

The formula for compound interest is

$$\begin{aligned} CI &= P(1 + r/100)^n - P \\ &= 12,500 (1 + 12/100)^2 - 12500 \\ &= 12500 \times \frac{112}{100} \times \frac{112}{100} - 12500 \\ &= 3180. \end{aligned}$$