Banco de los Trabajadores

Financial Statements for the Year Ended
December 31, 2016 and Corresponding Figures
for 2015 and Independent Auditors' Report Dated
February 1, 2017

BANCO DE LOS TRABAJADORES

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Banco de los Trabajadores

We have audited the accompanying financial statements of Banco de los Trabajadores (the "Bank"), which comprise the Balance Sheets as at December 31, 2016 and the statements of income, of changes in equity and of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information. These financial statements have been prepared by management of the Bank based on the Accounting Instructions Manual for Entities Subject to the Oversight and Inspection of the Superintendency of Banks issued by the Monetary Board.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the Accounting Instructions Manual for Entities Subject to the Oversight and Inspection of the Superintendency of Banks issued by the Monetary Board, which represents a basis of accounting that differs from the International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing and the resolutions issued by the Guatemalan Institute of Certified Public Accountants and Auditors for the regulated financial sector. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the 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 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 financial statements mentioned above present fairly, in all material respects, the financial position of Banco de los Trabajadores as at December 31, 2016, the results of its operations and its cash flows for the year then ended in accordance with the Accounting Instructions Manual for Entities Subject to the Oversight and Inspection of the Superintendency of Banks issued by the Monetary Board of the Republic of Guatemala, as described in Note 2 to the financial statements.

Emphasis of Matters

- As discussed in Note 25b to the financial statements, as a result of a complaint filed by the Administration for Special Verification (*Intendencia de Verificación Especial*-IVE) of the Superintendency of Banks, on September 5, 2016 the Public Ministry initiated proceedings against certain former executives of the Bank for the crimes of illicit association, embezzlement and money laundering. Since the amounts involved in these proceedings were recorded in the profit and loss of the years 2010 and 2011, the Bank's management considers that the final result of these proceedings will not have additional adverse effects in the equity of the Bank's financial statements as of December 31, 2016. However, the Bank's management started an investigation in order to determine the existence of other possible cases similar to those cited above and determine who is legally responsible for them.

- Without modifying our opinion, we draw attention to Note 2 to the financial statements, which describes the basis of accounting used in the preparation of these financial statements. The financial statements were prepared in accordance with the basis of accounting established in the Accounting Instructions Manual for Entities Subject to the Oversight and Inspection of the Superintendency of Banks issued by the Monetary Board, which differs in certain aspects from the International Financial Reporting Standards, as mentioned in Note 3.

The financial statements referred to above have been prepared in English for the special purpose of the convenience of English-speaking readers. Accordingly, the financial statements have been prepared by the Bank using those originally issued in Spanish and filed with the Superintendency of Banks, and presented in accordance with the Accounting Instructions Manual for Entities Subject to the Oversight and Inspection of the Superintendency of Banks issued by the Monetary Board of the Republic of Guatemala. The effects of the differences between accounting bases accepted in Guatemala for financial institutions and the accounting principles generally accepted in the countries in which the financial statements are to be used have not been quantified by the Bank. Accordingly, the financial statements are not intended to present the financial position, results of operations, and changes in equity or cash flows in accordance with accounting principles generally accepted in the countries of the users of the financial statements, other than Guatemala.

The figures of the financial statements for the years ended December 31, 2016 and 2015 were regrouped within the same accounting item with respect to the report previously issued in Spanish for a better understanding by the foreign investors as mentioned in Note 28. This report is for exclusive use by the foreign investors and should not be used for any other purpose.

Deloitte Guatemala, S. A.

Sergio Patzán
CPA Register No. 2200

February 1, 2017
Guatemala, Republic of Guatemala

BANCO DE LOS TRABAJADORES

BALANCE SHEETS
AT DECEMBER 31, 2016 AND 2015
(Expressed in Quetzales)

ASSETS	Notes	2016	2015
Cash and cash equivalents	4	Q. 1,386,319,971	Q. 1,367,523,269
Investments - Net	5	5,614,895,891	6,395,609,206
Loans receivable - Net	6	10,474,294,782	8,330,279,043
Accounts receivable - Net	7	304,607,055	223,831,897
Assets classified as held-for-sale	8	77,764,253	101,045,633
Property and equipment	9	168,590,305	168,049,042
Other assets	10	216,278,188	289,255,873
TOTAL ASSETS		Q. 18,242,750,445	Q. 16,875,593,963
LIABILITIES AND SHAREHOLDERS' EQUITY			
Loans payable	11	Q. 1,128,319,500	Q. 1,183,439,530
Accounts payable	12	906,289,972	759,172,915
Deposits	13	14,357,869,272	13,319,873,143
Total liabilities		16,392,478,744	15,262,485,588
SHAREHOLDERS' EQUITY			
Capital stock	14	199,859,071	199,861,491
Reserves	14	1,173,942,351	933,270,006
Revaluation of assets		45,161,118	59,633,949
Fair value gains (losses) on available- for-sale investments		(3,967,238)	-
Retained earnings		435,276,399	420,342,929
Total shareholders' equity		1,850,271,701	1,613,108,375
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		Q. 18,242,750,445	Q. 16,875,593,963

The enclosed notes are part of the financial statements.

BANCO DE LOS TRABAJADORES

STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015
(Expressed in Quetzales)

	Notes	2016	2015
INTEREST			
Interest income	15	Q. 2,471,980,652	Q. 2,214,012,441
Interest expense	16	(1,246,957,022)	(1,058,203,737)
Subtotal		1,225,023,630	1,155,808,704
Other extraordinary income and (expenses) - Net	17	262,808,164	257,028,072
Total operating income		1,487,831,794	1,412,836,776
NON-INTEREST EXPENSES			
Administrative expenses	18	(889,707,124)	(868,779,464)
Other income and (expenses) -Net	19	(83,548,359)	(74,566,853)
Total non-interest expenses		(973,255,483)	(943,346,317)
INCOME BEFORE TAX		514,576,311	469,490,459
INCOME TAX	20	(79,299,912)	(49,147,530)
NET INCOME OF THE YEAR		Q. 435,276,399	Q. 420,342,929

The enclosed notes are part of the financial statements.

BANCO DE LOS TRABAJADORES

STATEMENT OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015
(Expressed in Quetzales)

	Capital Stock (Note 14)	Legal Reserve (Note 14)	Reserves for Contingencies	Reserves for Fiscal Benefits	Other Reserves	Total Reserves	Revaluation of Assets (Note 14)	Fair value gains (losses) on available-for-sale investments (Note 14)	Retained Earnings	Total
Balance, as at December 31, 2014	Q. 199,862,981	Q. 63,693,094	Q. 4,255,969	Q. 2,927,808	Q. 668,923,017	Q. 739,799,888	Q. 59,633,949	Q. -	Q. 289,249,786	Q. 1,288,546,604
Decrease in capital	(1,490)	-	-	-	-	-	-	-	-	(1,490)
Increase legal reserve	-	14,462,489	-	-	-	14,462,489	-	-	(14,462,489)	-
Increase reserves for contingencies	-	-	41,561,775	-	-	41,561,775	-	-	(91,561,775)	(50,000,000)
Increase other reserves	-	-	-	-	137,445,854	137,445,854	-	-	(137,342,663)	103,191
Dividends decreed	-	-	-	-	-	-	-	-	(45,882,859)	(45,882,859)
Net income for the year	-	-	-	-	-	-	-	-	420,342,929	420,342,929
Balance, as at December 31, 2015	Q. 199,861,491	Q. 78,155,583	Q. 45,817,744	Q. 2,927,808	Q. 806,368,871	Q. 933,270,006	Q. 59,633,949	Q. -	Q. 420,342,929	Q. 1,613,108,375
Decrease in capital	(2,420)	-	-	-	-	-	-	-	-	(2,420)
Increase legal reserve	-	21,017,147	-	-	-	21,017,147	-	-	(21,017,147)	-
Decrease reserves for contingencies	-	-	(43,100,036)	-	-	(43,100,036)	-	-	(112,593,584)	(155,693,620)
Increase other reserves	-	-	-	-	262,755,234	262,755,234	-	-	(262,718,362)	36,872
Dividends decreed	-	-	-	-	-	-	-	-	(24,013,836)	(24,013,836)
Net income for the year	-	-	-	-	-	-	-	-	435,276,399	435,276,399
Decrease on revaluation of assets	-	-	-	-	-	-	(14,472,831)		-	(14,472,831)
Fair value lost on available-for-sale investments	-	-	-	-	-	-	-	(3,967,238)	-	(3,967,238)
Balance, as at December 31, 2016	Q. 199,859,071	Q. 99,172,730	Q. 2,717,708	Q. 2,927,808	Q. 1,069,124,105	Q. 1,173,942,351	Q. 45,161,118	Q. (3,967,238)	Q. 435,276,399	Q. 1,850,271,701

The enclosed notes are part of the financial statements.

BANCO DE LOS TRABAJADORES

STATEMENTS OF CASH FLOWS AND CASH EQUIVALENTS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015
(Expressed in Quetzales)

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES:		
Interest receivable	Q. 2,415,009,386	Q. 2,177,500,632
Commissions receivable	30,272,720	30,631,719
Services receivable	230,351,085	168,466,448
Interest payable	(1,130,555,434)	(996,597,515)
Commissions payable	(64,050,512)	(32,301,337)
Services payable	(52,636,643)	(41,521,285)
Administrative expenses payable	(889,707,124)	(868,779,463)
Exchange gain or loss	7,629,033	3,655,056
Loss from holding or sale of extraordinary assets (Net)	(1,787,041)	(1,361,358)
Investments:		-
Income from divestiture	44,248,638,903	31,110,124,422
Expense for investment	(43,471,635,076)	(32,960,276,460)
Loans receivable:		
Income from amortization	7,139,489,556	9,127,078,122
Expense for disbursement	(9,424,353,172)	(9,839,665,082)
Other investments:		
Income from divestiture	242,250	1,241,250
Expense for placement	-	(1,277,250)
Deposit obligations:		
Income from deposits	32,520,525,872	34,999,294,168
Expense for withdrawal of deposits	(31,482,529,742)	(32,401,073,974)
Loans payable:		
Income from loans	18,606,805	65,049,861
Expense for amortization of loans	(73,726,836)	(152,171,048)
Financial obligations:		
Expense for redemption or reacquisition	-	(1,140,000)
Sale of extraordinary assets	4,547,958	8,126,494
Income Tax paid	(32,261,149)	(70,681,861)
Other operating income	484,286,792	282,436,632
Other operating expenses	(422,449,625)	(224,987,841)
Net cash generated by operating activities	53,908,006	381,770,330

(Continued)

BANCO DE LOS TRABAJADORES

STATEMENTS OF CASH FLOWS AND CASH EQUIVALENTS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015
(Expressed in Quetzales)

		2016		2015
CASH FLOWS FROM INVESTING ACTIVITIES:				
Expense for investments	Q.	-	Q.	(14,363,000)
Dividends received		13,930,660		12,211,940
Proceeds from sale of property and furniture		16,851		14,351
Expense for purchase of property and equipment		(27,677,298)		(15,058,831)
Net cash flows used in investing activities		(13,729,787)		(17,195,540)
CASH FLOWS FROM FINANCING ACTIVITIES:				
Dividends paid		(21,383,937)		(39,382,895)
Subscription and payment of shares		2,420		(1,280)
Net cash flows used in financing activities		(21,381,517)		(39,384,175)
NET INCREASE IN CASH		18,796,702		325,190,615
CASH AT THE BEGINNING OF THE YEAR		1,367,523,269		1,042,332,654
CASH AT THE END OF THE YEAR	Q.	1,386,319,971	Q.	1,367,523,269

The enclosed notes are part of the financial statements. (Concluded)

1. GENERAL INFORMATION

Banco de los Trabajadores (the Bank) was organized through Decree Law No. 383 of the Congress of the Republic of Guatemala issued in 1965. This Decree contains the Organizational Law of the Bank and establishes its creation as a banking institution of a special nature, with its own legal status and its own equity. The duration of the Bank is indefinite.

Its main objective is economic development and promoting the welfare of workers by fostering regular and systematic savings. The Bank operates nationally. It is governed, in order, by its Organizational Law, the Law of Banks and Financial Groups, by the resolutions issued by the Monetary Board and as applicable, by the Organizational Law of the Guatemalan Central Bank, the Monetary Law and the Law of Financial Oversight.

In order to conduct its operations the Bank has main offices located in Guatemala City and 153 bank branches nationally.

2. BASES OF PRESENTATION OF THE FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies used by Banco de los Trabajadores in the preparation of its financial statements are summarized as follows:

a. ***Bases of Preparation -*** The accompanying financial statements have been prepared according to the Manual of Accounting Instructions for Entities Subject to the Oversight and Inspection of the Superintendency of Banks issued by the Monetary Board, the provisions issued by the Monetary Board and those issued by the Superintendency of Banks. In the Offering Memorandum, it was established that the audited financial statements would be presented annually to investors abroad, with the same format of the financial statements that were included in the positioning of the senior notes.

b. ***Functional Currency and Presentation Currency -*** The Bank prepares and presents its financial statements in quetzales (Q.), which is the functional currency. The functional currency is the currency of the primary economic environment in which it operates.

c. ***Use of Estimates -*** The preparation of the financial statements requires that management make estimates and assumptions for the determination of balances of assets, liabilities and amounts of income and expenses, and for the disclosure of contingent assets and liabilities, as of the date of the financial statements. If subsequently there is any change in the estimates or assumptions due to changes in the circumstances on which they were based, the effect of the change shall be included in the determination of the net profit or loss for the period in which the change occurs, and for future periods if applicable. The significant estimates in the financial statements correspond to the allowance for doubtful loans placed, provision for extraordinary assets, the provision for the accounts receivable, the provision for investments, the useful life assigned to property, furniture and equipment, and the recording of contingent liabilities.

d. ***Financial Instruments -*** The Bank's financial assets and liabilities include cash, investments, loans receivable, other accounts receivable, loans payable and deposits. These financial assets and liabilities are recognized as such at their trade date and their recognition ceases when they are settled.

e. ***Allowance for Doubtful Loans -*** The allowance for doubtful loans is determined according to the criteria and percentages established in Resolution JM-93-2005 "Regulation for Credit Risk Management" and its modifications.

The allowance for doubtful loans includes a specific portion and a generic portion. The specific allowance for loans is calculated based on the percentages established in the Resolution of the Monetary Board. The generic allowance for loans was established preventatively by the requirements of Resolution JM-167-2008.

The specific allowance may be charged to the expenses of the year or to the equity account for reserves for contingencies.

f. ***Investments -*** The held-for-trading securities are initially recorded at acquisition cost, which does not consider the commissions and other similar charges incurred in the purchase. The book value of these investments is updated at the end of each month based on their market value in the securities market. When there is no market value in the securities market, it is determined based on the rule related to the valuation of investments in securities. The differences deriving from the changes in price are recognized in the profit and loss of the period.

If the securities are reclassified to the "available-for-sale" category, the differences resulting from the variation of prices recorded in profit and loss should be transferred to net equity.

Investments in available-for-sale securities: these are initially recorded at acquisition cost, which does not consider the commissions and other similar charges incurred in the purchase. The book value of these investments is updated monthly based on their market value in the securities market. When there is no market value in the securities market, it is determined based on the rule related to the valuation of investments in securities. When dealing with securities issued by the Guatemalan Central Bank or the Public Finance Ministry and it is not possible to establish a reference market value, the valuation is made at acquisition cost. The differences deriving from the variation of prices are recorded in net equity. When the security is sold, the gain or loss accumulated in the net equity shall be recognized in profit and loss.

Investments in held-to-maturity securities: these are initially recorded at acquisition cost, which does not consider the commissions and other similar charges incurred in the purchase. The book value is determined through the amortized cost method.

Investments in permanent investments: The investments in shares, made by the investor, with the intent of maintaining their stake in the capital of the issuer of the shares, will be recorded using the cost method. The investor will recognize the income from the investment only to the extent that the retained earnings from the investee (in which the investment is held) that arose after the acquisition date are distributed. The amounts received over such gains are considered as a recovery of the investment and, therefore, shall be recognized as a reduction in their cost.

As of the present date, the Superintendency of Banks has not issued the regulations related to the valuation of investments in securities, and thus such investments are recorded by the Bank as follows:

- In held-for-trading securities and in available-for-sale securities: these are initially recorded at acquisition cost, which does not consider the commissions and other similar charges incurred in the purchase. The book value of these investments is updated at the end of each month based on their market value in the securities market. If there is no market value in the securities market, they are valued at cost.

Investments in held-to-maturity securities and permanent investments: These are valued at acquisition cost.

g. ***Assets Classified as Held for Sale*** - These assets correspond to assets awarded to the Bank as a consequence of non-compliance by the borrowers in the payment of the loans granted. The assets received for non-compliance with payments are recorded according to the settlement approved by the Board of Directors or the body acting as such or by whom such decision is delegated to. Such settlement must include the taxes and expenses for the transfer of ownership. The legally awarded assets are recorded at the value established in the settlement approved by the judge, plus the taxes and expenses for transfer of ownership. As of December 31, 2016 and 2015 the Bank had valuation reserves of Q. 65,556,249 and Q. 42,419,998, respectively.

h. ***Property and Equipment -*** These assets are recorded at cost, except for property and buildings that were revalued during the year 2012. The appraisal was performed by independent expert appraisers. The surplus on revaluation was Q. 59,633,949 and is recorded in equity.

The advances for purchases of fixed assets are classified as part of this account, per that established by the Manual of Accounting Instructions.

Depreciation is calculated using the straight-line method using the legal percentages established in the Income Tax Law, which are the following:

	Depreciation Rate
Property	5%
Furniture and equipment	20%
Information systems	33.33%
Vehicles	20%
Telecommunications equipment	20%
Tools	25%
Artwork and paintings	20%
Others	10% and 20%

i. ***Deferred Charges -*** This account records all of the expenses incurred for the organization of Banco de los Trabajadores, and the improvements on leased or the bank's own properties, which are amortized within the range established by the Income Tax Law.

j. ***Employee Severance*** - According to the Labor Code of the Republic of Guatemala, entities are obligated to pay severance to employees dismissed under certain circumstances, on the basis of one month's salary, plus one-twelfth of the Christmas bonus and mid-year bonus, for each year of service. The Bank pays severance in accordance with the Law. As of December 31, 2016 and 2015 the Bank has a provision for this item of Q. 43,998,123 and Q.43,569,748, respectively, which is calculated based on monthly salaries by applying the percentage that is deductible according to the Income Tax Law. The severance paid during the years 2016 and 2015 was Q. 3,898,230 and Q. 2,685,131, respectively.

The Bank does not have established defined retirement benefit plans for the employees or any other type of post-retirement benefits.

k. ***Income Recognition*** - The modified accrual basis is used. When using the accrual method, certain prudent criteria should be used, as follows. The income obtained from the following items is recorded as revenue: a) interest earned but not collected on bonds or documents issued by the Guatemalan Central Bank and securities from other issuers whose amortization funds are controlled by the Guatemalan Central Bank; b) interest earned but not collected on securities issued by foreign governments or foreign central banks, that have a minimum risk rating of A-3 for the short-term or BBB- for the long-term, granted by Standard & Poor's or an equivalent rating granted by an internationally recognized risk rating agency; and, c) interest, commissions, revenues and other income on the credit card portfolio, factoring and financial leasing.

The income earned from items other than those indicated above, including the interest on loans, is recorded as retained earnings, and recognized in the statement of income until it is effectively collected. In addition, the recording in accounting of income earned but not collected as retained earnings is suspended when there is a delay of 30 calendar days for the investments in securities and 90 calendar days for the rest of the operations and services, counting as of the day following the date on which the agreed upon payments should have been made. When such suspension occurs, the income earned but not collected is reversed from the affected retained earnings.

For the credit card operations, factoring and financial leasing performed by banks and financial corporations, the recording in accounting in profit and loss is suspended when there is a delay of 90 calendar days, counting from the day following the date on which the agreed upon payments should have been received. When such suspension occurs, the income recorded in income statement accounts that has not been effectively collected shall be recognized as expenses against the account for income receivable in which they were initially recorded; with the exception of the charges that are capitalized in credit card accounts, which shall not be returned.

The income that has been suspended, recorded in retained earnings and in income statement accounts, as well as income that has been earned as of the date of suspension, is recorded in memorandum accounts.

l. ***Recognition of Expenses -*** The Bank records the expenses using the accrual method.

m. ***Income and Expenses of Prior Periods*** - The corrections to income and expenses of prior periods correspond to the correction of accounting errors, which are recorded as part of the operating income of the year in which the correction is made.

3. DIFFERENCES BETWEEN THE MANUAL OF ACCOUNTING INSTRUCTIONS FOR ENTITIES SUBJECT TO THE OVERSIGHT AND INSPECTION OF THE SUPERINTENDENCY OF BANKS AND THE INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

The financial statements were prepared in accordance with the format and description of accounts included in the Manual of Accounting Instructions for Entities Subject to the Oversight and Inspection of the Superintendency of Banks issued by the Monetary Board, whose accounting policies differ in certain aspects from the International Financial Reporting Standards (IFRS), mainly in:

- For the recognition of income the modified accrual method is used (see detail in note 2, paragraph "k"). IFRS requires that all income be recorded under the accrual method when it satisfies the definitions and criteria for recognition foreseen for such elements in the Conceptual Framework of the IFRS.

- The securities issued by the Guatemalan Central Bank or the Public Finance Ministry are recorded at cost. IFRS requires that they be valued at fair value or amortized cost, according to the intention of negotiation.

- The evaluation of the allowance for doubtful loans is made according to the regulations established by the Monetary Board, recording the reserve for the valuation of credit assets as a charge to profit and loss or equity. According to IFRS, when there is objective evidence that there is a loss due to impairment in the value of the financial assets measured at amortized cost, the amount of the loss is measured as the difference between the carrying amount of the asset and the present value of the future estimated cash flows (excluding the future credit losses which have not been incurred), discounted with the original effective interest rate of the financial asset. The amount of the loss is recognized in profit and loss of the period.

- In addition, IFRS requires an evaluation of whether there is individual objective evidence of impairment in the value for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If the entity determines that there is no objective evidence of impairment in the value of a financial asset that has been individually evaluated, whether significant or not, it shall include the asset in a group of financial assets with similar characteristics of credit risk, and shall evaluate its impairment in value on a collective basis. The assets that have been individually evaluated for impairment and for which an impairment loss has been or will continue to be recognized, shall not be included in the collective evaluation for impairment.

- The property and equipment is depreciated using the straight-line method, using the depreciation rates established in the Income Tax Law. IFRS requires that the fixed assets be depreciated according to their estimated useful lives.

- The start-up expenses are recorded as deferred charges and amortized within the range established by the Income Tax Law. IFRS requires that these types of expenses be recorded in profit and loss of the period in which they are incurred.

- The expenditures that constitute intangible assets and that due to their nature can be amortized in various future periods are recorded as an asset. IFRS establishes that the intangible assets with an indefinite useful life should not be amortized. In addition, they establish that the entity verify whether an intangible asset with an indefinite useful life has experienced a loss due to impairment in the value by comparing its recoverable amount with its carrying amount, recording the impairment within profit and loss for the year.

- The Bank constitutes reserves for contingencies, separating them from its retained earnings, according to authorizations from the General Shareholders' Meeting, whenever it is considered advisable to create or increase reserves, in order to face any future problems or ensure coverage for non-specific purposes or unforeseen events.

  According to IFRS, a provision must be recognized with a charge to profit and loss when the following conditions occur:

  - The entity has a present obligation (legal or constructive) as a result of a past event;
  - It is probable that the entity will have to use resources that incorporate economic benefits in order to settle the obligation; and
  - A reliable estimate can be made of the amount of the obligation.

- Corrections made to income and expenses of prior periods resulting from a correction of accounting errors are recorded as part of the operating income of the year in which the correction is made. The corrections to the income tax expense of prior years is charged or credited directly to the retained earnings.

  IFRS requires that the entity correct material prior period errors retrospectively in the first set of financial statements authorized for issue after their discovery, except when it is impracticable to determine the period-specific effects or the cumulative effect of the error, by:

  - Restating the comparative information for the prior period(s) in which the error occurred; or
  - If the error occurred before the earliest prior period presented, restating the opening balances of assets, liabilities, and equity for such period.

- No deferred income tax is recorded. IFRS requires the recording of deferred income tax assets or liabilities based on temporary differences between the book value of the assets and liabilities and their tax value, which will be deductible or taxable in the future.

- Agreement number 06-2008 of the Superintendent of Banks requires the consolidation of financial statements under the organizational structure of the responsible company, process through which, depending on the case, financial statements of the other companies that are members of the Financial Group authorized by the Monetary Board are added or incorporated into the financial statements of the responsible company, eliminating the investments of the companies in the capital of other or others of its own group, as well as the reciprocal operations between companies, in accordance with the procedures established in said agreement. Such consolidated financial statements are presented separately from the individual financial statements of the responsible company.

  IFRS requires the preparation and presentation of the consolidated financial statements of a group of entities under control of a controlling entity, defining control as the power to direct the financial and operating policies of an entity in order to obtain benefits from its activities. The consolidated financial statements shall include all of the subsidiaries of the controlling entity.

- The assets judicially awarded are recorded in accounting at the value established in the settlement approved by the judge, plus the taxes and expenses for the transfer of ownership.

  According to IFRS, the entity should value the non-current assets classified as held-for-sale at the lower of carrying amount or its fair value minus the sales costs.

- In repurchase agreements, the financial asset reported is written-off and recorded in a memorandum account. According to IFRS, if the entity substantially retains the risks and inherent benefits of ownership in a financial asset, it must continue recognizing it as such.

- If there are derivative financial instruments, the Manual of Accounting Instructions for Entities Subject to the Oversight and Inspection of the Superintendency of Banks does not establish the form in which they must be recorded. According to IFRS, derivative financial instruments meet the definition of a financial instrument and, therefore, they should be recognized in accounting. Derivative financial instruments create rights and obligations that have the effect of transferring, between the parties implicated in the instrument, one or various types of financial risks inherent to an underlying primary financial instrument. Since the conditions of the exchange are established upon the creation of the derivative instrument, these may become favorable or unfavorable to the extent that the prices change in the financial markets.

- The Bank records an annual provision of 8.33% of the total salaries and wages paid to cover the severance liability; IFRS establishes that the expense and liability for severance be recorded upon the existence of the payment obligation.

- No information on related parties is disclosed. IFRS requires disclosure of the nature of the relationship with related parties as well as the information on the transactions and balances.

- The disclosures made by the Bank according to the accounting basis used differ from the disclosures that would have been necessary had the financial statements been prepared according to IFRS.

4. CASH AND CASH EQUIVALENTS

	2016		2015
Cash	Q. 127,241,162		Q. 132,137,315
Deposits in Guatemalan Central Bank	1,100,652,294		1,081,045,008
Deposits in foreign banks	121,117,050	a/	123,406,869
Checks and drafts pending compensation	31,107,727		27,836,677
Local banks	6,201,738		3,097,400
	Q. 1,386,319,971		Q. 1,367,523,269

The Organizational Law of the Guatemalan Central Bank establishes that bank deposits are subject to reserves. The percentage of bank reserves in local and foreign currency is 14.6%.

These reserves must be kept constantly in the form of demand deposits in the Guatemalan Central Bank, of cash funds in the bank's cashiers, and, when the circumstances warrant it, of liquid investments in instruments, documents or securities, local or foreign, in accordance with the regulations issued by the Monetary Board for such purpose.

The mandatory investment in quetzales and US dollars in the Guatemalan Central Bank as of December 31, 2016 and 2015 is Q.85,741,370 and Q.79,410,743, respectively. This investment accrues the following interest rates:

Year Ended	Operations in Quetzales	Operations in Dollars
As of December 31, 2016	0.24153 and 4%	0.389%
As of December 31, 2015	0.23883 and 4%	0.213%

a/ As of December 31, 2016 and 2015, it includes an operation for a Credit Linked Deposit, contracted by Banco de los Trabajadores on April 20, 2011, with the entity Societé Generale, a banking institution established in France, for an amount of US$12,500,000. The term for the credit linked deposit contract is 17 years, maturing on August 17, 2027.

The deposit earns an annual interest rate of 1%, payable semi-annually; the interest earned for the 2016 and 2015 periods was Q.952,733 and Q.956,426, respectively; additionally, upon maturity of the term, the Bank will receive the sum of US$25,000,000, as long as the Government of Guatemala is not in default.

The deposit described meets the characteristics of a deposit with an implicit credit default swap (CDS), a generalized operation in international banking. As of December 31, 2016 and 2015, the deposit is recorded at its initial contracted value.

As of December 31, 2016 and 2015, the cash is free of pledges.

5. INVESTMENTS - NET

	Annual Interest	2016	2015
Local Currency			
In available-for-sale securities:			
Certibonos - Central Government maturing in 2001, 2016, 2020, 2021, 2025, 2026, 2027, 2029 and 2030 a/	7.3750 % to 12.9475%	Q. 4,715,155,000	Q. 4,256,012,750
In held-to-maturity securities:			
Central Bank of Guatemala (CDPs) maturing in 2016	Between 3% and 3.3899%	-	1,000,000,000
Financiera de los Trabajadores (CDPs) maturing in 2017	6%	23,200,000	18,200,000
Instituto de Fomento de Hipotecas Aseguradas - Mortgage Bonds maturing on different dates between 2017 and 2040. b/	Between 8.5% and 13.95%	25,494,723	32,389,649

	Annual Interest	2016	2015
Repurchase agreement operations		Q. -	Q. 121,500,000
Subtotal		4,763,849,723	5,428,102,399
Shares and other securities			
Of Financial Institutions:			
Financiera de los Trabajadores 39,120 shares with a value of Q. 1,000 each, discount of Q. 2,420,000		50,073,000	50,073,000
Aseguradora de los Trabajadores 34,912 shares with a value of Q.801 each, premium of Q. 7,054,154		35,018,666	35,018,666
Of Non-Financial Entities			
Útil Valor, S. A. 40,000 shares with a value of Q. 10 each, premium of Q. 2,400		402,400	402,400
Asociación Bancaria de Guatemala 72 shares with a value of Q. 5,000 each		360,000	360,000
Imágenes Computarizadas de Guatemala, S. A. 504 shares with a value of Q. 1,000 each, premium of Q. 311,100		815,100	815,100
Casa de Bolsa de los Trabajadores, S.A. 99 shares with a nominal value of Q. 10,000 each		990,000	990,000
Visa Inc. 7,952 common shares with value of US $0.0001, at the exchange rate of Q. 7.84137		6	6
		87,659,172	87,659,172
Other Investments		-	242,250
		4,851,508,895	5,516,003,821

	Annual Interest	2016	2015
Foreign Currency			
In held-for-sale securities:			
Certibonos - Central Government maturing in 2017, 2020, 2021, 2026 and 2027	Between 4% and 6.20%	Q. 575,011,108	Q. 813,312,979
Repurchase agreement operations		195,575,380	73,270,752
Interest paid in purchase of securities		-	721,146
Subtotal		5,622,095,383	6,403,308,698
(-) Estimate for valuation of investments		(7,199,492)	(7,699,492)
		Q. 5,614,895,891	Q. 6,395,609,206

a/ This group includes twelve *Certibonos* of the Government of the Republic of Guatemala, which have been seized (see Note 25).

b/ This balance includes covered bonds which matured in 2014 and guarantee outstanding mortgage loans. These loans have maturity dates that are subsequent to the covered bond maturity dates.

The permanent investments are free of pledges.

As of December 31, 2016 and 2015 the investments have the following maturity schedule:

	2016	2015
Up to 1 month	Q. 165,606,974	Q. 1,195,030,659
More than 1 month and less than 3 months	30,136,871	-
More than 3 months and less than 6 months	40,002	721,146
More than 6 months and less than 1 year	33,223,568	20,300,000
More than 1 year	3,233,653	6,093,326
More than 5 years	5,302,195,143	5,091,607,145
No contractual maturity	87,659,172	89,556,422
	Q. 5,622,095,383	Q. 6,403,308,698

As of December 31, 2016 and 2015, the investments are free of pledges, except for the *Certibonos* described above.

6. LOANS RECEIVABLE - NET

	2016	2015
Loans	Q.10,611,044,009	Q. 8,408,566,476
Payments for letters of credit	20,966,684	20,335,314
Credit cards 1/	243,233,815	214,809,626
Receivables from sale of extraordinary assets	954,809	735,633
	10,876,199,317	8,644,447,049
Minus: Allowance for doubtful loans	(401,904,535)	(314,168,006)
	Q.10,474,294,782	Q. 8,330,279,043

1/ As of December 31, 2016, the Bank has 4 types of credit cards. For collection purposes, the balances of credit card loans are divided into cycles whose cut-off dates are days 1, 4, 7, 10, 13, 16, 19, 22, 25, 28 and the end of each month. For purposes of the monthly accounting close, the balances are accrued until the last day of the month.

As of December 31, 2016 and 2015, the credit card account includes balances for additional financing for Q. 27,925,799 and Q. 21,185,651, respectively, which were generated by the use of an additional amount of credit beyond the customers' normal credit line.

As of December 31, 2016 and 2015, the maximum amount of credit authorized for a credit cardholder is Q.560,000 and Q.392,700, respectively.

The summary of the loan portfolio by economic activity is as follows:

	2016	2015
Local currency:		
Consumer	Q.10,452,738,859	Q. 8,109,100,287
Agriculture, livestock, forestry, hunting and fishing	1,950,369	1,792,034
Mining and quarrying	4,119,800	-
Manufacturing industry	11,282,710	12,433,136
Electricity, gas and water	117,400	107,218
Construction	19,157,114	12,992,376
Commerce	25,261,555	38,505,502
Transportation and storage	4,721,427	3,985,803
Financial establishments, real estate and services provided to companies	7,711,587	11,699,281
Transfers	175,686,000	262,486,000
Community, social and personal services	12,998,248	15,204,932
Other purposes	19,000,713	24,673,560
	10,734,745,782	8,492,980,129

	2016	2015
Foreign currency:		
Consumer	Q. 37,161,917	Q. 33,282,326
Manufacturing industry	7,692,791	9,013,187
Electricity, gas and water	59,424,827	60,295,723
Construction	2,196,211	2,455,109
Commerce	16,539,383	23,477,602
Transportation and storage	1,902,192	2,774,559
Financial establishments, real estate and services provided to companies	8,464,749	10,189,525
Community, social and personal services	8,071,465	9,978,889
	141,453,535	151,466,920
	Q.10,876,199,317	Q. 8,644,447,049

The loans and discounts according to their aging are detailed as follows:

	2016	%	2015	%
Current	Q.10,585,261,225	97	Q. 8,441,735,393	98
In extension process	5,964,745	-	265,856	-
Past due in administrative collection	128,290,692	2	123,507,007	1
Past due in judicial collection	156,682,655	1	78,938,793	1
	10,876,199,317	100	8,644,447,049	100
(-) Allowance for doubtful loans	(401,904,535)		(314,168,006)	
	Q.10,474,294,782		Q. 8,330,279,043	

As of December 3l, 2016 and 2015 the loans had the following maturity schedule:

	2016	2015
Up to 1 month	Q. 57,140,702	Q. 46,125,186
More than 1 month and less than 3 months	62,165,272	21,860,672
More than 3 months and less than 6 months	105,601,377	36,703,816
More than 6 months and less than 1 year	251,835,060	329,532,870
More than 1 year and less than 5 years	2,823,931,016	2,421,254,098
More than 5 years	7,575,525,890	5,788,970,407
	Q. 10,876,199,317	Q. 8,644,447,049

The loans were granted at annual interest rates between 7% and 42%. The terms may be less than one year, or from one to twenty-five years, taking into consideration the nature and guarantee offered.

The operations in foreign currency, mortgage loans, fiduciary loans, and secured bonds were granted at annual interest rates between 1% and 12.4%.

On May 23, 2005 the Monetary Board issued Resolution JM-93-2005 that repealed resolution JM- 141-2003. This resolution approved the Regulation for Credit Risk Management. In Title IV the valuation of loans receivable is established, indicating that financial institutions should value all of their loans receivable at least four times per year, with balances referenced to the closing of the months of March, June, September, and December, whose results should be recorded in accounting no later than the last day of the month following the month in which the valuation took place. In valuing loans receivable, the guarantee, arrears, and capacity of payment should be considered, and the percentages established by such resolution should be applied.

According to the current rules, the Bank must record estimates based on the risk analysis, calculated on the accounts included in the group of loans receivable. During the year ended December 31, 2016 the bank did not make any charges to the Statement of Income, whereas in 2015, the Bank charged Q.92,087,886.

In addition, in the years 2016 and 2015 reserves were recorded for Q. 14,278,780 and Q.7,199,776, to cover other balances, and thus the total charge to the Statement of Income for bad debts and doubtful accounts for those years was Q. 14,278,780 and Q.99,287,662, respectively (see Note 19).

On December 30, 2008, the Monetary Board issued Resolution JM-167-2008, which modified articles 27, 33, 34 and 35 of Resolution JM-93-2005 of the Monetary Board that contains the Regulations for Credit Risk Management. Such modifications refer to the classification of the extended, restructured or novated loans receivable; determination of the base balance; sufficient guarantees and establishment of generic reserves or provisions. At the same time it adds articles 27 bis, 34 bis, 38 bis and 42 bis to the Regulation in reference. Articles 34 and 35 of this Resolution went into effect on January 1, 2010.

One of the important points is that the institutions must establish and maintain, at a minimum, generic reserves that added to the specific reserves total the equivalent of one hundred percent (100%) of the past due portfolio. The sum of these reserves cannot be less than 1.25% of the total loans receivable. The generic reserves must be recorded within the month following the corresponding quarter.

On December 30, 2008, Resolution JM-168-2008 was published which approved the modifications to the Accounting Instructions Manual for Entities Subject to the Oversight and Inspection of the Superintendency of Banks. These modifications are mainly to section IV that refers to the Description of Accounts and recording procedures, adding the accounts in which the generic reserves mentioned above should be recorded.

Upon legally or voluntarily recognizing the loss from loans receivable, the reserve account will be adjusted and they are eliminated from the respective loans receivable, with a charge to the group of accounts adjusting the asset. In the years 2016 and 2015, Q. 53,390,792 and Q.3,202,906 were recorded against the reserve, respectively.

On December 8, 2015 Decree 7-2015 the Credit Card Law was published in the official gazette, and went into effect on March 8, 2016. This Law includes various matters that have a general impact on the operation and management of credit cards, as follows:

- The annual interest rate cannot exceed a percentage that is double the amount of the last annual weighted average lending rate of the banking system, published by the Central Bank of Guatemala.
- Card issuers cannot capitalize the interest for financing and arrears.
- There is a prohibition against harassment of clients, which restricts telephone calls, electronic mails, and text messages, among others.
- The debt shall be restructured when it reaches 150% of the credit limit or when the cardholder considers that they cannot pay their obligation as scheduled.
- The capacity of payment shall be evaluated and the credit limit granted may only be up to the amount of the last two salaries received.
- Additional information will now be required in the contract and statement of account.

As of December 31, 2016, the total balance for credit cards represents 2.36% of the total balance of the fiduciary credits portfolio, and the income from financing interest generated by the credit card portfolio corresponds only to 4.77% in relation to the total income generated by the total fiduciary credits portfolio for the same item.

On March 31, 2016, the Constitutional Court of Guatemala temporarily suspended Decree No. 7-2015, Credit Card Law.

The movement of the allowance for doubtful loans as of December 31, 2016 and 2015 was the following:

	2016	2015
Balance at January 1	Q. 314,168,006	Q. 148,072,903
Allowance	-	92,536,813
Transfer from Reserves for Contingencies	143,000,000	50,000,000
Effect of foreign currency exchange differences	(1,271,002)	2,176,523
Recoveries	337,324	24,584,674
Write-offs	(54,329,793)	(3,202,907)
	Q. 401,904,535	Q. 314,168,006

The Management considers that the level of the allowance for doubtful credits is adequate to cover possible future losses in the portfolio at the balance sheet date. As of December 31, 2016 and 2015, a generic allowance for the credit portfolio is included for Q. 31,591,124 for each year.

As of December 2016 and 2015, the credit portfolio is free of pledges.

7. ACCOUNTS RECEIVABLE-NET

	2016	2015
Interest receivable	Q. 250,591,542	Q. 221,765,707
Advance of loans	5,759,189	5,720,692
Security deposits	30,208,589	-
Payments on account of third parties	21,914,550	2,724,665
Receivables from Bank personnel	4,982,662	2,199,861
Judicial expenses	1,019,759	721,094
Fees for services	1,473,634	1,259,468
Others	2,012,299	2,777,246
Credit card Visa	50,599	68,932
	318,012,823	237,237,665
Valuation Allowance	(13,405,768)	(13,405,768)
	Q. 304,607,055	Q. 223,831,897

As of December 31, 2016 and 2015, the accounts receivable are free of pledges.

8. ASSETS CLASSIFIED AS AVAILABLE-FOR-SALE

	2016	2015
Immovable	Q. 142,939,576	Q. 143,084,705
Movable	380,926	380,926
	143,320,502	143,465,631
Minus: Valuation allowance	(65,556,249)	(42,419,998)
	Q. 77,764,253	Q. 101,045,633

As of December 31, 2016 and 2015, the realizable assets are free of pledges.

The movement of the allowance for assets classified as available-for-sale, as of December 31, 2016 and 2015 was as follows:

	2016	2015
Balance at January 1	Q. 42,419,998	Q. 40,520,176
Allowance	14,271,559	7,176,772
Transfer from Reserves for Contingencies	12,693,620	-
Effect of foreign currency exchange differences	23,149	-
Loss in valuation	36,615	-
Write-offs	(3,888,692)	(5,276,950)
	Q. 65,556,249	Q. 42,419,998

9. PROPERTY AND EQUIPMENT

The movement of property and equipment during the years ended December 31, 2016 and 2015 was as follows:

2016

Cost	Initial Balances	Additions	Disposals	Final Balances
Land	Q. 49,543,522	Q. -	Q. -	Q. 49,543,522
Revaluation of land	(2,363,042)	-	-	(2,363,042)
Buildings	60,958,688	2,156,190	(927,840)	62,187,038
Revaluation of buildings	61,996,991	-	-	61,996,991
Furniture and office equipment	52,211,408	15,874,120	(9,297,772)	58,787,756
Information systems	28,966,843	5,837,944	(14,704,285)	20,100,502
Telecommunications equipment	786,457	2,119,311	(213,347)	2,692,421
Vehicles	193,825	-	(25,614)	168,211
Artwork and paintings	410,558	2,010	(71,699)	340,869
Advances for acquisitions of assets	9,619,968	21,445,228	(20,231,030)	10,834,166
Subtotals of cost	262,325,218	47,434,803	(45,471,587)	264,288,434
Accumulated depreciation	(94,276,176)	(27,801,207)	26,379,254	(95,698,129)
	Q. 168,049,042	Q. 19,633,596	Q. (19,092,333)	Q. 168,590,305

2015

Cost	Initial Balances	Additions	Disposals	Final Balances
Land	Q. 49,543,522	Q. -	Q. -	Q. 49,543,522
Revaluation of land	(2,363,042)	-	-	(2,363,042)
Buildings	59,733,749	1,235,759	(10,820)	60,958,688
Revaluation of buildings	61,996,991	-	-	61,996,991
Furniture and office equipment	47,396,931	7,832,316	(3,017,839)	52,211,408
Information systems	30,190,343	5,256,253	(6,479,753)	28,966,843
Telecommunications equipment	731,749	111,728	(57,020)	786,457
Vehicles	64,684	136,511	(7,370)	193,825
Artwork and paintings	482,558	-	(72,000)	410,558
Others	565	-	(565)	-
Advances for acquisitions of assets	12,626,657	6,624,012	(9,630,702)	9,619,968
Subtotals of cost	260,404,707	21,196,580	(19,276,069)	262,325,218
Accumulated depreciation	(77,632,082)	(26,163,533)	9,519,439	(94,276,176)
	Q. 182,772,625	Q. (4,966,953)	Q. (9,756,630)	Q. 168,049,042

The Manual of Accounting Instructions for Entities Subject to the Oversight and Inspection of the Superintendency of Banks issued by the Monetary Board indicates that when the assets are totally depreciated they must be recorded in memorandum accounts with a value of Q. 1 per totally depreciated asset. During the years ended December 31, 2016 and 2015 totally depreciated assets were disposed of for Q. 25,171,937 and Q. 9,239,656, respectively.

As of December 31, 2016 and 2015, the property and equipment are free of pledges.

10. OTHER ASSETS

	% of Amortization	2016	2015
Merger expenses a/	10%	Q. 158,123,618	Q. 158,123,618
Improvements to leased properties	5%	94,792,729	89,288,361
Goodwill	10%	4,077,500	4,077,500
Software licenses	20%	527,706	523,672
Brands and licenses	5%	20,448	20,448
		257,542,001	252,033,599
Accumulated amortization		(140,579,886)	(118,525,207)
		116,962,115	133,508,392
Pre-paid expenses			
Services b/		32,632,737	98,221,384
Taxes, municipal taxes, and contributions		58,153,082	52,936,605
Materials and supplies		8,530,254	4,589,492
		99,316,073	155,747,481
		Q. 216,278,188	Q. 289,255,873

a/ Expenses corresponding to the merger by absorption of Banco de la República by Banco de los Trabajadores per the Resolution from the Monetary Board 50-2009 dated May 13, 2009; as of December 31, 2016 and 2015 the annual amortization is Q.15,812,361 and Q.15,825,171, respectively.

b/ These deferred charges correspond to pre-paid expenses, mainly for the payment of commissions for the placement of fixed-term certificates of deposit and for pre-paid expenses in the placement of foreign debt. These charges are amortized during the term of such fixed-term certificates of deposit and debt.

The movement of the accumulated amortization as of December 31, 2016 and 2015 was as follows:

	2016	2015
Balance at January 1	Q. 118,525,207	Q. 96,593,758
Allowance	23,001,104	22,515,086
Totally amortized assets	(946,425)	(583,637)
Balance at December 31	Q. 140,579,886	Q. 118,525,207

11. LOANS PAYABLE

As of December 31, 2016 and 2015, the Bank had contracted the following lines of credit and loans:

	2016	2015
Deutsche Bank AG London		
Loan for USD150,000,000, interest rate of Libor plus 6.54%, semi-annual amortizations of interest and principal when due, for a term of 7 years that matures on November 22, 2020. 1/	Q. 1,128,319,500	Q. 1,144,855,500
Wells Fargo Bank CCC GSM 102:		
Line of credit for US$ 4,894,707, interest rate of Libor + 1.33% and maturing on January 15, 2016.	-	18,679,105
DEG: Deutsche Investitions Und Entwicklungsgesellschaft MBH		
Loan for US$15,000,000, interest rate of Libor plus 4.58% and maturing on February 15, 2016. Semi-annual amortizations as of February 15, 2013 for an amount of US$2,142,857.	-	16,355,085
Wells Fargo Bank:		
Line of credit for US$ 3,000,000, interest rate of Libor + 2.30% and maturing on April 16, 2016.	-	3,549,840
	Q. 1,128,319,500	Q. 1,183,439,530

1/ On November 14, 2013, Banco de los Trabajadores and Deutsche Bank AG, London Branch, subscribed a loan agreement for an amount of principal of US$150 million, for a term of 7 years, at an interest rate of 9% annually, with semi-annual interest payments. The loan granted by Deutsche Bank AG, London Branch, was documented through a promissory note. The Loan Agreement must be governed and interpreted in accordance with the Law of the State of New York. The loan funds come from the placement of Bantrab Senior Trust bonds in the international market.

This placement guarantees the line of credit with Deutsche Bank AG, London Branch, subscribed through a loan agreement for an amount of principal of US$150 million, for a term of 7 years, at an interest rate of 9% annually, with semi-annual interest payments. The loan granted by Deutsche Bank AG, London Branch, was documented through a promissory note. The Loan Agreement must be governed and interpreted in accordance with the Law of the State of New York. The loan funds come from the placement of Bantrab Senior Trust bonds in the international market.

Banco de los Trabajadores unconditionally promises to on its own reimburse Deutsche Bank AG, London Branch for the total amount of the Loan on November 14, 2020.

If Banco de los Trabajadores fails to comply with making the payment of the principal or interest, or any other payment in or with respect to the loan, on or before the expiration date, as specified in the agreement or as notified to the borrower; the borrower, on its own behalf, agrees to pay the lender, at the late payment interest rate (i) principal amount of the loan pending payment, and (ii) any interest due or other amount (other than the principal), in each case, from the date on which the payment was due until the date on which the payment was made.

Upon prior notification in writing to Deutsche Bank AG, London Branch, under the terms indicated in the loan agreement, Banco de los Trabajadores may pay the loan in advance, at any time.

Banco de los Trabajadores must promptly pay when due, any tax arising in any jurisdiction for the execution, delivery, recording or application of the loan agreement, if applicable.

Banco de los Trabajadores agrees with Deutsche Bank AG, London Branch that so long as the loan is pending and until the amounts owed by the borrower under the loan agreement are fully paid, to comply with the following:

- To pay all amounts owed.
- To keep its books and accounting records up to date.
- To appoint an agent to receive all the lender requirements.
- To notify of certain events mainly related to non-compliance.
- To provide the lender with the financial statements as of the end of each tax period.
- To present at the end of each period the audited financial statements (in English).
- To present monthly unaudited financial statements.
- To notify the borrower of any litigation or claim that affects the debtor and that may affect the financial condition.
- To not sell, transfer or dispose of its assets without prior consent, and to not participate in any merger.
- To post or provide a link, on the borrower's web site, www.bantrab.com.gt
- The Bank cannot join, or merge, or conduct or transfer in a transaction or a series of transactions, all or considerably all of its properties and assets with any individual, unless:
    - The resulting entity, if other than the Bank, is organized and exists under the laws of Guatemala; and assumes all of the borrower's obligations to:
        - Pay the amount for the principal and interest of the loan; and
        - Perform and observe all of the other obligations of the borrower in accordance with the loan documents and any other document it is a party to;

- The borrower or any successor entity, is not, as applicable, immediately after any transaction, in non-compliance with any loan document or other document it is a party to with respect to the loan it is a party to.

- To file tax returns and pay all the taxes the Bank, or any other entity of its property that is material, is subject to.

Each of the following events constitutes a "Case of Non-compliance":

- Not paying all or part of the principal amount of the Loan when it is due and payable, whether at the maturity date, in advance or in any other manner.
- Not paying any interest, any additional amount related to the loan, within the 15 business days following the due date.
- Not complying or observing any other contract or agreement of the loan and such situation continues for 30 days after the lender has given written notification of this non-compliance to the Bank.
- The occurrence, with respect to any debt of the borrower with an outstanding principal amount of $10,000,000 or more, (i) of an event of default that results in such debt being accelerated prior to its scheduled maturity or (ii) failure to make any payment of such debt when due and such defaulted payment is not made, waived or extended within the applicable grace period.
- Paying one or more of the definitive rulings against the Bank, which total an amount of $10,000,000.
- Consenting to the appointment of a receiver, custodian, inspector, administrator, trustee, examiner or liquidator of the borrower, of all or a significant part of its property.
- Performing a general assignment for the benefit of its creditors.
- Presenting a petition with the purpose of taking advantage of any other law related to bankruptcy, insolvency, reorganization, suspension of payments, liquidation, dissolution, arrangement, composition or readjustment of debts.
- If any loan document must cease being in effect or the Bank must challenge the validity or enforceability of any loan document;
- If any governmental authority of Guatemala declares a general suspension of payment or a delay in the payment of the Bank's debt.
- If any governmental authority of Guatemala: a) nationalizes, seizes, or expropriates all or a considerable part of the Bank's assets, or the common shares of the Bank, or b) takes control of the business and operations of the Bank; or c) issues an order with respect to, or initiates an intervention of the Bank or any similar arrangement under the applicable regulation.

As of December 31, 2016 and 2015 the loans obtained had the following maturity schedule:

	2016	2015
Less than 1 month	Q. -	Q. 20,274,844
More than 1 month and less than 1 year	-	18,309,186
More than 1 year and less than 5 years	1,128,319,500	1,144,855,500
	Q. 1,128,319,500	Q. 1,183,439,530

12. ACCOUNTS PAYABLE

The balances of accounts payable as of December 31, 2016 and 2015 were as follows:

		2016		2015
Local Currency:				
Expenses payable	Q.	29,414,097	Q.	24,345,162
Taxes, municipal taxes, contributions and fees		82,266,433		51,521,757
Withholdings		9,811,571		8,667,433
Dividends payable		80,820,254		78,167,228
Miscellaneous payables		3,416,470		2,522,966
Loan portfolio		66,430,971	**(a)**	64,587,853
Cashier's checks		30,302,334		21,927,182
Expired checks		2,114,968		795,060
Credit portfolio		217,599,950	**(a)**	161,001,667
Trusts		-		325,734
Benefits for savings accounts		130,906		-
Shares partially paid		2,013,859		2,021,488
Financial obligations		838,000		838,000
Annual bonus (*Bono 14*)		1,614,393		1,604,950
Severance		43,998,123		43,569,748
Bonuses 15%		67,607,559		74,478,639
Interest earned but not collected		165,774,960		141,002,406
Others		67,516,470		46,938,659
Interest payable		8,513,994		11,211,842
Subtotals in Local Currency		880,185,312		735,527,774
Foreign currency:				
Obligations, issuance of documents and orders of payment		8,557,253		4,463,468
Interest earned but not collected		175,718		188,059
Interest payable		17,046,502		18,444,353
Others		325,187		549,261
Subtotals in Foreign Currency		26,104,660		23,645,141
	Q.	906,289,972	Q.	759,172,915

(a) This balance corresponds mainly to remittances received for loans pending application and insurance premiums charged in advance.

13. DEPOSITS

	2016	2015
Local Currency:		
Monetary deposits	Q. 892,948,767	Q. 875,030,966
Savings deposits	1,474,852,429	1,412,638,628
Term deposits	11,845,172,949	10,818,880,396
Deposits with restrictions	17,387,314	15,806,098
	14,230,361,459	13,122,356,088
Foreign Currency:		
Monetary deposits	52,560,416	65,169,724
Savings deposits	55,099,521	79,785,393
Term deposits	19,418,520	52,035,587
Deposits with restrictions	429,356	526,351
	127,507,813	197,517,055
	Q.14,357,869,272	Q.13,319,873,143

The term deposits in quetzales earn an interest rate of 3.75% to 9.35% and have been placed in terms that vary from 3 months to 5 years, and in dollars of the United States of America at a rate of 0.25% to 3.75% and have been placed in terms that vary from 3 months to 3 years.

	2016	2015
Term deposits in local currency	Q.11,845,172,949	Q.10,818,880,396
Term deposits in foreign currency	19,418,520	52,035,587
	Q.11,864,591,469	Q.10,870,915,983

As of December 31, 2016 and 2015 the term deposits had the following maturity schedule:

	2016	2015
Up to 1 month	Q. 705,811,800	Q. 624,783,372
More than 1 month and less than 3 months	1,339,942,998	1,246,592,502
More than 3 months and less than 6 months	1,962,567,949	1,937,053,835
More than 6 months and less than 1 year	3,609,610,166	3,287,263,930
More than 1 year	4,246,658,556	3,775,222,344
	Q.11,864,591,469	Q.10,870,915,983

14. SHAREHOLDERS' EQUITY

Paid Capital: The Authorized Capital is comprised of 20,000,000 shares with a nominal value of Q. 10.00 each, of which as of December 31, 2016 and 2015, 19,985,106 and 19,985,348 shares are subscribed and paid, respectively.

During the year 2013, the subscription and payment of 15,655,000 preferred shares was recorded in the name of a foreign investor with a nominal value of Q.10. The paid-in capital was for an amount of Q.156,550,000, which was authorized by the Superintendency of Banks per Resolution No. 401-2013.

As of December 31, 2016, the preferred shares in the name of DHK Finance Inc., whose representative is Mr. Hidalgo Rafael Socorro Urdaneta, have been seized. This is in accordance with actions carried out on April 8, 2016 by the Public Ministry, who went to the Bank on such date with the purpose of executing a search and inspection of the headquarters of BANTRAB in order to find the documentation and registration of the shares in the name of the entity DHK, as well as to execute the precautionary measures of seizing, confiscating and suspending the ownership rights of the preferred shares.

The Capitalization Management proceeded to comply with the precautionary measures for the seizure, confiscation and suspension of the ownership rights of the preferred shares in the name of the entity DHK Finance Inc., recording in the Shareholder Database of BANTRAB the notation of the seizure and suspending ownership rights of the preferred shares issued in the name of such entity.

Legal Reserve: According to the legislation of Guatemala, companies are obligated to separate as a legal reserve 5% of the net earnings of each year. As of December 31, 2016 and 2015 the legal reserve amounts to Q. 99,172,730 and Q.78,155,584, respectively.

***Reserves for Contingencies and Other Reserves*:** According to that established in the Accounting Instructions Manual for Entities Subject to the Oversight and Inspection of the Superintendency of Banks, the General Shareholders' Meeting has approved separating certain amounts from the profits in order to face any future problems, ensure coverage for non-specific purposes or unforeseen events, and create reserves or provisions (allowances) according to Article 53 of the Law of Banks and Financial Groups. The balance as of December 31, 2016 and 2015 is Q. 2,717,708 and Q.45,817,744, respectively.

Per the forty-eighth Ordinary General Shareholders' Meeting dated February 19, 2016, the shareholders approved the application to the reserves for contingencies the amount of Q. 112,593,584 from the profit and loss of the previous period, as well as the amount of Q.262,718,362 for the reserve for strengthening the capital.

During the years 2016 and 2015, reserves recorded under this item were used for the following purposes:

	2016	2015
Transfer to allowance for doubtful loans	Q. 143,000,000	Q. 50,000,000
Transfer to assets classified as available-for-sale	12,693,620	-
	Q. 155,693,620	Q. 50,000,000

***Reinvestment of Profits Reserve*:** This account represents the reinvestment of profits made in equipment in previous years, as part of the tax benefits that the Income Tax Law allowed.

***Revaluation of Assets*:** This account represents the increases in the realizable value as a result of the appraisal performed by an independent appraiser.

***Gains or Losses due to Changes in the Market Value of Held-for-Sale Investments*:** This account represents the gains or losses due to changes in the market value of the securities that are held for sale.

15. INTEREST INCOME

	2016	2015
Interest on loans	Q. 1,985,041,199	Q. 1,808,876,013
Interest on investments	429,879,499	368,454,181
Commissions on loans	29,880,782	30,491,427
Other interest	66,532	139,285
Price differences in repurchase agreement operations	2,005,961	4,824,682
Other commissions	391,938	140,293
Accounts receivable	22,156	31,153
Interest Central Bank and Banks of the country	24,692,585	1,055,407
	Q. 2,471,980,652	Q. 2,214,012,441

16. INTEREST EXPENSE

	2016	2015
Interest on deposits	Q. 1,130,555,434	Q. 996,597,515
Commissions on deposits	64,050,512	32,301,336
Contributions for forming FOPA fund	31,895,123	26,652,826
Additional benefits	3,968,458	500,000
Repurchase agreement operations	12,750,342	1,699,014
Negotiation of securities	3,737,153	453,046
	Q. 1,246,957,022	Q. 1,058,203,737

17. OTHER EXTRAORDINARY INCOME AND (EXPENSES) - NET

	2016	2015
Extraordinary income		
Commissions	Q. 25,730,681	Q. 22,694,498
Recoveries	27,821,499	72,022,187
Others	217,400,437	164,328,882
Subtotal	270,952,617	259,045,567

	2016	2015
Extraordinary expenses		
Extraordinary assets	Q. (1,787,041)	Q. (1,361,358)
Sale of property and furniture	(3,065)	(31,097)
Loss in settlement	(941,621)	(33,671)
Others	(5,412,726)	(591,369)
Subtotal	(8,144,453)	(2,017,495)
	Q. 262,808,164	Q. 257,028,072

18. ADMINISTRATIVE EXPENSES

	2016	2015
Personnel services	Q. 309,247,746	Q. 292,194,210
Executives and employees	221,143,819	240,113,059
Marketing and advertising	74,269,326	52,679,441
Miscellaneous expenses	66,800,691	67,915,133
Depreciations and amortizations	46,420,061	48,212,841
Professional fees	39,351,375	40,051,481
Leases	52,304,974	54,567,140
Repairs and maintenance	27,076,414	23,390,344
Board of Directors	23,115,925	25,392,123
Taxes, municipal taxes, contributions and fees	20,595,563	14,721,525
Insurance premiums and bonds	4,756,139	4,206,011
Stationery and supplies	4,625,091	5,336,156
	Q. 889,707,124	Q. 868,779,464

19. OTHER INCOME AND (EXPENSES) - NET

	2016	2015
Other income		
Exchange gain	Q. 9,085,451	Q. 11,573,167
Income from investments in shares	13,930,660	12,211,940
	23,016,111	23,785,107
Other expenses		
Exchange variations and losses	(1,456,417)	(5,740,614)
Doubtful accounts **a/**	(14,278,781)	(99,287,662)
Expenses for services	(52,636,643)	(42,228,574)
Net income from prior periods	(38,192,629)	48,904,890
	(106,564,470)	(98,351,960)
	Q. (83,548,359)	Q. (74,566,853)

a/ This item includes allowances for valuation of credits for Q.92,087,886, for the year 2015. The Bank's management implemented the plan for covering the portfolio at risk, through which it will make charges from the portfolio allowance against the reserve for contingencies; such plan was authorized by the Board of Directors.

20. TAXES

Income Tax:

In Guatemala, the right of the tax authorities to perform reviews of companies' accounting records and additional legal documentation prescribes in a term of four years, counting from the date on which the tax returns were filed.

As of January 1, 2013 a new Income Tax Law included in Book I of the Tax Law Update, Decree 10-2012 went into effect. This new law includes two regimes for paying the tax as of the year 2013:

a) Regime over Profits from Lucrative Activities, which consists of applying the rate of 25% to the taxable income determined based on the accounting profit. The tax is paid through quarterly payments at the end of each quarter, with a settlement at the end of the year. The Bank selected this Regime.

b) The Simplified Optional Regime over Income from Lucrative Activities, which consists of applying the rate of 7% to the total taxable income and paying such tax through definitive withholdings, or in its absence, through direct payment at the tax office, with the proper authorization from the tax office. The first Q. 30,000 of monthly income pays 5% tax.

The new Income Tax Law establishes a tax of 5% on the distributions of dividends and profits for both resident and non-resident shareholders.

In addition, a new Regime of Income from Capital, Capital Gains and Losses was created that establishes a rate of 10% for income from movable and immovable capital, as well as for net capital gains.

Income Tax Calculation under Regime over Profits from Lucrative Activities:

	2016	2015
Income before income tax	Q. 514,576,311	Q. 469,490,459
(+) Costs and expenses of exempt income, income not subject to tax	3,369,600	2,822,535
(-) Exempt income	(336,976,872)	(340,807,408)
(+) Plus non-deductible expenses	136,230,609	65,084,533
Taxable income subject to Income Tax	317,199,648	196,590,119
Tax rate	25%	25%
Income Tax determined	Q. 79,299,912	Q. 49,147,530

		2016		2015
Advanced payments for:				
Quarterly Income Tax payments	Q.	36,050,223	Q.	32,734,210
Accreditable Solidarity Tax (ISO)		22,102,858		20,202,395
Income Tax payable (receivable)	Q.	21,146,831	Q.	(3,789,075)

Other Important Changes Included in the New Income Tax Law in Effect as of January 2013:

Transfer Pricing rules went into effect as of January 1, 2013 and obligate all taxpayers that have transactions with non-resident related parties that have an impact on the tax basis (income, costs and expenses with non-resident related parties) to determine the prices of these transactions according to the Arm's Length Principle. The Law requires a Transfer Pricing Study, which taxpayers that have transactions with non-resident related parties must have available together with the annual income tax return.

These rules are not applicable to the Bank since they have no transactions with related parties that are non-residents of Guatemala.

Solidarity Tax (ISO):

On December 22, 2008, Decree 73-2008, "Law of the Solidarity Tax" –ISO was published in the Official Newspaper, which contains the following:

This tax is the responsibility of individual persons or legal entities, trust funds, shareholding contracts, irregular corporations, de facto corporations, in the behalf of a trust, temporary or permanent branches, agencies or establishments of foreigners which operate in the country, joint tenancies, jointly owned properties, indivisible inheritances and other forms of corporate organization that have their own equity, that perform commercial or agricultural activities in the national territory and obtain a gross margin of over four percent (4%) of their gross income.

The tax period is quarterly and is calculated per calendar quarters;

The tax base for this tax is the greater between:

a) One-fourth of the amount of net assets; or
b) One-fourth of gross income.

In the case of taxpayers whose net assets are greater than four (4) times their gross income, the applicable tax base shall be the one established in letter b) above; and the applicable tax rate is 1%.

The ISO and the Income Tax may compensate each other as follows:

a) The ISO paid during the four quarters of the calendar may be accredited towards the payment of the Income Tax until its exhaustion during the three immediately following calendar years, for that which must be paid monthly or quarterly, as well as for that determined in the definitive annual settlement, as applicable.

b) The quarterly Income Tax payments may be accredited towards the payment of the ISO within the same calendar year. The taxpayers who adopt this form of accreditation may only change it with the authorization of the Tax Administration.

The remainder of the ISO that is not accredited in accordance with that regulated in the Law of its creation shall be considered as a deductible expense for Income Tax purposes, for the period of definitive annual settlement in which the three years referred to in the previous paragraph conclude.

21. MEMORANDUM ACCOUNTS

	2016	2015
Loan portfolio guarantees	Q. 582,310,747	Q. 687,303,789
Authorized issues of financial obligations	817,357,000	817,357,000
Financial obligations	703,357,000	703,357,000
Other memorandum accounts	1,050,183,443	1,019,952,552
Third party management	486,756,740	454,542,814
Securities and assets given as collateral	1,559,841	22,821,452
Contingencies, commitments and other responsibilities	248,314,828	275,149,420
Amortized financial obligations	-	114,000,000
Margins to be drawn on	-	58,280,769
Own documents and securities remitted	9,725,891	9,725,891
	Q. 3,899,565,490	Q. 4,162,490,687

22. CONCENTRATION OF INVESTMENTS

On June 1, 2002 the Law of Banks and Financial Groups, Decree 19-2002, went into effect and the reforms to this law contained in decree No. 26-2012 went into effect as of April 1, 2013. According to these regulations, banks, financial entities, offshore entities and companies specializing in financial services that are part of financial groups, except for financial transactions they may carry out, without limitation, in securities issued by the Ministry of Finance or the Bank of Guatemala, may not carry out direct or indirect financing operations of any nature, regardless of the legal form adopted, such as but not limited to: bonds, promissory notes, obligations and or loans, or grant guarantees or endorsements that in the aggregate exceed the percentages noted below:

- Fifteen percent (15%) of the statutory equity for financing operations with individuals, legal private sector entities or one sole company or governmental or autonomous entity. Temporary excesses resulting from interbank deposits of an operating nature or from the deposits and investments that companies of the financial group may have in the Bank of their financial group are exempt from this limitation.

- Thirty percent (30%) of the statutory equity for financing operations of two or more related entities that form part of a single risk unit. Such percentage may be increased to up to fifty percent (50%) of the statutory equity, if the excess is comprised of credit assets that are totally secured, during the term of the loan, with term deposit certificates or financial promissory notes issued by the institution itself, which should remain in its custody. In addition, it must be agreed in writing that the guarantee shall be enforced, without need for any formalities, in the event that the borrower is sued or falls into default.

  The deposits and investments that companies maintain in the bank of their financial group should not be calculated for purposes of the limits established in this clause.

- Thirty percent (30%) of the statutory equity in investments made by offshore entities in sovereign debt securities of countries other than Guatemala, in accordance with the scale of limitations established by the Monetary Board based on the sovereign risk rating given by risk rating agencies recognized by the Securities and Exchange Commission (SEC).

  One hundred percent (100%) of the statutory equity in the total investments made by banks or financial institutions in sovereign debt securities of countries other than Guatemala, with the highest sovereign risk rating that on the scale of degree of investment is granted by risk rating agencies recognized by the Securities and Exchange Commissions (SEC).

  When the entities exceed the limits established by the law, they must immediately deduct such excess from their statutory equity, without facing potential sanctions in accordance with the law.

23. ESTABLISHMENT OF THE FINANCIAL GROUP

Article 27 of the Law of Banks and Financial Groups, Decree 19-2002, provides for the establishment of a Financial Group, which should be organized under the common control of a controlling entity organized in Guatemala for that specific purpose, or otherwise, of an entity responsible for the financial group, which shall be the Bank. In the case of the latter, it should be established according to the organizational structure authorized by the Monetary Board, and with a previous opinion from the Superintendency of Banks, in accordance with the reasoned request presented for such purpose.

In October 2010 the Bank was notified by the Monetary Board regarding Resolution JM-99-2010 which authorized the forming of Grupo Financiero de los Trabajadores, which is comprised of the Bank (company responsible for the Group), Financiera de los Trabajadores, S.A. and Aseguradora de los Trabajadores, S.A.

Agreement number 06-2008 of the Superintendent of Banks requires the consolidation of financial statements under the organizational structure of the responsible company, process through which, depending on the case, financial statements of the other companies that are members of the Financial Group authorized by the Monetary Board are added or incorporated into the financial statements of the responsible company, eliminating the investments of the companies in the capital of other or others of its own group, as well as the reciprocal operations between companies, in accordance with the procedures established in such agreement and in what is not specifically regulated, in the current accounting standards in Guatemala.

Such consolidated financial statements are presented separately from the individual financial statements of the responsible company.

24. COMMITMENTS

Collective Bargaining Agreement on Work Conditions - With the purpose of promoting the interests of the Bank and its employees, the relationship between the parties is regulated by the Collective Bargaining Agreement on Work Conditions. The 2014-2015 Collective Bargaining Agreement on Work Conditions has been in effect since January 1, 2014.

Per that established in the Collective Bargaining Agreement on Work Conditions, each year the Bank's employees must be paid a bonus based on the net profits.

Third-party Management - Trusts

The operations of the Trusts managed by the Bank are kept separate from the Bank's accounting records, and thus they are not included in its financial statements because the Bank is not the owner and does not assume the risks and benefits of the assets, liabilities and equity of the trust.

The operations of the Trusts are recorded in memorandum accounts, as established by the Accounting Instructions Manual for Entities Subject to the Oversight and Inspection of the Superintendency of Banks.

As of December 31, 2016 and 2015 the Bank managed as a trustee 18 and 20 trust contracts, respectively.

According to the law, the Bank is responsible before third parties for compliance with the obligations contained in the contracts subscribed, including compliance with the tax obligations of the trusts.

The trusts of the State have been audited by the office of the Comptroller General; likewise, in their majority they have also been audited by the Superintendency of Banks, and in general they are audited at the request of the trustors, as contractually established.

The detail of the capital in Trusts as of December 31, 2016 and 2015 is as follows:

Name	2016	2015
Management Trusts		
Mar Trust	Q. -	Q. 742,339
Fodigua Trust	2,009,950	1,982,487
Palos Blancos Trust	115,834	112,644
EEMZA-INDE Trust	1,265,889	858,405
Small Business Trust	428,824,532	413,448,199
Charver Trust	199	198
Subsidio Foguavi (BREP) Trust	141,671	141,671
Atlántico I Trust	-	817,820
Atlántico II Trust	-	592,736
Regal Trust	31,569	55,471
Éxito Trust	40,245,368	20,123,042
El Progreso Trust	13,899,420	13,888,836

Name	2016	2015
Management Trusts		
Guarantee Trusts		
Minds Trust	-	3,700
Others		
Dignity Investment Trust	222,297	219,800
Total trusts	486,756,729	452,987,349
Documents and securities on consignment	11	1,555,465
Total third-party trusts	Q. 486,756,740	Q. 454,542,814

25. CONTINGENCIES

A. Trials, seizures, lawsuits

As of December 31, 2016 there are tax adjustments that have been made by the tax authorities for which there are precedents of favorable resolutions, and thus the Bank considers that they shall be similarly resolved.

No.	Description	Amount	Legal Status of the Litigation
1.	Civil lawsuit being heard before the District Court of the United States, South Florida District, Case No. 1:41-CV-23193-UU. Purpose: The plaintiffs are seeking payment of some commissions for: the contracting of the Senior Unsecured Loan Agreement and advisement in the sale of guaranteed dividend preferred shares.	$ 3,250,000	The trial was held from April 4-8, 2016; the jury considered that the Bank did not comply with the contracts that it had with the plaintiff, both one in writing and one verbal. Thus the jury considered that a sum of money should be paid to the plaintiff, equivalent to the amount claimed plus interest and court costs. The Bank paid US$4 million, which are in the custody of the court. The appeal against the ruling is pending being heard.
2.	Precautionary seizure resulting from rulings against the previous owners of:		The certificates of the seized securities are in the custody of Banco de los Trabajadores, which makes it the sole lawful and legally recognized owner.
	• *Certibonos* 35065 to 35074 for Q.1,500,000.	Q. 1,500,000	
	• *Certibonos* 32944 to 32955 for Q.155,000	Q. 155,000	

No.	Description	Amount	Legal Status of the Litigation
3.	Ordinary proceedings filed by Gilda Johanna Rehwoldt Castañeda before the Fourth Court of First Instance of the Civil Court, with the purpose of obtaining the absolute nullification of the termination of the San Jose Capital Management and Planning Trust. Banco de los Trabajadores is being sued as the trustee.	Non-determined Value	The previous exceptions have already been presented on the "faulty lawsuit" and "lack of legal capacity to sue" of Mrs. Rehwoldt and "lack of capacity of the Bank to be sued." In the opinion of the legal advisor, a favorable resolution will be obtained for the Bank.
4.	Tax adjustment by the Superintendency for Tax Administration (SAT) for adjustment to the Tax on Financial Products (Impuesto Sobre Productos Financieros - ISPF) from the year 1998.	Q. 3,832,541	In administrative law proceedings (255-2003). The public hearing for this case was held on August 9, 2006. Pending a ruling.
5.	Tax adjustment by the Superintendency for Tax Administration (SAT) for adjustment to the Tax on Financial Products (Impuesto Sobre Productos Financieros - ISPF) from the year 1999.	Q. 2,176,072	In administrative law proceedings (SCA-2004-62). The public hearing for this case was held on August 3, 2006. Pending a ruling.

B. Other proceedings

On October 28, 2016, as a result of a complaint filed by the Administration for Special Verification (*Intendencia de Verificación Especial* - IVE) of the Superintendency of Banks on September 5, 2016, the Public Ministry initiated the process for apprehending members of the Board of Directors and the general manager of Banco de los Trabajadores at that time, due to the simulation of payment of fees for Q. 5.6 million to an attorney and notary that provided professional services to the Bank between 2010 and 2011. Part of these funds were used in 2011 by companies related to these executives in order to purchase properties located in Villas and Valles de Elgin, which had been auctioned by the Bank in order to recover principal and interest owed for Q. 2.4 million (amount that was below the commercially appraised value at that date for these properties, of approximately Q. 7 million).

Since these payments were recorded in profit and loss of that year, the Bank's management considers that the final result of this proceedings will not have additional adverse effects in the equity of the Bank's financial statements as of December 31, 2016.

However, the Bank's management started an investigation in order to determine the existence of other possible cases similar to those cited above and determine who is legally responsible for them.

26. FOREIGN CURRENCY TRANSACTIONS AND EXPOSURE TO EXCHANGE RISK

As of December 31, 2016 and 2015 the balances of financial assets and liabilities denominated in foreign currency are expressed in quetzales at the closing exchange rate published by the Guatemalan Central Bank in effect at those dates, for each currency. Such balances are summarized as follows:

	2016	2015
Assets:		
Cash and cash equivalents	US$ 31,841,962	US$ 21,151,675
Investments	102,442,592	116,255,485
Loan portfolio	18,804,984	19,845,332
Financial income receivable	1,228,811	1,659,904
Accounts receivable	4,017,187	2,946
Foreclosed assets	4,565,323	4,705,092
Investments in equity	1	1
	US$ 162,900,860	US$ 163,620,435
Liabilities:		
Deposits	US$ 16,951,025	US$ 25,878,862
Loans obtained	150,000,000	155,055,314
Financial expenses payable	2,266,180	2,416,596
Accounts payable	1,180,841	640,815
Other credit accounts	23,360	40,657
Total liabilities	US$ 170,421,406	US$ 184,032,244
Net position	US$ (7,520,546)	US$ (20,411,809)

Most of the assets and liabilities in foreign currency of the Bank are in dollars of the United States of America. As of December 31, 2016 and 2015 the exchange rate established by the Guatemalan Central Bank used to express in quetzales the balances in such foreign currency was Q. 7.52213 and Q. 7.63237 per US$1, respectively.

In Guatemala, foreign currency transactions must be carried out through the banking system. On November 6, 1989 the Monetary Board freed the exchange rate of the quetzal with respect to the dollar of the United States of America and thus the exchange rate is determined by the supply and demand of the dollar in the market.

As of December 31, 2016 and 2015, the Bank has recorded net gains from exchange differences for Q. 7,629,036 and Q.5,832,552, respectively, which are presented in the account "Exchange Variations and Gains (losses) in Foreign Currency."

27. RISK MANAGEMENT

The Bank is exposed to the following risks that, upon occurrence, might have a significant adverse effect on its financial statements:

- ***Credit Risk***

  It is the contingency that an institution may incur in losses as a consequence of a borrower or counterparty not complying with their obligations under the agreed terms.

- ***Liquidity Risk***

  It is the contingency that an institution may not have the capacity to fund increases in its assets or timely comply with its obligations, without incurring in financial costs outside of the market.

- ***Market Risk***

  It is the contingency that an institution could incur in losses as a consequence of adverse movements in financial market prices. This includes interest rate and exchange rate risk.

- **Operating Risk**

  It is the contingency that an institution could incur in losses due to inadequacies or failures in processes, personnel, and internal systems or due to external events. It includes technological and legal risks.

- ***Country Risk***

  It is the contingency that an institution could incur in losses, associated with the economic, social and political environment in the country where the borrower or counterparty has its operations and/or domicile. It includes sovereign, political and transference risk.

- ***Risk of the Laundering of Assets and Financing of Terrorism***

  This is the contingency that the services and products of an institution could be used to cover financial assets, such that they can be used without detecting the illegal activity that generates them. In addition to possible penalties or reprimands for non-compliance with the current Law Against the Laundering of Money and Other Assets and the Law for the Prevention and Suppression of the Financing of Terrorism, it also puts at risk the image of the institution.

- ***Regulatory Risk***

  It is the contingency that an institution could incur in losses due to non-compliance with the regulatory or legal requirements in the relevant jurisdiction in which the institution operates.

28. PRESENTATION OF FINANCIAL STATEMENTS

The figures of the financial statements for the years ended December 31, 2016 and 2015 were regrouped within the same accounting item with respect to the report previously issued in Spanish for a better understanding by the foreign investors. The accounting basis used was not modified from the one established in the Accounting Instructions Manual for Entities Subject to the Oversight and Inspection of the Superintendency of Banks and approved by the Monetary Board of the Republic of Guatemala.

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