

**FREE ENGLISH LANGUAGE TRANSLATION FROM
SPANISH VERSION**

Panacorp Casa de Valores, S. A.

**Independent Auditor's Report
and Financial Statements**

For the year ended on December 31, 2015

**"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.

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Free English Language Translation from Spanish Version

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of Panacorp Casa de Valores, S. A., which comprise the statements of financial position as of December 31, 2015, and the statements of profit or loss, comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for 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 is necessary to enable the preparation of these financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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



Tel: +507 279 9700
www.bdo.com.pa

Edificio BDO
Urb. Los Ángeles
Ave. El Paical
República de Panamá
0831-00303

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Panacorp Casa de Valores, S. A., as of December 31, 2015, its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Emphasis of matter that does not affect Opinion

The Company is a member of a group of related companies, as disclosed in Note 4 to the financial statements, maintains balances, transactions and important relationships with group companies. Due to the nature of these transactions, it is possible that the contracted terms are not the same as those that would result from transactions among wholly unrelated parties.

BDO
March 28, 2016.
Panama, Republic of Panama.

Panacorp Casa de Valores, S. A.

Statement of Financial Position

December 31, 2015

(Expressed in Balboas)

| ASSETS | Notes | 2015 | 2014 |
|--|-------|-------------------|-------------------|
| Cash and bank equivalents | 5 | 343,086 | 412,792 |
| Interest receivable | 6 | 968,190 | 590,053 |
| Accounts receivable - other | | 98,147 | 1,500 |
| Accounts receivable-related | 4 | 53,489 | - |
| Securities purchased under resale agreements | 7 | 22,484,586 | 11,775,426 |
| Securities available for sale | 8 | 12,579,662 | 10,379,893 |
| Securities held to maturity | 9 | 2,159,270 | - |
| Property, equipment and improvements | 10 | 313,977 | 307,263 |
| Other assets | | 22,562 | 13,904 |
| Total assets | | 39,022,969 | 23,480,831 |
| LIABILITIES AND EQUITY | | | |
| Liabilities | | | |
| Financing obligations | 11 | 16,870,627 | 13,871,134 |
| Accounts payable | | 100,032 | 24,274 |
| Securities sold under agreements for repurchase | 12 | 19,212,948 | 8,208,284 |
| Accounts payable - shareholders | 4 | 173,509 | 190,316 |
| Seniority premiums and indemnization | | 31,096 | 16,663 |
| Total liabilities | | 36,388,212 | 22,310,671 |
| Equity: | | | |
| Capital stocks | 13 | 2,000,000 | 1,195,000 |
| Capital paid in excess | | 271,880 | 271,880 |
| Revaluation surplus | 14 | 123,623 | 130,162 |
| Unrealized loss on fair value of securities available for sale | | (436,860) | (1,296,839) |
| Undistributed earnings | | 676,114 | 869,957 |
| Total equity | | 2,634,757 | 1,170,160 |
| Total liabilities and equity | | 39,022,969 | 23,480,831 |

The notes in pages 6 to 23 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, 2015

(Expressed in Balboas)

| | Notes | 2015 | 2014 |
|----------------------------------|-------|------------------|------------------|
| Income: | | | |
| Commissions | | 812,862 | 383,744 |
| Interest income | | 2,084,109 | 1,610,359 |
| Advisory service | 4 | 379,917 | 268,925 |
| Trust | | - | 615,283 |
| Other income | | 15,091 | 5,401 |
| Total income | | 3,291,979 | 2,883,712 |
| Interest expenses | | 1,560,810 | 995,384 |
| Net operating income | | 1,731,169 | 1,888,328 |
| Expenses: | | | |
| Professional fees | 4 | 595,280 | 250,951 |
| Salaries and other remunerations | | 345,522 | 279,155 |
| Travel and transportation | | 42,556 | 15,229 |
| Rent | | 27,724 | - |
| Bank charges | | 19,930 | 25,947 |
| Water, power and telephone | | 13,971 | 13,341 |
| Repair and maintenance | | 7,629 | 10,230 |
| Office supplies | | 5,847 | 4,364 |
| Advertising | | - | 4,347 |
| Depreciation | 10 | 22,315 | 20,314 |
| Other | | 45,777 | 52,127 |
| Total expenses | | 1,126,551 | 676,005 |
| Net profit | | 604,618 | 1,212,323 |

The notes in pages 6 to 23 are an integral part of these financial statements.

Panacorp Casa de Valores, S. A.

Statement of Comprehensive Income
For the year ended on December 31, 2015
(Expressed in Balboas)

| | Note | 2015 | 2014 |
|---|------|------------------|---------------|
| Net profit | | 604,618 | 1,212,323 |
| Other comprehensive income | | | |
| Items that are or will be reclassified to income statement | | | |
| Net change in fair value of securities available for sale | 8 | 859,979 | (1,155,335) |
| Total comprehensive loss, net | | <u>1,464,597</u> | <u>56,988</u> |

The notes in pages 6 to 23 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, 2015
(Expressed in Balboas)

| | Capital stocks | Capital paid in excess | Revaluation surplus | Net change on securities available for sale | Undistributed earnings | Total Equity |
|---|----------------|------------------------|---------------------|---|------------------------|--------------|
| Balance at January 1, 2014 | 1,195,000 | 271,880 | 136,701 | (141,504) | (348,905) | 1,113,172 |
| Transfer of revaluation surplus, depreciation | - | - | (6,539) | - | 6,539 | - |
| Net change on securities available for sale | - | - | - | (1,155,335) | - | (1,155,335) |
| Net profit - 2014 | - | - | - | - | 1,212,323 | 1,212,323 |
| Balance at December 31, 2014 | 1,195,000 | 271,880 | 130,162 | (1,296,839) | 869,957 | 1,170,160 |
| Transfer of revaluation surplus depreciation | - | - | (6,539) | - | 6,539 | - |
| Capitalisation of profits | 805,000 | - | - | - | (805,000) | - |
| Net change on securities available for sale | - | - | - | 859,979 | - | 859,979 |
| Net profit - 2015 | - | - | - | - | 604,618 | 604,618 |
| Balance at December 31, 2015 | 2,000,000 | 271,880 | 123,623 | (436,860) | 676,114 | 2,634,757 |

The notes in pages 6 to 23 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, 2015

(Expressed in Balboas)

| | Notes | 2015 | 2014 |
|---|-------|--------------------|---------------------|
| Cash Flows from Operating Activities | | | |
| Net profit | | 604,618 | 1,212,323 |
| Adjustment for: | | | |
| Depreciation | 10 | 22,315 | 20,314 |
| Net changes in operating assets and liabilities: | | | |
| Increase in interest receivable | | (378,137) | (456,539) |
| Increase in accounts receivable - other | | (96,647) | (950) |
| Increase in accounts Receivable-related | | (53,489) | - |
| Increase in securities purchased under resale agreement | | (10,709,160) | (4,938,917) |
| Increase in other assets | | (8,658) | (13,903) |
| Increase (decrease) in securities sold under agreements to repurchase | | 11,004,664 | (6,873,278) |
| Increase in accounts payable | | 75,758 | 10,231 |
| Increase in seniority premiums and indemnization | | 14,433 | 11,630 |
| Net cash provided by (used in) operating activities | | 475,697 | (11,029,089) |
| Cash flows from investing activities | | | |
| Acquisition of securities available for sale | | (2,199,769) | 5,968,156 |
| Unrealized loss on fair value of securities available for sale | | 859,979 | (1,155,335) |
| Acquisition of securities held to maturity | | (2,159,270) | - |
| Acquisition of fixed assets | 10 | (29,029) | (3,668) |
| Net cash (used in) provided by investing activities | | (3,528,089) | 4,809,153 |
| Cash flows from financing activities | | | |
| Financing obligations | | 2,999,493 | 6,226,634 |
| Cash received from shareholders | | (16,807) | 39,722 |
| Net cash provided by financing activities | | 2,982,686 | 6,266,356 |
| Net (decrease) increase in cash during the year | | (69,706) | 46,420 |
| Cash at the beginning of year | | 412,792 | 366,372 |
| Cash at the end of year | 5 | 343,086 | 412,792 |

The notes in pages 5 to 21 are an integral part of these financial statements.

Panacorp Casa de Valores, S. A.

Notes to the Financial Statements For the year ended on December 31, 2015 (Expressed in Balboas)

1. Organization and operations

Panacorp Casa de Valores, SA (the "Company") was incorporated under the laws of the Republic of Panama, duly recorded in the Public Registry of the Republic of Panama, on October 12, 2010. Its main activity is processing and trading in the Securities Market Superintendency for natural and legal persons. Originally the Company was called Madison Securities, S. A., but later change its name to Panacorp Casa de Valores, S. A. through a Meeting of Shareholders Act on February 6, 2009 and Public Deed No.2690 of April 23, 2009.

Its main office is located in PH Oceania Business Plaza, 1000 Tower, 22nd Floor, Office A-01, Punta Pacifica, Township of San Francisco, District of Panama, Republic of Panama.

Authorization for the issuance of financial statements

The issuance of these financial statements was authorized by the Directors of the Company on March 28, 2016.

2. Accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out 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 preparation of financial statements in compliance with International Financial Reporting Standards requires the use of certain critical accounting estimates and judgments. It also requires Management to exercise its judgment as appropriate by applying the accounting policies of the Company.

Basis of Measurement

The financial statements have been prepared based on historical, except for the assets presented at fair value, which are presented below:

- Financial instruments available for sale.

Notes to the Financial Statements
For the year ended on December 31, 2015
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Changes in accounting policies

New standards, International Financial Reporting Standards (IFRS) and interpretations not yet adopted

At the financial standards date there are standards that have not been applied in their preparation.

IFRS 9- Financial Instruments - Classification and Measurement

The final version of IFRS 9 Financial Instruments (2014) supersedes all previous versions of IFRS 9 issued in 2009, 2010 and 2013 and completed in replacement of project of IAS 39. The most important effects of these Standards are:

- IFRS 9 requires that all financial assets within the scope of IAS 39 Financial Instruments: Recognition and Measurement be subsequently recognized at amortized cost or at fair value. IFRS 9 eliminates existing categories in IAS 39 of items held until their maturity, available items for sale, loans and accounts receivable.
- Eliminates volatility in results caused by changes in liability credit risk measured at fair value, which implies that earnings produced by credit risk impairment proper of the Company in this type of obligations are not recognized in the result of the period.
- An approach substantially reformed for hedge accounting with improved disclosures on risk management activity.
- A new model for impairment based on “Expected Losses” that will require major and timely recognition of expected credit losses.

Effective date for IFRS 9 application is for annual periods beginning on January 1, 2018. This standard allows its early adoption.

By the nature of financial transactions held by the Company, the adoption of this rule could have a significant impact on the financial statements, an aspect that is being evaluated by management.

15- IFRS Revenue from Contracts with Costumers

This Standard establishes a comprehensive framework to determine how, how much and when the revenue shall be recognized. This Standard supersedes the existing guidelines including IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programmes. IFRS 15 is effective for annual periods beginning on or after January 1, 2017. This Standard allows early adoption.

The Company is evaluating the possible impact of the application of IFRS 15 on its financial statements.

Notes to the Financial Statements
For the year ended on December 31, 2015
(Expressed in Balboas)

Functional and presentation currency

The financial statements are expressed in the United States of America (US\$). The Republic of Panama does not issue paper currency, and the United States of America Dollars (US\$) is used as legal currency.

Financial assets

The Company classifies its financial assets depending on the purpose for which it was acquired.

Cash and deposits in banks

For cash flow preparation and bank deposit the Company considers as cash all cash accounts that have no restrictions in their use.

Time deposits whose maturity are less than three months appear as cash equivalents.

Securities available for sale

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 interest rates or prices of equity instruments. Profit or loss from changes in the fair value of securities are recognized directly in equity until the securities have been disposed or an impairment has been determined.

At this time, accumulated profit or loss, recognized previously in equity, is recognized in results, except for impairment losses, interest calculated using the effective interest rate method and profits or losses on foreign exchange 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 to maturity

Securities held to maturity are non-derivative financial assets whose fees are fixed or determinable and fixed maturities which the Company's management has the positive intention and ability to hold until maturity.

Impairment of financial assets

Financial assets, except those measured at fair value through profit or loss, are subject to review for impairment on each reporting date to determine if there is objective evidence of impairment. 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.

Notes to the Financial Statements
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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.

Securities available for sale disposals

The Company derecognizes securities only when the contractual rights to receive cash flows have expired, or when the Company has transferred the securities and substantially all the risks and benefits inherent to property securities to another entity. If the Company does not transfer or substantially retain all property risks and benefits and continues to control the transferred security, the Company recognizes its retained interest in the asset and liability related to the amounts that they would have to pay. If the Company substantially retains all property risks and benefits of a transferred security available for sale, the Company continues to recognize the security available for sale and also recognizes a liability secured by the amount received.

Impairment - Non-financial assets

The carrying value of the Company's nonfinancial assets is reviewed to determine if there is any indication that the asset may be permanently impaired. If there is any indication of impairment, then the recoverable amount of the asset must be estimated.

Panacorp Casa de Valores, S. A.
(Translation of Financial Statements originally issued in Spanish)

Notes to the Financial Statements
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The recoverable amount of an asset or its cash-generating unit is the highest of its value in use or fair value less costs to sell. In measuring the value in use, the estimated future cash are discounted to its current value using discount interest rate that reflects the current market evaluation from the value in money time and the specific risk of asset.

For purposes of deterioration test, assets are grouped within the minor asset group that generates entry flow from continuing use that are highly independent of the inflows from other assets or groups of assets (cash-generating units).

Property, equipment and improvements

The property, equipment and improvements are initially recognized at cost. Significant renewals and additions are capitalized, while minor replacements, repairs and maintenance which do not improve the asset or extend the useful life, are recorded as cost of expense operations within the period in which they occur.

The building was originally recorded at initial cost; Management adopted the accounting method for these assets at market value, recording a revaluation surplus in equity.

The revaluation surplus is transferred directly to the account of retained earnings in the extent that the building is being used by the Company, in which case the resulting amount is equal to the difference of depreciation based on the revalued amount of the asset and on the depreciation based on its cost.

The gain or losses on the withdrawal or disposition of property, equipment and improvements are the result of the difference between the net proceeds of the disposition and the carrying amount of the asset, and are recognized as income or expense in the period in which they are incurred.

Depreciation and amortization are calculated by the straight-line method, based on the estimated useful life for the following years:

| <u>Assets</u> | <u>Estimated useful life</u> <u>(years)</u> |
|--------------------------------|--|
| Building | 25 |
| Improvements | 5 |
| Furniture and Office equipment | 3 - 5 |
| Computer equipments | 5 |

An impairment loss is recognized if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable value. Impairment losses are recognized in the profit or loss.

Notes to the Financial Statements
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An impairment loss is reversed if there has been any change in the estimate used to determine the recoverable amount. An impairment loss is reversed until the carrying value of the asset, only if does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if it wouldn't been recognized an impairment loss.

Financial liabilities

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

The financings are recognized at cost, which approximates fair value

Securities purchased under resale and repurchase agreements

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, an 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.

Income fees

Commissions are recognized as income when collected since they are short-term transactions. Revenues initially recognized are not slightly different from those recognized under the method of accrual or when accrued.

Notes to the Financial Statements
For the year ended on December 31, 2015
(Expressed in Balboas)

Capital Stock

Financial instruments issued by the Company are classified as equity only in the extent that they do not meet the definition of a liability or a financial asset.

The common shares of the Company are classified as equity instruments.

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.

Income tax

Income tax is the estimated tax payable on the statement of financial position taxable income for the current year using the effective rates at the date of the statement of financial position and any other adjustment on the tax payable in accordance with previous years.

3. Critical Accounting Estimates and judgments

Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions. The estimates and assumptions that have a significant risk of causing material adjustments to carrying amounts of assets and liabilities within the next financial year are discussed below.

Impairment of investments

The Company determines whether its investments are impaired when there has been a significant or prolonged drop in the fair value under the cost or if there are no technical and fundamental elements to understand and explain said drop.

Said judgment is determined by evaluating, among other factors, the particular condition of the issuer, the interest rates, the overall context of the market, the industry's performance, the operational and financial flows and the investment components.

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Estimated useful life of property, equipment and improvements

Building, furniture and equipment are depreciated over their useful lives. Useful lives are based on management's estimates of the period in which the assets will generate income, which are constantly reviewed for adjustment. Changes in estimates can result in significant adjustments in the amounts provided and recognized in the statement of profit or loss of specific periods.

Income tax

Income tax is the estimated tax payable on the taxable income for the current year using the effective rates at the date of the balance and any other adjustment on the tax payable in accordance with previous years. At the date of these financial statements, the Company has not generated taxable income that requires an income tax estimate.

4. Balances with Related Parties

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

| Statement of financial position | 2015 | 2014 |
|--|----------------|----------------|
| Assets | | |
| Account receivable | | |
| Panacorp Fideicomiso, S. A. | 36,489 | - |
| Financiera Avanza, S. A. | 17,000 | - |
| | <u>53,489</u> | <u>-</u> |
| | | |
| Account payable - shareholders | <u>173,509</u> | <u>190,316</u> |
| | | |
| Profit and loss | | |
| Income: | | |
| Counseling service | | |
| Panacorp Fideicomiso, S. A. | 241,075 | 268,925 |
| Financiera Avanza, S. A. | 17,000 | - |
| | <u>258,075</u> | <u>268,925</u> |
| | | |
| Expenses: | | |
| Profesional fees | | |
| Panacorp Fideicomiso, S. A. | 10,438 | 89,635 |

Accounts payable -shareholders neither have a define payment plan, nor accrue interest on their balances and have no expiration date.

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Notes to the Financial Statements
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(Expressed in Balboas)

5. Cash

The cash is detailed as follows:

| | 2015 | 2014 |
|--------------------------|----------------|----------------|
| Petty Cash | 200 | 200 |
| Local sight deposits | 106,859 | 102,299 |
| Foreing sight deposits | 86,027 | 160,293 |
| Local long term deposits | 150,000 | 150,000 |
| | <u>343,086</u> | <u>412,792</u> |

The fixed deposit bears an annual interest rate of 3.50% (2014: 3.75%).

6. Interest receivable

Interest receivable B/.968,190 (2014: B/.590,053) are fixed term product that keeps the Company in Balboa Bank for B/.150,000, also comprise interests arising from financing or margin loans indexed securities values which generate a yield margins between 3% to 15% annually and commissions for other investments. Additionally acquired during the third quarter Negotiable Trading Securities credited to a rate of 7% with a maturity of 180 days.

7. Securities purchased under resale agreements

Securities purchased under resale agreements are detailed below:

| | 2015 | 2014 |
|------------------------------------|-------------------|-------------------|
| Shares of international companies | 277,680 | 394,570 |
| Corporate bonds | 16,456,629 | 6,470,300 |
| Bonds of the Republic of Venezuela | 5,750,277 | 4,910,556 |
| | <u>22,484,586</u> | <u>11,775,426</u> |

Financial assets are indexed securities margin loans which have an annual rate of 3% to 15%. These financial assets indexed securities, are guaranteeing funding obligations Note 11.

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(Translation of Financial Statements originally issued in Spanish)

Notes to the Financial Statements
For the year ended on December 31, 2015
(Expressed in Balboas)

8. Securities available for sale

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

| | 2015 | 2014 |
|------------------------------------|-------------------|-------------------|
| Shares of international companies | 941,098 | 1,153,608 |
| Corporate bonds | 2,466,524 | 100,000 |
| Bonds of the Republic of Venezuela | 9,172,040 | 8,979,745 |
| Trust Fund | - | 146,540 |
| | <u>12,579,662</u> | <u>10,379,893</u> |

The movement of securities available for sale is summarized below:

| | 2015 | 2014 |
|--------------------------------|-------------------|-------------------|
| Balance at beginning of year | 10,379,893 | 16,348,049 |
| Purchases | 2,856,286 | 545,351 |
| Acquisition indexed securities | 64,446,547 | 11,119,883 |
| Sales | (65,963,043) | (16,478,055) |
| Changes in fair value | 859,979 | (1,155,335) |
| Balance at end of year | <u>12,579,662</u> | <u>10,379,893</u> |

9. Securities held to maturity

The values at maturity consist of investments in bonds of the Republic of Venezuela:

| | 2015 | 2014 |
|--|------------------|----------|
| PDVSA26, maturing at 15 de November. 2026 | 1,846,734 | - |
| PETROBONO2016, maturing at 28 October 2016 | 312,536 | - |
| | <u>2,159,270</u> | <u>-</u> |

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Notes to the Financial Statements
 For the year ended on December 31, 2015
 (Expressed in Balboas)

10. Property, equipment and improvements

| 2015 | Balance at beginning of Year | Additions | End of year |
|---|------------------------------------|-----------------|------------------|
| Cost: | | | |
| Building (Revalued) | 335,000 | - | 335,000 |
| Improved property | 1,412 | 10,616 | 12,028 |
| Furniture and equipment | 19,393 | 5,918 | 25,311 |
| Software | 27,328 | 476 | 27,804 |
| Computer equipment | 37,838 | 12,019 | 49,857 |
| | <u>420,971</u> | <u>29,029</u> | <u>450,000</u> |
| Depreciation and amortization accumulated: | | | |
| Building (Revalued) | (53,600) | (13,400) | (67,000) |
| Improved property | (1,408) | (351) | (1,759) |
| Furniture and equipment | (9,454) | (2,447) | (11,901) |
| Software | (13,872) | (4,558) | (18,430) |
| Computer equipment | (35,374) | (1,559) | (36,933) |
| | <u>(113,708)</u> | <u>(22,315)</u> | <u>(136,023)</u> |
| Net Cost | <u>307,263</u> | <u>6,714</u> | <u>313,977</u> |
| 2014 | | | |
| Cost | <u>417,303</u> | <u>3,668</u> | <u>420,971</u> |
| Depreciation and amortization accumulated: | <u>(93,394)</u> | <u>(20,314)</u> | <u>(113,708)</u> |
| Net Cost | <u>323,909</u> | <u>(16,646)</u> | <u>307,263</u> |

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11. Obligations finance

Funding obligations are detailed below:

| | 2015 | 2014 |
|--|-------------------|-------------------|
| Bank J. Safra Sarasin Ltd.: | | |
| Loan authorized to purchase securities at an interest rate of 1.9219% with active portfolio guarantee; a period of 30 days expiring January 28, 2016 | 3,755,000 | 2,315,000 |
| Amicorp Bank and Trust Limited: | | |
| Loan authorized to purchase securities at an interest rate of 1% with active portfolio guarantee; maturing in October 2016 | 6,000,000 | 5,999,985 |
| Dinosaur Merchant Bank, Ltd.: | | |
| Loan authorized to purchase securities at an interest rate of 1.25% with active portfolio guarantee and maturing on January 29, 2016 | 6,140,707 | 5,444,604 |
| | <u>15,895,707</u> | <u>13,759,589</u> |
| Other financing: | 209,872 | 111,545 |
| Interactive Brokers - overdraft | 765,048 | - |
| Total financing obligations | <u>16,870,627</u> | <u>13,871,134</u> |

12. Securities sold under repurchase agreements

The securities sold under repurchase agreements are detailed below:

| | 2015 | 2014 |
|------------------------------------|-------------------|------------------|
| Shares of international companies | 277,680 | 394,570 |
| corporate bonds | 16,493,161 | 6,621,119 |
| Bonds of the Republic of Venezuela | 2,442,107 | 1,192,595 |
| | <u>19,212,948</u> | <u>8,208,284</u> |

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13. Capital stock

| | 2015 | 2014 |
|--|------------------|------------------|
| The shareholders authorized share capital amounts to the sum of B/. 2,000,000 (2014: B/.1,195,000) consisting of 2,000,000 (1,195,000) common nominative shares with a nominal value of B/.1.00 each. All shares are issued and outstanding. | <u>2,000,000</u> | <u>1,195,000</u> |

By Minutes of the Board of Directors held on March 25, 2015, shareholders approved the capitalization make a charge to earnings as of December 31, 2014, in the amount of B/. 805,000, so that capital increases Company B/. 1,195,000 at B/. 2,000,000.

14. Revaluation surplus

The revaluation surplus of the building, looks like this:

| | <u>Original cost</u> | <u>Market value</u> | <u>Revaluation surplus</u> |
|---|--------------------------|-------------------------|--------------------------------|
| 2015 | | | |
| Building (Revalued) - house 69114 | 178,682 | 335,000 | 156,318 |
| Transfer surplus accumulated depreciation revaluation | | | (26,156) |
| Transfer of revaluation surplus depreciation | | | <u>(6,539)</u> |
| Balance December 31, 2015 | | | <u>123,623</u> |
| 2014 | | | |
| Building (Revalued) - house 69114 | 178,682 | 335,000 | 156,318 |
| Transfer surplus accumulated depreciation revaluation | | | (19,617) |
| Transfer of revaluation surplus depreciation | | | <u>(6,539)</u> |
| Balance December 31, 2014 | | | <u>130,162</u> |

During the period 2013, the Company revalued the building, increasing the value of B/. 156,318, which is being reduced by depreciation at the rate of 25 years.

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15. Income tax

According to Panamanian tax legislation in force, the Company is exempt from income tax in respect of profits from foreign sources. It is also exempt from income tax, interest earned on deposits in local banks, interest earned on Panamanian State securities and investments in securities - securities issued by the Stock Exchange of Panama, S. A.

Tax returns on income of companies incorporated in the Republic of Panama are subject to review by the tax authorities for the last three years, including December 31, 2015.

The Company as of 31 December 2015, did not generate taxable income.

16. Financial instruments - risk management

In common way with all other businesses, the Company is exposed to risks arising from the use of financial instruments. This note describes the objectives, policies and processes of the Company to manage the risks and methods used to measure them. Additional quantitative information on these risks is presented throughout these financial statements.

Under its operations, the Company is exposed to the following financial risks:

- Credit risk
- Market risk
- Liquidity risk
- Operational risk.

The main financial instruments used by the Company, of which their respective financial risks arising, are as follows:

- Cash - bank accounts
- Interest receivable
- Securities purchased under resale agreements
- Securities available for sale
- Securities held to maturity
- Debts to pay
- Financing obligations
- Securities sold under repurchase agreements

All identified financial instruments of the Company are of short duration, why it is considered their registered as fair value.

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Objectives, policies and general processes

The Board has overall responsibility for the determination of the objectives and policies of risk management of the Company and, while it retains the ultimate responsibility for these has delegated the authority of the design and operation of processes to ensure effective implementation objectives and policies of the administration of the Company. The Board receives reports from the Administration, through which reviews the effectiveness of the established processes and appropriateness of the objectives and policies.

The overall objective of the Board is to set policies to reduce the risk as far as possible, without unduly affecting the competitiveness and flexibility of the Company. Below are indicated further details regarding such policies:

Credit risk

Credit risk arises because the debtor, issuer or counterparty to a financial asset owned by the Company, does not fully comply on time with any payment owed to the Company in accordance with the terms and conditions agreed at the time the company acquired or originated the respective financial asset.

Market risk

Market risk is the risk that financial instruments suffer a decline in value by fluctuations in interest rates, currency conversion or other price risks. None of the risks have material effect on financial assets and liabilities of the Company because it does not have financial instruments denominated in foreign currency or equity securities. The fluctuation of interest you might have in their savings accounts would not have a significant negative impact.

Liquidity risk

Liquidity risk arises from the management of working capital of the Company and financial charges. This is the risk that the Company will find it difficult to meet its financial obligations at maturity.

The policy of the Company to managing liquidity is to ensure compliance with regulatory requirements (see note 12), to meet its obligations when due, under normal circumstances and stressed conditions, without incurring unacceptable losses or at risk of damage to the reputation of the Company.

The following are the contractual maturities of financial liabilities as of 31 December 2015 and 2014:

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| 2015 | Amount | Up to one year | More than one year |
|---|---------------|---------------------------|-----------------------------------|
| Financing obligations | 16,870,627 | 16,870,627 | - |
| Debts to pay | 100,031 | 100,031 | - |
| Financial liabilities indexed to securities | 19,212,948 | 19,212,948 | - |
| 2014 | | | |
| Financing obligations | 13,871,134 | 7,871,149 | 5,999,985 |
| Debts to pay | 24,274 | 24,274 | - |
| Financial liabilities indexed to securities | 8,280,284 | 8,208,284 | - |

Operational risk

Operational risk is the risk of direct or indirect losses caused by the failure or failure of processes, people and internal or external events that are not related to credit risk or liquidity systems such as those from legal and regulatory requirements and compliance with standards generally accepted standards of corporate behavior.

To manage this risk, the Company management remains within its policies and procedures the following controls: segregation of duties, internal and administrative controls.

Capital Management

The Company policy is to maintain a strong capital base to support its operations and growth, maintaining a balance of return to its shareholders; and at the same time, meeting the minimum capital requirements of the Securities Market Superintendency.

17. Regulatory framework

The 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 Superintendency of Securities Market from Panama. Agreement No. 9-2011 extends the entry into force of the Agreement 4-2011, which will be from July 2012, except for Articles 4, on the Minimum Total Capital Required First Chapter on general provisions, the which shall be two hundred fifty thousand dollars (\$ 250,000) from January 27, 2012 and Article 13 on Current Ratio de las Casas Securities Chapter Six whose validity that from January 1, 2012, and the Agreement 8- 2013 September 30, 2013, extends the entry into force of the Agreement 4-2011, from 1 October 2013. according to Article 4 of the 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.

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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, 2015, the Company had assets eligible for compliance with the liquidity ratio in the amount of B/.22,878,041 (2014: B/.12,173,321), which exceed current liabilities of B/.11,081,741 (2014: B/.8,072,116).

At December 31, it holds a Capital Fund which is detailed below:

| | 2015 | 2014 |
|--|------------------|------------------|
| Capital required by the regulator | <u>350,000</u> | <u>350,000</u> |
| Capital fund: | | |
| Amount of capital fund | 2,093,198 | 1,288,198 |
| Net property, plant and equipment | (313,977) | (307,264) |
| Gains (losses) | 65,059 | (348,904) |
| Net income | 604,618 | 1,212,323 |
| Other actives | (22,562) | (13,904) |
| Equity Fund | <u>2,426,336</u> | <u>1,830,449</u> |

As of December 31, 2015, the Company presents the following information liquidity ratio, solvency ratio and capital fund reported to the Regulator:

| | 2015 | |
|--|------------------------|-------------------------|
| | <u>According books</u> | <u>Mínimum required</u> |
| Liquidity Ratio | | |
| Assets eligible for liquidity | 22,878,041 | |
| Liabilities receivables less than one year | 11,081,741 | 30% liabilities |
| Minimum required liquidity ratio | <u>3,324,041</u> | <u>Short Term</u> |
| Capital adequacy ratio | | |
| Principal amount reported | 2,426,204 | 350,000 |
| Exposure value of credit risk or | 10,395,004 | |
| Capital adequacy ratio | 23.34% | 8% |
| Capital fund | | |
| Amount of capital fund reported | <u>2,426,204</u> | <u>350,000</u> |
| Amount of capital required | <u>350,000</u> | <u>350,000</u> |

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| | 2014 | |
|--|--------------------|---------------------|
| | According books | Minimum required |
| Liquidity Ratio | | |
| Assets eligible for liquidity | 12,173,321 | - |
| Liabilities receivables less than one year | 8,072,116 | 30% liabilities |
| Minimum required liquidity ratio | <u>2,421,635</u> | <u>Short term</u> |
| Capital adequacy ratio | | |
| Principal amount reported | 1,830,450 | 350,000 |
| Exposure value of credit risk or | 7,588,742 | - |
| Capital adequacy ratio | 24.12% | 8% |
| Capital fund | | |
| Amount of capital fund reported | <u>1,830,450</u> | <u>351,566</u> |
| Amount of capital required | <u>351,566</u> | <u>351,566</u> |

18. Administrative portfolio third

The third managed portfolio is B/.48,989,203 (2014: B/.4,837,219 at December 31, 2015).

It breaks down as follows:

| | 2015 | 2014 |
|----------------------------------|-------------------|------------------|
| Local securities custody | 2,000,000 | - |
| International securities custody | 44,606,487 | 3,915,934 |
| Cash international custody | 470,618 | 10,592 |
| Effective local banks | 1,636,376 | 242,366 |
| Cash international banks | 275,722 | 668,327 |
| Total | <u>48,989,203</u> | <u>4,837,219</u> |