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Panacorp Casa de Valores, S. A.

Independent Auditors' Report and Financial Statements

For the year ended on December 31, 2019

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

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

Opinion

We have audited the accompanying financial statements of Panacorp Casa de Valores, S. A. "the Company" which include the statement of financial position as at December 31, 2019 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, the accompanying financial statements present fairly, in all major aspects, the financial position of Panacorp Casa de Valores, S. A. as of December 31, 2019, and their financial performance and cash flows for the year then ended, in accordance with International Financial Reporting Standards.

Basis of the Opinion

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 the 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 financial statements in the Republic of Panama, and we have fulfilled with our other ethical responsibilities in accordance with these requirements and with the IESBA Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Matter of Emphasis

We draw attention to Note 18 to the financial statements, which indicates that the comparative information presented as of and for the year ended December 31, 2018 has been restated. Our opinion has not been modified in relation to this matter.

We draw attention to Note 24 to the financial statements, which describes the nature and potential financial effect of the COVID-19 pandemic. Our opinion has not been modified in respect of this matter.

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

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.

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 relation to the Audit of the 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.

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

- 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.

- 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 30, 2020.
Panama, Republic of Panama.

Panacorp Casa de Valores, S. A.

Statement of Financial Position
December 31, 2019
(Expressed in Balboas)

	Notes	2019	2018 Restated	2017
ASSETS				
Cash and bank deposits	5	**2,081,697**	815,557	581,881
Investments in financial instruments:				
Securities available for sale		**-**	-	24,804,710
Securities held to maturity		**-**	-	3,570,059
Securities purchased under resale agreement		**-**	-	23,451,510
Interest receivable under resale agreement		**-**	-	3,642,381
Values at Fair value through profit or loss	6	**12,632,772**	25,854,629	-
Values at Fair value through other comprehensive income	7	**6,734,540**	1,212,801	-
Values at amortized cost	8	**1,475,297**	1,990,434	-
Margin loans at amortized cost	9 and 15	**10,527,533**	20,435,196	-
Interest receivable for margin loans	9 and 15	**379,213**	803,271	-
Accounts receivable - others		**59,109**	52,236	97,509
Taxes receivable		**83,233**	52,165	-
Intangible assets	10	**16,889**	21,851	26,072
Property, equipment and improvements	11	**19,620**	26,947	24,470
Other assets	12	**338,518**	77,389	371,309
Total assets		**34,348,421**	51,342,476	56,569,901
LIABILITIES AND EQUITY				
Liabilities:				
Financing obligations	13	**15,803,688**	22,119,688	24,297,716
Securities sold under repurchase agreement	14	**15,630,562**	25,841,376	27,050,914
Accounts payable - shareholders	15	**120,549**	126,182	138,439
Accumulations and other obligations		**30,668**	36,922	-
Accounts payable		**247,556**	249,098	127,698
Commisions payable		**-**	-	384,005
Provision for seniority premium and indemnization	16	**92,460**	64,009	34,141
Total liabilities		**31,925,483**	48,437,275	52,032,913
Equity:				
Share capital	17	**4,000,000**	4,000,000	3,000,000
Retained earning		**(1,233,884)**	(738,124)	1,871,088
Change in fair value of financial instruments		**(343,178)**	(356,675)	(334,100)
Total equity		**2,422,938**	2,905,201	4,536,988
Total liabilities and equity		**34,348,421**	51,342,476	56,569,901

The notes in pages 6 to 35 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, 2019
(Expressed in Balboas)

	Notes	2019	2018 Restated
Income:			
Commissions on stock services		**472,310**	597,752
Interest income:			
Deposits		**13,608**	14,175
Investments		**457,754**	2851643
Margin loans	**15**	**2,380,845**	3,769,043
Advisory service		**668,363**	717,598
Total income		**3,992,880**	7,950,211
Expenses:			
Interest on financing obligations		**944,289**	1,289,174
Interest on financial liabilities indexed to securities		**438,353**	2,591,760
Fees for stock market services		**615,991**	568,970
Total expenses		**1,998,633**	4,449,904
Net income, before provision		**1,994,247**	3,500,307
Provision for impairment of investments at amortized cost	**8 and 18**	**691,131**	1,746,639
Net income, after provision		**1,303,116**	1,753,668
Other expenses		**-**	419,375
Loss in valuation of securities at fair value through profit and loss		**56,250**	838
Total other income (expenses)		**56,250**	420,213
Total operational income, net		**1,246,866**	1,333,455
General and administrative expenses:			
Salaries and other remunerations	**15**	**896,135**	1,005,628
Professional fees		**432,537**	452,527
Rent		**100,550**	101,411
Bank charges and interests		**124,581**	63,001
Travel and transportation		**12,254**	28,574
Depreciation and amortization	**10 and 11**	**18,103**	15,505
Water, power and telephone		**14,352**	18,166
Advertising		**16,075**	7,135
Repair and maintenance		**13,087**	8,569
Office supplies		**3,898**	4,321
Other		**111,054**	122,947
Total general and administrative expenses		**1,742,626**	1,827,784
Net loss		**(495,760)**	(494,329)

The notes in pages 6 to 35 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, 2019
(Expressed in Balboas)

	Note	2019	2018 Restated
Net loss		**(495,760)**	(494,329)
Other comprehensive Income:			
Items that are or will be reclassified to profit or loss:			
Net change in valuation of financial assets at fair value through profit or loss or through other comprehensive income	7	**13,497**	(22,575)
Total other comprehensive income, net		**(482,263)**	(516,904)

The notes in pages 6 to 35 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, 2019
(Expressed in Balboas)

	Notes	Share capital	earnings earnings	Fair value reserve	Total equity
Balance at December 31, 2017		3,000,000	1,871,088	(334,100)	4,536,988
Other equity transactions					
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
Restated net loss	18	-	(494,329)	-	(494,329)
Other comprehensive income					
Items that are or can be reclassified to profit and loss					
Fair value reserves					
Net change in fair value through profit or loss		-	-	(22,575)	(22,575)
Total other comprehensive income		-	-	(22,575)	(22,575)
Transactions with the owners of Casa de Valores					
Increase in capital		1,000,000	(1,000,000)	-	-
Dividends distributed		-	(871,087)	-	(871,087)
Total transactions with the owners of Casa de Valores		1,000,000	(1,871,087)	-	(871,087)
Balance at December 31, 2018 restated	18	4,000,000	(738,124)	(356,675)	2,905,201
Net loss		-	(495,760)	-	(495,760)
Other comprehensive income					
Items that are or can be reclassified to profit and loss					
Fair value reserves					
Net change in fair value through profit or loss		-	-	13,497	13,497
Total other comprehensive income		-	-	13,497	13,497
Balance at December 31, 2019		**4,000,000**	**(1,233,884)**	**(343,178)**	**2,422,938**

The notes in pages 6 to 35 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, 2019
(Expressed in Balboas)

	Notes	2019	2018 Restated
Cash Flows from Operating Activities			
Net loss		**(495,760)**	(494,329)
Adjustments to reconcile net loss to cash flow in operating activities			
Depreciation and amortization	10 and 11	**18,103**	15,505
Provision for seniority premiums and indemnization		**28,451**	29,868
Provision for impairment of investments at amortized cost	8	**691,131**	1,746,639
Loss in valuation of securities at fair value through profit and loss		**56,250**	838
Interest income on deposits		**(13,608)**	(14,175)
Interest income on investments		**(457,754)**	(2,851,643)
Interest income on margin loans		**(2,380,845)**	(3,769,043)
Interest expenses on financing		**944,289**	1,289,174
Interest expense on financial liabilities indexed to securities		**438,353**	2,591,760
Net changes in operating assets and liabilities:			
Taxes receivable		**(31,068)**	(52,165)
Other assets		**(261,337)**	293,920
Accounts payable and other liabilities		**(1,542)**	121,400
Commissions payable		**-**	(384,005)
Accumulations and other obligations		**(6,255)**	36,922
Securities sold under repurchase agreements		**5,232,751**	20,150,863
Cash generated from operations:			
Financial Instruments at fair value through profit or loss		**3,776,229**	(29,899,361)
Financial Instruments at fair value through other comprehensive income		**(2,981,700)**	(210,876)
Financial instruments at amortized cost		**-**	(410,810)
Margin loans at amortized cost		**9,907,663**	3,016,014
Interest received		**4,968,601**	9,529,336
Interest paid		**(1,255,043)**	(1,512,879)
Cash flows from operating activities		**18,176,909**	(776,747)
Cash flows from investing activities			
Acquisition of securities at fair value through profit and loss	6	**(12,980,897)**	(6,686,401)
Sale and redemption of securities at fair value through profit and loss	6	**8,227,959**	11,567,632
Acquisition of securities at fair value through other comprehensive income	7	**(45,910,051)**	(1,019,380)
Sale and redemption of securities at fair value through other comprehensive income	7	**40,408,605**	-
Acquisition of securities at amortized cost	8	**(175,994)**	-
Intangible asset additions	10	**(2,410)**	(2,985)
Fixed asset additions	11	**(3,194)**	(10,776)
Cash flows from investing activities		**(10,435,982)**	3,848,090
Cash flows from financing activities			
Financing received	13	**16,302,135**	26,033,797
Financing paid	13	**(22,771,289)**	(27,988,120)
Accounts payable related parties		**(5,633)**	(12,257)
Distributed dividends		**-**	(871,087)
Cash flows from financing activities		**(6,474,787)**	(2,837,667)
Net increase in cash during the year		**1,266,140**	233,676
Cash at the beginning of year		**815,557**	581,881
Cash at the end of year	5	**2,081,697**	815,557

The notes in pages 6 to 34 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 April 28, 2020.

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:

- 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).

Changes to the main accounting policies

The Company has consistently applied accounting policies to all periods presented in these financial statements, except for the changes described below:

Leases

For 2019, the Company analyzed the implementation of IFRS 16 and determined that the impact is not material for the period.

New International Financial Reporting Standards (IFRSs) and Interpretations issued not in force

New standards, interpretations and amendments to IFRS have been published, but are not mandatory as of December 31, 2019, and have not been early adopted by the Company.

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.

Fair value measurement

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

When an asset is acquired or a liability is assumed, the transaction price is the price paid for acquiring the asset or received for assuming the liability (entry price). The initial fair value of a financial instrument is the transaction price.

The fair value of an instrument is measured using a price quoted in an active market for that instrument. A market is considered to be active if transactions in these assets or liabilities occur with sufficient frequency and volume to provide information for pricing on a going concern basis. When a price for an identical asset or liability is not observable, a valuation technique is used that maximizes the use of relevant observable variables and minimizes the use of unobservable variables. Because fair value is a measure based on market variables (prices, performance, credit spread, etc.), it is measured using the assumptions that market participants would use in pricing the asset or liability.

The fair value of financial instruments is determined using prices accessible on Bloomberg for the stock markets.

Financial assets

Cash and cash equivalents

Cash and cash equivalents are represented by cash, at-sight 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, 2019, the Company classifies its financial assets depending on the purpose for which they were acquired.

Investments in financial instruments

Investments are classified at initial recognition based on the nature and purpose of the acquisition of the financial asset. On initial recognition, financial assets are classified as measured at:

Amortized cost, fair value through other comprehensive income (FVOCI), or fair value through profit and loss (FVPL).

Fair value at amortized cost

A financial asset is measured at amortized cost (AC) and not at fair value through profit or loss if it meets both of the following conditions:

a. The asset is maintained within a business model whose objective is to maintain assets to obtain contractual cash flows; and
b. The contractual terms of the financial asset establish specific dates for cash flows derived only from payments of principal and interest on the outstanding balance.

Margin loans at amortized cost:

Margin loans are short-term secured financing transactions in which the Company takes possession of the securities at a discount from market value and agrees to resell them to the debtor at a future date and at a specified price. The difference between the repurchase value and the future sale price is recognized as income under the effective interest rate method.

The market prices of the underlying securities are monitored and in the event of a material, non-transitory decline in the value of a specific security, the Company recognizes against earnings or losses for the period an adjustment to the value of the amortized cost. The market value of these investments is monitored, and additional collateral is obtained when appropriate to protect against credit exposure.

Securities sold under repurchase agreements (Repos in purchase) are short-term financing transactions secured by securities, in which the Company has the obligation to repurchase the securities sold at a future date and at a given period. The difference between the sale price and the future purchase value is recognized as interest expense under the effective interest rate method.

Values at fair value through other comprehensive income (VFVOCI):

A debt instrument is measured at fair value through other comprehensive income only if it meets both of the following conditions and has not been designated as a FVPL.

a. The asset is maintained within a business model whose objective is achieved by collecting contractual cash flows and selling these financial assets; and
b. The contractual terms of the financial asset establish specific dates for cash flows derived only from payments of principal and interest on the outstanding balance.

During the initial recognition of investments in equity instruments not held for trading, the Company may irrevocably elect to record subsequent changes in fair value as part of other comprehensive income. This election is made on an instrument by instrument basis.

Values at fair value through profit or loss (FVPL):

All financial assets not classified as measured at AC or VFVOCI as described above are measured at fair value through profit and loss (FVPL).

Additionally, at initial recognition, the Company may irrevocably designate a financial asset that meets AC or VFVOCI measurement requirements to be measured at FVPL if doing so eliminates or significantly reduces an accounting asymmetry that would otherwise exist. The Company does not currently make use of this option.

Impairment of financial assets

The company assesses the impairment of financial assets using an expected credit loss (ECL) model. This model requires that considerable judgment be applied with respect to how changes in economic factors affect ECL, which is determined on a weighted average basis.

The impairment model is applied to the following financial assets that are not measured at FVCR.

- Debt instruments to VFVOCI
- Debt instruments at amortized cost

The company recognizes a provision for impairment of financial assets to AC and VFVOCI in an amount equal to an expected credit loss in a twelve-month period after the cut-off date of the financial statements.

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.

Outstanding loan agreements: the present value of the difference between the contractual cash flows that are due to the Company in the event that the agreement is executed and the cash flows that the Company expects to receive, provided that these are irrevocable.

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 occasion, using your expert judgement 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.

Property, plant and equipment

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
Office equipment	5
Computer equipment	5
Improvements to the leased property	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

Securities sold under repurchase agreement

The Company enters into contracts with third parties through which it acts as a mutual fund, borrowing securities with the commitment to return at an agreed date the same amount of securities with similar characteristics to those borrowed, as well as any payment of interest, dividends or capital amortization made by the issuer of the security during the term of the contract, and the consideration for the loan operation (mutual fund contracts or securities loans).

The liability, called financial liabilities indexed to securities, is recorded at its 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 under the heading financial liabilities at fair value. The liability, called financial liabilities indexed to securities, is recorded at its 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 under the heading financial liabilities at fair value.

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

Financing obligations

Financing obligations are initially recognized at fair value less transaction costs incurred. They are subsequently valued at amortized cost; any difference between the funds obtained (net of the costs required to obtain them) and the reimbursement value is recognized in the income statement, over the life of the debt, in accordance with the effective interest rate method.

The gain or loss from the amortization is recognized in the result of the period, in the item 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.

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, 2019 and December 31, 2018, 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.

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:

(a) 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.

Maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position. The Company monitors credit risk concentration by sector and geographic location. The analysis of credit risk concentration at the date of the financial statements is as follows:

	Investments in fair value with changes in results		Investments at fair value with changes in other comprehensive income		Investments at amortized cost		Margin loans		Bank deposits	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Book value	12,632,772	25,854,629	6,734,540	1,212,801	1,475,297	1,990,434	10,527,533	20,435,196	2,081,697	815,557
Concentration by sector										
Corporate	1,924,312	2,552,156	249,464	211,508	1,103,932	1,990,434	1,192,648	1,782,822	-	-
Goverment	9,650,961	18,104,752	6,485,076	1,001,293	371,365	-	8,331,813	13,706,007	-	-
Financial	1,057,499	5,197,721	-	-	-	-	1,003,071	4,946,367	2,081,697	815,557
	12,632,772	25,854,629	6,734,540	1,212,801	1,475,297	1,990,434	10,527,533	20,435,196	2,081,697	815,557
Geographic Concentration										
Panama	1,690,889	4,332,136	-	-	-	-	1,378,071	3,757,960	512,545	309,098
United States of America	9,041,363	9,730,320	6,734,540	1,212,801	-	-	7,596,154	9,046,626	3,551	71,535
Mexico	141,150	-	-	-	-	-	156,117	-	-	-
United Kingdom	-	-	-	-	-	-	-	-	1,170	-
Switzerland	-	-	-	-	-	-	-	-	7,330	-
Louxemburg	-	8,607	-	-	-	-	-	8,231	-	-
Puerto Rico	-	-	-	-	-	-	-	-	274,697	9,238
Barbados	-	1,528,875	-	-	-	-	-	1,423,342	424,100	418,993
Dominica	-	-	-	-	-	-	-	-	852,928	6,689
Venezuela	1,759,370	10,254,691	-	-	1,475,297	1,990,434	1,397,190	6,199,037	5,376	4
	12,632,772	25,854,629	6,734,540	1,212,801	1,475,297	1,990,434	10,527,533	20,435,196	2,081,697	815,557

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

Risk rating	**2019**	2018
Treasury	AAA-	AAA+
Financiera Avanza S, A.	-	
Avianca Holdings S. A.	C	B
Grupo Posadas SAB CV	B	B
Goodyear Tire & Rubber	B1	-
Southwestern Energy Co	BB	-
United States Steel Corp.	B	-
General Motors Financial	BBB	BBB-
Petróleos de Venezuela, S. A. expires in May 2035	C	C-
Petróleos de Venezuela, S. A. expires in October 2020	C	C-
Petróleos de Venezuela, S. A. expires in November 2026	C	C-
República Bolivariana de Venezuela	D	D-

Margin loans as of December 31, 2019 are secured by a portfolio of securities amounting to B/.12,632,772

(b) *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.

(c) *Liquidity 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					
2019	**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**
Cash and cash equivalents	200	-	2,081,497	-	-	2,081,697
Values at fair value with changes in results	1,008,786	-	1,172,550	1,398,641	9,052,795	12,632,772
Values at fair value with changes in other comprehensive income	-	-	3,485,137	-	3,249,403	6,734,540
Values at amortized cost	-	-	-	-	1,475,297	1,475,297
Margin Loans	-	-	10,527,533	-	-	10,527,533
Interests receivable on margin loans	379,213	-	-	-	-	379,213
Other accounts receivable	7,201	-	-	51,908	-	59,109
Total	1,395,400	-	17,266,717	1,450,549	13,777,495	33,890,161

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
Cash and cash equivalents		-	815,357	-	-	815,557
Values at fair value with changes in results	-	-	4,076,970	7,991,477	13,786,182	25,854,629
Values at fair value with changes in other comprehensive income	-	-	1,001,293	-	211,508	1,212,801
Values at amortized cost	-	-	546,483	-	1,443,951	1,990,434
Margin loans	-	-	20,435,196	-	-	20,435,196
Interests receivable on margin loans	803,271	-	-	-	-	803,271
Other accounts receivable	257	-	-	51,908	-	52,165
Total	803,728	-	26,875,299	8,043,385	15,441,641	51,164,053

The following are the contractual maturities of the financial liabilities:

	Maturities					
2019	Up to 1 month	Between 1 and 3 months	Between 3 months and one year	Between 1and 5 years	More than 5 years	Total
Values sold under repurchase agreements	1,228,742	175,597	4,185,649	1,285,704	8,754,870	15,630,562
Obligations under foreign financial institutions	15,803,688	-	-	-	-	15,803,688
	17,032,430	175,597	4,185,649	1,285,704	8,754,870	31,434,250
2018						
Values sold under repurchase agreements	2,191	-	4,076,970	7,991,477	13,770,738	25,841,376
Obligations with foreign 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

(d) *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.

(e) *Interest rate risk*

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

4. 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.

Investments at fair value through profit or loss and changes in other comprehensive income is recorded at fair value, based on market prices quoted when available, or if not available, on the basis of the discounted future flows using market rates in line with the quality of credit and investment maturity. When reference prices are available in an active market, investments at fair value with changes in results and with changes in other integral results are classified within level 1 of the fair value hierarchy. If market value prices are not available or are available in markets that are not active, the fair value is estimated on the basis of established prices of other similar instruments, or if these prices are not available, internal valuation techniques are used mainly discounted cash flow models. These types of values are classified within level 2 of the fair value hierarchy.

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

2019	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets				
Fair value through profit or loss	-	12,632,772	-	12,632,772
Fair value through other comprehensive income	-	6,734,540	-	6,734,540
Fair value through amortized cost	-	385,100	-	385,100
	-	19,752,412		19,752,412
Financial liabilities				
Financing obligations	-	-	15,642,663	15,642,663
Securities sold under repurchase agreement	-	15,630,562	-	15,630,562
	-	15,630,562	15,642,663	31,273,225

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
Values measured at amortized cost	-	1,055,189	-	1,055,189
	-	28,122,619	-	28,122,619
Financial liabilities				
Financing obligations	-	-	22,107,464	22,107,464
Securities sold under repurchase agreement	-	25,841,376	-	25,841,376
	-	25,841,376	22,107,464	47,948,840

The following assumptions were used by the Company in determining the value reasonable of the financial instruments:

The sources of price of financial assets and securities sold under repurchase agreements correspond to prices of professional counterparties published by international financial information services providers such as Bloomberg.

The fair value of funding obligations for disclosure purposes is based on discounted cash flows using a loan rate of 7.41% (2018: 7.26%) which represents the average active rate of the Panamanian financial system. This fair value is classified in the fair value hierarchy as "Level 3" due to the use of unobservable data.

5. Cash and cash equivalents

The cash and bank cash equivalents are detailed as follows:

	2019	2018
Cash in hand	200	200
Cash at banks		
Deposit at sight - local	262,345	58,898
Deposit at sight - foreign	1,569,152	506,459
Investment in certificates of term deposits	250,000	250,000
Cash in hand	2,081,697	815,557

6. Values at fair value through profit and loss

The portfolio of securities at fair value through profit and loss is detailed below:

	2019	2018
National actions in long-term operation	6,839	6,839
Foreign shares as security for other transactions	228,352	667,256
Domestic bonds as collateral for other transactions	1,684,050	671,897
Foreign bonds as collateral for other transactions	10,713,531	24,508,637
	12,632,772	25,854,629

During the period ended December 31, 2019, the Company recorded a net unrealized gain of B/.13,497 and for the period ended December 31, 2018 it recorded a net unrealized loss of B/.(22,575), as a result of the valuation at fair market value of the Debt Securities Portfolio for Marketing - TVD "T" portfolio, which were recorded in the results by financial instruments at fair value, of the statement of income.

The following is a breakdown of the movement in fair value with changes in profit and loss:

	2019	2018
Balance at the beginning of the year	25,854,629	27,050,914
Purchases	12,980,897	6,686,401
Sales and redemptions	(8,227,959)	(11,567,632)
Changes in values at fair value through profit and loss	(16,268,790)	1,782,478
Earnings receivable	(1,706,005)	1,902,468
Balance at the end of year	12,632,772	25,854,629

7. Securities at fair value through other comprehensive income

The portfolio of securities at fair value with changes in other comprehensive income is detailed below:

	2019	2018
Foreign shares as security for other transactions	294,464	211,508
Foreign bonds as collateral for other transactions	6,440,076	1,001,293
	6,734,540	1,212,801

The following is a breakdown of the movement in fair value with changes in other comprehensive income:

	2019	2018
Balance at the beginning of the year	1,212,801	210,875
Purchases	45,910,051	1,019,380
Sales and Redemptions	(40,408,605)	-
Changes in value at fair value with changes in other comprehensive income	13,497	(22,575)
Earnings receivable	6,796	5,121
Balance at the end of the year	6,734,540	1,212,801

8. Securities at amortized cost, net

The securities at amortized cost are detailed below:

	2019	2018 restated Note 18
PDVSA26, maturity at November 15, 2026	2,207,864	2,163,662
VZLA 7.75, maturity at October 13, 2019	1,206,269	1,092,966
VZLA 11.95 maturity at August 05, 2031	392,606	385,145
VZLA 9.25 maturity at September 15, 2027	350,124	339,096
Provision for expected credit loss	(2,681,566)	(1,990,435)
	1,475,297	1,990,434

The movement of the securities at amortized cost is detailed below:

	2019	2018 restated Note 18
Balance at the beginning of the year	1,990,434	3,980,869
Purchases	175,994	-
Sales and Redemptions	-	-
Provision for losses on securities at amortized cost	(691,131)	(1,990,435)
Balance at the end of the year	1,475,297	1,990,434

The following table shows a reconciliation of the opening and closing balances for the period as of December 31, 2019, of the provision for loss on financial assets. The comparative amounts at December 31, 2018 represent the reserve for loss on financial assets under IFRS 9:

	2019	2018 restated Note
Balance at the beginning of the year	(1,990,435)	(243,796)
Provision expense – initial balance		-
Provision expense	(691,131)	(1,746,639)
Balance at the end of the year	2,681,566	1,990,435

9. Margin loans at amortized cost

Margin loans at amortized cost are detailed below:

	2019	2018
Legal person	4,894,733	17,084,653
Related parties	5,201,442	2,906,185
Natural person	431,358	444,358
Sub-Total	10,527,533	20,435,196
Interest receivable for margin loans	379,213	803,271
	10,906,746	21,238,467

The securities subject to margin lending were mutually assigned to the brokerage house.

As of December 31, 2019, the average annual interest rate on margin loans is 6.90% (2018: 7.11%).

Margin loans at December 31, 2019 are guaranteed by a portfolio of securities amounting to B/.12,632,772.

10. Intangible assets

The intangible assets are detailed as follows:

2019	**Balance at beginning of year**	**Additions**	**Disposition**	**Balance at end of year**
Cost:				
Brands and license	2,985	2,410	-	5,395
Software	57,183	-	-	57,183
	60,168	2,410	-	62,578
Depreciation and amortization accumulated:				
Brands and license	1,642	2,246	-	3,888
Software	36,675	5,126	-	41,801
Others	-	-	-	-
	38,317	7,372	-	45,689
Net cost	21,851	(4,962)	-	16,889
2018				
Cost	57,183	2,985	-	60,168
Depreciation and amortization accumulated	31,111	7,206	-	38,317
Net cost	26,072	(4,221)	-	21,851

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

11. Property, equipment and improvements

Property, equipment and improvements are detailed as follows:

2019	**Balance at beginning of year**	**Additions**	**Disposition**	**Balance at end of year**
Cost:				
Furniture and equipment	7,753	1,520	-	9,273
Property Improvements	19,876	1,674	-	21,550
Computer equipment	60,798	-	2,498	58,300
	88,427	3,194	2,498	89,123
Depreciation and amortization accumulated:				
Furniture and equipment	5,014	1,728	-	6,742
Property Improvements	6,871	4,337	-	11,208
Computer equipment	49,596	4,666	2,709	51,553
	61,481	10,731	2,709	69,503
Net cost	26,946	(7,537)	(211)	19,620

	Balance at beginning of year	**Additions**	**Disposition**	**Balance at end of year**
2018				
Cost	77,651	10,776	-	88,427
Depreciation and amortization accumulated:	53,181	8,299	-	61,480
Net cost	24,470	2,477	-	26,947

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:

	2019	2018
Up to one year	76,230	76,230

12. Other assets

The other assets are detailed as follows:

	2019	2018
Deposits given in guarantees	53,057	53,057
Prepaid expenses	281,536	19,331
Deferred taxes	3,925	3,925
Salary advance	-	1,076
	338,518	77,389

13. Financing obligations

The financing obligations are detailed below:

	2019	2018
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
Amicorp Bank and Trust Limited: Loan authorized to purchase securities at an interest rate of 0.5% with active portfolio guarantee; maturing in January 31, 2020.	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 July 31, 2019.	-	4,500,000
Interactive Brokers: Loan authorized to purchase securities maturing in January 31, 2020 and a variable interest rate of Libor with active portfolio guarantee.	9,643,594	2,531,250
Bank J. Safra Sarasin Ltd: Loan authorized to purchase securities at an interest rate of 3.9986% with active portfolio guarantee and maturing on July 31, 2019.	-	2,347,000
Subtotal	15,643,594	22,112,748
Accumulated interests payable	160,094	6,940
Total financing obligations	15,803,688	22,119,688

The movement in financing liabilities is detailed below for the purpose of reconciliation to the cash flow statement:

	2019	2018
Balance at the beginning of the year	22,112,748	24,067,071
New liabilities	16,302,135	26,033,797
Liability cancellation	(22,771,289)	(27,988,120)
Balance at the end of the year	15,643,594	22,112,748

14. Securities sold under repurchase agreements

As of December 31, 2019, the company maintains obligations arising from securities sold under repurchase agreements that amounted to B/.15,630,562, with various maturities until May 2035 and annual interest rates of 1.625% to 12.75%. These securities are guaranteed by investment instruments at a nominal value of B/.27,776,816.

The securities sold under repurchase agreements are detailed below:

The detail of the provisions is as follows:

	2019	2018
Securities sold under repurchase agreements	15,615,606	25,800,865
Accumulated interests payable	14,956	40,511
Balance at the end of the year	15,630,562	25,841,376

15. Balances 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:

	2019	2018
Assets		
Loans in margin	5,201,442	2,906,185
Interests receivable over margin loans	216,822	255,076
	5,418,264	3,161,261
Liabilities		
Accounts payable - shareholders	120,549	126,182
Profits		
Interests earned from loan margin	329,163	323,713
Expenses		
Office lease	76,230	76,230
Diet of the Directors	352,000	314,000
	428,230	390,230

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.

16. Provision for seniority premium and compensation

The detail of the provisions is as follows:

	2019	2018
Seniority premium	20,653	14,544
Indemnity reserves	71,807	49,465
	92,460	64,009

17. Share capital

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

	2019	2018
The authorized Share Capital of the shareholders amounts to a sum of B/.4,000,000 (2018: B/.4,000,000) constituted by 4,000,000 (2018: 4,000) nominative common shares with a nominal value of B/.1.00 each. All the shares are issued and outstanding.	4,000,000	4,000,000

18. Restatement of financial statements

During 2018, the brokerage house recognized an expected loss for investments measured at amortized cost equivalent to B/.271,850. However, in accordance with the financial model of expected loss required by IFRS 9, an amount of B/.1,990,435 had to be provisioned, generating a provision shortfall of B/.1,718,585. This insufficiency in provision led management to make adjustments with effect in 2018, in accordance with International Financial Reporting Standards. A summary of the impact of the restatement in the indicated year is presented below:

	2019	2018 Restated	2018
Provision for expected credit loss	2,681,566	1,990,435	271,850
Expense for impairment provision of investments to amortized cost	691,131	1,746,639	28,054
(Loss) net utility income	(495,760)	(494,329)	1,224,256

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 2019 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.

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, 2019, the Company had assets eligible for compliance with the liquidity ratio in the amount of B/.23,277,297 (2018: B/.24,256,483), which exceed current liabilities of B/.31,712,472 (2018: B/.36,122,312).

The Company maintains a capital fund which is detailed below:

	2019	2018
Capital required by the regulator	350,000	350,000
Capital fund:		
Amount of capital fund	4,000,000	4,000,000
Net property, plant and equipment	(19,620)	(26,947)
Intangible asset	(16,889)	(21,851)
Unrealized loss	(343,178)	(356,575)
Accumulated profits	(1,233,884)	(738,124)
Other assets	(338,518)	(77,389)
Capital fund net	2,047,911	2,779,114

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

2019	**According to books**	**Minimum required**
Liquidity ratio		
Assets eligible for liquidity	23,277,297	
Demandable liabilities less than one year	31,712,472	30% liabilities
Minimum required liquidity ratio	73,40%	Short term
Solvency ratio		
Capital fund reported	1,912,771	350,000
Exposure value of credit or risk	8,474,572	
Solvency ratio	22,57%	8%
Capital fund		
Amount of capital fund reported	1,912,771	350,000
Amount of capital required	374,784	350,000

2018	**According to books**	**Minimum required**
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

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:

	2019		2018	
Capital adequacy – minimum 8%				
The capital adequacy of the Company have been:				
Minimum	9.53%	07/06/19	16.02%	05/10/18
Maximum	22.94%	04/01/19	23.67%	07/12/18
At the closing	22.57%	31/12/19	18,70%	31/12/18
Capital funds - net				
The balances of the funds of the Company have been:			(B/.)	
Minimum	1,666,180	13/12/19	3,302,754	05/10/18
Maximum	5,695,073	04/01/19	5,948,351	28/12/18
At the closing	1,912,771	31/12/19	4,388,716	31/12/18

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, 2019 represented an additional amount of capital of B/.16,913 (2018: B/.15,208); 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, 2019 represented an additional amount of capital of B/.7,871(2018: 10).

The minimum regulatory capital surplus as of December 31, 2019 is B/.374,784 (2018: B/.365,218) an amount with which the Company has complied and exceeded.

	2019		2018	
Liquidity ratio – minimum 10%				
The liquidity ratios of the Company have been:				
Minimum	43.12%	07/06/19	57.33%	16/11/18
Maximum	73.40%	31/12/19	63.29%	18/12/18
At the closing	73.40%	31/12/19	67,15%	31/12/18

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.

Credit risk concentrations

The risks maintained by the Company with respect to an issuer, individual client or a group of related issuers or customers, will be considered as a of concentration when the cumulative value of these risks exceeds ten percent (10%) of the total value of its equity funds.

In any case, the value of all the risks that a securities firm contracts and maintains with the same issuer, client or group of issuers or related clients, does not may exceed thirty percent (30%) of the total value of its capital funds. Nor may the aggregate of the situations of concentration of a securities firm exceed eight times the value of the Company's capital funds.

As of December 31, 2019, the Company reported the concentration of credit risk with related issuers or customers, where three products exceeded one concentration of more than 10% and 30% of total capital funds (limit). These products correspond to clients with margin loans, international securities that are part of the investment portfolio at amortized cost and cash in an international bank.

To reduce the concentration of risk, the Company negotiated with customers with margin loans a payment plan. Collections have been made and received monthly and consecutive payments so the recovery has been progressive.

The international securities that are part of the investment portfolio at cost amortized are fully provisioned. However, the Company has taken the position of holding them until maturity.

To reduce the risk concentration of its own cash in custody at an international bank in an unrecognized jurisdiction, the Company has transferred funds to another international bank account of recognized jurisdiction and made payments of liabilities that are generated as part of the Company's daily operations.

21. Third party managed portfolio

Third party managed portfolio is as follows:

	2019	2018
Securities local custody	7,710,292	400,000
International securities custody	17,469,325	36,309,275
Cash international custody	3,178,465	354,098
Effective local banks	203,226	213,624
Effective local custody	353,858	548,783
Cash international banks	7,675,179	204,180
	36,590,345	38,029,960

The portfolio in custody of third parties corresponds to non-discretionary accounts.

22. Other third party memorandum accounts

The other third-party memorandum accounts are detailed below:

	2019	2018
Securitization	17,331,352	20,957,798

23. Relevant fact

As of December 31, 2019, 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.

24. Subsequent events

The Company has evaluated events after December 31, 2019, including the global emergency dictated by the World Health Organization on January 31, 2020, to assess the need for possible recognition or disclosure in the financial statements attached. Such events were evaluated up to April 30, 2020, the date on which these financial statements were available for issue.

By virtue of the COVID - 19 pandemic that occurred in Panama as of March 9 2020 and in order to guarantee the operational continuity of the Company, it has implemented the following measures due to the event that the country's health authorities decreed total immobility of the population as a health security measure.

The measures consist of:

- The Company is under the telework mode from March 16th of 2020.
- Operation has not been interrupted and is supported by suppliers who are found in the same market.

It is possible that there will be delays in payment from customers who keep the product of margin loans for interest payments. However, these margins are secured by securities, which allows the recovery of loans granted (see note 9).

The Company is working on diversifying its portfolio to generate balanced income between the different products of the same; such as the management of portfolios, custody, financing, own investments and private issues.

FOR MORE INFORMATION:

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