIVAL 01015	3.53%	Quarterly	Sep-23
PRIVAL 01016	3.53%	Quarterly	Oct-23
PRIVAL 01017	5.06%	Quarterly	Dec-25

24. Marketable Securities

Prival Bank, S.A. was authorized, according to Resolution No.310-20 of July 13, 2022, by the Superintendency of the Securities Market of Panama, to offer by means of a public offering of marketable securities for a total nominal value of B/.50,000,000 issued in a global, nominative and registered manner, without coupons. The marketable securities will be issued in series, in denominations of B/.1,000 or their multiples, whose amounts, term and annual interest rates will be determined according to the needs of the Issuer and the market demand.

The Issuer will determine the amount of each series at the time of the sale offer of each Series. The marketable securities will accrue interest from its settlement date. The Issuer will also determine the maturity of the Series.

The marketable securities will be initially offered at par value, but can be subject to deductions or discounts, as well as premiums or surcharges as determined by the Issuer, in accordance with market conditions. Prival Bank S.A.'s general credit will be their only backup.

As of June 30, 2023, marketable securities are summarized below:

				2023	
Type	**Interest Rate**	**Maturity**	**Capital**	**Interest**	**Total**
Serie BF	3.75%	22-Sep-23	320,000	2,067	322,067
Serie BI	5.50%	23-Oct-23	1,500,000	14,208	1,514,208
Serie BN	5.50%	27-Nov-23	1,449,000	13,725	1,462,725
Serie BO	5.50%	7-Dec-23	500,000	4,736	504,736
Serie BT	5.50%	26-Dec-23	404,000	3,827	407,827
Serie BU	5.00%	24-Jul-23	2,000,000	17,222	2,017,222
Serie BV	5.00%	24-Jul-23	1,000,000	8,611	1,008,611
Serie BW	5.50%	29-Jan-24	2,658,000	25,177	2,683,177
Serie BY	5.50%	1-Mar-24	317,000	3,003	320,003
Serie BZ	5.85%	29-Feb-24	250,000	2,519	252,519
Serie CA	5.00%	11-Sep-23	600,000	5,167	605,167
Serie CB	5.85%	20-Mar-24	1,210,000	12,228	1,222,228
Serie CD	6.25%	25-Mar-24	2,000,000	21,528	2,021,528
Serie CE	6.25%	25-Mar-24	1,000,000	10,764	1,010,764
Serie CF	6.25%	1-Apr-24	1,000,000	10,764	1,010,764
Serie CG	5.75%	23-Oct-23	1,154,000	12,165	1,166,165
Serie CH	6.26%	19-Apr-24	2,191,000	25,105	2,216,105
Serie CI	6.26%	19-Apr-24	600,000	6,771	606,771
Serie CJ	5.75%	30-Oct-23	1,585,000	15,190	1,600,190
Serie CK	5.75%	7-Nov-23	1,150,000	9,735	1,159,735
Serie CL	6.25%	3-May-24	1,483,000	13,646	1,496,646
Serie CM	5.75%	20-Nov-23	672,000	4,293	676,293
Serie CN	6.25%	16-May-24	640,000	4,444	644,444
Serie CO	5.25%	28-Aug-23	1,990,000	9,577	1,999,577
Serie CP	5.75%	27-Nov-23	1,495,000	7,402	1,502,402
Serie CQ	6.25%	24-May-24	1,050,000	5,651	1,055,651
Serie CR	6.25%	31-May-24	1,079,000	4,309	1,083,309
Serie CS	5.75%	18-Dec-23	1,685,000	2,691	1,687,691
Serie CT	6.25%	14-Jun-24	1,495,000	2,336	1,497,336
Serie CU	5.25%	28-Sep-23	1,367,000	598	1,367,598
Serie CV	5.75%	29-Dec-23	1,149,000	367	1,149,367
Serie CW	6.25%	21-Jun-24	1,758,000	610	1,758,610
			38,751,000	280,436	39,031,436

			2022		
Type	**Interest Rate**	**Maturity**	**Capital**	**Interest**	**Total**
Serie AE	3.00%	14-Jul-22	1,195,000	6,174	1,201,174
Serie AI	3.00%	31-Aug-22	1,000,000	5,167	1,005,167
Serie AQ	3.00%	30-Nov-22	751,000	3,880	754,880
Serie AR	2.88%	19-Dec-22	835,000	4,134	839,134
Serie AT	2.88%	12-Jan-23	2,500,000	12,378	2,512,378
Serie AU	2.50%	16-Jul-22	1,000,000	4,306	1,004,306
Serie AV	2.50%	20-Jul-22	1,000,000	4,306	1,004,306
Serie AW	2.88%	22-Jan-23	2,000,000	9,903	2,009,903
Serie AZ	2.50%	20-Aug-22	435,000	1,873	436,873
Serie AY	2.88%	16-Feb-23	350,000	1,733	351,733
Serie AX	2.88%	26-Jan-23	860,000	4,258	864,258
Serie BA	2.50%	29-Aug-22	2,350,000	10,118	2,360,118
Total			14,276,000	68,230	14,344,230

The marketable securities are payable quarterly on January 30, April 30, July 30 and October 30. If this is not a business day, then payment will be made on the following first business day.

25. Reconciliation of Obligations derived from Financing Activities

The movement in obligations is detailed below for reconciliation purposes with the consolidated statement of cash flows and the balances do not include interest payable:

2023	**Balance at the beginning of the year**	**Proceeds from liabilities and issuances**	**Payment of liabilities and redemption of issuances**	**Balance at the end of the year**
Borrowings	-	10,782,020	(876,415)	9,905,605
Bonds payable	46,735,103	6,000,000	(30,901,952)	21,833,151
Securities sold under repurchase agreements	-	28,323,820	(18,123,953)	10,199,867
Marketable securities	14,276,000	52,739,000	(28,264,000)	38,751,000
Total	61,011,103	97,844,840	(78,166,320)	80,689,623

2022	Balance at the beginning of the year	Proceeds from liabilities and issuances	Payment of liabilities and redemption of issuances	Balance at the end of the year
Borrowings	5,229,848	-	(5,229,848)	-
Bonds payable	58,903,010	7,329,893	(19,497,800)	46,735,103
Securities sold under repurchase agreements	562,669	1,256,968	(1,819,637)	-
Marketable securities	34,163,000	39,471,000	(59,358,000)	14,276,000
Total	98,858,527	48,057,861	(85,905,285)	61,011,103

26. Insurance Operations Reserves

The insurance operations reserves are summarized as follows:

	2023	2022
Unearned premium	13,183,990	11,195,681
Mathematical reserve	2,861,060	2,453,210
Premium Insufficiency	326,053	326,162
For claims in process	4,654,543	8,187,890
	21,025,646	22,162,943

The movement of each reservation is summarized below, as follows:

Unearned premium reserve
The Insurer hired an independent actuary who, in his opinion dated June 30, 2023, stated that the valuation of the reserve was carried out using the procedures in force and normally used by insurance companies in general and, in general, this particular case, following the criteria of the technical bases established by the Superintendency of Insurance and Reinsurance of Panama in Agreement No. 1 of January 24, 2014, which consists of multiplying the written premium net of cancellations less the acquisition cost by the unearned premium factor.

The movement of the unearned premium reserve is presented below:

2023	**Unearned premium**	**Reinsurer´s participation**	**Net unearned premium**
Unearned premium at the beginning of the year	11,195,681	(7,857,712)	3,337,969
Provision movement	1,988,309	(1,721,819)	266,490
Unearned premium, net at the end of the year	13,183,990	(9,579,531)	3,604,459

2022	**Unearned premium**	**Reinsurer´s participation**	**Net unearned premium**
Unearned premium at the beginning of the year	10,850,569	(7,663,190)	3,187,379
Provision movement	345,112	(194,522)	150,590
Unearned premium, net at the end of the year	11,195,681	(7,857,712)	3,337,969

Mathematical Reserve

The valuation of the mathematical reserve was carried out using the current actuarial procedures normally used by insurance companies in general and, in this particular case, following the criteria of the technical bases authorized by the Superintendence of Insurance and Reinsurance of Panama.

	2023	**2022**
Balance at the beginning of the year	2,453,210	2,236,500
Increase in the mathematical reserve	407,850	216,710
Balance at the end of the year	2,861,060	2,453,210

Premium insufficiency reserve

	2023	2022
Balance at the beginning of the year	326,162	311,999
Release of the reserve charged to profit or loss	(109)	14,163
Balance at the end of the year	326,053	326,162

Reserve for claims in process

The reserve for claims in process is made based on the expected cost of claims reported as of the date of the statement of financial position and the estimated costs of claims incurred, but not reported to the Company. Claims can take a significant period before their final cost is established with certainty. Losses incurred, net.

Details of net incurred claims are shown below:

2023	Own	Participation in co-insurance	Reinsurer´s participation	Net variation in claims
Initial balance	10,149,223	(1,961,333)	(4,649,320)	3,538,570
Provision movement	(3,530,914)	(2,432)	1,974,155	(1,559,191)
Ending balance	6,618,309	(1,963,765)	(2,675,165)	1,979,379

2022	Own	Participation in co-insurance	Reinsurer´s participation	Net variation in claims
Initial balance	11,402,253	(1,962,318)	(6,112,065)	3,327,870
Provision movement	(1,253,030)	985	1,462,745	210,700
Ending balance	10,149,223	(1,961,333)	(4,649,320)	3,538,570

27. Other Liabilities

The other liabilities are as follows:

	2023	2022
Accounts payable	13,914,682	10,361,885
Accounts payable agents, brokers and reinsurers	4,739,882	5,144,431
Employee reserves	3,521,100	4,495,055
Taxes payable	1,905,618	2,241,920
Tax on premiums	987,344	949,122
Seniority premium	760,729	848,862
Cashier's check and certificate	711,077	4,831,947
Deferred income	590,566	956,627
Other reserves	429,743	485,548
Employer contributions payable	419,408	440,218
Insurance operations	147,902	133,256
Employee discount	30,155	30,468
	28,158,206	30,919,339

Accounts payable mostly correspond to temporary items cancelled in a short term.

28. Common Shares

The Bank's capital of B/.25,000,000 is made up of 25,000 common shares without par value issued and in circulation.

During 2023, dividend payments were declared in the Bank at Board of Directors meetings held in July and October 2021 and 2022; January and April of 2022 and 2023. Dividends declared were B/.12,600,000 (2022: B/.12,600,000).

Prival Securities Inc., declared dividend payments during 2023 at the Boards of Directors held in July, October and December 2022 and in January and April 2023. The dividends declared and paid were B/.17,600,000.

Prival Securities Inc., declared dividend payments during 2022 at the Boards of Directors held in July and October 2021 and in January and April 2022. The dividends declared and paid were B/.12,600,000.

29. Preferred shares

As of June 30, 2023 and 2022, there was a balance of 17,640 preferred shares for B/.1,764,000.

30. Interest Income

During year ended as of June 30th, interest income is detailed as follows:

	2023	**2022**
Investments	8,471,079	7,651,604
Loans	25,318,373	27,456,869
Deposits	1,178,710	413,582
	34,968,162	35,522,055

31. Revenue from Brokerage and Structuring Services

Revenue from brokerage and structuring services for B/.22,368,151 (2022: B/.24,297,840) mainly relate to financial intermediation and investment structuring operations provided to its customers.

32. Interest Expenses

During year ended June 30, interest expenses are as follows:

	2023	**2022**
On customers' deposits	16,826,505	17,073,241
On liabilities and placements	2,478,792	1,020,633
	19,305,297	18,093,874

33. Commission Income

The breakdown of net commission income is as follows:

	2023	**2022**
Commission income from:		
Letters of credit and collection documents	95,831	3,023
Loans and credit cards	739,689	915,138
Bank services	231,074	298,915
Endorsements and guarantees	27,555	14,173
Other commissions	1,155,827	879,069
Currency trading	1,178,528	565,679
	3,428,504	2,675,997
Commission expenses for:		
Investments	4,598,050	5,644,859
Loans and credit cards	532,753	644,206
Bank services	398,232	295,955
Other commissions	1,050,182	1,043,820
	6,579,217	7,628,840
Net commission expense	(3,150,713)	(4,952,843)

34. Personal Expenses

During year ended as at June 30, personnel expenses are as follows:

	2023	**2022**
Salaries and other wages	14,523,634	14,694,052
Employee benefits	2,173,739	2,039,940
Seniority premium	-	43,789
Others	884,868	656,420
	17,582,241	17,434,201

35. Other Expenses

During year ended as at June 30, other expenses are as follows:

	2023	**2022**
Professional fees	2,866,499	3,261,093
Leases	2,476,570	2,110,687
Taxes and licenses	2,296,265	1,616,125
Repairs and maintenance	823,674	639,655
Bank fees	556,406	501,125
Communications	207,035	167,363
Insurance	117,143	109,351
Utilities	201,193	187,992
Marketing and public relations	745,685	253,346
Subscriptions	54,909	60,971
Travel and accommodations	456,289	322,757
Surveillance and security	97,401	96,427
Donations and contributions	107,404	59,613
Diets	476,000	409,500
Judicial, notarial and public register	14,249	21,199
Customer service	477,537	368,484
Stationery and supplies	28,669	30,813
Others	1,496,987	1,528,981
Total	13,499,915	11,745,482

36. Assets under Management

The Bank provides services for trust management contracts, which manages assets in accordance with customer instructions, held outside the consolidated statement of financial position on behalf of and at the risk of clients. The total managed portfolio of trust agreements amounted to B/.1,264,040,545 (2022: B/.1,409,356,948).

The following presents the managed portfolio by type of contract:

	2023	**2022**
Investment trusts	16,116,551	13,813,583
Guarantee trusts	1,247,923,994	1,395,543,365
	1,264,040,545	1,409,356,948

The Bank held a managed investment portfolio at the clients' risk amounting to B/.4,206,631,740 (2022: B/.3,624,790,677). Considering the nature of these services, Management believes there is no risk to the Bank.

37. Commitments and Contingencies

The Bank maintains financial instruments outside the consolidated statement of financial position with credit risk, which arises in the normal course of business and involves elements of credit and liquidity risk. Such financial instruments include endorsements and guarantees, credit lines and promissory notes, which are as follows:

	2023	**2022**
Bank guarantees	22,950,482	21,806,803
Endorsements and bonds	814,749	409,402
Unused credit lines granted	1,101,865	986,155
Promissory notes	1,954,443	5,043,296
	26,821,539	28,245,656

As of June 30, 2023, an allowance for contingencies of B/.135,480 is maintained on the books (2022: B/.129,535).

The endorsements, guarantees and credit lines are exposed to credit losses in the event that the customer does not fulfill its obligation to pay. The Bank's policies and procedures for approving credit commitments, financial guarantees and promissory notes are the same as those used for granting loans registered in the consolidated statement of financial position.

Guarantees granted have fixed maturity dates, which mostly mature without payment, and therefore pose no significant risk of liquidity.

The promissory notes are commitments in which the Bank agrees to make a payment once certain conditions are met, which have an average maturity of six months and are mainly used for disbursements of mortgage loans. The Bank does not anticipate losses due to these transactions.

A summary of the off-balance sheet operations and commitments classified according to maturity dates is presented below:

	Less than 1 year	1 to 5 years	Total
2023			
Off-balance sheet operations			
Bank guarantess	764,089	22,186,393	22,950,482
Endorsements and bonds	319,749	495,000	814,749
Promissory notes	1,954,443	-	1,954,443
Credit lines	113,196	988,669	1,101,865
	3,151,477	23,670,062	26,821,539

	Less than 1 year	1 to 5 years	Total
2022			
Off-balance sheet operations			
Bank guarantess	21,806,803	-	21,806,803
Endorsements and bonds	409,402	-	409,402
Promissory notes	5,043,296	-	5,043,296
Credit lines	-	986,155	986,155
	27,259,501	986,155	28,245,656

38. Right of Use Assets

The Bank maintains right of use assets with offices and branches. Most branch office leases are executed for terms of 2 to 5 years and generally contain options to extend from 1 to 5 years. None of the Bank's lease payments depend on a rate or index that may change after the start date, other than the annual % increase and the passage of time.

The Bank's lease liability is B/.352,703 (2022: B/.840,129). This liability is based on the present value of the remaining minimum lease payments using a discount rate that is determined based on the interest rate of the Bank's increase in debt.

The weighted average of the lessee's incremental borrowing rate applied to the lease liabilities was between 4.75% and 8%.

The movement of right-of-use assets by type on June 30 is presented below:

	2023	2022
Cost:		
Balance at the beginning of the year	3,374,799	3,401,356
Increases	61,424	63,903
Decreases	(64,539)	(90,460)
Balance at the end of the year	3,371,684	3,374,799
Accumulated depreciation:		
Balance at the beginning of the year	2,580,364	1,847,151
Increases	579,126	959,339
Decreases	(90,376)	(226,126)
Balance at the end of the year	3,069,114	2,580,364
Net balance	302,570	794,435

Leases with terms of twelve months or less and leases for which the underlying asset is of low value are not capitalized as part of the lease assets or liabilities and are charged to expenses as incurred. In addition, the Bank has elected not to separate non-lease components from lease components. Consequently, each separate lease component and the non-lease components associated with that lease component will be accounted for as a single lease component for purposes of classification, recognition and measurement of the lease.

The operating lease liabilities correspond to rental contracts with various maturities until 2025, Below is the maturity date to June 30:

	2022	2022
Year 1	215,873	514,665
Year 2	128,782	214,976
Year 3	8,048	110,488
	352,703	840,129

The Bank does not face a significant liquidity risk with respect to its lease liabilities. Lease liabilities are controlled within the Bank's treasury unit.

39. Income Tax Expense

Tax legislation of the Republic of Panama
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, 2023, according to current tax 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 investments on securities issued through the Panama Stock Exchange.

Current income tax expense is as follows:

	2023	**2022**
Current income tax	1,637,787	2,129,428
Deferred income tax from temporary differences	(319,105)	524,242
Total income tax	1,318,682	2,653,670

The deferred tax item from temporary differences arises mainly from the allowance for possible loan losses. The deferred asset is recognized based on the deductible tax differences considering their past operations and projected taxable income, influenced by Management's estimates.

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

In Official Gazette No.26489-A, Law No.8 of March 15, 2010 was enacted, which modifies the general rates of Income Tax (ISR). For financial institutions, the current rate of 30% is maintained for 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. Thus, requiring all entities earning income in excess of one million five hundred thousand dollars (B/.1,500,000) to determine the taxable amount for such tax using the greater amount between: (a) the net taxable income calculated by the standard method established in the Tax Code and (b) the net taxable income resulting from the application of four point sixty-seven percent (4.67%) to total taxable income.

Tax Legislation of British Virgin Islands
According to the current fiscal legislation of British Virgin Islands, the Bank is exempt of the payment of income tax

Tax Legislation of Costa Rica
According to Law 7092 of Income Tax and its regulations, banks must file their annual income tax returns at a rate of 30%.

The deferred tax asset is recognized based on the deductible tax differences considering their past operations and projected taxable income, on which Management's estimates have an influence. Based on actual and projected results, the Bank's Management believes that there will be sufficient taxable income to absorb the deferred income tax detailed above.

For the year ended June 30, the income tax of the subsidiaries Prival Securities, Inc., Prival Leasing, S.A., Prival Trust, S.A., Villamar Dos, S.A. and Acerta Compañía de Seguros, S.A. using the traditional tax calculation is presented below:

	2023	**2022**
Profit before income tax	26,572,873	27,051,026
Less: foreign, exempt and non-taxable income, net	(4,617,385)	(4,676,648)
Plus: non-deductible costs and expenses	1,518,935	1,752,176
Less: Regulatory reserves	(623,087)	-
Less: loss carryforward tax benefit	(168,524)	(194,518)
Net taxable income	22,682,812	23,932,036
Income tax	1,637,787	2,129,428

As at June 30, the deferred income tax is detailed as follows:

	2023			**2022**		
	Asset	**Liability**	**Net**	**Asset**	**Liability**	**Net**
Allowance for loan portfolio impairment	1,367,523	(437,266)	930,257	1,418,499	(844,626)	573,873
Estimation for foreclosed assets	-	(173,337)	(173,337)	-	(30,841)	(30,841)
Adjustments to fixed assets at historical exchange rate	(6,996)	4,954	(2,042)	141,537	(1,198)	140,339
Deferred from equity account investments	-	(11,123)	(11,123)	-	(19,009)	(19,009)
Asset revaluation	619,121	(127,633)	491,488	637,672	(94,151)	543,521
Estimation for premiums and co-insurance receivable	259,625	-	259,625	-	-	-
Intangible assets impairment	10,577	-	10,577	-	-	-
Loss carryforward	-	-	-	-	-	-
	2,249,850	(744,405)	1,505,445	2,197,708	(989,825)	1,207,883

Below is a detail of the movement of deferred income tax:

	2023	**2022**
Balance at the beginning of the year	1,207,883	1,131,230
Included in equity		
Effects of unrealized gain/losses from investment valuation	7,887	65,028
Included in profit or loss		
Estimation of foreclosed assets	(142,496)	45,284
Effect of loan loss reserve	797,942	(593,450)
Effect of reserve for foreclosed assets for sale	(52,033)	526,176
Effect of adjustments to fixed assets	(142,381)	66,496
Estimation of premiums and co-insurance receivable	142,936	-
Impairment of intangible asset	(70,472)	-
Loss carryforward	(243,821)	(32,881)
Balance at the end of the year	1,505,445	1,207,883

On August 29, 2012, Law No.52 entered into force reforming regulations on the transfer-pricing regime to regulate prices on transactions between related parties for tax purposes, so that the considerations between them are similar to those carried out between independent parties.

According to those rules, taxpayers carrying out transactions with related parties who have an impact on revenues, costs or deductions in determining the taxable base for income tax purposes of the tax period in which the operation is declared or takes place it must prepare an annual report on the operations performed within the six months following the termination of the corresponding tax period (Form 930). These transactions are subject to a review in order to verify that they meet the assumption contemplated in the Law. At the date of these consolidated financial statements, the Bank is in the process of completing said analysis; however, according to Management, it is not expected to have a significant impact on the estimated income tax for the period.

40. Operating Segment

Management has identified the following business segments: Banking and financial activities, insurance and real estate.

The banking and financial activities segment includes products and services to commercial and corporate clients, which are generally legal entities. The products include loans to different sectors of the economy, such as services, commercial, industrial and consumer. It also includes the provision of trust contract management services where assets are managed in accordance with clients' instructions. Likewise, support the businesses of these clients, such as guarantees and bonds, letters of payment promise, lines of credit, among others.

The insurance segment incorporates the entire business of the subsidiary Acerta Holding, Inc. and Subsidiaries, whose main source of business is to direct, manage and carry out all types of insurance and coinsurance operations, whether direct or indirect in all permitted branches. by Panamanian law.

The real estate segment incorporates the income and expenses resulting from the administration of the assets included in the balance sheets of the Bank's subsidiary companies.

The composition of the business segments is described as follows:

	Banking and Financial Activities	Insurance	Real estate	Eliminations	Consolidated
2023					
Interest income and commissions	60,380,250	1,103,675	-	719,108	60,764,817
Interest expenses, commissions and provisions	(27,688,615)	(440,541)	-	284	(28,129,440)
Other income, net	5,262,502	7,862,251	25,683	94,819	13,055,617
Changes in fair value in investment property	-	(123,039)	-	-	-
Other expenses	(26,701,602)	(4,109,651)	(176,084)	94,819	(31,082,156)
Depreciation and amortization expenses	(2,838,143)	(393,607)	-	-	(3,231,750)
Profit before income tax	8,414,392	3,899,088	(150,401)	909,030	11,254,049
Income tax	(607,535)	(707,437)	(3,710)	-	(1,314,972)
Net profit	7,806,857	3,191,651	(154,111)	909,030	9,935,367
Total assets	745,578,880	64,887,443	46,141,253	70,826,851	785,780,725
Total liabilities	653,522,113	29,778,186	34,224,113	34,619,165	682,905,247

	Banking and Financial Activities	Insurance	Real Estate	Eliminations	Consolidated
2022					
Interest income and commissions	61,737,484	758,704	-	296	62,495,892
Interest expenses, commissions and provisions	(23,487,671)	(704,545)	-	296	(24,192,512)
Other income, net	2,113,711	5,984,005	23,705	94,819	8,026,602
Other expenses	(24,954,105)	(4,054,854)	(75,905)	94,819	(29,179,683)
Depreciation and amortization expenses	(2,962,337)	(455,758)	-	-	(3,418,095)
Profit before income tax	12,447,082	1,527,552	(52,200)	190,230	13,732,204
Income tax	(2,648,027)	(5,633)	-	-	(2,653,660)
Net profit	9,799,055	1,521,919	(52,200)	190,230	11,078,544
Total assets	895,814,494	64,432,463	29,556,645	145,687,503	844,116,099
Total liabilities	747,367,950	32,039,844	17,525,394	56,948,774	739,984,414

41. Main Applicable Laws and Regulations

Banking Law in the Republic of Panama
In the Republic of Panama, the Superintendency of Banks of Panama, through Executive Decree No.52 of April 30, 2008, adopting the single text of Decree Law No. 9 of February 26, 1998, as amended by Decree Law No.2 of February 22, 2008, and Resolutions and Agreements issued by that entity, regulates banks. The main aspects of this law include the following: authorization of banking licenses, minimum capital requirements and liquidity, consolidated supervision, procedures for managing credit and market risks for the prevention of money laundering and intervention and bank settlement procedures, among others. Similarly, banks are subject to at least one inspection every two (2) years by the auditors of the Superintendency of Banks of Panama to determine compliance with the provisions of Executive Decree No.52 of April 30, 2008 and Law No. 23 of April 27, 2015, the latter on the prevention of money laundering.

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

In addition, the subsidiary must meet its liquidity ratio with SUGEF Agreement 24-00 and the minimum capital required by SUGEF.

According to Article No.154 of the Organic Law of the National Banking System, banks established in the Republic of Costa Rica, should allocate 10% of their net profit for the year for the creation of a special reserve.

Law for financial leases
The Directorate of Financial Enterprises of the Ministry of Commerce and Industries regulates financial leasing operations in Panama and Industry according to the legislation established in Law No. 7 of July 10, 1990.

Securities Law
The broker-dealer operations in Panama are regulated by the Superintendency of Securities Exchange of Panama according to the laws established in Decree Law No.1 of July 8, 1999, reformed by Law No. 67 of September 1, 2011.

Capital, solvency, capital funds, liquidity ratio and credit risk concentrations of securities stock exchanges are regulated based on Agreement No.4-2011 (Amended by Agreement No.8-2013 of September 18, 2013, and Agreement No.3-2015 of June 10, 2015), indicating they are required to meet the capital adequacy standards and their modalities.

Trust Law
Trust operations in Panama are regulated by the Superintendency of Banks of Panama according to the legislation established in Law No.1 of January 5, 1984, modified by Law No.21 of May 10, 2017.

The General Superintendency of Financial Institutions, according to the Commercial Code of Costa Rica in Chapter XII, Articles 63 to 66, regulates trust operations of the subsidiary in Costa Rica.

Insurance and reinsurance law
Insurance and reinsurance operations are regulated by the Superintendency of Insurance and Reinsurance of Panama, through Insurance Law No.12 of April 3, 2012 and Reinsurance Law No.63 of September 19, 1996, by virtue of the which insurance companies are subject to the provisions established in this Law, as well as the Agreements that the Superintendency of Insurance and Reinsurance of Panama issues

Liquidity ratio
The percentage of liquidity ratio reported by the Bank to the regulator, under the parameters of Agreement 4-2008, was 54.49% (2022: 58.41%).

Capital adequacy
The Law requires the general license banks to maintain a paid-in capital stock or minimum assigned capital of ten million balboas (B/.10,000,000) and capital funds for not less than 8% of their weighted assets, including off-balance sheet operations. The Bank has consolidated capital funds of approximately 15.57% (2022: 14.12%) on its risk-weighted assets, based on the Agreement 1-2015 of the Superintendency of Banks of Panama.

The accounting treatment for the recognition of loan losses in accordance with the prudential regulations issued by the Superintendency of Banks of Panama, differs in some aspects from the accounting treatment in accordance with International Financial Reporting Standards, specifically IFRS 9 and IFRS 5. The Superintendency of Banks of Panama requires general-licensed banks to apply these prudential standards and are recognized under the item of equity.

The components of regulatory capital are detailed below:

- *Primary capital* – It includes paid-in capital in shares and retained earnings. Fully paid common shares represent paid-in capital in shares. Retained earnings are the earnings of the year and undistributed profits from previous years.

Agreement 1-2015, as amended by Agreement 13-2015 issued by the Superintendency of Banks sets forth the minimum required consolidated equity, the percentages required by type of capital that are effective as of January 1, 2016.

The capital ratios of the consolidated equity capital are as follows:

	2023	2022
Primary capital (Tier 1)		
Common shares	25,000,000	25,000,000
Excess paid-in capital	30,940,000	30,940,000
Retained earnings	29,515,694	33,541,590
Regulatory reserve - dynamic	3,627,320	4,149,021
Preferred shares	1,764,000	1,764,000
Minority interest	13,265,579	11,765,161
Goodwill	(13,284,741)	(13,284,741)
Deferred tax asset	(1,505,445)	(1,207,883)
Intangible assets	(3,833,858)	(3,806,931)
Impairment of investments reserve	(7,573,782)	(9,073,184)
Other items of comprehensive income	321,835	-
Total	78,236,602	79,787,033
Total regulatory capital	78,236,602	79,787,033
Risk-weighted assets	498,587,953	563,637,997
Capital ratios		
Minimum adequacy percentage	8%	8%
Total regulatory capital expressed as a percentage of risk-weighted assets	15.69%	14.16%

	Minimum required	2023	Minimum required	2022
Capital ratios				
Adequacy percentage - Total capital	8.00%	15.69%	8.00%	14.16%
Adequacy percentage - Primary capital	6.00%	14.84%	6.00%	13.51%
Adequacy percentage - Ordinary primary capital	4.50%	14.49%	4.50%	13.20%

The Superintendency of Securities Market of Panama and the Panama Stock Exchange requires Brokerage and Stock Exchange Firms to hold adequate capital funds. They must have a minimum solvency ratio of 8% and a liquidity ratio of at least 10%, according to the text approved in Agreement 4-2011, amended by Agreement 8-2013 of the Superintendency of Securities Exchange of Panama issued on September 18, 2013. As of June 30th, the equity funds for Prival Securities were of B/.5,675,058 (2022: B/.19,133,741) and the solvency ratio was 162.59% (2022: 867.73%). The liquidity ratio was 399.73% (2022: 1,122.64%).

The General Superintendency of Securities Market of Costa Rica requires that Stock Exchange Firms must have a necessary capital base to cover the risks incurred when carrying out its operations. It must have a maximum solvency ratio of 100%, according to the text approved in the Risk Management Regulations of the General Superintendency of Securities Market of Costa Rica (SUGEVAL), published in the Official Gazette Newspaper No.41 of February 27, 2009. As of June 30, the Equity Sufficiency of Prival Securities Costa Rica was of 31.70% (2022: 29.57%).

The General Superintendency of Securities Market of Costa Rica requires that Investment Fund Management companies must have a necessary capital base to cover the risks incurred when carrying out its operations. It must have a maximum solvency ratio of 100%, according to the text approved in the Risk Management Regulations of the General Superintendency of Securities Market of Costa Rica (SUGEVAL), published in the Official Gazette Newspaper No.41 of February 27, 2009. As of June 30, the Equity Sufficiency of Sociedad Administradora de Fondos de Inversión (SAFI) was of 41.17% (2022: 66.49%).

Agreement 1-2015
Agreement 1-2015 applicable to banks and banking groups was issued by the Superintendency of Banks of Panama and amended by Agreement 13-2015. Capital Adequacy Standards and the minimum consolidated equity requirement are established. The purpose of the Agreement is to update the regulatory framework for capital requirements in line with international standards.

Regulatory reserves
The Superintendency of Banks of Panama requires that banks with general licenses apply these prudential standards.

The accounting treatment for the recognition of losses on loans, investments in securities and foreclosed assets from borrowers in accordance with the prudential regulations issued by the Superintendency of Banks of Panama differs in some aspects from the accounting treatment in accordance with the International Financial Reporting Standards (IFRS), specifically IFRS 9 and IFRS 5. The Superintendency of Banks of Panama requires that general license banks apply these prudential regulations.

The legal reserve is detailed below:

	2023	**2022**
Technical and legal reserves	384,686	214,380
Catastrophic risk reserve	359,342	257,815
Specific provision	2,913,573	1,662,951
Country risk reserve	604,414	1,875,811
Other reserves	859,302	11,592
Dynamic provision	3,627,320	4,149,022
Foreclosed assets reserve	893,515	2,222,547
	9,642,152	10,394,118

Loan and loan reserves

Specific reserves
They are defined as reserves originating from objective and concrete impairment evidence. They are created on credit facilities in the categories of special mention, sub-normal, doubtful or uncollectible, both for individual credit facilities as well for a group of these. In a case of a group, it corresponds to circumstances indicating the existence of impairment in the credit quality, although an individual identification is not yet possible.

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

2023	**Normal**	**Special mention**	**Subnormal**	**Doubful**	**Uncollectible**	**Subnormal Modified**	**Total**
Corporate loans	167,927,111	37,587,554	27,207,326	-	8,112,046	-	240,834,037
Consumer loans	57,234,557	5,276,437	167,956	304,046	1,868,292	-	64,851,288
Total	225,161,668	42,863,991	27,375,282	304,046	9,980,338	-	305,685,325
Specific reserve	-	1,997,409	2,126,080	14,096	5,704,354	-	9,841,939

2022	Normal	Special mention	Subnormal	Doubful	Uncollectible	Subnormal Modified	Total
Corporate loans	194,599,362	57,714,443	12,149,453	197,188	4,968,355	-	269,628,801
Consumer loans	64,357,373	6,407,789	551,304	826,899	1,135,169	804,220	74,082,754
Total	258,956,735	64,122,232	12,700,757	1,024,087	6,103,524	804,220	343,711,555
Specific reserve	-	2,841,718	2,058,620	318,631	1,645,131	-	6,864,100

As of June 30, 2023, the total of B/.3,574,623 (2022: B/.1,687,392) was recognized as a specific reserve:

	2023	**2022**
Specific regulatory reserve	9,841,939	6,864,100
Less: IFRS 9 reserve	6,267,316	3,518,133
Recorded in equity	3,574,623	3,345,967

Agreement 4-2013 defines as delinquent credit facility those presenting unpaid contractual amounts with a duration of more than 30 days and up to 90 days from the date set for compliance of payments; and as overdue those whose nonpayment presents more than 90 days. Operations with a single payment at maturity and overdrafts are considered past due when aging from the lack of payment exceeds 30 days.

As of June 30, 2023, the Bank does not maintain loans in the modified special mention category. Below is the detail corresponding to June 30, 2022:

2022	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Modified special mention loans				
Modified loans				
Consumer	-	802,192	-	802,192
Corporate	-	-	-	-
(-) Modified loans secured by deposits pledged at the same bank up to the guaranteed amount	-	-	-	-
(+) Accrued interest receivable	-	2,028	-	2,028
Total portfolio subject to provisions of Agreement No.9-2020	-	804,220	-	804,220
Provisions				
IFRS 9 Allowance	-	11,592	-	11,592
Generic provision (1.5% complement)				-
Regulatory reserve (3% complement)				-
Total provisions and reserves				11,592

As at June 30, the classification of the loan portfolio by maturity profile of the Bank is presented below:

	2023			
	Current	**Delinquent**	**Overdue**	**Total**
Corporate loans	227,802,160	2,759,929	10,271,948	240,834,037
Consumer loans	61,754,001	959,249	2,138,038	64,851,288
Total	289,556,161	3,719,178	12,409,986	305,685,325

	2022			
	Current	**Delinquent**	**Overdue**	**Total**
Corporate loans	263,146,160	692,155	5,790,486	269,628,802
Consumer loans	72,079,188	835,738	1,167,827	74,082,753
Total	335,225,348	1,527,894	6,958,313	343,711,555

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 client is determined based on days late in paying principal and/or interest and the type of credit transaction according to the following:

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

Total Bank loans that do not accrue interest amounts to B/.7,139,251 (2022: B/.3,160,399). Total unrecognized interest on income from loans is of B/.634,648 (2022: B/.150,070).

Dynamic reserves
Agreement No.4-2013 indicates that the dynamic reserve is a reserve established to meet possible future needs for creating specific reserves, which is governed by prudential criteria of the banking regulation. The dynamic reserve is established on a quarterly basis of credit facilities classified in the normal category.

The dynamic reserve is an equity item that is presented under the regulatory reserve item in the consolidated statement of changes in equity and takes the retained earnings as its own. The creditor balance of this dynamic reserve is part of the regulatory capital but does not replace or compensate the requirements at a minimum capital adequacy rate established by the Superintendency. The balance of the Bank's dynamic reserve as of June 30 is B/.3,627,320 (2022: B/.4,149,021).

With the current Agreement, a dynamic reserve is established which shall not be less than 1.25%, or greater than 2.50% of risk-weighted assets related to credit facilities classified as normal.

For the purpose of the dynamic reserves of Prival Bank, S. A., Prival Securities, Inc. and Prival Leasing, S. A., we present the breakdown below:

	2023	**2022**
Component 1		
Times Alpha coefficient (1.50%)	2,049,911	2,446,066
Component 2		
Quarterly variation times Beta coefficient (5.00%)	10,545	480,110
Component 3		
Positive quarterly variation for specific reserves	(447,871)	736,132
Total dynamic reserve by components	1,612,585	3,062,308
Total dynamic reserve corresponding to 3.12% of the risk-weighted assets within the normal risk category	3,039,778	3,039,778

For the purpose of the dynamic reserve of Grupo Prival Costa Rica, S. A., we present the breakdown below:

	2023	**2022**
Component 1		
Times Alpha coefficient (1.50%)	307,247	489,586
Component 3		
Positive quarterly variation for specific reserves	341,968	284,182
Total dynamic reserve by components	649,215	773,768
Total dynamic reserve corresponding to 3.60% of the risk-weighted assets within the normal risk category	587,543	1,109,244
Total dynamic reserve	3,027,320	4,149,022

Technical and legal reserves

Technical reserves

Reserves for catastrophic risks, contingencies and forecast of statistical deviations
Law No.12 of April 3, 2012, in its Article No. 299 establishes that as of the date of its entry into force, the reserve for statistical deviations and the reserve for catastrophic risks, previously established in liabilities, will be transferred as equity reserves. Such calculation was reaffirmed in Agreement 4 of June 4, 2014 and Agreement 5 of June 18, 2014. In its Article No. 208, it establishes that the insurance company must constitute a reserve for statistical deviations and a reserve for catastrophic risks and/or contingencies. These reserves are calculated on the basis of an amount not less than 1%, based on the net premium retained for all branches and their use may only be authorized by the Superintendency of Insurance and Reinsurance of Panama.

Legal reserves
The legal insurance reserve is established in accordance with the regulations of Article No. 213 of Law No. 12 of April 3, 2012, which establishes the following:

The reserve is established based on 20% of the annual profit before income tax, until a fund of B/.2,000,000 is constituted; after this amount is constituted, 10% of the annual profit before income tax will be allocated until reaching 50% of the paid-in capital.

Provisions for country risk
These provisions are those generated on the measurement of country risk exposure related to all operations of placements, loans and repurchase operations, investments in securities, derivative financial instruments, and irrevocable contingencies, provided they are not exempt from provision. These provisions for country risk are constituted on the balances exposed in these operations according to the category of risk classification of the country.

Calculation basis
General country risk assessments are carried out, as long as the amount of the individual exposures per country as a whole is equal to or greater than 30% of the total operations subject to country risk, or that any of these operations individually has a concentration in a country, equal to or greater than 5%. The result of these general assessments is used to assign the risk rating category of the country.

If the Bank did not carry out the country risk assessment considering the elements indicated in Agreement 7-2018, it assigns them to group 6 until such assessment is carried out and the country is assigned to the risk category that it determines based on that analysis.
The calculation of the provision is made on the basis of the balances exposed to country risk by the percentage of the country risk classification category, which is determined according to the methodology developed and established by the Bank.

The country's risk classification categories are associated with a sovereign risk rating issued by an international rating agency, according to Standard & Poor's methodology or its equivalent, as shown below:

Classification category	International rating
Group 1, countries with low risk	should not be less than “AA-“
Group 2, countries with normal risk	should not be less than “BBB-“
Group 3, countries with moderate risk	should not be less than “BB-“
Group 4, countries with difficulties	should not be less than “B-“
Group 5, doubtful countries	should not be less than “C”
Group 6, countries with serious problems	“D”

The following will be considered exempt from provisions for country risk:

1. Foreign trade operations with a term of less than one year.
2. Investments in countries of groups 1 and 2, negotiated in markets with high liquidity and depth, which are valued at market price and whose valuation is carried out daily.
3. Transactions with derivatives that are carried out in centralized trading mechanisms that require the establishment of deposits or guarantee margins adjustable daily, located in the countries of groups 1 and 2.
4. Exposures with the multilateral development agencies listed in the Agreement of assets weighted by credit risk and counterparty risk.

Accounting treatment
The provision for country risk that will be constituted will be the maximum between the one resulting from comparing the provision for country risk with respect to the provisions corresponding to the nature of the operation analysed. The final provision constituted by country risk will be the one calculated after deducting the provisions constituted corresponding to the nature of the operation analysed.

The table below summarizes the classification of operations exposed to country risk and the Bank's country risk provision:

2023	Group 1	Group 2	Group 3	Group 4	Group 5	Group 6	Total
Loans	7,020,745	3,000,000	-	101,267,851	999,306	-	112,287,902
Total	7,020,745	3,000,000	-	101,267,851	999,306	-	112,287,902
Reserve for country risk	-	-	-	338,969	122,708	-	461,677

2022	Group 1	Group 2	Group 3	Group 4	Group 5	Group 6	Total
Loans	11,246,900	3,000,000	-	188,240,575	3,720,870	-	206,208,345
Total	11,246,900	3,000,000	-	188,240,575	3,720,870	-	206,208,345
Reserve for country risk	-	-	-	1,553,433	47,561	-	1,600,994

Disposal of acquired real estate
For regulatory purposes, the Superintendency establishes five (5) years, counting from the registration date in the Public Registry, as the term to sell real estate acquired as payment of uncollectible loans. If, at the end of this period, the Bank has not sold the acquired real estate, it must make an independent appraisal of the property to establish whether its value has decreased, applying in that what is established in IFRS.

Similarly, the Bank must create a reserve in the equity account, by appropriating in the following order: (a) its retained earnings, (b) profits for the period, to which the following transfers will be made for the value of the foreclosed assets:

Year	Percentage
First year	10%
Second year	20%
Third year	35%
Fourth year	15%
Fifth year	10%

The aforementioned reserves will be kept until the effective transfer of the acquired asset has been made and, such reserve will not be considered as a regulatory reserve for calculating the equity ratio.

Off-balance sheet transactions
The Bank has made the off-balance sheet transactions and reserves classification required as of June 30, based on Agreement No.4-2013, issued by the Superintendency of Banks as shown below:

2023	Normal	Special mention	Subnormal	Doubtful	Uncollectible	Total
Bank guarantees	22,950,482	-	-	-	-	22,950,482
Endorsements and bonds	814,749					814,749
Unused credit lines granted	1,101,865	-	-	-	-	1,101,865
Promissory notes	1,954,443	-	-	-	-	1,954,443
Total	26,821,539	-	-	-	-	26,821,539

2022	Normal	Special mention	Subnormal	Doubtful	Uncollectible	Total
Endorsements and guarantees	22,216,205	-	-	-	-	22,216,205
Unused credit lines granted	986,155	-	-	-	-	986,155
Promissory notes	5,043,296	-	-	-	-	5,043,296
Total	28,245,656	-	-	-	-	28,245,656

Issued guarantees and promissory notes are exposed to credit losses in the event that the client does not fulfill its obligation to pay. The Bank's policies and procedures for approving credit commitments, financial guarantees and promissory notes are the same as those used for granting loans recorded in the consolidated statement of financial position.

Unused credit lines granted correspond to loans guaranteed pending disbursement, which are not shown in the consolidated statement of financial position, but are registered in the Bank's memorandum accounts.

42. Subsequent Events

The Bank has evaluated events after June 30, 2023, to assess the need for possible recognition or disclosure in the accompanying consolidated financial statements. Such events were evaluated up to August 28, 2023, the date on which these consolidated financial statements were available for issuance.