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FREE ENGLISH LANGUAGE TRANSLATION FROM SPANISH VERSION

Unibank, S.A., and Subsidiary

Consolidated Financial Statements for the year ended December 31, 2013 and Independent Auditors' Report of March 20, 2014

A member firm of
Deloitte Touche Tohmatsu

Unibank, S.A., and Subsidiary

Independent Auditors' Report and Consolidated Financial Statements at December 31, 2013

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Panamá, Rep. de Panamá

Free English Language Translation from Spanish Version

INDEPENDENT AUDITORS' REPORT

Messrs
Shareholders and Board of Directors of
Unibank, S.A., and Subsidiary
Panama, Republic of Panama

We have audited the accompanying consolidated financial statements of **Unibank, S.A., and Subsidiary** which comprise the consolidated statement of financial position at December 31, 2013, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in shareholder's equity and the consolidated statement of cash flows for the year ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for 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 they have been modified by prudential regulations issued by the Superintendency of Banks of Panama for purposes of supervision, and for such internal control as management determines is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's 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 the auditor's judgment, including the assessment of the risks of material misstatement of consolidated the financial statements, whether due to fraud or errors. In making those risk assessments, the auditor considers 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 **Unibank, S.A. and Subsidiary** as of December 31, 2013, and its financial performance and cash flows for the year ended in accordance with International Financial Reporting Standards, as they have been modified by prudential regulations issued by the Superintendency of Banks of Panama, for the purposes of supervision as described in Note 3.1 to the consolidated financial statements.

Emphasis of matter

The financial statements at December 31, 2012 were audited by other auditors whose report dated March 22, 2013 expressed an unqualified opinion.

The accompanying consolidated financial statements have been translated from Spanish into English for the convenience of readers outside of the Republic of Panama.

Deloitte (signed)

March 20, 2014
Panama, Rep. of Panama

Unibank, S.A. and Subsidiary

Consolidated statement of financial position
December 31, 2013
(In balboas)

Assets	Notes	2013	2012
Cash		2,423,560	1,714,069
Due from banks:			
Demand - domestic		3,530,181	2,604,605
Demand - foreign		7,884,665	1,712,709
Time - domestic		28,300,000	21,000,000
Time - foreign		33,001,485	20,000,000
Total due from banks		72,716,331	45,317,314
Total cash and due from banks	7	75,139,891	47,031,383
Securities available for sale	8	-	42,691,075
Securities held to maturity	9, 15	39,047,366	1,000,000
Permanent investments	9	81,867	40,375
Loans	6,10,11	272,914,349	206,130,067
Less:			
Allowance for loan losses		2,577,855	2,281,648
Unearned comissions		971,541	1,016,691
Loans, net		269,364,953	202,831,728
Property, equipment and improvements, net	12	4,910,325	5,484,562
Accrued interests receivable	6	1,913,537	1,507,535
Other assets	6, 13	3,080,203	1,832,311
Total assets		393,538,142	302,418,969

Liabilities and shareholder's equity	Notes	2013	2012
Liabilities			
Due to customers:			
Demand - domestic		37,888,440	24,306,898
Demand - foreign		8,248,329	14,268,214
Savings - domestic		36,867,627	22,822,175
Savings - foreign		11,367,169	9,425,878
Time - domestic		152,688,066	123,082,726
Time - foreign		71,911,068	43,795,207
Time - interbank deposits		8,000,000	-
Total due to customers	4	326,970,699	237,701,098
Securities sold under repurchase agreements	9, 15	10,001,745	-
Borrowed funds		-	4,913,023
Cashier's and certified checks		875,333	2,966,179
Accrued interests payable	6	3,403,121	3,396,386
Other liabilities	14	1,730,917	1,687,503
Total liabilities		342,981,815	250,664,189
Shareholder's equity:			
Common shares	16	60,000,000	59,060,928
Unrealized loss on securities available for sale	8	(2,768,680)	448,953
Accumulated deficit		(6,674,993)	(7,755,101)
Total shareholder's equity		50,556,327	51,754,780
Total liabilities and shareholder's equity		393,538,142	302,418,969

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

Unibank, S.A. and Subsidiary

Consolidated statement of profit or loss
For the year ended December 31, 2013
(In balboas)

	Notes	2013	2012
Interests and commissions income			
Interests earned on:			
Loans		16,386,405	10,276,845
Bank deposits		55,216	40,982
Investment securities		1,673,446	2,052,580
Commissions income on loans		566,553	397,758
Total interest and commission income		18,681,620	12,768,165
Interest expenses:			
Deposits		9,416,275	5,969,129
Borrowed funds		265	36,924
Total interest expenses		9,416,540	6,006,053
Net interest and commission, before provision		9,265,080	6,762,112
Provision for loan losses	10	630,929	1,532,401
Net interest income, after provision		8,634,151	5,229,711
Income (expense) and other banking services:			
Commission expenses	18	(141,724)	(136,499)
Gain on sale of financial instruments	8	779,303	2,177,843
Other commissions income	17	1,005,388	742,813
Other income	17	206,457	159,375
Total income from banking services and other		1,849,424	2,943,532
Other expenses:			
Salaries and wages	6	4,885,530	4,588,125
Other personnel expenses		124,924	94,217
Rent	6	767,830	1,308,614
Advertising		264,341	446,783
Fees and professional services	6	417,799	471,212
Depreciation and amortization	12	703,767	829,124
Other expenses	18	2,216,583	1,494,036
Total other expenses		9,380,774	9,232,111
Profit (loss) before income tax, net		1,102,801	(1,058,868)
Income tax	20	22,693	15,124
Net profit (loss)		1,080,108	(1,073,992)

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

Unibank, S.A. and Subsidiary

Consolidated statement of comprehensive income (loss)
For the year ended December 31, 2013
(In balboas)

	Note	2013	2012
Net income (loss)		1,080,108	(1,073,992)
Other comprehensive income (loss):			
Items that are and may be subsequently reclassified to the consolidated statement of profit or loss			
Net changes in fair value of securities available for sale	8	(2,563,932)	(843,278)
Amortization charged to profit or loss	8	125,602	-
Net changes in fair value of securities available for sale transferred to profit or loss		(779,303)	2,177,843
Total other comprehensive income (loss)		(3,217,633)	1,334,565
Total comprehensive (loss) income for the year		(2,137,525)	260,573

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

Unibank, S.A. and Subsidiary

Consolidated statement of changes in shareholder's equity
For the year ended December 31, 2013
(In balboas)

	Notes	Common shares	Unrealized gain (loss) on securities available for sale	Accumulated deficit	Total shareholder's equity
Balance at December 31, 2011, as reported		50,000,000	(885,612)	(6,252,111)	42,862,277
Restated for correction of advisory and training expenses	21	-	-	(428,998)	(428,998)
Balance at December 31, 2011 (restated)		50,000,000	(885,612)	(6,681,109)	42,433,279
Net loss		-	-	(1,073,992)	(1,073,992)
Other comprehensive income (loss):					
Net changes in securities available for sale during the year		-	(843,278)	-	(843,278)
Net income realized transferred to profit or loss		-	2,177,843	-	2,177,843
Total other comprehensive income		-	1,334,565	-	1,334,565
Total comprehensive income		-	1,334,565	(1,073,992)	260,573
Transactions attributable to shareholders:					
Capital contributions		9,060,928	-	-	9,060,928
Balance at December 31, 2012 (restated)		59,060,928	448,953	(7,755,101)	51,754,780
Net income		-	-	1,080,108	1,080,108
Other comprehensive income (loss)					
Net changes in securities available for sale during the year	8	-	(2,563,932)	-	(2,563,932)
Net income realized transferred to profit or loss	8	-	(779,303)	-	(779,303)
Amortization charged to profit or loss		-	125,602	-	125,602
Total other comprehensive income		-	(3,217,633)	-	(3,217,633)
Total comprehensive income		-	(3,217,633)	1,080,108	(2,137,525)
Transactions attributable to shareholders					
Capital contributions	16	939,072	-	-	939,072
Balance at December 31, 2013		60,000,000	(2,768,680)	(6,674,993)	50,556,327

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

Unibank, S.A. and Subsidiary

Consolidated statement of cash flows
For the year ended December 31, 2013
(In balboas)

	Notes	2013	2012
Operating activities:			
Net income (loss)		1,080,108	(1,073,992)
Adjustments to reconcile net loss and cash from operating activities:			
Provision for loan losses	10	630,929	1,532,401
Depreciation	12	703,767	718,625
Amortization of intangible assets	13	158,880	110,500
Gain on sale of securities, net	8	(779,303)	(2,177,843)
Amortization of unrealized loss on investments available for sale		125,602	-
Interest income and commissions		(18,681,620)	(12,768,165)
Interest expenses		9,416,540	6,006,053
Changes in operating assets and liabilities:			
Loans and unearned discounted commissions		(67,164,154)	(98,955,665)
Other assets		(1,312,212)	2,764,105
Demand deposits		7,561,657	12,234,856
Saving deposits		15,986,743	16,173,679
Time deposits		65,721,201	69,538,053
Cashier's and certified checks		(2,090,846)	191,575
Other liabilities		43,414	149,326
Cash provided by operating activities:			
Interest received		18,275,618	12,071,184
Interest paid		(9,409,805)	(4,010,745)
Net cash provided by operating activities		20,266,519	2,503,947
Investing activities:			
Purchase of securities available for sale	8	(26,686,571)	(65,626,710)
Sale of securities available for sale	8	37,766,348	70,316,244
Purchase of securities held to maturity	9	(10,000,000)	(1,000,000)
Redemptions of securities held to maturity	9	1,000,000	-
Purchase of permanent investments	9	(41,492)	-
Acquisition of furniture and equipment	12	(130,146)	(1,417,109)
Proceeds from sale of furniture, equipment and improvements	12	616	-
Acquisition of intangible assets	13	(94,560)	(530,212)
Net cash provided by investing activities		1,814,195	1,742,213
Financing activities:			
Capital contributions	16	939,072	9,060,928
Borrowed funds		(4,913,023)	(4,763,000)
Securities sold under repurchase agreements		10,001,745	4,913,023
Net cash provided by financing activities		6,027,794	9,210,951
Net increase in cash and cash equivalents		28,108,508	13,457,111
Cash and cash equivalents at the beginning of the year		47,031,383	33,574,272
Cash and cash equivalents at the end of the year	7	75,139,891	47,031,383
Non monetary transactions:			
Reclassification of investments available for sale to held to maturity	8	(29,047,366)	-

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

1. General information

Unibank S.A., formerly Uni Bank & Trust, Inc. and Subsidiary (the Bank) was organized and incorporated under Panamanian law, and was granted a General Banking License by Resolution No.163-2010 of 19 July 2010 and Trust License by Resolution S.B.P.-FID No.007-2010 both of the Superintendency of Banks of Panama (hereinafter the "Superintendency of Banks"). The General Banking License and Trust License allow you to conduct the business of banking and trust services, anywhere in the Republic of Panama, and carrying out transactions that are completed, or take effect abroad and undertake such other activities the Superintendency of Banks authorized.

The Company's main office is located at Balboa Avenue; Grand Bay Tower, Levels 1, 2 and 3; Bella Vista, Panama City.

By Resolution S.B.P. No.0002-2013 dated January 3, 2013, the Superintendency of Banks of Panama has authorized Uni Bank & Trust, Inc. to change its corporate name to Unibank, S.A.

Unibank, S.A., is supervised by the Superintendency of Banks under Decree Law No.9 of February 26, 1998, and relevant regulations, as amended by Decree Law No.2 of 22 February 2008. Superintendency of Banks has all the including powers to monitor, regulate and inspect banking operations.

Unibank, S.A., provides directly and through its subsidiary, financial services, corporate banking, personal banking and private banking besides from other financial services; these activities are subject to supervision by regulatory authorities.

The Bank owns 100% of the issued shares of Bienes Raíces Uni, S.A., which operations has not been yet started; is registered under the laws of the Republic of Panama, at the Public Registry in the business section No.790241 document No.2303503 of December 21, 2012.

The Bank own 100% of the issued and outstanding shares of Uni Leasing, Inc., which was organized and incorporated under Panamanian business law, and was granted license by Resolution No. 393 of September 15, 2011, to conduct leasing transactions. The leasing operations in Panama are regulated by the Department of Financial Institutions of the Ministry of Trade and Industry in accordance with Act No. 7 of 10 July 1990.

The Bank is 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 business section No.682912 document No.1712451 record dated January 15, 2010.

On December 27, 2012, the Superintendency of Banks, through Resolution No. 0017-2012 S.B.P. -FID, approved to cancel Trust License issued on July 26, 2010 through Resolution S.B.P. -FID No.007-2010, this resolution supersedes the cancellation request filed by the Bank's Trust License based on the provisions of paragraph b of Article 23 of Executive Decree 16 of 1984, which provides for the license cancellation begin the operations within the year following the granting of the license.

2. Application of International Financial Reporting Standards (IFRS)

2.1 IFRS news and revised issued with effects on the consolidated financial statements

During this year, the Bank implemented a series of new and amended IFRS's issued by the International Accounting Standards Board (IASB) that are mandatory and became effective from fiscal years beginning on or after 1 January, 2013.

IFRS 13 fair value measurement

The Standard defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In addition, IFRS 13 requires extensive disclosures about fair value measurements. IFRS 13 applies prospectively to annual periods beginning on or after 1 January 2013.

Entities that apply IFRS for the first time do not need to make the disclosures set out in IFRS in comparative information provided for periods before the initial application.

IAS 1 Presentation of Financial Statements

Annual amendments to IFRS's 2009-2011 have made a number of amendments to IFRS's. The changes that are relevant to the Bank are the changes to IAS 1 relating to the presentation of a third statement of financial position and related notes that are required to submit at the beginning of the previous period when an entity applies an accounting policy retrospectively or makes a restructuring or reclassification retroactive having a significant effect on the information in the third statement of financial position. The amendments specify that requires the related notes accompanying the third statement of financial position.

2.2 Standards and Interpretations with no effects on the consolidated financial statements adopted

IFRS 10 - Consolidated Financial Statements

Replaced the parts of IAS 27 - Consolidated and Separate Financial Statements dealing with the consolidated financial statements. Upon issuance of IFRS 10, SIC 12 Consolidation - Special Purpose Entities has been removed.

IFRS 11 - Joint ventures

IFRS 11 replaced IAS 31 - Interests in Joint Ventures. Under IFRS 11, joint arrangements are classified as either joint operations or joint ventures, according to the rights and obligations of the parties to the agreements.

IFRS 12 - Disclosure of Interests in Other Entities

Is a disclosure standard applicable to entities that have interests in subsidiaries, joint ventures, associates and/or unconsolidated structured entities.

Amendments to IAS 1 - Presentation of items in Other Comprehensive Income

The amendments to IAS 1 require additional disclosures should be made in the other comprehensive income section such that items of other comprehensive income are Banksed into two categories (a) items that are not subsequently reclassified to profit or loss; and (b) items that will be reclassified subsequently to profit or loss when the conditions are met.

Amendment to IFRS 7 Disclosures - Netting of financial assets and liabilities

Amendments to IFRS 7 require entities to disclose information about the rights of netting and related arrangements for financial instruments under an enforceable master netting agreement or similar agreement.

IAS 19 - Employee Benefits

IAS 19 changes the accounting for defined benefit plans and termination benefits. The most important change relates to the accounting for changes in defined benefit obligations and plan assets.

2.3 IFRS new and revised issued but not yet effective

A series of standards and new standards and interpretations are effective for annual periods beginning after January 1, 2014. It is unexpected that any of these would have a significant effect on the consolidated financial statements, except for the following listed below. However, it is not practical to provide a reasonable estimate of its effect until a detailed review has not been completed.

IFRS 9 - Financial Instruments: Classification and Measurement

Issued in November 2009 introduces new requirements for the classification and measurement and to terminate the financial assets and financial liabilities. IFRS amended in October 2010, includes requirements for the classification and measure of financial liabilities, as well their derecognition.

IFRS 9 requires all recognized financial assets that are within the scope of IAS 39 Financial Instruments: Recognition and Measurement to be subsequently measured at amortized cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortized cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods.

The most significant effect of IFRS 9 addresses the classification and measurement of financial liabilities related to the accounting for changes in fair value of a financial liability (designated at fair value through profit or loss) attributable to changes in the credit risk of that liability. Specifically, under IFRS 9, for financial liabilities that are designated at fair value through profit or loss, the amount of change in fair value of the financial liability that is attributable to changes in credit risk is recognized in other comprehensive income, unless the recognition of changes in the liability's credit risk in other comprehensive income would cause or increase an accounting mismatch in profit or loss: Changes in fair value attributable to credit risk of a financial liability are reclassified subsequently to profit or loss. Previously, under IAS 39, the total amount of change in fair value of financial liabilities designated at fair value through profit or loss is recognized in the consolidated statement of comprehensive income.

IFRS 9 was amended in November 2013. The current version of IFRS 9 does not include a mandatory effective date but is available for adoption. An effective date will be added when all phases of the project are complete and a final version of IFRS 9 is issued. At its November 2013 meeting, the IASB tentatively decided that the mandatory effective date of IFRS 9 will be no earlier than annual periods beginning on or after 1 January 2018.

Amendments to IFRS 10, IFRS 12 and IAS 27 investment entities

Amendments to IFRS 10, provide the definition of an investment entity, such as certain investment funds and require that a reporting entity that maintains subsidiaries that meet the definition of an investment entity investment measured at fair value through profit or loss in its separate financial statements.

Subsequent modifications have been made to IFRS 12 and IAS 27 to introduce additional disclosure requirements for investment firms. These amendments are effective for annual periods beginning on or after January 1, 2014, with earlier application permitted.

Amendments to IAS 32 offsetting financial assets and financial liabilities

Amendments to IAS 32 clarify requirements related to offsetting financial assets and financial liabilities. This amendment is effective for annual periods beginning on or after January 1, 2014.

Amendments to IAS 39 derivative innovation and continuation of hedge accounting

Amendments to IAS 39 indicate that there is no need to discontinue hedge accounting if the hedging derivative was renewed, provided it meets certain criteria. This amendment is effective for annual periods beginning on or after January 1, 2014.

IFRIC 21 Liens

New interpretation provides guidance on when to recognize a liability for a tax assessment by the government for both charges to be accounted for in accordance with IAS 37 "Provisions, Contingent Liabilities and Contingent Assets" as for the timing and amount of lien are true. This new interpretation is effective for annual periods beginning on or after January 1, 2014.

The application of the new Agreements and amendments may affect the amounts reported in the financial statements and result in more extensive disclosures in the financial statements.

3. Major significant accounting policies

3.1 Basis of presentation

The consolidated financial statements have been prepared under the historical cost basis, except for investments available-for-sale and derivative instruments, which are stated at fair value.

The Bank's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), as they have been modified by prudential regulations issued by the Superintendency of Bank of Panama for monitoring purposes. With respect to the Bank, the most significant changes introduced by the prudential regulations that establish a different treatment to International Financial Reporting Standards (IFRS) relate to:

1. Measurement of impairment for possible loan losses - IAS 39.
2. Measurement of impairment for property acquired as compensation for outstanding claims - IFRS 5.
3. Classification and measurement of impairment of investment securities - IAS 39.

IAS 39 and IFRS 5 set out that the reserve for posible loan losses is based on the incurred or historical losses while the regulation requires the determination of the reserve for expected losses.

The accounting policies adopted by the Bank in compliance with the agreements issued by the Superintendency of Bank of Panama are described in Note 3 to these consolidated financial statements.

3.2 Principle of consolidation

The consolidated financial statements include the financial statements of Unibank, S.A., and Uni Leasing, Inc. Subsidiary. Control is achieved when the bank:

- Has power over investment,
- Is exposed, or has rights, to variable returns from its involvement with the entity, and
- Has the ability to affect those returns through its power over the entity in which it invests.

The Bank reassesses whether it controls an entity if the facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Bank has less than the majority of the voting rights over an investee, has control over an investee when the voting rights give it the current ability to direct the relevant activities of the investee, which are the activities that significantly affect the return of the investee. The Bank considers all the facts and cirscuntances to evaluate if the voting rights over an investee are sufficient to has power.

Subsidiaries are consolidated from the date on which the Bank obtains control until the moment the control ends. The results of subsidiaries acquired or disposed during the year are included in the consolidated statement of profit or loss from the effective date of acquisition or from the disposal effective date, as appropriate.

Subsidiaries are those entities in which the Bank has directly or indirectly more than 50% of the shares with voting rights and / or excercises control.

All significant balances and transactions between the Bank and its subsidiaries were eliminated in the consolidation.

3.3 Foreign currency transactions

Monetary assets and liabilities denominated in foreign currency at the reporting date are retranslated to the functional currency at the spot exchange rate at that date except for those transactions whose exchange rate were contractually set. Transactions in foreign currencies are translated into the respective functional currency of the Bank at the spot exchange rates at the date of transactions. Non monetary assets and liabilities that are measured at fair value in a foreign currency are translated to the functional currency at the spot exchange rate at the date that the fair value was determined. Foreign currency differences arising on translation are generally recognised in profit or loss except for the differences arising from the translation of equity available for sale securities, a financial liability designated as a net investment hedge in a foreign operation or qualifying cash flow hedges, which are directly in the consolidated statements of comprehensive income.

3.4 Functional and presentation currency

Records are carried in Balboas (B/.) and the consolidated financial statements are expressed in this currency. The Balboa, the monetary unit of the Republic of Panama, is at par and freely exchangeable with the United States dollar (US$). The Republic of Panama does not issue paper money and instead uses the American dollar as legal tender.

3.5 Financial assets

Financial assets are classified into the following specific categories: securities held to maturity, securities available-for-sale and loans. The classification depends on the nature and purpose of the financial asset and is determined at the time of initial recognition.

Securities available-for-sale

They consist of securities purchased with the intention of keeping them for an indefinite period of time, which can be sold in response to the needs for liquidity or changes in interest rates, or prices of equity instruments.

After initial recognition, securities available-for-sale are measured at their fair value. For those cases where fair value estimates are not reliable, investments are held at cost or amortized cost.

Gains or losses arising from changes in fair value of securitires available-for-sale are recognized directly in equity until the financial assets are derecognized or an impairment is determined. At this time, the cumulative gain or loss, previously recognized in equity is recognized in the results, except for the impairment losses, interests based on effecive interest method and the foreign exchange profit or loss that are recognized directly in income.

Dividends on equity instruments available-for-sale are recognized in the consolidated statement of profit or loss when the entity's right to receive payment is established.

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

Securities held to maturity

Securities held to maturity are non-derivative financial assets with fixed or determinable payments and fixed maturities which the Bank's management has the intent and ability to hold to maturity. If the Bank sold an amount that is significant (relative to the total amount of held-to-maturity investments) assets held to maturity, the entire category will be reclassified as available for sale.

Assets held to maturity are recognized at amortized cost using the effective interest method less any impairment, with income recognized on an effective rate basis.

Loans

Loans are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, except: (a) those that the entity will expect to sell immediately or on a short term, which are classified as trading, and those that the entity in its initial recognition designates at fair value through profit or loss, (b) those that the entity upon initial recognition designates as available-for-sale, or (c) those for which the holder do not recover substantially all of its initial investment, unless due to credit deterioration.

Loans are recognized at amortized cost using the effective interest method less any impairment, with income recognized on an effective rate basis.

Financial leasing

Finance leases consist primarily of leases for equipment and rolling stock, which are reported as part of the loan portfolio at the present value of the lease. The difference between the gross receivable and the present value of the receivable is recognized as unearned interest income, which is amortized to income using a method that reflects a periodic rate of return.

Derecognition of financial assets

The Bank derecognizes a financial asset only when the contractual rights to receive cash flows have expired or when the Bank has transferred financial assets and substantially all the risks and rewards of ownership of the asset to another entity. If the Bank does not transfer or retain substantially all the risks and benefits of ownership and control continues with the asset transferred, the Bank recognizes its retained interest in the assets and liabilities related to the amounts that it may have to pay. If the Bank retains substantially all risks and rewards of ownership of a transferred financial asset, the Bank continues to recognize the financial asset and also recognizes a liability secured by the amount received.

3.6 Financial liabilities and equity instruments issued by the Bank

Classification as debt or equity

Debt and equity instruments are classified as financial liabilities or as equity in accordance with the contractual arrangements.

Equity instrument

An equity instrument is any contract that evidences a residual interest on the assets of an entity after deducting all its liabilities. Equity instruments issued by the Bank are recorded at the amount received, net of direct issuance costs.

Liabilities from financial guarantee contracts

Contracts that an entity is in the obligation to pay specific amounts on behalf of a third party in case of default, regardless of how this obligation is implemented: either by bond, financial or technical guarantee, documented irrevocably credit issued or confirmed by the entity, insurance and credit derivative.

Financial guarantees, regardless of its owner, instrumentation and other circumstances, are regularly analyzed to determine the credit risk they are exposed to and, if necessary, to estimate the needs of an allowance for them, which is determined by application of similar criteria to those established for quantifying impairment losses experienced by debt instruments measured at their amortized cost as detailed in the note of impairment of financial assets.

Financial guarantees are initially recognized in the consolidated financial statements at fair value at the date on which the guarantee was issued. Subsequent to initial recognition, bank liabilities under such guarantees are measured at the higher of the initial recognition, less amortization calculated for recognition in the consolidated statement of profit or loss from fees earned on a straight-line basis on the life of the guarantee and best estimate of disbursement required to settle any financial obligation arising at the date of the consolidated statement of financial position. These estimates are determined based on the experience of similar transactions and history of past losses, supplemented by Management's judgment.

Financial liabilities

Financial liabilities are classified as financial liabilities through changes in results and other financial liabilities.

Financing

The financing is recognized initially at fair value net of transaction costs incurred. Subsequently, the financings are recognized at amortized cost, any difference between the net proceeds of the transaction costs and the redemption value is recognized in the consolidated profit or loss during the period of the borrowing using the effective interest method. Those financing which interest rate risk is hedged by a derivative are presented at fair value.

Other financial liabilities

Other financial liabilities, including debts, are initially measured at fair value, net of transaction costs and are subsequently measured at amortized cost using the effective interest method with interest expenses recognized on the effective rate base.

Derecognition of financial liabilities

The Bank derecognizes financial liabilities when, and only when, the Bank's obligations are liquidated, cancelled or expired.

3.7 Offsetting of financial instruments

Financial assets and liabilities are offset, that is, when the net amount is presented in the consolidated statement of financial position only when the dependent entities have the right, legally enforced, to offset the recognized amounts of such instruments, as well as the intention to liquidate the net amount, or to realize the asset and pay the liability simultaneously.

3.8 Income and interest expense

Interest income and expense are recognized in the consolidated statement of profit or loss for all financial instruments that generate interest using the effective interest method.

The method of effective interest rate is the method used to calculate the amortized cost of an asset or financial liability and to distribute the income or interest expense over a period of time. The effective interest rate is the rate that exactly discounts the estimated cash flows over the expected life of a financial instrument or, when appropriate in a shorter period, to its net carrying amount. When calculating the effective interest rate, cash flows are estimated considering the contractual terms of the financial instrument, but future losses due to credit are not considered.

3.9 Fees and commission income

Generally, commissions on short-term loans, letters of credit and other banking services are recognized as income at the time of its collection due to being short-term transactions. The revenue recognized at the time of its collection is not significantly different from that recognized under the cumulative or accrual method. Commissions on loans and other transactions at medium and long term, net of certain direct costs from granting them, are deferred and amortized during their life.

3.10 Impairment of financial assets

Loans

Loans receivable are presented deducted from the allowance for possible loans losses on the consolidated statement of financial position. When a loan is determined as uncollectible, the unrecoverable amount is charged to that allowance account. Recoveries of loans previously written off as uncollectible are credited to the reserve account.

The Superintendency of Banks of Panama requires that financial statements presented by banks in Panama, including annual and interim financial statements, must include the accounting recognition and presentation of allowance for loan losses based on prudential Agreements for the creation of such allowance issued by the regulator.

Based on the Agreements of the regulator, Agreement 6-2000 issued by the Superintendency of Banks of the Republic of Panama, the Bank classifies loans into five risk categories and determines the minimum amount of allowance for losses on the principal balance and within no more that 90 days, the Bank will adjust previous classification of loans and establish new specific provision, if applicable, based on the estimated losses as well.

Loan categories	Minimum percentages
Normal	0%
Special mention	2%
Subnormal	15%
Doubtful	50%
Uncollectible	100%

For this purpose, a criterion was used for the classification such as the quality of the loan and default parameters to service debt, among others. The criterion for default periods is mainly used to classify consumer and housing loans, but is also considered in the classification of corporate lending.

Loan categories	Minimum percentages
Special Mention	2% up to 14.9%
Subnormal	15% up to 49.9%
Doubtful	50% up to 99.9%
Uncollectible	100%

When calculating the estimated losses, the Bank, among others, considers the debtor's financial statements, operating cash flows, realization value of real guarantees, and any other cash flow that would be obtain from co-debtors or guarantors. For the consumer portfolio, the following are considered: the debtor's delinquency, the losses that the Bank has historically experienced in the past in similar or comparable Banks, the maturity profile of the portfolio and any other information that might affect the collection of the consumer portfolio.

In addition, Agreement 6-2000 allows the creation of general reserves for loan losses provisionally, when there is knowledge of the deterioration in the value of a Banks of loans that have defined common features and that have not attributable to loans individually.

At any time, Banks are required to maintain a global reserve for loan losses of not less than 1% of its total loan portfolio, less the deposit guarantees at the same bank. This global reserve shall not be less than the sum of the specific and general reserves.

The Superintendency of Banks of Panama may assess the sufficiency of allowance and require the Bank to constitute allowance at any time.

Securities classified as available-for-sale

At the date of the consolidated statement of financial position, the Bank assesses whether there is objective evidence that a financial asset or a Banks of financial assets is impaired. In the case of equity and debt instruments classified as available-for-sale, a significant or prolonged decline in fair value of the financial asset that is below its cost is considered in determining whether the financial asset is impaired. If such evidence exists for financial assets available-for-sale, the accumulated loss measured as the difference between acquisition cost and current fair value, less any impairment loss in the previously recognized financial assets, in profit or loss, is removed from equity and recognized in the consolidated statement of profit or loss.

Impairment losses recognized in the consolidated statement of profit or loss on equity instruments are not reversed through the consolidated statement of profit or loss, but its amount is recognized in the equity account. If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increase and this increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, the impairment loss is recognized through the consolidated statement of profit or loss.

Investment securities held to maturity

At the date of the consolidated statement of financial position assesses whether there is objective evidence that a financial asset or Banks of financial assets is impaired. The Bank determines the impairment of investments in securities held to maturity, considering the following:

- Decrease credit rating by a domestic or international rating agency;
- The fair value becomes significantly less than the cost;
- Decrease in fair value for a long period of time (more than a year);
- Reduced material value, other than temporary, unless there is evidence that the recovery is likely;
- Impairment of the condition of the industry or geographic area and;
- Reduced ability to continue as a going concern.

3.11 Property, furniture, equipment and improvements

Property, furniture, equipment and improvements are stated at cost, net of accumulated depreciation and amortization. Major improvements are capitalized, while other minor repairs and maintenance, which do not increase its useful life or improve the assets, are charged to expenses as incurred.

Depreciation and amortization are charged to current operations under the straight-line method, based on the estimated useful lives of the assets:

Property	30 years
Furniture and office equipment	5 - 7 years
Computer equipment	5 - 7 years
Leasehold improvements	20 - 30 years

The estimated useful lives are reviewed, and if appropriate adjusted at each consolidated statement of financial position.

Assets that are subject to amortization are reviewed for impairment whenever changes in the circumstances indicate that carrying values are not recoverable. The carrying value of fixed assets is immediately written down to its recoverable amount, which is the higher between the fair value less cost and the value in use.

An item of property, furniture, equipment and improvements are written off to their eventual disposal or when no future economic benefits are expected to arise from the continuing use of the asset. Any gain or loss arising on the disposal or discard of an item of property, furniture, equipment and improvements are determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in the consolidated statement of profit or loss.

3.12 Intangible assets

Software and licenses

Licenses acquired separately are stated at historical cost. Licences have a finite useful life and are carried at cost less accumulated amortization. Depreciation is computed using the straight-line method to allocate the cost of licenses over their estimated lives upto five years. The software licenses acquired are capitalized on the basis of costs incurred to acquire and are able to use the specific software.

3.13 Impairment of non-financial assets

At each consolidated statement of financial position date, the Bank reviews the carrying amounts of its non-financial assets to determine whether there is any indication that those assets have been an impaired loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). In case the asset does not generate cash flows for itself, that be independent from other assets, the Bank calculates the recoverable amount of the cash-generating unit to which the asset belongs. Intangible assets with indefinite useful lives are tested for impairment annually.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is written down to its recoverable amount. Immediately an impairment loss is recognized in operating results.

3.14 Financing

The financing are recognized initially at fair value net of transaction costs incurred. Subsequently, the financings are recorded at amortized cost; any difference between proceeds net of transaction costs financing and the redemption value is recognized in the consolidated statement of profit or loss over the period, using the effective interest rate method.

3.15 Securities sold under repurchase agreements

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

3.16 Employee benefits

Panamanian labor law requires that employers constituted a severance fund to guarantee payment of seniority premiums and indemnity in cases of unjustified dismissals or resignation. For the establishment of this fund, employers have to contribute the fund based on 1.92% of total salaries paid in the Republic of Panama and 5% of the monthly quota part of the indemnity. Payments should be founded on a quarterly basis in a trust. Such contributions are recognized as expense in the results of operations. The severance fund is maintained in a private trust and it is managed by an entity independent of the Bank and its subsidiary.

3.17 Income tax

Income taxes include the current and deferred tax. Income tax is recognized in the results of operations of the current year. The current income tax refers to the estimated income tax payable over taxable income of the fiscal year using the applicable rate at the date of the consolidated statement of financial position.

Deferred income tax is calculated based on the liability method taking into account the temporary differences between carrying values of asset and liabilities for financial and fiscal purposes. The amount of deferred income tax is based on the realization of assets and liabilities using the applicable tax rate at the date of consolidated statement of financial position. These temporary differences are expected to be reserved in future periods.

The Bank recognizes deferred tax assets if there are reasonable expectations of its performance or recovery time, in any case, is not recognized deferred taxes for a higher tax amount based on the taxable income .

3.18 Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between participants in the principal market on the measurement date, or in his absence, in the more advantageous market to which the Bank has access time. The fair value of a liability reflects the effect of default risk.

When applicable, the Bank measures the fair value of an instrument using quoted in an active market for that instrument price. A market is considered active if the transactions of these assets or liabilities occur with sufficient frequency to provide pricing information on an ongoing business basis of volume.

When there is no quoted price in an active market, the Bank uses valuation techniques that maximize the use of observable inputs data and minimize the use of unobservable inputs. The chosen valuation technique incorporates all factors that market participants would consider in setting the price of a transaction.

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 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, the availability of price and size of the offers and sales. In inactive markets, obtaining assurance that the transaction price provides evidence of fair value or determining the adjustments to transaction prices that are necessary to measure the fair value of the instrument, requires additional work during the valuation process .

The Bank discloses transfers between levels of the fair value hierarchy at the end of the period when the change occurred. (See Note 5).

3.19 Cash equivalents

For purposes of the consolidated statement of cash flows, cash equivalents includes cash, demand and time deposits with banks with original maturities of three months or less from the acquisition date.

4. Financial risk administration

4.1 Objectives of financial risk managemens

The activities of the Bank are exposed to a several of financial risks and those activities include the analysis, evaluation, acceptance and administration of certain degree of risks or combination of risks. Taking risks is core to the financial business, and the operational risks are an inevitable consequence of being in business. Therefore the objective of the Bank is to achieve an appropriate balance between risk and return and minimize the potential adverse effects on the financial return of the Bank.

The activities of the Bank are mainly related with the use of financial instruments, and, as such, the consolidated statement of financial position is mainly composed of financial instruments. The Bank is therefore exposed to the following risks:

- Credit risk
- Liquidity risk
- Market risk
- Operational risk

The Board of Directors of the Bank has the responsibility to establish and overlook the policies of financial instruments risk management. In that effect, it has appointed committees in charge of the periodic management and overlook of the risks to which the Bank is exposed. The committees are the following:

- Audit Committee under the direction of the Board of Directors
- Risk Committee
- Credit Committee
- Assets and Liabilities Committee (ALCO)
- Compliance Committee
- Operational Committee
- New Products Committee
- Technology Committee
- Management Committee

In addition, the Bank is subject to the regulations of the National Securities Commission of Panama and the Superintendency of Banks of Panama, in relation to concentration risks, liquidity and capitalization risk among others.

4.2 Credit risk

Credit risk is the risk of a financial loss for the Bank that may take place if a client or a counterparty of a financial instrument fails to meet their contractual obligations arising mainly on loans to clients and investment securities.

For purposes of risk management, the Bank considers and consolidates all the elements of exposure of credit risk, debtor risk, country risk, and sector or industry risk. The credit risk that originates in maintaining securities is managed independently, but informed as a component of credit risk exposure.

The respective committees appointed by the Board of Directors periodically monitor the financial condition of the debtors and issuers of negotiable instruments that involve a credit risk for the Bank. The Credit Committee consists of members of the Board of Directors, credit management staff, and representatives of the business areas. This Committee is in charge of developing the changes to credit policies, and to present them to the Bank's Board of Directors.

The Bank has established certain procedures to manage credit risk summarized as follows:

Issuance of Credit Policies

Credit policies are issued and revised by recommendation of any member of the Credit Committee or by the Vice-Presidents or Managers of Credit Banking, as well as by the control areas, who must suggest by written considering the following factors:

- Changes in market conditions.
- Risk factors.
- Changes in laws and regulations.
- Changes in financial conditions and credit availability.
- Other factors relevant at the moment.

All changes in policies or the issuance of new policies must be approved by the Credit Committee, who in turn submits them to the Board of Directors for approval, issuing a memorandum of instructions for subsequent disclosure and implementation.

Establishment of Authorization Limits

The limits for approval of credits depend on the significance of each amount related to the equity of the Bank. These limit levels are presented to the Credit Committee, who in turn submits them for the approval of the Board of Directors of the Bank.

Exposure Limits

To limit exposure, maximum limits have been set out for an individual debtor or economic Banks based on capital funds of the Bank.

Concentration Limits

To limit concentration per activity or industry, exposure limits have been approved based on capital distribution and the strategic orientation set for the loan portfolio.

The Bank has also limited its exposure in different geographical areas through the country risk policy, the countries in which the Bank is willing to have exposure have been defined based on its strategic plan as well as, the credit and investment limit exposure in such countries based on credit rating of each one.

Counterparty Maximum Limits

In regards to counterparty exposure, limits have been defined based on risk rating of the counterparty, as a proportion of the Bank's capital.

Impairment and provisioning policies

The internal and external systems of classification are focused on the credit quality since the beginning of the loan and investment activities. By contrast, impairment provisions are recognized for financial reporting purposes only for losses that have been incurred at the date of the consolidated statement of financial position with objective evidence of impairment. Due to the different methodologies applied, the amount of credit losses provided for in the consolidated financial statements are usually lower than the amount determined from the expected loss model that is used for internal operational management and banking regulation purposes.

The impairment provision shown in the consolidated statement of financial position at December 31, 2013 is from the five (5) internal rating categories. Nevertheless, most of the impairment provision arose from the last two grading categories.

The following table analyzes the loan portfolio of the Bank that is exposed to credit risk and its corresponding assessment:

2013 Clasification	Condition	Assessed for individual impairment	Assessed for colective impairment	Without impairment	Loans total
Normal	Low risk	-	-	269,310,510	269,310,510
Special mention	Watch list	-	2,717,345	-	2,717,345
Subnormal	Impairment	-	267,120	-	267,120
Doubtful	Impairment	481,179	-	-	481,179
Uncollectible	Impairment	138,195	-	-	138,195
Total		619,374	2,984,465	269,310,510	272,914,349
Less:					
Impairment allowance		178,836	97,160	2,301,859	2,577,855
Unearned interest and commissions		-	-	971,541	971,541
Carrying amount, net		440,538	2,887,305	266,037,110	269,364,953

2012 Clasification	Condition	Assessed for individual impairment	Assessed for colective impairment	Without impairment	Loans total
Normal	Losw risk	-		203,512,584	203,512,584
Special mention	Watch list	-	394,054	-	394,054
Subnormal	Impaiment	-	252,420	-	252,420
Doubtful	Impaiment	1,839,748	-	-	1,839,748
Uncollectible	Impaiment	131,261	-	-	131,261
Total		1,971,009	646,474	203,512,584	206,130,067
Less:					
Impairment allowance		426,296	119,669	1,735,683	2,281,648
Unearned interest and commissions		-	-	1,016,691	1,016,691
Carrying amount, net		1,544,713	526,805	200,760,210	202,831,728

In the previous table, the major risk exposure factors and information of impaired assets have been detailed, and the assumptions used for such disclosures are as follows:

- *Impairment on loans* - The impairment on loans is determined considering the principal and interests, based on contractual terms.

- *Delinquencies with no impairment of loans* - They are considered delinquencies without deteriorating loans where payments of principal and interest agreed contractually in arrears, but the Bank believes that impairment is not appropriate considering the level of guarantees available on the amounts owed to Bank.

- *Renegotiated loans* - Renegotiated loans are those that have been restructured due to impairment in the financial condition of the debtor and when the Bank considers granting change in the original credit terms. These loans once restructured are kept in this category regardless of any improvement in the financial condition of the debtor after restructuration by the Bank.

- *Allowance for impairment* - Allowance for impairment have been established based on estimated expected loss in the loan portfolio. The main components of the allowance are related to individual risks and the allowance for loan losses collectively established.

- *Write-off policy* - Loans are charged to losses when they are determined uncollectible. This determination is taken after considering into account factors as: payment capacity of the debtor; insufficiency of guarantee or when all resources to recover the credit have been realized.

The Bank holds collaterals of loans from customers such as mortgages and other guarantees. The fair value estimates are based on the value of the collateral according to the loan period and are generally not updated unless the credit is deteriorating on an individual basis. Generally, the collateral is not linked to loans granted, except when the investments held are part of a security purchased under resale agreements.

The following schedule shows an analysis of the gross and net amount of allowances for assets individually impaired due to risk assessment:

	2013			2012		
	Gross amount	Impairment allowance	Net amount	Gross amount	Impairment allowance	Net amount
Special mention	2,717,345	57,069	2,660,276	394,054	93,274	300,780
Subnormal	267,120	40,092	227,028	252,420	26,395	226,025
Doubtful	481,179	40,640	440,539	1,839,748	295,035	1,544,713
Uncollectible	138,195	138,195	-	131,261	131,261	-
Total	3,603,839	275,996	3,327,843	2,617,483	545,965	2,071,518

In order to comply with regulatory standards based on the Agreement 6-2000 of the Superintendency of Banks, a global reserve corresponding to one percent (1%) of the credit portfolio is maintained.

The Bank holds guarantees on loans consisted of pledged deposits. Estimates of fair value are based on the value of the collateral at the time of the disbursement. At December 31, 2013, loans of B/.47,341,891 (2012: B/.13,435,803) are guaranteed by term deposits with outstanding balance of B/.60,845,869 (2012: B/.22,930,724).

The following table analyzes the available for sale and held to maturity investments that are exposed to credit risk and their corresponding evaluation based on grade ratings:

2013	Securities available for sale	Securities held to maturity
Investment grade	-	33,538,944
Special monitoring	-	508,422
Ungraded	-	5,000,000
	-	39,047,366
2012		
Investment grade	40,978,575	1,000,000
Special monitoring	1,712,500	-
	42,691,075	1,000,000

In the above table, are the detailed factors of major risk exposure of the investments portfolio.

To manage the credit risk exposures of the investments portfolio, the Bank uses the assessment of the external risk ratings agency, as detailed as follows:

Grade ratings	External qualification
Investment grade	AAA, AA+, AA-, A+, A, BBB+, BBB, BBB-
Standard monitoring	BB+, BB, BB-, B+, B, B-
Special monitoring	CCC a C, D
Ungraded	----

Risk concentration of financial assets with credit risk disclosure

The Banks monitors the credit risk concentration by sector and geographic location. The analysis of the credit risk concentration at the date of the consolidated statement of financial position is the following:

2013	Bank deposits	Loans	Investments
Concentration by sector:			
Corporate	-	272,914,349	20,494,459
Government	-	-	10,072,224
Banks and financial institutions	72,716,331	-	8,480,683
	72,716,331	272,914,349	39,047,366
Geographical concentration:			
Panamá	31,830,181	267,403,675	20,571,911
Latin America and Caribbean	18,000,000	1,000,000	5,840,897
United States of America	6,420,299	-	1,998,779
Others	16,465,851	4,510,674	10,635,779
	72,716,331	272,914,349	39,047,366

2012	Bank deposits	Loans	Investments
Concentration by sector:			
Corporate	-	206,130,067	15,509,475
Government	-	-	19,154,900
Banks and financial institutions	45,317,314	-	9,067,075
	45,317,314	206,130,067	43,731,450
Geographical concentration:			
Panamá	23,604,605	206,130,067	14,766,875
United States of America	21,712,709	-	9,871,800
Others	-	-	19,092,775
	45,317,314	206,130,067	43,731,450

The geographical concentrations of loans are based on the debtor's location while investments are based on the issuer's domicile.

4.3 Market risk

The Banks is exposed to market risk, which is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risks arise from open positions in interest rate, currency and stocks, which are exposed to general market movements and specific changes in the level and volatility of market rates or prices such as interest rates , credit spread, the exchange rates and stock prices.

Reports on market risks arising from marketable and non-marketable activities, are presented for assessment and consideration by the Risk Committee, and then submitted to the Board of Directors for review and approval.

Negotiable portfolios include positions arising from transactions occurring in the market in which the Banks acts as principal with clients or with the market. Nontrading portfolios primarily arise from the management of the Banks's interest rates and assets and liabilities of the commercial banks.

As part of the market risk, the Bank and its subsidiaries are mainly exposed to the interest rate risk. For these purposes, interest rate risk, cash flow and fair value mean as follows.

The interest rate risk and cash flow risk of interest rate fair value, are the risks of future cash flows and the value of a financial instrument will fluctuate because of changes in market interest rates. Exposure to interest rate risk is reviewed by the Asset and Liability Committee (ALCO) and Risk Committee.

Risk market administration:

To measure and control market risk, the Bank has limits such as net exposure by currency, per issuer, country risk, size offering and time limits, among others.

The following table summarizes the calculation of VaR (Value at Risk) for a portfolio of securities available for sale that were reclassified to held to maturity category during 2013:

	2013	**2012**
VaR total	693,733	1,134,807

For the calculation of Value at Risk or VaR, the Bank uses a standard model which gives greater weight to the most recent data, with a time horizon of 14 business days (2012: 10 days) and confidence level of 99%.

Although the model of VaR is an important tool in measuring market risk involves the following:

- Normal market movements (are excluded major financial crisis);
- No calculates the maximum loss of the portfolio;
- Actual losses generated by the portfolio later, some will be above the VaR portfolio;
- The Bank maintains its total portfolio in securities held to maturity, so the portfolio risk is strictly credit.

The limitations of the VaR methodology are recognized, but are complemented with other structures of sensitivity limits, including limits to address potential concentration risk within each trading portfolio.

Exchange rate risk:

It is the risk that the value of a financial instrument will fluctuate because of changes in exchange rates of foreign currencies, and other financial variables as well as the reaction of market participants to political and economic events.

To control this risk arising from future transactions and recognized assets and liabilities, the Bank uses forward currency contracts negotiated by the Treasury Department, and this is responsible for managing the net position in each foreign currency by using external forward currency contracts. Monthly, financial information is presented for each business segment managed by Bank currency contracts with the Bank's Treasury as fair value hedges or cash flow, if applicable.

The Bank maintains monetary financial instruments transactions in the consolidated statement of financial position, contracted in foreign currencies, which are presented below:

2013	Euros	Sterling Pounds	CHF	Canadian Francs	Total
Bank deposits	3,114,330	98,759	248,750	1,596	3,463,435
Other assets	2,489	-	18,401	46	20,936
Total assets	3,116,819	98,759	267,151	1,642	3,484,371
Customer deposits	3,106,329	97,089	246,899	1,562	3,451,879
Other liabilities	8,156	281	2,409	-	10,846
Total liabilities	3,114,485	97,370	249,308	1,562	3,462,725
Net position	2,334	1,389	17,843	80	21,646

2012	Euros	Sterling Pounds	CHF	Canadian Francs	Total
Bank deposits	24,541	95,776	203,800	1,493	325,610
Other assets	659,141	-	-	44	659,185
Total assets	683,682	95,776	203,800	1,537	984,795
Customer deposits	681,764	95,129	202,680	1,477	981,050
Other liabilities	-	500	1,120	-	1,620
Total liabilities	681,764	95,629	203,800	1,477	982,670
Net position	1,918	147	-	60	2,125

Sensitivity analysis for the exchange rate risk, is mainly considered in the measurement of the position within a specific currency. The analysis is to verify would represent on a monthly basis the position in the functional currency on the currency which is becoming, and consequently the combination of exchange rate.

Fair value hedge of interest rate risk

The interest rate risk and cash flow risk of interest rate fair value, are the risks that the future cash flows and the value of a financial instrument will fluctuate because of changes in market interest rates.

The table below summarized the Bank's exposures to interest rate risk. The Bank's financial instruments classified by categories by the earliest date between the repricing date and the maturity.

2013	Up to 1 year	1-3 years	3-5 years	More than 5 years	No maturity nor interest rate	Total
Assets:						
Demands deposits	-	-	-	-	11,414,846	11,414,846
Due from banks	61,301,485	-	-	-	-	61,301,485
Investments	2,509,815	-	3,461,355	33,076,196	-	39,047,366
Loans	156,709,196	30,844,339	29,289,963	56,070,851	-	272,914,349
Total	220,520,496	30,844,339	32,751,318	89,147,047	11,414,846	384,678,046
Liabilities:						
Demand deposits	-	-	-	-	46,136,769	46,136,769
Saving deposits	48,234,796	-	-	-	-	48,234,796
Time deposits	165,909,466	59,009,668	7,680,000	-	-	232,599,134
Total	214,144,262	59,009,668	7,680,000	-	46,136,769	326,970,699
Total interest rate sensitivity	6,376,234	(28,165,329)	25,071,318	89,147,047	(34,721,923)	57,707,347

2012	Up to 1 year	1-3 years	3-5 years	More than 5 years	No maturity nor interest rate	Total
Assets:						
Demands deposits	-	-	-	-	4,317,314	4,317,314
Due from banks	41,000,000	-	-	-	-	41,000,000
Investments	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	144,948,765	11,095,392	38,300,791	96,516,569	4,317,314	295,178,831
Liabilities:						
Demand deposits	-	-	-	-	38,575,112	38,575,112
Saving deposits	32,248,053	-	-	-	-	32,248,053
Time deposits	137,366,764	27,394,066	2,117,103	-	-	166,877,933
Total	169,614,817	27,394,066	2,117,103	-	38,575,112	237,701,098
Total interest rate sensitivity	(24,666,052)	(16,298,674)	36,183,688	96,516,569	(34,257,798)	57,477,733

The Bank's Management to assess the risks of interest rates and their impact on the fair value of financial assets and liabilities, performs simulations to determine the sensitivity of assets and liabilities, based on the General Resolution 2-2000 of the Superintendency of Banks.

The monthly analysis carried out by the Administration is to determine the impact on assets and liabilities due to increases or decreases of 100 and 200 basis points in interest rates.

The following summarizes the impact on profit or loss:

2013	100bp increase	100bp decrease	200bp increase	200bp decrease
	20,406	(20,406)	40,811	(40,811)
Year average	17,083	(17,803)	34,167	(34,167)
Year maximum	23,468	(23,468)	46,936	(46,936)
Year minimum	10,666	(10,666)	21,331	(21,331)

2012	100bp increase	100bp decrease	200bp increase	200bp decrease
	17,368	(17,368)	34,735	(34,735)
Year average	16,052	(16,052)	32,104	(32,104)
Year maximum	17,368	(17,368)	34,735	(34,735)
Year minimum	13,875	(13,875)	27,720	(27,750)

At December 31, 2013, customer deposits accrued annual interest rates ranging from 0.18% to 5.39% (2012: 0.50% to 5.39%).

4.4 Liquidity risk

Liquidity risk is the risk that the Bank is unable to meet all its obligations related to its financial liabilities at their maturity date and to replace the funds when they are withdrawn. The consequence may be the failure to meet its obligations and commitments to disburse loans.

Process management of liquidity risk

The risk management process of liquidity risk of the Company, includes:

- The managing and monitoring future cash flows to ensure that requirements can be met. This includes replenisthing funds as they mature or are borrowed by customers. The Bank maintains an active presence in global money markets to prevent any non compliance;
- Maintaining a portfolio of highly marketable assets that can be easily liquidated as protection against any unforeseen availability of cash flow;
- Monitoring liquidity rate of the consolidated financial position against internal and regulatory requirements;
- Managing the concentration and profile of the maturities of financial liabilities.

The Asset and Liability Committee (ALCO) reviews the exposure to interest rate risk.

The monitoring and reporting, prepared by Management, it becomes a tool for measuring and cash flow projection for the next day, week and month respectively, as these are key periods for liquidity management. The starting point for those projections is an analysis of the contractual maturities of financial liabilities and the expected collection date of the financial assets.

Management also monitors medium-term assets, the level and type of debt obligation, the use of overdraft facilities and the impact of contingent liabilities, such as letters of credit 'standby' and guarantees.

Liquidity risk exposure

The key measure used by the Bank for managing liquidity risk is the ratio of liquid assets to net deposits received from customers. Liquid assets are cash and cash equivalents and debt securities, for which there is an active and liquid market less any deposit received from banks, debt securities issued, other borrowings and commitments maturing within one month. A similar calculation, but not identical, is used for measuring liquidity limits set by the Bank in compliance with that indicated by the Superintendency of Banks of Panama with respect to liquidity risk measurement.

Following is the legal liquidity index corresponding to the margin of the net liquid assets over deposits received from the Bank's customers at the date of the financial statements:

	2013	**2012**
Year average	56.43%	70.07%
Year maximum	66.22%	90.62%
Year minimum	41.90%	52.52%

The Bank is exposed to daily demands on its available cash resources from overnight deposits, current accounts, time deposits, loan payments and collateral margin requirements and cash-settled.

The Bank does not maintain cash resources to meet all of these needs as experience shows that a minimum level of reinvestment of the funds that are maturing can be predicted with a high level of security. The Board sets limits on the minimum proportion of funds available to meet those requirements and the minimum level of interbank facilities.

The following table shows the undiscounted cash flows of the financial liabilities of the Bank on the base of earliest possible maturity. The expected flows of these instruments may vary significantly as a result of this analysis.

2013	Carrying value	Amount nominal gross outputs (inputs)	Up to 1 year	From 1 to 3 years	From 3 to 5 years
Financial assets					
Demand deposits	48,234,796	48,234,796	48,234,796	-	-
Time deposits	232,599,134	235,988,203	165,909,466	59,009,668	7,680,000
Total financial assets	280,833,930	284,222,999	214,144,262	59,009,668	7,680,000

2012	Carrying value	Amount nominal gross outputs (inputs)	Up to 1 year	From 1 to 3 years	From 3 to 5 years
Financial assets					
Demand deposits	32,248,053	32,248,053	32,248,053	-	-
Time deposits	166,877,933	170,272,319	140,380,720	27,759,018	2,132,581
Total financial assets	199,125,986	202,520,372	172,628,773	27,759,018	2,132,581

To manage liquidity risk arising from financial liabilities, the Bank maintains liquid assets such as cash and cash equivalents and investment grade investments for which an active market exists. These assets can be readily sold to meet liquidity requirements.

The information below shows the assets and liabilities of the Bank on maturity Banksings based on the remaining period at the date of the consolidated statement of financial position with respect to the contractual maturity date:

2013	Up to 1 year	1 to 3 years	3 to 5 years	More than 5 years	Total
Financial assets					
Demand deposits	11,414,846	-	-	-	11,414,846
Time deposits in	61,301,485	-	-	-	61,301,485
Investments	2,509,815	-	3,461,355	33,076,196	39,047,366
Loans	156,709,196	30,844,339	29,289,963	56,070,851	272,914,349
Total	231,935,342	30,844,339	32,751,318	89,147,047	384,678,046
Financial Liabilities					
Demand deposits	46,136,769	-	-	-	46,136,769
Saving deposits	48,234,796	-	-	-	48,234,796
Time deposits	165,909,466	59,009,668	7,680,000	-	232,599,134
Total	260,281,031	59,009,668	7,680,000	-	326,970,699
Contingencies	9,589,141	-	-	-	9,589,141
Net position	(37,934,830)	(28,165,329)	25,071,318	89,147,047	48,118,206

2012	Up to 1 year	1 to 3 years	3 to 5 years	More than 5 years	Total
Financial assets					
Demand deposits	4,317,314	-	-	-	4,317,314
Time deposits in	41,000,000	-	-	-	41,000,000
Investments	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
Financial Liabilities					
Demand deposits	38,575,112	-	-	-	38,575,112
Saving deposits	32,248,053	-	-	-	32,248,053
Time deposits	137,366,764	27,394,066	2,117,103	-	166,877,933
Total	208,189,929	27,394,066	2,117,103	-	237,701,098
Contigencies	17,763,560	-	-	-	17,763,560
Net position	(76,687,410)	(16,298,674)	36,183,688	96,516,569	39,714,173

Off balance sheet items

The table below sumarizes the maturity structure of letters of credit, guarantees and operating leasing commitments, based on the most recent due date:

2013	Up to 1 year	1-5 years	Total
Letter of credits	1,433,053	-	1,433,053
Guarantees and endorsements	2,349,775	-	2,349,775
Promissory notes	1,132,657	-	1,132,657
Lines of credits	4,673,666	-	4,673,666
Total	9,589,151	-	9,589,151
2012			
Letter of credits	186,982	750,000	936,982
Guarantees and endorsements	-	2,275,000	2,275,000
Promissory notes	12,511,808	-	12,511,808
Foreign currency	662,276	-	662,276
Lines of credits	1,377,493	-	1,377,493
Total	14,738,559	3,025,000	17,763,559

4.5 Capital risk management

The Bank. manages its capital to ensure:

- Compliance with requirements established by the Superitendency of Banks of Panama.
- Maintain a capital base, strong enough to support business performance.

The Bank, as an entity regulated by the Superintendency of Banks of Panama, required to maintain a total capital ratio measured on the basis of risk weighted assets.

The capital adequacy and the use of regulatory capital are monitored by the Bank's Management based on guidelines and techniques developed by the Superintendency of Banks of Panama. Requests for information are sent to the regulators on a quarterly basis.

The Bank analyzes their regulatory capital by applying the Agreements of the Superintendency of Banks of Panama established for general license banks, based on the Agreement 5-2008 of October 1, 2008 as amended by the Agreement 4-2009 of July 9, 2009.

The Panamanian Banking Law requires general license banks to maintain a minimum paid up capital of B/.10,000,000, an equity of at least 8% of risk weighted assets, including financial instruments outside the consolidated statement of financial position. For these purposes, assets must be considered net of the respective allowances or reserves and with the considerations specified in the agreement established by the Superintendency of Banks of Panama.

As established in the regulatory framework, capital requirements are measured as follows:

- *Primary capital* - which includes the paid in capital, disclosed reserves and retained earnings. Paid in capital is represented by common shares and non-cumulative perpetual preferred shares issued and fully paid. Declared reserves are those identified as such by the Bank from its books accumulated to strengthen its financial and subject to the provisions of Article 69 of the Banking Law earnings situation.

  Retained earnings are the earnings of the period and retained earnings for prior periods.

- *Secondary Capital* - It comprises hybrid capital instruments and debt, subordinated debt, general loss reserves, undeclared reserves and revaluation reserves on assets.

To calculate the amount of capital funds of the Bank should take into account the deductions to be made quarterly, and as detailed below:

- The unconsolidated equity assigned to foreign branches.
- The paid-in capital of the Bank's consolidated subsidiaries
- The paid capital of nonbank subsidiaries. The deduction includes amounts recorded under assets at the higher price paid - compared to the book value - in equity investments in companies in the country and abroad.

The Bank, maintains a regulatory capital position comprised as follows:

	2013	**2012**
Primary capital (Tier 1)		
Common stock	60,000,000	59,060,928
Accumulated deficit	(6,674,993)	(7,755,101)
Total	53,325,007	51,305,827
Risk weighted assets	256,167,064	217,679,429
Capital adequacy ratio		
Total regulatory capital expressed as a percentage of weighted assets based on risk	20.82%	23.57%

5. Accounting estimates and critical judgements and contingencies

The Bank's Mangement makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are considered to be reasonable under the circumstances.

The Bank applied the following assumptions to estimate the fair value of each class of financial instruments in the consolidated statement of financial position:

a. *Impairment losses on non-performing loans* - The Bank reviews its loan portfolio to assess impairment at least on a monthly basis. In determining an impairment loss should be recorded in the consolidated statement of profit or loss. The Bank makes judgements in determining whether an impairment loss should be recorded in the consolidated statement of profit or loss, and makes decisions as to whether there is observable data indicating that there has been an adverse change in the payment status of borrowers in a Banks, or national or local economic conditions that correlate with defaults on assets. The Bank Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows.

b. *Fair value of financial instruments* - The Bank measures the fair value using hierarchy levels that reflect the meaning of the input data used in making the measurements. The Bank has established a process and a documented policy for determining the fair value which are defined responsabilities and segregation of function between different areas make involved in this process, which has been approved by asset and liability committee, the risk committee and the board of directors.

IFRS 13 set a hierarchy level of valuation techniques based on whether the information to those the valuation techniques is observable or unobservable. The observable information reflects market data from independent sources; the unobservable input reflects Bank´s market assumptions. These two types of information have set the following fair value hierarchy:

- Level 1 - Inputs are quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date.

- Level 2 - Inputs are inputs other than quoted market prices included within Level 1 that are observable for the asset or liability, either directly or indirectly or similars in inactive markets.

- Level 3 - Inputs are unobservable inputs for the asset or liability.

<u>Fair value of the Bank´s financial assets and financial liabilities that are measured at fair value on a recurring basis</u>

Some of the Bank´s financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used).

Financial asset	Fair value 2013	Fair value 2012	Fair value hierarchy	Valuation technique(s) and key inputs	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
Investments available for sale	-	42,731,450	Level 1	Quoted prices in an active market	N/A	N/A

Fair value of financial assets and liabilities that are not measured at fair value on a recurring basis (but fair value disclosures are required)

Except as detailed in the following table, Management considers that the carrying amounts of financial assets and financial liabilities recognized in the consolidated financial statements approximate their fair values.

	2013 Carrying value	2013 Fair value	2012 Carrying value	2012 Fair value
Financial assets:				
Demand deposits	11,414,846	11,414,846	4,317,314	4,317,314
Time deposits	61,301,485	61,301,485	41,000,000	41,000,000
Permanent investments	81,867	81,867	40,375	40,375
Investments held to maturity	39,047,366	38,536,228	1,000,000	1,000,000
Loans	272,914,349	289,977,066	206,130,067	213,349,300
	384,759,913	401,311,492	252,487,756	259,706,989
Financial liabilities:				
Demand deposits	46,136,769	46,206,873	38,575,112	38,575,112
Saving deposits	48,234,796	48,234,796	32,248,053	32,248,053
Time deposits	232,599,134	242,266,410	166,877,933	168,819,872
Borrowed funds	-	-	4,913,023	4,913,023
Securities sold under repurchase agreements	10,001,745	10,013,481	-	-
	336,973,444	346,721,560	242,614,121	244,556,060

Fair value hierarchy

2013	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets:				
Demand deposits	-	11,414,846	-	11,414,846
Time deposits	-	61,301,485	-	61,301,485
Investments held to maturity	35,179,190	-	3,357,038	38,536,228
Permanent investment	-	81,867	-	81,867
Loans	-	289,977,066	-	289,977,066
Total financial assets	35,179,190	362,775,264	3,357,038	401,311,492
Financial liabilities:				
Demand deposits	-	46,206,873	-	46,206,873
Saving deposits	-	48,234,796	-	48,234,796
Time deposits	-	242,266,410	-	242,266,410
Securities sold under repurchase agreements	-	-	10,013,481	10,013,481
Total financial liabilities	-	336,708,079	10,013,481	346,721,560

The fair value in the portfolio of investments included in Level 1 is determined through observable active markets.

The fair values of the financial assets and liabilities included in the Level 2 above have been determined in accordance with generally accepted pricing models based on discounted cash flow analysis, with the most significant inputs being the discount rate that reflects the credit risk of counterparties.

The fair value of financial assets and liabilities included in Level 3 have been determined based on discounted cash flows.

In case of demand deposits and savings deposits carrying value approximates their fair value.

6. Balances and transactions with related parties

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

	2013		2012	
	Directors and key management personnel	Related parties	Directors and key management personnel	Related parties
Assets				
Accounts receivable	-	459,841	-	362,883
Loans	1,487,177	25,390,353	1,244,496	8,891,805
Accrued interest receivable	10,870	97,816	3,883	37,444
Liabilities				
Depostis:				
Demand deposits	114,912	1,206,490	151,420	3,036,898
Saving deposits	948,677	5,983	609,433	480,767
Time deposits	7,141,505	4,512,425	8,091,576	1,500,000
Accrued interest payable	174,260	84,349	301,216	2,301
Interest income on loans	77,495	710,279	7,669	95,577
Interest expense on deposits	315,337	256,206	167,908	114,192
General and administrative expenses:				
Key executives salaries	1,264,343	-	1,443,098	-
Rental	-	578,849	-	553,700
Fees and professional services	-	-	-	107,000

Loans to related companies during 2013 amounted to B/.25,390,353 (2012: B/.8,891,805), at an interest rate of 4.5% to 6%; several maturities up to 2017.

Loans to directors and key executives at December 31, 2013 amounted to B/.1,487,177 (2012: B/.1,244,496) at an interest rate of 2% to 11%; with various maturities up to 2043.

The balances of pledged loans to related companies, directors and key officers, B/.14,827,169 and mortgages loans totaling B/.12,418,860.

7. Cash, cash equivalents and bank deposits

Cash, cash equivalents and bank deposits are as follows:

	2013	2012
Cash	2,423,560	1,714,069
Demand deposits	11,414,846	4,317,314
Time deposits	61,301,485	41,000,000
Total cash and cash equivalents	75,139,891	47,031,383

The annual interest rates at 31 December 2013 that accrued time deposits ranged from 0.01% to 0.50% (2012: 0.02% and 0.30%).

8. Securities available-for-sale

Securities available for sale are comprised by the following:

2012	1 – 5 years	5 – 10 years	More than 10 years	Fair value	Amortized cost
Debt securities - private	6,664,050	14,681,125	-	21,345,175	21,182,267
Debt securities - government	1,105,000	14,440,900	5,800,000	21,345,900	21,059,855
Total	7,769,050	29,122,025	5,800,000	42,691,075	42,242,122

On August 21, 2013, based on a change of its business model, the Bank notified the Superintendency of Banks, the reclassification of its investments classified as available for sale to held to maturity category of B/.29,047,366. At the date of the reclasification, the balance recorded as unrealized loss on securities available for sale was B/.2,894,281. At December 31, 2013 the amount charged to profit or loss as amortization was B/.125,602. (See Note 9).

The change in fair value during the period was an unrealized loss of B/.2,563,932 (2012: B/.843,278), recorded in the consolidated statement of equity as valuation reserve.

At December 31, 2013, the annual rates of interest accrued by the securities available for sale ranged from 1.88% to 9.62% (2012: 2.75% and 9.62%).

At December 31, 2013, the Bank sold securities available for sale for B/.37,766,348 (2012: B/.70,316,244). These sales generated a net profit of B/.779,303 (2012: B/.2,177,843).

The movement in available for sale securities are summarized as follows:

	2013 Available for sale	2012 Available for sale
Balance at beginning of the year	42,691,075	43,868,201
Purchases	26,686,571	65,626,710
Sales and redemptions	(37,766,348)	(70,316,244)
Reclassifications to held to maturity	(29,047,366)	-
Net (loss) gain arising from revaluation	(2,563,932)	3,512,408
Balance at end of the year	-	42,691,075

The movement of unrealized gains (losses) on investments is as follows:

	2013		2012
	Available for sale	Held to maturity	Available for sale
Income (loss) at beginning of year	448,953	-	(885,612)
Net changes in fair value	(2,563,932)	-	(843,278)
(Gain) loss transferred to profit or loss	(779,303)	-	2,177,843
Unrealized loss transferred to held-to-maturity	2,894,282	(2,894,282)	-
Amortization charged to profit or loss	-	125,602	-
Balance at end of year	-	(2,768,680)	448,953

9. Securities held to maturity

Securities held to maturity are as follows:

2013	1 – 5 years	5 – 10 years	More than 10 years	Fair value	Amortized cost
Debt securities - private	6,013,244	23,920,984	-	27,978,727	29,934,228
Debt securities - government	-	-	8,602,000	11,068,639	8,602,000
Total	6,013,244	23,920,984	8,602,000	39,047,366	38,536,228

2012	1 – 5 years	5 – 10 years	More than 10 years	Fair value	Amortized cost
Debt securities - private	1,000,000	-	-	1,000,000	1,000,000

At December 31, 2013, the Bank holds share capital of B/.81,867 (2012: B/.40,375), recorded at cost. They were not acquired for trading purposes and relates to the membership of Latinex Holding and APC Group, and are classified as long-term investments.

The movement of securities held to maturity is summarized below.

	2013	2012
Balance at beginning of the year	1,000,000	-
Purchases	10,000,000	1,000,000
Reclassifications	29,047,366	-
Redemptions	(1,000,000)	-
Balance at end of the year	39,047,366	1,000,000

As disclosed in Note 8, during August 2013, the Bank reclassified as held to maturity investments available for sale securities of B/.29,047,366.

10. Loans

Loans per category are listed below:

	2013			2012		
Internal sector	**Gross amount**	**Individual impairment reserve**	**Carrying amount**	**Gross amount**	**Individual impairment reserve**	**Carrying amount**
Corporate loans	184,368,916	44,912	184,324,004	140,700,237	12,962	140,687,275
Consumer	18,406,294	178,565	18,227,729	17,013,420	247,524	16,765,896
Automobile	4,460,193	21,825	4,438,368	5,824,812	88,189	5,736,623
Residential mortgage	38,719,917	30,694	38,689,223	35,846,147	197,290	35,648,857
Overdrafts	19,532,037	-	19,532,037	4,353,824	-	4,353,824
Financial leasing	1,916,275	-	1,916,275	2,391,627	-	2,391,627
Total loans - Internal sector	267,403,632	275,996	267,127,636	206,130,067	545,965	205,584,102
External sector						
Corporate loans	5,329,951	-	5,329,951	-	-	-
Overdrafts	180,765	-	180,765	-	-	-
Total loans-External sector	5,510,716	-	5,510,716	-	-	-
	272,914,348	275,996	272,638,352	206,130,067	545,965	205,584,102
Less:						
Global allowance			(2,301,858)			(1,735,683)
Unearned commissions			(971,541)			(1,016,691)
Total loans net			269,364,953			202,831,728

At December 31, 2013, the annual interest rates on loans and overdrafts ranged from 2% to 24% (2012: 2% to 24%).

Following loans classified by type of interest rate are as follows:

	2013	2012
Variable rate	224,013,932	178,938,012
Fixed rate adjustable at the Bank's option	48,900,417	27,192,055
Total	272,914,349	206,130,067

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

	2013	2012
Balance at beginning of the year	2,281,648	975,411
Provision charged to expense	630,929	1,532,401
Loans written-off	(334,722)	(226,164)
Balance at end of the year	2,577,855	2,281,648

The Bank classifies those loans that are overdue more than 90 days overdue and its final maturity date not been canceled, and those delinquent in arrears 30 days or more in payments on principal or interest, after the expiration of such payments.

The 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 using 1% of the loan portfolio and 50% to doubtful loans, discounting those loans with deposits in the same bank.

At December 31, 2013, the portfolio of loans secured by deposits in the same bank amounted to B/.46,522.426 (2012: B/.13,435.803), representing 17% (2012: 6.5%) of the total portfolio.

11. Financial leasing, net

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

	2013	2012
Up to 1 year	-	758,943
From 1 to 5 year	2,138,698	1,998,972
Total of minimum payments	2,138,698	2,757,915
Less: unearned interest	(222,423)	(366,288)
Total financial leasing, net	1,916,275	2,391,627

12. Property, furniture, equipment and improvements

Property, furniture, equipment and improvement are summarized as follows:

2013	Furniture and fixtures	Computer equipment	Improvements	Buildings	Vehicles	Total
Cost:						
Balance at beginning of year	1,225,684	1,791,693	2,798,475	761,849	50,250	6,627,951
Additions	98,626	27,091	54,679	-	-	180,396
Disposals	(9,292)	-	-	-	-	(9,292)
Reclassifications	-	-	-	-	(50,250)	(50,250)
Balance at end of the year	1,315,018	1,818,784	2,853,154	761,849	-	6,748,805
Accumulated depreciation						
Balance at beginning of year	259,840	614,726	240,519	23,279	5,025	1,143,389
Expenses of year	175,343	344,671	158,358	25,395	-	703,767
Disposals	(3,651)	-	-	-	(5,025)	(8,676)
Balance at end of the year	431,532	959,397	398,877	48,674	-	1,838,480
Net balance	883,486	859,387	2,454,277	713,175	-	4,910,325

2012	Furniture and fixtures	Computer equipment	Improvements	Buildings	Vehicles	Total
Cost.						
Balance at beginning of the year (restated)	1,025,359	1,614,648	2,570,835	-	-	5,210,842
Additions	200,325	177,045	227,640	761,849	50,250	1,417,109
Balance at end of the year (restated)	1,225,684	1,791,693	2,798,475	761,849	50,250	6,627,951
Accumulated depreciation:						
Balance at beginning of the year (restated)	99,048	241,867	83,849	-	-	424,764
Expenses of year	160,792	372,859	156,670	23,279	5,025	718,625
Balance at end of the year (restated)	259,840	614,726	240,519	23,279	5,025	1,143,389
Net balance	965,844	1,176,967	2,557,956	738,570	45,225	5,484,562

	Furniture and fixtures	Computer equipment	Improvements	Total
Cost:				
Balance at December 31, 2011 as previously reported:	1,025,359	2,217,137	2,570,835	5,813,331
Adjustment	-	(602,489)	-	(602,489)
Balance at January 1, 2012 restated	1,025,359	1,614,648	2,570,835	5,210,842
Accumulated depreciation:				
Balance at January 1, 2012 as previously reported:	99,048	415,358	83,849	598,255
Adjustment	-	(173,491)	-	(173,491)
Balance at January 1, 2012	99,048	241,867	83,849	424,764
Net balance at January 1, 2012 restated	926,311	1,372,781	2,486,986	4,786,078

During 2013, the Bank reviewed the accounting for costs related to the acquisition of equipment and software up to December 31, 2011. As a result, the Bank decided to change the estimated useful life of certain assets with balance of B/.902,351 and charged to accumulated deficit, the expenses incurred for training purposes and advisory services of B/.428,998.

13. Other assets

Other assets are summarized as follows:

	2013	2012
Intangible assets, net of amortization	657,936	722,256
Guarantee deposits	132,602	65,826
Taxes and prepaid expenses	105,553	164,077
Development assets	144,153	2,087
Dismissal fund	229,289	150,141
Accounts receivable related parties	459,841	362,883
Accounts receivable employees	150,713	103,418
Accounts receivable - tax credits	275,013	91,762
Other assets	925,103	169,861
Total	3,080,203	1,832,311

At December 31, 2013, other assets includes B/.144,153 (2012: B/.2,087) corresponding to disbursement for remodeling projects of principal offices and branches; they will be capitalized once the project would be completed. Also includes B/.131,736 (2012: B/.0) properties held for sale, accounts receivable from various local suppliers B/.250,942 (2012: B/.72,497) and accounts receivable from various local suppliers of B/.272,477 (2012: B/.0), respectively.

At December 31, 2013, the Bank maintains a fund for seniority premiums of employees of B/.229, 289 (2012: B/.150,141) placed in Profuturo.

At December 31, 2013, other assets includes several B/.131,736 in properties held for sale, accounts receivable from various local suppliers B/.250,942 and accounts receivable of B/.272,477, respectively. (2012: B/.0)

Intangible assets with finite lives are represented by computer softwares and data processing licenses, whose movement is presented below:

	2013	2012
Balance at beginning of the year	722,256	302,544
Additions	94,560	530,212
Amortization of the year	(158,880)	(110,500)
Balance at end of the year	657,936	722,256

14. Other liabilities

Details of other liabilities are shown as follows:

	2013	2012
Provisions for employee benefits	269,445	515,586
Payroll payable	171,110	59,362
Accrued expenses	426,316	57,515
Accounts payable	526,953	325,004
Non recurring operations - foreign trade	8,322	104,326
Accounts payable various	328,771	625,710
	1,730,917	1,687,503

15. Securities sold under repurchase agreements

At December 31, 2013, the Bank had obligations arising from securities sold under repurchase agreements B/.10,001,745, due in February 28, 2014. On this date, the term was extended for additional 90 days period. These obligations are guaranteed by corporate bonds.

16. Shareholder's equity

The authorized shares of the Bank is represented by 60,000,000 (2012: 59,060,928) nominal common shares at a par value of B/.1 (2012: B/.1) each. The total balance of the share capital is B/.60,000,000.

Dated March 5 and May 24, 2013, Uni B & T Holding, Inc., the Company that owns 100% of the shares of the Bank, provided funds totaling B/.939,072, by the issuance of 939,072 common shares.

17. Other commissions earned and other income

Other commissions and other income are as follows:

	2013	2012
Other commissions on:		
Wire transfers	418,955	450,264
Banking services	413,922	96,072
Letters of credit and documentary collections	55,716	40,938
Other commissions	116,795	155,539
Total	1,005,388	742,813
Other income:		
Net gain on foreign exchange currencies	88,671	43,972
Dividend income	3,400	2,292
Other income	114,386	113,111
Total	206,457	159,375

18. Commission expenses and other general and administrative expenses

Details of commission expenses and other expenses at December 31, 2013 is as follows:

	2013	2012
Income expenses:		
Correspondent banking relationships	124,633	121,387
Other commissions	17,091	15,112
Total	141,724	136,499
Other general and administrative expenses:		
Other taxes	541,990	387,001
Public services	295,129	367,678
Technology services	883,676	-
Maintenance and surveillance	54,056	271,267
Stationary supplies	36,344	95,737
Subscriptions	18,977	53,033
Insurances	42,447	51,626
Transportation	66,372	49,759
Others	277,592	217,935
Total	2,216,583	1,494,036

Within technology services are included all costs related to technology license use rights.

19. Commitments and contingencies

The Bank maintains financial instruments outside the consolidated statement of financial position with credit risks that arise in the normal course of business and which involve elements of credit and liquidity risk.

Commercial letters of credit, guarantees, endorsements and promissory notes and loan commitments include exposure to some credit loss in the event of default by the customer. The Banks's credit policies and procedures to approve credit commitments and financial guarantees are the same as those for granting of loans that are recorded on the consolidated statement of financial position.

Bank Management does not anticipate that the Bank incurs losses resulting from these commitments and contingencies for the benefit of customers. At December 31, 2013, the Bank has no contingency reserve for off-balance sheet credit risk because these transactions are classified as normal risk.

The summary of these transactions with off-balance sheet credit risk:

	2013	**2012**
Letters of credit	1,433,053	936,983
Endorsements and guarantees	2,349,775	2,275,000
Promissory notes	1,132,657	12,511,808
Foreign exchange	174,415	662,276
Lines of credits	5,122,988	1,377,493
Total	10,212,888	17,763,560

At December 31, 2013, the Bank maintains with third parties, commitments under operating leases of properties, which expire at various dates over the next years. The amount of annual lease rentals for the next five years is as follow:

Year	**Amount**
2014	667,902
2015	670,798
2016	700,197
2017	706,008
2018	697,129

During the year ended December 31, 2013, the rental expense amounted B/.767,555 (2012: B/.777,636).

Based on the best knowledge of management, the Bank has no proceedings that could adversely affect its business, results or financial condition.

20. Income tax

The income tax returns of companies incorporated at the Republic of Panama are subject to examination by the tax authorities for the last three years, including the year ended December 31, 2013, according to current fiscal regulations.

According to current Panamanian tax legislation, companies are exempt from payment of income tax on profits derived from foreign operations, interest earned on time deposits placed in local banks, interest earned on Panamanian Government securities and securities issued through the Panama Stock Exchange.

In reference to Law No.8 of March 15, 2010 in Official Gazette No.26489-A, the general income tax rates (ISR) are amended. For financial institutions, the current rate is 27.5% since January 1, 2012, and subsequently, reduced to 25% from January 1, 2014.

By law No. 8 of March 15, 2010 the alternate calculation method of income tax called (CAIR) is eliminated and is replaced with the presumption of Income Tax, forcing all individuals who earn income in excess of one million five hundred thousand dollars (B/.1,500,000), to determine the taxable amount of such tax, the amount greater of: (a) the net taxable income calculated by the standard method established in the Tax Code and (b) net taxable income resulting from the application of four point sixty-seven percent (4.67%) to total taxable income.

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

As of December 31, 2013, the Bank has reported as monthly advance of B/.44,888, that represents a tax credit. At December 31, 2013, the Bank determined the income tax basis, disbursing an estimated payment of B/.27,312.

At December 31, 2013, Uni Leasing, Inc.; has estimated income tax payable for B/.4,860 (2012: B/.1,225).

	2013	2012
Profit before income tax	1,111,558	(1,065,296)
Less:tax effect - non taxable income	(2,979,487)	(4,290,166)
Less: temporary difference assets and liabilities	(914,807)	-
Less: tax base effect - non deductible expenses	2,938,104	5,461,003
Tax base	155,368	105,541
Less: loss carryforward	72,803	(50,543)
Income tax (27.5%)	22,693	15,124

21. New regulatory standards

New regulatory standards that will enter into force within one year

- ***Agreement No.004-2013 dated 28 May 2013***. Whereby provisions on credit risk management inherent in credit portfolio and off-balance sheet transactions are established. This Agreement will repeal all of Agreement No.6-2000 dated 28 June 2000 and all of its amendments, Agreement No.6-2002 dated 12 August 2002 and Article 7 of Agreement 2-2003 dated 12 March 2003. This Agreement will be effective since June 30, 2014.

- ***Board of Directors' General Resolution SBP-GJD-0002-2014 dated 7 January 2014***. Which provides a requirement for banks to retain complementary specific provisions for credit portfolios held in the Colon Free Zone as of 28 February 2014.

- ***Board of Directors' General Resolution SBP-GJD-0003-2013 dated 9 July 2013***. Whereby the accounting treatment of differences between prudential regulations and the International Financial Reporting Standards (IFRS) are established pursuant to the provisions of Article 3 of Agreement No.6-2012. This Agreement will be efective for periods ending on or after December 31, 2014.

Due to the nature of its financial operations, the Bank is in the process of determining the impact that these new regulatory standards could have on the consolidated financial statements.

22. Restatement of financial statements

During 2013, the Bank reviewed the accounting for costs associated with acquisition of equipment and software incurred up to December 31, 2011. As a result, the Bank decided to change the estimated useful life of certain assets with balance B/.902,351 and recognized for the accumulated deficit incurred by visits for training and advisory services B/.428,998.

	As previously reported	As restated
Consolidated financial statements:		
Furniture, equipment and improvements, net	5,913,560	5,484,562
Consolidated statements of changes in shareholder's equity	(6,252,111)	(6,681,109)

23. Approval of consolidated financial statements

These consolidated financial statements for the year ended December 31, 2013 were authorized by General Management and approved for issuance by Board of Director on March 20, 2014.

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Unibank, S.A. and Subsidiary

Annex I

Consolidating information on the statement of financial position
December 31, 2013
(In balboas)

	Unibank, S.A. and Subsidiary	Eliminations	Consolidated sub-total	Unibank, S.A.	Uni Leasing, Inc.
Assets					
Cash	2,423,560	-	2,423,560	2,423,560	-
Due from banks:					
Demand - domestic	3,530,181	(314,494)	3,844,675	3,530,181	314,494
Demand - foreign	7,884,665	-	7,884,665	7,884,665	-
Time - domestic	28,300,000	-	28,300,000	28,300,000	-
Time - foreign	33,001,485	-	33,001,485	33,001,485	-
Total due from banks	72,716,331	(314,494)	73,030,825	72,716,331	314,494
Total cash and due from banks	75,139,891	(314,494)	75,454,385	75,139,891	314,494
Securities held to maturity	39,047,366	-	39,047,366	39,047,366	-
Long term permanent investments	81,867	(100,000)	181,867	181,867	-
Loans	272,914,349	(1,976,293)	274,890,642	272,974,367	1,916,275
Less:					
Allowance for loan losses	2,577,855	-	2,577,855	2,577,855	-
Unearned commissions	971,541	-	971,541	971,541	-
Loans, net	269,364,953	(1,976,293)	271,341,246	269,424,971	1,916,275
Property, equipment and improvements, net	4,910,325	-	4,910,325	4,910,325	-
Accrued interests receivable	1,913,537	(9,474)	1,923,011	1,923,011	-
Other assets	3,080,203	(70,032)	3,150,235	3,137,525	12,710
Total assets	393,538,142	(2,470,293)	396,008,435	393,764,956	2,243,479

Unibank, S.A. and Subsidiary

Annex I

Consolidating information on the statement of financial position
December 31, 2013
(In balboas)

	Unibank, S.A. and Subsidiary	Eliminations	Consolidated sub-total	Unibank, S.A.	Uni Leasing, Inc.
Liabilities and shareholder's equity					
Liabilities:					
Due to customers:					
Demand - domestic	37,888,440	(314,494)	38,202,934	38,202,934	-
Demand - foreign	8,248,329	-	8,248,329	8,248,329	-
Savings - domestic	36,867,627	-	36,867,627	36,867,627	-
Savings - foreign	11,367,169	-	11,367,169	11,367,169	-
Time - domestic	152,688,066	-	152,688,066	152,688,066	-
Time - foreign	71,911,068	-	71,911,068	71,911,068	-
Time - interbank deposits	8,000,000	-	8,000,000	8,000,000	-
Total due to customers	326,970,699	(314,494)	327,285,193	327,285,193	-
Borrowed funds	-	(1,976,293)	1,976,293	-	1,976,293
Securities sold under repurchase agreements	10,001,745	-	10,001,745	10,001,745	-
Cashier's and certified checks	875,333	-	875,333	875,333	-
Accrued interests payable	3,403,121	(9,474)	3,412,595	3,403,121	9,474
Other liabilities	1,730,917	(70,032)	1,800,949	1,664,572	136,377
Total liabilities	342,981,815	(2,370,293)	345,352,108	343,229,964	2,122,144
Shareholder's equity					
Common shares	60,000,000	(100,000)	60,100,000	60,000,000	100,000
Unrealized loss on securities available for sale	(2,768,680)	-	(2,768,680)	(2,768,680)	-
Accumulated deficit	(6,674,993)	-	(6,674,993)	(6,696,328)	21,335
Total shareholder's equity	50,556,327	(100,000)	50,656,327	50,534,992	121,335
Total liabilities and shareholder's equity	393,538,142	(2,470,293)	396,008,435	393,764,956	2,243,479

See the accompanying independent auditors' report.

Unibank, S.A. and Subsidiary

Consolidating information on the statement of profit or loss and retained earnings
December 31, 2013
(In balboas)

	Unibank, S.A. and Subsidiary	Eliminations	Consolidated sub-total	Unibank, S.A.	Uni Leasing, Inc.
Interests and commissions income					
Interest earned on:					
Loans	16,386,405	(101,295)	16,487,700	16,268,775	218,925
Bank deposits	55,216	-	55,216	55,216	-
Investment securities	1,673,446	-	1,673,446	1,673,446	-
Commissions income on loans	566,553	-	566,553	565,919	634
Total interest and commission income	18,681,620	(101,295)	18,782,915	18,563,356	219,559
Interest expenses:					
Deposits	9,416,275	-	9,416,275	9,416,275	-
Borrowed funds	265	(101,295)	101,560	265	101,295
Total interest expenses	9,416,540	(101,295)	9,517,835	9,416,540	101,295
Net interest and commission, before provision	9,265,080	-	9,265,080	9,146,816	118,264
Provision for loan losses	630,929	-	630,929	630,929	-
Total provisons	630,929	-	630,929	630,929	-
Net interest income, after provision	8,634,151	-	8,634,151	8,515,887	118,264
Income (expense) and other banking services:					
Commissions expense	(141,724)	-	141,724	141,724	-
Gain on sale of financial instruments	779,303	-	779,303	779,303	-
Other commissions income	1,005,388	-	1,005,388	1,005,388	-
Other income	206,457	(70,104)	276,561	276,561	-
Total net income for other banking services and other	1,849,424	(70,104)	1,919,528	1,919,528	-
General and administrative expenses:					
Salaries and wages	4,885,530	-	4,885,530	4,885,530	-
Other personnel expenses	124,924	-	124,924	124,924	-
Rent	767,830	-	767,830	767,830	-
Advertising	264,341	-	264,341	264,341	-
Fees and professional services	417,799	-	417,799	412,384	5,415
Depreciation and amortization	703,767	-	703,767	703,767	-
Other expenses	2,216,583	(70,104)	2,286,687	2,183,600	103,087
Total general and administrative expenses	9,380,774	(70,104)	9,450,878	9,342,376	108,502
Profit before income taxes	1,102,801	-	1,102,801	1,093,039	9,762
Income tax	22,693	-	22,693	20,021	2,672
Net profit	1,080,108	-	1,080,108	1,073,018	7,090

See the accompanying independent auditors' report.