(FREE ENGLISH LANGUAGUE TRANSLATION FROM SPANISH VERSION)

Central Latinoamericana de Valores, S. A.

Report and Financial Statements
December 31, 2018

Central Latinoamericana de Valores, S. A.

General Information
December 31, 2018

Dignitaries

Arturo Gerbaud	President
Roberto Brenes P.	Vice-president
Carlos Mendoza	Treasurer
Marielena Garcia Maritano	Secretary

Place of Business

Federico Boyd Avenue and 49 Street, Panama Stock Exchange Building

Banks and Other Financial Institutions

BAC Internacional Bank, Inc.
Banco General, S. A.
Banco Davivienda (Panama), S. A.
Banco Internacional de Costa Rica, S. A.
Banco La Hipotecaria, S. A.
Banco Nacional de Panama
Citibank, N. A.
Citibank New York
Clearstream Banking
Euroclear Bank
Global Bank Corporation

Auditors

PricewaterhouseCoopers Panama

Central Latinoamericana de Valores, S. A.

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December 31, 2018

FREE ENGLISH LANGUAGUE TRANSLATION
FROM SPANISH VERSION

Independent Auditors' Report

To the Board of Directors and Shareholder of
Central Latinoamericana de Valores, S. A.

Our opinion

In our opinion, the accompanying financial statements of Central Latinoamericana de Valores, S. A. (the "Company") present fairly, in all material respects, the financial position as at December 31, 2018, and its financial performance and its cash flows for the year then ended, in accordance with the International Financial Reporting Standards.

What we have audited

The Company's financial statements comprise:

- the statement of financial position as at December 31, 2018;
- the statement of income for the year then ended:
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing. Our responsibilities under those Standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

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

Independence

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and the ethical requirements that are relevant to our audit of the financial statements in the Republic of Panama. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code and the ethical requirements of the Republic of Panama.

Responsibilities of management and those charged with governance of the Company for the financial statements

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

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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

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

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

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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.

PricewaterhouseCoopers (Signed)

March 30, 2019
Panama, Republic of Panama

Central Latinoamericana de Valores, S. A.

Statement of Financial Position
December 31, 2018
(Stated in balboas)

	2018	2017
Assets		
Cash and deposits in banks (Note 5)	1,008,682	1,093,822
Time deposit (Note 5)	368,065	353,502
Investments available-for-sale (Notes 6 and 15)	-	634,000
Investments at fair value through other comprehensive income (Notes 6 and 15)	625,920	-
Interest receivable	1,234	939
Financial assets at amortized cost (Note 7)	121,930	-
Accounts receivable (Note 7)	-	174,131
Prepaid expenses	28,433	74,118
Prepaid income tax	-	11,334
Property, furniture and equipment, net (Note 8)	320,579	152,682
Unemployment fund, net	4,472	4,562
Guarantee deposits and other assets	680	680
Total assets	2,479,995	2,499,770
Liabilities and Equity		
Liabilities		
Accrued expenses and withholdings payable	157,045	158,608
Income tax payable	55,688	-
Dividends payable (Note 15)	1,008,734	1,074,554
Total liabilities	1,221,467	1,233,162
Contingencies (Note 18)		
Equity (Note 17)		
Common shares without par value: 500 authorized, issued and outstanding shares	639,223	639,223
Valuation of financial assets	98,286	106,366
Complementary tax	(32,296)	(32,296)
Retained earnings	553,315	553,315
Total equity	1,258,528	1,266,608
Total liabilities and equity	2,479,995	2,499,770

The accompanying notes are an integral part of these financial statements.

Central Latinoamericana de Valores, S. A.

Statement of Income
For the year ended December 31, 2018
(Stated in balboas)

	2018	2017
Revenue from contracts		
Commissions	1,726,372	1,556,111
Agency of settlement and international market transactions	1,594,602	1,574,505
Maintenance fees	168,100	141,750
Management fees	399,377	275,130
Financial income (Note 9)	38,397	128,300
Others (Note 10)	121,969	110,826
Total revenue	4,048,817	3,786,622
General and Administrative Expenses		
Personnel expenses (Notes 11 and 15)	870,123	773,472
Depreciation and amortization (Note 8)	76,735	54,722
Forums	4,300	-
Insurance	86,523	86,253
Custody and agency of settlement, registers and transfer	776,573	751,839
Supervision fee	101,700	100,000
Other and administrative expenses (Note 12)	526,677	604,017
Total general and administrative expenses	2,442,631	2,370,303
Income before income tax	1,606,186	1,416,319
Income tax (Note 13)	(397,452)	(341,765)
Net income	1,208,734	1,074,554

The accompanying notes are an integral part of these financial statements.

Central Latinoamericana de Valores, S. A.

Statement of Comprehensive Income
For the year ended December 31, 2018
(Stated in balboas)

	2018	2017
Net income	1,208,734	1,074,554
Other Comprehensive Income Items:		
Items that can be subsequently reclassified to results:		
Gain transferred to income	-	(103,042)
Net change in investment at fair value through other comprehensive income (Note 6)	(8,080)	-
Net change in investments available-for-sale (Note 6)	-	27,061
Total other comprehensive income	1,200,654	998,573

The accompanying notes are an integral part of these financial statements.

Central Latinoamericana de Valores, S. A.

Statement of Changes in Equity
For the year ended December 31, 2018
(Stated in balboas)

	Common Shares	Valuation of Financial Assets	Complementary Tax	Retained Earnings	Total
Balance at December 31, 2017	639,223	106,366	(32,296)	553,315	1,266,608
Comprehensive Income:					
Net income	-	-	-	1,208,734	1,208,734
Net change in investments at fair value through other comprehensive income (Note 6)	-	(8,080)	-	-	(8,080)
Total comprehensive income	-	(8,080)	-	-	(8,080)
Transactions with Shareholder					
Dividends declared (Note 16)	-	-	-	(1,208,734)	(1,208,734)
Total transactions with shareholders	-	-	-	(1,208,734)	(1,208,734)
Balance at December 31, 2018	639,223	98,286	(32,296)	553,315	1,258,528
Balance at December 31, 2016	639,223	182,347	(41,156)	553,315	1,333,729
Comprehensive Income:					
Net income	-	-	-	1,074,554	1,074,554
Net change in investments available-for-sale (Note 6)	-	(75,981)	-	-	(75,981)
Total comprehensive income	-	(75,981)	-	1,074,554	998,573
Transactions with Shareholder					
Complementary tax	-	-	8,860	-	8,860
Dividends declared (Note 16)	-	-	-	(1,074,554)	(1,074,554)
Total transactions with shareholders	-	-	8,860	(1,074,554)	(1,065,694)
Balance at December 31, 2017	639,223	106,366	(32,296)	553,315	1,266,608

The accompanying notes are an integral part of these financial statements.

Central Latinoamericana de Valores, S. A.

Statement of Cash Flows
For the year ended December 31, 2018
(Stated in balboas)

	2018	2017
Cash flows from operating activities		
Income before income tax	1,606,186	1,416,319
Adjustments to reconcile income before income tax to net cash provided by operating activities:		
Depreciation and amortization	76,735	54,722
Financial income	(38,397)	(25,258)
Gain on sale of investments	-	(103,042)
Net changes in operating assets and liabilities:		
Decrease (increase) in financial assets at amortized cost	52,201	(57,257)
Decrease (increase) in prepaid expenses	45,685	(36,829)
Decrease in guarantee deposits and other assets	-	20,438
(Decrease) increase in accrued expenses and withholdings payable	(1,563)	27,414
Reimbursements of severance fund, net	90	-
Interest and dividends received	38,102	132,753
Income tax paid	(330,430)	(365,693)
Net cash provided by operating activities	1,448,609	1,063,567
Cash flows from investing activities		
Increase in time deposit	(14,563)	(353,502)
Purchases of investments available-for-sale	-	(500,000)
Purchases of investments at fair value through other comprehensive income	(500,000)	-
Sales and redemptions of investments available-for-sale	-	226,915
Sales and redemptions of investments at fair value through other comprehensive income	500,000	-
Acquisition of furniture and equipment, net	(244,632)	(88,572)
Net cash used in investing activities	(259,195)	(715,159)
Cash flows from financing activities		
Complementary tax	-	8,860
Dividends paid	(1,274,554)	(800,000)
Net cash used in financing activities	(1,274,554)	(791,140)
Net decrease in cash	(85,140)	(442,732)
Cash at the beginning of the year	1,093,822	1,536,554
Cash at the end of the year	1,008,682	1,093,822

The accompanying notes are an integral part of these financial statements.

1. General Information

Central Latinoamericana de Valores, S. A. (the "Company") is incorporated under Panamanian Law in accordance to Public Deed No.1,725 of March 24, 1995 and subsequent to the legal reorganization according to Public Deed No.15,126 of June 28, 2010. By Resolution No.CNV-68-97 of July 23, 1997 of the Superintendency of Securities Market, the Company was authorized to operate a business for the administration, custody, clearing, and settlement of investments.

In addition, the Internal Rules of Operations of the Company and its amendments were approved by the Superintendency of Securities Market (SMV, in Spanish). The last amendment was approved by the SMV by Resolution No. SMV 228-18 of May 22, 2018.

The Company is 100% subsidiary of Latinex, Inc., which in turn is 100% subsidiary of Latinex Holdings, Inc. (Parent Company).

Corporate Governance

Summary of Policies
In accordance with the provisions contained in the Articles of Incorporation, the Company has been developing and adopting, continuously and voluntary, a Corporate Governance scheme in order to:

- Define the best practices that Latinex Holdings, Inc. and its subsidiaries will follow for all their stakeholders (shareholders, members of the Board of Directors and Committees, customers, suppliers and creditors, strategic allies, the State, regulatory bodies, media, public in general , among others.)
- Support the Board of Directors in the examination, assessment and permanent monitoring of the accounting, financial and risk management systems of the Company.
- Follow up of the procedures of internal control management system.
- Establish a clear framework for risk identification, verification and control.
- Clear arrangements for delegating authority and responsibility.
- Establish efficient decision-making processes.
- Establish explicit guidance for the Board of Directors relating to policies for decision-making.

1. General Information (Continued)

Corporate Governance (continued)

The Company has various working Committees appointed by the Board of Directors:

Audit Committee: Its main function is to ensure the proper functioning of the internal control system and the integrity of the financial information of Central Latinoamericana de Valores, S. A. It will be integrated by at least three (3) Directors of Central Latinoamericana de Valores, S. A., and individuals who are not part of the Board of Directors but have the experience and/or knowledge necessary to fulfill the functions and responsibilities. All members have the right to voice and vote.

The General Manager and the Internal Auditor of the economic group, as well as advisors or any other guest determined by the Committee, will be invited to participate, with the right to voice.

Risk Committee: Its main function is to identify, establish and implement criteria to minimize the risks inherent to the operations carried out by Central Latinoamericana de Valores, S. A., based on best practices and international standards. It will be integrated by at least three (3) Directors of Central Latinoamericana de Valores, S. A., and individuals who are not part of the Board of Directors but have the experience and/or knowledge necessary to fulfill the functions and responsibilities. All members have the right to voice and vote.

The General Manager, Risk Officer of the economic group and Compliance Officer, as well as advisors or any other guest determined by the Committee, will be invited to participate, with the right to voice.

Ethics and Compliance Committee: Its main function is to plan, coordinate and ensure compliance with current legislation on the Prevention of Money Laundering, Financing of Terrorism and Financing of the Proliferation of Weapons of Mass Destruction, as well as ensuring that Participants comply with all the Internal Rules of the Company. It will be integrated by at least three (3) Directors of Central Latinoamericana de Valores, S. A., and individuals who are not part of the Board of Directors but have the experience and/or knowledge necessary to fulfill the functions and responsibilities. All members have the right to voice and vote.

The General Manager, Compliance Officer and Internal Auditor of the economic group, as well as advisors or any other guest determined by the Committee, will be invited to participate, with the right to voice.

1. General Information (Continued)

Corporate Governance (continued)

Technology Committee: Its main function is to promote the necessary technological development for the management of the Company's businesses. It will be integrated by at least two (2) directors of Central Latinoamerica de Valores, S. A., who occupy the Executive Vice President of Latinex Holdings, Inc., Systems Project Manager and Systems Security Officer of the operating companies of the economic group and an advisor or specialist in the matter.

Other managers of the operating companies and other advisors or specialists could be invited to participate in this Committee, which the Committee members consider necessary to contract and / or invite, all with the right to voice, but without vote.

Directors, Independent Directors and Executives

The Directors and Independent Directors of the Company are not directly or indirectly, individually or jointly effective owners of a controlling number of common shares of the Parent Company. No Director or Independent Director, directly or indirectly, is an important supplier of goods or services for the Company; however, some Directors are executives of companies with substantial relationships with the Parent Company and its Subsidiaries. The executives of the Subsidiaries are independent of the Directors and the shareholders.

At the meeting held on May 4, 2017, the Shareholders' Assembly approved the amendment to the Articles of Incorporation, in order to integrate, at least, two (2) Independent Directors to the Board of Directors of the Company.

In addition, the Board of Directors will be integrated by the percentage of women's participation established in the Law 56 of July 11, 2017, who can occupy both the position of Director or Independent Director, in accordance with the bylaws of the Company.

Statues

The Company has statutes which regulate the operation of the different Committees, based on Corporate Governance general principles.

Code of Ethics and Conduct

The Company has adopted a Code of Ethics and Conduct to ensure that all Directors, Dignitaries, Members or guests of the Board Committees, Legal Representatives, Managers and Collaborators of the Company meet the highest standards of conduct. The Code governs relations with principles of honesty, diligence and loyalty, contains specific rules for the treatment of conflict of interest and regulates prohibited behaviors, such as the use of confidential and privileged information, dishonest or unfair behaviors, bribery, corruption, among others.

1. General Information (Continued)

Code of Corporate Governance
The Company adopted a Code of Corporate Governance that aims to define the best practices that Latinex Group will follow for all its stakeholders, in addition to what are established by the Law, the Articles of Incorporation, the Statutes of each company and any another policy that has been duly approved by the Board of Directors and that, in turn, devote rights for these. Therefore, the application, compliance and interpretation of said Code must be done in accordance with the Law, the Articles of Incorporation and the Statutes. The Corporate Governance Code is applicable to Shareholders, Directors, Dignitaries, members of the Board Committees, Managers, Collaborators and other groups of interest of Latinex Group.

These financial statements were approved for issue by the Board of Directors on March 29, 2019.

2. Summary of Significant Accounting Policies

Following are the most important accounting policies used in the preparation of these financial statements, which were consistently applied in the previous year.

Basis of Preparation
The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS) under the historical cost convention, modified by the revaluation of investments at fair value through other comprehensive income from January 1, 2018 and the investments available-for-sale until December 31, 2017.

The preparation of the financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires Management to exercise its judgment in the process of applying the accounting policies .of the Company. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 4.

2. Summary of Significant Accounting Policies (continued)

Accounting policies before January 1, 2018

Accounts Receivable
Accounts receivable were initially recognized at fair value and subsequently, at amortized cost, less any provision for impairment or uncollectibility. A provision for impairment of accounts receivable was established when there was objective evidence that the Company will not be able to collect all amounts in accordance with the original terms. The following indicators were considered that the account receivable was impaired: the significant financial difficulties of the debtor, probability that the debtor enters into bankruptcy or financial reorganization, and the default or delinquency of the payments. The amount of the provision was the difference between the book value of the asset and the present value of the estimated future cash flows, discounted at the original effective interest rate. When an account receivable was uncollectible, it was written-off against the allowance account. The subsequent recovery of the amounts previously written-off was credited to the reserve and later if it was determined that there was excess, this was reversed affecting the statement of results.

Investments Available-for-Sale
Investment available-for-sale were comprised by bonds, equity shares, negotiable marketable securities (VCN's in Spanish) and mutual funds not classified as financial assets at fair value through profit or loss or held-to-maturity.

Financial assets available-for-sale were initially recognized at their fair value, which was the cash consideration including transaction costs, and subsequently measured at fair value with gains and losses recognized in the statement of comprehensive income until the asset was considered impaired or derecognized, in which case the gains or losses accumulated in the statement of comprehensive income were recognized in the results of the current year.

Interest was calculated using the effective interest method and was recognized in the statement of income. Dividends on equity instruments available-for-sale were recognized in the statement of income when the right of the entity to receive payment was established.

The Company assessed at the statement of financial position date if there was evidence that a financial asset or group of financial assets was impaired. In the case of equity instruments classified as available-for-sale, a significant or prolonged decline in the fair value of the investment below its cost was considered in determining the impairment of the assets. If such evidence exists for financial assets available-for-sale, the accumulated loss - determined based on the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in profit or loss was removed from equity and recognized in the statement of income.

2. Summary of Significant Accounting Policies (continued)

Accounting policies after January 1, 2018

Financial Assets

a) *Classification*
Financial assets are classified into the following categories: financial assets at amortized cost and investments at fair value through other comprehensive income. Management determines the classification of the assets since their initial recognition.

b) *Measurement*
Financial assets are subsequently measured at amortized cost and at fair value through other comprehensive income based on the entity's business model for managing financial assets and the characteristics of the contractual cash flows of the financial asset.

Financial assets at amortized cost

Financial assets are measured at amortized cost if they meet the following conditions:

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

Investments at fair value through other comprehensive income

Investments are measured at fair value through other comprehensive income only if they meet the following conditions:

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

Interest income on these financial assets is included in "financial income" using the effective interest method.

2. Summary of Significant Accounting Policies (continued)

Accounting policies after January 1, 2018 (continued)

Financial Assets (continued)

b) *Measurement (continued)*

Equity instruments at fair value through other comprehensive income

The Company subsequently measures all equity investments at fair value. Management has chosen to present the gains or losses of fair value in equity instruments at fair value through other comprehensive income, there is no subsequent reclassification of gains or losses of fair value to results after the derecognition of the investment.

Losses and reversal for impairment in equity investments measured at fair value through other comprehensive income are not reported separately from other changes in fair value.

Evaluation of the business model

The Company realized an assessment of the objectives of the business models in which the different financial assets are maintained at the portfolio level to reflect, in the best way, the way in which the business is managed and how the information is provided to the management (strategy to collect solely payments of principal and interest or realize cash flows through the sale of assets, or considering whether they include frequency, value of sales in previous periods or the expectations of the future sale).

Business model whose objective is to maintain the assets to obtain the contractual cash flows

A portfolio of financial assets is managed in order to obtain cash flows through payments of principal and interest throughout the life of the instrument, even when sales of financial assets take place or are expected to occur in the future.

Business model whose objective is to obtain contractual cash flows and the sale of financial assets

In this type of business model there are different objectives that can be seen framed, for example, an objective to manage liquidity needs.

In comparison with the business model in which the objective is to maintain financial assets to collect cash flows through the payment of principal and interest, this business model involves more frequency and value of sales, without the need to have a frequency threshold or defined value, since the sales and collection of contractual flows are combined in a way that allows achieving the objective of the business model.

2. Summary of Significant Accounting Policies (Continued)

Accounting policies after January 1, 2018 (continued)

Financial Assets (continued)

b) *Measurement (continued)*

Evaluation of the business model (continued)

Change of the business model

When the business model for the management of financial assets is changed, all the affected assets must be reclassified prospectively from the date of the reclassification and the previously recognized gains, losses or interests, including impairment gains or losses, will not be restated.

Evaluation if contractual cash flows are solely payments of principal and interest - SPPI

The Company considers whether the cash flows are consistent with the consideration of money in time, credit risk and other basic risks associated with the financial assets. When evaluating whether the contractual cash flows are solely payments of capital and interest, the Company considered the terms of the contracts. This included the evaluation to determine whether the financial asset contains a contractual term that could change the period or amount of the contractual cash flows in such way that it does not comply with this condition.

c) *Impairment*

The Company has defined that the measurement of impairment of financial assets may be done through a collective or individual evaluation according to the amount and characteristics of the portfolio.

Individual methodology

Accounts receivable from a government or quasi-government entity will be considered individually.

Collective methodology

For instruments that are not considered individually significant, an evaluation is performed collectively, grouping portfolios of financial assets with similar characteristics and including parameters of probability of default at 12 months, probability of default throughout the life of the obligation, loss given default, and exposure at default with the inclusion of the prospective criterion.

2. Summary of Significant Accounting Policies (Continued)

Accounting policies after January 1, 2018 (continued)

Financial Assets (continued)

c) *Impairment (continued)*

Measurement of expected credit losses

The quantification of the expected credit losses collectively is done according to: the classification of the stages, the homogeneous groups defined in each type of portfolio and the level of risk of the client.

The segmentation of homogeneous groups is done by type of client and is presented as follows:

- Accounts receivable - issuers
- Accounts receivable - stock exchange seats
- Accounts receivable - others

To estimate the provisions under the collective methodology, the following formula is used:

Impairment: OEI (Objective evidence of impairment) * PD (Probability of default) * LGD (Loss given default)

The quantification of the expected credit losses takes into consideration the following factors:

- Probability of default (PD): estimated probability of occurrence of default of the instrument. IFRS 9 proposes the specification of this parameter and its application according to the risk status of the instrument.

  These stages are summarized as follows:

  - Stage 1: it is the estimated probability of occurrence of a breach in the next 12 months of the instrument's life as of the date of analysis. The Company defines its use for the healthy portfolio that does not present a significant increase in risk or any evidence of impairment. To estimate the probability of default for 12 months, the Company uses traditional techniques, modeling the behavior of the portfolio. The Company uses the probabilities of default according to its risk rating adjusted to country risk to be compared with international risk ratings.

2. Summary of Significant Accounting Policies (Continued)

Accounting policies after January 1, 2018 (continued)

Financial Assets (continued)

c) *Impairment (continued)*

Measurement of expected credit losses (continued)

- Stage 2: it is the estimated probability of occurrence of a non-compliance throughout the remaining life of an instrument, being dependent on the conditions of the specific product to be analyzed. The Company according to the standard defines its use for the portfolio with a significant increase in credit risk.
- Stage 3: customers assessed by the collective and individual methodologies have a associated probability of default of 100%.

- Loss given default (LGD): it is the percentage of exposure that the Company expects to lose in the event of a default in a financial instrument. The general formulation for the calculation of the LGD is LGD = 1-% of recovery, where the percentage of recovery refers to the sum of the flows received from the operation discounted at the rate of the obligation on the date of analysis on the total exposure at the time of default. After being calculated, the LGD will be adjusted for a historical factor to the behavior of the Company's portfolio.

Significant increase in credit risk

The Company determines whether the credit risk of a financial asset has significantly increased since its initial recognition, considering reasonable and sustainable information that is relevant and available without cost or disproportionate effort, including information and analysis of a quantitative and qualitative nature based on historical experience and expert credit assessment including future information.

When a financial instrument has a low credit risk at the reporting date, the entity can assume that such credit risk has not been significantly increased since the initial recognition. This occurs when the financial instrument has a low default risk, the borrower has a strong ability to meet its cash flow obligations through the payment of principal and interest in the near term and adverse changes in economic and business conditions. in the long term can reduce, but not necessarily, the ability of the borrower to satisfy its cash flow obligations.

The portfolio classified in Stage 2 will include those instruments that meet the corporate definition of a significant increase in risk.

2. Summary of Significant Accounting Policies (Continued)

Accounting policies after January 1, 2018 (continued)

Financial Assets (continued)

c) *Impairment (continued)*

Significant increase in credit risk (continued)

To establish whether an asset presents a significant increase in risk since the initial recognition, an evaluation of quantitative and qualitative factors is carried out, these factors are:

- Assets with arrears of more than 30 days.
- Assets where the client is experiencing financial difficulties.
- The Company reviews whether there are collective criteria for the migration of a group of customers to Stage 2.

Definition of default

An asset is considered to be in default when it has any of the following characteristics:

- Customers who have arrears of more than 90 days, except for the Republic of Panama and quasi-government.
- Customers in special status of restructuring or business reorganization and insolvency law agreements.
- Customers on watch list.
- Customers qualified in the non-compliance category according to the internal rating models.

Prospective information

The Company incorporates macroeconomic scenarios in the calculation of the expected loss in order to reflect the prospective effect. The inclusion of macroeconomic conditions in the models of expected loss is made from methodologies that correlate the historical behavior of the portfolio with certain economic variables.

To make the projections, the historical information is considered for the most relevant economic and financial variables of the country (inflation, GDP growth). The information bases are compiled from official sources.

2. Summary of Significant Accounting Policies (Continued)

Accounting policies before January 1, 2018

Impairment of Investments

Impairment of investments available-for-sale

The Company determined on the date of each statement of financial position whether there was objective evidence that the securities are impaired. In the case of equity investments classified as available-for-sale, a significant or prolonged decrease in the fair value of the instrument below its cost was considered in determining whether the assets were impaired.

For financial assets available-for-sale in which the decrease in their fair value was objective evidence of the existence of impairment, the accumulated loss - measured as the difference between the amortized cost and the current fair value, less any impairment loss in that financial asset previously recognized in income - that has been recognized directly in equity was removed from equity and recognized in the statement of income.

If in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event that occurs after that the impairment loss was recognized in results, such impairment loss was reversed through the statement of income. However, if there is a recovery in the fair value of the equity investments classified as available-for-sale, this recovery was recognized in other comprehensive income.

Accounting policies after January 1, 2018

Investments are classified in stages according to the rating as follows:

- Stage 1: investments that are in compliance with their obligation of interest and capital;
- Stage 2: investments that are at the level of speculation in compliance with their interest or principal obligations; and
- Stage 3: investments that are in default on their interest or principal obligations.

2. Summary of Significant Accounting Policies (Continued)

Accounting policies after January 1, 2018 (continued)

Impairment of Investments (continued)

To estimate the impairment of the instruments, the risk rating of the issue, and the probability of default (PD) according to the external rating adjusted to the highest international risk rating registered at the local level are considered. If they do not have a risk rating, it is provisioned with the internal rating model and the probability of default developed by the Company.

Impairment: OEI (Objective evidence of impairment) * PD (Probability of default)
LGD (Loss given default).

- All instruments classified in Stage 1 will be assigned a 12-month probability of default.
- All instruments classified in Stage 2 will be assigned a probability of default for the life of the instrument.
- All instruments classified in Stage 3 will be assigned a default probability of 100%.

In all cases, the loss given default (LGD) is the parameter calculated in the process of impairment of the loan portfolio.

Property, Furniture and Equipment, Net
Building, furniture and equipment are stated at cost less accumulated depreciation and amortization. Depreciation and amortization are calculated based on a straight line method over the estimated life of the asset as follows:

		Estimated Useful Life
Building	6.67%	15 years
Improvements	20% to 33.33%	3 to 10 years
Furniture	10% to 33.33%	3 to 10 years
Equipment	10% to 33.33%	3 to 10 years

2. Summary of Significant Accounting Policies (Continued)

Property, Furniture and Equipment, Net (continued)
The useful life of assets is reviewed and adjusted, if appropriate, to the date of each statement of financial position.

Costs of non-capitalizable items are recognized as expenses and costs as incurred. The cost of major repairs are capitalized when it is probable that it, in addition to the originally assessed future economic benefits arising following the standard of performance for existing asset.

Gains or losses on disposal of fixed assets are determined by comparing the net proceeds from the sale against the carrying value of the assets. Gains or losses on disposal of fixed assets are included in the results for the period.

Building, furniture and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. The carrying value of an asset is written-off immediately to its recoverable amount if the carrying amount of an asset is greater than the estimated recoverable value. The recoverable amount is the higher of fair value less cost to sell and its value in use.

Revenue Recognition

Revenue is recognized based on the economic benefits that flow to the Company and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognized.

Revenues from Contracts

The Company classifies the recognized revenue from contracts with customers in categories that show how the nature, the amount, the income and the cash flows are affected by economic factors. The Company also discloses information on the relationship between the disclosure of detailed income and income information disclosed for each segment.

Income is classified in the following categories:

Commissions
Commissions on custody, maintenance of participants and management services to participants are recognized as revenue when earned.

Agency of Settlement and International Market Transactions
The services provided related to the agent of settlement payment, register and transfer of the securities migrated in the I-link platform and the custody services are registered based on the terms and conditions of the contract.

2. Summary of Significant Accounting Policies (Continued)

Revenue Recognition (continued)

Financial Income
Interest income is recognized over time on a proportional basis, using the effective interest method.

Maintenance of Participants
A monthly maintenance fee is collected according to monthly transactions generated.

Management Services
Management services are recognized as income when earned.

The commitment is fulfilled throughout the term of the contract.

Dividend Distribution
Dividend distribution to shareholder of the Company is recognized as a liability in the financial statements in the period in which the dividends are approved by the Board of Directors of the Company.

Income Tax
The income tax is recognized in the current results of operations. Current tax refers to tax on the net taxable income of the period, using the income tax rate in effect at the statement of financial position date.

Monetary Unit
The financial statements are expressed in balboas (B/.), the monetary unit of the Republic of Panama, which is at par and is freely exchangeable with the dollar (US$) of the United States of America.

3. Financial Risk Management

Financial Risk Factors
The activities of the Company are exposed to a variety of financial risks: market risk (including fair value interest rate risk and cash flow interest rate), credit risk, liquidity risk and capital risk. The overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance of the Company.

3. Financial Risk Management (Continued)

Financial Risk Factors (continued)

(a) Interest Rate Risk
The Company is exposed to various risks (cash flow and fair value) associated with the effect of fluctuations in market interest rates. The Company mitigates this risk by establishing guidelines for investments.

(b) Credit Risk
Credit risk is managed at the level of the Company. Credit risk originates in fixed income instruments at fair value through other comprehensive income and assets at amortized cost.

The process of selection, approval and monitoring of investments is limited to criteria and internal processes to diversify the investment portfolio and mitigate market risks and those inherent to the nature of the securities and issuers. The responsibility for this process lies in the Investments and Finance Committee of Latinex Holdings, Inc.

The continuous monitoring of performance and market movement is done by Management reporting to the Investments and Finance Committee. The Investments and Finance Committee reports to the Board of Directors when changes are needed in policies and investment criteria.

The selection criteria consider first diversification by economic sectors and economic groups. These criteria limit the positions of certain group to fixed percentages of the total equity and temporary deviations require approval of the Investments and Finance Committee.

The second selection criterion considers investment profitability and liquidity of issuers. This approach allows 75% of investments in securities listed on the Panama Stock Exchange. It is only allowed to invest up to 25% of the portfolio in foreign investments with investment grade.

Investments, including time deposits by economic sector, are detailed as follows:

	2018		**2017**	
Financial sector	868,068	100%	853,164	100%

3. Financial Risk Management (Continued)

Financial Risk Factors (continued)

(b) Credit Risk (continued)

Credit quality analysis
The following table presents the financial assets and reserves for credit expected losses:

	Stage 1	Stage 2	Stage 3	December 31, 2018	January 1, 2018
Maximum exposure					
Net book value	744,277	-	22,678	766,955	805,726
Financial assets at amortized cost					
Group1: Participants	14,174	-	22,678	36,852	2,655
Group 2: Issuers	8,998	-	-	8,998	6,856
Group 3: Others	3,231	-	-	3,231	1,600
Government and quasi-government	91,954	-	-	91,954	160,615
Net book value	118,357	-	22,678	141,035	171,726
Investments at fair value through other comprehensive income					
External rating					
International external rating	-	-	-	-	-
Local	-	-	-	-	-
Internal Rating	599,753	-	-	599,753	606,162
No rating	26,167	-	-	26,167	27,838
Net book value	625,920	-	-	625,920	634,000

3. Financial Risk Management (Continued)

Financial Risk Factors (continued)

(b) Credit Risk (continued)

Credit quality analysis (continued)
The following table presents the investments at fair value through other comprehensive income:

	December 31, 2018	January 1, 2018
Debt		
Internal rating	500,003	499,662
Equity instruments		
Common shares	125,917	134,338
	625,920	634,000

The following table presents the reserve for credit losses as follows:

	Stage 1	Stage 2	Stage 3	Total
Reserve for expected credit losses as of January 1, 2018	240	-	2,109	2,349
Net effect of changes in the reserve for expected credit losses	(55)	-	20,568	20,513
Reserve for expected credit losses as of December 31, 2018	185	-	22,677	22,862

(c) Liquidity Risk
Liquidity risk is the risk in which the Company is unable to meet all its obligations. The Company mitigates this risk by maintaining sufficient cash and highly liquid instruments.

3. Financial Risk Management (Continued)

Financial Risk Factors (continued)

(c) Liquidity Risk (continued)

The following table analyzes the financial assets of the Company by maturity date. Such analysis is presented according to the contractual maturity date with undiscounted cash flows at present value of the balance:

	Less than 1 year	1 to 5 years	More than 5 years	No maturity	Total
December 31, 2018					
Assets					
Cash and deposits in banks	1,008,682	-	-	-	1,008,682
Time deposit	368,065	-	-	-	368,065
Investments at fair value through other comprehensive income	500,003	-	-	125,917	625,920
Interest receivable	1,234	-	-	-	1,234
Financial assets at amortized cost	121,930	-	-	-	121,930
Prepaid expenses	28,433	-	-	-	28,433
Properties, furniture and equipment, net	6,418	140,582	173,579	-	320,579
Unemployment fund, net	-	-	-	4,472	4,472
Guarantee deposits and other assets	-	-	-	680	680
	2,034,765	140,582	173,579	131,069	2,479,995

	Less than 1 year	1 to 5 years	More than 5 years	No maturity	Total
December 31, 2017					
Assets					
Cash and deposits in banks	1,093,822	-	-	-	1,093,822
Time deposit	353,502	-	-	-	353,502
Investments available-for-sale		-	-	634,000	634,000
Interest receivable	939	-	-	-	939
Accounts receivable	174,131	-	-	-	174,131
Prepaid expenses	74,118	-	-	-	74,118
Prepaid income tax	11,334	-	-	-	11,334
Properties, furniture and equipment, net	76,626	44,099	31,957	-	152,682
Severance fund, net	-	-	4,562	-	4,562
Guarantee deposits and other assets	-	-	680	-	680
	1,784,472	44,099	37,199	634,000	2,499,770

3. Financial Risk Management (Continued)

Financial Risk Factors (continued)

(c) Liquidity Risk (continued)
The following table analyzes the financial liabilities of the Company by due maturity:

	Less than 1 year	1 to 5 years	More than 5 years	No maturity	Total
December 31, 2018					
Accrued expenses and withholdings payable	157,045	-	-	-	157,045
Income tax payable	55,688	-	-	-	55,688
Dividends payable	1,008,734	-	-	-	1,008,734
	1,221,467	-	-	-	1,221,467

	Less than 1 year	1 to 5 years	More than 5 years	No maturity	Total
December 31, 2017					
Accrued expenses and withholdings payable	158,608	-	-	-	158,608
Dividends payable	1,074,554	-	-	-	1,074,554
	1,233,162	-	-	-	1,233,162

(d) Capital Risk Management
The Company's objective when managing its capital is to ensure the Company's ability to continue as an ongoing business, as well as to maintain an optimal capital structure to reduce the capital cost. The total capital is calculated as the total equity.

To maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholder, return capital to shareholder, or issue new shares or sell assets to reduce its obligations.

Decree Law No.1 of July 8, 1999 (Securities Act), its amendments and Article No.4 of Agreement No.7-2003, requires self-regulated entities operating in Panama have a minimum capital of two hundred fifty thousand balboas (B/.250,000). The Company maintains an amount of capital exceeding its required capital and has no significant debt more than those from the normal course of business. However, the Company seeks to maintain a level of capital to cover its costs of expansion and technological innovation.

3. Financial of Financial Instruments (Continued))

Fair Value of Financial Instruments
The methodology of fair value of financial instruments held by the Company classified by level of fair value hierarchy is described below:

Level 1 - Unadjusted prices are used of purchases and sales reported in the Bolsa de Valores de Panama, S. A. at the closing of December 31, 2018. This level includes equities and funds that scored above 68% of market activity.

Level 2 - The Company values the instrument on a date when a significant transaction (B/.100,000) was observed and calibrates a spread over the discount rate to obtain the value observed on that date. The Company reviews the issue prospectus and lists the features of the local instrument, such as cash flows and optionality. The instrument is valued using the market levels at the valuation date, and the differential calibrated at the date of observation. The valuation model constructs the discount rate as follows:

a. LIBOR is the base rate
b. Corporate risk is added
c. Country risk is added
d. Calibrated differential is added

Level 3 - Inputs of the financial asset or liability that are not based on observable market data (unobservable inputs).

The following table presents the fair values of financial instruments held by the Company classified by level fair value hierarchy:

	Level 1	Level 2	Level 3	Total
December 31, 2018				
Assets				
Investments at fair value through other comprehensive income	125,917	500,003	-	625,920
December 31, 2017				
Investments available-for-sale	134,338	499,662	-	634,000

4. Critical Judgments

Critical judgments are continuously evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical Judgments in Applying Accounting Policies

a. *Impairment of financial assets through other comprehensive income*
The Company follows the guidance of IFRS 9 to determine when a financial asset through other comprehensive is impaired. This determination requires significant judgment by the Management. In determining this judgment, the Company assesses, among other factors, the term and degree to which the fair value of an investment is less than its cost, the financial condition and short-term business perspective of the invested company, including factors such as the performance of the industry and the sector, changes in technology and operations, and financial cash flows.

b. *Fair value of financial instruments*
The fair value of financial instruments at fair value through other comprehensive income that are not quoted in active markets, is determined using valuation techniques. When valuation techniques (i.e., models) are used to determine fair values, these are validated and periodically reviewed by qualified personnel. When possible, the models use only observable data; however, areas such as credit risk (self and counterparty), volatilities and correlations require judgment to make estimates. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

5. Cash and Deposits in Banks

Cash and deposits in banks are summarized as follows:

	2018	**2017**
Cash on hand	350	350
Current accounts	915,435	908,762
Saving accounts	92,897	184,710
	1,008,682	1,093,822

5. Cash and Deposits in Banks (Continued)

The fair value of cash and deposits in banks is similar to carrying value, due to its short-term nature.

The Company maintains time deposit of B/.368,065 (2017: B/.353,502) , with an interest rate of 4% and maturity on March 26, 2019.

6. Investments at Fair Value through Other Comprehensive Income

Following is a summary of investments at fair value through other comprehensive income:

Type of Investment	**2018**	**2017**
Equity shares	125,917	134,338
Negotiable Commercial Securities (VCN's in Spanish), with annual interest rates of 3.50% and maturity until September 15, 2019	500,003	499,662
	625,920	634,000

On February 2, 2017, External Public Debt Bonds of the Republic of Panama 2029 were sold at market value, generating a gain of B/.103,042, which is recognized as financial income in the statement of income.(Note 9).

Movement of the investments at fair value through other comprehensive income (2017: investments available-for-sale) is presented as follows:

	2018	**2017**
Balance at the beginning of year	634,000	436,896
Purchases	500,000	500,000
Sales	(500,000)	(226,915)
Realized gain on sales	-	(103,042)
Valuation of financial assets	(8,080)	27,061
Balance at the end of the year	625,920	634,000

7. Financial Assets at Amortized Cost

At December 31, 2018, the Company maintained B/.58,849 (2017: B/.121,486) in financial assets at amortized cost (2017: accounts receivable) from services provided to the Ministry of Economy and Finance (MEF) as Issue Agent, Paying Agent and Agent of Register and Transfer of the migrate securities registered on the i-Link platform in Euroclear.

8. Property, Furniture and Equipment

Movement of property, furniture and equipment is as follows:

	2018					
	Building	**Improvements**	**Furniture**	**Vehicle**	**Office Equipment**	**Total**
Net balance at the beginning of the year	13,398	54,314	21,958	-	63,012	152,682
Additions	-	81,822	75,344	-	87,541	244,707
Sales and disposals	-	(54)	(4)	-	(17)	(75)
Depreciation for the year	(13,397)	(9,867)	(16,287)	-	(37,184)	(76,735)
Net balance at the end of the year	1	126,215	81,011	-	113,352	320,579
At cost	202,374	191,037	178,052	-	346,529	917,992
Accumulated depreciation and amortization	(202,373)	(64,822)	(97,041)	-	(233,177)	(597,413)
Net balance at the end of the year	1	126,215	81,011	-	113,352	320,579

	2017					
	Building	**Improvements**	**Furniture**	**Vehicle**	**Office Equipment**	**Total**
Net balance at the beginning of the year	26,896	25,591	6,195	1	60,150	118,833
Additions	-	32,688	18,315	-	37,900	88,903
Sales and disposals	-	-	(88)	(1)	(243)	(332)
Depreciation for the year	(13,498)	(3,965)	(2,464)	-	(34,795)	(54,722)
Net balance at the end of the year	13,398	54,314	21,958	-	63,012	152,682
At cost	202,374	109,362	63,295	-	303,053	678,085
Accumulated depreciation and amortization	(188,976)	(55,048)	(41,337)	-	(240,041)	(525,402)
Net balance at the end of the year	13,398	54,314	21,958	-	63,012	152,682

9. Financial Income

Following is the detail of financial income recorded through the time:

	2018	**2017**
Interest	34,450	18,509
Dividends	3,947	4,070
Gain on sale of investments (Note 6)	-	103,042
Others	-	2,679
	38,397	128,300

10. Other Income

Other income is detailed as follows:

	2018	**2017**
Gain on sale of fixed assets	108	-
Compensation system	55,100	40,500
Membership	29,000	32,000
Others	37,761	38,326
	121,969	110,826

11. Personnel Expenses

Personnel expenses are detailed as follows:

	2018	**2017**
Salaries	544,164	510,548
Representation expenses	152,288	114,623
Profit sharing	89,414	63,850
Labor benefits	71,200	82,430
Indemnity and seniority premium	13,057	12,650
	870,123	784,101

At December 31, 2018, the total personnel was 23 (2017: 21).

12. Other Expenses

The detail of other expenses is as follows:

	2018	2017
Legal expenses	116,721	53,366
Taxes	55,673	68,254
Diet	52,250	52,300
PH maintenance	41,216	34,882
Travel	36,847	36,210
Electricity and telephone	35,283	48,004
Maintenance	32,864	25,428
Audit	26,556	25,334
Meetings, speeches and events	26,410	32,425
Professional fees	22,215	105,604
Advertising	18,442	6,932
Fees and subscriptions	6,494	6,808
Rent	8,656	7,296
Training, courses and seminars	5,656	9,803
Banking services	5,595	4,632
Transportation and fuel	4,775	3,412
Stationery and office supply	4,360	5,508
Donations	3,945	4,700
Others	22,719	62,490
	526,677	593,388

13. Income Tax

According to current Panamanian legislation, the Company is exempt from income tax in respect of profits from foreign sources. Also are exempt from income tax, interest earned on time deposits in local banks, interest earned on securities of the Panamanian State and investments in securities issued through the Bolsa de Valores de Panama, S. A.

13. Income Tax (Continued)

The income tax is calculated based on the net taxable income. The reconciliation of net taxable income with income before income tax according to financial statements is presented as follows:

	2018	2017
Income before income tax	1,606,186	1,416,319
Less: Exempt and/or nontaxable income	(38,397)	(128,300)
Plus: Non-deductible expenses	22,017	79,041
Net taxable income	1,589,806	1,367,060
Income tax 25%	397,452	341,765

According to current regulations, the income tax returns of the Company are subject to review by the tax authorities for the last three (3) years, including the year ended December 31, 2018.

14. Assets under Management and Custody

In the normal course of business, the Company maintains under custody financial assets of third parties as fiduciary, according to Decree Law No.1 of July 8, 1999 and its amendments.

The assets held under custody and deposits in banks are as follows:

	2018	2017
Fixed income	7,843,141,946	8,298,174,576
Government securities	5,132,085,218	5,455,422,878
Variable income	5,739,346,589	5,287,802,579
Funds	2,877,801,162	2,699,231,109
Promissory notes	384,543,849	342,637,639
Cerpanes	39,507,228	50,104,124
Deposits in banks	2,530,539	17,959,581
	22,018,956,531	22,151,332,486

For purposes of mitigating the risks inherent to the business, the Company maintains a fidelity policy with a local insurance company.

14. Assets under Management and Custody (Continued)

In accordance with provisions of the Internal Rules of the Company and as part of the safeguards of the financial activities of the participants, the central custody maintains, as of December 31, 2018, a total combined of B/.1,590,000 (2017: B/.2,020,000) as bonds and/or guarantees as support of the obligations of participants. Such bonds and/or guarantees are properly segregated and managed in memorandum accounts of the Company.

15. Balances and Transactions with Related Parties

Balances and transactions with related parties are detailed below:

	2018	**2017**
Balances		
Investments at fair value through other comprehensive income (2017: Investments available-for-sale)	26,167	27,838
Dividends payable	1,008,734	1,074,554
Transactions		
Key personnel compensation	356,750	320,583
Income on investments	1,448	1,670

16. Dividends Declared

The Board of Directors approved dividends payments to shareholder, as follows:

Type of Dividend	**Dividend Declared**	**Dividend per Share**	**Declaration Date**	**Payment Date**
2018				
Ordinary	1,208,734	2,417	December 31, 2018	Annual
2017				
Ordinary	1,074,554	2,149	December 31, 2017	Annual

17. Guaranty Trust for the Company

As indicated in Note 1, the Company is controlled by Latinex Holding, Inc. (Parent Company).

On February 9, 2012, Latinex, Inc. approved by its Board of Directors the establishment of an independent trust assets for security purposes, exclusively to support operations of Central Latinoamericana de Valores, S. A. (the "Beneficiary").

Latinex, Inc. (the "Settlor") and part the Group, is holder of financial assets and shares in companies which are free of encumbrances and restrictions, operating professionally in the organized market of the Republic of Panama.

One of the powers of the Company as beneficiary and which translates as an obligation of the Trust is to execute the transfer of assets from the equity of the Trust to the accounts of the Beneficiary, under a simple request of the Beneficiary, to meet capital requirements or meet business needs or when they are appropriate in the ordinary course of business of the Beneficiary.

As of December 31, 2018, the Trust held a total assets for the Company in the amount of B/.3,562,405 (2017: B/.3,586,062), included in the total of investments at fair value through other comprehensive income and time deposits for B/.0.00 (2017: B/.308,454) in order to guarantee the operations of that subsidiary.

The Grantor and the Trustee entered into a Trust Agreement No.119 called "Latin Clear Trust", whose beneficiary is the Company.

18. Contingencies

There are lawsuits filed against the Company, over which the Company's Management and its legal advisors estimate that the outcome of these proceedings is not expected to generate an adverse effect on the Company's financial position.

19. Adoption of IFRS 9 and 15

New standards adopted by the Company

IFRS 9 - Financial Instruments:

Refers to: (a) the classification and measurement of financial assets; (b) recognition of the impairment of financial assets, mainly through the introduction of a model of expected credit losses and (c) hedge accounting, including the elimination of some restrictions on the application of hedge accounting in the IAS 39.

The effects in each of the cases are summarized as follows:

Classification:

- Instruments previously classified as investments available-for-sale meet the conditions for their classification as investments at fair value through other comprehensive income. Therefore, there was no impact on the classification of these assets.

- Accounts receivable classified at amortized cost meet with the business model to remain in such category, therefore, the same classification was maintained.

The new impairment model requires estimates based on expected credit losses, instead of credit losses incurred under IAS 39. It is applied to financial assets at amortized cost, investments at fair value through other comprehensive income, and contractual assets in accordance to IFRS 15 - Revenue from Contracts with Customers.

The new requirements align hedge accounting more closely with risk management, establish a principles-based approach to hedge accounting and address inconsistencies and weaknesses in the hedge accounting model of IAS 39.

IFRS 9 also introduces broader disclosure requirements and changes in presentation, so the nature and extent of the disclosures of the financial instruments, if apply, have changed.

19. Adoption of IFRS 9 and 15 (Continued)

IFRS 15 - Revenue from Contracts with Customers:

The Company establishes revenue from ordinary activities in a way that represents the transfer of goods or services committed to customers in exchange for an amount that reflects the consideration to which the entity expects to be entitled in exchange for such goods or services.

In the process of implementing IFRS 15, the contracts with customers were reviewed, in order to establish the impacts on the separation of the components included on them. For this purpose, the following activities were carried out:

- Evaluation of promised services in contracts, identifying performance obligations.
- Evaluation of the performance obligations of each contract and if there are impacts for compliance with the new standard.
- Revenue recognition is made by volume incentives through the tariff structure.
- Identification of possible variable considerations included in the contracts and determination of whether the recognition of them is being carried out properly.

The Company assessed the contracts and commitments established with customers, identifying compliance with the five steps established in IFRS 15 and evaluating the impact on recognition within its financial statements, as follows:

- Identification of the contract with the customer: the rights of the parties, payment conditions, evaluation of the commercial basis, characteristics of the considerations were identified and it was evaluated if there were any changes or combinations within them.
- Identification of the obligations of the contract: the commitments included in the contracts of the entity were evaluated to identify when the customer makes use of the service and if the obligations are identifiable separately.
- Price determination: contracts were reviewed for the characteristics of the amounts to which they are entitled to exchange for the services committed, in order to estimate the effect of the considerations.
- Price distribution: in the evaluation of the prices of the contracts, it was identified that these are designated through an individual compensation manual to the services provided by the entity, even in contracts where there is more than one obligation.

19. Adoption of IFRS 9 and 15 (Continued)

IFRS 15 - Revenue from Contracts with Customers (continued):

- Satisfaction of the obligations: the obligations established in the contracts with customers are satisfied when the control of the service is transferred to the client and the recognition is made in accordance with the provisions of IFRS 15 over time or at a specific time.

The Company fulfills a performance obligation and recognizes income over time, if one of the following criteria is met:

- The customer receives and simultaneously consumes the benefits provided by the performance of the entity as the entity performs it.
- When the Company fulfills a performance obligation by delivering the promised services, it creates a contract asset for the amount of the consideration obtained with the performance.

Assets by contracts

An asset by contract is the right of the Company to receive a payment in exchange for the services that have been transferred to a customer. The Company perceives the assets of contracts as current assets, since they are expected to be realized within the normal operating cycle.

Adoption of IFRS 9

The Company adopted IFRS 9 under the modified retrospective model. The impact of the carrying value of financial assets resulting from the adoption of IFRS 9 will be recognized in retained earnings as of January 1, 2018. The information presented for 2017 does not reflect the requirements of IFRS 9, therefore, It is not comparable.

As of January 1, 2018, based on the evaluation performed by the Company on the classification and measurement of financial assets and liabilities held as of December 31, 2017, it was concluded that there were no impacts on classifications and measurements.

The impairment model based on the requirements that were applied under IAS 39 changed upon the adoption of IFRS 9; however, the impact was not material.

19. Adoption of IFRS 9 and 15 (Continued)

Adoption of IFRS 9 (continued)

The following table shows the classification categories and carrying value of assets under IAS 39 as of December 31, 2017 and under IFRS 9 as of January 1, 2018:

	Clasification under IAS 39	Clasification under IFRS 9	Book value under IAS 39	Book value under IFRS 9
Cash and deposits in banks	AC (1)	AC	1,093,822	1,093,822
Time deposits	AC	AC	353,502	353,502
Investment available-for-sale	AFS (2)	FVTOCI (3)	634,000	633,886
Accounts receivable	AC	AC	174,131	171,896
			2,255,455	2,253,106

(1) Amortized cost
(2) Investment available-for-sale
(3) Investment at fair value through other comprehensive income