FREE ENGLISH LANGUAGE TRANSLATION FROM SPANISH VERSION

Panacorp Casa de Valores, S. A .

Independent Auditors' Report and Financial Statements

For the year ended on December 31, 2016

"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

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

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

INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Shareholders
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. of financial position as at December 31, 2016 and the statements of profit or loss, of 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 consolidated financial statements present fairly, in all important aspects, the financial position of Panacorp Casa de Valores S. A. and Subsidiary, as at December 31, 2016, its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Basis of 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 Consolidated Financial Statements of our report. We are independent of the Group in accordance with the Code of Ethics for Professional Accountants of The International Ethics Standards Board for Accountants (IESBA), together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the Republic of Panama, and we have fulfilled with our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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.

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

In preparing the financial statements, Management is responsible for evaluating the Group'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 Group or cease its operations, or has no other realistic alternative to do so.

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

Auditor's Responsibility in the Audit of Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free of material misstatement, whether due to fraud or error, and to issue the auditor's report that includes our opinion. Reasonable security 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 consolidated financial statements.

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

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

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

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

- 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 Companies' 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.

We communicate 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

March 27, 2017.
Panama, Republic of Panama.

Panacorp Casa de Valores, S. A.

Statement of Financial Position
December 31, 2016
(Expressed in Balboas)

ASSETS	Notes	2016	2015
Cash and bank deposits	6	**583,002**	343,086
Interest receivable	7	**1,388,529**	968,190
Accounts receivable - others		**40,460**	98,147
Accounts receivable-related parties	5	**13,000**	53,489
Securities purchased under resale agreement	8	**18,234,402**	22,484,586
Securities available for sale	9	**23,494,734**	12,579,662
Securities held to maturity	10	**2,389,255**	2,159,270
Property, equipment and improvements	11	**30,248**	313,977
Other assets	12	**346,576**	22,562
Total assets		**46,520,206**	39,022,969
LIABILITIES AND EQUITY			
Liabilities			
Financing obligations	13	**18,521,716**	16,870,627
Accounts payable		**43,949**	100,032
Securities sold under agreement for repurchase	14	**23,252,902**	19,212,948
Accounts payable - shareholders	5	**149,365**	173,509
Provision for seniority premiums and indemnization		**26,510**	31,096
Total liabilities		**41,994,442**	36,388,212
Commitments and Contingencies	19 and 20		
Equity:			
Capital stocks	15	**2,000,000**	2,000,000
Capital paid in excess		**271,880**	271,880
Revaluation surplus	16	**-**	123,623
Net changes on securities available for sale		**(351,025)**	(436,860)
Undistributed earnings		**2,604,909**	676,114
Total equity		**4,525,764**	2,634,757
Total liabilities and equity		**46,520,206**	39,022,969

The notes in pages 6 to 26 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, 2016
(Expressed in Balboas)

	Notes	2016	2015
Income:			
Commissions		**1,261,024**	812,862
Interest income		**3,547,745**	2,084,109
Advisory service	5	**255,845**	379,917
Other income		**163,752**	15,091
Total income		**5,228,366**	3,291,979
Interest expenses		**1,902,865**	1,560,810
Net operating income		**3,325,501**	1,731,169
Expenses:			
Salaries and other remunerations		**425,031**	345,522
Professional fees	5	**388,500**	595,280
Commissions		**259,188**	-
Rent		**66,683**	27,724
Bank charges and interests		**35,177**	19,930
Travel and transportation		**15,289**	42,556
Depreciation	11	**11,974**	22,315
Water, power and telephone		**10,183**	13,971
Advertising		**8,426**	-
Repair and maintenance		**5,396**	7,629
Office supplies		**4,715**	5,847
Other		**156,659**	45,777
Total expenses		**1,387,221**	1,126,551
Income Tax	17	**9,485**	-
Net profit		**1,928,795**	604,618

The notes in pages 6 to 26 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, 2016
(Expressed in Balboas)

	Note	2016	2015
Net profit		**1,928,795**	604,618
Other comprehensive income:			
Items that are or will be reclassified to profit or loss			
Net change in fair value of securities	9	**85,835**	859,979
Revaluation surplus		**(123,623)**	-
Total comprehensive loss, net		**1,891,007**	1,464,597

The notes in pages 6 to 26 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, 2016
(Expressed in Balboas)

	Note	Capital stocks	Capital paid in excess	Revaluation surplus	Net change on securities available for sale	Undistributed earnings	Total Equity
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	-
Capitalization of profits	15	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
Building Sales		-	-	(123,623)	-	-	(123,623)
Net changes on securities available for sale		-	-	-	85,835	-	85,835
Net profit - 2016		-	-	-	-	1,928,795	1,928,795
Balance at December 31, 2016		**2,000,000**	**271,880**	**-**	**(351,025)**	**2,604,909**	**4,525,764**

The notes in pages 6 to 26 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, 2016
(Expressed in Balboas)

	Notes	2016	2015
Cash flows from operating activities			
Net profit		**1,928,795**	604,618
Adjustment for:			
Depreciation	11	**11,974**	22,315
Other income		**(163,653)**	-
Net changes in operating assets and liabilities:			
Increase in interest receivable		**(420,339)**	(378,137)
Decrease (increase) in accounts receivable - Other		**57,687**	(96,647)
Decrease (increase)in accounts Receivable - related		**40,489**	(53,489)
Decrease (increase) in securities purchased under resale agreement		**4,250,184**	(10,709,160)
Increase in other assets		**(324,014)**	(8,658)
Decrease in securities sold under agreements to repurchase		**(6,875,118)**	(53,441,883)
Decrease (increase) in accounts payable		**(56,083)**	75,758
Decrease (increase) in seniority premiums and indemnization		**(4,587)**	14,433
Net cash used in operating activities		**(1,554,665)**	(63,970,850)
Cash flows from investing activities			
Acquisition of securities available for sale	9	**(302,258,499)**	(2,856,286)
Sale of securities available for sale	9	**302,344,335**	65,963,043
Acquisition of securities held to maturity		**(229,985)**	(2,159,270)
Acquisition of fixed assets	11	**(4,390)**	(29,029)
Building Sale		**316,175**	-
Net cash provided by investing activities		**167,636**	60,918,458
Cash flows from financing activities			
Increase of financing obligations		**1,651,089**	2,999,493
Cash paid to shareholders		**(24,144)**	(16,807)
Net cash provided by financing activities		**1,626,945**	2,982,686
Net increase (decrease) in cash during the year		**239,916**	(69,706)
Cash at the beginning of year		**343,086**	412,792
Cash at the end of year	6	**583,002**	343,086

The notes in pages 6 to 26 are an integral part of these financial statements.

1. Organization and operations

Panacorp Casa de Valores, S. A., (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 Superintendence 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 27, 2017.

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 the financial statements comply with International Financial Reporting Standards which requires the use of certain critical accounting estimates and judgements. It also requires Management to exercise judgement applying the Company's accounting policies.

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 instruments available for sale.

Changes in accounting policies:

a. New standards, interpretations and amendments effective from January 1st, 2016

These financial statements have adopted a number of new standards, interpretations and amendments effective for the first time for periods beginning on or after 1 January 2016. Management has determined that none have a significant effect on the preparation of the financial statements. The nature and effect of these standards are set out below:

IFRS 7 Financial Instruments: Disclosures

The amendment to IFRS 7 addresses two aspects: contracting services and their applicability in interim financial statements of the counterpart amendments that were made to IFRS 7 in December 2011.

(i) Service Contracts: The International Accounting Standards Board clarifies the circumstances in which an entity has continued to participate in the provision of services to a transferred asset. There is ongoing involvement if the service provider has a future interest in the performance of the transferred financial asset. Examples of situations where continued involvement exists are those where the service fee of a transferor is:

- A variable charge that depends on the amount of the transferred asset that is finally recovered; or

- A fixed charge that cannot be fully paid due to non-compliance with the transferred financial assets.

- The amendment should be applied retrospectively in accordance with IAS 8 - Accounting policies, changes in accounting estimates and errors, however, it is not necessary to apply the amendment for any period beginning before the annual period in which the entity applies the amendments for the first time. Consequently, an amendment to IFRS 1 - First-time Adoption of International Financial Reporting Standards has been introduced, so that the same transitional provision applies to first time adopters.

(ii) Applicability of compensation in condensed interim financial statements
A new amendment to IFRS 7 has clarified that the application of the amended financial assets and financial liabilities (amendment to IFRS 7) issued in December 2011 is not explicitly required for all interim periods, however, it is noted that in some cases these disclosures may need to be included in the interim condensed financial statements to comply with IAS 34.

IAS 1 - Presentation of financial statements, amendment of December 2014

Modifications to IAS 1 include:

- Materiality – Aggregations or disaggregations must not hide useful information. Materiality applies to each of the specific financial statements, notes and disclosures required by IFRS.
- Main items in the financial statements - Additional guidance for the main items that need to be presented in the basic financial statements, namely those needed for disaggregation, and new requirements necessary for the use of subtotals.
- Notes to the financial statements - The determination of the order of the notes should include the consideration of comprehensibility and comparability of these financial statements. It has been clarified that the order indicated in IAS 1 numeral 114 (c) is illustrative only.
- Accounting Policies - Elimination of the examples in IAS 1 numeral 120 in regards to income tax and profit or loss of foreign currencies.

In addition, the following amendments to IAS 1 arose from a presentation received by the IFRS Interpretations Committee:

- Equity investments: An entity's interest in other comprehensive income will be divided among those elements that will or will not be reclassified into income, and will be presented in aggregate form as a single line item within those two groups.

IAS 16 Property, plant and equipment and IAS 38 Intangible assets

Clarification of acceptable depreciation and amortization methods

IAS 16 has been amended to prohibit the use of profit-based depreciation methods for property, plant and equipment items. This is because gains generated by an activity that includes the use of a property, plant and equipment items generally reflect factors other than the consumption of economic benefits of the item such as:

- Other income and processes
- Sales activities and changes in sales
- Volumes and prices, and
- Inflation

The depreciation guidance has been expanded to dictate that expected future reductions in the selling price of items produced by a property, plant and equipment may indicate technical or commercial obsolescence (and thus a reduction in the realized economic benefits in the article), instead of a change in the amount or period of the item.

IAS 38 has been amended to incorporate a rebuttable presumption that the amortization based on income is not appropriate. This presumption can be debated if:

- The intangible asset is expressed as a profit measure;
- The gains and consumption of the economic benefits of the intangible asset are highly correlated.

b. Standards not yet effective and early adopted

As of the date of the financial statements, there are new standards, amendments and interpretations to standards, which are not effective for the year ended on December 31, 2017, which have not been early adopted in preparing these financial statements. Management is evaluating if any of these will have a significant effect on the financial statements, once they are adopted.

The most relevant standards and amendments are listed below:

Standards	***Effective Date***
• IAS 7 - Statement of Cash Flows: Relief Initiative, annual amendment of January 2016.	January 1, 2017
• IFRS 9 - Financial Instruments, issued in July 2014.	January 1, 2018
• IFRS 15 - Revenues from contracts with customers - issued in May 2014	January 1, 2018
• IFRS 16 - Leases.	January 1, 2019

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 is less than three months appear as cash equivalents.

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

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

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

Securities 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.

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 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.

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.

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:

Assets	**Estimated useful life (years)**
Building	25
Improvements	5
Furniture and Office equipment	3 - 5
Computer equipment	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.

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.

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.

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, and the overall context of the market, the industry's performance, the operational and financial flows and the investment components.

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. Fair value of financial instruments

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

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

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

Financial instruments measured at fair value

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

- Level 1 - Prices quoted in active markets for identical assets or liabilities.

- Level 2 - Valuation techniques for which all market variables are observable, directly or indirectly.

- Level 3 - Valuation techniques that include significant variables that are not based on observable market variables.

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

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

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

When reference prices are available in an active market, the available-for-sale securities are classified within the fair value hierarchy level 1. If market value prices are not available or available in non-active markets, the fair value is estimated on the basis of the prices of other similar instruments or if these prices are not available, internal techniques are used of valuation mainly models of discounted cash flows.

These types of securities are classified within level 2 of the fair value hierarchy. The main valuation methods, assumptions and variables used in the estimation of the fair value of financial instruments classified in level 1 are as follows:

Financial assets / financial liabilities	Fair Value december 31 2016	2015	Fair Value Hierarchy	Valuation technique (s) and main input data	Significant non-observable data (s)
International company shares	552,901	941,098	1	Market price	Market price
Corporate Bonds	13,664,177	2,466,524	1	Market price	observed in
Bonds of the Republic of Venezuela	9,277,656	9,172,040	1	Market price	
	23,494,734	12,579,662			

5. 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	**2016**	2015
Assets		
Account receivable shareholder:		
Panacorp Fideicomiso, S. A.	-	36,489
Financiera Avanza, S. A.	13,000	17,000
	13,000	53,489
Account payable - shareholders	149,365	173,509
Statement of profit and loss		
Income:		
Advisory service:		
Panacorp Fideicomiso, S. A.	47,605	241,075
Financiera Avanza, S. A.	-	17,000
	47,605	258,075
Expenses:		
Professional fees:		
Panacorp Fideicomiso, S. A.	-	10,438

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

6. Cash and bank deposits

The cash and bank deposits are detailed as follows:

	2016	2015
Petty cash	200	200
Local sight deposits	184,215	106,859
Foreign sight deposits	391,414	86,027
Investment fund	7,173	-
Local long-term deposits	-	150,000
	583,002	343,086

The fixed deposit bears an annual interest rate of 3.50% (2015: 3.50%).

7. Interest receivable

Interest receivable for the amount of B/.1,388,529 (2015: B/.968,190) 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 yield margins between 4% to 12% annually and interest for other investments (2015: 3.25% to 12% annually).

8. Securities purchased under resale agreements

Securities purchased under resale agreements are detailed below:

	2016	2015
Shares of international companies	52,884	277,680
Corporate bonds	12,329,648	16,456,629
Bonds of the Republic of Venezuela	5,851,870	5,750,277
	18,234,402	22,484,586

Financial assets are indexed securities margin loans which have an annual rate of 4% to 12% (2015: 3% to 15%) These financial assets indexed securities, are guaranteeing funding obligations Note 13.

9. Securities available for sale

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

	2016	2015
Shares of international companies	552,901	941,098
Corporate bonds	13,664,177	2,466,524
Bonds of the Republic of Venezuela	9,277,656	9,172,040
	23,494,734	12,579,662

The movement of securities available for sale is summarized below:

	2016	2015
Balance at beginning of year	12,579,662	10,379,893
Purchases	302,258,499	2,856,286
Acquisition of indexed securities	10,915,073	64,446,547
Sales	(302,344,335)	(65,963,043)
Changes in fair value	85,835	859,979
Balance at end of year	23,494,734	12,579,662

10. Securities held to maturity

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

2016	**Amortized Cost**	**Market Value**
PDVSA26, maturity at 15 November 2026	1,952,377	1,156,350
PDVSA 5 , maturity at 12 de April 2017	436,878	433,537
	2,389,255	1,589,887

2015	**Amortized Cost**	**Market Value**
PDVSA26, maturity at 15 November 2026	1,846,734	1,111,500
PETROBONO2016, maturity at 28 October 2016	312,536	286,538
	2,159,270	1,398,038

11. Property, equipment and improvements

Property, equipment and improvements is detailed as follows:

2016	**Balance at beginning of year**	**Additions**	**Disposition**	**Balance at end of year**
Cost:				
Building (revalued)	335,000	-	335,000	-
Improved property	12,028	-	1,412	10,616
Furniture and equipment	25,311	1,613	19,393	7,531
Software	27,804	1,119	-	28,923
Computer equipment	49,857	1,658	-	51,515
	450,000	4,390	355,805	98,585
Depreciation and amortization accumulated:				
Building (revalued)	67,000	-	67,000	-
Improved property	1,759	2,123	1,412	2,470
Furniture and equipment	11,901	1,290	11,248	1,943
Software	18,430	5,663	-	24,093
Computer equipment	36,933	2,898	-	39,831
	136,023	11,974	79,660	68,337
Net cost	313,977	(7,584)	276,145	30,248

2015	**Balance at beginning of year**	**Additions**	**Balance at end of year**
Cost	420,971	29,029	450,000
Depreciation and amortization accumulated:	(113,708)	(22,315)	(136,023)
Net cost	307,263	6,714	313,977

12. Other assets

The other assets are detailed as follows:

	2016	2015
Restricted deposits	308,093	-
Deposits given in guarantees	1,429	928
Prepaid expenses and others	37,054	21,634
	346,576	22,562

13. Financing obligations

Funding obligations are detailed below:

	2016	2015
Bank J. Safra Sarasin Ltd.:		
Loan authorized to purchase securities at an interest rate of 2.26% with active portfolio guarantee; a period of 30 days expiring January 27, 2017.	5,965,000	3,755,000
Amicorp Bank and Trust Limited:		
Loan authorized to purchase securities at an interest rate of 1% with active portfolio guarantee; maturing in June 22, 2018.	6,000,000	6,000,000
Dinosaur Merchant Bank, Ltd.:		
Loan authorized to purchase securities at an interest rate of 1.50% and 2.65% with active portfolio guarantee and maturing on January 31, 2017.	5,988,632	6,140,707
	17,953,632	15,895,707
Other financing:	204,747	209,872
Interactive Brokers - overdraft	363,337	765,048
Total financing obligations	18,521,716	16,870,627

14. Securities sold under repurchase agreements

The securities sold under repurchase agreements are detailed below:

	2016	2015
Shares of international companies	139,658	277,680
Corporate bonds	13,887,797	16,493,161
Bonds of the Republic of Venezuela	9,225,447	2,442,107
	23,252,902	19,212,948

15. Capital stock

	2016	2015
The shareholders authorized share capital amounts to the sum of B/. 2,000,000 (2015: B/.2,000,000) consisting of 2,000,000 common nominative shares with a nominal value of B/.1.00 each. All shares are issued and outstanding.	2,000,000	2,000,000

Through Minutes of the Board of Directors held on March 25, 2015, shareholders approved the capitalization by making a charge against earnings as of December 31, 2014,for the amount of B/.805,000, capital increases from B/.1,195,000 to B/.2,000,000.

16. Revaluation surplus

The revaluation surplus of the building, is presented as follows:

2016	**Original cost**	**Market value**	**Revaluation surplus**
Building (Revalued) - property 69114	178,682	335,000	123,623
Sales at property 69114			(123,623)
Balance December 31, 2016			-
2015			
Building (Revalued) - property 69114	178,682	335,000	156,318
Transfer surplus accumulated depreciation revaluation			(26,156)
Transfer of revaluation surplus depreciation			(6,539
Balance December 31, 2015			123,623

Through Purchase Agreement signed on February 2, 2016, the Administration sells the Property No.69114 for the amount of B/.316,175.

17. 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, 2016.

The Company as of December 31, 2016, did not generate taxable income, except for the capital gain on the sale of the Property No.69114:

	2016	2015
Sale price of the property No.69114	316,175	-
Income tax generated by the gain in the sale of the property (3%).	9,485	-

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
- Accounts payable
- Financing obligations
- Securities sold under repurchase agreements

Objectives, policies and general processes

The Board of Directors 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.

Further details regarding such policies are detailed as follows:

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 assets of the Company suffer a decline in value by fluctuations in interest rates, currency conversion, stock prices and other financial variables, as well as reactions of market participants to political and economic events.

Risk management policies stipulate compliance with limits per financial instruments; limits regarding the maximum loss amount which require closing of the positions which caused said loss; and the requirement, by approval of the Board of Directors, that, substantially, all assets and liabilities are in Balboas.

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 18), 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 2016 and 2015:

2016	**Amount**	**Up to one year**	**More than one year**
Financing obligations	18,521,716	18,521,716	-
Debts to pay	43,949	43,949	-
Financial liabilities indexed to securities	23,252,902	23,252,902	-
2015			
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	-

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, Management of the Company maintains in 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 Superintendence.

18. 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 Superintendence 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.

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, 2016, the Company had assets eligible for compliance with the liquidity ratio in the amount of B/.12,553,274 (2015: B/.22,878,041), which exceed current liabilities of B/.13,029,741 (2015: B/.11,081,741).

The Company maintains a Capital Fund which is detailed below:

	2016	2015
Capital required by the regulator	350,000	350,000
Capital fund:		
Amount of capital fund	2,271,880	2,093,198
Net property, plant and equipment	(30,248)	(313,977)
Gains (losses)	676,114	65,059
Unrealized loss	(351,024)	-
Net income	1,928,795	604,618
Other actives	(346,576)	(22,562)
Equity Fund	4,148,941	2,426,336

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

	2016	
	According books	**Minimum required**
Liquidity ratio		
Assets eligible for liquidity	12,553,274	
Liabilities receivables less than one year	13,029,741	30% liabilities
Minimum required liquidity ratio	3,908,922	Short term
Capital adequacy ratio		
Principal amount reported	4,392,485	350,000
Exposure value of credit risk or	27,569,178	
Capital adequacy ratio	15.93%	8%
Capital fund		
Amount of capital fund reported	4,392,485	350,000
Amount of capital required	399,022	350,000

	2015	
	According books	**Minimum required**
Liquidity ratio		
Assets eligible for liquidity	22,878,041	
Liabilities receivables less than one year	11,081,741	30% liabilities
Minimum required liquidity ratio	3,324,041	Short term
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	2,426,204	350,000
Amount of capital required	350,000	350,000

19. Third party managed portfolio

The third party managed portfolio is for the amount of B/.115,250,133 at December 31, 2016 (2015: B/.48,989,203).

It breaks down as follows:

	2016	2015
Securities local custody	15,000,000	2,000,000
International securities custody	85,789,889	44,606,487
Cash international custody	4,745,526	470,618
Effective local banks	879,432	1,636,376
Effective local custody	64,018	-
Cash international banks	8,771,268	275,722
Total	115,250,133	48,989,203

20. Operating leases

The following detail operating leases as follows:

	2016	2015
Up to one year	60,444	24,565
More than a year	-	-
	60,444	24,565