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, 2017

"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
Fax.+507 236-4143
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, 2017 and the statements of profit or loss, of comprehensive profit or loss, 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, 2017, 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.

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

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

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

Auditor's Responsibility in the Audit of Financial Statements

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

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

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

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

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

BDO

March 26, 2018.
Panama, Republic of Panama.

Panacorp Casa de Valores, S. A.

Statement of Financial Position
December 31, 2017
(Expressed in Balboas)

	Notes	2017	2016
ASSETS			
Cash and bank deposits	6	**581,881**	583,002
Interest receivable	7	**3,642,381**	1,388,529
Accounts receivable - others		**97,509**	40,460
Accounts receivable-related parties	5	**-**	13,000
Securities purchased under resale agreement	8	**23,451,510**	18,234,402
Securities available for sale	9	**24,804,710**	23,494,734
Securities held to maturity	10	**3,570,059**	2,389,255
Property, equipment and improvements	11	**50,542**	30,248
Other assets	12	**371,309**	346,576
Total assets		**56,569,901**	46,520,206
LIABILITIES AND EQUITY			
Liabilities			
Financing obligations	13	**24,067,055**	18,316,969
Interest payable		**230,661**	204,747
Accounts payable		**127,698**	43,949
Commisions payable		**384,005**	-
Securities sold under agreement for repurchase	14	**27,050,914**	23,252,902
Accounts payable - shareholders	5	**138,439**	149,365
Provision for seniority premiums and indemnization		**34,141**	26,510
Total liabilities		**52,032,913**	41,994,442
Commitments	19 and 20		
Equity:			
Capital stocks	15	**3,000,000**	2,000,000
Capital paid in excess		**-**	271,880
Net changes on securities available for sale		**(334,100)**	(351,025)
Accumulated profits		**1,871,088**	2,604,909
Total equity		**4,536,988**	4,525,764
Total liabilities and equity		**56,569,901**	46,520,206

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, 2017
(Expressed in Balboas)

	Notes	2017	2016
Income:			
Commissions		1,182,657	1,261,024
Interest income		5,912,940	3,547,745
Advisory service	5	626,663	255,845
Other income		1,191	163,752
Total income		7,723,451	5,228,366
Interest expenses		3,197,314	1,902,865
Net operating income		4,526,137	3,325,501
General and administrative expenses:			
Salaries and other remunerations		652,352	425,031
Professional fees		543,242	388,500
Commissions		992,564	259,188
Rent		91,573	66,683
Bank charges and interests		33,590	35,177
Travel and transportation		47,923	15,289
Depreciation	11	15,955	11,974
Water, power and telephone		21,854	10,183
Advertising		6,000	8,426
Repair and maintenance		7,883	5,396
Office supplies		8,506	4,715
Other		233,607	156,659
Total expenses		2,655,049	1,387,221
Profits before income tax		1,871,088	1,938,280
Income tax	16	-	9,485
Net profit		1,871,088	1,928,795

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

Panacorp Casa de Valores, S. A.

Statement of Comprehensive Profits or Loss
For the year ended on December 31, 2017
(Expressed in Balboas)

	Note	2017	2016
Net profit		1,871,088	1,928,795
Other comprehensive Profits:			
Items that are or will be reclassified to profit or loss			
Net change in fair value of securities	9	16,925	85,835
Revaluation surplus		-	(123,623)
Total comprehensive profits, net		1,888,013	1,891,007

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, 2017

(Expressed in Balboas)

	Note	Capital stocks	Capital paid in excess	Revaluation surplus	Net change on securities available for sale	Accumulated Profits	Total Equity
Balance at December 31, 2015		2,000,000	271,880	123,623	(436,860)	676,114	2,634,757
Sale of Building		-	-	(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
Capitalization of profits	15	728,120	-	-	-	(728,120)	-
Capital paid in excess capitalized in common shares	15	271,880	(271,880)	-	-	-	-
Dividends distributed		-	-	-	-	(1,876,789)	(1,876,789)
Net changes on securities available for sale		-	-	-	16,925	-	16,925
Net profit		-	-	-	-	1,871,088	1,871,088
Balance at December 31, 2017		**3,000,000**	**-**	**-**	**(334,100)**	**1,871,088**	**4,536,988**

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, 2017
(Expressed in Balboas)

	Notes	2017	2016
Cash flows from operating activities			
Net profit		**1,871,088**	1,928,795
Adjustment for:			
Depreciation	11	**15,955**	11,974
Other income		**-**	(163,653)
Earned interests		**(5,912,940)**	(3,547,745)
Net changes in operating assets and liabilities:			
Increase (decrease) in accounts receivable - other		**(57,048)**	57,687
Decrease in accounts receivable - related		**13,000**	40,489
Increase (decrease) in securities purchased under resale agreement		**(5,217,108)**	4,250,184
Increase in other assets		**(24,733)**	(324,014)
Decrease in securities sold under agreements to repurchase		**2,488,035**	(6,875,118)
Increase (decrease) in accounts payable		**83,749**	(56,083)
Increase in accounts payable other		**384,005**	-
Increase (decrease) in seniority premiums and indemnization		**7,631**	(4,587)
Interest received		**3,659,088**	3,127,406
Net cash used in operating activities		**(2,689,278)**	(1,554,665)
Cash flows from investing activities			
Acquisition of securities available for sale	9	**(131,466,852)**	(302,258,499)
Sale of securities available for sale	9	**131,483,777**	302,344,335
Acquisition of securities held to maturity		**(1,180,804)**	(229,985)
Acquisition of fixed assets	11	**(36,249)**	(4,390)
Building Sale	16	**-**	316,175
Net cash (used in) provided by investing activities		**(1,200,128)**	167,636
Cash flows from financing activities			
Increase of financing obligations		**5,776,000**	1,651,089
Dividends distributed		**(1,876,789)**	-
Cash paid to shareholders		**(10,926)**	(24,144)
Net cash provided by financing activities		**3,888,285**	1,626,945
Net decrease (increase) in cash during the year		**(1,121)**	239,916
Cash at the beginning of year		**583,002**	343,086
Cash at the end of year	6	**581,881**	583,002

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 May 29, 2016, according to deed No.3820 duly recorded in the Public Registry of the Republic of Panama, on June 21, 2006. 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 changes its name to Panacorp Casa de Valores, S. A. through a Meeting of Shareholders Act on February 6, 2009 and Public Deed No.2234 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 22, 2018.

2. Accounting policies

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

Basis of preparation

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

The preparation of the financial statements comply with International Financial Reporting Standards which requires the use of certain critical accounting estimates and judgments. It also requires Management to exercise judgment 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.
- Securities purchased under resale agreement
- Securities sold under agreement for repurchase

Changes in accounting policies:

a. New standards, interpretations and amendments effective from January 1st, 2017

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 2017. Management has determined that none have a significant effect on the preparation of the financial statements. The nature and effect of these standards are disclosed below:

IAS 7 Statement of Cash Flows - Amendment of January 2016

Disclosure initiative

This amendment is intended to improve disclosures about an entity's debt. Disclosures which allow users of financial statements to evaluate changes in liabilities arising from financing activities, including changes derived from cash flows and non-monetary changes, are required. One way to comply with this disclosure would be to present a reconciliation of the carrying amounts at the beginning and end, for each line of cash flows that have been classified or could be classified as financial activities. The reconciliation would include:

- Balance at the beginning
- Cash flows for the period including:
    - Changes in financing cash flows.
    - Changes that arise when obtaining or losing control of subsidiaries or other companies.
    - Other non-monetary changes (for example, changes in currency exchange rates, new financial leases and changes in fair value).
- Balance at the end

IFRS 12 Disclosure of interests in other entities - Amendment of December 2016

This amendment extends the scope of IFRS 12 to clarify that disclosure requirements, except those indicated in paragraphs B10 to B16, apply to interest irrespective of whether they are classified as held for sale, held for distribution to owners or as discontinued operations in accordance with IFRS 5. The IASB noted that the disclosure objective of IFRS 12 is relevant to interests in other entities, regardless of whether they are classified as held for sale, held for distribution to owners or as discontinued operations.

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

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

The most relevant standards and amendments are listed below:

Standards	*Effective Date*
• IFRS 9 - Financial Instruments, issued in July 2014.	January 1, 2018
• IFRS 15 - Revenues from contracts with customers - issued in May 2014	January 1, 2018
• IAS 28 - Investment in associates and joint ventures, long-term interests and joint ventures.	January 1, 2019
• IFRS 16 - Leases.	January 1, 2019

Functional and presentation currency

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

Financial assets

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.

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

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

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

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

Securities purchased under resale and repurchase agreements

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

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

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

Impairment of financial assets

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.

Comparative information

Some figures and disclosures of the 2016 financial statements have been reclassified to adapt its presentation with the year 2017.

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.

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:

	Fair value		Fair value
Financial assets	**2017**	2016	**hierarchy**
Securities purchased under resale:			
International company shares	440,565	552,901	1
Corporate Bonds	12,998,994	13,664,177	1
Bonds of the Republic of Venezuela	11,365,151	9,277,656	1
	24,804,710	23,494,734	

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

5. Balances and transactions with related parties

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

Statement of financial position	**2017**	2016
Assets		
Account receivable shareholder:		
Financiera Avanza, S. A.	-	13,000
Account payable - shareholders	138,439	149,365
Statement of profit and loss		
Income:		
Advisory service:		
Panacorp Fideicomiso, S. A.	-	47,605

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:

	2017	2016
Petty cash	200	200
Local sight deposits	103,408	184,215
Foreign sight deposits	478,633	391,414
Investment fund	-	7,173
	581,881	583,002

7. Interest receivable

Interest receivable for the amount of B/.3,642,381 (2016: B/.1,388,529), result from the financing or margin loans indexed to securities which generate a return between the margins 4.25% to 12.25% annually (2016: 4% to 12%) and interests for other investments

8. Securities purchased under resale agreements

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

	2017	2016
Natural persons	4,040,794	4,176,056
Legal person	19,410,716	14,058,346
	23,451,510	18,234,402

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

	2017	2016
Bonds of the Republic of Venezuela	8,703,312	584,244
Venezuela Oil Bonds	2,661,838	8,411,836
Treasury OECD	9,523,282	9,454,177
Corporate Bonds Foreign	2,843,186	4,210,000
Corporate Bonds Foreign Banks	632,527	-
Shares	210,516	139,658
	24,574,661	22,799,915

Financial assets are indexed securities margin loans which have an annual rate of 4.25% to 12.25% (2016: 4% to 12%) 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:

	2017	2016
Shares of international companies	440,565	552,901
Corporate bonds	12,998,994	13,664,177
Bonds of the Republic of Venezuela	11,365,151	9,277,656
	24,804,710	23,494,734

The movement of securities available for sale is summarized below:

	2017	2016
Balance at the beginning of the year	23,494,734	12,579,662
Purchases	131,466,852	302,258,499
Acquisition of indexed securities	1,309,976	10,915,073
Sales	(131,483,777)	(302,344,335)
Changes in fair value	16,925	85,835
Balance at the end of year	24,804,710	23,494,734

10. Securities held to maturity

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

2017	**Amortized cost**	**Market value**
PDVSA26, maturity at 15 November 2026	2,058,020	685,170
VZLA 11.95, maturity at 5 August 2031	364,234	135,363
VZLA 7.75, maturity at 13 October 2019	838,527	297,997
VZLA 9.25 maturity at 15 September 2027	309,278	133,710
	3,570,059	1,252,240
2016		
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

11. Property, equipment and improvements

Property, equipment and improvements are detailed as follows:

2017	Balance at beginning of year	Additions	Disposition	Balance at end of year
Cost:				
Leasehold Improvements	10,616	-	-	10,616
Furniture and equipment	7,531	222	-	7,753
Software	28,923	28,260	-	57,183
Computer equipment	51,515	7,767	-	59,282
	98,585	36,249	-	134,834
Depreciation and amortization accumulated:				
Leasehold Improvements	2,470	2,123	-	4,593
Furniture and equipment	1,943	1,521	-	3,464
Software	24,093	7,018	-	31,111
Computer equipment	39,831	5,293	-	45,124
	68,337	15,955	-	84,292
Net cost	30,248	20,294	-	50,542

2016				
Cost	450,000	4,390	355,805	98,585
Depreciation and amortization accumulated:	136,023	11,974	79,660	68,337
Net cost	313,977	(7,584)	276,145	30,248

12. Other assets

The other assets are detailed as follows:

	2017	2016
Restricted deposits	308,093	308,093
Deposits given in guarantees	3,176	1,429
Prepaid expenses and others	60,040	37,054
	371,309	346,576

13. Financing obligations

The financing obligations are detailed below:

	2017	2016
Bank J. Safra Sarasin Ltd.: Loan authorized to purchase securities at an interest rate of 3.06% with active portfolio guarantee; maturing in January 31, 2018.	5,180,000	5,965,000
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
Interactive Brokers: Loan authorized to purchase securities at an interest rate of 1.935% with active portfolio guarantee; maturing in January 24, 2018.	2,952,557	-
And Capital Bank: Loan authorized to purchase securities at an interest rate of 5.6% with active portfolio guarantee; maturing in January 28, 2018.	5,000,000	-
Dinosaur Merchant Bank, Ltd.: Loan authorized to purchase securities at an interest rate of 2.40% and 3.40% with active portfolio guarantee and maturing on January 31, 2018.	4,934,498	5,988,632
	24,067,055	17,953,632
Interactive Brokers - overdraft	-	363,337
Total financing obligations	24,067,055	18,316,969

14. Securities sold under repurchase agreements

The securities sold under repurchase agreements are detailed below:

	2017	2016
Shares of international companies	210,515	139,658
Corporate bonds	13,050,981	13,887,797
Bonds of the Republic of Venezuela	13,789,418	9,225,447
	27,050,914	23,252,902

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

	2017	2016
Balance at the beginning of the year	23,252,902	19,212,948
Acquisition of indexed securities	82,700,780	128,735,945
Cancellation of indexed securities	(76,444,273)	(124,662,447)
Changes in fair value	(2,458,495)	(33,544)
Balance at the end of the year	27,050,914	23,252,902

15. Capital stock

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

	2017	2016
The authorized Share Capital of the shareholders amounts to a sum of B/.3,000,000 (2016: B/.2,000,000) constituted by 3,000,000 nominative common shares with a nominal value of B/.1.00 each. All the shares are issued and outstanding.	3,000,000	2,000,000

By means of Minutes of the Board of Directors held on April 10, 2017, the shareholders approved to increase the capital stock from B/.2,000,000 to B/.3,000,000 through the issuance of B/.1,000,000 of shares divided into three million registered shares with a value of B/.1.00 each, with a charge to the capital account paid in excess for an amount of B/.271,880 and to the account of undistributed profits for an amount of B/.728,120

16. 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, 2017.

The Company as of December 31, 2017, did not generate taxable income, except for the capital gain on the sale of the Property No.69114 which corresponds to December 31, 2016:

	2017	2016
Sale price of the property No.69114	-	316,175
Income tax generated by the gain in the sale of the property (3%).	-	9,485

17. Financial instruments - Risk management

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

The overall objective of the Board is to set out 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.

The Company kept securities under the following credit risk rating within its investment portfolio:

Rate risk	**2017**	2016
Treasury	AA+	AA+
Banco Do Brasil Cayman	BB-	-
Avianca Holdings SA	BB-	-
Cosan Overseas LTD	BB+	-
BBVA Bancomer Texas	BBB-	-
Banco de Bogota	BBB-	-
Empresa de energia de Bogota	BBB-	-
General Motors Finl	BBB-	-
Petroleos Mexicanos	BBB+	-
Avanca Holding Financiera	-	BB+
AT&T INC	BBB+	-
Petroleos de Venezuela, S. A. at maturity February 2022 and May 2035	C	CCC
Petroleos de Venezuela, S. A. at maturity on October 2020	CC	CCC
Petroleos de Venezuela, S. A. at maturity on November 2026 and 2021	D	CCC
Republica Bolivariana de Venezuela	D	CCC

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:

2017	Amount	Up to one year	More than one year
Financing obligations	24,297,716	24,297,716	-
Financial liabilities indexed to securities	27,050,914	27,050,914	-
2016			
Financing obligations	18,521,716	18,521,716	-
Financial liabilities indexed to securities	23,252,902	23,252,902	-

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 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's policy is to maintain a strong capital basis 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

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

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

As of December 31, 2017, the Company had assets eligible for compliance with the liquidity ratio in the amount of B/.12,470,576 (2016: B/.12,553,274), which exceed current liabilities of B/.27,285,673 (2016: B/.13,029,741).

The Company maintains a Capital Fund which is detailed below:

	2017	2016
Capital required by the regulator	350,000	350,000
Capital fund:		
Amount of capital fund	3,000,000	2,271,880
Net property, plant and equipment	(50,543)	(30,248)
Accumulated profits	-	676,114
Unrealized loss	(334,100)	(351,024)
Net income	1,871,088	1,928,795
Other assets	(160,725)	(103,032)
Capital fund net	4,325,720	4,392,485

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

	According to books	Minimum required
2017		
Liquidity ratio		
Assets eligible for liquidity	12,470,576	
Demandable liabilities less than one year	27,285,673	30% liabilities
Minimum required liquidity ratio	8,185,702	Short term
Solvency ratio		
Capital fund reported	4,325,719	350,000
Exposure value of credit or risk	39,503,821	
Solvency ratio	10.95%	8%
Capital fund		
Amount of capital fund reported	4,325,719	350,000
Amount of capital required	378,674	350,000
2016		
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
Solvency ratio		
Amount of capital fund reported	4,392,485	350,000
Exposure value of credit or risk	27,569,178	
Solvency ratio	15.93%	8%
Capital fund		
Amount of capital fund reported	4,392,485	350,000
Amount of capital required	399,022	350,000

19. Third party managed portfolio

The third party managed portfolio is for the amount of B/.68,580,245 at December 31, 2017 (2016: B/.115,250,133).

It breaks down as follows:

	2017	2016
Securities local custody	15,000,000	15,000,000
International securities custody	40,585,932	85,789,889
Cash international custody	6,061,238	4,745,526
Effective local banks	254,181	879,432
Effective local custody	211,174	64,018
Cash international banks	6,467,720	8,771,268
	68,580,245	115,250,133

20. Operating leases

Operating leases are detailed as follows:

	2017	2016
Up to one year	76,230	60,444
More than a year	-	-
	76,230	60,444