UNI BANK & TRUST, INC. AND SUBSIDIARY
(Panama, Republic of Panama)

Consolidated Financial Statements

December 31, 2012

(With Independent Auditors' Report Thereon)

(FREE ENGLISH LANGUAGE TRANSLATION OF SPANISH VERSION)

UNI BANK & TRUST, INC. AND SUBSIDIARY
(Panama, Republic of Panama)

Table of Contents

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FREE ENGLISH LANGUAGE TRANSLATION OF SPANISH VERSION

INDEPENDENT AUDITORS' REPORT

The Stockholders and Board of Directors
Uni Bank & Trust, Inc. and Subsidiary

We have audited the accompanying consolidated financial statements of Uni Bank & Trust, Inc. and Subsidiary (here after, the "Bank"), which comprise the consolidated statements of financial position as at December 31, 2012, the consolidated statements of comprehensive income (loss), changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as modified by prudential regulations enacted by the Superintendence Banks of Panama for supervisory purposes, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Uni Bank & Trust, Inc. and Subsidiary, as at December 31, 2012, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as modified by prudential regulations enacted by the Superintendence of Banks of Panama for supervisory purposes, as describe in the note 2 of the consolidated financial statements.

KPMG (SIGNED)

March 22, of 2013
Panama, Republic of Panama

UNI BANK & TRUST, INC. AND SUBSIDIARY
(Panamá, República de Panamá)

Consolidated Statement of Financial Position

December 31,2012

(Stated in Balboas)

Assets	**Note**	**2012**	**2011**
Cash		1,714,069	1,024,942
Deposits with banks:			
Local demand deposits		2,604,605	987,972
Foreign demand deposits		1,712,709	1,113,107
Local time deposits		21,000,000	17,500,000
Foreign time deposits		20,000,000	12,948,251
Total deposits with banks		45,317,314	32,549,330
Total cash and deposits with banks	6	47,031,383	33,574,272
Available-for-sale securities	7	42,731,450	43,908,576
Held to maturity securities	7	1,000,000	0
Loans:	5, 8	206,130,067	106,715,268
Less:			
Allowance for loan losses		2,281,648	975,411
Unearned discounted commissions		1,016,691	331,393
Loans, net		202,831,728	105,408,464
Improvements, furniture and equipment, net	9	5,913,560	5,215,076
Accrued interest receivable	5	1,507,535	810,553
Other assets	5, 10	1,841,067	4,185,461
Total assets		302,856,723	193,102,402

The consolidated statement of financial position should be read along with the accompanying notes which are an integral part of the consolidated financial statements.

Liabilities and Equity	Note	2012	2011
Liabilities:			
Deposits received from clients:			
Local demand deposits		24,306,898	20,672,145
Foreign demand deposits		14,268,214	5,668,111
Local savings		22,822,175	11,892,015
Foreign savings		9,425,878	4,182,359
Local time deposits		123,082,726	87,179,854
Foreign time deposits		43,795,207	10,160,026
Total deposits	5	237,701,098	139,754,510
Securities sold under repurchase agreement	13	0	4,763,000
Borrowed funds	12	4,913,023	0
Cashier's checks and certificates		2,966,177	2,774,602
Accrued interest payable	5	3,396,386	1,401,078
Other liabilities	11	1,696,261	1,546,935
Total liabilities		250,672,945	150,240,125
Equity:			
Common shares	14	59,060,928	50,000,000
Unrealized gain (loss) on securities available for sale	7	448,953	(885,612)
Accumulated deficit		(7,326,103)	(6,252,111)
Total equity		52,183,778	42,862,277
Commitments and contigencies	19		
Total liabilities and equity		302,856,723	193,102,402

UNI BANK & TRUST, INC. AND SUBSIDIARY
(Panama, Republic of Panama)

Consolidated Income Statement

For the period ended December 31, 2012

(Stated in Balboas)

	Note	2012	2011
Interest and commission income:			
Interest on:			
Loans		10,276,845	2,461,218
Deposits with banks		40,982	16,794
Securities avalilable for sale		2,052,580	2,476,368
Loans commissions		397,758	286,782
Total interest and commissions		12,768,165	5,241,162
Interest expense on deposits		5,969,129	2,205,493
Interest expense on repurchase agreement		36,924	3,108
Total interest expense		6,006,053	2,208,601
Net interest income before provision for loan losses		6,762,112	3,032,561
Provision for loan losses	8	1,532,401	974,711
Net interest income after provision for loan losses		5,229,711	2,057,850
Income (expense) for banking services and others:			
Commission expense	17	(136,499)	(72,817)
Gain on financial instruments, net	7, 15	2,177,843	1,486,631
Other commissions earned	16	742,813	225,482
Other income	16	159,375	51,764
Total income for banking services and others		2,943,532	1,691,060
General and administrative expenses:			
Salaries and other employee expenses	5	4,588,125	3,763,226
Other staff costs		94,217	54,691
Rent	5	1,308,614	1,455,634
Advertising and promotion		446,782	417,816
Professional fees and services	5	471,212	465,203
Depreciation and amortization	9, 10	829,125	635,877
Other expenses	17	1,494,036	1,355,333
Total general and administrative expenses		9,232,111	8,147,780
Net loss before income tax		(1,058,868)	(4,398,870)
Income tax	18	15,124	32,630
Net loss		(1,073,992)	(4,431,500)

The consolidated income statement should be read along with the accompanying notes which are an integral part of the consolidated financial statements.

UNI BANK & TRUST, INC. AND SUBSIDIARY
(Panama, Republic of Panama)

Consolidated Statement of Comprehensive Income (Loss)

For the period ended December 31, 2012

(Stated in Balboas)

	Note	2012	2011
Net loss		(1,073,992)	(4,431,500)
Other comprehensive income (loss):			
Net changes in market values of available-for-sale securities		(843,278)	(2,116,015)
Net changes for the sale of available-for-sale securities, that were transferred to the consolidated income statement	15	2,177,843	1,486,631
Other comprehensive income (loss):		1,334,565	(629,384)
Total comprehensive income (loss)		260,573	(5,060,884)

The consolidated statement of comprehensive income (loss) should be read along with the accompanying notes which are an integral part of the consolidated financial statements.

UNI BANK & TRUST, INC. AND SUBSIDIARY
(Panama, Republic of Panama)

Consolidated Statement of Changes in Equity

For the period ended December 31, 2012

(Stated in Balboas)

	Note	Common Shares	Unrealized gain (loss) on securities available for sale	Accumulated Deficit	Total Equity
Balance at December 31, 2010		50,000,000	(256,228)	(1,820,611)	47,923,161
Net loss		0	0	(4,431,500)	(4,431,500)
Other comprehensive loss:					
Net change in securities available-for-sale during the period	7	0	(2,116,015)	0	(2,116,015)
Net gain on securities available-for-sale transferred to operations		0	1,486,631	0	1,486,631
Total other comprehensive loss		0	(629,384)	0	(629,384)
Total comprehensive loss		0	(629,384)	(4,431,500)	(5,060,884)
Balance at December 31, 2011		50,000,000	(885,612)	(6,252,111)	42,862,277
Net loss		0	0	(1,073,992)	(1,073,992)
Other comprehensive income (loss):					
Net change in securities available-for-sale during the year	7	0	(843,278)	0	(843,278)
Net gain on securities available-for-sale transferred to operations		0	2,177,843	0	2,177,843
Total other comprehensive income		0	1,334,565	0	1,334,565
Total comprehensive income		0	1,334,565	(1,073,992)	260,573
Transactions attributable to shareholders:					
Shares issued	14	9,060,928	0	0	9,060,928
Total of transactions due to shareholders		9,060,928	0	0	9,060,928
Balance at December 31, 2012		59,060,928	448,953	(7,326,103)	52,183,778

The consolidated statement of changes in equity should be read along with the accompanying notes which are an integral part of the consolidated financial statements.

UNI BANK & TRUST, INC. AND SUBSIDIARY
(Panama, Republic of Panama)

Consolidated Statement of Cash Flows

For the period ended December 31, 2012

(Stated in Balboas)

	Note	2012	2011
Operating activities:			
Net Loss		(1,073,992)	(4,431,500)
Adjustments to reconcile net loss to net cash from operating activities:			
Provision for loan losses	8	1,532,401	974,711
Depreciation	9	718,625	577,769
Amortization of intangible assets	10	110,500	58,108
Gain on sale of available-for-sale securities	15	(2,177,843)	(1,486,631)
Interest income and commissions		(12,768,165)	(5,241,162)
Interest expense		6,006,053	2,208,601
Changes in operating assets and liabilities:			
Loans		(99,640,963)	(106,635,948)
Unearned discounted commissions		685,298	329,458
Other assets		2,764,106	312,928
Demand deposits		12,234,856	24,904,321
Savings deposits		16,173,679	14,708,475
Time deposits		69,538,053	94,179,571
Cashier´s checks and certificates		191,575	2,706,702
Other liabilities		149,326	1,134,407
Cash generated from operations:			
Interest received		12,071,183	4,876,637
Interest paid		(4,010,745)	(811,616)
Net cash flows from operating activities		2,503,947	28,364,831
Investing activities:			
Sales of securities available for sale	7	70,316,244	75,205,395
Acquisition of securities available for sale		(65,626,710)	(86,394,844)
Acquisition of securities held to maturity		(1,000,000)	0
Acquisition of improvements, furniture and equipment, net	9	(1,417,109)	(5,039,013)
Acquisition of intangible assets	10	(530,212)	(357,204)
Net cash flows from investing activities		1,742,213	(16,585,666)
Financing activities:			
Paid in capital		9,060,928	0
Proceed from securities sold under repurchase agreements		(4,763,000)	4,763,000
Proceed from borrowing funds	6	4,913,023	0
Net cash flows from financing activities		9,210,951	4,763,000
Net increase in cash and cash equivalents		13,457,111	16,542,165
Cash and cash equivalents at beginning of year		33,574,272	17,032,107
Cash and cash equivalents at end of year	6	47,031,383	33,574,272

The consolidated statement of cash flows should be read along with the accompanying notes which are an integral part of the consolidated financial statements.

(1) General Information

Uni Bank & Trust, Inc., was organized and incorporated under Panamanian law, and the Superintendence of Bank of Panama (here after, the "Superintendence of Banks") granted a General Banking License by Resolution No. 163-2010 of July 19, 2010 and a Trust License by Resolution No. 007-2010.The General Banking License and the trust license allows the Bank to conduct banking business and trust, in any part of the Republic of Panama, and to conduct transactions that take effect or are consummated abroad as well as any other activity authorized by the Superintendence of Banks.

Uni Bank & Trust, Inc. is overseen by the Superintendence of Banks under Decree Law No. 9 of February 26, 1998 and regulations amended by Decree Law 2 of February 22, 2008. The Superintendence of Banks has the authority, inter alia, to monitor, regulate and inspect banking operations.

Uni Bank & Trust, Inc., offers directly and through its subsidiary, (will be referred to as the "Bank".), a great variety of financial services, corporate banking, personal banking and private banking, apart from other financial services, these activities are subject to supervision by regulatory authorities.

The Bank owns 100% of the issued and outstanding shares of Uni Leasing, Inc., which was organized and incorporated under Panamanian law, and was granted its license by Resolution No. 393 of September 15, 2011, to carry out leasing transactions. Leasing operations in Panama are regulated by the Directorate of Financial Enterprises of the Ministry of Commerce and Industry in accordance with the procedures established in Law No. 7 of July 10, 1990.

Uni Bank & Trust, Inc. is a 100% subsidiary of Uni B & T Holding, Inc., a company registered under the laws of the Republic of Panama, at the Public Registry in the commercial section document tabbed No. 682912 and No.172451 of January 15, 2010.

At December 31, 2012, the Bank had a total of 115 (December 31, 2011: 107) permanent staff. The Bank´s main office in located on Avenida Balboa, PH Grand Bay Tower, Levels PB, 100, 200 and 300, Bella Vista, Panama City.

On December 27, 2012, the Superintendence of Banks by Resolution S.B.P-FID No. 0017-2012, cancelled trust license granted on July 26, 2010 through Resolution S.B.P-FID No. 007-2010, leaving it without effect as requested by the Bank, based on paragraph (b) of article 23 of Executive Decree 16 of 1984, that provides as causal for the cancellation of the license, failing to initiate operations within the year following the granting of the license.

Bank's management authorized the issuance of these consolidated financial statements on March 22, 2013.

(2) Summary of Significant Accounting Policies

The significant accounting policies are summarized as follows:

(a) Statement of Compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as modified by prudential regulations enacted by the Superintendence of Banks for supervisory purpose. The Superintendence of Banks has determined that the consolidated financial statements filed to this regulatory entity, must include all the allowances losses on financial assets, as established by the prudential standards enacted by the Superintendence of Banks.

The accounting treatment for recognition of loan losses, investment securities, and other foreclosed assets, in conformity with the prudential standards enacted by the Superintendence of Banks, differs in some aspects from the accounting treatment in conformity with International Financial Reporting Standards, especially IAS 39 (See Note 2 (e) – Investment Securities, and Note 2 (g) Allowance for Loan Losses)

(b) Basis of Preparation

The consolidated financial statements have been prepared on the historical cost basis; except for securities at fair value through profit or loss and securities available for sale which are presented at fair value. Other financial assets and liabilities and non financial assets and liabilities are at amortized cost or historical cost.

Estimates and assumptions considered by Management that are particularly susceptible to future changes include the allowances for loan losses, and the income taxes estimate, which are fully disclose in Note 4 and Note 7.

The consolidated financial statements are stated in balboas (B/.), the monetary unit of the Republic of Panama, which is at par and freely exchangeable with the United States of America Dollar (US$). The Republic of Panama does not issue its own paper currency, and in lieu, the Dollar (US$) of the United States of America is used as legal tender.

(c) Principle of Consolidation

Subsidiaries

Subsidiaries are entities controlled by the Bank. Control exists when the Bank has the power, directly or indirectly, to govern the financial and operating policies of an entity to obtain benefits from its activities.

To determine the control, the potential voting rights that are currently executing or convertibles are taken into consideration. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which the control begins until the date it ceases.

Balances and transactions eliminated in consolidation

Inter-company transactions balances, gains and losses not realized, or income and expenses arising from significant transactions have been eliminated in the consolidation.

(2) Summary of Significant Accounting Policies, continued

(d) *Foreign Currency Transactions*

Assets and liabilities denominated in foreign currencies are translated to Balboas at the exchange rate prevailing at the balance sheet date, except those transactions with fixed exchange rates under contractual agreements. Transactions in foreign currencies are recognized at the prevailing exchange rates at the date of the transactions. Foreign exchange gains or losses are recognized as other income or other expenses in the consolidated income statement. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated into the functional currency at the spot exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognized in profit or loss, except for differences arising on the retranslation of available-for-sale equity instruments or a financial liability designated as the hedging instrument in a hedge of the net investment in a foreign operation or in a qualifying cash flow hedge, which are recognized directly in equity.

(e) *Investment Securities*

The investment securities are classified at their trade date, and are initially measured at their fair value, plus the transaction incremental related costs and are then subsequently recognized based on the current classification of the instruments by taking in consideration the instrument's characteristics and the intention for which their acquisition was determined. The classifications utilized by the Bank are detailed as follows:

Available-for-Sale Securities

This category includes securities acquired with the intention of holding them for an indefinitely period of time, which may be sold in response to needs for liquidity, changes in interest rates, exchange rates or investments prices. These securities are measured at fair value and changes in value are recognized directly in other comprehensive income using a valuation account until the securities are sold or redeemed or it has been determined that a security has been impaired; in these cases, the cumulative gains or losses previously recognized in other comprehensive income are reclassified to profit or loss as a reclassification adjustment. Foreign exchange gain or losses on available for sale securities are recognized in the consolidated income statement.

Unquoted equity securities whose fair value cannot reliably be measured are carried at cost, and are measured using instruments with similar characteristics in the capital market.

Held-to-Maturity Securities

Values held to maturity are non-derivative financial assets with fixed or certain payments and fixed maturity which the Bank's Management has the intent and ability to hold to maturity. If the Bank sells an amount that is meaningful (in relation to the total amount of securities held-to-maturity) securities held until maturity, the complete category must be reclassified as available for sale. The held-to-maturity securities are recognized at amortized cost using the effective interest method less any impairment, with revenue recognized on a basis of effective rate.

(2) Summary of Significant Accounting Policies, continued

Impairment on Securities

The Bank assesses the impairment of the securities held to maturity in accordance to Agreement 7-2000, enacted by the Superintendence of Banks of Panama. Under certain criteria and elements defined in this Agreement, the Bank must establish the allowance for temporary losses on securities held to maturity.

Additionally, the agreement 7-2000 requires establishing special allowances when:

- The issuer of the securities suffers a clear and recurrent impairment in its financial solvency or there is a high probability of it going bankrupt.
- Have passed more than ninety days from the total or partial maturity of the principal, interest or both, considering the amount that reasonably is considered of difficult recovery, net of collateral guarantees on the basis of time passed from its maturity, thus: more than 90 days to less than 180 days 25%; more than 180 days to less than 270 days 50%; more than 270 days to less 360 days 75%; and more than 360 days 100%.
- Securities that have no reliable prices and are not listed on an organized active market.
- Occurrence of a significant impairment in the exchange rate risk or country risk, or investments in banking center with lack of prudential regulations in accordance to international standards and have not been properly covered.

The fair values of securities are generally based on quoted market prices at the date of the consolidated statement of financial position. If a quoted market price is not available, the fair value of the instrument is estimated using pricing models or discounted cash flows techniques.

The Bank assesses at each date of the consolidated statement of financial position whether there is objective evidence that investment securities are impaired. In the case of securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss is removed from equity and recognized in the consolidated income statement.

If, in a subsequent period, the fair value of an impaired available-for-sale security increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, the impairment loss is reversed, with the amount of the reversal recognized in profit or loss. However, any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognized in other comprehensive income.

(f) Loans and Interest

Loans are measured at their principal amounts outstanding, less unearned interest and commissions and allowance for loan losses. Unearned interest and commissions on loans are deferred and amortized over the estimate life of the loans as an adjustment of their yield through interest income using the effective interest rate method.

(2) Summary of Significant Accounting Policies, continued

The Bank has the policy of not accruing interests on loans, whose principal or interest is in arrears for more than ninety days, unless in management's opinion, based on the assessment of the financial condition of the borrower, collaterals or other factors, the total payment of the principal and interest is probable. Whenever a loan is transferred to a non-accrual status, the accrued interest receivable as of that date is reversed and charged against interest income. This policy is in compliance with Agreement 6-2000 "Classification of Portfolio and Constitution of Reserves" enacted by the Superintendence of Banks.

Lease contracts receivable are presented as part of the loan portfolio and are recorded under the financing method which indicate these leases at the present value of the contract. The difference between the total amount of the contract and the cost of the leased asset is recorded as unearned interest income and amortized as interest on loans during the period of the lease under the method of effective interest rate.

(g) Allowance for Loan Losses

The Bank uses the allowance method to provide for loans losses. The amount of loan losses determined during the period is recognized as a provision expense in the income statement and is credited to allowance for loan losses.

The allowance is presented as a deduction from loans receivable in the consolidated statement of financial position. The bank regularly reviews its portfolio to identify loans that have deteriorated and require a higher allowance or put a write-off against allowance for loan losses. Whenever a loan is determined to be non-recoverable, that amount is charged to the mentioned allowance account. Recoveries of loans previously charged off as non-recoverable, are credited to allowance for loan losses.

The Superintendence of Banks of Panama requires that financial information, presented by banks in Panama, including annual and intermediate financial statements, must include recognition policies and presentation of allowances for loan losses based on prudential standards for the constitution of such reserves, enacted by this regulatory entity. Based on the regulator's provision, Agreement 6-2000 enacted by the superintendence of Banks of Panama, the Bank classifies its loans into five risk categories and determines the minimum amounts of allowances for loan losses on the principal's balance, as follows: Normal 0%; Special mention 2%; Subnormal 15%; Doubtful 50%; Irrecoverable 100%. For that matter, criteria such as the quality of the loan and parameters of non-compliance with the repayment of the debt, among others, are used for the classification. The periods of non-compliance is used mostly to classify consumer and mortgage loans, but it is also considered in the classification of corporate loans.

In addition, in a term not greater than 90 days, the Bank must adjust the previous classification of loans and constitute new specific provisions, if applicable, based on the estimated losses, as follows: Special mention 2% to 14.9%; Subnormal 15% to 49.9%; Doubtful 50% to 99.9%; Irrecoverable 100%.

(2) Summary of Significant Accounting Policies, continued

Upon calculating the estimated losses, the Bank considers, among others, the financial statements of the debtor, cash flows from operating activities, fair value of collaterals, and any other cash flow that it may obtain from co-debtors or guarantors. For the consumer portfolio, consideration is given to the debtor's arrears, the losses that the Bank has historically experienced in the past in comparable or similar groups, the portfolio's maturity profile, and any other information that may affect the collection of the consumer portfolio.

Furthermore, Agreement 6-2000 allows banks to create generic reserves for loan losses, on a temporary basis, whenever the impairment in the value of a group of loans with commonly defined characteristic is known and that it could not be attributed to individual loans.

Agreement 6-2000 requires that total allowance for loan losses, including the specific and generic reserves, do not represent less than 1% of the total loan portfolio less the guarantee deposits in the Bank.

The Superintendence of Banks of Panama can assess the sufficiency of the allowances and order the Bank to constitute additional allowances at any time.

The allowance for loan losses determined under the prudential standard enacted by the regulator (Agreement 6-2000), could differ from the amount of allowances determined under International Accounting Standard No.39, Financial Instruments: Recognition and Measurement. The allowance estimate under IAS 39 is based on the concept of incurred impairment losses on loans receivable and uses two methodologies for the loans that are individually significant and individually or collectively for loans that are not individually significant.

According to IAS 39, impairment losses on corporate loans individually assessed are determined based on an assessment of the exposure on a case-by-case basis. If it is determined that there is no objective evidence of impairment for an individually significant loan, it is included in a group of loans with similar characteristics and assessed collectively for impairment. The impairment loss is calculated by comparing the present value of the expected future cash flows, discounted at the original effective interest rate of the loan, against its current carrying value.

Under IAS 39, for the purposes of a collective evaluation of impairment, consumer loans are grouped on the basis of similar credit risk characteristics. Those characteristics are relevant to the estimate of future cash flows for groups of such assets. Future cash flows in a group of loans that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows of the assets in the group, the historical loss experience for assets with credit risk characteristics similar to those in the group and management's experienced judgment as to whether the current economic and credit conditions are such that the actual level of inherent losses is likely to be greater or less than the suggested historical experience.

(2) Summary of Significant Accounting Policies, continued

The estimated amount of any impairment loss is charged as a loan loss provision in the income statement and credited to a reserve account. Loans written off are charge to the reserve for loan losses. When a subsequent event causes the amount of the impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss. The amount of any reversal is recognized in the consolidated income statement.

(h) Offsetting of Assets and Liabilities

The assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Bank has a legal right to set off the recognized amounts and it intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

(i) Furniture, Equipment and Improvement

Furniture, equipment and improvements, comprise furniture and fixtures and computer equipment used by the Bank. All furniture and equipment are shown at historical cost less accumulated depreciation and amortization. The historic cost includes the expense that is directly attributable to the acquisition of the assets.

Subsequent costs are included in the carrying value of the asset or recognized as a separate asset, as applicable, only when it is likely that the Bank obtain the future economic benefit embodied within the asset and its cost can be measured reliably. Cost considered as repairs and maintenance is charged to the income statement during the financial period in which they are incurred.

Depreciation and amortization expenses are charged to current operations under the straight-line method over the estimated useful life of the assets, except for land, which is not depreciated. The maximum service life and estimated residual value of assets are summarized as follows:

Buildings	30 years
Improvements	20 -30 years
Furniture and Equipment	5-7 years
Computer Equipment	3-5 years

The asset's useful life and residual value are reassessed, and adjusted if appropriate, at each consolidated statement of financial position.

Furniture and equipment are reviewed for impairment whenever there are events or changes in the circumstances that indicate that the carrying value may not be recoverable.

The carrying value of an asset is written down immediately to its recoverable amount if the asset´s carrying value is greater than the estimated recoverable value. The recoverable amount of an asset is the greater of its value in use and its fair value less cost to sell.

(2) Summary of Significant Accounting Policies, continued

(j) Intangible Assets

Licenses and Software

Licenses are purchased separately at historical cost. Licenses have a finite useful life, which is carried at cost less accumulated amortization. Amortization is computes using the straight-line method to allocate the cost of the licenses on their estimated useful lives up to seven years. The acquired software licenses are capitalized on the basis of costs incurred to acquire and operate software.

(k) Impairment of Assets

The carrying value of assets of the Bank are reviewed at the date of the consolidated statement of financial position to determine if exists an impairments in its value. If such impairment exists, the recoverable value is estimated and an impairment loss is recognized as equal to the difference between the book value of the assets and their estimated recovery value. An impairment loss in the value of an asset is recognized as an expense in the consolidated income statement.

(l) Securities Sold Under Repurchase Agreements

Securities sold under repurchase agreements are short term financing transactions generally secured by securities, which the Bank has the obligation to repurchase the securities sold at a future date and at a previously specified price. The difference between the selling price and the value of the future purchase is recognized as interest expense under the method of effective interest rate.

(m) Borrowed funds

Borrowed funds are initially recognized at fair value net of transaction costs incurred. Subsequently, the borrowed funds are recorded at amortized cost.

(n) Interest Income and Expense

Interest income and expense are recognized in the income statement for all financial instruments measured at amortized cost using the effective interest method, considering all contractual terms of the financial instrument.

The effective interest method is a method of calculating the amortized cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. When calculating the effective interest rate, the Bank estimates future cash flows considering all contractual terms of the financial instrument (for example, prepayment options) but does not consider future credit losses. The calculation includes all fees paid or received between parties of the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts. Transaction costs include incremental costs that are, directly attributable to the acquisition, issuance or disposition of an asset or liability.

(o) Commission and Fee Income

Generally, commission and fees on short-term loans, letters of credit and other banking services are recognized as income on a cash basis due to their short-term maturity. Income recognized on a cash basis is not significantly different from the income that would be recognized under the accrual method.

(2) Summary of Significant Accounting Policies, continued

The fees and commissions on medium and long term transactions are deferred and amortized to income using the effective interest rate method over the life of the loan.

Commissions on loans are included as loan commissions in the consolidated income statement.

(p) Common Shares

Common shares are classified as equity.

(q) Income Tax

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted at the statement of financial position date, and any adjustment to tax payable in respect of previous years.

Deferred tax represents the amount of income tax payable and/or receivable in future years resulting from temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes, using the tax rates that have been enacted at the consolidated statement of financial position date. These temporary differences are expected to reverse in future dates. If it is determined that the deferred tax cannot be realized in future years, it would be reduced entirely or partially.

(r) Cash and Cash Equivalents

For purposes of consolidated statement of cash flows, cash equivalents include time deposits with banks with original maturities of three months or less.

(s) Reclassifications

When it has been necessary, certain amounts of the previous year have been reclassified to conform to the current year's presentation.

(t) Uniformity in the Presentation of Financial Statement

The above mentioned accounting policies listed above have been applied consistently in the periods presented in the consolidated financial statements and have been consistently applied by the Bank's subsidiary.

(u) New International Financial Reporting Standards and Interpretations Not Yet Adopted

At the date of the statement of financial position, there are standards, amendments and interpretations which have not been applied in preparing these financial statements:

- IFRS 9 *Financial Instruments*, published on November 12, 2011, as part of phase I of the IASB's comprehensive project to replace IAS 39, The standard is effective for annual periods beginning on or after January 1, 2015. Early application is permitted.

(2) Summary of Significant Accounting Policies, continued

- IFRS 12 *Disclosure of Interest in Others Entities*, meet in a standard all disclosure requirements related to subsidiaries, joint ventures, associates and unconsolidated structured entities. This standard requires disclosure of information about the nature, risks and financial impact of these interests. The standard is effective for annual periods beginning on or after January 1, 2013.

- IFRS 13 Fair Value Measurements, issued on May 12, 2011. This new standard defines what is considered fair value, establishes a single framework for measuring fair value and requires disclosures about such measurements. The standard is effective for annual periods beginning on or after January 1, 2013. Early application is permitted.

The Bank is in the process of evaluating the potential effect of this standard in their consolidated financial statements. Given the nature of Bank´s operations, this standard is expected to have a pervasive impact on the Bank´s consolidated financial statements.

(3) Financial Instruments Risk Management

A financial instrument is any contract that originates a financial asset in one entity and a financial liability or equity instrument in another entity.

The financial instruments expose the Bank to several types of risk.

The Board of Directors has an overall responsibility for establishing and overseeing the risk management policies of financial instruments. For that reason, management has created certain committees, for periodic managing and overseeing of the risks the Bank is exposed to. These committees are the following:

- Executive Credit Committee
- ALCO and Risk Committee
- Audit Committee
- Executive Committe
- Compliance Committee
- Technology Committee
- Risk Committee
- Operations Committee

In addition, the Bank is subject to regulations of the Superintendence of Banks of Panama, concerning risks concentration, liquidity and capitalization, among others.

The main risks identified by the Bank are credit, liquidity, market and operational risk, which are described as follows:

(a) *Credit Risk*

It is the risk that the debtor, issuer or counterpart of a financial asset owned by the Bank does not fully and timely comply with any payment due to the Bank, in conformity with the terms and conditions agreed upon when the respective financial asset was acquired or originated by the Bank.

(3) Financial Instruments Risk Management, continued

The Bank structure the acceptable credit risk levels through the establishment of limits on the amount of risk accepted in relation to a single borrower, or group of borrowers, and to a geographic segment. These loans are controlled constantly and subject to a periodic review.

Exposure to credit risk is also managed through a regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations and by changing these lending limits where appropriate. The exposure to credit risk is also mitigated through collaterals held by the Bank on loans granted to customers.

Risk management policies are approved by the Board of Directors; these policies are periodically reviewed and modified to reflect changes in markets, regulations, and other factors considered to develop these policies.

Loans:
The Bank started its lending operations during December 2010, to an entirely new portfolio of clients. As of December 2012, total loans include loans delinquent without deteriorating for a value of B/.394,054 (2011: B/.659,787). The factors of greatest exposure and risk of impaired loans information and assumptions used for these disclosures are:

- Impaired Loans:
  Impairment for loans is determined by considering the amount of principal and interest, according to the contractual term of the loans. These loans are evaluated as Special Mention, Subnormal, Doubtful and Irrecoverable, which is the credit evaluation system of the Bank.

- Delinquency without impairment of loans:
  Are considered delinquent without deteriorating loans where payments of principal and interest arrears have contractually agreed, but the Bank sees no deterioration considering the type and level of security available on the amounts owed to the Bank.

- Write-off Policy:
  The Bank determines the write-off of those loans that are uncollectible, this determination is made after an analysis of financial conditions made since no payment was made of the obligation and when it is determined that the guarantee is not enough for full payment of the given facility. For loans of smaller amounts, write-off is generally based on the time of credit expired.

(3) Financial Instruments Risk Management, continued

The following table analyzes the Bank's loan portfolio that is exposed to credit risk and its corresponding evaluation:

2012 Clasification	Condition	Evaluated for Individual Impairment	Evaluated for Colective Impairment	Without Impairment	Total Loans
Normal	Low risk	0		203,512,584	203,512,584
Special Mention	Watch list	0	394,054	0	394,054
Subnormal	Impairment	0	252,420	0	252,420
Doubtful	Impairment	1,839,748	0	0	1,839,748
Irrecoverable	Impairment	131,261	0	0	131,261
		1,971,009	646,474	203,512,584	206,130,067
Total					
Less:					
Provision for impairment		426,296	119,669	1,735,683	2,281,648
Unearned discounted commissions		0	0	0	1,016,691
Carrying value		1,544,713	526,805	200,760,210	202,831,728

2011 Clasificaction	Condition	Evaluated Individual for Impairment	Evaluated Colective for Impairment	Without Impairment	Total Loans
Normal	Low risk	0	0	106,005,205	106,005,205
Special Mention	Watch list	0	659,787	0	659,787
Subnormal	Impairment	0	4,148	0	4,148
Doubtful	Impairment	46,129	0	0	46,129
Total		46,129	663,935	106,005,205	106,715,269
Less:					
Provision for impairment		23,070	13,818	938,523	975,411
Unearned discounted commissions		0	0	0	331,393
Carrying value		23,059	650,117	104,735,289	105,408,465

(3) Financial Instruments Risk Management, continued

The table below shows an analysis of gross and net amount of reserves for impairment for individually impaired loans by risk assessment:

	2012			2011		
	Gross Amount	Allowance	Net Amount	Gross Amount	Allowance	Net Amount
Special Mention	394,054	93,274	300,780	659,787	13,196	646,591
Subnormal	252,420	26,395	226,025	4,148	622	3,526
Doubtful	1,839,748	295,035	1,544,713	46,129	23,070	23,059
Irrecoverable	131,261	131,261	0	0	0	0
Total	2,617,483	545,965	2,071,518	710,064	36,888	673,176

In compliance with regulatory requirements based on the Agreement 6-2000 "Classification of Portfolio and Constitution of Allowances" enacted by the Superintendence of Banks of Panama, the Bank maintains a global allowance equivalent to 1% of the loan portfolio.

The Bank holds collateral over loans to customers in the form of deposits pledged, mortgages, over this asset. Fair value estimates are based on the value of collateral at the date of disbursement. Collateral generally is not held over loans and advances to banks. At December 31, 2012, loans amounting B/.13,435,803 (2011: B/.7,943,269) are secured by time deposits with a value of B/.22,930,724 (2011: B/.13,813,887).

Investments:
The investment portfolio is recorded at fair value with changes in equity since it was acquired with the intention of keeping it available for sale. The Bank, based on their evaluations and considerations presented to the Board, the Bank believes there is no impairment on investments at the end of December 31, 2012.

In the category held-to-maturity securities are those securities that the Bank has the intention and the ability to hold to maturity. Any security that experiences a fair value decrease that is not of a temporary nature, it is reduced to its fair value through the establishment of a specific reserve for investments charged to the results of the year.

Deposit with Banks:
Deposits are placed in first order banks with maturities of less than one year, for which is not necessary to establish reserves for losses due to credit risk.

(3) Financial Instruments Risk Management, continued

The Bank monitors the credit risk concentration by sector and geographic location. An analysis of credit risk concentrations at the consolidated financial statement date is as follows:

2012	Deposits with Banks	Loans	Investments
Carrying value	45,317,314	206,130,067	43,731,450
Concentration by Sector:			
Corporate and Consumer	0	206,130,067	15,509,475
Government	0	0	19,154,900
Banks and Financial Entities	45,317,314	0	9,067,075
	45,317,314	206,130,067	43,731,450
Geographic Concentration:			
Panama	23,604,605	206,130,067	14,766,875
Central America and Caribbean	0	0	1,757,500
United States of America and others	21,712,709	0	27,207,075
	45,317,314	206,130,067	43,731,450

2011	Deposits with Banks	Loans	Investments
Carrying value	32,549,330	106,715,268	43,908,576
Concentration by Sector:			
Corporate and Consumer	0	106,715,268	18,938,885
Government	0	0	7,013,400
Banks and Financial Entities	32,549,330	0	17,956,291
	32,549,330	106,715,268	43,908,576
Geographic Concentration:			
Panama	18,487,972	106,715,268	12,841,125
Central America and Caribbean	12,948,251	0	2,926,750
United States of America and others	1,113,107	0	28,140,701
	32,549,330	106,715,268	43,908,576

The geographic concentration of loans and deposits with banks is based on the debtor's location; the geographic concentration of investments is based on the issuer's location.

(3) Financial Instruments Risk Management, continued

(b) Liquidity Risk

Liquidity risk is defined as the inability of the Bank to meet its financial obligations because of, among other reasons, an unexpected withdrawal of funds by creditors or customers; the loan portfolio quality deterioration, securities devaluation, excessive concentration of liabilities from one particular source, a gap between assets and liabilities, a shortage of asset liquidity, or the mismatch of long-term asset financing with short-term liabilities. The Bank manages its liquid resources in order to repay its liabilities upon their maturity under normal conditions.

Liquidity Risk Management:

The Bank controls this risk with appropriate liquidity reserves and assets that can easily be liquidated, usually above regulatory requirements, and with an appropriate gap between assets and liabilities. In addition, contingencies plans are frequently reviewed and updated.

The risk management policies set a limit of liquidity that determines the portion of the Bank´s assets to be held in highly liquid instruments.

The Assets and Liabilities Committee (ALCO) has the responsibility to monitor liquidity risk, to ensure the ability of the Bank to meet, without any difficulty, unexpected withdrawals of funds or unexpected levels of loan disbursements.

Bank's management and ALCO Committee monitor the liquidity through an analysis of the structure of maturity, stability of deposits by type of client, sensitivity analysis, and the compliance with regulatory requirements set out in regulations and corporate policies.

The Board of Directors has established minimum liquidity levels on the minimum proportion of available funds to comply with such requirements and on the minimum level of inter-banking facilities and other loan facilities that should exist to cover withdrawals in unexpected levels of demand. The Bank holds a short-term assets portfolio, comprised in great part by liquid instruments, loans and advances from banks and other inter-banking facilities to ensure holding enough liquidity.

The Bank is exposed to daily requirements on its available daily cash resources, demand deposits, time deposits, loan disbursements and guarantees, and margin requirements settled in cash.

Exposure to Liquidity Risk:

The key measure used by the Bank for managing liquidity risk is the ratio of net liquid assets over deposits received from clients. The net liquid assets are the cash and cash equivalents and debt instruments for which an active and liquid market exists, less any other deposits received from banks, issued debt instruments, other borrowings and commitments with maturity during the following month. A similar but non-identical calculation is used to measure the Bank's compliance with the liquidity limits established by the Superintendence of Banks of Panama according to the measurement of the liquidity risk.

(3) Financial Instruments Risk Management, continued

Below are monthly ratios of net liquid assets on deposits received from customers of the Bank to the date of the consolidated financial statements as follows:

	2012	2011
Average for the year	70.07%	433.0%
Maximum for the year	90.62%	1,671.1%
Minimum for the year	52.52%	81.6%

At December 31, 2012 the net liquid assets ratio on deposits received from customers of the Bank is 58.02% (2011: 81.32%), according with the authorized calculation established by the Superintendence of Banks of Panama under the Agreement No.4-2008 of November 22, 2008, the minimum statutory liquidity ratio that banks with general license shall maintain at all times is thirty percent (30%).

The table below analyzes the assets and liabilities of the Bank in maturity groupings based on the remaining period from the date of the consolidated statement of financial position with respect to the contractual maturity date:

2012	Up to 1 Year	From 1 to 3 Years	From 3 to 5 Years	Over 5 years	Total
Assets:					
Demand deposits with banks	4,317,314	0	0	0	4,317,314
Time deposits with banks	41,000,000	0	0	0	41,000,000
Investment securities	1,798,775	3,792,500	3,177,775	34,962,400	43,731,450
Loans	102,149,990	7,302,892	35,123,016	61,554,169	206,130,067
Total	149,266,079	11,095,392	38,300,791	96,516,569	295,178,831
Liabilities:					
Demand deposits	38,575,112	0	0	0	38,575,112
Saving deposits	32,248,053	0	0	0	32,248,053
Time deposits	137,366,764	27,394,066	2,117,103	0	166,877,933
Total	208,189,929	27,394,066	2,117,103	0	237,701,098
Contingencies	17,763,560	0	0	0	17,763,560
Net position	(76,687,410)	(16,298,674)	36,183,688	96,516,569	39,714,173

(3) Financial Instruments Risk Management, continued

2011	**Up to 1 Year**	**From 1 to 3 Years**	**From 3 to 5 Years**	**Over 5 years**	**Total**
Assets:					
Demand deposits with banks	2,101,080	0	0	0	2,101,080
Time deposits with banks	30,448,251	0	0	0	30,448,251
Investment securities	0	4,720,700	5,211,920	33,975,956	43,908,576
Loans	65,724,721	5,941,381	14,629,567	20,419,599	106,715,268
Total	98,274,052	10,662,081	19,841,487	54,395,555	183,173,175
Liabilities:					
Demand deposits	26,308,690	0	0	0	26,308,690
Saving deposits	16,074,374	0	0	0	16,074,374
Time deposits	65,757,953	31,351,824	230,103	0	97,339,880
Total	108,141,017	31,351,824	230,103	0	139,722,944
Contingencies	72,715,791	0	0	0	72,715,791
Net position	(82,582,156)	(20,689,743)	19,611,384	54,395,555	(29,264,960)

The following table shows the undiscounted cash flows of the Bank's financial liabilities on the basis of their earliest possible contractual maturity date.

2012	**Carrying Value**	**Nominal Gross Amount Outflows/ (Inflows)**	**Up to 1 year**	**From 1 to 3 Years**	**From 3 to 5 Years**
Demand deposits	38,575,112	38,575,112	38,575,112	0	0
Saving deposits	32,248,053	32,248,053	32,248,053	0	0
Time deposits	166,877,933	170,272,319	140,380,720	27,759,018	2,132,581
Total	237,701,098	241,095,484	211,203,885	27,759,018	2,132,581

2011	**Carrying Value**	**Nominal Gross Amount Outflows/ (Inflows)**	**Up to 1 year**	**From 1 to 3 Years**	**From 3 to 5 Years**
Demand deposits	26,340,256	26,340,256	26,340,256	0	0
Saving deposits	16,074,374	16,074,373	16,074,373	0	0
Time deposits	97,339,880	98,723,783	65,757,953	38,014,413	234,773
Total	139,754,510	141,138,412	108,172,582	38,014,413	234,773

Expected cash flows of the Bank for these instruments vary significantly in this analysis. For example, it is expected that the deposits remain stable or increase, and is not expected that all loan commitments are disbursed immediately.

(3) Financial Instruments Risk Management, continued

The gross nominal (inflow)/outflow disclosed in the previous table represents the contractual undiscounted cash flows relating to the principal and interest liabilities or financial commitment.

(c) Market Risk

It is the risk that the value of a financial asset of the Bank is reduced as a result of changes in interest rates, foreign currency exchange rates, stock prices, and other financial variables, as well as the reaction of market participants to political and economic events that will expose the bank to both latent losses as potential gains. The objective of market risk management is to manage and oversee risk exposures, and to keep the risk within acceptable parameters optimizing the risk yield.

Risk management policies establish the limits of compliance by financial instruments. For the purposes of market risk, the authorized limits are established based on recommendations from the ALCO Committee, who sets the limits of market risk. The market risk assessment is performed daily by the Treasury Department using a variety of common metrics in the industry. The review of policies' compliance is done through monthly reports sent to those responsible for monitoring this risk and through the submission to the ALCO Committee.

Market risks arise from open positions in interest rates, currency exchange rates and value of investments composed of shares. All of these elements are exposed to general and specific market fluctuations that could cause a decrease in the value of a financial instrument. The Bank applies a Value at Risk methodology (VaR) to estimate the market risk of the positions held and the maximum losses expected, based upon a number of assumptions for various changes in market conditions. The ALCO and Risk Committee sets the limit on the value of risk that could be accepted, which is verified on a daily basis.

Management of Market Risk:

For the measurement and Market Risk control, the Banks utilizes limits such as: net exposure by currency, by individual issuer, country risk, issue size and maximum term, among others.

The following table presents a summary of the calculation of VaR for the investment portfolio at fair value on the date Bank consolidated financial statement:

	2012	**2011**
VaR total	1,134,807	1,002,672

For the calculation of VaR, the Bank uses a standard model which gives more importance to most recent data, with a time of 10 days horizon (2011: 14 days time horizon) and a confidence level of 99%.

Although the VaR is an important tool for measuring market, the assumptions on which the model is based do give rise to some limitations, including the following:

(3) Financial Instruments Risk Management, continued

- Normal market movements (major financial crises are excluded)
- It does not calculate the maximum loss of the portfolio.
- In actual losses generated by the portfolio later, some will be above the VaR.

The limitations of the VaR methodology are recognized by supplementing with other sensivity limits structures, including limits to address potential concentration risks within each trading portfolio.

Below are detailed the composition and analysis of each of the types of market risk:

- *Exchange rate risk*:
  It is the risk that the value of a financial instrument will fluctuate as a consequence of variations in foreign currency exchange rates, and other financial variables, as well as the market participants' reactions to political and economic events.

  In order to control the risk that arises from future transactions over recognized financial assets and liabilities, the Bank uses forward foreign currency contracts negotiated by Treasury, who is responsible to manage the net position and exposure of each foreign currency using external contracts of foreign currency. Financial information is presented monthly for each segment of the Bank that manages contracts of foreign currencies with the Treasurer, as fair value or cash flows hedges; in addition, external contracts of foreign currency exchange as an exchange rate hedge are designated over specific assets, liabilities or future transactions.

  The Bank maintains operations of financial instruments in the consolidated statement of financial position, agreed in foreign currencies, which are presented below:

2012	Euro	Pound Sterling	Switzerland Franc	Canadian Dollar	Total
Deposits with banks	24,541	95,776	203,800	1,493	325,610
Other assets	659,141	0	0	44	659,185
Total assests	683,682	95,776	203,800	1,537	984,795
Deposits received from client	681,764	95,129	202,680	1,477	981,050
Other liabilities	0	500	1,120	0	1,620
Total liabilities	681,764	95,629	203,800	1,477	982,670
Net position	1,918	147	0	60	2,125

2011	Euro	Pound Sterling	Switzerland Franc	Canadian Dollar	Total
Cash and deposits with banks	350,933	0	0	0	350,933
Total assests	350,933	0	0	0	350,933
Net position	350,933	0	0	0	350,933

(3) Financial Instruments Risk Management, continued

The sensitivity analysis for the exchange rate risk principally considers the measurement of the position within a specific currency. The analysis consists in verifying on a monthly basis how much will the position represent of the functional currency over the currency to which it could be translating, and thus, the joint risk of the exchange rate risk.

- *Fair Value Hedge of Interest Rate Risk*:
  The interest rate risk of the cash flow and the interest rate risk of the fair value are the risks of fluctuation of both the future cash flows and the value of a financial instrument due to changes in market interest rates.

The Bank has an Assets and Liabilities Committee, which under policies set by the Board of Directors, sets limits on the level of mismatch of interest rate revision which can be assumed. This committee periodically reviews these levels, and determines the structure of balance within the various headings and investment strategies.

The table below summarizes the Bank's exposure to interest rate risks. It includes the Bank's assets and liabilities at carrying value, categorized by the earlier of contractual repricing rate or maturity dates.

2012	Up to 1 year	From 1 to 3 years	From 3 to 5 years	Over 5 years	Without maturity and interest rate	Total
Assets:						
Demand deposits with banks	0	0	0	0	4,317,314	4,317,314
Time deposits with banks	41,000,000	0	0	0	0	41,000,000
Investments	1,798,775	3,792,500	3,177,775	34,962,400	0	43,731,450
Loans	102,149,990	7,302,892	35,123,016	61,554,169	0	206,130,067
Total	144,948,765	11,095,392	38,300,791	96,516,569	4,317,314	295,178,831
Liabilities:						
Demand deposits	0	0	0	0	38,575,112	38,575,112
Saving deposits	32,248,053	0	0	0	0	32,248,053
Time deposits	137,366,764	27,394,066	2,117,103	0	0	166,877,933
Total	169,614,817	27,394,066	2,117,103	0	38,575,112	237,701,098
Total sensitivity interest rate	(24,666,052)	(16,298,674)	36,183,688	96,516,569	(34,257,798)	57,477,733

(3) Financial Instruments Risk Management, continued

2011	Up to 1 year	From 1 to 3 years	From 3 to 5 years	Over 5 years	Without maturity and interest rate	Total
Assets:						
Demand deposits with banks	0	0	0	0	2,101,079	2,101,079
Time deposits with banks	30,448,251	0	0	0	0	30,448,251
Investments	0	4,720,700	5,211,920	33,975,956	0	43,908,576
Loans	65,724,721	5,941,381	14,629,567	20,419,599	0	106,715,268
Total	96,172,972	10,662,081	19,841,487	54,395,555	2,101,079	183,173,174
Liabilities:						
Demand deposits	0	0	0	0	26,340,256	26,340,256
Saving deposits	16,074,373	0	0	0	0	16,074,373
Time deposits	65,257,954	31,351,824	230,103	0	500,000	97,339,881
Total	81,332,327	31,351,824	230,103	0	26,840,256	139,754,510
Total sensitivity interest rate	14,840,645	(20,689,743)	19,611,384	54,355,180	(24,739,177)	43,378,289

General Resolution 2-2000 issued by the Superintendence of Banks requires the Bank to assess the risk of interest rate based on scenarios to determine the sensivity to interest margin due to changes in interest rates. Standard scenarios that are considered on a monthly basis include a fall or rise of 100 and 200 basis points in market interest rates. The following summarizes the impact on net interest income:

2012	100 bp increase	100 bp decrease	200 bp increase	200 bp decrease
At 31 December	17,368	(17,368)	34,735	(34,735)
Average for the year	16,052	(16,052)	32,104	(32,104)
Maximum for the year	17,368	(17,368)	34,735	(34,735)
Minimum for the year	13,875	(13,875)	27,720	(27,750)

2011	100 bp increase	100 bp decrease	200 bp increase	200 bp decrease
At 31 December	12,343	(12,343)	24,687	(24,687)
Average for the year	9,796	(9,796)	19,591	(19,591)
Maximum for the year	12,343	(12,343)	24,687	(24,687)
Minimum for the year	5,424	(5,424)	10,848	(10,848)

At December 31, 2012, customer deposits accrued anual interest rates ranging from 0.50% to 5.39% (2011: 0.50% to 5.39%).

(3) Financial Instruments Risk Management, continued

- *Price Risk*:
  Price risk is the risk that the value of a financial instrument fluctuates as a result of changes in market prices, independently if they are caused by specific factors related to an individual instrument or its issuer, or by factors that affect all negotiable financial instruments in the market.

  The Bank is exposed to the price risk of the equity instruments classified as available for sale or as securities at fair value with changes in profit or loss. To mitigate the price risk derived from the investments in equity instruments, the Bank diversifies its portfolio as per the established limits.

(d) Operational Risk

Operational risk is the risk of loss direct or indirect, arising from a wide variety of causes associated with Bank's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour.

The Bank's objective is to manage the operational risk, so as to balance the avoidance of financial losses and damages to the Bank's reputation.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within each business unit. This responsibility is supported by the development of standards for the management of the operational risk, in the following areas and processes:

- Aspects about the adequate segregation of functions, including independence in the authorization of transactions.
- Requirements for the monitoring and reconciliation of transactions.
- Compliance with regulatory and legal requirements.
- Documentation of controls and processes.
- Periodic assessments of operational risk faced, and the adequacy of controls and procedures to address the risks identified.
- Reporting of operational losses and the proposed remedial action.
- Development of contingency plan.
- Development of training for the Bank's staff.
- Ethical and business standards.
- Development of activities to mitigate the risk, including security policies.

These policies established by the Bank, are supported by a periodic revision program which is monitored by the Internal Audit Department; the results of these reviews are discussed with the responsible personnel of each business unit, and summaries are gathered and communicated to the Banks' Audit Committee.

The Bank has personnel dedicated to technological security, to limit the possibility of technological facilities can be misused by unauthorized personnel or third parties.

(3) Financial Instruments Risk Management, continued

(e) Capital Management

The Bank's regulator, which is the Superintendence of Banks of Panama, requires the Bank to maintain a prescribed ratio of total capital to total risk-weighted assets.

The Bank analyzes its regulatory capital considering the following two tiers, in conformity with management's interpretation of the Basel Accord which is included in the standards of the Superintendence of Banks by Agreement 5-2008 of October 1, 2008, for General License Banks; which indicates the following:

- *Tier 1 capital*: It entails the paid-in share capital, declared reserves, retained earnings and the shares representing the non-controlling equity accounts of consolidating subsidiaries' capital accounts.

  The declared reserves are those classified by the Bank as those arising from accumulated earnings in their books to strengthen their financial situation, from retained earnings in its books and subject to the provisions of Article 69 of the Banking Law.

  The retained earnings are the non-distributed profits of the period and the corresponding non-distributed profits of previous periods.

- *Tier 2 capital*: It includes undeclared reserves, revaluation reserves, general reserves for losses and hybrid debt and capital instruments. The sum of the items counted as secondary capital is limited to a maximum of 100% of the sum of the primary capital.

  The undeclared reserves consist of retained earnings after tax, as long as the same quality as declared reserves.

  The revaluation reserves are those that result from the revaluation of values recorded at historical cost in the investment portfolio.

General reserves for losses: Are provisions that have not been required to banks by the Superintendence of Panama, either by legislation or regulation. Are those that are created voluntarily by the banks against the possibility of losses that have not yet been identified.

General reserves are not intended to cover risks that may be present in the assets or obligations that correspond to actual or contingent payments. They don't have a specific purpose. General reserves may only be considered as part of the secondary capital to an amount equal to 1.25% of assets weighted according to their risks.

Once the general reserves are considered as part of the secondary capital, banks can not reduce them if doing so violates adequacy ratio referred to in Article 45 of Decree Law 9 of 1998 or the margins and other statutory or regulatory limits imposed on the basis of equity.

(3) Financial Instruments Risk Management, continued

The calculation of the amount of Capital Funds takes into consideration the quarterly deductions, which are shown as follows:

Primary capital: Any goodwill is deducted directly from the primary capital. The losses are liabilities and will not affect the structure of capital funds. It is prohibited the offsetting of gains and losses account.

Total capital: Investment in debt or equity instruments in banking or financial subsidiaries of the Bank.

Investment in debt or equity instruments in non-banking subsidiaries which do not consolidate into the Bank. The deduction will include the balances recorded in the asset with the highest price paid – against the carrying amount - in the long-term investments in companies in the country and abroad.

Investment in debt or equity instruments in other banks or their subsidiaries, under conditions of reciprocity.

The Capital Funds of a banking institution with a General License cannot be less than 8% of its weighted assets in function of its risks. For these effects, the assets have to be considered net of their respective provisions or reserves and with the indicated weights on Agreement 5-2008 of the Superintendence of Banks of Panama.

The Bank's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business, within the market and to sustain the levels of required shareholder's return and recognizing the necessity to preserve a balance between the placed investments and transactions, and the adequacy of capital required by the regulators.

The Bank and its individually regulated operations have complied with all externally required capital requirements which is subject to throughout the current period.

The Bank maintains a regulatory capital position that is composed as follows as reported to the Superintendence of Banks as follows:

	2012	2011
Tier 1 capital		
Common shares	59,060,928	50,000,000
Accumulated déficit	(7,312,204)	(6,252,111)
Total	51,748,724	43,747,889
Total risk-weighted assets	217,679,429	141,957,777
Capital ratios		
Total regulatory capital expressed as a percentage of risk weighted assets	24%	31%

(4) Critical Accounting Estimates and Judgments in Applying Accounting Policies

The Bank performs estimates and assumptions that could affect the reported amounts of assets and liabilities within the next year. Estimates and judgments are continuously evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(a) Allowance for credit losses

The Bank reviews its loan portfolio to assess impairment at least on a monthly basis, according to Agreement 6-2000 of the Superintendence of Banks of Panama. In determining whether an impairment loss should be recognized in the income statement, the Bank makes judgments as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flow from the loans portfolio.

The Bank uses its best judgment to determine if there is observable information that could indicate a measurable impairment in its group of loan using estimates based on the historical experience of loans losses with similar characteristics at the time of predicting the future recoverable flows from these operations. The current economic environment has increased the inherent level of uncertainty in these estimates and assumptions.

(b) Fair value on investments

The fair value is determined by the observable market price of the instrument quoted in stock exchanges or in security exchange electronic systems. If a quoted market price is not available, the fair value of the instrument is estimated using valuation techniques such as pricing models or discounted cash flow techniques, among others used by the market participants. Changes in assumptions about these factors could affect the reported fair value of the financial instruments.

(5) Balances and Transactions with Related Parties

The Bank has incurred in transactions in the ordinary course of business with related parties such as shareholders, non-consolidated companies, directors and key management personnel. These transactions are summarized as followed:

	2012		2011	
	Directors and Key Management Personnel	Related Companies	Directors and Key Management Personnel	Related Companies
Assets				
Accounts receivable	0	362,883	0	301,039
Loans:				
Outstanding at beginning of year	748,047	3,862,716	0	0
Issued during the year	809,792	8,465,129	759,364	3,978,258
Payments during the year	313,343	3,436,040	1,212	115,542
Current loans at the end of year	1,244,496	8,891,805	758,152	3,862,716
Accrued interest receivable	3,883	37,444	794	344

(5) Balances and Transactions with Related Parties, continued

	2012		2011	
	Directors and Key Management Personnel	Related Companies	Directors and Key Management Personnel	Related Companies
Liabilities				
Deposits:				
Demand deposits	151,420	3,036,898	2,952,455	109,594
Saving deposits	609,433	480,767	1,884,452	80,505
Time deposits	8,091,576	1,500,000	10,502,601	0
	8,852,429	5,017,665	15,339,508	190,099
Accrued interest payable	301,216	2,301	283,638	0

As of December 31, 2012, the following items of income and expenses are included in the aggregated amounts product of the related transactions:

	2012		2011	
	Directors and Key Management Personnel	Related Companies	Directors and Key Management Personnel	Related Companies
Interest income on loans	7,669	95,577	10,799	49,539
Interest expense on deposits	167,908	114,192	69,461	0
General and administrative expenses:				
Salaries and personnel expenses– short term	1,443,098	0	1,392,241	0
Rent	0	553,700	0	592,800
Professional and service fees	0	107,000	0	256,800
Totales	1,618,675	870,469	1,472,501	899,139

(6) Cash and Cash Equivalents

Cash and cash equivalents are detailed as follows for purposes of reconciliation with the consolidated statement of cash flow:

	2012	2011
Cash	1,714,069	1,024,942
Demand deposits with banks	4,317,314	2,101,079
Time deposits with banks	41,000,000	30,448,251
Total cash and deposits with banks	47,031,383	33,574,272

The annual interests rates as of December 2012 earned on time deposits with banks ranged between 0.02% and 0.30% (2011: 0.05% and 0.48%).

(7) Investment Securities

The investment securities are summarized as follows:

Available-for-Sale Securities

At December 31, 2012, the available-for-sale securities portfolio amounted to B/.42,731,450 (2011: B/.43,908,576).

2012	1 – 5 Years	5 – 10 Years	Over 10 Years	Fair Value	Amortized Cost
Corporate debt securities	6,664,050	14,681,125	0	21,345,175	21,182,267
Government debt securities	1,105,000	14,440,700	5,800,000	21,345,900	21,059,855
Equity shares	0	0	40,375	40,375	40,375
Total	7,769,050	29,121,825	5,840,375	42,731,450	42,282,497

2011	1 – 5 Years	5 – 10 Years	Over 10 Years	Fair Value	Amortized Cost
Corporate debt securities	7,004,570	29,141,856	0	36,146,426	37,060,929
Government debt securities	0	7,721,775	0	7,721,775	7,692,884
Equity shares	0	0	40,375	40,375	40,375
Total	7,004,570	36,863,631	40,375	43,908,576	44,794,188

The change in fair value during the period was an unrealized loss of B/.843,278 (2011: B/.2,116,015), which was recorded in the valuation account within the consolidated statement of equity.

At December 31, 2012, annual interest rates earned by available-for-sale securities ranged between 2.75% y 9.62% (2011: 3.62% y 9.99%).

At December 31, 2012, the Bank realized its sales for their available-for-sale securities at B/.70,316,244 (2011: B/.75,205,395). This sales generated a net gain of B/.2,177,843 (2011: B/.1,486,631).

At December 31, 2012 the Bank holds equity shares by an amount of B/.40,375 (2011: B/.40,375), which are maintained at its acquisition cost, the same were not acquired for trading, and correspond to the affiliation to Latinex Holding. These shares were presented in December 31, 2011, in the category of other assets and, for purposes of uniformity in the presentation to the 31 of December of 2012, were reclassified to the category of available for sale securities (see note 10).

(7) Investment Securities, continued

Held-to-maturity Securities

At December 31, 2012, the held-to-maturity securities portfolio amounted to B/.1,000,000 (2011: B/.0), the securities held-to-maturity are detail as follows:

2012	1 – 5 Years	5 – 10 Years	Over 10 Years	Amortized Cost	Fair Value
Corporate debt securities	1,000,000	0	0	1,000,000	1,000,000
Total	1,000,000	0	0	1,000,000	1,000,000

The IFRS 7 establishes a hierarchy of three levels in the presentation of fair value measurements. The hierarchy is based on the transparency of the variables that are used in the valuation of assets and financial liabilities on the date of its valuation

Three levels of hierarchy are defined as follow:

Level 1 - Quoted market prices in active markets: financial instruments with quoted prices in an active market.

Level 2 - Valuation techniques based on observables inputs from the market: financial instruments with no active market price for which its valuation has been calculated using identical instrument prices obtained from an active market or the financial instruments were valued using models where all significant data or variables were observed in an active market.

Level 3 – Valuation techniques where significant data has not been observed in an active market: financial instruments valued using valuation techniques where one or more data or significant variables have not been observed in an active market.

The best evidence of fair value is a quoted market price in an active market. In the event that the market for a financial instrument is not active, a valuation technique is used.

The decision of whether a market is active may include, but is not limited to, consideration of factors such as the magnitude and frequency of trading activity, availability, price and volume of the bids and offers. In inactive markets, the guarantee of getting the price of the transaction to provide evidence of fair value adjustments or determining the transaction prices that are necessary to measure the fair value of the instrument requires additional work during the valuation process.

Most valuation techniques used only data from an observable market, so the reliability of fair value measurement is high.

The fair value of a portfolio of financial instruments traded in an active market is calculated as the product of the number of units and its market price.

(7) Investment Securities, continued

The valuation techniques used when market prices are unavailable incorporate certain assumptions that the Bank believes would be conducted by a market participant to establish fair value. When the Bank considers that there are additional considerations not included in the valuation model, adjustments can be made.

A detailed description of valuation techniques for instruments of particular interest are:

- The fair value of these instruments is based on market values of exchange, brokers, agents or industry group pricing service, when available. When not available, fair value is determined by reference to quoted market prices for similar instruments, adjusted as appropriate to the circumstances of the instruments.
- The lack of liquidity and lack of transparency in the market for asset-backed securities has resulted in less observable data available. While quoted market prices are generally used to determine the fair value of these instruments, valuation models are used to verify the reliability of the limited market data available and to determine whether adjustments to quoted market prices are necessary.
- In the absence of market price quotations, fair value is determined using valuation techniques based on calculating the present value of future cash flows of the assets. The initiation of these valuation techniques is derived from observable market data and, where applicable, assumptions concerning unobservable variables.

Financial instruments carried at fair value are classified into different levels according to the fair value hierarchy:

2012		**Fair value measurement**		
Description		**Level 1**	**Level 2**	**Level 3**
Available-for-sale securities	42,731,450	42,731,450	0	0

2011		**Fair value measurement**		
Description		**Level 1**	**Level 2**	**Level 3**
Available-for-sale securities	43,868,201	36,927,701	0	6,940,500

For the investments measured in the classification of Level 3, the changes in the fair value measurement from the date of acquisition are as follows:

Changes in Fair Value Measurement in the classification of Level 3

	2011	**Gain (loss) realized and unrealized**	**Purchase, Sales and Redemptions, net**	**Fair value 2012**
Available-for-sale securities	6,940,500	(6,316)	(6,934,184)	0

(7) Investment Securities, continued

	2010	Gain (loss) realized and unrealized	Purchase, Sales and Redemptions, net	Fair value 2011
Available-for-sale securities	0	52,000	6,888,500	6,940,500

(8) Loans

The Bank's loan portfolio by economic activity of the loan portfolio, is summarized as follows:

	2012	2011
Domestic Sector:		
Corporate loans	140,700,237	85,425,862
Personal loans	17,013,420	3,062,066
Automobile	5,824,812	3,768,219
Residential mortgage	35,846,147	9,534,979
Overdraft	4,353,824	2,481,187
Finance leases, net	2,391,627	2,442,955
Total loans – domestic sector	206,130,067	106,715,268

At December 31, 2012, the interest rate on loan and past due ranged from 2.00% y 24.00% (2011: 2.00% y 24.00%).

The classification of the credit portfolio by the type of interest rate is detailed as follows:

	2012	2011
Fixed rate	178,938,012	92,025,523
Variable rate on Bank's option	27,192,055	14,689,745
	206,130,067	106,715,268

The table below summarizes the classification of the loan portfolio based on the Agreement 6-2000 issued by the Superintendence of Banks.

Classification 2012	Corporate Loans	Consumer Loans	Other	Total Loans
Normal	143,645,415	57,475,542	2,391,627	203,512,584
Special Mention	0	394,054	0	394,054
Subnormal	0	252,420	0	252,420
Doubtful	1,296,199	543,549	0	1,839,748
Irrecoverable	0	131,261	0	131,261
Total	144,941,614	58,796,826	2,391,627	206,130,067

(8) Loans, continued

Classification 2011	Corporate Loans	Consumer Loans	Other	Total Loans
Normal	87,907,049	15,655,199	2,442,955	106,005,203
Special Mention	0	659,788	0	659,788
Subnormal	0	4,148	0	4,148
Doubtful	0	46,129	0	46,129
Total	87,907,049	16,365,264	2,442,955	106,715,268

The movement of the allowance for loan losses is summarized as follows:

	2012	2011
Balance at beginning of year	975,411	700
Provision charged to expenses	1,532,401	974,711
Write-offs	(226,164)	0
Balance at end of year	2,281,648	975,411

The Bank classifies loans as past due as those who have an arrears over 90 days and a final maturity date has not been canceled and delinquent those in arrears 30 days or more in principal or interest payments after the expiration of such payments.

At December 31, 2012, the Bank had a total of B/.250,042 (5) residential mortgage loans and B/.144,012 (11) consumer sector loans classified as special mention, B/.247,664 (1) residential mortgage loan and B/.4,756 (1) of the consumer sector loan, classified as subnormal, B/.1,296,199 (1) corporate loan, B/.247,834 (2) residential mortgage loans and B/.295,715 (25) from the consumer sector classified as doubtful and B/.131,261 (11) personal loans classified in unrecoverable category, which are kept in non accrual the rest of the loan portfolio does not present signs of delinquency. Following local regulations, the rest of the portfolio has been classified as normal.

The Bank's management has determined the estimated losses for each classification of its loan portfolio according to parameters of Agreement 6-2000 and amendments thereto, for which the reserve was estimated by applying 1% to the normal portfolio of loans and 50% to doubtful loans, removing those loans with cash collateral deposited in the Bank.

At December 31, 2012, the loans portfolio collateralized with cash deposits amounted to B/.13,435,803 (2011: B/.7,943,269), representing 6.5% (2011: 7%) of the total portfolio.

(8) Loans, continued

Finance Lease Receivables, net

The balance of finance lease receivable, net and the maturity profile of the minimum lease payments are summarized below:

	2012	2011
Up to 1 year	758,943	589,556
From 1 to 5 years	1,998,972	2,345,762
Total minimum payments	2,757,915	2,935,318
Less: Unearned income	366,288	492,363
Total finance leases receivable, net	2,391,627	2,442,955

(9) Improvements, Furniture and Equipment

Improvements, furniture and equipment are summarized as follows:

2012	Furniture and Equipment	Computer Equipment	Improvements	Buildings	Vehicle	Total
Cost:						
At beginning of year	1,025,359	2,217,137	2,570,835	0	0	5,813,331
Additions	200,325	177,045	227,640	761,849	50,250	1,417,109
At end of year	1,225,684	2,394,182	2,798,475	761,849	50,250	7,230,440
Accumulated Depreciation:						
At beginning of year	99,048	415,358	83,849	0	0	598,255
Expenses of year	160,792	372,859	156,670	23,279	5,025	718,625
At end of year	259,840	788,217	240,519	23,279	5,025	1,316,879
Net balance	965,844	1,605,965	2,557,956	738,570	45,225	5,913,560

2011	Furniture and Equipment	Computer Equipment	Improvements	Buildings	Vehicle	Total
Cost:						
At beginning of year	111,792	662,526	0	0	0	774,318
Additions	913,567	1,554,611	2,570,835	0	0	5,039,013
At end of year	1,025,359	2,217,137	2,570,835	0	0	5,813,331
Accumulated Depreciation:						
At beginning of year	2,381	18,105	0	0	0	20,486
Expenses of year	96,667	397,253	83,849	0	0	577,769
At end of year	99,048	415,358	83,849	0	0	598,255
Net balance	926,311	1,801,779	2,486,986	0	0	5,215,076

(10) Other Assets

Other assets are detailed as follows:

	2012	2011
Intangible assets, net of amortization	722,256	302,544
Guarantee deposits	65,826	529,477
Taxes and prepaid insurance	164,077	59,809
Remodeling project/ other projects	2,087	1,040,935
Banking Core Fiserv	0	467,011
Severance fund	150,141	79,694
Other	736,680	1,705,991
Total	1,841,067	4,185,461

Other assets include disbursements amounted to B/.2,087 (2011: B/.1,040,935) corresponding to work performed in the remodeling of the main office of the Bank and branches, these works will be capitalized once the full project is completed.

At December 31, 2012 the Bank maintains a seniority premium fund of the employees for a total of B/.150,141 (2011: B/.79,694) deposited in Profuturo.

At December 31, 2011, arose in the field of other assets B/.40,375, of equity shares held by the Bank, which were not acquired to negotiate, and correspond to the affiliation to Latinex Holding. These were reclassified to investments available-for-sale to conform them with the financial statements of year 2012 (see note 7).

Intangible assets with defined useful lives are represented by system software licensing and data processing, whose movement is as follows:

	2012	2011
At beginning of year	302,544	3,448
Additions	530,212	357,204
Amortization for year	(110,500)	(58,108)
At end of year	722,256	302,544

At December 31, 2012, the Management has been authorized a change in the estimate of the useful life of these intangible assets; It has been estimated by the Administration in 7 years (2011: 4 years).

(11) Otros Liabilities

Detail of other liabilities is as follows:

	2012	2011
Provisions for employee benefits	515,586	405,250
Labor retention	59,362	117,850
Other liabilities	1,121,313	1,023,835
Total	1,696,261	1,546,935

(12) Borrowed Funds

At December 31, 2012, the Bank maintained a margin line of B/.4,913,023 (2011: B/.0), due at short-term period and annual interest rate of 1.96%. These financings are guaranteed by the investment portfolio.

(13) Securities Sold Under Repurchase Agreements

At December 31, 2011, the Bank had an obligation due to transactions of sales of securities under repurchase agreement B/.4,763,000, maturing January 25, 2012. This obligation is guaranteed by a government debt security of B/.5,500,000, included in the investment securities available-for-sale portfolio.

(14) Common Shares

The authorized common shares of the Bank is represented by 59,060,928 (2011: 50,000,000) common shares with a value of B/.1 (2011: B/.1,000) each. The total balance of the share capital is B/.59,060,928.

On December 19, 2012, Uni B&T Holding, Inc., the 100% holding company of the Bank contributed funds for B/.9,060,928 in cash, to increase its capital from B/.50,000,000 to B/.59,060,928, through the issuance of 9,060,928 common shares.

The shareholder has the right to receive dividends when declared from time to time and are entitled to one vote per share at meetings of shareholders.

The Bank´s capital funds, represented 24% (2011: 31%) of risk weighted assets according to the management interpretation of the Basel Accord that requires Banks to maintain capital funds of not less than 8% of its risk-weighted assets.

(15) Gain on Financial Instruments, Net

The net gain on financial instruments, included in the consolidated income statement is presented below:

	2012	**2011**
Gain on available-for-sale securities	2,252,767	1,589,342
Loss on Available-for-sale securities	(74,924)	(102,711)
Total	2,177,843	1,486,631

(16) Commissions and Other Income

Other commissions and other income are detailed as follows:

	2012	**2011**
Other fees on:		
Transfers	450,264	126,349
Banking services	96,072	25,336
Letters of credit and documentary collections	40,938	42,746
Other commissions	155,539	31,051
Total	742,813	225,482

(16) Commissions and Other Income, continued

	2012	**2011**
Other income:		
Net gain on foreign currency exchanges	43,972	3,186
Dividend income	2,292	612
Other income	113,111	47,966
Total	159,375	51,764

(17) Commission Expenses and Other General and Administrative Expenses

The detail of commission expenses and other general and administrative expenses are as follows:

	2012	**2011**
Commission expenses:		
Banking correspondent services	121,387	63,134
Other commissions	15,112	9,683
Total	136,499	72,817
Other general and administrative expense:		
Other taxes	387,001	299,762
Public services	367,678	292,650
Maintenance and security	271,267	235,388
Office supplies and paper supply	95,737	145,180
Subscriptions	53,033	63,176
Insurance	51,626	54,285
Transportation	49,759	33,243
Other	217,935	231,649
Total	1,494,036	1,355,333

(18) Income Tax

According to Panamanian tax law, banks are exempt from income tax on profits derived from foreign operations. They are also exempt from income tax, interest earned on deposits in local banks, interest earned on government securities and investments in Panama securities issued through the Panama Stock Exchange, S. A.

The income tax returns of banks incorporate in the Republic of Panama are subject to examination by the local tax authorities for the last three (3) years, in accordance with current Panama fiscal regulation.

According to current tax regulations, banks are exempted from the payment of income tax revenues from foreign operations, the interest earned on deposits to term in local banks, securities and debt securities investments in securities listed with the Superintendence of the Stock Market and traded in the stock exchange values in Panama Stock Exchange, S. A.

(18) Income Tax, continued

Through Decree Law No. 8, Official Gazette No. 26489-A, dated March 15, 2010, it was provided that financial institutions would pay the income tax at a rate of 27.5% as of January 1, 2012 and 25% from January 1, 2014.

Additional modification introduced by Decree Law No. 8, is the replacement of the system of the advancement of income tax on the basis of three estimated amounts payable on June 30, September 30, and December 31; by a new system called advance monthly income tax, equivalent to one percent of total taxable income of each month. This advance shall be paid by means of on affidavit within fifteen calendar days following the end of the previous month. The monthly advances to the income tax will begin to rule from January 1, 2011.

Decree Law No. 8 of March 15, 2010, introduces the mode of presumptive taxation of the income tax, forcing any legal person that earned income in excess of one million five hundred thousand balboas (B/.1,500,000) to determine how such a tax base, the sum that is greater between: (a) net taxable income calculated by the ordinary method set out in the tax code and (b) net taxable income resulting from applying, to total taxable income, the four point sixty-seven per cent (4.67%).

Legal persons who incurred in losses due to the low calculated tax that, by reason of the application of that method presumed, its effective rate exceed the rates of tax applicable to their net taxable income under the regular method for the fiscal period in question, or the presumed method may ask the General Directorate of Income (DGI, stand for in Spanish), to authorize them calculating the tax under the ordinary method of calculation.

Decree Law No. 8 of March 15, 2010, began to rule as of July 1, 2010; However, the income tax rate of legal persons entered in force on January 1, 2010.

It has been making the monthly estimate of the monthly advancement of tax on income (AMIR) which entered in force as of January 15, 2011; it is calculated on the basis of the total of the monthly taxable income.

The tax rate applicable to the net taxable income according to the legislation in force is 27.5% (2011: 30%).

Based on current and projected results, the management of the Bank has not recorded deferred tax assets and liabilities.

Through Official Gazette No. 27,108 decree Law No. 52 was issued on August 28, 2012, reforming the tax code. Article 710 provides, among others, that the liquidation and payment of income tax will be made in accordance with the estimated. The difference between the affidavit and the estimated declaration on the same year, will be the date of the filing of the affidavit, and if the adjustment gives you a balance favorable to the State, it must be canceled on or before March 31 of the same year or within the three months following the close of the fiscal period, in any of the authorized banks. If it is favorable to the taxpayer, it will be applied to cancel the estimated return items. The estimated tax payment may be made in a single payment or three items; June 30, September 30, and December 31.

(18) Income Tax, continued

On September 21, 2012, through resolution No. 201-10966 the General Directorate of Income (DGI, stand for in Spanish), it was approved the non-application of the alternate method (CAIR, stand for in Spanish) and approves the use of the traditional calculation to Bank up to year 2014.

At December 31, 2012, the Bank ha reported as monthly advance the sum of B/.86,100, which represents tax credit. At December 31, 2011, the Bank determined the income tax based on the alternative computation of income tax (CAIR, in Spanish), making the estimation of B/.28,750 which represents the differential between the amount advanced on the AMIR and the calculation of CAIR.

At December 31, 2012, Uni Leasing, Inc., has an estimated income tax payable for B/.1,225 (2011: B/.3,880).

The reconciliation of the financial loss before tax income and the tax profit consists of:

	2012
Net financial loss before income tax	(1,065,296)
Less exempt income and foreign sources, net	(4,290,166)
Costs and non-deductible expenses	5,461,003
Net taxable income	105,541
Less carryforward	(50,543)
Net taxable income	54,998
Income tax payable	15,124

(19) Commitments and Contingencies

The Bank maintains commitments and contingencies off the consolidated statement of financial position that result from the normal course of business operations and which may involve elements of credit and liquidity risks.

Letters of credit and loan promissory letters carry some risk of loss in case of default by the customer, net from the tangible guarantees that protect these transactions. The Bank's policies and procedures in the granting of these commitments and contingencies are similar to those used to extend loans that are accounted for in the Bank's assets.

The Bank´s management does not anticipate that the Bank incurs in losses resulting from these commitments and contingencies for the benefit of customers. At December 31, 2012, the Bank does not maintain a contingency reserve to off-balance sheet contingencies with credit risk because it has classified these operations as a normal risk.

(19) Commitments and Contingencies, continued

The summary of these transactions with credit risk off-balance sheet are presented as follows:

	2012	2011
Letters of credit	936,983	388,800
Financial guarantees	2,275,000	2,275,000
Loan prommissory letters	12,511,808	70,051,391
Currencies	662,276	0
Lines of credit	1,377,493	0
Total	17,763,560	72,715,191

At December 31, 2012, the Bank maintains with a third party, commitments under operating leases of buildings, which expire at various dates during the coming years. The value of annual lease fees of contracts for the next five years is as follows:

Year	Amount
2013	862,740
2014	817,532
2015	703,815
2016	674,727
2017	591,229

During the period ended of December 31, 2012, the property rental expense amounted to B/.777,636 (2011: B/.765,420).

The Bank is not involved in any litigation that may result in a material adverse effect to the Bank, to its financial position or to its results of operation.

(20) Fair Value of Financial Instruments

The following assumptions were made by management in order to estimate the fair value of the financial instruments in the statement of financial position:

(a) *Cash and Deposit with Banks*
The carrying value of cash and deposits with banks approximates the fair value due to their short-term nature.

(b) *Investment Securities*
The fair value of investment securities are based on quoted market prices, determined by reference of the instrument published in a stock exchange of electronic information systems market, as well as providing sources properly regulated, are reported in note 7.

(20) Fair Value of Financial Instruments

(c) *Loans*

Loans are stated net of general and specific reserves for impaired loans. The estimated fair value is based on discounted future cash flows expected to be received. The loan portfolio is mainly composed of short and medium-term loans and the effective interest rate approximates the interest rate in the market, for that reason, the carrying value is approximated to the fair value.

(d) *Time deposits*

For time deposits, the fair value of the discounted cash flows is based using the market interest rates for new deposits or debt financing with similar maturities.

These estimates are subjective in nature, involve uncertainty and critical elements of judgment and therefore, are not precise. Changes made to the assumptions can significantly affect these estimates.

(20) Fair Value of Financial Instruments

The following table summarizes the carrying value and estimated fair value of assets and liabilities for significant financial instruments:

	2012		2011	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Assets				
Demand deposits with banks	4,317,314	4,317,314	2,101,079	2,101,079
Time deposits with banks	41,000,000	41,000,000	30,448,251	30,448,251
Investment securities	43,731,450	43,731,450	43,868,201	43,868,201
Loans	206,130,067	213,349,300	105,408,465	109,334,247
	295,178,831	302,398,064	181,825,996	185,751,778
Liabilities				
Demand deposits	38,575,112	38,575,112	26,340,256	26,418,274
Saving deposits	32,248,053	32,248,053	16,074,373	16,154,879
Time deposits	166,877,933	168,819,872	97,339,881	98,432,226
	237,701,098	239,643,037	139,754,510	141,005,379