MULTIBANK INC. AND SUBSIDIARIES
(Panama, Republic of Panama)

Condensed Consolidated Interim
Financial Statements

As of june 30, 2023

_____________[Signed]____________
Javier Gerardo Ulloa
General Manager

_____________[Signed]____________
Antonio Fistonich
Senior Vice President of Treasury and Finance

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“This document was prepared with the knowledge that their content will be made available to the public investor and the general public

MULTIBANK INC. AND SUBSIDIARIES
(Panama, Republic of Panama)

Table of Contents

PUBLIC ACCOUNTANT REPORT

We have analytically reviewed the condensed consolidated interim financial statements of Multibank Inc. and Subsidiaries which, comprise the condensed consolidated financial statements of financial position as at June 30, 2023, the consolidated statements of profit or loss, other comprehensive loss, changes in equity and cash flows for the nine months then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with the International Accounting Standard No. 34 - Interim Financial Reporting of International Financial Reporting Standards and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

We are not aware of any material modifications that should be made to the accompanying interim consolidated financial statements. In our consideration, the interim consolidated financial statements present fairly, in all material respects, the financial position of Multibank, Inc. and Subsidiaries as at June 30, 2023, and its financial performance and its cash flows for the three months then ended, in accordance with International Accounting Standard No. 34 - Interim Financial Reporting of International Financial Reporting Standards.

[Signed]

Lic. Kadhir Campos
C.P.A. 0389-05

July 28, 2023
Panama, Republic of Panama

MULTIBANK INC. AND SUBSIDIARIES
(Panama, Republic of Panama)

Consolidated Statement of Financial Position

June 30, 2023

(In U.S. dollars)

Assets	**Note**	**June 30, 2023**	**December 31, 2022**
Cash and cash equivalents		22,435,587	25,607,633
Deposits in banks:			
Demand		64,664,243	56,748,100
Time deposits		159,389,095	137,960,589
Total deposits in banks		224,053,338	194,708,689
Total cash, cash equivalents and deposits in banks	4, 6, 19	246,488,925	220,316,322
Investments in securities	4, 7	822,263,715	922,508,589
Derivative financial instruments	13	104,461	78,628
Loans	4, 8	3,687,095,163	3,723,795,637
Allowance for loan losses	4	(76,584,496)	(70,780,703)
Loans at amortized cost, net		3,610,510,667	3,653,014,934
Property, furniture, equipment and improvements, net		48,562,352	50,419,022
Acceptances outstanding	4	75,881,141	37,548,939
Other accounts receivable	4	133,882,601	152,010,966
Provision for accounts receivable	4	(879,224)	(888,481)
Intangible assets		7,172,277	7,960,894
Deferred income tax		29,214,447	30,213,707
Other assets		50,323,570	53,229,078
Total assets		5,023,524,932	5,126,412,598

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

Liabilities and Equity	Note	June 30, 2023	December 31, 2022
Liabilities:			
Deposits from customers:			
Demand		398,929,275	380,736,044
Savings		448,797,889	441,860,735
Time deposits		2,284,929,461	2,203,867,181
Total deposits from customers	9	3,132,656,625	3,026,463,960
Securities sold under repurchase agreements		57,392,590	114,931,521
Financial obligations	10	923,146,724	1,433,979,564
Other financial obligations	11	367,606,209	69,037,097
Lease liabilities	12	12,219,868	13,883,064
Derivative financial instruments	13	196,641	227,188
Acceptances outstanding		75,997,677	37,571,005
Income tax payable		6,735	13,064
Deferred income tax	16	133,424	134,356
Other liabilities		83,413,825	68,192,508
Total liabilities		4,652,770,318	4,764,433,327
Equity:			
Common stock	14	183,645,893	183,645,893
Additional paid in capital	14	(152,873)	(152,873)
Retained earnings		175,803,126	188,035,920
Capital reserves		177,769	177,769
Regulatory reserves		94,858,075	81,362,144
Other comprehensive loss		(83,577,376)	(91,089,582)
Total equity		370,754,614	361,979,271
Total liabilities and equity		5,023,524,932	5,126,412,598

MULTIBANK INC. AND SUBSIDIARIES
(Panama, Republic of Panama)

Consolidated Statement of Income

For the period of six months ended June 30, 2023

(In U.S. dollars)

	Note	June 30, 2023	June 30, 2022
Interest income:			
Deposits in banks		3,415,849	369,250
Investments at fair value		7,028,293	5,865,176
Investments at amortized cost		2,121,461	2,967,038
Loans		126,943,258	114,269,441
Total interest income		139,508,861	123,470,905
Interest expense:			
Deposits from customers		55,536,599	43,260,932
Financial obligations		30,961,837	13,047,363
Other financial obligations		11,780,707	8,655,232
Securities sold under repurchase agreements		1,770,428	275,861
Lease liabilities		464,324	509,302
Total interest expense		100,513,895	65,748,690
Interest income, net		38,994,966	57,722,215
Provision for credit losses on loans and interest	4	10,574,725	19,239,616
(Reversal) provision for credit losses on investments and deposits in banks	4	(206,324)	(183,766)
Provision for credit losses on account receivable	4	(11,954)	21,034
Interest income, net after provisions		28,638,519	38,645,331
Other income (expenses):			
Gain (loss) on financial instruments, net	16	84,726	(1,087,619)
Service charges		8,103,840	8,247,819
Insurance premiums, net		5,554,199	4,420,921
Commissions and other fees, net		2,518,518	2,174,704
Loss on foreign currency exchange, net		(3,752)	(46,404)
Impairment of assets held for sale		(33,213)	(424,017)
Other income		1,908,749	3,365,430
Total other income, net		18,133,067	16,650,834
General and administrative expenses:			
Salaries and employee benefits		24,050,293	22,214,572
Depreciation and amortization		3,919,206	4,490,049
Administrative expenses		2,759,887	2,281,159
Occupancy and related expenses		1,760,549	1,898,841
Other operating expenses		11,230,257	10,893,919
Total general and administrative expenses		43,720,192	41,778,540
Income before income tax		3,051,394	13,517,625
Current income tax	17	(875,556)	(755,206)
Deferred income tax	17	(1,020,908)	(1,058,749)
Net income		1,154,930	11,703,670

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

MULTIBANK INC. AND SUBSIDIARIES
(Panama, Republic of Panama)

Consolidated Statement of Comprehensive Income (Loss)

For the period of six months ended June 30, 2023

(In U.S. dollars)

	June 30, 2023	June 30, 2022
Net income	1,154,930	11,703,670
Other comprehensive results:		
Items that will not be reclassified to the condensed consolidated income statement		
Employee benefits plan - change in actuarial effect	(66,186)	35,350
Deferred tax related on asset revaluation	517	(1,852)
Items that are or can be reclassified to the condensed consolidated income statement		
Valuation of investments at FVOCI:		
Net change in fair value	-	104,960
Net amount transferred to income statement	7,506,089	(61,919,025)
Net change in fair value hedges reclassified to profit or loss	103,802	3,462,831
Other comprehensive results	7,544,222	(58,317,736)
Comprehensive loss	8,699,152	(46,614,066)

The consolidated statement of other comprehensive income (loss) should be read in conjunction with the notes which are part of the consolidated financial statements.

MULTIBANK INC. AND SUBSIDIARIES

(Panama, Republic of Panama)

Consolidated Statement of Changes in Equity

For the period of six months ended June 30, 2023

(In U.S. dollars)

	Common shares	Preferred shares	Excess paid in acquisition of non-controlling interests	Retained earnings	Regulatory capital reserve	Regulatory reserves	Other comprehensive loss	Total
Balance as of January 31, 2022	183,645,893	-	(152,873)	177,199,706	177,769	71,286,960	(21,584,593)	410,572,862
Loss income	0	0	0	11,703,670	0	0	0	11,703,670
Other comprehensive results								
Net change in valuation of investments at FVOCI:								
Net amount transferred to income statement	0	0	0	0	0	0	104,960	104,960
Net change in fair value	0	0	0	0	0	0	(61,919,025)	(61,919,025)
Net change in fair value hedges reclassified to profit or loss	0	0	0	0	0	0	3,462,831	3,462,831
Employee benefits plan - change in actuarial effect	0	0	0	0	0	0	35,350	35,350
Deferred tax related to asset revaluation	0	0	0	0	0	0	(1,852)	(1,852)
Transfer to retained earnings due to revaluation of assets	0	0	0	32,017	0	0	(32,017)	0
Total other comprehensive results	0	0	0	32,017	0	0	(58,349,753)	(58,317,736)
Total comprehensive results	0	0	0	11,735,687	0	0	(58,349,753)	(46,614,066)
Other changes in equity								
Regulatory reserves	0	0	0	(1,032,750)	0	1,032,750	0	0
Transactions with the Bank's owners								
Advanced dividend tax	0	0	0	(1,059,818)	0	0	0	(1,059,818)
Total transactions with the Bank's owners	0	0	0	(1,059,818)	0	0	0	(1,059,818)
Balance as of june 30, 2022	183,645,893	0	(152,873)	186,842,825	177,769	72,319,710	(79,934,346)	362,898,978
Balance as of January 31, 2023	183,645,893	0	(152,873)	188,035,920	177,769	81,362,144	(91,089,582)	361,979,271
Net income	0	0	0	1,154,930	0	0	0	1,154,930
Other comprehensive results								
Net change in valuation of investments at FVOCI:								
Net amount transferred to income statement	0	0	0	0	0	0	7,506,089	7,506,089
Net change in fair value hedges reclassified to profit or loss	0	0	0	0	0	0	103,802	103,802
Employee benefits plan - change in actuarial effect	0	0	0	0	0	0	(66,186)	(66,186)
Deferred tax related to asset revaluation	0	0	0	0	0	0	517	517
Transfer to retained earnings due to revaluation of assets	0	0	0	32,016	0	0	(32,016)	0
Total other comprehensive results	0	0	0	32,016	0	0	7,512,206	7,544,222
Total comprehensive results	0	0	0	1,186,946	0	0	7,512,206	8,699,152
Other changes in equity								
Regulatory reserves	0	0	0	(13,495,931)	0	13,495,931	0	0
Advanced dividend tax	0	0	0	76,191	0	0	0	76,191
Balance as of June 30, 2023	183,645,893	0	(152,873)	175,803,126	177,769	94,858,075	(83,577,376)	370,754,614

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

MULTIBANK INC. AND SUBSIDIARIES
(Panama, Republic of Panama)

Consolidated Statement of Cash Flows

For the period of six months ended June 30, 2023

(In U.S. dollars)

	Note	June 30, 2023	June 30, 2022
Cash flows from operating activities:			
Net income		1,154,930	11,703,670
Adjustments to reconcile net income to net cash provide by (used in) operating activities:			
Depreciation and amortization		3,005,517	3,446,954
Amortization of the right-of-use assets		913,689	1,043,094
Provision for credit losses on loans	4	10,574,725	19,239,616
(Reversal) provision for credit losses on investments and deposits in banks	4	(206,324)	(183,766)
Provision for credit losses on accounts receivable	4	(11,954)	21,034
Impairment of assets held for sale		33,213	424,017
Provision (reversal) for credit losses on unfunded lending commitments		225,203	51,482
Interest income, net		(38,994,966)	(57,722,215)
Loss (gain) on financial instruments, net	15	(84,726)	1,087,619
Loss on sale and disposal of property and equipment, net		14,411	(23,805)
(Gain) loss on assets held for sale		(205,072)	(146,096)
Dividends earned on investments securities		(725,750)	(758,300)
Income tax expense	16	1,896,464	1,813,955
Changes in operating assets and liabilities:			
Investments at fair value		(56,380)	(3,526,758)
Loans		26,074,344	(187,382,384)
Securities sold under agreements to repurchase		(57,114,370)	(10,000,000)
Other accounts receivables		18,131,063	(4,504,521)
Other assets		2,622,149	(5,703,578)
Deposits from customers		109,693,825	3,635,737
Other liabilities		14,907,346	17,032,253
Cash generated by operations:			
Interest received		147,518,899	149,019,320
Interest paid		(98,307,260)	(67,731,553)
Dividends received		725,750	758,300
Income tax paid		(881,885)	(947,274)
Net cash provided by (used in) operating activities		140,902,842	(129,353,199)
Cash flows from investment activities:			
Proceeds from sale of investments securities		0	6,800,464
Maturities and prepayments of investments securities		150,876,887	74,124,496
Purchase of investments at securities		(47,580,441)	(111,291,677)
Purchase of property and equipment		(1,407,996)	(999,462)
Proceeds from sale of property and equipment		61,310	88,071
Acquisition of intangible assets		(923,237)	(807,363)
Disposal in intangible assets		43,056	226,125
Proceeds from sale of assets held for sale		4,112,077	1,253,304
Net cash provided (used in) by investment activities		105,181,657	(30,606,043)
Cash flows from financing activities:			
Payment of other financial obligations		(14,400,000)	(12,154,000)
Proceeds from financial obligations		709,742,256	595,310,751
Payment of financial obligations		(913,738,859)	(435,084,522)
Payment of lease liabilities		(1,662,677)	(2,200,360)
Advanced dividend tax		76,191	(1,059,818)
Net cash (used in) provided by financing activities		(219,983,090)	144,812,051
Increase (decrease) in cash and cash equivalents		26,101,409	(15,147,191)
Cash and cash equivalents at beginning of the year		212,791,404	176,151,550
Cash and cash equivalents at the end of the period	6	238,892,813	161,004,359

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

Table of Contents to the Notes of the Unaudited Condensed Consolidated Interim Financial Statements

(In U.S. dollars)

(1) Organization

Multibank Inc. is incorporated under the laws of the Republic of Panama and started operations on July 12, 1990, under a general banking license issued by the Superintendency of Banks of Panama (hereinafter referred to as “the Superintendency”), by means of Resolution N° 918 dated March 28, 1990, which allows it to provide banking services, indistinctly, in Panama or abroad, and conduct any other activity authorized by the Superintendency.

On May 22, 2020, the sale of the shares of the Multi Financial Group, Inc. (Parent Company up to that date), 99.57% by the AVAL Group (based in Colombia), was formalized through its subsidiary Leasing Bogota, S.A. Panama. Leasing Bogota, S.A. Panama is wholly owned by Banco de Bogota, S.A., an authorized bank in the Republic of Colombia, a subsidiary of Grupo Aval Acciones y Valores, S.A., an entity domiciled in the Republic of Colombia.

On September 29, 2021, the spin-off of the shares of Multi Financial Group, Inc. was carried out by BAC Holding International Corp. (formerly Leasing Bogota, S. A. Panama) to Multi Financial Holding Inc., an entity constituted in accordance with the laws of the Republic of Panama, through Public Deed No.5,469 of September 29, 2021.

Multibank Inc. is a 100% subsidiary of Multi Financial Group, Inc. (MFG), an entity incorporated in accordance with the laws of the Republic of Panama, through Public Deed No.27,702 dated November 9, 2007. As of September 29, 2021, MFG is 99.57% owned by Multi Financial Holding Inc. (the “Parent Company”). Multi Financial Holding Inc. is wholly owned by Banco de Bogota, S.A., an authorized bank in the Republic of Colombia, which in turn is a subsidiary of Grupo Aval Acciones y Valores, S.A., an entity domiciled in the Republic of Colombia.

The Bank consolidates directly and indirectly with the following entities:

Subsidiary	Activity	Location	Total voting rights
Multi Securities, Inc.	Dealer/Broker	Panama	100%
Multi Trust, Inc.	Trust Company	Panama	100%
Multibank Seguros, S. A.	Insurance	Panama	100%
MB Creditos, S. A. and subsidiary	Financial institution	Costa Rica	100%

Multibank Inc. and Subsidiaries; will be referred to collectively as “the Bank”.

During the month of August 2022, approval for the merger of Orbis Real Estate, Inc. and Multibank Inc. is received from the Superintendency of Banks and the registration in the public registry was made in the month of September 2022.

During the month of December 2022, the Board of Directors of the Multi Trust subsidiary approved to initiate the voluntary liquidation process, a process that was approved by the Superintendency of Banks of Panama through resolution SBP-BAN-R-2023-01031, dated April 11, 2023.

(2) Basis of Preparation of the Unaudited Condensed Consolidated Interim Financial Statements

(a) Condensed consolidated interim financial statems

The Bank prepares its condensed consolidated interim financial statements incorporating its controlled entities. The Bank controls an entity if and only if it complies with the following elements:

- Power over the entity that entitles the Bank to direct any relevant activity that significantly affects the entity's performance.
- Exposure or rights to variable returns from their participation in the entity.
- Ability to affect those returns through its power over the entity.

To comply with this requirement, the Bank conducts an annual reassessment of all its contractual relationships. New entities are not required to be consolidated as a result of this process, including structured entities.

The financial statements of the Bank's subsidiaries are included in the condensed consolidated interim financial statements from the date the Bank acquired control or until the date control is lost.

During the consolidation process, the Bank consolidates the assets, liabilities, and gains or losses of the entities under control, previously aligning the accounting policies of all its subsidiaries. This process includes eliminating balances and transactions within the bank and any unrealized and realized income and expenses (except foreign currency translation gains or losses and taxes that are not subject to elimination) arising from transactions within the bank. Unrealized and realized losses are eliminated in the same way as unrealized and realized gains, but only to the extent that there is no evidence of impairment.

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

The condensed consolidated interim financial statements of the Bank have been prepared in accordance with the International Accounting Standard No.34, Interim Financial Information of the International Financial Reporting Standards (IFRS), they should be read in conjunction with the consolidated financial statements for the period ended December 31, 2022.

IAS No. 34 does not require disclosure in interim financial information of all the notes that are prepared when preparing the annual financial statements according to the IFRS requirements; however, a selection of informative notes have been included to explain the events and transactions that are important to understand the change and performance of the Bank in its financial position since its last annual financial statement.

The consolidated results of operations for the Interim periods are not necessarily indicative of the results that can be expected for the whole year.

These condensed consolidated interim financial statements were authorized for issuance by the Audit Committee and ratified by the Board of Directors on May 8, 2023.

(2) Basis of Preparation of the Unaudited Condensed Consolidated Interim Financial Statements, continued

(c) Basis of measurement

The condensed consolidated interim financial statements have been prepared on a historical and amortized cost, except for the following accounts in the condensed consolidated interim financial statements:

- Investments at fair value
- Derivatives financial instruments
- Real estate; and
- Assets held for sale.

Initially, the Bank recognizes financial instruments as of the date they are disbursed. Investments in securities and loans at amortized costs are recorded when settled.

(d) Functional and presentation currency

These consolidated financial statements are presented in dollars of the United States of America (US) and are the presentation and functional currency of the Bank. US dollars are expressed in units unless otherwise indicated. The balboas ($), the monetary unit of the Republic of Panama, which is at par and is freely exchangeable with the dollar (US $) of the United States of America (E.U.A). The Republic of Panama does not issue its own paper currency and, instead, the dollar (US $) of the United States of America is used as the legal and functional currency.

(e) Use of estimates and judgments

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

The information on the most significant areas of uncertainty estimation and critical judgments in applying the accounting policies that have the most important effect on the amounts recognized in the consolidated financial statements is disclosed in Note 5.

(3) Summary of Significant Accounting Policies

The Bank has applied the policies to the condensed consolidated interim financial statements in a manner consistent with those of the consolidated financial statements as of December 31, 2022:

(a) Basis of consolidation

Subsidiaries

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

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

Investment Entities and Separate Legal Vehicles

The Bank manages and administrates assets held in trust funds and other investment instruments on behalf 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.

Balances and Transactions Eliminated in the Consolidation

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

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

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

Loss of control

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

(3) Summary of Significant Accounting Policies, continued

(b) Foreign Currency

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

Subsidiaries of the Bank

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

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

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

(c) Financial assets and liabilities

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

Classification

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

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

A financial asset is measured at amortized cost and not at FVTPL if it meets both of the following conditions:

1. The asset is kept within a business model to collect contractual cash flows; and

2. The contractual terms of the financial asset establish specific dates for cash flows that represent payments of solely principal and interest on the outstanding balance.

(3) Summary of Significant Accounting Policies, continued

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

1. The asset is kept within a business model whose objective is achieved by collecting contractual cash flows and selling financial assets and;

2. The contractual terms of the financial asset establish specific dates for cash flows that represent payments of solely principal and interest on the current outstanding balance.

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

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

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

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

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

Business Model Assessment

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

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

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

(3) Summary of Significant Accounting Policies, continued

- The risks that affect the performance of the portfolios (and the financial assets maintained in the business model) and the way those risks are managed;
- How managers of the business are compensated (for example, whether compensation is based on the fair value of the assets managed or the contractual cash flows collected); and,
- The frequency, value, and timing of sales in prior fiscal periods, the reasons for those sales, and expectations about future sales activity. However, the information on sales activity cannot be considered in isolation but rather as part of an assessment of how Bank objectives established for managing financial assets are achieved and how cash flows are realized.

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

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

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

- Contingent events that will change the amount and timing of cash flows;
- Leverage conditions;
- Prepayment and extension terms;
- Terms that limit the Bank to obtain cash flows for specific assets (e.g., unfunded asset agreements); and
- Characteristics that modify the considerations of the time value of money, for example, periodic review of interest rates.

(3) Summary of Significant Accounting Policies, continued

The interest rates on certain consumer and commercial loans are based on variable interest rates that are established at the discretion of the Bank. Variable interest rates are generally established in accordance with practices in each of the countries in which the Group operates, and in accordance with established policies. In these cases, the Bank assesses whether the discretionary characteristic is consistent with the principal and interest-only criterion considering a number of factors which include if:

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

All consumer and commercial fixed-rate loans contain conditions for prepayment.

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

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

Impairment of Financial Assets

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

The expected credit loss model requires the Bank to measure expected losses and consider forward-looking information, reflecting "an unbiased and probability-weighted amount determined by assessing a range of possible outcomes" and taking into account "reasonable information and supporting it from being available at no cost or undue effort on that date on past events”, current conditions, and forecasts of future economic conditions As widely stated in Note 22 to the consolidated financial statements, the Superintendency of Panama, as well as the Panamanian Executive Branch, issued important regulations to mitigate the impacts on projected cash flows of individuals and companies.

(3) Summary of Significant Accounting Policies, continued

The impairment model applies to the following financial assets that are not measured at FVTPL:

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

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

Reserves for losses are recognized in an amount equal to the ECL during the life of the asset, except in the following cases, in which the amount recognized is equal to ECL for the 12 months following the measurement date:

- Investments in debt instruments determined to represent low credit risk to the reporting date; and,
- Other financial assets (other than short-term accounts receivable) on which the credit risk has not increased significantly since initial recognition.

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

- Assess whether the credit risk has increased significantly from initial recognition; and;
- Incorporate prospective information in the measurement of expected impairment losses.

(3) Summary of Significant Accounting Policies, continued

Medición de la PCE

Expected credit loss (ECL) is the estimated weighted probability of credit losses measured as follows:

- Financial assets with no credit impairment to the reporting date: the present value of all contractual cash payments in arrears (for example, the difference between Bank cash flow debt in accordance with the contract and cash flows that the Bank expects to receive);
- Impaired financial assets to the reporting date: the difference between the gross book value and the present value of estimated future cash flows;
- Outstanding loan commitments: the present value of the difference between contractual cash flows owed to the Bank in the event it enforces the commitment and cash flows that the Bank expects to receive; and
- Financially secured contracts: the present value of expected payments to reimburse the holder minus any amount the Bank expects to recover.

Definition of impairment

The Bank considers a financial asset to be impaired when:

- It is highly unlikely that the debtor willfully pay its credit obligations to the Bank, without recourse for the Bank to take such actions as enforcing the guarantees (if applicable); or
- The debtor is more than 90-days past-due on any material credit obligation. Overdrafts are considered in arrears once the client has exceeded the established limit, or the established limit is less than the outstanding balance.
- For fixed-income financial instruments, the following concepts, among others, are included:
  - Downgrade on the issuer's credit risk rating;
  - Contractual payments are not made on the due date or in the term period stipulated;
  - There is a virtual certainty of default;
  - Issuer is likely to go bankrupt, or a bankruptcy petition is filed or similar action;
  - The financial asset stops trading in an active market given its financial difficulties.

(3) Summary of Significant Accounting Policies, continued

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

- Qualitative, e.g., breach of contractual clauses;
- Quantitative, e.g., delinquency status and no payment on another obligation of the same issuer to the Bank; and,
- Based on data developed internally and obtained from external sources.

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

Significant increase in credit risk

When determining whether the credit risk of a financial assets has increased significantly since initial recognition, the Bank considers reasonable and sustainable information that is relevant and available without undue cost or effort, including both quantitative and qualitative information and analysis, based on the Bank's historical experience and expert evaluation of the credit, including information with a forward looking projection.

The Bank expect to identify if there has been a significant increase in the credit risk exposure comparing between:

- The probability of default (PD) during the remaining life of financial instrument at the closing date, with
- The PD during the remaining life at a point in time, which was estimated at initial recognition of exposure.

The assessment of whether the credit risk has increased significantly since initial recognition of a financial asset requires identification of the initial recognition date of the instrument. For certain revolving credit (credit cards, overdrafts, among others), the date of the credit was granted might have been a long period of time. The modification of the contractual terms of a financial asset might affect its evaluation, which is discussed as follow.

(3) Summary of Significant Accounting Policies, continued

Grading by credit risk categories

The Bank assigns a credit risk rating to each exposure based on a variety of data that is determined to be capable of separating credit exposures into homogeneous risk groups. These risk groups, in turn, must meet the minimum criteria for separating and ordering risk. Credit risk rating is defined using qualitative and quantitative factors indicative of the risk of losses. These factors depend on the nature of the exposure and the type of borrower.

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

Each exposure is distributed in a credit risk rating at the time of initial recognition based on available information about the debtor. Exposures are subject to continuous monitoring, which may result in the migration of exposure to a different credit risk rating.

Generating the Term Structure of the PD

Credit risk rating are the main input to determine the structure of the PD term for the different exposures. The Bank obtains performance and loss information on the credit risk exposures analyzed by jurisdiction or region, type of product and debtor, as well as the assigned credit risk rating.

The Bank uses statistical models to analyze the collected data and generate estimates of the probability of impairment during the remaining life of the exposures and how these probabilities of impairment will change as a result of the passage of time.

This analysis includes the identification and calibration of relationships between changes in impairment rates and key macroeconomic factors, as well as an in-depth analysis of certain credit risk factors (for example loan write-offs). For most credits, key economic factors are likely to include gross domestic product growth, changes in market interest rates, and unemployment.

The Bank's approach to preparing forward-looking economic information within its assessment is indicated below.

Determine whether credit risk has increased significantly

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

(3) Summary of Significant Accounting Policies, continued

The initial framework aligns with the Bank's internal credit risk management process.

The criteria for determining whether credit risk has increased significantly will vary by portfolio and include limits based on defaults.

The Bank assesses whether the credit risk of a particular exposure has increased significantly since initial recognition if, based on the Bank's quantitative model, the expected probability of credit loss in the remaining life has increased significantly since initial recognition. In determining increased credit risk, the expected credit loss in the remaining life is adjusted for changes in maturities.

In certain circumstances, using the judgment of credit experts and on the basis of relevant historical information, the Bank may determine that an exposure has experienced a significant increase in credit risk if certain qualitative factors can indicate that, and those factors may not be fully captured by quantitative analyses performed periodically. As a limit, the Bank will presume that significant credit risk occurs no later than when the asset is delayed by more than 30 days.

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

- The criteria are capable of identifying significant increases in credit risk before an exposure is impaired;

- The criteria do not align with the point in time when an asset is more than 30 days past due;

- Exposures are generally not transferred directly from the PCE 12 months following the measurement of impaired default loans;

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

(3) Summary of Significant Accounting Policies, continued

Modified financial assets

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

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

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

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

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

After a follow-up period, the Bank will assess whether, based on its payment capacity and compliance with its obligations, if there are grounds for its classification in a lower risk category or, on the contrary, it should be classified in a higher category.

For financial assets modified as part of the Bank's renegotiation policies, the PD estimate will reflect whether the modifications have improved or restored the Bank's ability to collect interest and principal, and the Bank's prior experiences of similar actions. As part of this process, the Bank evaluates the debtor's compliance with the modified terms of the debt and considers various indicators of the behavior of the debtor or group of modified debtors.

(3) Summary of Significant Accounting Policies, continued

Generally, restructuring indicators are a relevant factor in the increase of credit risk. Consequently, a restructured obligor needs to demonstrate consistent payment behavior over a period of time before it is no longer considered credit impaired or that the PD has decreased such that the provision can be reversed and the credit measured for impairment in a period of twelve months after the reporting date.

Inputs in Measuring ECL

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

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

The above parameters are derived from internal statistical models and other historical information. These models are adjusted to reflect forward-looking information as described below:

PDs are estimated on certain cut-off dates. They are calculated using survival models, based on historical default vectors. If a counterparty or exposure migrates between different ratings, then this will result in a change in the estimated PD for that group. PDs are estimated considering the contractual expiration terms of the exposures and the estimated prepayment rates.

The historical PD is then transformed to a prospective PD, using macroeconomic sensitivity models.

LGD is the magnitude of probable losses if there is a default. The Bank estimates the LGD parameters based on historical loss recovery rates against the defaulted parties. LGD models consider the structure, collateral and the recovery costs of any collateral when there are mortgage guarantees.

For unsecured loans, a cash flow recovery model is used at present value, ordered by vintage. For loans guaranteed with mortgages and/or pledges, a history of the relationship between the sale price of goods available for sale and sold with respect to the balance of the credits is used as a recovery parameter. The calculation is made on a net cost recovery basis, discounted using the effective interest rate of the loan.

(3) Summary of Significant Accounting Policies, continued

EAD represents the expected exposure at the non-compliance event. The Bank derives the EAD from the counterparty's current exposure and potential changes in the current amount allowed under the contract terms including amortization and prepayments for decreasing and revolving exposures with no commitment to disburse. For loan commitments and financial guarantees, the EAD considers the amount disbursed, as well as future potential amounts that could be removed or repaid under the contract, which are estimated to be based on historical issues. Finally, for credit cards, due to its relative nature, the Bank determines the EAD by modeling a percentage of historical utilization over the approved credit limit.

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

For credit card balances the Bank measures EADs over a period greater than the maximum period if the contractual ability of the Bank to demand payments and pay off the commitment does not limit the Bank's exposure to credit losses for the contractual period of the contract. These facilities do not have a fixed term or collection structure and are managed on a collective basis. The Bank can cancel them with immediate effect, but this contractual right is not enforced in the normal day-to-day management, but only when the Bank learns of an increase in credit risk at the level of each loan. This longer period is estimated considering the credit risk management actions that the Bank takes and that serve to mitigate EAD. These measures include a reduction in limits and cancellation of loan contracts.

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

- Type of instrument.
- Credit risk rating.
- Warranty.
- Initial recognition date.
- Remaining term for maturity.
- Debtor's geographical location.

Previous groupings are subject to regular reviews to ensure that exposures of a particular group remain homogeneous.

(3) Summary of Significant Accounting Policies, continued

Projection of future conditions

On a quarterly basis, macroeconomic scenarios forecast for twelve months are approved for the six countries where the Bank operates, and they are divided into three categories: upside, base and downside scenario. These scenarios are prepared based on the Bank's macroeconomic simulation model and are complemented by (i) projections from supranational organizations such as the International Monetary Fund, the World Bank, ECLAC, etc. (ii) the macroeconomic program of the Central American central banks and (iii) economists outside the Bank.

- **Base scenarios:** According to current expectations. In the current situation, it contemplates stability in nominal macroeconomic variables, exchange rate, interest rates, and inflation. Forecasts from other organizations that produce economic research, such as the International Monetary Fund, the World Bank and the central banks of each country, are used as a reference. External references bring impartiality to the exercise.

- **Upside and downside scenarios:** These are the probable macroeconomic scenarios before the realization of some of the main risks associated with each country. They are categorized as upside and downside risks; furthermore, divided between internal and external risks.

- **External Risks:** The Central American countries, being small and open economies, are exposed to the economic performance of the large economies and main trading partners, mainly the United States and Europe. The economic activity of these countries affects the Central American countries in a generalized way, mainly through income from remittances, exports, tourism, and foreign direct investment.

- **Internal Risks:** These are risks specific to each country. They include risks associated with the internal social, political, and economic situation. In the current situation, the risks associated with the performance of governments predominate public finance management, natural disasters, health policies, etc.

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

The base case represents the most probable outcome. Other scenarios represent a more optimistic or downside outcome. In addition, the Bank also periodically performs stress tests to calibrate the determination of these other representative scenarios.

(3) Summary of Significant Accounting Policies, continued

Financial liabilities

Financial liabilities are listed at amortized cost using the effective interest rate method, except when there are financial liabilities that account for at fair value through profit or loss.

Recognition, derecognition and measurement

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

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

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

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

Offsetting of financial instruments

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

Presentation of reserve for ECL in the consolidated statement of financial position

The provision for ECL is presented in the consolidated statement of financial position as follows:

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

(3) Summary of Significant Accounting Policies, continued

(d) Loans

Loans are initially measured at fair value plus incremental direct costs; subsequently measured at amortized cost using the effective interest rate method. Unearned interest and commissions are recognized as income during the life of the loan using the effective interest method.

(e) Assets held for sale

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

(f) Recognition of the most significant income and expenses

Interest income and expenses

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

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

Fees and commissions

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

Other incomes from fees and commissions, including services fees, asset management, sales commissions, loan syndication, among others, are recognized when the corresponding services are provided.

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

(3) Summary of Significant Accounting Policies, continued

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

Loyalty programs

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

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

(g) Cash and cash equivalents

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

(h) Property, furniture, equipment and improvements

Property, furniture, equipment and improvements comprise buildings, furniture and improvements used by branches and offices. Property, furniture, equipment and improvements are presented at their historical cost, less accumulated depreciation and amortization, except for land and buildings, which since December 31, 2014, are recognized under the revalued cost method.

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

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

Category	Year/Base
Buildings	Up to 60
Furniture and equipment	3 – 10
Vehicles	3 – 7
IT Equipment	3 – 7
Leasehold improvements	5 – 10

(3) Summary of Significant Accounting Policies, continued

The amount equivalent to the depreciation expense associated with the revaluation of buildings is transferred from the equity account of property revaluation reserve to retained earnings as these assets are being used, without affecting profit or loss.

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

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

(i) Leases

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

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

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

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

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

- The Bank designed the asset so that predetermines how and for what purpose it will be used.

At inception or on reassessment of a contract that contains a lease component, the Bank assigns the consideration in the contract to each lease component based on their independent relative prices. However, for land and building leases where the Bank is a lessee, the Bank has elected not to separate the non-lease components and to treat the lease and non-lease components as a single component of the lease.

(3) Summary of Significant Accounting Policies, continued

i. As a lessee

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

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

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

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

- Fixed payments, including essentially fixed payments;
- Variable lease payments that depend on an index or a rate, initially measured using the index or rate as of the start date;
- Amounts expected to be payable under a residual value guarantee; and
- The exercise price under a call option that the Bank may reasonably exercise, lease payments on an optional renewal period if the Bank is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Bank is reasonably certain not to effect early termination.

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

(3) Summary of Significant Accounting Policies, continued

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

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

Short-term leases and leases of low-value assets

The Bank has elected not to recognize right-of-use assets and lease liabilities for short-term machine leases that have a term of 12 months or less and leases of low value assets. The Bank recognizes the lease payment associated with these leases as an expense on a straight-line basis over the term of the lease.

ii. As a lessor

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

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

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

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

(j) Intangible assets

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

Cash-generating units to which intangible assets have been attributed are periodically analyzed to determine whether they have deteriorated. This analysis is performed at least annually, or whenever there are signs of deterioration.

(3) Summary of Significant Accounting Policies, continued

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

Trade names are non-amortizable intangible assets.

(k) Investment Properties

Investment properties are measured initially at cost, including transaction costs. Subsequent to the initial recognition, the investment properties are measured at fair value. Gains and losses arising from changes in the fair value of investment properties are included in the results of the period in which they arise.

An investment property is written off at the time of disposition or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposition. Any gain or loss that arises when the property is derecognized (calculated as the difference between the net proceeds of the disposition and the carrying value of the asset) is included as gain or loss in the period in which the property is written off, from the accounting records.

(l) Securities Sold under Repurchase Agreements

The securities bought under resale agreements are transactions of short-term financing with securities guarantee, in which the Bank takes possession of the securities at a discount of the market value and agrees to resell them to the debtor at a future date and at a certain price. The difference between the value of purchase and the future sale price is recognized as income under the effective interest rate method.

Securities received as collateral are not recognized in the financial statement unless there is a breach by the counterparty of the contract, which gives the right to the Bank to take possession of the securities.

(m) Factoring Receivables

Factoring consists of the purchase of invoices, which are presented at their principal outstanding value, less unearned interest and commissions, and the allowance for loan losses. These invoices receivable reflect the present value of the contract.

(n) Deposits, Bonds Payable, Borrowings Received and Negotiable Commercial Papers

These instruments result from the funds received by the Bank, which are initially measured at fair value, net of transaction costs. Subsequently, they are measured at amortized cost, using the effective interest rate method, except for liabilities that the Bank decides to measure at fair value through profit or loss.

(o) Financial Guaratees

Financial guarantees are contracts that require the Bank to make specific payments on behalf of its customers for purposes of reimbursing the guarantee beneficiary, in the event that the customer fails to make payment when due, in accordance with the terms and conditions of the arrangement.

(3) Summary of Significant Accounting Policies, continued

Liabilities arising from financial guarantees are initially measured at fair value, which is amortized over the term of the financial guarantee. Subsequently, the guarantee is carried at the highest amount between the amortized amount and the present value of expected future payments. Financial guarantees are included in the consolidated statement of financial position within other liabilities.

(p) Derivatives Financial Instruments

Derivatives are initially recognized at fair value; transaction costs are recognized in income as incurred. After initial recognition, derivatives are valued at fair value and any change is recorded as follows:

a. Fair Value Hedges

Derivatives under the fair value method are instruments that hedge the exposure to changes in the fair value of: (a) a portion or the total value of a financial asset or liability recognized in the consolidated statement of financial position, or (b) a firm commitment or probable transaction to be materialized. The change in the fair value of the hedging instrument is recognized in the consolidated statement of income.

If a hedged asset is classified as fair value through other comprehensive income, the revaluation of this category of investments is recorded in equity. Since inception of the hedge relationship, the revaluation of such asset will begin to be recorded in the consolidated statement of income and the revaluation balance, previously recorded in equity, shall be maintained until sale or maturity date of the asset.

If a hedged asset or liability is carried at amortized cost, its carrying value shall be adjusted to reflect the changes in its fair value due to fluctuation in interest rates. These hedged assets and liabilities shall be carried at amortized cost upon termination of the hedging relationship by using the adjusted effective yield rate for the amortization calculation. If the hedged asset carried at amortized cost suffers an impairment, the loss shall be calculated based on the difference between the carrying value, after the adjustment by changes in the fair value of the hedged asset, as a consequence of the hedged risk and the present value of estimated future cash flows, discounted at the recalculated effective interest rate of the item.

(3) Summary of Significant Accounting Policies, continued

b. Cash Flow Hedges

Derivative instruments designated for cash flow hedges are instruments that cover the exposure to changes in cash flows associated with a previously recognized asset or liability, or a highly probable forecast transaction. The effective part of any change in the fair value of the hedging instrument is recognized directly in other comprehensive income and presented as a reserve for cash flow hedges within equity, while the ineffective portion of any change in the fair value amount is recognized in the consolidated statement of income. The amounts accumulated in equity are reclassified to the consolidated statement of income in the periods in which the hedging transactions will affect profit or loss.

If the hedge derivative expires or is sold, terminated or exercised, or if the hedge no longer meets the cash flow hedge accounting criteria, or if the hedge designation is revoked, then the hedge accounting is discontinued prospectively and any remaining cumulative gain or loss in equity is recognized in the consolidated statement of income.

If it is considered that the anticipated transaction will not occur, the balance maintained in other comprehensive income will be reclassified immediately to the consolidated statement of income.

c. Other Derivatives

Derivatives not designated as part of a hedging strategy are classified as assets or liabilities at fair value and are recognized in the consolidated statement of financial position at their fair value. Changes in the valuation of these derivatives are recorded in the consolidated statement of income.

(q) Income Tax

Tax expense for the period includes current and deferred taxes. Taxes are recognized in the consolidated statement of income, insofar as they refer to items recognized in the consolidated statement of income or directly in equity.

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

(3) Summary of Significant Accounting Policies, continued

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

Deferred tax assets are recognized only to the extent that it is probable that future economic tax benefits will be available with which to offset the temporary differences.

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

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

(r) Emplyee benefits

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

(s) Trust Operations and Securities Managament

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

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

(3) Summary of Significant Accounting Policies, continued

(t) Insurance Operations

Insurance arrangements correspond to those arrangements whereby the Bank assumes the significant insurance risk of a counterparty (the insurer), committing to compensate the policyholder or other beneficiary when an uncertain future event (the insured event) adversely affects the policyholder or beneficiary. By general rule, the Bank determines if the arrangement has a significant insurance risk by comparing premiums collected for benefits to be paid if the insured event occurs. An insurance arrangement might also transfer financial risks. Insurance arrangements are maintained for the rest of their effective term, notwithstanding if the insurance risk significantly decreases, until all the risks and obligations terminate or expire. During the normal course of operations, the Bank has entered into reinsurance arrangements with reinsurance companies.

The reinsurance payable corresponds to the portion of premiums generated by sharing the risks. This sharing is agreed in the reinsurance arrangements; however, reinsurance arrangements do not release the Bank from contracted obligations, retaining overall responsibility for the policyholders or beneficiaries. The reinsurance receivable represents the balance of the amounts receivable from reinsurance companies originating from events occurred, whereby it assumes the indemnity on behalf of the policyholder, and for the reinsurances accepted by other insurance companies. The amounts expected to be recovered from reinsurance companies are recognized in conformity with the terms and conditions included in the arrangements entered into by both parties.

Any gain or loss from the reinsurance arrangement is recognized in the consolidated statements of profit or loss at the inception of the arrangement and they are not amortized. Income and expenses from insurance operations are recorded as follows:

Premiums receivables are recognized when the insurance policy is issued. Income from insurance premiums corresponding to the period contracted in the policy is recognized upon the inception of the insurance without considering the payment status of the premium. Insurance begins with the acceptance of the insurance request submitted by the client and collection of the premium, which may be fractioned or deferred when collected in one single installment, during the term of the policy. Expenses from reinsurance and commissions and other income and expenses related to the policy issuance are recognized upon recognition of income from insurance premiums.

(3) Summary of Significant Accounting Policies, continued

(u) Segment Information

An operating segment is a component of the Bank, whose operating results are reviewed on a regular basis by Management to make decisions about resources allocated to each segment and assess its performance, and for which financial information is available.

(v) Fair value estimates

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

The different hierarchy levels have been defined as follows:

- Level 1 - Quoted prices in active markets without adjustments for identical assets or liabilities that the Bank can access at the measurement date.

- Level 2 - Inputs other than quoted prices included in Level 1 that are observable, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using quoted prices in active markets for similar instruments, quoted prices for identical or similar instruments in markets that are not active and other valuation techniques where significant data inputs are directly or indirectly observable in the market.

- Level 3 - Unobservable inputs for the asset or liability. This category includes all instruments where the valuation technique includes unobservable inputs and these have a significant effect on the fair value measurement. This category also includes instruments that are valued based on quoted prices for similar instruments for which we must make significant adjustments using unobservable inputs, assumptions or adjustments in which no observable or subjective data are used when there are differences between the instruments.

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

The fair value of a demand deposit is not less than the amount to be paid when it becomes payable, discounted from the first date on which payment may be required.

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

(3) Summary of Significant Accounting Policies, continued

(w) Transactions between entities under common control

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

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

(x) New International Financial Reporting Standards ("IFRSs") not yet adopted

A number of new standards and amendments to standards are effective for annual periods beginning January 1, 2023 and early application is permitted; however, the Bank has not early adopted the new and modified standards when preparing the consolidated financial statements.

The following new and amended standards are not expected to have a significant impact on the Bank's consolidated financial statements:

- Classification of liabilities as current or non-current (amendments to IAS 1)
- Accounting policy disclosures (amendments to IAS 1)
- Definition of accounting estimates (amendments to IAS 8)

New International Financial Reporting Standards ("IFRSs") ***current*** *not yet adopted*

IFRS 17 Insurance Contracts, establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts that are within the scope of the Standard. The objective of IFRS 17 is to ensure that an entity provides consistent, principles-based accounting for insurance contracts. This information provides a basis for users to evaluate the effect of insurance contracts on the financial statements.

The Board of International Accounting Standards established January 1, 2023 as the effective date. The Superintendence of Insurance and Reinsurance of Panama, through Note No.SSRP-DSES-025-2022, of July 20, 2022, agreed to transfer the date of entry into force for January 1, 2024. Through Circular SBP-DR-0070-2022 dated September 23, 2022, the Superintendency of Banks of Panama, where the regulatory entity leaves the decision of each Banking Group to the discretion of adoption for purposes of its consolidated financial statements for periods beginning on January 1, 2023.

The Bank has decided to take advantage of the extension granted by its regulators in Panama, and will implement IFRS 17 for the period beginning on January 1, 2024. Due to the nature of the financial operations that the Bank maintains, the adoption of this standard does not imply significant changes to the financial information as of june 30, 2023.

(3) Summary of Significant Accounting Policies, continued

(y) Reform of benchmark interest rates

In March 2021, the Financial Conduct Authority (FCA), as a regulator of ICE (the authorized administrator of LIBOR), announced that after December 31, 2022 the setting of LIBOR for US dollars for a week or two months will no longer be provided or will no longer be representative. The remaining US dollars benchmark rate will no longer be provided or representative after June 30, 2023.

A fundamental overhaul of the world's major interest rate benchmarks is being conducted, which replaces some Interbank Offered Rates (IBORs) with alternative near-risk-free rates (referred to as "IBORs"). reform'). The Bank has significant exposure to LIBOR on its financial instruments, which are being modified as part of these market initiatives.

The main risks to which the Bank has been exposed as a result of the IBOR reform are operationals. For example, the renegotiation of loan contracts through bilateral negotiation with corporate clients, the update of contractual terms in corporate and consumer clients, the update of systems that use IBOR curves, and the review of operational controls related to reform and regulatory risks. Financial risk is predominantly limited to interest rate risk.

The Bank established a Commission that reports to ALICO to manage the transition to alternative reference rates. The Commission's objectives include assessing whether financial assets and/or liabilities should be amended as a result of IBOR reform, and how to manage communication about IBOR reform with counterparties. The Commission reports to the Executive Committee on a regular basis and collaborates with other business functions as needed. Additionally, it provides periodic reports on the Bank´s operations ALICO and the treasuries to support interest rate risk management.

For contracts indexed to an IBOR that expire after the expected discountinuance of the IBOR rate, the Commission has established policies to modify the contractual terms. These amendments include the addition of clauses in the contracts that determine the applicable rate or calculation mechanism once the reference IBOR rate is not published ("fallback" clauses, according to the industry term in English) or the replacement of the IBOR rate with an alternative reference rate.

The Bank has been applying a management policy that consumer loans, such as mortgages, personal, and car loans, are modified in a uniform manner, and custom-made products as they progress, such as corporate loans, are modified in bilateral negotiations with the counterparties.

(3) Summary of Significant Accounting Policies, continued

The Bank monitors the progress of the transition away from IBOR to new reference rates by reviewing the total amounts of contracts that have yet to transition to an alternative reference rate and the amount of such contracts that include an adequate fallback clause. The Bank considers that a contract has not yet transitioned to an alternative reference rate (and it is known as an “unreformed contract”) when the interest under the contract is indexed to a reference rate that is still subject to IBOR reform, even if it includes a fallback clause that deals with the cessation of IBOR.

As of june 30, 2023, the reform of the IBOR on the operations in which the Bank has any exposure has not been completed.

The Bank originate loan operations referenced to the CME TERM SOFR reference rate, published by the Chicago Mercantile Exchange (CME). The Bank opted for this rate in light of the recommendation made to the market by the Alternative Reference Rates Committee, a technical entity made up of different market participants and regulators to lead this transition process. The Bank constantly monitors the TERM SOFR reference rate.

(3) Summary of Significant Accounting Policies, continued

The following tables show the amounts of unreformed financial assets IBOR, that will be modified in the next change of rate to TERM SOFR for the fallback clauses as of june 30, 2023. The amounts of investment securities are shown at their book values and the amounts of loans are shown at their gross book values.

	June 30, 2023			December 31, 2022		
	Total value of indexed contracts	**Total value of indexed contracts with maturity greater than June, 2023**	**Total value of contracts with fallback clauses**	**Total value of indexed contracts**	**Total value of indexed contracts with maturity greater than June, 2023**	**Total value of contracts with fallback clauses**
Investment in securities	22,299,307	22,299,307	22,299,307	42,597,988	42,597,988	0
Loans						
Corporate	0	0	0	0	0	0
Mortgages	0	0	0	377,526	377,526	0
Cars	0	0	0	152,378	150,256	0
Total Loans	0	0	0	529,904	527,782	0

he following tables show the amounts of financial liabilities at the IBOR rate until the next rate change to TERM SOFR for appropriate fallback clauses as of June 30 2023. Amounts are shown at their book values.

	June 30, 2023			December 31, 2022		
	Total value of indexed contracts	**Total value of indexed contracts with maturity greater than June, 2023**	**Total value of contracts with fallback clauses**	**Total value of indexed contracts**	**Total value of indexed contracts with maturity greater than June, 2023**	**Total value of contracts with fallback clauses**
Financial obligations	44,078,143	44,078,143	44,078,143	85,298,673	85,298,673	45,623,725
Hedging derivative	20,500,000	0	20,500,000	20,500,000	0	20,500,000

(4) Risk Management

Financial risk management is a fundamental part of the Bank, for which it has an infrastructure for comprehensive risk management in order to ensure responsible and sustainable growth over time, maintain the confidence of its groups of interest; as well as to ensure with reasonable certainty the fulfillment of the goals in the short, medium and long term, through a balance between the fulfillment of objectives and the taking of risks, aligned with the corporate strategy.

Classification of financial assets

See the classification under IFRS 9 in the accounting policies in Note 3 (c).

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

June 30, 2023	Designated FVTPL – debt instruments	Designated FVTPL - equity instruments	FVOCI - debt instruments	Amortized cost	Total
Cash, cash equivalents and deposits in banks	0	0	0	246,488,925	246,488,925
Investments in securities	30,446,669	1,042,820	723,426,427	67,347,799	822,263,715
Loans at amortized costs	0	0	0	3,610,510,667	3,610,510,667
Other accounts receivable	0	0	0	133,003,377	133,003,377
Total financial assets	30,446,669	1,042,820	723,426,427	4,057,350,768	4,812,266,684

(4) Risk Management, continued

December 31, 2022	Designated FVTPL – debt instruments	Designated FVTPL - equity instruments	FVOCI - debt instruments	Amortized cost	Total
Cash, cash equivalents and deposits in banks	0	0	0	220,316,322	220,316,322
Investments in securities	32,807,917	1,116,376	816,753,166	71,831,130	922,508,589
Loans at amortized costs	0	0	0	3,653,014,934	3,653,014,934
Other accounts receivable	0	0	0	151,122,485	151,122,485
Total financial assets	32,807,917	1,116,376	816,753,166	4,096,284,871	4,946,962,330

As of june 30, 2023, all financial liabilities held by the Bank are classified at amortized cost.

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

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

For the management of said risks, an organizational framework based on the regulations in force in the region on risk management has been defined. This framework has policies, procedures, and human and technical infrastructure to identify, analyze, and assess risks; as well as for setting appropriate limits and controls, monitoring risk management and compliance with defined limits. These policies and risk management systems are periodically reviewed, updated, and reported to the respective committees, in order to reflect changes in market conditions, products, and services offered.

The Bank, through its management rules and procedures, develops a disciplined and constructive control environment in which all employees understand their roles and obligations.

The administration and periodic surveillance of risks is carried out through the following corporate governance bodies, established both at the regional level in our Headquarters, and at the level of the Bank and its subsidiaries: Comprehensive Risk Management Committee, Assets Committee and Liabilities (ALICO), Compliance Committee, Credit Committee and Audit Committee.

(a) Credit Risk

It is the risk of financial loss that the Bank faces if a client or counterparty does not comply with its contractual obligations, and it originates mainly from deposits placed, investments in securities and loans receivable.

To mitigate credit risk, risk management policies in relation to loans establish processes and controls to be followed for the approval of loans or credit facilities. The Bank structures acceptable credit risk levels by establishing limits on the amount of risk accepted in relation to a single borrower or group of borrowers and geographic segment. These credits are constantly monitored and subject to periodic review.

(4) Risk Management, continued

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

Credit management is carried out under policies clearly defined by the Board of Directors, periodically reviewed and modified based on changes and expectations of the markets in which it operates, regulations and other factors to be considered in the formulation of these policies.

The Bank has a series of credit reports in operation to assess the performance of its portfolio, provision requirements and especially to anticipate events that may affect the condition of its debtors.

Establishment of Authorization Limits:
The credit approval limits are established depending on the representativeness of each amount in the Bank's capital. These limit levels are presented to the Risk Committee and ratified by the Board of Directors.

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

Concentration Limits:
To limit concentration by activity or industry, exposure limits have been approved based on the distribution of capital and the strategic orientation that is desired to be given to the credit portfolio.

Similarly, the Bank has limited its exposure in different geographies through the country risk policy, in which countries have been defined in which exposure is desired based on the Bank's strategic plan; In turn, credit and investment exposure limits have been implemented in said countries, based on the credit rating of each one of them and the approved risk appetite.

Policy Compliance Review:
Each business unit is responsible for the quality and performance of its portfolio loans, as well as for the control and monitoring of its risks. However, through Credit Administration and Control, the financial condition of the debtor and his ability to pay are periodically evaluated. For loans that are not individually significant, they are monitored through the delinquency ranges that their installments present and the particular characteristics of said portfolios.

(4) Risk Management, continued

In relation to investments, the Bank has a regional scope guideline that defines the general profile that the investment portfolio must have and establishes two large levels of maximum limits to control investment exposure: country risk level limit and risk transmitter. The country risk limits are established based on an internal rating scale and measured as percentages of the Bank's equity or as absolute amounts. In addition, the guideline includes the powers and approval schemes for new limits or increases to existing ones. Additionally, the Group maintains other internal guidelines approved by ALICO and ratified by the Board of Directors.

Compliance with this guideline is monitored on a daily basis by the Market Risk and Liquidity area, Vice Presidency attached to the Comprehensive Risk Management area, which monitors all transactions to identify any acquisition or purchase outside the parameters and immediately notifies the area originator.

The Board of Directors has delegated the responsibility for credit risk management to the Credit and Assets and Liabilities Committees (ALICO), which periodically monitor the financial condition of the respective debtors and issuers, which involve a credit risk for the Bank.

Portfolio quality information

Bank deposit portfolio quality

The Bank maintains deposits placed in banks for $224,053,338 as of june 30, 2023 (December 31, 2022: $194,708,689). The deposits placed are held at central banks and other financial institutions, most of which have risk ratings between AA and BB, based on Standard & Poor's, Moody's, and/or Fitch Ratings.

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

Quality of investment portfolio in securities

The Bank segregates the investment portfolio in investments in securities at FVTPL, investments at AC and investments at FVOCI. As of june 30, 2023, the investment portfolio totals $822,263,715 (December 31, 2022: $922,508,589).

As of june 30, 2023, other assets at FVTPL include investments in common stocks and mutual funds for $21,074,368 (December 31, 2022: $20,819,959) which are excluded from the following risk analysis.

• Investments at FVTPL

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

(4) Risk Management, continued

The following table summarizes the ratings of the investments at FVTPL:

	June 30, 2023	December 31, 2022
Governments and agencies		
BBB	9,360,513	11,974,629
Total governments and agencies	9,360,513	11,974,629
Corporate		
Unrated	11,788	13,329
Total Corporate	11,788	13,329
Total investments at FVTPL Governments and agencies	9,372,301	11,987,958

• Investments at FVOCI

The following table summarizes the ratings of the investment portfolio at FVOCI:

	June 30, 2023			December 31, 2022		
	12 months ECL	Lifetime ECL - without impairment	Total investments at FVOCI	12 months ECL	Lifetime ECL - without impairment	Total investments at FVOCI
Governments and agencies						
AAA	54,265,111	0	54,265,111	120,964,721	0	120,964,721
AA+	302,374,303	0	302,374,303	332,208,820	0	332,208,820
BBB	259,000,147	0	259,000,147	256,834,053	0	256,834,053
BB+ to B-	17,387,223	0	17,387,223	10,752,535	6,227,484	16,980,019
Total Governments and agencies	633,026,784	0	633,026,784	720,760,129	6,227,484	726,987,613
Corporate						
AA	13,888,029	0	13,888,029	0	0	0
AA-	0	0	0	13,751,004	0	13,751,004
BBB+	4,643,223	0	4,643,223	4,608,947	0	4,608,947
BBB	19,622,944	0	19,622,944	18,271,652	0	18,271,652
BBB-	39,081,719	0	39,081,719	40,108,874	0	40,108,874
BB+ to B	5,124,836	8,038,892	13,163,728	5,127,384	7,897,692	13,025,076
Total Corporate	82,360,751	8,038,892	90,399,643	81,867,861	7,897,692	89,765,553
Total	715,387,535	8,038,892	723,426,427	802,627,990	14,125,176	816,753,166
Allowance for ECL	420,107	254,985	675,092	324,848	845,325	1,170,173

Debt instruments measured at FVOCI as of june 30, 2023, are current.

• Investments at AC

The following table summarizes the AC investment portfolio ratings:

	June 30, 2023			December 31, 2022		
	12 months ECL	Lifetime ECL - without impairment	Total investments at AC	12 months ECL	Lifetime ECL - without impairment	Total investments at AC
Corporate						
BBB	0	0	0	0	0	0
Range BB+ to B-	39,871,380	24,072,064	63,943,444	39,099,800	29,246,990	68,346,790
Unrated	3,404,355	0	3,404,355	3,484,340	0	3,484,340
Total Corporate	43,275,735	24,072,064	67,347,799	42,584,140	29,246,990	71,831,130
Total	43,275,735	24,072,064	67,347,799	42,584,140	29,246,990	71,831,130
Allowance for ECL	600,810	1,978,666	2,579,476	108,600	2,182,399	2,290,999

Investments at AC as of june 30, 2023, are current.

(4) Risk Management, continued

Loan portfolio quality

Note 3 (c) contains an explanation of the measurement of the quality of financial instruments, which include the loan portfolio.

The following tables present the balances receivable of the loan portfolio according to the risk categories, according to the classification in force for each indicated year:

June 30, 2023	12 months ECL	Lifetime ECL - credit unimpaired	Lifetime ECL - credit impaired	Total
Corporate				
Satisfactory	1,453,196,480	11,359,427	0	1,464,555,907
Special mention	0	146,912,333	0	146,912,333
Sub-standard	0	0	141,653,446	141,653,446
Doubtful	0	0	73,893,032	73,893,032
Loss	0	0	60,413,018	60,413,018
Gross amount	1,453,196,480	158,271,760	275,959,496	1,887,427,736
Allowance for ECL	(12,793,822)	(8,341,569)	(37,112,390)	(58,247,781)
Net amount	1,440,402,658	149,930,191	238,847,106	1,829,179,955
Small Company				
Satisfactory	81,306,763	11,630,861	0	92,937,624
Special mention	968,233	8,205,132	0	9,173,365
Sub-standard	0	0	796,871	796,871
Doubtful	0	0	1,175,762	1,175,762
Loss	0	0	1,599,572	1,599,572
Gross amount	82,274,996	19,835,993	3,572,205	105,683,194
Allowance for ECL	(410,575)	(691,632)	(304,922)	(1,407,129)
Net amount	81,864,421	19,144,361	3,267,283	104,276,065
Mortgage				
Satisfactory	756,428,481	33,442,388	0	789,870,869
Special mention	4,819,082	22,566,275	0	27,385,357
Sub-standard	0	0	6,022,885	6,022,885
Doubtful	0	0	3,641,858	3,641,858
Loss	0	0	8,491,200	8,491,200
Gross amount	761,247,563	56,008,663	18,155,943	835,412,169
Allowance for ECL	(1,707,357)	(891,465)	(2,194,458)	(4,793,280)
Net amount	759,540,206	55,117,198	15,961,485	830,618,889
Personal banking				
Satisfactory	476,353,887	12,544,135	18,736	488,916,758
Special mention	7,386	2,437,496	318	2,445,200
Sub-standard	0	0	1,236,138	1,236,138
Doubtful	0	0	1,368,151	1,368,151
Loss	0	0	1,196,974	1,196,974
Gross amount	476,361,273	14,981,631	3,820,317	495,163,221
Allowance for ECL	(2,627,084)	(791,224)	(1,522,313)	(4,940,621)
Net amount	473,734,189	14,190,407	2,298,004	490,222,600
Vehicles				
Satisfactory	284,297,669	13,033,712	0	297,331,381
Special mention	1,019,349	8,770,661	0	9,790,010
Sub-standard	0	0	599,469	599,469
Doubtful	0	0	501,576	501,576
Loss	0	0	40,898	40,898
Gross amount	285,317,018	21,804,373	1,141,943	308,263,334
Allowance for ECL	(597,789)	(336,430)	(511,546)	(1,445,765)
Net amount	284,719,229	21,467,943	630,397	306,817,569
Credit Card				
Satisfactory	46,629,155	45,648	2,466,699	49,141,502
Special mention	346,793	2,850,186	709,962	3,906,941
Doubtful	0	1,732,493	0	1,732,493
Loss	0	0	364,573	364,573
Gross amount	46,975,948	4,628,327	3,541,234	55,145,509
Allowance for ECL	(3,293,992)	(671,136)	(1,784,792)	(5,749,920)
Net amount	43,681,956	3,957,191	1,756,442	49,395,589
Net carrying amount, loans at amortized cost Corporate	3,083,942,659	263,807,291	262,760,717	3,610,510,667

(4) Risk Management, continued

December 31, 2022	12 months ECL	Lifetime ECL - credit unimpaired	Lifetime ECL - credit impaired	Total
Corporate				
Satisfactory	1,508,827,881	17,326,251	0	1,526,154,132
Special mention	0	146,360,989	0	146,360,989
Sub-standard	0	0	178,514,666	178,514,666
Doubtful	0	0	53,457,300	53,457,300
Loss	0	0	46,472,690	46,472,690
Gross amount	1,508,827,881	163,687,240	278,444,656	1,950,959,777
Allowance for ECL	(7,230,951)	(10,190,066)	(31,565,042)	(48,986,059)
Net amount	1,501,596,930	153,497,174	246,879,614	1,901,973,718
Small Company				
Satisfactory	80,844,947	14,509,781	0	95,354,728
Special mention	0	4,056,311	0	4,056,311
Sub-standard	0	0	1,620,035	1,620,035
Doubtful	0	0	1,926,306	1,926,306
Loss	0	0	1,733,595	1,733,595
Gross amount	80,844,947	18,566,092	5,279,936	104,690,975
Allowance for ECL	(677,600)	(969,255)	(1,710,775)	(3,357,630)
Net amount	80,167,347	17,596,837	3,569,161	101,333,345
Mortgage				
Satisfactory	731,664,987	42,150,788	0	773,815,775
Special mention	895,936	30,769,733	0	31,665,669
Sub-standard	0	0	3,511,613	3,511,613
Doubtful	0	0	4,607,560	4,607,560
Loss	0	0	7,893,868	7,893,868
Gross amount	732,560,923	72,920,521	16,013,041	821,494,485
Allowance for ECL	(2,740,520)	(1,934,730)	(1,787,554)	(6,462,804)
Net amount	729,820,403	70,985,791	14,225,487	815,031,681
Personal banking				
Satisfactory	466,760,499	15,382,955	0	482,143,454
Special mention	38,695	3,422,874	418	3,461,987
Sub-standard	0	0	1,152,007	1,152,007
Doubtful	0	0	819,267	819,267
Loss	0	0	1,459,673	1,459,673
Gross amount	466,799,194	18,805,829	3,431,365	489,036,388
Allowance for ECL	(2,443,694)	(930,030)	(1,316,052)	(4,689,776)
Net amount	464,355,500	17,875,799	2,115,313	484,346,612
Vehicles				
Satisfactory	262,478,842	25,790,743	0	288,269,585
Special mention	0	13,690,120	0	13,690,120
Sub-standard	0	0	645,110	645,110
Doubtful	0	0	509,634	509,634
Loss	0	0	130,723	130,723
Gross amount	262,478,842	39,480,863	1,285,467	303,245,172
Allowance for ECL	(865,466)	(1,035,217)	(409,789)	(2,310,472)
Net amount	261,613,376	38,445,646	875,678	300,934,700
Credit Card				
Satisfactory	41,172,988	4,354,044	2,104,139	47,631,171
Special mention	0	3,717,460	934,824	4,652,284
Doubtful	0	1,486,934	0	1,486,934
Loss	0	0	598,451	598,451
Gross amount	41,172,988	9,558,438	3,637,414	54,368,840
Allowance for ECL	(864,038)	(1,858,873)	(2,251,051)	(4,973,962)
Net amount	40,308,950	7,699,565	1,386,363	49,394,878
Net carrying amount, loans at amortized cost				
Corporate	3,077,862,506	306,100,812	269,051,616	3,653,014,934

(4) Risk Management, continued

The following tables present the balances of credit commitments and guarantees according to the risk categories, according to the classification in force for each indicated year:

June 30, 2023	12 months ECL	Lifetime ECL - credit unimpaired	Lifetime ECL - credit impaired	Total
Corporate				
Satisfactory	232,289,682	0	0	232,289,682
Special mention	0	0	312,972	312,972
Doubtful	0	0	10,000	10,000
Loss	232,289,682	0	322,972	232,612,654
Gross amount	(352,779)	0	(41,071)	(393,850)
Allowance for ECL	231,936,903	0	281,901	232,218,804
Net amount				
Small Company				
Satisfactory	183,465	0	0	183,465
Gross amount	183,465	0	0	183,465
Allowance for ECL	(281)	0	0	(281)
Net amount	183,184	0	0	183,184
Personal banking				
Satisfactory	50,527,654	0	0	50,527,654
Doubtful	50,527,654	0	0	50,527,654
Gross amount	(77,480)	0	0	(77,480)
Allowance for ECL	50,450,174	0	0	50,450,174
Net amount				
	282,570,261	0	281,901	282,852,162

December 31, 2022	12 months ECL	Lifetime ECL - credit unimpaired	Lifetime ECL - credit impaired	Total
Corporate				
Satisfactory	240,764,566	0	0	240,764,566
Special mention	0	0	497,664	497,664
Doubtful	0	0	10,000	10,000
Loss	0	0	300,000	300,000
Gross amount	240,764,566	0	807,664	241,572,230
Allowance for ECL	(140,894)	0	(96,480)	(237,374)
Net amount	240,623,672	0	711,184	241,334,856
Small Company				
Satisfactory	21,178	0	0	21,178
Gross amount	21,178	0	0	21,178
Allowance for ECL	(12)	0	0	(12)
Net amount	21,166	0	0	21,166
Personal banking				
Satisfactory	145,549,325	0	0	145,549,325
Doubtful	0	0	217,725	217,725
Gross amount	145,549,325	0	217,725	145,767,050
Allowance for ECL	(85,483)	0	(18,010)	(103,493)
Net amount	145,463,842	0	199,715	145,663,557
Net carrying amount, net of reserve	386,108,680	0	910,899	387,019,579

(4) Risk Management, continued

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

The Bank maintains guarantees and other improvements to reduce credit risk to ensure the payment of their financial assets exposed to credit risk. The types of mortgage guarantees include residential and commercial, buildings and land. The types of collateral include private vehicles, commercial use, leasing, machinery and other equipment.

The table below shows the main types of guarantees taken with respect to different types of financial assets.

	June 30, 2023					
	Mortgage	Pledge	Certificates of deposit	Investments in securities	Unsecured	Total
Investments in securities	0	0	0	0	821,220,895	821,220,895
Loans at amortized cost						
Corporate						
Corporate	1,127,943,896	38,547,070	153,375,078	0	560,867,313	1,880,733,357
Corporate leases, net	0	6,694,379	0	0	0	6,694,379
Total corporate	1,127,943,896	45,241,449	153,375,078	0	560,867,313	1,887,427,736
Personal Banking and Small company						
Small company						
Small company	86,332,450	1,257,082	10,878,151	0	7,117,902	105,585,585
Small company leases, net	0	97,609	0	0	0	97,609
Total Small company	86,332,450	1,354,691	10,878,151	0	7,117,902	105,683,194
Personal Banking						
Mortgage	835,412,169	0	0	0	0	835,412,169
Personal	34,694,821	0	41,206,671	0	419,261,729	495,163,221
Vehicles	0	306,945,768	0	0	0	306,945,768
Personal leases, net of interest	0	1,317,566	0	0	0	1,317,566
Credit cards	0	0	0	0	55,145,509	55,145,509
Total Personal Banking	870,106,990	308,263,334	41,206,671	0	474,407,238	1,693,984,233
Total Personal Banking and Small company	956,439,440	309,618,025	52,084,822	0	481,525,140	1,799,667,427
Allowance for ECL	(45,375,877)	(2,366,408)	(266,775)	0	(28,575,436)	(76,584,496)
Total loans	2,039,007,459	352,493,066	205,193,125	0	1,013,817,017	3,610,510,667
Credit commitments and financial guarantees	0	386,656	3,717,364	0	278,748,142	282,852,162

	December 31, 2022					
	Mortgage	Pledge	Certificates of deposit	Investments in securities	Unsecured	Total
Investments in securities	0	0	0	0	921,392,213	921,392,213
Loans at amortized cost						
Corporate						
Corporate	1,134,889,770	20,938,949	167,131,826		619,952,565	1,942,913,110
Corporate leases, net	0	8,046,667	0	0	0	8,046,667
Total corporate	1,134,889,770	28,985,616	167,131,826	0	619,952,565	1,950,959,777
Personal Banking and Small company						
Small company						
Small company	82,515,383	1,354,794	10,335,275	0	10,349,740	104,555,192
Small company leases, net	0	135,783	0	0	0	135,783
Total Small company	82,515,383	1,490,577	10,335,275	0	10,349,740	104,690,975
Personal Banking						
Mortgage	821,494,485	0	0	0	0	821,494,485
Personal	34,175,820	0	36,147,555	0	418,713,013	489,036,388
Vehicles	0	301,988,663	0	0	0	301,988,663
Personal leases, net of interest	0	1,256,509	0	0	0	1,256,509
Credit cards	0	0	0	0	54,368,840	54,368,840
Total Personal Banking	855,670,305	303,245,172	36,147,555	0	473,081,853	1,668,144,885
Total Personal Banking and Small company	938,185,688	304,735,749	46,482,830	0	483,431,593	1,772,835,860
Allowance for ECL	(44,010,188)	(4,299,666)	(120,595)	0	(22,350,254)	(70,780,703)
Total loans	2,029,065,270	329,421,699	213,494,061	0	1,081,033,904	3,653,014,934
Credit commitments and financial guarantees	0	387,025	4,334,587	0	382,297,967	387,019,579

(4) Risk Management, continued

The table below shows the portfolio and identifiable value of collateral (primarily commercial properties) backing up the loan. For each loan, the corresponding value of its guarantees is capped by the guaranteed nominal amount.

	June 30, 2023		December 31, 2022	
Corporates	**Loans**	**Covered amount**	**Loans**	**Covered amount**
Stage 1 y 2	1,048,281,062	1,020,254,316	885,070,867	858,499,316
Stage 3	238,482,897	227,307,444	232,059,399	225,989,721
Total	1,286,763,959	1,247,561,760	1,117,130,266	1,084,489,037

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

	June 30, 2023	December 31, 2022
Property	2,903,949	9,456,796
Furniture and equipment	759,669	1,124,453
Total	3,663,618	10,581,249

The Bank's policy is to sell these assets to cover the balances due. Using foreclosed assets for its operations is not a Bank policy.

Residential mortgage loans

The following table shows the ratio of loans from the mortgage portfolio to the value of collaterals. LTV is calculated as a percentage of the loan gross amount with respect to the collateral value. The gross amount of the loan does not include any impairment loss. The collateral value for mortgages is based on the original value of the guarantee at disbursement. The corresponding values are updated based on the requirements of local regulators, new disbursements with the same guarantee, restructuring of the credit or judicial processes that imply execution.

	June 30, 2023		December 31, 2022	
LTV Ratio	**Loans**	**Credit and guarantee commitments**	**Loans**	**Credit and guarantee commitments**
Less than 50%	70,165,910	3,776,212	77,072,890	3,550,603
51-70%	161,641,120	809,033	159,484,776	4,728,874
71-80%	118,387,568	2,632,567	115,820,241	6,063,235
81-90%	320,416,334	15,904,033	298,563,371	39,514,557
91-100%	158,444,985	25,238,184	164,241,875	89,845,993
More than 100%	6,356,252	2,167,625	6,311,332	2,063,788
Total	835,412,169	50,527,654	821,494,485	145,767,050

(4) Risk Management, continued

Impaired Loans

LTV Ratio	June 30, 2023	December 31, 2022
Less than 50%	1,006,329	1,273,790
51-70%	3,782,442	3,906,402
71-80%	1,940,009	1,647,219
81-90%	5,403,435	3,943,875
91-100%	5,086,972	4,453,596
More than 100%	936,756	788,159
Total	18,155,943	16,013,041

ECL allowance

Projection of future conditions

The upside, base and downside scenarios are described below, along with the main risks taken into consideration to define them.

External sector:

External risk	Upside	Base	Downside
Increase in interest rate:	Exports and imports grow at a higher rate than last year, further confirming the economic recovery	1. The behavior of imports shows an expected trend.	1. The possibility of further increases in rates to face increases in inflation expectations

The scenarios for each country are detailed below:

Scenario	Scenarios synthesis	Upside	Base	Downside
Panama	1. The GDP growth outlook is high, and its compliance perspective increases, still close to 5% around its historical average or it may reach around 6.5% and approximate external references (IMF indicates 5% - 5.7 % in 2023).	Panama maintains an optimistic perspective in the political and social sphere, with a high-income population and political stability to date. There is an optimistic fiscal perspective, after having a rapid recovery in economic growth and government revenue. Fitch upgraded Panama's outlook to stable from negative for this reason.	Inflation in Panama is expected to be the lowest among the Central American countries in great measure due to the subsidies that the government has given to fuels after their accelerated price increases. We hope that your location will be in the order of 2%. 2022 was 2.9%. It should be noted that the increase in local and international rates continues, with potential impacts on consumer and commercial customers. Despite the increases, the figures continue to show resilience in these first months of the year.	The perspective remains pessimistic with the possibility of further increases in rates to face increases in inflation expectations. The FED has paused for this year 2023, which helps to reduce the stress that has been observed in the markets a bit.

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

Scenario probability weighting	June 30, 2023 Panamá	June 30, 2023 Costa Rica	December 31, 2022 Panamá	December 31, 2022 Costa Rica
Optimistic	40%	40%	20%	20%
Base	55%	55%	75%	75%
Downside	5%	5%	5%	5%

(4) Risk Management, continued

Periodically, the Bank carries out stress tests of more extreme shocks to calibrate its determination of the upside and downside representative scenarios. A comprehensive review is performed at least annually on the design of the scenarios, advised by at least one external economist.

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

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

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

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

		June 30, 2023		December 31, 2022	
		Costa Rica	Panama	Costa Rica	Panama
		%	%	%	%
Monthly Economic Activity Index	Optimistic	4.08%	4.08%	4.25	4.25
	Base	2.87%	2.87%	3.71	3.71
	Downside	5.64%	5.64%	3.34	3.34
Consumer Price Index	Optimistic	0.61%	0.61%	2.43	2.43
	Base	0.58%	0.58%	2.90	2.90
	Downside	1.50%	1.50%	3.18	3.18
Exchange Rate	Optimistic	-	-	-	-
	Base	-	-	-	-
	Downside	-	-	-	-
Local Currency Interest Rate	Optimistic	-	-	-	-
	Base	-	-	-	-
	Downside	-	-	-	-
Dollars Interest Rate	Optimistic	0.13%	0.13%	0.34	0.34
	Base	0.14%	0.14%	0.40	0.40
	Downside	0.37%	0.37%	0.77	0.77

Sensitivity of ECL to future economic conditions

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

(4) Risk Management, continued

The table below shows the loss allowance on loans assuming each forward-looking scenario were weighted at 100% instead of applying scenario probability weights across the three scenarios, See note 3 (c).

June 30, 2023	Upside	Base	Downside
Book Value			
Corporate	1,887,427,736	1,887,427,736	1,887,427,736
Small company	105,683,195	105,683,195	105,683,195
Mortgage	835,412,170	835,412,170	835,412,170
Personal banking	495,163,220	495,163,220	495,163,220
Vehicles	308,263,333	308,263,333	308,263,333
Credit card	55,145,509	55,145,509	55,145,509
	3,687,095,163	**3,687,095,163**	**3,687,095,163**
ECL Allowance			
Corporate	56,293,531	59,427,802	59,623,857
Small company	1,366,415	1,460,504	1,734,159
Mortgage	3,892,503	4,234,157	4,793,280
Personal banking	4,754,275	5,117,413	5,461,043
Vehicles	1,423,479	1,459,028	1,481,853
Credit card	5,522,391	5,872,378	6,218,982
	73,252,594	**77,571,282**	**79,313,174**
Proportion of assets in Stage 2			
Corporate	8.08%	8.13%	8.13%
Small company	16.26%	18.15%	23.67%
Mortgage	4.96%	7.24%	7.24%
Personal banking	2.83%	3.09%	3.47%
Vehicles	6.64%	6.64%	6.71%
Credit card	8.39%	8.65%	8.65%
	6.79%	7.42%	7.63%

December 31, 2022	Upside	Base	Downside
Book Value			
Corporate	1,950,959,777	1,950,959,777	1,950,959,777
Small company	104,690,975	104,690,975	104,690,975
Mortgage	821,494,485	821,494,485	821,494,485
Personal banking	489,036,388	489,036,388	489,036,388
Vehicles	303,245,172	303,245,172	303,245,172
Credit card	54,368,840	54,368,840	54,368,840
	3,723,795,637	3,723,795,637	3,723,795,637
ECL Allowance			
Corporate	48,671,924	48,986,058	51,166,164
Small company	3,308,442	3,374,680	3,447,527
Mortgage	6,383,318	6,487,754	6,668,212
Personal banking	4,633,982	4,700,740	4,782,689
Vehicles	2,278,135	2,327,494	2,367,359
Credit card	4,946,459	4,978,709	4,995,193
	70,222,260	70,855,435	73,427,144
Proportion of assets in Stage 2			
Corporate	8.19%	8.23%	8.23%
Small company	16.57%	16.57%	16.81%
Mortgage	8.22%	8.43%	8.81%
Personal banking	3.55%	3.66%	3.89%
Vehicles	12.28%	12.28%	12.81%
Credit card	17.58%	17.58%	17.58%
	8.29%	8.38%	8.54%

(4) Risk Management, continued

The following table shows a reconciliation of the beginning and end balances of the year as of june 30, 2023, of the impairment in financial assets.

	June 30, 2023				December 31, 2022			
Bank deposits	**12 months ECL**	**Lifetime ECL - unimpaired**	**Lifetime ECL - impaired**	**Total**	**12 months ECL**	**Lifetime ECL - unimpaired**	**Lifetime ECL - impaired**	**Total**
Balance as of January 1	9,328	0	0	9,328	9,480	0	0	9,480
Provision expense – remeasurement	(2,945)	0	0	(2,945)	(4,878)	0	0	(4,878)
Provision expense – origination	3,225	0	0	3,225	4,726	0	0	4,726
Balance at the end of the period	9,608	0	0	9,608	9,328	0	0	9,328

	June 30, 2023				December 31, 2022			
Investments at FVOCI	**12 months ECL**	**Lifetime ECL - unimpaired**	**Lifetime ECL - impaired**	**Total**	**12 months ECL**	**Lifetime ECL - unimpaired**	**Lifetime ECL - impaired**	**Total**
Balance as of January 1	324,848	845,325	0	1,170,173	307,966	934,300	0	1,242,266
Change stage 1 to 2	0	0	0	0	0	0	0	0
Change stage 2 to 1	60,576	(60,576)	0	0	28,940	(28,940)	0	0
Provision expense – remeasurement	(55,303)	(529,764)	0	(585,067)	(190,513)	(60,035)	0	(250,548)
Provision expense – origination	89,986	0	0	89,986	178,455	0	0	178,455
Balance at the end of the period	420,107	254,985	0	675,092	324,848	845,325	0	1,170,173

	June 30, 2023				December 31, 2022			
Investments at AC	**12 months ECL**	**Lifetime ECL - unimpaired**	**Lifetime ECL - impaired**	**Total**	**12 months ECL**	**Lifetime ECL - unimpaired**	**Lifetime ECL - impaired**	**Total**
Balance as of January 1	108,600	2,182,399	0	2,290,999	180,500	2,312,808	0	2,493,308
Change stage 1 to 2	372,693	(372,693)	0	0	0	0	0	0
Provision expense – remeasurement	(960)	0	0	(960)	(92,291)	(245,886)	0	(338,177)
Provision expense – origination	120,477	168,960	0	289,437	20,391	115,477	0	135,868
Balance at the end of the period	600,810	1,978,666	0	2,579,476	108,600	2,182,399	0	2,290,999

The impairment of investments is not recognized within the condensed consolidated statement of financial position, because the book value of the VRCOUI is their fair value.

	June 30, 2023				December 31, 2022			
Loans at AC	**12 months ECL**	**Lifetime ECL - unimpaired**	**Lifetime ECL - impaired**	**Total**	**12 months ECL**	**Lifetime ECL - unimpaired**	**Lifetime ECL - impaired**	**Total**
Balance as of January 1	14,822,269	16,918,171	39,040,263	70,780,703	13,221,150	38,674,951	27,235,967	79,132,068
Transfer from stage 1 to 2	(1,720,631)	1,720,631	0	0	(2,900,762)	2,900,762	0	0
Transfer from stage 1 to 3	(10,325)	0	10,325	0	(503,042)	0	503,042	0
Transfer from stage 2 to 3	0	(3,448,167)	3,448,167	0	0	(12,904,656)	12,904,656	0
Transfer from stage 3 to 2	0	3,285,580	(3,285,580)	0	0	9,295,638	(9,295,638)	0
Transfer from stage 2 to 1	9,019,566	(9,019,566)	0	0	22,769,040	(22,769,040)	0	0
Transfer from stage 3 to 1	2,506,164	0	(2,506,164)	0	2,824,390	0	(2,824,390)	0
Provision expense – remeasurement	3,192,808	2,999,588	7,160,564	13,352,960	(9,411,545)	2,000,102	42,701,193	35,289,750
Provision expense – origination	5,545,571	3,027,247	10,580,578	19,153,396	8,713,838	10,164,313	24,093,512	42,971,663
Provision expense – cancellation	(11,924,803)	(3,760,028)	(6,246,800)	(21,931,631)	(19,890,800)	(10,443,899)	(15,579,443)	(45,914,142)
Write-offs	0	0	(33,511,426)	(33,511,426)	0	0	(86,780,285)	(86,780,285)
Recoveries	0	0	28,738,260	28,738,260	0	0	46,074,325	46,074,325
Foreign currency translation	0	0	2,234	2,234	0	0	7,324	7,324
Balance at the end of the period	21,430,619	11,723,456	43,430,421	76,584,496	14,822,269	16,918,171	39,040,263	70,780,703

	June 30, 2023				December 31, 2022			
Other accounts receivable	**12 months ECL**	**Lifetime ECL - unimpaired**	**Lifetime ECL - impaired**	**Total**	**12 months ECL**	**Lifetime ECL - unimpaired**	**Lifetime ECL - impaired**	**Total**
Balance as of January 1	888,481	0	0	888,481	794,782	0	0	794,782
Provision expense – remeasurement	(43,914)	0	0	(43,914)	(122,920)	0	0	(122,920)
Provision expense – origination	31,960	0	0	31,960	181,732	0	0	181,732
Write-offs	0	0	0	0	(3,671)	0	0	(3,671)
Recoveries	2,700	0	0	2,700	38,520	0	0	38,520
Foreign currency translation	(3)	0	0	(3)	38	0	0	38
Balance at the end of the period	879,224	0	0	879,224	888,481	0	0	888,481

	June 30, 2023				December 31, 2022			
Contingencies	**12 months ECL**	**Lifetime ECL - unimpaired**	**Lifetime ECL - impaired**	**Total**	**12 months ECL**	**Lifetime ECL - unimpaired**	**Lifetime ECL - impaired**	**Total**
Balance as of January 1	226,389	0	114,490	340,879	171,038	1,156	411	172,605
Change stage 1 to 3	(226,389)	0	226,389	0	(171,038)	0	171,038	0
Provision expense – remeasurement	536,430	0	(275,409)	261,020	123,167	0	(146,135)	(22,968)
Provision expense – origination	46,085	0	11,172	57,258	152,754	0	89,176	241,930
Provision expense – cancelation	(79,569)	0	(35,572)	(115,141)	(89,989)	(1,156)	0	(91,145)
Foreign currency conversion	(72,405)	0	0	(72,405)	40,457	0	0	40,457
Balance at the end of the period	430,541	0	41,071	471,611	226,389	0	114,490	340,879

(4) Risk Management, continued

Modified Financial Assets

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

	June 30, 2023	December 31, 2022
Amortized cost before modification	30,598,514	10,029,773
Net los due to modification	2,532,136	271,560
Total	28,066,378	9,758,213

Concentration of credit risk

The Bank follow-up the concentration of credit risk by sector and geographic location. The geographic location of loans and deposits in banks is based on the location of the debtor. As for investments, they are based on the location of the issuer. The analysis of the concentration of credit risks at the reporting date is as follows:

	June 30, 2023					
	Loans at amortized cost	Commitments and guarantees	Deposits in banks	Investments at FVOCI	Investments at FVTPL	Investments at AC
Concentration by sector						
Government	0	0	32,921,858	633,026,784	9,360,513	0
Corporate						
Trade	514,164,934	18,121,615	0	0	0	0
Real estate	104,902,538	0	0	0	18,552,030	2,266,731
Services	135,564,313	2,392,141	0	0	0	3,404,354
General industry	244,357,529	0	0	0	0	0
Construction	564,999,032	616,690	0	9,154,209	0	0
Agriculture	274,481,202	129,986,130	0	0	0	0
Hotels and restaurants	45,208,975	0	0	0	0	0
Financial	63,173,790	80,503,543	191,131,480	62,048,792	2,522,338	0
Transportation	33,199,729	1,176,000	0	0	0	0
Oil and derivates	0	0	0	11,302,230	11,788	0
Telecommunication	13,058,888	0	0	0	0	0
Energy	0	0	0	858,899	0	9,705,993
Real estate	0	0	0	7,035,513	0	51,970,721
Personal Banking	1,693,984,233	50,527,654	0	0	0	0
Allowance for ECL	(76,584,496)	(471,611)	0	0	0	0
Net carrying amount	3,610,510,667	282,852,162	224,053,338	723,426,427	30,446,669	67,347,799
Geographic concentration:						
Panama	3,461,997,499	63,144,807	48,310,860	315,156,535	30,434,881	57,641,807
Costa Rica	13,063,942	0	209,297	17,387,224	0	9,705,992
North America	22,496,396	0	51,629,807	364,545,972	0	0
Europe	321,698	0	56,389,089	0	0	0
South America	128,525,550	0	23,006,930	12,448,667	11,788	0
Asia	0	0	0	0	0	0
Others	60,690,078	220,199,466	44,507,355	13,888,029	0	0
Allowance for ECL	(76,584,496)	(471,611)	0	0	0	0
Net carrying amount	3,610,510,667	282,872,662	224,053,338	723,426,427	30,446,669	67,347,799

(4) Risk Management, continued

	December 31, 2022					
	Loans at amortized cost	Commitments and guarantees	Deposits in banks	Investments at FVOCI	Investments at FVTPL	Investments at AC
Concentration by sector						
Government	0	0	32,477,202	726,987,613	11,974,629	0
Corporate						
Trade	513,623,160	18,277,340	0	0	0	0
Real estate	117,485,718	0	0	0	18,552,030	2,713,819
Services	163,141,559	2,743,592	0	0	0	3,484,340
General industry	250,134,691	0	0	0	0	0
Construction	565,583,899	1,747,392	0	9,829,224	0	0
Agriculture	288,978,521	143,573,560	0	0	0	0
Hotels and restaurants	46,358,096	0	0	0	0	0
Financial	73,194,286	75,251,524	162,231,487	60,162,120	2,267,929	0
Transportation	22,173,626	0	0	0	0	0
Oil and derivates	0	0	0	11,227,421	13,329	0
Telecommunication	14,977,196	0	0	0	0	0
Energy	0	0	0	873,487	0	9,720,593
Real estate	0	0	0	7,673,301	0	55,912,378
Personal Banking	1,668,144,885	145,767,050	0	0	0	0
Allowance for ECL	(70,780,703)	(340,879)	0	0	0	0
Net carrying amount	3,653,014,934	387,019,579	194,708,689	816,753,166	32,807,917	71,831,130
Geographic concentration:						
Panama	3,497,729,515	168,146,565	42,270,897	312,782,759	32,794,588	62,110,537
Costa Rica	13,738,750	0	801,734	16,980,020	0	9,720,593
North America	23,578,342	0	56,091,676	461,112,216	0	0
Europe	288,270	0	40,491,506	0	0	0
South America	118,144,160	0	20,008,885	12,127,167	13,329	0
Asia	0	0	13,868	0	0	0
Others	70,316,600	219,213,893	35,030,123	13,751,004	0	0
Allowance for ECL	(70,780,703)	(340,879)	0	0	0	0
Net carrying amount	3,653,014,934	387,019,579	194,708,689	816,753,166	32,807,917	71,831,130

The Bank has been and will continue to monitor the evolution of liquidity and the quality of the portfolio of financial instruments placed or acquired in that country, with a view to mitigating and managing the impacts of this situation..

(b) Liquidity Risk

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

The liquidity management carried out by the Bank ensures that it can meet its obligations of (i) deposit withdrawals from its clients, (ii) repayment of the service of its institutional funding debts according to the maturities and the programmed payment scheme, and (iii) meet the demand for credit and investment funds as needed. In this regard, the Bank exercises constant control over its short-term assets and liabilities. The Bank's liquidity is carefully managed and adjusted daily based on the estimated flow of liquidity in expected and contingent scenarios.

(4) Risk Management, continued

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

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

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

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

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

	% de Liquidity	
	June 30, 2023	December 31, 2022
At the end of the period/year	34.5%	31.8%
Maximum for the period/year	37.4%	40.8%
Average for the period/year	29.2%	33.5%
Minimum for the period/year	20.3%	25.2%

As of june 30, 2023, the Bank's banking operations comply with the liquidity requirements established by the regulators to which they are subject.

(4) Risk Management, continued

Quantitative information

The following table details the undiscounted cash flows of financial liabilities and financial assets, unrecognized commitments and guarantees and disbursements due to financial derivatives in contractual maturity groups from the remaining period from the report date:

	June 30, 2023						
Amounts in thousands	Carrying Amount	Total nominal gross amount inflows /(outflows)	Up to 1 month	From 1 to 3 months	From 3 months to 1 year	From 1 to 5 years	More than 5 years
Liabilities							
Demand deposits	398,929	(398,929)	(398,929)	0	0	0	0
Savings deposits	448,798	(448,798)	(448,798)	0	0	0	0
Time deposits	2,284,929	(2,324,985)	(128,404)	(233,365)	(1,025,171)	(938,012)	(33)
Securities sold under repurchase agreements	57,393	(58,348)	0	(16,160)	(42,188)	0	0
Financial obligations	923,147	(972,853)	(72,612)	(151,194)	(411,342)	(330,477)	(7,229)
Other financial obligations	367,606	(444,575)	(1,273)	(19,253)	(22,890)	(368,127)	(33,031)
Lease Liabilities	12,220	(14,131)	(212)	(1,058)	(1,269)	(9,963)	(1,629)
Sub-total liabilities	4,493,022	(4,662,620)	(1,050,228)	(421,030)	(1,502,860)	(1,646,579)	(41,922)
Commitments and guarantees	63,217	(63,217)	(2,335)	(5,690)	(14,686)	(40,506)	0
Acceptances	75,998	(75,998)	(1,178)	(22,270)	(52,550)	0	0
Total liabilities	4,632,237	(4,801,835)	(1,053,741)	(448,990)	(1,570,096)	(1,687,085)	(41,922)
Assets							
Cash and cash equivalents	22,436	22,436	22,436	0	0	0	0
Deposits in banks	224,053	224,692	215,697	1,064	2,676	5,255	0
Investments at FVTPL (1)	31,489	35,616	0	34	17,430	1,407	16,745
Investments at FVOCI	723,426	893,351	9,388	11,326	36,841	617,084	218,712
Investments at AC	67,348	96,511	30	485	8,292	43,231	44,473
Loans	3,610,511	4,494,895	311,957	281,584	943,797	1,385,943	1,571,614
Sub-total assets	4,679,263	5,767,500	559,508	294,493	1,009,036	2,052,920	1,851,544
Acceptances outstanding	75,881	75,881	1,178	22,153	52,550	0	0
Total assets	4,755,144	5,843,381	560,686	316,646	1,061,586	2,052,920	1,851,544

(1) Includes investments in common shares.

(4) Risk Management, continued

	December 31, 2022						
Amounts in thousands	**Carrying Amount**	**Total nominal gross amount inflows /(outflows)**	**Up to 1 month**	**From 1 to 3 months**	**From 3 months to 1 year**	**From 1 to 5 years**	**More than 5 years**
Liabilities							
Demand deposits	380,736	(380,736)	(380,736)	0	0	0	0
Savings deposits	441,861	(441,861)	(441,861)	0	0	0	0
Time deposits	2,203,867	(2,237,627)	(210,705)	(209,716)	(227,501)	(1,388,523)	(201,181)
Securities sold under repurchase agreements	114,932	(116,186)	0	(50,610)	(65,576)	0	0
Financial obligations	1,433,980	(1,497,152)	(94,075)	(453,980)	(558,305)	(378,512)	(12,280)
Other financial obligations	69,037	(84,562)	(3,055)	(9,940)	(12,990)	(27,200)	(31,377)
Lease Liabilities	13,883	(15,439)	(215)	(1,059)	(1,265)	(10,007)	(2,893)
Sub-total liabilities	4,658,296	(4,773,562)	(1,130,648)	(725,304)	(865,638)	(1,804,242)	(247,731)
Commitments and guarantees	168,147	(168,147)	(2,405)	(8,230)	(27,916)	(129,596)	0
Acceptances	37,571	(37,571)	0	(734)	(36,837)	0	0
Total liabilities	4,527,720	(4,979,280)	(1,133,053)	(734,268)	(930,391)	(1,933,838)	(247,731)
Assets							
Cash and cash equivalents	25,608	25,608	25,608	0	0	0	0
Deposits in banks	194,709	192,028	186,322	1,019	2612	2075	0
Investments at FVTPL (1)	33,924	40,025	0	44	17,210	1,797	20,974
Investments at FVOCI	816,753	933,369	70,043	564	778,498	31,473	52,791
Investments at AC	71,831	89,065	39	763	30,534	42,180	15,549
Loans	3,653,015	4,473,323	338,694	297,042	872,659	1,455,523	1,509,405
Sub-total assets	4,795,840	5,753,418	620,706	299,432	1,701,513	1,533,048	1,598,719
Acceptances outstanding	37,549	37,549	0	712	36,837	0	0
Total assets	4,833,389	5,790,967	620,706	300,144	1,738,350	1,533,048	1,598,719

(1) Includes investments in common shares.

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

	June 30, 2023	**December 31, 2022**
Cash and cash equivalents	22,435,587	25,607,633
Deposits due from banks maturing in less than 90 days	216,457,226	187,183,771
Deposits due from banks greater than 90 days	7,596,112	7,524,918
Total Cash, cash equivalents and deposits in banks	246,488,925	220,316,322
Uncommitted sovereign debt instruments	408,667,846	387,415,964
Other credit lines available (1)	666,681,112	357,294,508
Total liquidity reserve	1,321,837,883	965,026,794

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

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

(4) Risk Management, continued

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

June 30, 2023	Committed	Uncommitted		
	As Colateral	Available as colateral	Other (2)	Total
Cash and cash equivalents	0	0	22,435,587	22,435,587
Deposits due from banks	103,577,164	7,596,112	112,880,062	224,053,338
Investments in securities at fair value	255,510,659	408,667,846	90,737,411	754,915,916
Investments in securities at amortized cost	42,817,375	0	24,530,424	67,347,799
Loans at amortized cost	3,804,995	0	3,606,705,672	3,610,510,667
Total assets	405,710,193	416,263,958	3,857,289,156	4,679,263,307

(2) It represents assets that are uncommitted for use as collateral.

December 31, 2022	Committed	Uncommitted		
	As Colateral	Available as colateral	Other (2)	Total
Cash and cash equivalents	0	0	25,607,633	25,607,633
Deposits due from banks	129,633,938	7,524,917	57,549,834	194,708,689
Investments in securities at fair value	387,480,899	387,415,964	75,780,596	850,677,459
Investments in securities at amortized cost	51,810,162	0	20,020,968	71,831,130
Loans at amortized cost	4,119,508	0	3,648,895,426	3,653,014,934
Total assets	573,044,507	394,940,881	3,827,854,457	4,795,839,845

(2) It represents assets that are uncommitted for use as collateral.

(a) *Market Risk*

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

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

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

The main objectives of the Bank's corporate governance structure include supervising the performance of the management team in each country, guaranteeing the proper functioning of the internal control system, supervising risk exposures and managing them effectively. For this reason, the administration participates actively in the management of market risk, through the regional and local committees of Assets and Liabilities (ALICO) and Comprehensive Risk Management; thus giving greater support to the strategic decision-making process.

The market risks assumed by the Bank are in accordance with the structure, complexity, nature and size of the operation, always abiding by local regulatory standards, regional guidelines and the guidelines issued by the administration and/or Regional and Local Board of Directors.

(4) Risk Management, continued

The Bank establishes the obligation to adequately document the periodic evaluation of measurement indicators and compliance with regional guidelines and local regulations; as well as ensure that the reports related to market risk that must be sent to the different internal and external instances (including regulators), are adjusted in content, information quality, generation, transmission and validation according to the established requirements. in the respective standards.

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

In the case of exchange risk, this is measured by determining the percentage of equity that is not dollarized (also known as monetary position). The sensitivity analysis for the exchange rate risk is considered mainly in the measurement of the position within a specific currency. The analysis consists of verifying how much the position in the functional currency would represent over the currency to which it would be converting and, therefore, the exchange rate risk mix. The Bank manages this risk for certain operations through the acquisition of hedging derivatives that mitigate exposure to exchange fluctuations (See note 17).

Quantitative information

The Bank maintains operations in the condensed consolidated statement of financial position, agreed in local currency other than U.S. dollars, which are presented below:

June 30, 2023	Euro	Sterling pound	Canadian dollar	Swiss franc	Other currencies	Total
Cash, cash equivalents and deposits in banks	15,955,246	3,171,040	1,610,852	542,553	6,957,106	28,236,797
Investments in securities	21,601	0	0	0	0	21,601
Total assets	0	0	0	0	639,282	639,282
	15,976,847	3,171,040	1,610,852	542,553	7,596,388	28,897,680
Deposits						
Total liabilities	15,927,675	3,162,372	1,592,520	537,573	5,976,179	27,196,319
	15,927,675	3,162,372	1,592,520	537,573	5,976,179	27,196,319
Exchange risk exposure						

December 31, 2022	Euro	Sterling pound	Canadian dollar	Swiss franc	Other currencies	Total
Cash, cash equivalents and deposits in banks	8,485,890	2,857,777	1,439,872	1,141,221	62,842	13,987,602
Investments in securities	21,187	0	0	0	0	21,187
Total assets	8,507,077	2,857,777	1,439,872	1,141,221	62,842	14,008,789
Deposits	8,276,387	6,022,009	1,431,749	1,138,569	29,202	16,897,916
Total liabilities	8,276,387	6,022,009	1,431,749	1,138,569	29,202	16,897,916
Exchange risk exposure	230,690	(3,164,232)	8,123	2,652	33,640	(2,889,127)

(4) Risk Management, continued

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

June 30, 2023	Without exposure	Up to 1 year	From 1 to 5 years	More than 5 years	Total
Cash and cash equivalents	22,435,587	0	0	0	22,435,587
Deposits due from banks	64,873,848	154,179,490	5,000,000	0	224,053,338
Investments in securities	34,141,345	62,996,067	554,913,967	170,212,336	822,263,715
Loans at amortized cost	62,438,026	2,526,440,302	246,708,411	774,923,928	3,610,510,667
Total assets	183,888,806	2,743,615,859	806,622,378	945,136,264	4,679,263,307
Deposits	353,338,581	1,868,317,189	910,968,855	32,000	3,132,656,625
Securities sold under repurchase Agreement	491,951	56,900,639	0	0	57,392,590
Obligations	5,344,170	747,651,170	142,481,749	27,669,635	923,146,724
Other obligations	9,714,862	17,284,924	310,854,916	29,751,507	367,606,209
Total liabilities	368,889,564	2,690,153,922	1,364,305,520	57,453,142	4,480,802,148
Exchange risk exposure	(185,000,758)	53,461,937	(557,683,142)	887,683,122	198,461,159

December 31, 2022	Without exposure	Up to 1 year	From 1 to 5 years	More than 5 years	Total
Cash and cash equivalents	25,607,633	0	0	0	25,607,633
Deposits due from banks	56,900,530	132,808,159	5,000,000	0	194,708,689
Investments in securities	107,599,923	105,797,411	493,483,080	215,628,175	922,508,589
Loans at amortized cost	66,831,690	2,544,571,495	305,287,183	736,324,566	3,653,014,934
Total assets	256,939,776	2,783,177,065	803,770,263	951,952,741	4,795,839,845
Deposits	318,067,155	1,737,684,683	968,402,123	2,310,000	3,026,463,960
Securities sold under repurchase Agreement	916,512	114,015,009	0	0	114,931,521
Obligations	8,480,093	1,218,427,799	177,071,672	30,000,000	1,433,979,564
Other obligations	131,551	23,210,138	17,944,906	27,750,502	69,037,097
Total liabilities	327,595,311	3,093,337,629	1,163,418,701	60,060,502	4,644,412,142
Exchange risk exposure	(70,655,535)	(310,160,564)	(359,648,438)	891,892,239	151,427,702

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

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

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

(4) Risk Management, continued

	Increase of 100 bps (1)	Decrease of 100 bps (1)
Impact on equity to interest rate movements		
June 30, 2023	(111,045,116)	111,045,116
Average for the period	(101,795,709)	101,795,709
Maximum for the period	(107,019,859)	107,019,859
Minimum for the period	(91,846,617)	91,846,617
December 31, 2022	(102,035,466)	102,035,466
Average for the period	(99,016,290)	99,016,290
Maximum for the period	(119,293,496)	119,293,496
Minimum for the period	(93,926,009)	93,926,009
Impact on equity to interest rate movements		
June 30, 2023	7,648,174	(7,648,174)
Average for the period	7,024,635	(7,024,635)
Maximum for the period	8,355,194	(8,355,194)
Minimum for the period	4,697,170	(4,697,170)
December 31, 2022	5,198,353	(5,198,353)
Average for the period	7,543,886	(7,543,886)
Maximum for the period	8,110,897	(8,110,897)
Minimum for the period	7,012,770	(7,012,770)

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

(b) Operating Risk

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

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

Taking the foregoing as a reference, operational risk is defined as the possibility that the events resulting from personnel, information technologies or inadequate or failed internal processes, or produced by external causes, generate negative impacts that go against the objectives. By its nature, it is present in all of the organization’s activities.

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

(4) Risk Management, continued

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

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

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

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

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

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

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

Determination of Control Over Investees:

Control indicators mentioned in Note 3 (a) are subject to management's judgment and may have a significant effect on the Bank's interests or participation in investment companies and separate vehicles.

- *Investment Entities and Separate Legal Vehicles*

  The Bank acts as an asset manager on behalf of third parties through investment companies and separate vehicles. When evaluating if the Bank controls those investment companies and vehicles, factors such as the following have been considered: the reach of its authority to make decisions on behalf of the investee, the rights maintained by third parties, the consideration vested in conformity with the compensation agreements and its exposure to return fluctuations. Accordingly, the Bank has concluded that it acts as investment agent for all cases; therefore, it does not consolidate these investment companies and separate vehicles.

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

Loan Impairment Losses

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

Fair Value of Financial Instruments

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

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

Impairment of Investments at FVOCI

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

Income tax

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

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

(6) Cash, Cash Equivalents and Deposits

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

	June 30, 2023	June 30, 2022
Cash and cash equivalents	22,435,587	22,858,070
Deposits in banks and deposits due in less than 90 days	216,457,226	138,145,960
Cash and cash equivalents in the consolidated statement of cash flow	238,892,813	161,004,030
Deposits in banks greater than 90 days and pledged	7,596,112	7,588,273
Total cash, cash equivalents and deposits in banks	246,488,925	168,592,303

(7) Investments in Securities

As of june 30, 2023, investments in securities amounted to $855,239,413 (December 31, 2022: $922,508,589) are summarized as follows:

(a) Investments at FVTPL

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

	June 30, 2023	December 31, 2022
Government bonds	9,360,513	11,974,629
Corporates bonds	11,788	13,329
Mutual funds	21,074,368	20,819,959
Common stocks	1,042,820	1,116,376
	31,489,489	33,924,293

(b) Investment at FVOCI

The portfolio of investments at FVOCI is detailed as follows:

	June 30, 2023	December 31, 2022
Governments:		
United States of America	356,639,414	453,173,541
Other Governments	276,387,370	273,814,072
	633,026,784	726,987,613
Corporate bonds	90,399,643	89,765,553
	723,426,427	816,753,166

(c) Investment at AC

The portfolio of investments to the AC is detailed as follows:

	June 30, 2023	December 31, 2022
Bonos corporativos	67,347,799	71,831,130
	67,347,799	71,831,130

(8) Loans

The detail of the loan portfolio by product is presented below:

	June 30, 2023			December 31, 2022		
	Gross amount	Allowance for ECL	Net carrying amount	Gross amount	Allowance for ECL	Net carrying amount
Loans						
Corporate						
Corporate	1,880,733,357	(58,093,408)	1,822,639,949	1,942,913,110	(48,883,239)	1,894,029,871
Corporate leases, net (1)	6,694,379	(154,373)	6,540,006	8,046,667	(102,820)	7,943,847
Total corporate loans	1,887,427,736	(58,247,781)	1,829,179,955	1,950,959,777	(48,986,059)	1,901,973,718
Personal Banking and Small company						
Small company						
Small company	105,585,585	(1,405,557)	104,180,028	104,555,192	(3,353,693)	101,201,499
Small company leases, net (1)	97,609	(1,572)	96,037	135,783	(3,937)	131,846
Total Small company loans	105,683,194	(1,407,129)	104,276,065	104,690,975	(3,357,630)	101,333,345
Personal Banking						
Mortgage	835,412,169	(4,793,280)	830,618,889	821,494,485	(6,462,804)	815,031,681
Personals	495,163,221	(4,940,621)	490,222,600	489,036,388	(4,689,776)	484,346,612
Vehicles	306,945,768	(1,420,189)	305,525,579	301,988,663	(2,292,658)	299,696,005
Personal leases, net (1)	1,317,566	(25,576)	1,291,990	1,256,509	(17,814)	1,238,695
Credit Cards	55,145,509	(5,749,920)	49,395,589	54,368,840	(4,973,962)	49,394,878
Total Personal Banking	1,693,984,233	(16,929,586)	1,677,054,647	1,668,144,885	(18,437,014)	1,649,707,871
Total Personal Banking and Small company	1,799,667,427	(18,336,715)	1,781,330,712	1,772,835,860	(21,794,644)	1,751,041,216
Total loans at CA	3,687,095,163	(76,584,496)	3,610,510,667	3,723,795,637	(70,780,703)	3,653,014,934
(1) Total leases, net of interest	8,109,554	(181,521)	7,928,033	9,438,959	(124,571)	9,314,388

The following table presents the net value of finance leases receivable:

	June 30, 2023	December 31, 2022
Minimum lease payments receivable	9,739,523	11,033,420
Less: unearned interest	1,592,226	1,555,496
Minimum lease payments receivable, net	8,147,297	9,477,924
Less: allowance for loss in leases	181,521	124,571
Less: net deferred commissions	37,743	38,965
Net value of investment in finance leases	7,928,033	9,314,388

The following table summarizes the minimum lease payments receivable as of june 30, 2023:

Year ended December 31,:	
2023	691,092
2024	1,104,692
2025	2,057,997
2026 and thereafter	4,293,516
	8,147,297

(9) Deposits from Customers

Deposits from customers are detailed below:

	June 30, 2023	December 31, 2022
Retail customers		
Demand	41,680,212	43,211,422
Savings	248,883,713	258,516,109
Time deposits	807,084,452	712,899,585
Corporate customers		
Demand	357,249,063	337,524,622
Savings	199,914,176	183,344,626
Time deposits	1,477,845,009	1,490,967,596
	3,132,656,625	3,026,463,960

(10) Financial Obligations

Financial obligations are detailed below:

	June 30, 2023		
	Interest rate	Maturity up to	Carrying amount
Payable in US dollars:			
Fixed rate	1.50% to 7.15%	2023 to 2029	316,989,678
Floating rate	2.78% to 8.49%	2023 to 2028	606,157,046
Total financial obligations at amortized cost			923,146,724

	December 31, 2022		
	Interest rate	Maturity up to	Carrying amount
Payable in US dollars:			
Fixed rate	1.50% to 7.15%	2023 to 2029	368,252,923
Floating rate	2.26% to 8.49%	2023 to 2029	1,065,726,641
Total financial obligations at amortized cost			1,433,979,564

The Bank has not defaulted on the payment of principal or interest of its financial obligations.

(11) Other Financial Obligations

The Bank has placed commercial bonds and securities, through the local and international Stock Exchange, which are detailed below:

	June 30, 2023		December 31,2022	
Payable in:	Interest rate	Carrying mount	Interest rate	Carrying mount
US dollars	2.00% to 7.75%	367,606,209	2.00% to 5.00%	69,037,097
Total of other financial obligations		367,606,209		69,037,097

(11) Other Financial Obligations, continued

Serie	Interest rate	Due date	June 30, 2023	December 31, 2022
Corporate Bond 144A/Rule S – February 2023 issue	7.75%	Mar-28	300,000,000	0
Serie R – August 2018 issue	5.00%	Aug-23	5,000,000	5,000,000
Serie T – February 2020 issue	4.13%	Feb-25	7,000,000	7,000,000
Serie V January 2022 issue	2.88%	Jan-23	0	2,000,000
Serie W – April 2022 issue	2.50%	Apr-24	2,000,000	2,000,000
Serie X – May 2022 issue	3.00%	May-26	4,000,000	4,000,000
Serie Y – June 2022 issue	3.00%	Jun-26	2,000,000	2,000,000
Serie Z – August 2022 issue	2.50%	Aug-24	3,000,000	3,000,000
Serie AA – September 2023 issue	4.00%	Sep-24	2,500,000	2,500,000
			325,500,000	27,500,000
Related parties transactions			(2,500,000)	(2,500,000)
Accrued interest payable			9,595,833	41,188
Deferred commissions			(5,148,146)	(55,399)
Total corporate bonds			327,447,687	24,985,789

Subordinated Corporate Bonds Serie	Interest rate	Due date	June 30 2023	December 31 2022
Serie A – October 2023 issue	7.25%	Oct -32	12,000,000	12,000,000
Serie B – November 2022 issue	7.25%	Nov-32	8,000,000	8,000,000
Serie C – December 2022 issue	7.25%	Dec-32	8,000,000	8,000,000
Serie C – February 2023 issue	7.25%	Dec-32	1,000,000	0
Serie C – February, 2023 issue	7.25%	Dec-32	1,000,000	0
			30,000,000	28,000,000
Accrued interest payable			96,667	73,306
Deferred commissions			(248,493)	(249,498)
Total subordinated corporated bonds			29,848,174	27,823,808

Serie	Issue	Due date	Interest Rate	June 30 2023	December 31 2022
Serie CB	February 08, 23	February 8, 24	5.50%	975,000	0
Serie BZ	February 03, 23	Nov. 02, 23	5.25%	2,000,000	0
Serie CA	February 03, 23	February 05, 24	5.50%	500,000	0
Serie BY	January 19, 23	July 19, 23	4.75%	1,000,000	0
Serie BX	January 19, 23	January 01, 24	5.00%	1,000,000	0
Serie BW	January 12, 23	January 12, 24	5.00%	1,000,000	0
Serie BV	Dec. 22, 22	Dec. 22, 23	5.00%	2,830,000	2,830,000
Serie BU	August 11, 22	August 11, 23	3.50%	1,000,000	1,000,000
Serie BT	April 13, 22	April 13, 23	2.00%	0	2,000,000
Serie BS	March 22, 22	March 22, 23	2.00%	0	1,000,000
Serie BR	February 23, 22	February 23, 23	2.00%	0	4,400,000
Serie BQ	February 10, 22	February 10, 23	2.00%	0	2,000,000
Serie BP	February 04, 22	February 03, 23	2.00%	0	2,000,000
Serie BO	January 21, 22	January 20, 23	2.00%	0	1,000,000
				10,305,000	16,230,000
Accrued interest payable				22,362	17,057
Deferred commissions				(17,014)	(19,557)
Total negotiable comercial papers				10,310,348	16,227,500

(11) Other Financial Obligations, continued

The characteristics and guarantees for these issuances are described below:

December 2012 Issuance (placed in 2015, 2017, 2018, 2019, 2020 and 2021)

Public offering of the Corporate Bond Revolving Program for a value of up to $150,000,000 divided into $100,000,000 of Revolving Corporate Class A Bonds and $50,000,000 of Revolving Corporate Class B Bonds, authorized by the Superintendency of the Securities Market of Panama, through SMV Resolution No.436-12 of December 27, 2012 and by the Panamanian Stock Exchange.

Bonds are issued as nominative, revolving, registered, without coupons, and denominated in thousands of Balboas, in different series, with the maturity of Revolving Corporate Class A Bonds being determined by the "Issuer", whereas Corporate Class B Bonds will be issued for a 20-year term; however, after 15 years, they will be renewed automatically for additional 20-year terms each, from the date of maturity of the original 20-year term. Revolving Corporate Class A Bonds were issued during 2013, as Series A, B and C; during 2015; as Series D, E and F; during 2016 as Series G, H, I and J; during 2017 were issued as Series K, L, M, N and O, during 2018 were issued as Q and R, during 2019 were issued as Series S, and during 2020 were issued as Series T and U and for the year 2021 the Serie V, W, X, Y, Z and AA

The annual interest rate of such Bonds may be fixed or variable at the Bank's discretion. For fixed rates, Bonds will earn an interest rate determined by the Issuer. For variable rates, Bonds will earn an annual interest rate equal to 3-month LIBOR plus a spread determined by the Issuer based on market demand.

Corporate Bond Issuance of November 2017

During the month of November 2017, the Bank placed a corporate bond under the structure of 144A Reg (S) in the United States of America with a nominal value of $300,000,000 and due date on November 9, 2022. Interest on the Bonds will be accumulated at a rate of 4.375% per annum and will be paid semiannually on May 2 and November 9 of each year, beginning May 9, 2018.

The Bank may redeem the Bonds at any time before maturity, in full or in part, at a redemption price based on a "full" premium, plus any interest accrued and unpaid on the principal amount of the Notes as of the redemption date. in case of certain changes in applicable taxes related to payments on the Bonds, we may redeem the Bonds in whole, but not in part, at a price equal to 100% of their principal amount, plus accrued and unpaid interest, if applicable, but excluding the salvage date.

(11) Other Financial Obligations, continued

Bond Issue October 2022

Public offering of the Rotating Program of Subordinated Corporate Bonds for a value of up to $100,000,000, authorized by the Superintendence of the Stock Market of Panama through Resolution SMV No.361-2022 of October 21, 2022 and by Latinex.

The Bonds are issued globally (but they can be issued individually at the request of a Registered Holder), registered, revolving, registered and without coupons, in denominations of one thousand balboas and will be issued in as many series as the Issuer deems appropriate, according to the needs and market demand. During the period ended December 31, 2022, series A, B and C have been issued. In February 2023, the issuance of series C was completed.

Bond Issue June 2023

Multibank, Inc. was authorized, according to Resolution No. SMV238-23 of June 16, 2023, of the Superintendency of the Securities Market of Panama, to be offered through public offering, Revolving Corporate Bond Program with a face value of up to $200,000,000.

Bond Issue February 2023

During February 2023, the Bank placed corporate bonds Rule 144A/Regulation S in the United States for a nominal value of $300,000,000 and a maturity date of February 3, 2028. Interest on the Bonds will be accumulated at an annual rate of 7.75% and will be paid semi-annually on February 3 and August 3 of each year, beginning on August 3, 2023.

Negotiable Commercial Securities (VCN's)

Multibank, Inc. was authorized, according to Resolution No.405-17 of July 26, 2017 of the Superintendency of the Securities Market of Panama, to offer through a public offering, Negotiable Commercial Papers (NCPs) for a nominal value of up to $200,000,000 and with a maturity of up to one year from the date of issue of each series. The NCPs will be issued in nominative certificates registered and without coupons, in denominations of one thousand dollars ($1,000) or their multiples. The NCPs of each series will accrue a fixed rate or variable interest rate, which will be determined by the issuer before the Respective Offer Date. For each of the series, interest will be payable monthly on the fifteenth (15th) day of each month until their respective due date. The basis for calculating interest will be on calendar days/365 for each series. The nominal value of each NCPs will be paid by means of a single payment to capital, on their respective due date. NCPs cannot be subject to early redemption.

During the year ended December 31, 2022, the following series were issued: BO, BP BQ, BR, BS, BT, BU, AA and BV.

During the period ended June 30, 2023, the following series were issued: BX, BW, BZ, CA and CB.

The Bank has not had any breaches of principal, interest, or other contractual clauses in relation to its other financial obligations.

(12) Lease Liabilities

Lease liabilities are detailed below:

	June 30, 2023			
	Interest rate	Maturities up to	Carrying amount	Undiscounted cash flows
Payable in US dollars	7.36%	2033	12,219,868	14,129,673
Total lease liabilities			12,219,868	14,129,673

	December 31, 2022			
	Interest rate	Maturities up to	Carrying amount	Undiscounted cash flows
Payable in US dollars	5.79% - 6.36%	2033	13,883,064	15,439,195
Total lease liabilities			13,883,064	15,439,195

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

	June 30, 2023	December 31, 2022
Less than a year	2,538,387	2,539,908
One to two years	2,538,387	2,530,533
Two to three years	2,529,444	2,530,533
Three to four years	2,463,437	2,489,376
Four to five years	2,431,405	2,456,200
More than five years	1,628,613	2,892,645
	14,129,673	15,439,195

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

	June 30, 2023	June 30, 2022
Interest on leases	464,324	509,302
Expense for leases with less than 12 months	367,126	463,785
Expense for leases of low-value assets	261,791	266,190
	1,093,241	1,239,277

(13) Derivative Financial Instruments

Fair value hedges of interest rate risk

As of june 30, 2023, the Bank uses interest rate swap agreements ("interest rate swaps") to mitigate the interest rate risk of financial assets and liabilities. Such agreements are recorded at fair value in the consolidated statement of financial position, in other assets and other liabilities, where appropriate.

Following is a summary of the derivative instrument's contracts by maturity and accounting method:

June 30, 2023	Remaining Maturity Nominal Amount	Fair Value	
Type of instrument	Over 1 year	Assets	Liabilities
Interest rate swap	20,500,000	21,161	116,660

December 31, 2022	Remaining Maturity Nominal Amount	Fair Value	
Trype of instrument	Over 1 year	Assets	Over 1 year
Interest rate swap	20,500,000	22,208	163,468

On a monthly basis, changes in fair value are determined for hypothetical derivatives that simulate the primary hedged position considering only the interest rate risk compared to the changes in the valuation of the actual interest rate swap.

Both values are compared to determine their effectiveness in accordance with the 80-125% effectiveness rule provided for in the accounting standards for hedge accounting.

The Bank has measured the effects of the credit risk of its counterparties and its own credit risk to determine the fair value of its derivative financial instruments. Some of the contracts entered with counterparties include early termination clauses.

The Bank calculates credit risk adjustments incorporating inputs from credit default swaps ("Credit Default Swaps" or CDS).

(13) Derivative Fiancial Instruments, continued

Cash flow hedges of the exchange rate risk

The Bank uses interest rate swap and cross currency swap agreements to reduce the risk of the exchange rate of financial liabilities. These contracts are recorded at fair value in the consolidated statement of financial position, in other assets and other liabilities, as appropriate. On January 12, 2021, the position held by the Bank was closed.

Other derivatives

As of june 30, 2023, the Bank uses exchange rate swap contracts ("FX foward") to reduce the exchange rate risk on exposures of purchase and sale of currency on behalf of the client, for the asset position $83,300 (December 31, 2022: $56,420) and liabilities $79,981 (December 31, 2022: $63,720) a natural hedge is applied in the consolidated income statement.

Derivative financial instruments have been categorized in level 2 of the fair value hierarchy, as follows:

	June 30, 2023	December 31, 2022
Financial assets at fair value	104,461	78,628
Financial liabilities at fair value	(196,641)	(227,188)
Net	(92,180)	(148,560)

The main valuation methods, hypotheses and variables used in estimating the fair value of derivatives are presented below:

Derivatives	Valuation Technique	Inputs used	Level
Over-the-Counter (OTC)	Discounted future cash flows	Yield curves. Foreign currency rates. Credit spread.	2

(14) Equity

	Number of Shares	
	June 30, 2023	December 31, 2022
Common shares		
Authorized shares without par value	50,000,000	50,000,000
Issued and paid-in-shares:		
At beginning of the year	16,862,753	16,862,753
Total issued and outstanding shares, at the end of the period	16,862,753	16,862,753

(14) Equity, continued

As of june 30, 2023, the Bank's subsidiaries have capitalizations of retained earnings of $17,892,633 (December 31, 2022: $17,892,633); therefore, these, capitalized earnings are not available for dividend distributions.

Entity	Acquisition Date	Acquired interest	Excess paid	
			June 30, 2023	December 31, 2022
MB Credito, S. A.	April 2014	25%	(152,873)	(152,873)
			(152,873)	(152,873)

(15) Net Gain (Loss) in Financial Instruments

Gain (loss) in financial instruments, nets included in the consolidated statement of income is summarized below:

	June 30, 2023	June 30, 2022
Net gain on sales of investments at VRCOUI	0	104,960
Unrealized gain (loss) on investments at VRCR	171,909	(1,168,096)
Net gain on sale of investments at VRCR	0	39,444
Net loss in fair value of derivative financial instruments	(87,183)	(63,927)
	84,726	(1,087,619)

(16) Income Tax

The income tax expense is made up of:

	June 30, 2023	June 30, 2022
Current tax	875,556	755,206
Deferred tax	1,020,908	1,058,749
	1,896,464	1,813,955

Income tax expense for the period ended June 30, 2023, was $879,992 (June 30, 2022: $108,259), which differs from the amounts calculated applying the current tax rates on earnings before tax, such as result of the following:

	June 30, 2023	June 30 2022
Calculation of "expected" income tax expense	762,849	3,379,604
Increase (decrease) in income tax as a result of		
Non-deductible expenses	15,404,303	12,325,721
Effect of tax losses on subsidiaries	1,590,354	89,805
Foreign exempted and non-taxable income	(15,861,042)	(13,981,175)
Income tax	1,896,464	1,813,955

The temporary differences between the amounts of the consolidated financial statements and the tax bases of the assets and liabilities that generate the deferred assets and liabilities as of june 30, 2023, are as follows:

	June 30, 2023					
	Net balance at the beginning of the year	Recognized in results of the year	Recognized in comprehensive income	Net balance at the end of the year	Deferred tax assets	Deferred tax liabilities
Cash and cash equivalents	2,332	70	0	2,402	2,402	0
Allowances for loan losses	26,741,804	(1,976,658)	0	24,765,146	24,765,146	0
Reserve for loyalty rewards points	127,092	(66,863)	0	60,229	60,229	0
Reserve for legal risk	511,372	(149,569)	0	361,803	361,803	0
Impairment of modified loans	(47,371)	0	22,063	(25,308)	0	(25,308)
Employee's benefit plan	2,332	70	0	2,402	2,402	0
Investments in local subsidiaries, by undistributed profits	(230,350)	0	0	(230,350)	0	(230,350)
Allowance for other accounts receivables	160,900	(5,400)	0	155,500	155,500	0
Properties revaluations	(375,509)	(1)	517	(374,993)	0	(374,993)
IFRS 16 leases	604,262	19,799	0	624,061	3,118,236	(2,494,175)
Investment properties	(36,617)	0	0	(36,617)	0	(36,617)
Off-balance sheet operations	90,737	56,301	0	147,038	147,038	0
Tax loss carryforward	2,530,699	1,101,413	0	3,632,112	3,632,112	0
Deferred tax asset (liability), net	30,079,351	(1,020,908)	22,580	29,081,023	32,242,466	(3,161,443)
Compensation of tax items					(3,028,019)	3,028,019
Total					29,214,447	(133,424)

(16) Income tax, continued

	December 31, 2022					
	Net balance at the beginning of the year	Recognized in results of the year	Recognized in comprehensive income	Net balance at the end of the year	Deferred tax assets	Deferred tax liabilities
Cash and cash equivalents	2,370	(38)	0	2,332	2,332	0
Allowances for loan losses	25,302,620	1,439,184	0	26,741,804	26,741,804	0
Reserve for loyalty rewards points	99,444	27,648	0	127,092	127,092	0
Reserve for legal Risk	1,500	(1,500)	0	0	0	0
Impairment of modified loans	902,477	(391,105)	0	511,372	511,372	0
Employee's benefit plan	14,886	0	(62,257)	(47,371)	0	(47,371)
Investments in local subsidiaries, by undistributed profits	(236,646)	6,296	0	(230,350)	0	(230,350)
Allowance for other accounts receivables	153,834	7,066	0	160,900	160,900	0
Properties revaluations	(372,408)	0	(3,101)	(375,509)	0	(375,509)
IFRS 16 leases	588,270	15,992	0	604,262	3,550,337	(2,946,075)
Investment properties	(53,023)	16,406	0	(36,617)	0	(36,617)
Off-balance sheet operations	58,783	31,954	0	90,737	90,737	0
Tax loss carryforward	3,374,267	(843,568)	0	2,530,699	2,530,699	0
Deferred tax asset (liability), net	29,836,374	308,335	(65,358)	30,079,351	33,715,273	(3,635,922)
Compensation of tax items					(3,501,566)	3,501,566
Total					30,213,707	(134,356)

The management presents the net deferred tax, which is derived from the taxes corresponding to the same jurisdiction, within the consolidated statement of financial position.

Deferred taxes assets have not been recognized for $965,767 (December 31, 2022: $1,033,382) from accumulated tax losses of $2,205,203 (December 31, 2022: $1,852,547) and by portfolio reserve and other accounts receivable for $1,291,285, because there is not enough evidence that indicates that there will be sufficient future taxable income for the Bank to use the corresponding taxable benefits. These accumulated tax losses expire between 2023 and 2026.

As of june 30, 2023, the Bank has carry-over of net operating losses of $16,215,580 (December 31, 2022: $10,122,985), which are available to offset future taxable income of the subsidiaries as needed. Net operating losses begin to prescribe in 2023, based on annual percentages established by the country's regulation.

As of june 30, 2023, the Bank maintains an effective tax rate of 62.15% (June 30, 2022: 13.42%).

Tax losses accumulated by companies incorporated in Panama could be used for five years at a rate of 20% per year without exceeding 50% of the net taxable income and should not affect the estimated return.

The following are the tax jurisdictions in which the Bank and its affiliates operate, and the furthest fiscal year subject to inspection: Costa Rica: 2019 and Panama: 2018.

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

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

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

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

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

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

The Bank uses the same credit policies in making commitments and conditional obligations as as those used when granting loans that are accounted for in the consolidated statement of financial position. As of june 30, 2023, the outstanding amounts of letters of credit, financial guarantees and letters of promise to pay are as follows:

	June 30, 2023	**December 31, 2022**
Stand-by letters of credit	128,976,007	130,776,007
Commercial letters of credit (1)	2,744,141	1,436,380
Financial guarantees	88,386,402	87,001,506
Loans commitments (promise letters)	63,217,223	168,146,565
	283,323,773	387,360,458

(1) Includes commercial and mortgage promise to pay letters

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

The nature, terms and maximum potential amount of future payments the Bank could be required to make under the standby letters of credit, commercial guarantees and loan commitments as of june 30, 2023, are detailed as follows:

	June 30, 2023	December 31, 2022
Up to 1 year	120,514,747	135,996,007
Over 1 year	160,064,885	249,928,071
	280,579,632	385,924,078

Generally, the Bank has resources to recover from clients the amounts paid under these guarantees; additionally, the Bank can hold cash or other guarantees to cover for these guarantees issued. The assets held as collateral that the Bank can obtain and settle to collect all or part of the amounts paid under these guarantees as of june 30, 2023, amounted to $4,106,866 (December 31, 2022: $4,723,056).

(18) Disclosures on the Fair Value of Financial Instruments

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

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

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

Recurrent Fair Value Measurement

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

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

Securities

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

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

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

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

June 30, 2023	Level 1	Other significant observable Inputs Level 2	Significant unobservable Inputs Level 3	June 30, 2023
Assets				
Investments at FVTPL:				
Other governments	0	9,360,513	0	9,360,513
Corporates bonds	0	11,788	0	11,788
Mutual funds	0	2,497,338	18,577,030	21,074,368
Common stocks	0	449,000	593,820	1,042,820
Total investments at FVTPL	0	12,318,639	19,170,850	31,489,489
Investments at FVOCI:				
Governments:				
United States of America	302,374,303	54,265,111	0	356,639,414
Other governments	0	276,387,370	0	276,387,370
	302,374,303	330,652,481	0	633,026,784
Corporate bonds	363,832	90,035,811	0	90,399,643
Total investmets at FVOCI	302,738,135	420,688,292	0	723,426,427
Total assets	302,738,135	433,006,931	19,170,850	754,915,916

December 31, 2022	Level 1	Other significant observable Inputs Level 2	Significant unobservable Inputs Level 3	December 31, 2021
Assets				
Investments at FVTPL:				
Other governments	0	11,974,629	0	11,974,629
Corporates bonds	0	13,329	0	13,329
Mutual funds	0	2,242,929	18,577,030	20,819,959
Common stocks	0	522,970	593,406	1,116,376
Total investments at FVTPL	0	14,753,857	19,170,436	33,924,293
Investments at FVOCI:				
Governments:				
United States of America	332,208,820	120,964,721	0	453,173,541
Other governments	0	273,814,072	0	273,814,072
	332,208,820	394,778,793	0	726,987,613
Corporate bonds	373,348	89,392,205	0	89,765,553
Total Total investmets at FVOCI	332,582,168	484,170,998	0	816,753,166
Total de assets	332,582,168	498,924,855	19,170,436	850,677,459

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

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

The table below includes the movement of the figures in the consolidated statement of financial position (including changes in fair value) of the financial instruments classified by the Bank within Level 3 of the fair value hierarchy, for the period ended June 30, 2023. When determining whether to classify an instrument in Level 3, the decision is based on the importance of unobservable inputs within the overall fair value measurement.

	Investments	
June 30, 2023	**Common stocks**	**Total**
Assets		
Fair value at January 01, 2023	593,406	593,406
Valuation of investments at FVTPL	414	414
Fair value at June 30, 2023	593,820	593,820

	Investments	
December 31, 2022	**Common stocks**	**Total**
Assets		
Fair value at January 01, 2022	1,593,577	1,593,577
Valuation of investments at FVTPL	(1,000,171)	(1,000,171)
Fair value at December 31, 2022	593,406	593,406

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

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

(18) Disclosures on the Fair Value of Financial Instruments, continued
Fair value of Financial Instruments, additional disclosures
A description of the methods and assumptions used to estimate the fair value of the main financial instruments held by the Bank is provided below:

Financial instruments with carrying amounts that approximate the fair value
Cash and cash equivalents, deposits that bear interest and clients' obligations for acceptances and acceptances outstanding are measured at book value reported in the consolidated statement of financial position, which is considered a reasonable fair value estimate due to the characteristics and maturity of these instruments.

Loans
To determine the fair value of the loan portfolio, the cash flows were discounted at a rate that reflects:

a. Actual market rate, and
b. Future interest rate expectations, for a term that reflects the anticipated payments on the loan portfolio.

Deposits
To determine the fair value of these instruments, the cash flows were discounted at a rate that reflects:

a. Actual market rate, and
b. Future interest rate expectations, for the remaining term of these instruments.

Securities sold under repurchase agreements
There are no market price quotes for these instruments; therefore, their fair value is determined using discounted cash flow techniques. Cash flows are estimated based on the contractual terms, taking into account any incorporated derivative characteristic or other factors. Expected cash flows are discounted using market rates that approach the maturity of the instrument, as well as the nature and amount of the guarantee given or received.

Borrowings
The fair value is estimated based on current interest rates for debt with similar and adjusted maturities to reflect the credit rating of the Bank and its guarantees.

Other financial obligations
Fair value is estimated based on the market price quotes for the same issuance or similar issuances or on the current rates offered by the Bank for debts with the same terms, adjusted for credit quality.

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

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

June 30, 2023		Quantitative information of Level 3 fair values	
	Fair Value	Valuation technique	Unobservable assumptions
Common stocks	593,820	Quoted prices for similar instruments	Similar instruments quotes

December 31, 2022		Quantitative information of Level 3 fair values	
	Fair Value	Valuation technique	Unobservable assumptions
Common stocks	593,406	Quoted prices for similar instruments	Similar instruments quotes

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

June 30, 2023	Level 2	Level 3	Fair Value	Carrying amount
Financial assets				
Cash and cash equivalents	0	22,435,587	22,435,587	22,435,587
Deposits in banks	0	224,053,338	224,053,338	224,053,338
Investments at AC	64,827,354	0	64,827,354	67,347,799
Loans, excluding financial leases	0	3,362,760,990	3,362,760,990	3,602,496,750
Acceptances outstanding	0	75,881,141	75,881,141	75,881,141
Total financial assets	64,827,354	3,685,131,056	3,749,958,410	3,992,214,615
Financial liabilities				
Deposits	847,480,845	2,324,984,802	3,172,465,647	3,132,656,625
Securities sold under repurchase agreements	0	57,392,590	57,392,590	57,392,590
Financial obligations	0	912,404,586	912,404,586	923,146,724
Other financial obligations	0	381,277,572	381,277,572	367,606,209
Acceptances outstanding	0	75,997,677	75,997,677	75,997,677
Total financial liabilities	847,480,845	3,752,057,227	4,599,538,072	4,556,799,825

December 31, 2022	Level 2	Level 3	Fair Value	Carrying amount
Financial assets				
Cash and cash equivalents	0	25,607,633	25,607,633	25,607,633
Deposits in banks	0	194,708,689	194,708,689	194,708,689
Investments at AC	68,030,457	0	68,030,457	71,831,130
Loans, excluding financial leases	0	3,504,672,906	3,504,672,906	3,643,626,960
Acceptances outstanding	0	37,548,939	37,548,939	37,548,939
Total financial assets	68,030,457	3,762,538,166	3,830,568,623	3,973,323,350
Financial liabilities				
Deposits	822,596,779	2,237,626,928	3,060,223,707	3,026,463,960
Securities sold under repurchase agreements	0	114,931,521	114,931,521	114,931,521
Financial obligations	0	1,429,629,513	1,429,629,513	1,433,979,564
Other financial obligations	0	71,740,190	71,740,190	69,037,097
Acceptances outstanding	0	37,571,005	37,571,005	37,571,005
Total financial liabilities	822,596,779	3,891,499,158	4,714,095,937	4,681,983,147

(19) Trust Agreements - Administration and Custody of Securities

As of june 30, 2023, several subsidiaries of the Bank manage and keep custody of securities for a total amount of approximately $450,114,693 (December 31, 2022: $537,771,778).

(19) Trust Agreements - Administration and Custody of Securities, continued

The Bank maintains, within its portfolio of administered trust agreements, a total of $273,634,469 (December 31, 2022: $273,634,469), corresponding to investments of the Board of Directors of the Savings & Capitalization Pension System for the Public Sector Employees (SIACAP). The administration of SIACAP was awarded to the Multibank/Multi Securities, through Service Contract No. 008-2017 published in the Official Gazette No.28379 of October 4, 2017. Some important clauses of this Contract establish the following:

- Operate as an investment manager of the resources of SIACAP members for a period of 5 years.
- Manage and invest the resources of affiliates according to Law No.27 of June 27, 1997 and Executive Decree No.32 of July 6, 1998.
- Deliver monthly investment reports to SIACAP.

As of june 30, 2023, the Administrator maintains a compliance bond in the amount of $3,000,000 (December 31, 2022: $2,750,000) on behalf of the Board of Directors of the SIACAP-Panama General Comptroller.

(20) Related Parties Transactions

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

The following table shows the balances and transactions with related parties as of june 30, 2023:

	June 30, 2023		December 31, 2022	
	Key personnel And directors	Related Parties	Key personnel And directors	Related Parties
Assets:				
Deposits due from banks	0	267,314	0	60,768
ECL deposits due from banks	0	(3,491)	0	(3,629)
Interest bearing deposits	0	3,000,000	0	3,000,000
Loans	3,067,838	5,931	2,457,325	8,341
Loans loss reserve	(23,092)	(667)	(16,694)	(67)
Accumulated interest receivable and other accounts receivable	1,882	51,277,303	2,869	51,935,907
	3,046,628	54,546,390	2,443,500	55,001,320
Liabilities:				
Demand deposits	1,182,751	52,458,638	1,443,929	51,176,090
Time deposits	1,960,000	51,040,000	1,739,184	56,560,000
Accumulated interest payable and other liabilities	15,608	535,297	8,507	596,213
	3,158,359	104,033,935	3,191,620	108,332,303

	31 de marzo de 2023		31 de marzo 2022	
	Directores y Personal clave	Compañías Relacionadas	Directores y Personal clave	Compañías Relacionadas
Interest income and other income	45,801	130,337	34,325	77,588
Interest expense and other operating expenses	30,385	3,274,104	29,197	5,141,272
Key management personnel benefit	3,560,340	0	2,968,909	0

(21) Litigations

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

(22) Regulatory Aspects

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

The Bank's banking operations are subject to various regulatory requirements administered by the various regulators in which it operates or is licensed. Failure to comply with these regulatory requirements may give rise to certain mandatory actions, and possibly other discretionary actions, by regulators that, if assumed, may have a significant effect on the Bank's financial statements. Under the equity sufficiency guidelines and the regulatory framework for prompt corrective actions, the Bank's banking operations must comply with specific capital guidelines that contemplate quantitative measures of assets and certain elements outside the consolidated statements of financial position, in accordance with regulatory accounting practices. The capital amounts of the Bank's banking operations and their classification are subject to qualitative judgments by regulators regarding their components, risk weights and other factors.

As of june 30, 2023, Banking operations meet all capital adequacy minimum requirements to which they are subject, which is of 8.00% and other regulatory requirements.

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

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

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

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

(22) Regulatory Aspeccts, continued

The table below summarizes the classification of the amortized cost loan portfolio and the reserves for loan losses based on Rule No. 4-2013, as of june 30, 2023:

	June 30, 2023		December 31, 2022	
	Loans	Reserves	Loans	Reserves
Normal	2,900,204,028	0	2,956,950,767	0
Special mention	250,712,850	15,842,022	224,082,865	14,195,462
Substandard	329,588,426	41,577,905	384,846,731	50,151,266
Doubtful	54,188,145	12,570,515	45,979,546	11,547,392
Loss	87,079,432	46,241,078	43,560,573	28,085,952
Gross amount	3,621,772,881	116,231,520	3,655,420,482	103,980,072

Rule No. 4-2013 defined past due loans as any credit facility with any unpaid amount for contractual principal, interest or fees, with an aging of more than 30 days up to 90 days, from the payment due date.

Rule No. 4-2013 defined non-performing loans as any credit facility which payments have remained past due for more than 90 days. This period shall be calculated from the date contractually set for payment. Operations with a lump-sum payment at maturity and overdrafts will become non - performing when the aging of defaulted payments exceeds 30 days from the date on which payment was required.

As of june 30, 2023, the classification of the amortized cost loan portfolio by maturity profile based on Rule No. 4-2013.

June 30, 2023

Past due	Non-performing loans	Total
52,886,798	106,593,569	159,480,367

December 31, 2022

Past due	Non-performing loans	Total
32,014,572	100,169,613	132,184,185

Based on Rule No. 8-2014, for regulatory purposes, suspension of accrual of interest income is based on days in arrears in payment of principal and/or interest and the type of credit transaction as follows:

a) For consumer and corporate loans; if payment is in arrears for more than 90 days; and
b) For residential mortgage loans, if payments is in arrears for more than 120 days.

(22) Regulatory Aspects, continued

Modified special mention category loans

As of November 1, 2022, Rule 12-2022 came into effect, which rescinds in all its parts Rule No. 2-2021 of June 11, 2021 and all its modifications and Rule No. 6-2021 of December 22, 2021 and all its modifications and which establishes the parameters and guidelines for the permanent reinstatement of the Modified Special Mention Portfolio to Rule No. 4-2013.

Interest Receivable and Interest Earned on Modified Loans

Rule 5-2022 issued by the SBP on May 17, 2022 indicates that as of January 2022, banking entities will suspend the recognition of interest, for income purposes, in interest receivable and interest earned accounts modified credits that have had a significant increase in risk with respect to their initial recognition and that also present objective evidence of loss incurred (impaired credits), and those loans included in the categories modified special mention, modified doubtful and modified unrecoverable, to which which refers to the General Resolution of the Board of Directors No. SBP-GJD-0003-2021.

In accordance with the Rule mentioned in the preceding paragraph on the modified special mention loan portfolio, the banks will constitute a provision equivalent to the higher of the provision according to IFRS for the modified special mention portfolio and a generic provision equivalent to three percent (3%) of the gross balance of the modified loan portfolio, including accrued uncollected interest and capitalized expenses; modified credits guaranteed with deposits pledged in the same bank may be excluded from this calculation up to the guaranteed amount. Based on the aforementioned, the following scenarios will be considered:

- In cases where the IFRS provision is equal to or greater than the generic provision of 3% established in this article, the bank will record the corresponding IFRS provision in profit or loss for the year.

- In cases in which the IFRS provision is less than the generic provision of 3%, as established in the present article, the Bank will record in profit or loss the IFRS provision and the difference must be recorded in profit or loss or in a regulatory reserve within equity, taking into consideration the following aspects:

  - When the IFRS provision is equal or greater than a 1.5%, the Bank should record such IFRS provision in profit or loss. Likewise, the difference to complete the 3% of the generic provision, established in the present article, must be recorded in a regulatory reserve within equity.

  - When the IFRS provision is less than 1.5%, the Bank must ensure to complete the percentage is completed and record it in profit and loss. Likewise, the difference to complete the 3% of the generic provision, as established in the present article, must be recorded in a regulatory reserve within equity.

As of September 30, 2022, this regulatory requirement was not applied since this classification does not longer exist.

(22) Regulatory Aspects, continued

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

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

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

- After the year of extension, if the Bank has not yet carried out the stated write off, it must create a reserve within the equity account, by appropriating retained earnings to which the loan value, net of provisions, will be charged, according to the percentages set out in the following table:

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

As of june 30, 2023, the Bank established a capital reserve of $13,105,089 (December 31, 2022: $13,177,795), in compliance with Rule No. 11-2019.

As of june 30, 2023, in compliance with provisions indicated in articles 36 and 38 of Rule No. 4-2013, the Bank established a dynamic provision as an equity item that is assigned from retained earnings. The credit balance of this dynamic provision is part of the regulatory capital, but it does not replace or offset the requirements for the minimum capital adequacy percentage established by the Superintendency of Banks of Panama.

(22) Regulatory Aspects, continued

Rule No. 4-2013 establishes a dynamic provision which will not be less than 1.25%, nor greater than 2.50% of the risk-weighted assets corresponding to credit facilities classified as normal, as June 30, 2023. These percentages represent the following amounts:

	June 30, 2023	December 31, 2022
1.25%	28,223,469	28,798,498
2.50%	56,446,938	57,596,997

The following table summarizes the balance constituted for dynamic provision by Multibank Inc. and Subsidiaries for each of the following subsidiaries:

	June 30, 2023	December 31, 2022
Multibank Inc.	56,630,024	56,630,024
MB Créditos, S. A. and Subsidiary	21,368	21,368
	56,651,392	56,651,392

- *Capital Management*

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

  Quantitative measures established by regulation to ensure capital adequacy require the Bank to maintain minimum amounts of Total Capital and Primary Capital (Pillar 1) on risk-weighted assets.

  Management considers that, as of june 30, 2023, the Bank meets all the financial adequacy requirements to which it is subject. The Bank presents its consolidated capital funds on its risk-weighted assets based on Rules No.1-2015, No.3-2016, No.2-2018 and No.11-2018 of the Superintendency of Banks of Panama.

  Rule No.1-2015, which lays down capital adequacy rules for banks and banking groups, into effect on 1 January 2016.

  Rule No.3-2016, which lays down rules for the determination of assets weighted by credit risks and counterparty risk, into effect on 1 July 2016.

  Rule No.2-2018, which lays down the provisions on liquidity risk management and the short-term liquidity hedging ratio, into effect on January 1, 2020.

(22) Regulatory Aspects, continued

Rule No.11-2018, by which new provisions on Operational Risks are issued, into effect on December 31, 2019.

Rule No. 9-2020, which establish additional, exceptional, and temporary measures are issued to comply with the provisions contained in Rule No. 4-2013, became effective on September 21, 2020.

Rule No. 1-2021, by means of which articles 5 and 7 of Rule No. 1-2015 are modified, which establishes the Capital Adequacy standards applicable to banks and Banking groups, came into effect on March 23, 2021.

Rule No. 3-2022, by means of which article 2 of Rule No. 3-2016, which establishes rules for the determination of weighted assets for credit risk and counterparty risk, is modified, came into effect on April 19 of 2022.

Rule No. 8-2022, which modifies article 2 of Rule No. 3-2016 on assets weighted by credit risk and counterparty risk, came into effect on August 2, 2022.

(22) Regulatory Aspects, continued

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

	June 30, 2023	December 31, 2022
Tier 1 Capital		
Common shares	183,645,893	183,645,893
Excess paid in-capital / acquisition of non-controlling interests	(152,873)	(152,873)
Retained earnings	175,821,490	188,035,920
Declared capital reserves	177,769	177,769
Other comprehensive income items		
Gain (loss) on securities at fair value through other comprehensive income and others	(85,494,283)	(93,107,990)
Employee benefits	75,921	142,107
Less: Reserve cash flow hedge deferred tax – tax los carryforward	(3,632,112)	(2,530,700)
Other intangible assets	(7,172,277)	(7,960,894)
Total Tier 1 Capital	263,269,528	268,249,231
Tier 2 Capital		
Subordinated bonds	30,000,000	28,000,000
Total Tier 2 Capital	30,000,000	28,000,000
Dynamic Provision	56,651,392	56,651,392
Total Regulatory Capital Funds	349,920,919	352,900,623
Credit Risk Weighted Assets, Net of Deductions	2,886,245,165	2,685,933,694
Weighted Assets by Market Risk (Rule No. 03-2018)	7,234	11,049
Weighted Assets by Operational Risk (Rule No. 11-2018)	102,079,643	112,833,197
Total risk-weighted assets	2,988,332,042	2,798,777,939
Ratios:		
Capital Adequacy Ratio	11.71%	12.61%
Common Tier 1 Capital Ratio	8.81%	9.58%
Tier 1 Capital Ratio	8.81%	9.58%
Leverage Ratio	5.53%	5.50%

- *Liquidity Ratio*

  The percentage of the liquidity ratio reported by Multibank Inc. (Parent Bank) to the regulatory body, under the parameters of Rule No. 4-2008, as of june 30, 2023 was 54.28% (December 31, 2022: 53.44%).

(22) Regulatory Aspects, continued

- *Foreclosed Assets*

Rule No. 3-2009 issued by the Superintendency of Banks of Panama, through which the provisions on the foreclose of real estate are updated, sets the term of five (5) years for the sale of real estate acquired in payment of unpaid loans.

Foreclosed properties held for sale are recognized at the lower of the carrying amount of the unpaid loans or the estimated realizable value of the properties. The agreement establishes that the reserve for foreclosed properties, assigned from undistributed profits, progressively increases within a range of 10% for the first year of registration up to 90% in the fifth year of being foreclosed, through the establishment of an equity reserve. The progressive table for reserve is presented below:

Years	Minimum percentage reserve
First	10%
Second	20%
Third	35%
Fourth	15%
Fifth	10%

AS of june 30, 2023, the Bank constituted a reserve for foreclosed properties amounting to $5,648,432, (December 31, 2022: $5,099,815), as an equity item that is allocated from undistributed profits.

- *Regulation from the Republic of Costa Rica*

A capital reserve must be created in compliance with article 143 of the Commerce Code of Costa Rica, which requires allocation of 5% of liquid earnings for each business year, for constitution of a capital reserve, until this reserve becomes equivalent to 20% of the paid-in capital of each individual company.

- *Financial Companies Law*

Financial companies in Panama are regulated by the General Directorate of Financial Companies of the Ministry of Trade and Industry pursuant to the regulations established by Law No.42 of July 23, 2001.

- *Finance Lease Laws*

Leasing operations in Panama are regulated by the General Directorate of Financial Companies of the Ministry of Trade and Industry pursuant to the regulations established by Law No.7 of July 10, 1990.

- *Insurance and Reinsurance Laws*

Insurance and reinsurance operations in Panama are regulated by the Superintendency of Insurance and Reinsurance of Panama pursuant to the regulations established by Insurance Law No.12 of April 3, 2012 and Reinsurance Law No.63 of September 19, 1996.

(22) Regulatory Aspects, continued

- *Insurance Reserve*
  Reserves for legal and catastrophic risks and/or contingencies and a provision for statistical deviations must be established in accordance with Article 213 of the Insurance Law of the Republic of Panama, which establishes that insurers in Panama are required to constitute and maintain in the country, a reserve fund equivalent to 20% of its net earnings before income tax, until the fund reaches two million dollars ($2,000,000), and, thereafter, 10%, until reaching 50% of paid – in capital. As of june 30, 2023 it presents a reserve of $6,484,941 (December 31, 2022: $6,324,087).

- *Securities Law*
  Broker-dealer operations in Panama are regulated by the Superintendency of the Securities Market pursuant to the regulations established by Decree-Law No.1 of July 8, 1999, as amended by Law No. 67 of September 1, 2011.

  The operations of brokerage houses are currently in the process of being adapted to the Rule No. 4-2011, as amended in certain provisions by Rule No. 8-2013, issued by the Superintendency of the Securities Market, which provides that brokerage houses must comply with the capital adequacy rules and its models.

- *Trust Law*
  Trust operations are regulated in Panama by the Superintendency of Banks of Panama pursuant to the regulations established by Law No.1 of January 5, 1984, modified and partially rescinded by Law 21 of 2017, which establishes the standards for regulation and supervisory of the fiduciary and the trust business.

(23) Subsequent Events

The Bank has evaluated events subsequent to July 28, 2023 to determine the need for their recognition or disclosure in the accompanying Condensed Consolidated Interim Financial Statements. Based on this evaluation, we determine that there were no subsequent events that require recognition or disclosure in these Consolidated Financial Statements.