(FREE ENGLISH LANGUAGE TRANSLATION FROM SPANISH VERSION)

Central Latinoamericana de Valores, S. A.

Report and Financial Statements
December 31, 2020

Central Latinoamericana de Valores, S. A.

General information
December 31, 2020

Dignitaries

Arturo Gerbaud	President
Roberto Brenes P.	Vicepresident
Carlos Mendoza	Treasurer
Mónica de Chapman	Secretary

Registered office

Federico Boyd Avenue and 49 Street, Panama Stock Exchange Building

Banks and Other Financial Institutions

BAC Internacional Bank, Inc.
Banco Davivienda (Panama), S. A.
Banco General, 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, 2020

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Independent Auditors' Report

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

Our opinion
In our opinion, the financial statements present fairly, in all material aspects the financial position of Central Latinoamericana de Valores, S. A. (the "Company"), as of December 31, 2020 as its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards.

What we have audited

The Company's financial statements comprise:
- The statement of financial position as at December 31, 2020;
- 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 significant accounting and other explanatory information.

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 (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code) and the requirements of the professional code of ethics for certified public accountants that are relevant to our audit of the financial statements in the Republic of Panama. We have fulfilled our ethical responsibilities in accordance with the IESBA Code and the ethical requirements of the Republic of Panama.

Responsibilities of the 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 necessary to enable the preparation of financial statements that are free from material misstatement, 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 appropriate, 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 in relation to the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free 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 29, 2021
Panama, Republic of Panama

Central Latinoamericana de Valores, S. A.

Statement of Financial Position
December 31, 2020
(Stated in balboas)

	2020	2019
Assets		
Cash and deposits in banks (Note 5)	1,492,435	1,303,805
Time deposits (Note 5)	387,336	371,504
Investment in securities (Notes 6 and 15)	110,208	445,352
Financial assets at amortized cost (Note 7)	567,170	169,823
Prepaid expense	57,070	48,577
Income tax paid in advance	-	3,157
Property, furniture and equipment, net (Note 8)	236,406	295,484
Unemployment fund, net	14,291	12,401
Guarantee deposits and other assets	680	680
Total assets	2,865,596	2,650,783
Liabilities and Equity		
Liabilities		
Accumulated expenses and withholdings payable	177,470	176,267
Income tax payable	150,596	-
Dividends payable (Note 15)	1,297,588	1,210,503
Total liabilities	1,625,654	1,386,770
Contingencies (Note 18)		
Equity (Note 17)		
Common shares without par value: 500 shares authorized, issued and outstanding	639,223	639,223
Valuation of financial assets	79,700	103,771
Prepaid dividend tax	(32,296)	(32,296)
Retained earnings	553,315	553,315
Total liabilities	1,239,942	1,264,013
Total liabilities and equity	2,865,596	2,650,783

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, 2020
(Stated in balboas)

	2020	2019
Revenue from contracts		
Commissions	1,904,878	1,807,548
Payment agency and international market transactions	1,714,425	1,644,974
Maintenance fees	162,000	170,000
Management services	627,367	591,461
Total revenue from contracts	4,408,670	4,213,983
Financial income (Note 9)	38,950	67,072
Others (Note 10)	56,365	92,449
Total revenue	4,503,985	4,373,504
General and Administrative Expenses		
Personnel expenses (Notes 11 and 15)	1,014,643	1,087,920
Depreciation and amortization (Note 8)	75,443	75,007
Insurance	122,217	91,741
Custody and payment, registration and transfer, agency expenses	929,319	808,588
Supervision fee	101,200	101,400
Other administrative expenses (Note 12)	536,973	604,050
Total general and administrative expenses	2,779,795	2,768,706
Income before income tax	1,724,190	1,604,798
Income tax (Note 13)	(426,602)	(394,295)
Net income	1,297,588	1,210,503

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, 2020
(Stated in balboas)

	2020	2019
Net income	1,297,588	1,210,503
Other Comprehensive Income Items:		
Items that can be subsequently reclassified		
To results:		
Net change in debt investments at fair value through comprehensive income (Note 6)	-	1,076
Items that will not be reclassified later		
to results:		
Net change in equity investments at fair value through other comprehensive Income (Note 6)	(24,071)	4,409
Total other comprehensive income	(24,071)	5,485
Total comprehensive income	1,273,517	1,215,988

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, 2020
(Stated in balboas)

	Common Shares	Valuation of financial Assets	Prepaid Dividend Tax	Retained Earnings	Total
Balance as of December 31, 2019	639,223	103,771	(32,296)	553,315	1,264,013
Comprehensive Income					
Net income	-	-	-	1,297,588	1,297,588
Total comprehensive income (Note 6)	-	(24,071)	-	-	(24,071)
Total comprehensive income	-	(24,071)	-	1,297,588	1,273,517
Transactions with Shareholders					
Dividends declared (Note 16)	-	-	-	(1,297,588)	(1,297,588)
Balance as of December 31, 2020	639,223	79,700	(32,296)	553,315	1,239,942
Balance as of December 31, 2018	639,223	98,286	(32,296)	553,315	1,258,528
Comprehensive Income					
Net income	-	-	-	1,210,503	1,210,503
Total comprehensive income (Note 6)	-	5,485	-	-	5,485
Total comprehensive income	-	5,485	-	1,210,503	1,215,988
Transactions with Shareholder					
Dividends declared (Note 16)	-	-	-	(1,210,503)	(1,210,503)
Total transactions with shareholders	-	-	-	(1,210,503)	(1,210,503)
Balance as of December 31, 2019	639,223	103,771	(32,296)	553,315	1,264,013

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, 2020
(Stated in balboas)

	2020	2019
Cash flows from operating activities		
Income before income tax	1,724,190	1,604,798
Adjustments to reconcile profit before income tax with net cash provided by operating activities:		
Depreciation and amortization	75,443	75,007
Financial income	(38,950)	(67,072)
Net changes in operating assets and liabilities:		
Financial assets at amortized cost	(397,347)	(47,893)
Prepaid expenses	(8,493)	(20,144)
Accrued expenses and withholdings payable	1,203	19,222
Reimbursements of severance fund, net	(1,890)	(7,929)
Interest and dividends received	50,023	54,359
Income tax paid	(272,849)	(453,140)
Net cash provided by operating activities	1,131,330	1,157,208
Cash flows from investing activities		
Time deposit	(15,832)	(3,439)
Purchases of investments at fair value through other comprehensive income	-	(300,000)
Sales and redemptions of investments at fair value through other comprehensive income	300,000	500,000
Acquisition of furniture and equipment, net	(16,365)	(49,912)
Net cash provided by investing activities	267,803	146,649
Cash flows from financing activities		
Net cash used in financing activities - dividends paid	(1,210,503)	(1,008,734)
Net increase in cash	188,630	295,123
Cash at the beginning of the year	1,303,805	1,008,682
Cash at the end of the year	1,492,435	1,303,805

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 119-19 of April 3, 2019.

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.

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. 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 will integrate it. All members have the right to voice and vote.

1. General Information (Continued)

Corporate Governance (continued)
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. 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 will integrate it. 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. 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 will integrate it. 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.

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.

1. General Information (Continued)

Corporate Governance (continued)

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 and 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.

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, 2021.

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 Company's financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), on a historical cost basis, modified by the revaluation of investments at fair value through comprehensive income.

The preparation of the financial statements in accordance with the IFRS requires the use of certain critical accounting estimates. Also, it requires Management to use its judgment in the process of applying the Company's accounting policies. The areas that involve a high degree of judgment or complexity, or areas where the assumptions and estimates are significant for the financial statements, are disclosed in Note 4.

New and Revised Accounting Pronouncements in 2020

Modification to the Conceptual Framework
The IASB published in March 2018, the Conceptual Framework that establishes a comprehensive set of concepts for financial reporting, standard setting, guidance for preparers in developing consistent accounting policies, and support for other users in their effort to understand and interpret the rules. The Conceptual Framework includes new concepts, updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts.

Management evaluated the revision to the Conceptual Framework and identified that there are no significant impacts that generate a modification in the financial statements and disclosures of the Company.

Amendment to IAS 1 - Presentation of Financial Statements and IAS 8 - Accounting Policies, Changes in Estimates and Errors
The amendments issued by the International Accounting Standards Board propose minor modifications to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to clarify the definition of "materiality or relative importance. ".

The proposed amendments improve the definition of materiality or relative importance and clarify its application to:

- Coordinate the drafting of the definition of the International Financial Reporting Standards (IFRS) and the definition in the Conceptual Framework for Financial Reporting;

2. Summary of Significant Accounting Policies (Continued)

Basis of Preparation (continued)

Amendment to IAS 1 - Presentation of Financial Statements and IAS 8 - Accounting Policies, Changes in Estimates and Errors (Continued)

- Incorporate some of the existing support requirements in IAS 1 into the definition to give them additional enhancement; and
- Improve clarity in the explanation that accompanies the definition of materiality or with relative importance.

Amendment to IFRS 16 Leases
On May 28, 2020, the International Standards Board ('IASB') issues the amendment to IFRS 16 Leases related to concessions in lease contracts, which proposes as a practical solution to allow lessees to choose not to evaluate whether the reductions in leases terms of the leases related to the Covid-19 pandemic are a modification to the contract itself as established in the standard.

This amendment has an application date for annual periods beginning on June 1, 2020, its early application is allowed.

Accounting Pronouncements Issued and Applicable in Future Periods

Amendment to IAS 1 Presentation of Financial Statements
On January 23, 2020, the IASB issued amendments to IAS 1 Presentation of Financial Statements in order to clarify the requirements for classifying liabilities as current or non-current:

- The amendments detail that the conditions that exist at the end of the notification period of an obligation are those that will be used to determine whether there is a right to postpone the settlement of a liability.
- Management's expectations of events after the balance date, for example, whether an agreement is breached, or whether an early settlement will take place, are not relevant.
- The amendments clarify the situations that are considered in the settlement of a liability.

The amendments to IAS 1 are effective for annual periods beginning on or after January 1, 2022 and must be applied retrospectively in accordance with IAS 8. Early application is permitted.

Management is evaluating the impact of the changes that this modification would have on the Company's financial statements and disclosures.

2. Summary of Significant Accounting Policies (Continued)

Basis of Preparation (continued)

Accounting Pronouncements Issued and Applicable in Future Periods (continued)

Amendment to IAS 37 Provisions, contingent liabilities and contingent assets
In May 2020, the amendment to IAS 37 is published regarding the issue of Onerous Contracts - Costs of fulfilling a contract with the purpose of evaluating whether the contract is onerous. IAS 37 provides the definition of an onerous contract, defined as a contract in which the costs of complying with it exceed the economic benefits received. The amendment clarifies that the costs of fulfilling a contract are those that are directly related to the contract; that is, the following: a) the incremental costs of fulfilling that contract; and (b) an allocation of other costs that are directly related to the performance of the contract.

This amendment has an application date as of January 1, 2022, its early application is allowed. Management is evaluating the impact of the changes that this modification would have on the Company's financial statements and disclosures.

There are no other new norms or interpretations that are in force in the 2020 period that cause a material effect on the Company in the current period and future periods.

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. The Administration determines the classification of the assets from their initial recognition.

b) Measurement
Financial assets are subsequently measured at amortized cost and at fair value through 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 in maintained within a business model whose objective is to maintain assets to obtain contractual cash flows; and
- The contractual terms of the financial asset establish specific dates for the cash flows derived only from principal and interest payments on the current balance.

2. Summary of Significant Accounting Policies (Continued)

Financial Assets (continued)

b) Measurement (continued)

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 establish specific dates for the 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.

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. Dividends received from these investments are recognized in the statement of comprehensive income.

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.

Business Model Assessment
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 Assets to obtain Contractual Cash Flows
A portfolio of financial assets is managed with the objective of obtaining cash flows through principal and interest payments throughout the life of the instrument, even when sales of financial assets take place or are expected to occur in the future.

2. Summary of Significant Accounting Policies (Continued)

Financial Assets (continued)

b) *Measurement (continued)*

Business Model Assessment (continued)

Business Model whose Objective 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.

Compared to 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 sales value, without the need to have a frequency threshold or defined value, since sales and the collection of contractual flows are combined in a way that allows achieving the objective of the business model.

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

Assessment of whether 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 over time, credit risk and other basic risks associated with financial assets. In evaluating whether the contractual cash flows are only principal and interest payments, the Company considered the terms of the contracts. This included the evaluation to determine if the financial asset contains a contractual term that could change the period or amount of the contractual cash flows in such a way that it does not meet 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.

2. Summary of Significant Accounting Policies (Continued)

Financial Assets (continued)

c) *Impairment (continued)*

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.

Measurement of Expected Credit Losses
The quantification of the expected credit losses collectively is carried out according to the classification of the stages, the specific homogeneous groups 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:

$$\text{Impairment: EAD} \times (1\text{-PF}) \times \text{PD} \times \text{LGD}$$

Being:

EAD (Exposure at default): is the exposed value of the asset valued at amortized cost (includes the principal balance, interest and accounts receivable). In the case of products whose nature is of a rotating type and have an available quota that is capable of being used in its entirety, the estimation of the (EAD) considers the use of the risk conversion factor (RCF), in order to find a relationship regarding the use and the unused component of the instrument.

PD (Probability of default): 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.

PF (Prospective factor): the country's most relevant economic and financial variables (CPI, GDP growth), compiled from official sources.

2. Summary of Significant Accounting Policies (Continued)

Financial Assets (continued)

Measurement of Expected Credit Losses (Continued)

These stages are summarized as follows:

Stage 1: is the estimated probability of occurrence of a default in the next 12 months of the instrument's life from 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 of 12 months, the Company uses traditional techniques, modeling the behavior of the portfolio.

Stage 2: is the estimated probability of occurrence of a default throughout the remaining life of an instrument, being this dependent on the conditions of the specific product to be analyzed. According to the standard, the Company defines its use for the portfolio with a significant increase in credit risk.

Stage 3: the clients evaluated by the collective and individual methodology have an associated probability of default of 100%.

LGD (Loss given default): 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:

$$LGD = 1 - \%RR$$

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. 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.

2. Summary of Significant Accounting Policies (Continued)

Financial Assets (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 areas 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.

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

Definition of Default
An asset is 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 or 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)

Financial Assets (continued)

Impairment of Investments at Fair Value through other Comprehensive Income
Investments are classified into stages according to the following classification:

- Stage 1: investments that are in default on their interest and principal obligations. The Company uses the default probabilities according to its country risk adjusted risk rating compared to international risk ratings.
- Stage 2: investments that are in speculation grade in the fulfillment of their interest or capital obligations; and
- Stage 3: investments that are in default on their interest or principal obligations.

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.

$$\text{Impairment: } EAD \times (1\text{-}PF) \times PD \times LGD$$

- 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
Property, 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:

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

The useful life of assets is reviewed and adjusted, if appropriate, to the date of each statement of financial position.

2. Summary of Significant Accounting Policies (Continued)

Property, Furniture and Equipment (continued)
Costs of non-capitalizable items are recognized as expenses and costs as incurred. The cost of major repairs is 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.

Property, 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.

2. Summary of Significant Accounting Policies (Continued)

Revenue Recognition (continued)

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 Transaction
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 contracts.

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

Maintenance of Participants
The monthly maintenance fee is charged according to the monthly transactions it has generated.

Management Services
Administration services are recognized as income when they accrue.

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 Board of Directors of the Company approves the dividends.

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 and Functional Currency
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 and it considered as the functional currency.

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.

(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 diversification by asset class, type of instrument, duration, country or region, industry, issuer and economic group. These criteria limit the positions of a certain group to fixed percentages of the total equity and their temporary deviations require the approval of the Investment and Finance Committee.

Likewise, the profitability and credit quality of the issuers are considered, allowing 100% of the portfolio to be invested in the Republic of Panama, a maximum of 20% for countries with a BBB or higher risk rating and 10% for member countries of the Association. Capital Markets of the Americas (AMERCA).

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

Financial sector	387,336	100%	672,583	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	2020	2019
Maximum exposure					
Net book value	673,705	-	-	673,705	592,539
Financial assets at amortized cost					
Group 1: Participants	1,818	-	-	1,818	1,941
Group 2: Issuers	19,921	-	-	19,921	17,031
Grupo 3: Others	703	-	-	703	1,605
Government and quasi-government	543,929	-	-	543,929	140,557
Net book value	566,371	-	-	566,371	161,134
Investments at fair value through other comprehensive income					
Local rating	-	-	-	-	301,079
Internal rating	85,000	-	-	85,000	110,840
No rating	22,333	-	-	22,333	19,486
Interest receivable	2,874	-	-	2,874	13,947
Net book value	110,207	-	-	110,207	445,352

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

	Stage 1	Stage 2	Stage 3	Total
Provision for expected credit losses as of December 31, 2019	395	-	-	395
Net effect of changes in the reserve for expected credit losses	252	-	-	252
Provision for expected credit losses as of December 31, 2020	647	-	-	647

3. Financial Risk Management (Continued)

Financial Risk Factors (continued)

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.

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:

	2020				
	Less than 1year	**1 to 5 years**	**More than 5 years**	**No maturity**	**Total**
Assets					
Cash and deposits in banks	1,492,435	-	-	-	1,492,435
Time deposit	387,336	-	-	-	387,336
Investments at fair value	-	-	-	107,334	107,334
Interest receivables	2,874	-	-	-	2,874
Financial assets at amortized cost	567,17 0	-	-	-	567,170
Prepaid expenses	57,070	-	-	-	57,070
Properties, furniture and equipment, net	6,01 8	84,719	145,669	-	236,406
Unemployment fund, net	-	-	-	14,291	14,291
Guarantee deposits and other assets	-	-	-	680	680
	2,512,903	84,719	145,669	122,305	2,865,596

	2020				
	Less than 1year	**1 to 5 years**	**More than 5 years**	**No maturity**	**Total**
Liabilities					
Accrued expenses and withholdings payable	177,470	-	-	-	177,470
Income tax payable	150,596	-	-	-	150,596
Dividends payable	1,297,588	-	-	-	1,297,588
	1,625,654	-	-	-	1,625,654

3 Financial Risk Management (Continued)

Financial Risk Factors (continued)

c) Liquidity Risk (continued)

	2019				
	Less than 1year	**1 to 5 years**	**More than 5 years**	**No maturity**	**Total**
Assets					
Cash and demand deposits	1,303,805	-	-	-	1,303,805
Time deposits	371,504	-	-	-	371,504
Investments at fair value through other comprehensive income	315,026	-	-	130,326	445,352
Financial assets at amortized cost	169,823	-	-	-	169,823
Prepaid expenses	48,577	-	-	-	48,577
Income tax paid by anticipated	3,157	-	-	-	3,157
Properties, furniture and equipment, net	10,222	119,075	166,187	-	295,484
Unemployment fund, net	-	-	-	12,401	12,401
Guarantee deposits and other assets	-	-	-	680	680
	2,222,114	119,075	166,187	143,407	2,650,783

	2019				
	Less than 1year	**1 to 5 years**	**More than 5 years**	**No maturity**	**Total**
Liabilities					
Accrued expenses and withholdings payable	176,267	-	-	-	176,267
Income tax payable	1,210,503	-	-	-	1,210,503
	1,386,770	-	-	-	1,386,770

(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 Risk Management (Continued)

Financial Risk Factors (continued)

(e) Price Risk
It is the risk that the value of a financial instrument fluctuates as a result of changes in market prices, regardless of whether they are caused by specific factors related to the particular instrument or its issuer, or by factors that affect all securities traded in the market. The Company is exposed to price risk derived from investments in securities measured at fair value with changes in results and with changes in other comprehensive income. The company mitigates this risk through its Investment Policy.

COVID-19 Effect
The appearance of the coronavirus at the end of 2019 and its respective arrival in our country, caused the National Government of the Republic of Panama to decree a state of national emergency. The national emergency established a quarantine with a limited citizen circulation and a closure of a large part of the country, significantly affecting the Panamanian economy at the macro and micro level.

Although its effects continue to materialize, the COVID-19 pandemic has resulted in a significant decrease in commercial activity throughout Panama. The Company has policies and procedures for business continuity that establish mechanisms to function in contingency situations, allowing uninterrupted continuity of operations and services to its clients. The company carries out both collective and individual studies of the condition of its investments, which, together with the Investment Policy and Strategy, allow risk management in general.

The extent to which the Covid-19 pandemic will continue affecting negatively the Company will depend on future developments, which are highly uncertain and cannot be foreseen, including the scope and duration of the pandemic, the direct and indirect impact of the pandemic on our clients and counterparties, as well as other market participants, and actions taken by government authorities (both local and abroad) and other third parties in response to the pandemic. The effects known to the Company's Management, and which can be reasonably estimated, have been recognized in the financial statements as of December 31, 2020. The Company's Management will continue monitoring and modifying the operating and financial strategies to mitigate possible risks that could affect its business in the short, medium and long term.

3 Financial Risk Management (Continued)

Financial Risk Factors (continued)

(e) Price Risk continued)

Sensitivity Analysis
The Company uses forward-looking information that is available without undue cost or effort in its assessment of the significant increase in credit risk, as well as in its measurement of provisions for expected losses. The Development department uses external and internal information to generate a base scenario for the future forecast of relevant economic variables. The external information includes economic data published by governmental entities and monetary agents.

The following table lists the macroeconomic assumptions used, under the base, optimistic and pessimistic scenarios, considering a forecast period of one year. Likewise, a sensitivity of the differential between the provision for expected losses is included based on the weighting of the different scenarios.

Scenarios	GDP Var%	Sensitivity about provision
Optimist	-7.0%	B/.434
Base	-10.0%	B/.587
Pessimistic	-13.0%	B/.741

(f) Capital Risk Management
Decree Law No.1 of July 8, 1999 (Securities Law), its reforms and Article No.4 of Agreement No.7-2003 require that self-regulated entities operating in Panama have a minimum capital of two hundred and fifty thousand balboas (B/.250,000). The Company maintains a principal amount greater than its requirements and does not have a significant indebtedness other than those derived from the normal commercial line. Notwithstanding the foregoing, efforts are made to maintain a level of capital in order to defray its expenses for technological expansion and innovation. As a practice, the Company seeks to retain between 40% and 50% of its annual profits to maintain this capital ratio.

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 - The unadjusted prices of purchases and sales that are reported in the Panama Stock Exchange, S. A. as of December 31, 2020 are used. This level includes the actions that marked above 15% of activity.

3. Financial Risk Management (Continued)

Fair Value of Financial Instruments (continued)
Level 2 - The Company values the instrument on a date that a significant transaction has been observed (B/.100,000) and calibrates a differential over the discount rate to obtain the value observed on that date. The Company analyzes the prospectus of the issue and lists the characteristics of the local instrument, such as cash flows and the option of early redemption. The instrument is valued, using market levels on the valuation date, and the calibrated differential on the observation date. The valuation model applies 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. This category includes all assets or liabilities in which valuation techniques include unobservable input data.

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

	Stage 1	Stage 2	Stage 3	Total
December 31, 2020				
Investments in securities	107,334	-	-	107,334
December 31, 2019				
Investments in securities	130,326	301,079	-	431,405

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.

4. Critical Judgments (Continued)

Critical Judgments in Applying Accounting Policies (continued)

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:

	2020	**2019**
Cash on hand	500	500
Current accounts	983,117	1,107,859
Saving accounts	508,818	195,446
	1,492,435	1,303,805

The fair value of cash and demand deposits is similar to the book value, due to its short-term nature.

The Company maintains time deposits for B/.387,336 (2019: B/.371,504), with an interest rate of 4.25% and maturity on March 26, 2021.

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	**2020**	**2019**
Debt investments at fair value		
Negotiable Commercial Securities (VCN's)	-	200,784
Corporate bonds	-	100,295
Interest receivable	2,874	13,947
	2,874	315,026
Equity investments	107,334	130,326
	110,208	445,352

Movement of the investments at fair value through other comprehensive income is presented as follows:

	2020	**2019**
Balance at the beginning of year	431,405	625,920
Purchases	-	300,000
Sales	(300,000)	(500,000)
Valuation of financial assets	(24,071)	5,485
Interest receivable	2,874	13,947
Balance at the end of the year	110,208	445,352

7. Financial Assets at Amortized Cost

A As of December 31, 2020, the Company held B/.538,505 (2019: B/.134,932) in financial assets at amortized cost, as a result of the services provided to the Ministry of Economy and Finance (MEF) as Issue Agent, Agent of Payment and Registration and Transfer Agent of the migrated and registered securities on the I-Link platform at Euroclear.

8. Property, Furniture and Equipment

Movement of property, furniture and equipment is as follows:

	2020					
	Building	**Improvements**	**Furniture**	**Vehicle**	**Office Equipment**	**Total**
At cost	202,374	200,730	180,612	-	380,591	964,307
Accumulated depreciation and amortization	(202,373)	(80,922)	(113,779)	-	(271,749)	(668,823)
Net balance at the beginning of the year	1	119,808	66,833	-	108,842	295,484
Additions	-	-	2,200	-	14,165	16,365
Depreciation for the year	-	(16,520)	(17,144)	-	(41,779)	(75,443)
Net balance at the end of the year	1	103,288	51,889	-	81,228	236,406
At cost	202,374	200,730	182,812	-	394,755	980,671
Accumulated depreciation and amortization	(202,373)	(97,442)	(130,923)	-	(313,527)	(744,265)
Net balance at the end of the year	1	103,288	51,889	-	81,228	236,406

	2019					
	Building	**Improvements**	**Furniture**	**Vehicle**	**Office Equipment**	**Total**
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 beginning of the year	1	126,215	81,011	-	113,352	320,579
Additions	-	9,693	4,497	-	35,731	49,921
Sales and disposals	-	-	(7)	-	(2)	(9)
Depreciation for the year	-	(16,100)	(18,668)	-	(40,239)	(75,007)
Net balance at the end of the year	1	119,808	66,833	-	108,842	295,484
At cost	202,374	200,730	180,612	-	380,591	964,307
Accumulated depreciation and amortization	(202,373)	(80,922)	(113,779)	-	(271,749)	(668,823)
Net balance at the end of the year	1	119,808	66,833	-	108,842	295,484

9. Financial Income

Below is the detail of financial income:

	2020	**2019**
Interests	34,280	62,624
Dividends	4,670	4,448
	38,950	67,072

10. Other Income

Other income is detailed as follows:

	2020	2019
Sanctions	-	2,500
Compensation system	54,000	56,650
Others	2,365	33,299
	56,365	92,449

11. Personnel Expenses

Personnel expenses are detailed as follows:

	2020	2019
Salaries	591,646	589,196
Representation expenses	223,356	181,809
Profit sharing	73,370	81,000
Labor benefits	110,126	100,256
Indemnity and seniority premium	16,145	135,659
	1,014,643	1,087,920

As of December 31, 2020, the total number of employees was 25 (2019: 24).

12. Other Administrative Expenses

A Below is the detail of other administrative expenses:

	2020	**2019**
Maintenance	116,128	83,283
Director's Allowance	66,750	50,750
Professional fees	62,501	114,464
Taxes	55,658	54,774
Banking services	55,052	26,022
PH maintenance	50,579	43,369
Electricity and telephone	25,722	22,688
Audit	25,427	29,917
Associations	14,001	10,560
Donations	11,900	5,260
Rent	9,767	9,218
Meetings, speeches and events	9,600	24,428
Legal expense	6,558	14,656
Training, courses and seminars	6,078	10,615
Advertising	5,261	26,326
Forums	4,327	5,000
Gas and transport	3,132	5,113
Abroad travel and customer service	1,505	41,344
Cleaning	1,452	2,300
Stationery and office supplies	865	3,453
Cafeteria	658	2,449
Minor furniture	372	1,097
Fees and subscriptions	137	519
Others	3,543	16,445
	536,973	604,050

13. Income taxes

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:

	2020	**2019**
Income before income tax	1,724,190	1,604,798
Less: Exempt and/or nontaxable income	(38,950)	(67,072)
Plus: Non-deductible expenses	21,169	39,454
Net Taxable Income	1,706,409	1,577,180
Current income tax 25%	426,602	394,295

Legal entities whose taxable income exceeds one million five hundred thousand balboas per year (B/.1,500,000) will pay income tax on the calculation that is higher between:

a. The 25% rate on tax profit (Traditional Method)
b. The net taxable income resulting from applying 4.67% to total taxable income at the 25% rate (Alternative Calculation of Income Tax).

For the years ended December 31, 2020 and, the Company made both calculations and determined the income tax based on the traditional method.

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, 2020.

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.

14. Assets under Management and Custody (Continued)

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

	2020	2019
Fixed income	8,383,023,692	8,328,745,427
Government securities	7,381,491,155	7,106,070,638
Variable income	5,383,045,600	6,504,243,662
Funds	3,323,840,075	3,254,294,562
Promissory notes	438,538,235	421,854,779
CERPANES	28,328,301	31,420,251
Deposits in banks	20,893,846	10,315,697
	24,959,160,904	25,656,945,016

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

In accordance with the provisions of the Internal Rules of the Company and as part of the safeguards of the financial activities of the participants, the custody center maintains as of December 31, 2019, a combined total cash of B/.1,705,000 (2019: B/.1,360,000) as guarantees in support of the obligations of the participants. Said guarantees are duly segregated and are managed in the Company's memorandum accounts.

15. Balances and Transactions with Related Parties

Balances and transactions with related parties are detailed below:

	2020	2019
Balances with related companies		
Investments at fair value through other comprehensive income	22,333	19,486
Dividends payable	1,297,588	1,210,503
Transactions with related companies		
Income on investments	1,670	1,448
Key personnel compensation transactions		
Key personnel compensation	811,714	870,336
Director´s allowances	66,750	50,750

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
2020				
Ordinary	1,297,588	2,595	December 31, 2020	Annual
2019				
Ordinary	1,210,503	2,421	December 31, 2019	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, 2020, the Trustee held a total of trust assets in favor of the Company for B/.3,483,560 (2019: B/.3,713,554), included in the total investments at fair value through comprehensive income.

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, on which the Administration of the Company and its legal advisors consider that the results of these processes are not expected to generate an adverse effect on the Company's financial position.