FREE ENGLISH LANGUAGE TRANSLATION FROM SPNISH VERSION

Panacorp Casa de Valores, S. A.

Independent Auditors' Report and Financial Statements

For the year ended on December 31, 2018

BDO

Panacorp Casa de Valores, S. A.

CONTENT

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INDEPENDENT AUDITORS' REPORT

To the Shareholders and Board of Directors
Panacorp Casa de Valores, S. A.
Panama, Republic of Panama

Qualified Opinion

We have audited the accompanying financial statements of Panacorp Casa de Valores, S. A. of financial position as at December 31, 2018 and the statements of profit or loss, other comprehensive income, of changes in equity and of cash flows for the year then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the effect of the matter describe in the paragraph "*Basis of Qualified Opinion*", the accompanying financial statements present fairly, in all major aspects, the financial position of Panacorp Casa de Valores, S. A. as of December 31, 2018, and their financial performance and cash flows for the year then ended, in accordance with International Financial Reporting Standards.

Basis of Qualified Opinion

As disclosed in Note 12 of the financial statements, the Stock Martek in 2018 provisioned B/.271,850 for the expected loss of investments measured at amortized cost. However, according to the financial model of expected loss required by IFRS 9 the amount provisioned should have been B/.1,990,435; therefore there is an insufficiency of provision of B/.1,718,585.

We conducted our audit in accordance with International Standards on Auditing. Our responsibilities based on these standards are described in detail in the section Auditor's Responsibility in Relation with the Audit of Consolidated Financial Statements of our report. We are independent of the Group in accordance with the Code of Ethics for Professional Accountants of The International Ethics Standards Board for Accountants (IESBA), together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the Republic of Panama, and we have fulfilled with our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion with Exception.

Management's Responsibility and of the Corporate Governance Officers of the Company on the Financial Statements

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

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To the Shareholders and Board of Directors
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Panama, Republic of Panama

In preparing the financial statements, Management is responsible for evaluating the Company's ability to continue as a going concern, revealing, as the case may be, matters relating to its continuity as a going concern and using the accounting standards of ongoing Business, unless Management intends to liquidate the Company or cease its operations, or has no other realistic alternative to do so.

Those in charge of Corporate Governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibility in the Audit of Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free of material misstatement, whether due to fraud or error, and to issue the auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but it is not a guarantee that an audit conducted in accordance with International Audit Standards will always detect a material error, where it exists. Errors may arise from fraud or error and are considered material if, individually or as a whole, they could reasonably be expected to influence financial decisions made by users based on these financial statements.

As part of an audit in accordance with International Standards on Auditing, we apply our professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and evaluate the risks of material error in the financial statements, whether due to fraud or error, design and perform the audit procedures that responded to those risks; thus, we obtained sufficient and appropriate audit evidence to provide a basis for our audit opinion. The risk of not detecting a material error resulting from fraud is greater than one resulting from an error, since fraud involves collusion, falsification, intentional omission, distortion, or cancellation of internal control.

- Obtain a knowledge of the internal control relevant to the audit, in order to design audit procedures that are appropriate to the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

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To the Shareholders and Board of Directors
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Panama, Republic of Panama

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

- Conclude on the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained until the date of our audit report. However, future events or conditions might cause the Company to cease to continue as a going concern.

- Evaluate the presentation as a whole, the structure and content of the financial statements, including the disclosed information, and whether the financial statements represent the underlying transactions and events in a way that achieves a fair presentation.

We communicated with those charged with Governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

BDO

April 1, 2019.
Panama, Republic of Panama.

Panacorp Casa de Valores, S. A.

Statement of Financial Position
December 31, 2018
(Expressed in Balboas)

	Notes	2018	2017
ASSETS			
Cash and bank deposits	6,12	815,557	581,881
Interest receivable	7	-	3,642,381
Securities purchased under resale agreement	8	-	23,451,510
Securities held to maturity	9	-	3,570,059
Securities available for sale	10	-	24,804,710
Investments in financial instruments:			
Fair value through profit or loss	12	25,854,629	-
Fair value through other comprehensive income	12	1,212,801	-
Values at amortized cost	12	3,709,019	-
Margin loans at amortized cost	12,13	20,435,196	-
Interest receivable for margin loans	12	803,271	
Accounts receivable - others	12	52,236	97,509
Taxes receivable		52,165	-
Deferred taxes		3,925	-
Intangible assets	14	21,851	26,072
Property, equipment and improvements	15	26,947	24,470
Other assets	16	73,464	371,309
Total assets		53,061,061	56,569,901
LIABILITIES AND EQUITY			
Liabilities:			
Financing obligations	12	22,119,688	24,067,055
Interest payable		-	230,661
Securities sold under repurchase agreement	12,11	25,841,376	27,050,914
Accounts payable - shareholders	12,13	126,182	138,439
Accumulations and other obligations		36,922	-
Accounts payable	12	249,098	127,698
Commisions payable		-	384,005
Provision for seniority premium and indemnization	17	64,009	34,141
Total liabilities		48,437,275	52,032,913
Equity:			
Share capital	18	4,000,000	3,000,000
Retained earning		980,461	1,871,088
Change in fair value of financial instruments		(356,675)	(334,100)
Total equity		4,623,786	4,536,988
Total liabilities and equity		53,061,061	56,569,901

The notes in pages 6 to 38 are an integral part of these financial statements.

Panacorp Casa de Valores, S. A.

Statement of Profit or Loss
For the year ended on December 31, 2018
(Expressed in Balboas)

	Notes	2018	2017
Income:			
Commissions		**911,931**	1,182,657
Interest income		**8,861,669**	5,912,940
Advisory service		**717,598**	626,663
Other income		**-**	1,191
Total income		**10,491,198**	7,723,451
Interest expenses		**7,411,104**	4,189,878
Net income, before provision		**3,080,094**	3,533,573
Provision for impairment of investments at amortized cost		**28,054**	-
Net operating income		**3,052,040**	3,533,573
General and administrative expenses:			
Salaries and other remunerations		**1,005,628**	762,209
Professional fees		**452,527**	575,693
Rent		**101,411**	91,573
Bank charges and interests		**63,001**	33,591
Travel and transportation		**28,574**	37,604
Depreciation	14,15	**15,505**	15,955
Water, power and telephone		**18,166**	16,052
Advertising		**7,135**	6,000
Repair and maintenance		**8,569**	7,883
Office supplies		**4,321**	8,517
Other		**122,947**	107,408
Total expenses		**1,827,784**	1,662,485
Profit before income tax		**1,224,256**	1,871,088
Income tax	19	**-**	-
Net profit		**1,224,256**	1,871,088

The notes in pages 6 to 38 are an integral part of these financial statements.

Panacorp Casa de Valores, S. A.

Statement of Other Comprehensive Income
For the year ended on December 31, 2018
(Expressed in Balboas)

	2018	2017
Net profit	1,224,256	1,871,088
Other comprehensive Income:		
Items that are or will be reclassified to profit or loss:		
Net change in valuation of financial assets at fair value	(22,575)	16,925
Total other comprehensive income, net	1,201,681	1,888,013

The notes in pages 6 to 38 are an integral part of these financial statements.

Panacorp Casa de Valores, S. A.

Statement of Changes in Equity
For the year ended on December 31, 2018
(Expressed in Balboas)

	Notes	Share capital	Capital paid in excess	Retained earnings	Change in fair value of financial instruments	Total equity
Balance at December 31, 2016		2,000,000	271,880	2,604,909	(351,025)	4,525,764
Increase in capital	18	1,000,000	(271,880)	(728,120)	-	-
Net profit				1,871,088	-	1,871,088
Dividends distributed		-	-	(1,876,789)	-	(1,876,789)
Other comprehensive income		-	-		16,925	16,925
Balance at December 31, 2017		3,000,000	-	1,871,088	(334,100)	4,536,988
Adjustment for initial adoption of the IFRS 9		-	-	(243,796)	-	(243,796)
Balance at January 1, 2018		3,000,000	-	1,627,292	(334,100)	4,293,192
Increase in capital	18	1,000,000	-	(1,000,000)	-	-
Net profit		-	-	1,224,256	-	1,224,256
Dividends distributed		-	-	(871,087)	-	(871,087)
Other comprehensive income		-	-	-	(22,575)	(22,575)
Balance at December 31, 2018		**4,000,000**	**-**	**980,461**	**(356,675)**	**4,623,786**

The notes in pages 6 to 38 are an integral part of these financial statements.

Panacorp Casa de Valores, S. A.

Statement of Cash Flows
For the year ended on December 31, 2018
(Expressed in Balboas)

	Notes	2018	2017
Cash Flows from Operating Activities			
Net profit		1,224,256	1,871,088
Adjustment for:			
Depreciation and amortization	14,15	15,505	15,955
Provision for seniority premiums and indemnization		29,868	7,629
Provision for impairment of investments at amortized cost		28,054	-
Net changes in operating assets and liabilities:			
Financial instruments at fair value with changes in profit or loss		(1,049,919)	131,483,777
Interest receivable		2,839,110	(2,253,852)
Accounts receivable - other		45,273	(57,049)
Accounts receivable - related companies		-	13,000
Other assets		241,755	(24,734)
Securities sold under repurchase agreements		(1,209,538)	(131,466,853)
Accounts payable and other liabilities		(262,605)	467,756
Accumulations and other obligations		36,922	-
Net cash provided by operating activities		1,938,681	56,717
Cash flows from investing activities			
Financial instruments at fair value with changes in other comprehensive income		(1,235,376)	(2,729,070)
Financial instruments at amortized cost		2,605,504	(1,180,804)
Intangible asset additions	14	(2,984)	-
Fixed asset additions	15	(10,777)	(36,249)
Net cash provided by (used in) investing activities		1,356,367	(3,946,123)
Cash flows from financing activities			
Obligations with banks and financial institutions		(2,178,028)	5,776,000
Accounts payable - related companies		(12,257)	(10,926)
Distributed dividends		(871,087)	(2,876,789)
Profit capitalization		-	1,000,000
Net cash provided by financing activities		(3,061,372)	3,888,285
Net increase (decrease) in cash during the year		233,676	(1,121)
Cash at the beginning of year		581,881	583,002
Cash at the end of year	6	815,557	581,881

The notes in pages 6 to 38 are an integral part of these financial statements.

1. Organization and operations

Panacorp Casa de Valores, S. A. (the Company), is a brokerage established in May 2006 under the laws of the Republic of Panama, with the intention of providing clients the products and capital market business. The Company is controlled by Panam Capital Market Holding, S. A.

Panacorp Casa de Valores, S. A. is a duly authorized as a brokerage regulated by the Superintendence of Securities, obtained its license through resolution CNV No. 75-08, of January 9, 2008. He is also a member of the Panamanian Chamber of Capital Market CAPAMEC. Originally the company was called Madison Securities, S. A., later changed the Company's name in the Public Registry, through the Minutes of the Shareholders Meeting of February 6, 2009 and Public Deed No. 2234 of April 1, 2009, hereinafter Panacorp Casa de Valores, S. A.

Its main activity is the securities brokerage business and all those activities allowed by Decree Law No. 1 of July 8, 1999 (Securities Law) and its amendments to the Securities Act, a single text, published in the Official Gazette from February 23, 2012.

Panacorp Casa de Valores, S. A. is domiciled in PH Oceania Business Plaza, tower 1000, floor 22, office A-01, Punta Pacifica, township of San Francisco, district of Panama, Republic of Panama.

The main employees of the Company are:

Names	Position
Javiela M. Cedeño C.	Senior Executive
Andrea Tribuiani	Compliance Officer
Alcides J. Carrión R.	Legal Representative
Eisenmann Abogados y Consultores	Resident Agent
Luz Jerome	Accountant

The members of the Board of Directors are:

Names	Position
Alcides J. Carrión R.	President
Erwin Thomas	Vice-president and Secretary
Mohamed Ibrahim I.	Treasurer

Authorization for the issuance of financial statements

The issuance of these financial statements was authorized by the Directors of the Company on March 27, 2019.

2. Summary of significant accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set forth below. These policies have been consistently applied since the previous period.

Basis of preparation

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS).

The individual financial statements have been prepared according to the focus of historical cost, but modified by the revaluation of financial assets and liabilities at fair value with changes to the results and changes into other comprehensive income.

Basis of measurement

The financial statements have been prepared based on historical cost basis, except for assets presented at fair value, which are presented as follows:

Up to December 31, 2017

- Financial instruments available for sale.
- Securities purchased under resale agreement.
- Securities sold under repurchase agreement.

From to January 1, 2018

- Financial assets: measured at amortized cost (AC)
- Financial assets: at fair value with changes in other comprehensive income (OCI),
- Financial Assets: at fair value with changes in profit or loss (FVPL).

a. Impact to the adoption of International Financial Reporting Standards (IFRS)

Management has adopted IFRS 9 Financial Instruments with an initial application date of January 1, 2018. The requirements of IFRS 9 represent a significant change with respect to IAS 39 Financial Instruments: Recognition and Measurement.

The nature and effects of the key changes to the accounting policies of the Administrator as a result of the adoption of IFRS 9 are summarized below:

Classification of financial assets and financial liabilities
IFRS 9 includes three categories of main classification to the financial assets: measured at amortized cost (AC), at fair value with changes to other comprehensive income (FVOCI), and at fair value with changes in profit or loss (FVPL). The classification of financial assets under IFRS 9 is based on the business model in which a financial asset is managed and its characteristics of contractual cash flows. The standard eliminates the existing categories of IAS 39 held to maturity, loans and receivables and available for sale.

Investments at fair value with changes in profit or loss as of January 1, 2018

It is a financial asset that is classified as held for trading. It is acquired or incurred mainly with the objective of selling it or buying it again in the near future, in its initial recognition it is part of a portfolio of identified financial instruments, which are jointly managed and for which there is evidence of a recent pattern of obtaining of short-term benefits.

Investments at fair value with changes in other comprehensive income as of January 1, 2018

It is a financial asset that is maintained within a business model whose objective is achieved by obtaining contractual cash flows and selling financial assets and the contractual conditions of the financial asset give rise, on specified dates, to cash flows that are only payments of the principal and interest on the principal amount outstanding.

Investments at amortized cost as of January 1, 2018

The amortized cost is calculated using the effective interest rate method less any impairment estimate. The calculation takes into account any premium or discount on the acquisition and includes transaction costs, and fees that are an integral part of the effective interest rate.

Recognition and valuation as of January 1, 2018

Acquisitions and sales of investments are recognized on the settlement date, which is the date on which the asset is received or delivered.

Investments are recognized at the beginning and subsequently, at fair value with changes in results and transaction costs are recognized directly in profit or loss.

Investments are written off the statement of financial position, when:

- Contractual rights expire over the cash flows or
- Transfers the contractual rights to receive the cash flows or
- Transfers the control.

Fair value is a market-based measurement, not a specific entity measurement. For some assets and liabilities, observable market transactions or market information may be available. For other assets and liabilities, observable market transactions and market information may not be available. However, the objective of a fair value measurement in both cases is the same - estimate the price at which an orderly transaction would take place to sell the asset or transfer the liability between market participants on the date of measurement under market conditions present (that is, an exit price on the measurement date from the perspective of a market participant that holds the asset or owes the liability).

Gains or losses from changes in fair value and income from dividends, from investments at fair value with changes in results, are presented in the income statement under "Results for financial instruments at fair value", in the period in which they originated.

The adoption of IFRS 9 has not had a significant effect on the accounting policies of the Administrator for financial liabilities.

Valuation of financial assets and liabilities as of January 1, 2018

Assets and liabilities are initially valuated at market value, they are the valued at market value with effects on results, financial assets and liabilities classified at market value with effects on results, the rest is valued at amortized cost.

Profit or loss from changes in fair value, of the financial assets and liabilities at fair value with changes to the results are recognized in the statement of profit or loss.

Withdrawal of financial assets and liabilities as of January 1, 2018

Investments are derecognized from the statement of financial position when:

- The contractual rights over the cash flows expire or
- The contractual rights to receive the cash flows are transferred or
- The control is transferred

Financial liabilities are derecognized from the statement of financial position, when, and only when, it has extinguished, that is, when the specified obligation in the corresponding contract has been paid or cancelled, or has expired.

Business Model Evaluation
The evaluation at the portfolio level and the objective of the business model that applies to the instruments of said portfolios includes the following:

- The policies and objectives set forth for the portfolio and the operation of these policies in practice, including whether Management's strategy is focused on charging contractual interest income, maintaining a specific interest yield profile or coordinating the duration of the financial assets with that of the liabilities that those assets are financing or the expected cash outflows or making cash flows by selling the assets.
- How key personnel of the Management of the Company are evaluated and informed about the performance of the portfolio.
- The risks that affect the performance of the business model and the way in which these risks are managed.
- The frequency, value and timing of sales in previous periods, the reasons for those sales and expectations about future sales activity.

Evaluation if contractual cash flows are only principal and interest payments (SPPI)
For the purpose of this evaluation, "principal" is defined as the fair value of the financial asset at the time of initial recognition. “Interest” is defined as the consideration of the value of money over time and the credit risk associated with the amount of the principal in force at a particular period of time and for other basic risks of a loan agreement and other associated costs, just as the profit margin.

In assessing whether contractual cash flows are only payments of principal and interest, the Company focused on the contractual terms of the instrument.

This evaluation considered, among others:

- Contingent events that might change the amount and/or periodicity of the cash flows.
- Leverage conditions, terms of prepayment and extension.
- Terms that limits the Company to obtain cash flows from specific assets.
- Features that modify considerations for the value of money over time.

Impairment of the value of financial assets
IFRS 9 replaces the “incurred loss” model of IAS 39 with an “expected credit loss” (PCE) model. The new impairment model applies to financial assets measured at amortized cost, but not to investments in equity instruments. Under IFRS 9, asset impairment is based on expected credit losses; IAS 39 was based on past situations.

The new impairment model will be applicable to the following financial assets which are not measured at FVPL:

- Cash and cash equivalent,
- Loan margin,
- Investments at amortized cost,
- Other accounts receivable.

Under IFRS 9, ECL is measured following the following basis:

- ECL at 12 months: is the ECL portion which results from loss events over a financial instrument which is possible within a lapse of 12 months after the date of the report.
- ECL during the life of the asset: are the losses resulting from all possible events of impairment during the life of a financial instrument.

Loss reserves are recognized at the amount equal to the ECL during the life of the asset, except in the following cases in which the recognized amount is equivalent to 12-month ECL:

- Investments in debt instruments which are determined, which reflect credit risks under the reporting date; and
- Other financial instruments over which the credit risk has not increased significantly since its initial recognition.

Measurement of Expected Credit Loss (ECL)
The expected credit loss (ECL) is the expected weighted probability of the credit loss and is measured as follows:

- Financial assets that are free from credit impairment at the date of the report.
- Financial assets which are impaired at the date of the report.
- Engagements of outstanding loans: the present value of the difference between the contractual cash flows that are owed to the Company in the event that the engagement is executed and the cash flows that the Company expects to receive. As long as they are irrevocable in nature.

Definition of non-compliance
The Company will consider a financial asset in default based on its risk classification depending on the asset as follows:

- Debt instruments: are the risk ratings granted by an endorsed rating agency.

The inputs used in the evaluation of whether the financial instruments are in default are specific according to the type of portfolio and its importance; which may vary over time to reflect changes in circumstances and trends.

Significant increase in credit risk
When determining whether the credit risk of a financial asset has increased significantly since its initial recognition, the Company considers reasonable and sustainable information that is relevant and available without disproportionate cost or effort, including both quantitative and qualitative information and analysis, based on the historical experience and expert credit evaluation of the Company including information with future projection.

The Company expects to identify if there has been a significant increase in credit risk for exposure by comparing between:

- The probability of default (PD) during the residual life to the date on the report; with
- The probability of default (PD) during the remaining life at this point in time which was estimated at the time of initial recognition of the exposure.

Credit risk rating
The Company will assign each exposure to a credit risk rating based on a variety of data determined to be predictive of IP and applying expert credit judgment. The Company expects to use these ratings to identify significant increases in credit risk under IFRS 9.

Credit risk ratings are defined using qualitative and quantitative factors that are indicative of risk of loss. These factors may vary depending on the nature of the exposure and the type of borrower.

Credit risk ratings are defined and calibrated so that the risk of loss increases exponentially as the credit risk deteriorates.

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

The mechanism to determine the probability of default according to the ECL methodology is detailed below:

Stage 1:	ECL for 12 months is calculated as the expected life portion of ECL as a result of events of default of a financial instrument which are possible within the 12 months after the date of filing. The Company calculates the default on the 12 months after the filing date. These expected default probabilities of 12 months apply to a projection of (EBD), multiplied by the expected LGD expectation and discounted by an approximation to the original EIR (effective interest rate). This calculation is performed for each of the four scenarios, as explained above.
Stage 2	When a term deposit has shown a significant increase in credit risk from its source, Management records a reserve corresponding to the expected life. The mechanisms are similar to those explained above, including the use of multiple scenarios, but PDs and LGDs are calculated in the life of the instrument. Expected cash deficits are discounted by an approximation to the original EIR of the term deposit.
Stage 3	When a term deposit has shown a significant increase in credit risk from its source, Management records an allowance for the expected life. The mechanisms are similar to those explained above, including the use of multiple scenarios, but PDs and LGDs are calculated for the life of the instrument. Expected cash deficits are discounted by an approximation to the original EIR of the term deposit.

Generating the Terms of the Structure of PD
Credit risk classifications are expected to be the main input to determine the term structure of the PD for the different exposures. The Company intends to obtain performance and loss information on credit risk exposures analyzed by several variables, as well as by credit risk rating. For some portfolios, information compared to external credit reference agencies may also be used, as well as information provided by recognized risk rating agencies.

Determine if the credit risk has significantly improved in the credit portfolio
The criterion for determining whether the credit risk has increased significantly varies depending on the portfolio and should include quantitative changes in PD and qualitative factors, including late-based limits.

The Company determines that a credit risk exposure reflects a significant increase based on the evaluation of the risk rating for either the loan portfolio or the issuance in the investment portfolio. Based on the above, transition matrices have been established where it can be observed for each of the risk ratings, at what level of impairment is a financial asset.

On certain occasions, using your expert judgment and, to the extent possible, relevant historical experience, as well as information from relevant sources such as publications from risk rating agencies or credit bureau agencies, the Company may determine that an exposure has increased significantly its credit risk based in particular qualitative indicators that they consider are indicative of this and whose effect will not completely reflect otherwise by a timely quantitative analysis.

Input in the measurement of expected credit loss (ECL)
The key inputs in the ECL measurement are usually the term structures of the following variables:

- Probability of Default (PD)
- Loss Given Default (LGD)
- Exposure Before Default (EBD)

The Company's PD and LGD estimates are determined based on information from entities qualified in the matter such as credit bureau agencies for the credit portfolio and recognized risk rating agencies for the investment portfolio.

The LGD is obtained for the loan portfolio based on the present values issued by the most significant regulatory entities for the Company. For the investment portfolio, it is obtained based on publications issued by recognized risk rating agencies.

The Company will be collecting the history of PD and LGD as the corresponding information is collected.

The (EBD) represents the expected exposure in the event of default. The Company expects to determine the (EBD) of the current exposure to the counterparty and the potential changes to the current amount allowed under the contract, including any amortization.

Transition
Changes in accounting policies that result from the adoption of IFRS Standard 9 have been made by applying the exemption that allows you to not re-express the comparative information from previous periods in regard to changes in classification and measurement (including impairment). Differences in the carrying amounts of financial assets and liabilities that result from the adoption of IFRS 9 will generally be recognized in accumulated returns and reserves as of January 1, 2018. The Company, with the exception of impairment, whose effects are recognized in the results of the year of application of IFRS 9, was not affected by the adoption of IFRS 9, the changes were at the presentation level.

The table below shows the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of financial assets as of January 1, 2018.

Financial assets	Original classification Under IAS 39	New classification under IFRS 9	Original amount in books under NIC 39	New amount in books under IFRS 9
Cash and cash equivalents	Held to maturity	Amortized cost	581,881	581,881
Term deposits	Held to maturity	Amortized cost	-	-
Margin loans and financial instruments of debt and capital	Held to maturity	Amortized cost	28,514,964	28,514,964
Debt and capital instruments	Fair value with changes in ORI	Fair value with changes in results	210,875	210,875
			29,307,720	29,307,720

The accounting policies of the Manager for the classification of financial instruments under IFRS 9 are set forth in the following section. The application of these policies did not result in changes in the assignments to the new categories established in the previous table.

b. *Standards not yet effective and not early adopted*

As of the date of the financial statements, there are new standards, amendments and interpretations to standards, which are not effective for the year ended on December 31, 2018, and which have not been early adopted in preparing these financial statements. Management is evaluating if any of these will have a significant effect on the financial statements, once they are adopted.

The most relevant standards and amendments are listed below:

Standards	*Effective Date*
• IFRS 16 - Leases.	January 1, 2019

Functional and presentation currency

The financial statements are expressed in Balboas (B/.), the currency of the Republic of Panama, which is at pair and free trade with the Dollar (USD) of the United States of America.

Financial assets

Cash and cash equivalents
Cash and cash equivalents are represented by cash, demand deposits at banks and other financial institutions in the country and abroad, and other short-term, highly liquid investments with an original maturity of three (3) months or less. For the purposes of the cash flow statement, the Company considers what is reflected as Cash and cash equivalents.

Until December 31, 2017, the Company classifies its financial assets depending on the purpose for which they were acquired.

Securities available for sale to December 31, 2017
They are values obtained with the intention of keeping them for an indefinite period of time, which might be sold in response to the liquidity needs or changes in the interest rates or prices of equity instruments. Profit or loss from changes in the fair value of securities available for sale are recognized directly in the comprehensive profit or loss until the securities have been disposed or an impairment has been determined.

At this time, accumulated profit or loss previously recorded in the comprehensive profit or loss, are recognized in the statement; except for impairment losses, interest calculated using the effective interest rate method and profits or losses of foreign currency which are recognized directly in the statement of profit or loss.

Yields on securities available for sale are recognized in profit or loss when the right of the entity to receive payment is established.

Securities held until maturity to December 31, 2017
The held-to-maturity securities are non-derivative financial assets, whose collections are of a fixed or determinable amount and fixed maturities that the Company's management has the effective intention and the capacity to maintain them until maturity.

Securities purchased under resale and repurchase agreements to December 31, 2017

Securities purchased under resale agreements ("Repos for sale") are short-term collateralized financing security transactions where the Company takes possession of the securities at a discounted market rate and agrees to resell them later to the debtor at a specified price. The difference between the repurchase price and the price of future sales is recognized as income under the method of effective interest rate.

The market prices of the underlying securities are monitored and if there is a material and not temporary deterioration in the value of a specific title, the Company recognizes gains or losses of the period through an adjustment to the cost amortized value of amortized cost. The market value of these investments is monitored, and, if needed, additional collateral is obtained to protect against credit exposure.

Securities sold subject to repurchase agreements (Repos purchase), are short-term collateralized financing security transactions, where the Company has the obligation to repurchase the securities sold later at a period specified. The difference between the price of sale and the value of future purchase it is recognized as interest expense under the method of effective interest rate.

Impairment of financial assets to December 31, 2017

A financial asset that is not carried at fair value through profit or loss is review on each reporting date to determine if there is objective evidence that its value has deteriorated. A financial asset is impaired if there is objective evidence of impairment as a result of a loss event that occurred after the initial recognition of the asset and that the loss event had a negative impact on the estimated future cash flows of the financial asset that might be reliably estimated.

Objective evidence that financial assets (including equity instruments) are impaired can include default or delinquency by the customer, restructuring of loan or debt owed to the Company, in terms that the Company would otherwise consider, the indications that a debtor or issuer will enter bankruptcy or the disappearance of an active market in the securities. Also, for an investment in an equity instrument, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

The Company considers the impairment evidence of amounts receivable and investments held until their maturity at an individual and group level of an asset. All receivables are assessed for specific impairment. All individually significant receivables and investments held to maturity that were not considered individually impaired are assessed at group level for any impairment that has been incurred but has not yet met the threshold for recognition. The receivables and investments held to maturity that are not individually significant are assessed for impairment at group level by grouping the receivables and investments held until their maturity with similar risk characteristics.

In assessing impairment at group level, the Company uses historical trends of the probability of noncompliance, timing of recoveries and the amount of loss incurred, adjusted for Management's judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than that suggested by historical trends.

Losses are recognized in profit or loss and shown as allowances for doubtful accounts. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through the profit or loss.

Impairment of financial and non-financial assets as of January 1, 2018

The Company evaluates as of the date of the statement of financial position if there is objective evidence that a financial asset or a group of them could be impaired. A financial asset or a group of financial assets is considered impaired if, and only if, there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the financial asset and that the event of loss detected has an impact in the estimated future cash flows for the financial asset or group of financial assets that can be reliably estimated. Evidence of impairment may include indicators that debtors are experiencing significant financial difficulties, late payment of interest or principal payments, and the likelihood that such debtors are in a bankruptcy process or other type of financial reorganization and when the Information indicates that there is an estimated decrease in the Company's cash flows from contractual breaches.

Property, equipment and improvements

They correspond to the goods for use in the production or supply of goods and services, for lease to third parties or for administrative purposes; and that are expected to be used for more than one exercise. This category includes leased property improvements.

These assets are recorded at the acquisition cost less the recovery amount and are depreciated based on the straight-line method at appropriate rates to distribute the cost of these between the years of their estimated useful life.

Maintenance costs are recorded in results, as expenses of the period where they occur.

The estimated useful lives in which assets are depreciated are:

Assets	Estimated useful life years
Improvements	5
Furniture and Office equipment	5
Computer equipment	5

Intangibles

Licenses and software acquired from third parties are shown at their historical cost. They have a finite useful life and are valued at cost less accumulated amortization. Amortization is calculated by the linear method to distribute the cost of licenses during their estimated useful life. The software is amortized in 60 months and the licenses are amortized in 12 and 60 months.

Financial liabilities

To the December 31, 2017, the Company classifies its financial liabilities depending on the purpose for which it was acquired.

Accounts payable and other liabilities
Accounts payable and other short-term liabilities are recognized at cost, which approximates their fair value due to the short duration of the same.

Financings to December 31, 2017
The financings are recognized at cost, which approximates fair value.
They are subsequently measured at amortized cost using the effective interest method.

Financial liabilities at fair value as of January 1, 2018
The Company enters into contracts with third parties through which it acts as a mutual, borrowing securities with the commitment to return at the agreed date the same amount of securities with similar characteristics to those borrowed, as well as any interest payments, dividends or capital repayments made by the issuer of the title during the duration of the contract, and the consideration for the loan operation (mutual contracts or securities loans).

The liability, called financial liability indexed to securities, is recorded at fair value with changes in results, both in the initial measurement and in the subsequent measurement, and is presented in the statement of financial position in the heading Financial liabilities at fair value.

Gains or losses from the valuation at fair value of financial liabilities indexed securities are recorded in income under the heading results from financial instruments at fair value.

Financial liabilities at amortized cost as of January 1, 2018. Financial liabilities at amortized cost are initially recognized at their fair value less the costs of the transaction incurred. Subsequently they are valued for their amortized cost; Any difference between the funds obtained (net of the costs necessary to obtain them) and the repayment value is recognized in the income statement, during the life of the debt, in accordance with the effective interest rate method.

Gains or losses from depreciation are recognized in profit or loss under heading results from financial instruments at amortized cost.

Income Tax

The tax expense for the period includes current and deferred taxes. Taxes are recognized in the statement of profit or loss.

Current income tax
The current tax expense is calculated based on the laws passed or about to be approved as of the date of the statement of annual position.

The current income tax is determined for the current year, using the effective rates in force at the balance sheet date and any other adjustment on the tax payable with respect to previous years according to the provisions established by the Income Tax Law of The Republic of Panama, its regulations and modifications.

The provision for income tax is recorded based on the Company's accounting income, adjusted for non-taxable income, non-deductible expenses and tax credits.

Deferred income tax
The deferred tax is recognized in accordance with the liability method for the temporary differences that arise between the tax basis of the assets and liabilities and their carrying amounts in the individual financial statements. However, deferred taxes are not accounted for if they arise from the initial recognition of an asset or liability in a transaction, other than a business combination, which, at the time of the transaction, does not affect either the accounting result or the fiscal profit or loss.

Deferred tax assets are recognized only to the extent that future tax benefits are likely to be available with which to compensate for temporary differences.

Deferred tax assets and deferred tax liabilities are offset if, and only if, there is a legally recognized right to offset current tax assets with current tax liabilities and when deferred tax assets and deferred tax liabilities they are derived from the income tax corresponding to the same tax authority, which fall on the same entity or tax subject, or different entities or tax subjects, which are intended to liquidate current tax assets and liabilities for their net amount.

Provision

A provision is recognized in the statement of financial position, when the Company acquires a present obligation, legal or implicit, as a result of a past event and is likely to require resources to settle the payment and a reliable estimate can be made of the amount due. The amount of provisions is adjusted to the date of the statement of financial position, directly affecting the results of the year.

Leases

Leases must be classified into operating leases or financial leases.

Leases will be classified as financial leases when the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases. The company only maintains operating leases.

Employee benefits - Seniority Premium and Severance Indemnity

In accordance with the Labor Code of Panamá, the Company must pay a Seniority Premium, equivalent to one week of salary for each year worked (1.92% of annual salary), to all workers with an indefinite contract at the termination of the working relation. It also has to pay an indemnity in case of unjustified dismissal or a justified resignation. The indemnity is based on 3.4 weeks per year for the first ten years worked, and one additional week for each year after ten years.

The Company establishes an allowance according to the indications of the Labor Code to cover these employment benefits.

Employee vacations
The Company grants vacations to employees in accordance with the provisions of the country's labor laws. As of December 31, 2018 and December 31, 2017, there were only benefits under the Law.

Revenue recognition

The coupon income of the securities classified as TVD Portfolio "PIC" is recognized daily in the Statement profit or loss as financial instruments: at fair value.

Commission fees are recognized in income as set out in the contract signed with the client, when transferred to him or in the measure that it transfers the service to the client.

The effects of daily valuation of purchase contracts or spot sales (those whose term does not exceed more than 7 working days from the date of agreement and the value date), are recorded in profits in the income statement from financial instruments: at fair value, when the effect is increase.

Financing costs

Bank and margin loans would initially be recognized at fair value less the transaction costs incurred. Subsequently, they are valued for their amortized cost and any difference between the funds obtained (net of the costs necessary to obtain them) and the repayment value would be recognized in the income statement during the life of the debt, in accordance with the method of effective interest rate.

Recognition of expenses

Operating expenses are recognized when the service or goods are received. Other administrative expenses, such as amortization expenses, are recorded monthly based on the amortization period of the respective asset.

Comparative information

Some figures and disclosures of the 2017 financial statements have been reclassified to adapt its presentation with the year 2018.

3. Financial risk management

Given the nature of the business, financial instruments are registered at their market values.

A summary of the risks associated to these financial instruments and the Company's policies for managing these risks is detailed as follows:

Credit Risk

Risks from failure of a borrower or counterparty with its contractual obligations to the institution, when the client or counterparty does not have financial resources to meet their contractual obligations.

The mitigation of credit risk is carried out through the establishment of credit policies and the establishment of Credit Limits in each category in accordance with the Credit Risk profile defined by the Members of the Board of Directors, and to the patrimonial condition of the subject object of the credit limit.

The Company kept in its investments portfolio, titles under the following credit risk rating:

Risk rating	**2018**	2017
Treasury	Aaa	AA+
Banco Do Brasil Cayman	-	BB-
Avianca Holdings SA	B-	BB-
Cosan Overseas LTD	-	BB+
BBVA Bancomer Texas8	-	BBB-
Banco de Bogotá	-	BBB-
Empresa de energía de Bogotá	-	BBB-
General Motors Finl	BBB	BBB-
Petróleos Mexicanos	-	BBB+
AT&T INC	-	BBB+
Petróleos de Venezuela, S. A. expires in February 2022 and May 2035	C	C
Petróleos de Venezuela, S. A. expires in October 2020	C	CC
Petróleos de Venezuela, S. A. expires in November 2026 and 2021	C	D
República Bolivariana de Venezuela	D	D

Market risk

Risk incurred when market conditions change, affecting the liquidity of the Institution, or the value of the financial instruments held in the Investment Portfolios or in Contingent Positions, resulting in a loss for Panacorp Casa de Valores, S. A.

Liquidity Market Risk
It arises from the administration of working capital. It consists of the possibility of not being able to fulfill the obligations at maturity, due to lack of sufficiency of monetary resources and securities. Panacorp Casa de Valores, S. A., manages liquidity risk by maintaining adequate levels of cash and cash equivalents and financial instruments, which allows it to cover its immediate commitments.

The following are the contractual maturities of financial liabilities:

	Maturities					
2018	**Up to 1 month**	**Between 1 and 3 months**	**Between 3 months And 1 year**	**Between 1 and 5 years**	**More than 5 years**	**Total**
Financial liabilities Indexed to securities	2,191	-	4,076,970	7,991,477	13,770,738	25,841,376
Obligations to overseas financial institutions	16,119,688	-	6,000,000	-	-	22,119,688
	16,121,879	-	10,076,970	7,991,477	13,770,738	47,961,064
2017						
Financial liabilities Indexed to securities	2,686,768	-	-	8,935,727	15,428,419	27,050,914
Obligations to overseas financial institutions	18,067,055	-	6,000,000	-	-	24,067,055
	20,753,823	-	6,000,000	8,935,727	15,428,419	51,117,969

Currency risk
Panacorp Casa de Valores, S. A. is not exposed to the effects of exchange rate fluctuations, since it does not have currencies other than Balboa or US Dollar.

Price risk
It is associated with adverse variations in the market price of any asset, liability or contract that Panacorp Casa de Valores, S. A., maintains in its balance sheet, product of variations in its price.

4. Fair value of financial instruments

The fair value of financial instruments is the amount by which an asset can be exchanged between a buyer and a seller duly informed or an obligation between a debtor and a creditor who has sufficient information and who carries out a free transaction.

Management considers that the carrying amount of the financial assets and liabilities in the statement of financial position approximates their fair value due to their short-term nature.

The fair value estimates are made at a specific date, based on market estimates and information on financial instruments. These estimates do not reflect any premium or discount that may result from the offer for the sale of a particular financial instrument at a given date. These estimates are subjective in nature, involve uncertainty and much judgment, therefore, cannot be accurately determined. Any change in assumptions or criteria can significantly affect estimates.

5. Financial instruments measured at fair value

Fair Value Hierarchy
IFRS 13 specifies the hierarchy of valuation techniques based on the transparency of the variables used in the determination of fair value. All financial instruments at fair value are categorized into one of the three levels of the hierarchy.

- Level 1 - Prices quoted in active markets for identical assets or liabilities.
- Level 2 - Valuation techniques for which all market variables are observable, directly or indirectly.
- Level 3 - Valuation techniques that include significant variables that are not based on observable market variables.

When determining the fair value measurements for the assets and liabilities that are required or allowed to be recorded at fair value, the company considers the principal market or the best market in which the transaction could be made and considers the assumptions that a Market would use to value the asset or liability. Whenever possible, the company uses active markets and observable market prices for identical assets and liabilities.

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

Available-for-sale investments are recorded at fair value, based on quoted market prices when available, or if they are not available, based on future discounted cash flows using the market rate commensurate with the quality of the credit and maturity of the investment.

When reference prices are available in an active market, the available-for-sale securities are classified within the fair value hierarchy level 1. If market value prices are not available or available in non-active markets, the fair value is estimated on the basis of the prices of other similar instruments or if these prices are not available, internal techniques are used of valuation mainly models of discounted cash flows. These types of securities are classified within level 2 of the fair value hierarchy. The main valuation methods, assumptions and variables used in the estimation of the fair value of financial instruments classified in level 1 are as follows:

The main valuation methods, assumptions and variables used in estimating the fair value of financial instruments are presented below:

2018	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets				
Fair value through profit or loss	25,854,629	-	-	25,854,629
Fair value through other comprehensive income	1,212,801	-	-	1,212,801
	27,067,430	-	-	27,067,430
Financial liabilities				
Securities sold under repurchase agreement	25,841,376	-	-	25,841,376
2017				
Financial assets				
Securities available for sale	24,804,710	-	-	24,804,710
Financial liabilities				
Securities sold under repurchase agreement	27,050,914	-	-	27,050,914

Input data used to obtain the fair value of the investments are based on accessible prices in Bloomberg in securities markets.

6. Cash and bank deposits

The cash and bank deposits are detailed as follows:

	2018	2017
Cash in hand	200	200
Cash at banks		
Deposit at sight - local	58,898	103,048
Deposit at sight - foreign	506,459	478,633
Investment in certificates of term deposits	250,000	-
Cash in hand	815,557	581,881

7. Interest receivable to December 31, 2017

Interest receivable for the amount of B/.3,642,381 results from the financing or margin loans indexed to securities which generate a return between the margins 4.25% to 12.25% annually and interests for other investments

8. Securities purchased under resale agreements to December 31, 2017

The securities purchased under resale agreement or margin loan are detailed below:

	2018	2017
Natural persons	-	4,040,794
Legal person	-	19,410,716
	-	23,451,510

The fair value of securities received as collateral from margin transactions, differentiated by type of security is presented below:

	2018	2017
Bonds of the Republic of Venezuela	-	8,703,312
Venezuela Oil Bonds	-	2,661,838
Treasury OECD	-	9,523,282
Corporate Bonds Foreign	-	2,843,186
Corporate Bonds Foreign Banks	-	632,527
Shares	-	210,516
	-	24,574,661

Financial assets are indexed securities margin loans which have an annual rate of 4.25% to 12.25%. These financial assets indexed securities, are guaranteeing funding obligations Note 13.

9. Securities held to maturity to December 31, 2017

Securities held to maturity are constituted by investments in bonds of the Republic of Venezuela:

2017	Amortized Cost	Market value
PDVSA26, maturity at 15 November 2026	2,058,020	685,170
VZLA 11.95, maturity at 5 August 2031	364,234	135,363
VZLA 7.75, maturity at 13 October 2019	838,527	297,997
VZLA 9.25 maturity at 15 September 2027	309,278	133,710
	3,570,059	1,252,240

10. Securities available for sale to December 31, 2017

Securities available for sale consist of equity investments and bonds in investment portfolios, which are detailed below:

	2018	2017
Shares of international companies	-	440,565
Corporate bonds	-	12,998,994
Bonds of the Republic of Venezuela	-	11,365,151
	-	24,804,710

The movement of securities available for sale is summarized below:

	2018	2017
Balance at the beginning of the year	-	23,494,734
Purchases	-	131,466,852
Acquisition of indexed securities	-	1,309,976
Sales	-	(131,483,777)
Changes in fair value	-	16,925
Balance at the end of year	-	24,804,710

11. Securities sold under repurchase agreements to December 31, 2017

The securities sold under repurchase agreements are detailed below:

	2018	2017
Shares of international companies	-	210,515
Corporate bonds	-	13,050,981
Bonds of the Republic of Venezuela	-	13,789,418
	-	27,050,914

The movement of the securities sold under the repurchase agreement is summarized below:

	2018	2017
Balance at the beginning of the year	-	23,252,902
Acquisition of indexed securities	-	82,700,780
Cancellation of indexed securities	-	(76,444,273)
Changes in fair value	-	(2,458,495)
Balance at the end of the year	-	27,050,914

12. Financial instruments as of January 1, 2018

The financials assets:

The assets financial are detailed below:

	Fair value through profit or loss	**Fair value through other comprehensive income**	**Amortized cost**	**Total**
Cash and cash equivalents	-	-	815,557	815,557
Fair value through profit or loss	25,854,629	-	-	25,854,629
Fair value through other comprehensive income	-	1,212,801	-	1,212,801
Margin and interest loans	-	-	21,238,467	21,238,467
Values at amortized cost	-	-	3,709,019	3,709,019
Other account receivables	-	-	52,236	52,236
	25,854,629	1,212,801	25,815,279	52,882,709

Fair value through profit or loss

The fair values through profit or loss are summarized as follows:

	Portfolio available	In term operation	In loans	In guarantees in other operations	Total
Equity Instrument					
Shares					
Nationals	-	6,839	-	-	6,839
Foreign	-	-	-	667,256	667,256
	-	6,839	-	667,256	674,095
Fixed income instrument					
Bonds					
Nationals	-	-	-	671,897	671,897
Foreign	-	-	-	24,508,638	24,508,637
				25,180,535	25,180,534
	-	6,839	-	25,847,791	25,854,629

During the period ended December 31, 2018, the Company recorded an unrealized Net Loss of B/.22,575 and for the period ended December 31, 2017 recorded an unrealized net gain of B/.16,925, as a product of the fair market value valuation of the Portfolio of Debt Securities for Commercialization - Portfolio TVD "T", which were recorded in the results after financial instruments at fair value, of the statement of profit or loss.

Margin loans at amortized cost

The margin loans at amortized cost are detailed below:

	2018	2017
Legal person	17,084,653	-
Related parties	2,906,185	-
Natural person	444,358	-
Sub-total	20,435,196	-
Interest receivable for margin loans	803,271	-
	21,238,467	-

The securities subject to margin loans were transferred to the securities house in mutual.

Securities at amortized cost

The securities at amortized cost are detailed below:

	2018	2017
PDVSA26, maturity at November 15, 2026	2,163,662	-
VZLA 11.95, maturity at August 5, 2031	1,092,966	-
VZLA 7.75, maturity at October 13, 2019	385,145	-
VZLA 9.25 maturity at September 15, 2027	339,096	-
Provision for expected credit loss	(271,850)	-
	3,709,019	-

The financial liabilities:

The financial liabilities are detailed below:

	Fair value through profit or loss	**Amortized cost**	**Total**
Financing obligations	-	22,119,688	22,119,688
Securities sold under repurchase agreements	25,841,376	-	25,841,376
Accounts payable - shareholders	-	126,182	126,182
Accounts payable	-	249,098	249,098
	25,841,376	22,494,968	48,336,334

Financing obligations:

The financing obligations are detailed below:

	2018	2017
Dinosaur Merchant Bank, Ltd. Loan authorized to purchase securities at an interest rate of 3.25%, 3.35%, 3.75% and 4.40% with active portfolio guarantee and maturing on January 31, 2019.	6,734,498	4,934,498
Amicorp Bank and Trust Limited Loan authorized to purchase securities at an interest rate of 1% with active portfolio guarantee; maturing in June 22, 2019.	6,000,000	6,000,000
And Capital Bank International Corp. Loan authorized to purchase securities at an interest rate of 3.15% with active portfolio guarantee; maturing in January 31, 2019.	4,500,000	5,000,000
Interactive Brokers Loan authorized to purchase securities at an interest rate of 1.935% with active portfolio guarantee; maturing in January 31, 2019.	2,531,250	2,952,557
Bank J. Safra Sarasin Ltd Loan authorized to purchase securities at an interest rate of 4.0224% with active portfolio guarantee and maturing on January 31, 2019.	2,347,000	5,180,000
	22,112,748	24,067,055
Performance for other financing	6,940	-
	22,119,688	24,067,055

13. Balance and transactions with related parties

The company is controlled by Panam Capital Market Holding, S. A. that owns 100% of the shares.

The most important balances and transactions with related parties included in the statement of financial position summarized as follows:

	2018	2017
Assets		
Loans in margin	2,906,185	-
Liabilities		
Accounts payable - shareholders	126,182	138,439

The accounts payable - shareholder does not include a defined payment plan, nor do they accrue interest on their balances and do not have an expiration date.

14. Intangible assets

The intangible assets are detailed as follows:

2018	**Balance at beginning of year**	**Additions**	**Disposition**	**Balance at end of year**
Cost:				
Brands and license	-	2,985	-	2,985
Software	57,183	-	-	57,183
	57,183	2,985	-	60,168
Depreciation and amortization accumulated:				
Brands and license	-	1,642	-	1,642
Software	31,111	5,564	-	36,675
Others	-	-	-	-
	31,111	7,206	-	38,317
Net cost	26,072	(4,221)	-	21,851
2017				
Cost	28,923	28,260	-	57,183
Depreciation and amortization accumulated	24,093	7,018	-	31,111
Net cost	4,830	21,242	-	26,072

The software is amortized in 60 months and the licenses are amortized in 12 and 60 months.

15. Property, equipment and improvements

Property, equipment and improvements are detailed as follows:

2018	**Balance at beginning of year**	**Additions**	**Disposition**	**Balance at end of year**
Cost:				
Furniture and equipment	7,753	-	-	7,753
Property Improvements	10,616	9,260	-	19,876
Computer equipment	59,282	1,516	-	60,798
	77,651	10,776	-	88,427
Depreciation and amortization accumulated:				
Furniture and equipment	3,464	1,550	-	5,014
Property Improvements	4,593	2,277	-	6,870
Computer equipment	45,124	4,472	-	49,596
	53,181	8,299	-	61,480
Net cost	24,470	2,477	-	26,947

	Balance at beginning of year	Additions	Disposition	Balance at end of year
2017				
Cost	69,662	7,989	-	77,651
Depreciation and amortization accumulated:	42,244	8,937	-	53,181
Net cost	25,418	(948)	-	24,470

The company has an operating lease agreement where its office currently operates, which is located in the building P. H. Oceania Business Plaza, Tower 1000, Floor 22, Office A-01, Punta Pacifica, Panama City, Republic of Panama.

Some of the main features and conditions of this lease are summarized as follows:

- The term of the contract is valid for one year, renewable
- No guarantee deposit was given in advance
- The rent is paid monthly and amounts to B/.6,352

Below, detail of operating leases:

	2018	2017
Up to one year	76,230	76,230

16. Other assets

The other assets are detailed as follows:

	2018	2017
Deposits given in guarantees	53,057	3,176
Prepaid expenses	19,331	60,040
Salary advance	1,076	-
Restricted deposits	-	308,093
	73,464	371,309

17. Provision for seniority premium and compensation

The detail of the provisions is as follows:

	2018	2017
Deposits given in guarantees	14,544	7,758
Restricted deposits	49,465	26,383
	64,009	34,141

18. Share capital

The structure of the share capital of the Company is detailed below:

	2018	2017
The authorized Share Capital of the shareholders amounts to a sum of B/.4.000.000 (2017: B/.3.000.000) constituted by 4.000.000 nominative common shares with a nominal value of B/.1.00 each. All the shares are issued and outstanding.	4,000,000	3,000,000

By means of Minutes of the Board of Directors held on April 4, 2018, the shareholders approved to increase the capital stock from B/.3,000,000 to B/.4,000,000 through the issuance of B/.1,000,000 of shares divided into three million registered shares with a value of B/.1.00 each, with a charge to the account of undistributed profits for an amount of B/.1,000,000.

19. Income tax

For the year 2018 and 2017, the Company generated tax losses, so there was no provision for income tax.

The income tax rate for the closing of December 2018 and for the closing of December 2017 was 25%. There are differences between the result before income tax, as shown in the income statements and net taxable income determined in accordance with the Fiscal Code of the Republic of Panama. These differences are recognized as permanent and temporary differences as the case may be.

Deferred tax
The Company keeps investments whose returns are exempt from tax, this causes tax losses to be generated and since it is not estimated that this will change in the foreseeable future, no deferred tax is recorded, which is mainly generated by transferable tax losses.

A record of B/.3,925 of deferred income tax for periods prior to those disclosed in this report is kept.

20. Regulatory framework (Financial index)

Agreement 4-2011 of June 27, 2011, dictates rules on capital adequacy, capital adequacy ratio, capital funds, liquidity ratio and concentrations of credit risk that must address the brokerage houses regulated by the Superintendence of Securities Market from Panama. Agreement No.9-2011 extends the effective date of the Agreement 4-2011, as of July 2012, except for Article 4, on the Minimum Total Capital Required of Chapter One on general provisions, which shall be two hundred fifty thousand dollars (B/.250,000) from January 27, 2012 and Article 13 on Current Ratio of Chapter Six of the securities firms effective as of January 1, 2012, and Agreement 8- 2013 of September 30, 2013, extends the effective date of Agreement 4-2011, as of October 1 2013. According to Article 4 of Agreement No.8-2013, the minimum capital requirement will be (B/.350,000) with an adaptation period of 6 months from the publication of the agreement.

The Compliance Unit of the company is responsible for monitoring compliance with minimum capital requirements. Company policies on capital management are to maintain a capital, which can support future business growth. The company recognizes the need to maintain a balance between shareholder returns and capital adequacy required by the regulator.

As of December 31, 2018, the Company had assets eligible for compliance with the liquidity ratio in the amount of B/.12,470,576 (2017: B/.12,470,576), which exceed current liabilities of B/.27,285,673 (2017: B/.27,285,673).

The Company maintains a Capital Fund which is detailed below:

	2018	2017
Capital required by the regulator	350,000	350,000
Capital fund:		
Amount of capital fund	4,000,000	3,000,000
Net property, plant and equipment	(26,947)	(24,470)
Intangible asset	(21,851)	(26,072)
Unrealized loss	(356,575)	(334,100)
Accumulated profits	980,460	1,871,088
Other assets	(181,4619	(160,725)
Capital fund net	4,393,626	4,325,721

The Company presents the following information liquidity ratio, solvency ratio and capital fund reported to the Regulator:

	According to books	Minimum required
2018		
Liquidity ratio		
Assets eligible for liquidity	24,256,483	
Demandable liabilities less than one year	36,122,312	30% liabilities
Minimum required liquidity ratio	67.15%	Short term
Solvency ratio		
Capital fund reported	4,388,716	350,000
Exposure value of credit or risk	23,474,804	
Solvency ratio	18.70%	8%
Capital fund		
Amount of capital fund reported	4,388,716	350,000
Amount of capital required	365,218	350,000
2017		
Liquidity ratio		
Assets eligible for liquidity	12,470,576	
Liabilities receivables less than one year	27,285,673	30% liabilities
Minimum required liquidity ratio	45.70%	Short term
Solvency ratio		
Amount of capital fund reported	4,325,719	350,000
Exposure value of credit or risk	39,503,821	
Solvency ratio	10.95%	8%
Capital fund		
Amount of capital fund reported	4,325,719	350,000
Amount of capital required	378,674	350,000

Capital adequacy

In compliance with Article 24 of Resolution No.220-07 of August 8, 2007, in relation to the disclosure in the audited and interim financial statements of the capital adequacy rules and their modalities, we present the following information as of December 31:

	2018		2017	
Capital adequacy - minimum 8%				
The capital adequacy of the Company have been:				
Minimum	16.02%	05/10/18	12,76%	31/12/17
Maximum	23.67%	07/12/18	17,59%	30/11/17
At the closing	18,70%	31/12/18	12,76%	31/12/17
Capital funds - net				
The balances of the funds of the Company have been:	(B/.)		(B/.)	
Minimum	3,302,754	05/10/18	3,592,605	03/11/17
Maximum	5,948,351	28/12/18	4,666,404	15/12/17
At the closing	4,388,716	31/12/18	4,115,135	31/12/17

In addition to the minimum regulatory capital of B/.350,000, the Company must have 0.04% of the amount of the securities in custody, by custodians domiciled in jurisdictions recognized by the Superintendence of the Securities Market and that at the end of December 31, 2018 represented an additional amount of capital of B/.38,019,812 (2017: B/.66,509,995); in turn, the Company must have 0.10% of the amount of the securities in custody, by custodians domiciled in jurisdictions not recognized by the Superintendence of the Securities Market and that at the end of December 31, 2018 represented an additional amount of capital of B/.10,147 (2017: 2,070,250).

The minimum regulatory capital surplus as of December 31, 2018 is B/.365,218 (2017: B/.378,674) an amount with which the Company has complied and exceeded.

	2018		2017	
Liquidity ratio - minimum 10%				
The liquidity ratios of the Company have been:				
Minimum	57.33%	16/11/18	34,71%	22/12/17
Maximum	63.29%	18/12/18	56,00%	20/10/17
At the closing	67,15%	31/12/18	45,70%	31/12/17
Concentration limit	(B/.)		(B/.)	
Concentration limits at the closing	27,956,625	31/12/18	33,691,390	31/12/17

Securities houses are required to comply with the capital adequacy rules and their modalities as established in Agreement 4-2011 of June 27, 2011 of the Superintendence of the Stock Market.

21. Third party managed portfolio

Third party managed portfolio is as follows:

	2018	2017
Securities local custody	400,000	15,000,000
International securities custody	36,309,275	40,585,932
Cash international custody	354,098	6,061,238
Effective local banks	213,624	254,181
Effective local custody	548,783	211,174
Cash international banks	204,180	6,467,720
	38,029,960	68,580,245

22. Relevant fact

As of December 31, 2018, the Company presents the following situation to be disclosed:

UNAUTHORIZED OPERATION CLAIM
On December 28, 2018, Panacorp Casa de Valores, S. A. rejects an operation performed by one of its custodians because this was not authorized by the brokerage firm; however, it was executed on the reported value date. The Securities House, in order to protect the interests of its clients, took legal action against the custodian for breach of the contract signed between the parties.