

Banco de los Trabajadores

Financial Statements

March 31, 2018

(With the Independent Auditor's Report on Review of Interim)

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Independent Auditor's Report on Review of Interim Financial Statements

To the Shareholders of Banco de los Trabajadores:

We have reviewed the accompanying balance sheet of Banco de los Trabajadores (hereinafter referred to as the "Bank") as of March 31, 2018 and the related statements of income, changes in equity and cash flows for the three-month period then ended, and notes to the interim financial statements. Management is responsible for the preparation and presentation of these interim financial statements according to the Manual of Accounting Instructions for Entities Subject to the Surveillance and Inspection of the Superintendency of Banks issued by the Monetary Board. Our responsibility is to express a conclusion on these interim financial statements based on our review.

Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial statements as at and for three months ended March 31, 2018 are not prepared, in all material respects, the financial position of the Bank and of its financial performance and its cash flows in accordance to the Manual of Accounting Instructions for Entities Subject to the Surveillance and Inspection of the Superintendency of Banks issued by the Monetary Board.

(Continue)

Emphasis of Matters

1) Proceedings Against Former Executives of the Bank

Without modifying our review conclusion, we draw attention to note 32, as a result of a complaint filed by the Administration for Special Verification 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. The defrauded amounts were recorded in the income statement of the years 2010 and 2011, so the Bank's Administration considers that the final result of these processes will not have an additional adverse effects on the assets in the financial statements as of March 31, 2018. The Bank is constituted in the aforementioned criminal process as an adhesive complainant, expecting worthy reparation in favor of the Bank damage caused to the equity.

2) Accounting Base

Without modifying our review conclusion, we draw attention to notes 2 and 3 to the financial statements, which describe the accounting base used in their preparation. The financial statements have been prepared according to the accounting base established in the Manual of Accounting Instructions for Entities Subject to Surveillance and Inspection of the Superintendency of Banks, which differs in some aspects from the International Financial Reporting Standards.

Other Matter

The bank's financial statements for the year ended December 31, 2017 were audited by another auditor, who expressed an unqualified opinion on January 29, 2018.



Lic. Arturo José Aldana A.
Colegiado No. CPA-1379

May 28, 2018

Interim Unaudited Balance Sheet

As of March 31, 2018 and December 31, 2017

(Figures expressed in Quetzales)

	March 31, 2018 Q	December 31, 2017 Q
Assets		
Cash (note 4)	3,222,129,813	3,034,573,936
Investments, net (note 5)	6,687,198,320	5,818,038,103
Loans portfolio, net (note 6)	12,159,683,200	11,848,442,872
Financial products receivable (note 7)	297,265,776	277,637,650
Accounts receivable, net (note 8)	39,191,651	37,580,479
Foreclosed assets, net (note 9)	69,306,157	67,923,365
Permanent investments (note 10)	73,886,172	73,886,172
Property and equipment, net (note 11)	167,914,924	168,925,359
Deferred charges, net (note 12)	180,324,729	241,038,668
	<u>22,896,900,742</u>	<u>21,568,046,604</u>
Liabilities, Other Credit Accounts and Equity		
Deposit obligations (note 13)	18,457,400,830	17,165,767,625
Loans obtained (note 14)	1,109,878,500	1,101,715,500
Financial obligations (note 15)	838,000	838,000
Financial expenses payable (note 16)	13,682,240	11,854,720
Accounts payable (note 17)	563,209,908	607,952,223
Provisions (note 18)	74,320,122	116,430,952
Deferred credits (note 19)	47,178,212	233,149
Total liabilities	<u>20,266,507,812</u>	<u>19,004,792,169</u>
Other credit accounts (note 20)	<u>251,991,763</u>	<u>247,935,173</u>
Total liabilities and other credit accounts	<u>20,518,499,575</u>	<u>19,252,727,342</u>
Equity (notes 21 and 22)	2,378,401,167	2,315,319,262
Commitments and contingencies (note 32)	<u>22,896,900,742</u>	<u>21,568,046,604</u>
Contingencies, commitments, other liabilities and memorandum accounts (note 30)	<u>16,281,203,892</u>	<u>15,850,592,728</u>

See accompanying notes to the interim unaudited financial statements.

Interim Unaudited Statement of Income

For the three months period ended March 31, 2018 and 2017

(Figures expressed in Quetzales)

	March 31	
	2018	2017
	Q	Q
Financial income (note 23)	722,261,221	649,100,608
Financial expenses (note 23)	<u>(374,341,978)</u>	<u>(304,686,895)</u>
Net financial income	<u>347,919,243</u>	<u>344,413,713</u>
Service income (note 24)	5,812,883	49,736,518
Services expenses (note 24)	<u>(19,091,591)</u>	<u>(16,799,399)</u>
Net service income	<u>(13,278,708)</u>	<u>32,937,119</u>
Other operating income and expenses, net (note 25):		
Other operating income	27,296,861	4,311,911
Uncollectible and doubtful accounts (note 6)	(32,500,000)	-
Other operating expenses	<u>(1,969,451)</u>	<u>(24,531)</u>
Other operating income and expenses, net	<u>(7,172,590)</u>	<u>4,287,380</u>
Gross operating margin	327,467,945	381,638,212
Administrative expenses (note 26)	<u>(249,627,664)</u>	<u>(242,316,471)</u>
Operating margin, net	77,840,281	139,321,741
Extraordinary income and expenses, net (note 27)	7,967,594	6,574,693
Income and expenses from previous periods, net (note 28)	<u>16,741,941</u>	<u>322,155</u>
Gross income	102,549,816	146,218,589
Income tax expense (note 29)	<u>(1,083,853)</u>	<u>(20,157,630)</u>
Net income	<u>101,465,963</u>	<u>126,060,959</u>

See accompanying notes to the interim unaudited financial statements.

Interim Unaudited Statement of Changes in Equity

For the three months period ended March 31, 2018 and for the year ended December 31, 2017

(Figures expressed in Quetzales)

	March 31, 2018 Q	December 31, 2017 Q
Equity:		
Paid-in capital (note 21):		
Balance at the beginning of period	199,856,130	199,851,060
Increase in capital	840	5,070
Balance at period end	<u>199,856,970</u>	<u>199,856,130</u>
Permanent contributions :		
Balance at the beginning and end of period	<u>8,011</u>	<u>8,011</u>
Capital reserves (note 22):		
Legal reserve (note 3 item I):		
Balance at the beginning of period	120,936,549	99,172,729
Transfer of earnings from previous periods	24,547,603	21,763,820
Balance at period end	<u>145,484,152</u>	<u>120,936,549</u>
Reserve for contingencies (note 22):		
Balance at the beginning of period	151,017,321	2,717,708
Transfer of earnings from previous periods	108,388,290	155,799,613
Transfer to estimate on valuation of the loan portfolio	-	(7,500,000)
Balance at period end	<u>259,405,611</u>	<u>151,017,321</u>
Reserve for fiscal benefits:		
Balance at the beginning and end of period	<u>2,927,808</u>	<u>2,927,808</u>
Other reserves		
Balance at the beginning of period	1,302,806,151	1,069,124,105
Plus:		
Transfer of earnings from previous periods	325,164,869	233,699,420
Transfer of dividends from own shares held by the State	60,000	60,000
	<u>1,628,031,020</u>	<u>1,302,883,525</u>
Carried forward	<u>1,628,031,020</u>	<u>1,302,883,525</u>

Interim Unaudited Statement of Changes in Equity

	March 31, 2018 Q	December 31, 2017 Q
Brought forward	<u>1,628,031,020</u>	<u>1,302,883,525</u>
Less:		
Decrease dividends from previous periods	<u>(2,512)</u>	<u>(77,374)</u>
Balance at period end	<u>1,628,028,508</u>	<u>1,302,806,151</u>
Revaluation of Assets:		
Balance at beginning of period	42,030,528	45,161,118
Decrease on revaluation of assets	<u>(782,647)</u>	<u>(3,130,590)</u>
Balance at period end	<u>41,247,881</u>	<u>42,030,528</u>
Fair value gains on available for sale investments:		
Balance at beginning of period	4,784,712	(3,967,238)
Net (loss) income fair value on available-for-sale investments	<u>(4,808,449)</u>	<u>8,751,950</u>
Balance at period end	<u>(23,737)</u>	<u>4,784,712</u>
Earnings from previous periods:		
Balance at beginning of period	490,952,052	435,276,399
Net income	<u>101,465,963</u>	<u>490,952,052</u>
	592,418,015	926,228,451
Less:		
Transfer to other reserves	(325,164,869)	(233,699,420)
Transfer to reserve for contingencies	(108,388,290)	(155,799,613)
Transfer to legal reserve	(24,547,603)	(21,763,820)
Dividends decreed	(24,014,154)	(24,013,546)
Board of Directors bonus	<u>(8,837,136)</u>	<u>-</u>
	<u>(490,952,052)</u>	<u>(435,276,399)</u>
Balance at period end	<u>101,465,963</u>	<u>490,952,052</u>
Total equity	<u><u>2,378,401,167</u></u>	<u><u>2,315,319,262</u></u>

See accompanying notes to the interim unaudited financial statements.

Interim Unaudited Statement of Cash Flows

For the three months period ended March 31, 2018 and for the year ended December 31, 2017

(Figures expressed in Quetzales)

	At March 31,	
	2018	2017
	Q	Q
Cash flow from operating activities:		
Interest receivable	711,251,415	641,693,958
Commissions receivable	8,727,551	6,940,374
Services receivable	5,812,883	49,736,518
Interest payable	(361,983,141)	(285,807,518)
Services payable	(19,091,591)	(16,799,399)
Administrative expenses payable	(249,627,664)	(242,316,471)
Exchange gain (net)	(1,650,045)	4,287,380
Earnings from the holding or use of foreclosed assets (net)	(253,729)	(246,199)
Investments		
Income from divestiture	41,450,438,777	13,746,109,568
Expense for investment	(42,324,407,442)	(13,342,110,917)
Loans receivable		
Income from amortization	2,036,326,168	1,711,879,783
Expense for disbursement	(2,379,735,733)	(2,129,898,243)
Deposit obligations		
Income from deposits	8,235,144,190	7,637,236,545
Expense for withdrawal of deposits	(6,943,510,985)	(7,451,027,508)
Loans payable		
Expense for amortization of loans	-	(27,355,500)
Sale of extraordinary assets	7,756,004	1,030,597
Income tax paid	(30,908,730)	-
Other income and expenses (net):		
Other operating income	268,643,233	144,874,599
Other operating expenses	(236,155,796)	(202,016,389)
Net cash generated by operating activities	<u>176,775,365</u>	<u>246,211,178</u>
Cash flow from investment activities:		
Dividends received	26,977,455	-
Income for sale of property and equipment	2,390	-
Expense for purchase of property and equipment	(6,867,723)	(2,310,174)
Net cash flows generated by (used in) investing activities	<u>20,112,122</u>	<u>(2,310,174)</u>
Carried forward	<u>20,112,122</u>	<u>(2,310,174)</u>

(Continued)

Interim Unaudited Statement of Cash Flows

	At March 31,	
	2018	2017
	Q	Q
Brought forward	<u>20,112,122</u>	<u>(2,310,174)</u>
Cash flows from financing activities:		
Dividends paid	(494,474)	(702,440)
Subscription and payment of shares	-	(4,380)
Board of Directors' assignment payment	<u>(8,837,136)</u>	<u>-</u>
Net cash flows used in financing activities	<u>(9,331,610)</u>	<u>(706,820)</u>
Net increase of cash	187,555,877	243,194,184
Cash at the beginning of year	<u>3,034,573,936</u>	<u>1,386,319,971</u>
Cash at period end	<u><u>3,222,129,813</u></u>	<u><u>1,629,514,155</u></u>

See accompanying notes to the interim unaudited financial statements.

Notes to the Interim Unaudited Financial Statements

For the three months period ended March 31, 2018 and for the year ended December 31, 2017

1 Operations

Banco de los Trabajadores (the “Bank”) was organized under decree of law number 383 of October 1, 1965 and modifications, in which, a bank institution is set with legal person and own capital.

Its operations relate to banking and are governed by the following Guatemalan laws: Law of Banks and Financial Groups and, as applicable, Organic Law of the Bank of Guatemala, the Monetary Law, Law of Financial Supervision, Law against the Laundering of Money and Other Assets, and the Law to prevent and Repress the Financing of Terrorism.

The Bank has its central offices at Reforma Avenue 6-20 zone 9, Guatemala City.

2 Basis of Preparation

a Statement of Compliance

The accounting policies used for the preparation and presentation of financial information are in agreement, in all material respects, with general practice in banking activity regulated in Guatemala and with the Manual of Accounting Instructions for Entities Subject to the Surveillance and Inspection of the Superintendency of Banks (MIC) approved in Monetary Board Resolution JM-150-2006 and its subsequent amendments.

The purpose of the Manual of Accounting Instructions is to standardize the accounting record of all financial activities of the entities subject to the surveillance and inspection of the Superintendency of Banks of Guatemala.

Additionally, these accounting policies and reports are ruled by the Law of Banks and Financial Groups, Monetary Law, Law of Financial Supervision, Law against the Laundering of Money and other Assets, Law to Prevent and Repress the Financing of Terrorism, and other applicable laws, as well as the provisions of the Monetary Board and the Superintendency of Banks of Guatemala.

b Basis of Measurement

The assets and liabilities are measured at cost. In cases, some investment available for sale, are measured at their fair value; for some investment at maturity, at amortized cost and in the case of foreclosed assets, to their adjudication value or as stated in note 3e.

Notes to the Interim Unaudited Financial Statements

c Presentation Currency

The financial statements are expressed in Quetzales (Q), the functional and legal currency of Guatemala. At March 31, 2018 the reference exchange rates of the Bank of Guatemala and forex banking market was around Q7.39 per US\$1.00 (Q7.34 per US\$1.00 in December 2017).

d Use of Estimates

In the preparation of the financial statements, the management has made estimates and assumptions in order to report on the assets, liabilities, results of operations and disclosure of contingent liabilities. Actual results may differ from these estimates. Important estimates that are particularly susceptible to significant changes are related mainly to the determination of the estimate for valuation of the loan portfolio, the valuation of security investments, the valuation of foreclosed assets and recovery of accounts receivable.

3 Significant Accounting Policies

The attached information contained in the financial statements and their notes has been prepared and is the responsibility of the Bank's management. The accounting policies summarized below were applied in the preparation and presentation of these financial statements.

a Financial Instruments

A financial instrument is any contract originating a financial asset in one entity and at the same time, a financial liability or equity instrument in another.

Financial instruments include, among others, cash, investment securities, loan portfolio, financial income receivable, accounts receivable, deposit obligations, loans obtained, financial obligations, other obligations, financial expenses payable and accounts payable.

i. Cash equivalents

Include investments with maturities of three months or less from the date of the financial statements.

ii. Investments

The investment portfolio includes the following:

- Securities available for sale**

The initial accounting record is made at the acquisition cost without considering commissions and other similar charges incurred to purchase. Purchases and sales are recorded at the date of the transaction.

Notes to the Interim Unaudited Financial Statements

The book value of these investments is updated on a monthly basis based on their value quoted in the stock exchange market. When there is no exchange quotation this is determined based on the regulations related to the valuation of stock investments. In the case of certificates issued by the Bank of Guatemala or the Finance Ministry of Guatemala in which a reference market value cannot be established, the valuation is made at the acquisition cost.

The differences resulting from changes in prices are recorded in the equity. When the certificate is sold, the accumulated earning or loss in equity is recognized in the result of the year.

- **Securities held-to-maturity**

The initial accounting record is made at the acquisition cost without considering commissions and other similar charges incurred to purchase.

The book value of these investments is determined by the amortized cost method. Purchases, amortizations and maturities are recorded at the date of the transaction.

- **Repurchase and resale agreement of securities**

Investments in securities that the Bank bought under agreement to resale are accounted at the acquisition cost.

Investments in securities that the Bank has granted under repurchase agreements are written off against the investment account recorded in the balance sheet and are recorded in memorandum accounts.

iii. Estimate for investments valuation

According to the existing regulations an estimate should be register for investments valuation as a result of a risk analysis.

iv. Loan Portfolio

- **Loans and others**

According to the Manual of Accounting Instructions, the loan portfolio represents the amount of the loans granted by the bank in both local and foreign currency, plus-minus the exchange rate adjustment for loans in foreign currency. The commissions and any incremental cost related to the loans granted are recorded directly in the profit or loss of the year.

Notes to the Interim Unaudited Financial Statements

The balances of the accounts receivable from credit cards are divided into cycles, which monthly cut-dates are due in different days each month. For monthly accounting closure purposes, the amounts of purchases in establishments are recorded as accounts receivable when the transactions are carried out by the cardholder.

Likewise, in the account “extra-financing receivable” are recorded the purchases and accrued interest. As the corresponding quotas are due, they are transferred along with the interests to the accounts receivable from credit cards.

- **Estimate for valuation of loan portfolio and accounts receivable**
According to the Credit Risk Management Regulation, Resolution JM-93-2005 of May 23, 2005 and its modifications according to Resolution JM-167-2008 a reserve must be recorded against the year results according to the valuation of its loan portfolio assets.

If the reserve exceeds the legal maximum permitted as deductible expense for the purpose of the income tax expense determination, the excess may be recorded directly against capital reserve accounts in equity.

The creation and holding of generic reserves added to the specific reserves or provisions must cover the equivalent to one hundred percent of the overdue portfolio, and in any case it may be not less than 1.25% of the total gross credit assets.

b Permanent Investments

Investments in shares of entities with the purpose of holding permanent participation, are recognized using the cost method, independently from the share percentage, significant influence or control had in these entities.

Income obtained from such investments is recorded only as the accrued earnings of the shared entity – in which the investment is held – are distributed, occurred after the acquisition date.

Permanent investments in foreign currency are recorded at their equivalent in Quetzales, using the exchange rate in force when the acquisition is made and are kept recorded at the historic exchange rate, as required by the Manual of Accounting Instructions for Entities Subject to the Surveillance and Inspection of the Bank Superintendency of Guatemala.

In accordance with banking practices, it is allowed that the advances for acquisition of shares to be recognized in the advance for acquisition of assets account, included in the fixed assets item.

Notes to the Interim Unaudited Financial Statements

c Property and Equipment

- **Assets acquired**

Property and equipment are presented at the acquisition cost, except for the revalued fixed assets.

- **Revalued assets**

Revalued property is recorded at the value corresponding to the valuation made by independent appraisers.

- **Surplus on revaluation**

Surplus on revaluation of property is included as part of equity in the assets revaluation account.

- **Disbursements subsequent to acquisition**

Important renovations and improvements are capitalized whereas disbursements for repairs and maintenance that do not extend the useful life of the assets are recognized as expenses in results of period.

- **Depreciation**

Property and equipment recorded at cost (except land) and revalued buildings are depreciated by the straight-line method, using rates based on the percentages required by the tax law. The depreciation percentages used are the following:

	%
Buildings at cost and revaluated	5
Vehicles	20
Furniture and equipment	20
Telecommunications equipment	20
Information systems	33.33
Others	25

Depreciation expense is recorded against the results for the year, except for the depreciation expense on revalued buildings, which is charged directly to the asset revaluation account that forms part of equity.

Totally depreciated assets are disposal from the respective cost and accumulated depreciation accounts and are controlled in memorandum accounts.

d Amortization

Improvements to leased properties are deferred and amortized by the time specified on the respective contracts.

Notes to the Interim Unaudited Financial Statements

e Foreclosed Assets

These correspond to property and furniture granted in payment of credits in favor of the Bank. Initially they are recorded at the loan value owed plus interests and expenses incurred to the adjudication.

The valuation of these assets is updated by an independent appraiser in a period not exceeding three months as of the acquire date. If the valuation is lower than the book value, a valuation provision is created against the results of the year; otherwise a deferred profit is recorded in other creditor accounts.

Foreclosed assets must be sold within a maximum of two years as of the date of the award. If the sale is not made in this time they must be offered at public auction. If the foreclosed assets are not sold in public auction a new one will be held every three months, and the base price will be lower each time by 10% in relation with the first auction's base.

If the base price for the auction of a foreclosed asset is less than the book value a reserve equivalent to the difference between both values is automatically created.

The net results from the holding or use of foreclosed assets must be recorded as an increase in the special reserve for cover losses in the realization of these assets. The balance of specific reserve for each foreclosed assets is transfer to the results of the year when exist a formal agreement of sell.

If the sale is in cash and the sale value is greater than the book value, the difference is recorded directly to the results of the year. If the sale is on terms and the value of the sale is greater than the book value, the difference is recorded as a deferred profit and transferred to results as the installments are collected. If the sale value is less than the book value, a loss is recorded in results, independently of whether the sale is on cash or on terms.

The capitalized income from foreclosed assets, if any, are recorded by the cash method.

f Provisions

A provision is recognized in the balance sheet when there is a legal or implicit obligation as a result of past events and it is likely that a disbursement will be required to settle the obligation.

The provision made is close to its liquidation value, however it may defer from the definitive amount.

Notes to the Interim Unaudited Financial Statements

g Employee Benefits

According to the Manual of Accounting Instructions for Entities Subject to the Surveillance and Inspection of the Banks Superintendency of Guatemala, the Bank monthly records a provision against results in the proportion equivalent to the compensation on termination of the labor relationship, either in accordance with the provisions contained in the Labor Code, collective agreements, policies established by the entity or, in this case, individual labor contracts.

In conformity with the Guatemalan laws, employers must pay to their employees and workers, in case of unjustified dismissal, severance pay compensation equivalent to one-month salary for each year of continuous work, or to their beneficiaries in case of death, according to Article 85 (a) of the Labor Code.

If the provisions exceed the legal maximum allowed as deductible expense for fiscal purposes, the excess are recorded directly against equity accounts.

h Income Recognition

Income earned from concepts other than those indicated in the following items i, ii and iii are recorded in income receivable and deferred profit accounts, as the case may be, and are recorded in the results of the year until received.

Income obtained for the following concepts are recorded using the accrual basis in result accounts detail as follow:

- i. Interests earned, not received, upon bonds or documents issued by the Bank of Guatemala and securities from other issuers whose amortization funds are controlled by the Bank of Guatemala;
- ii. Interests earned, not received, on securities issued by foreign governments or foreign central banks, which have at least an A-3 risk rating for short term or BBB for long term granted by Standard & Poor's, or an equivalent rating granted by a prestigious international risk rating organization, and,
- iii. Interest, commissions, rents and other income from credit card portfolio.

Record of income earned, not received, in the deferred profits account is suspended when a delay of 30 calendar days occurs for investments in certificates and 90 calendar days for the rest of operations and services, counting from the day following that when agreed payments should have been made. When the referred suspension occurs, income earned, not received, should be reversed from the balance sheet accounts affected.

Notes to the Interim Unaudited Financial Statements

For credit card operations the accounting recording in results is suspended when a delay of 90 calendar days occurs counting from the day following that when payments agreed should have been received. When the referred suspension occurs income earned is recognized as expenses against the income receivable account in which it was recorded initially. Charges capitalized in credit card accounts are excluded and will not be reversed.

The balances that have been suspended recorded in balance sheet accounts and result accounts and those that have been earned from the suspension date will be recorded in memorandum accounts.

i Decreed Dividends

Dividends are declared according to the authorization of the Shareholders' Meeting, reducing the capital reserves account and recording an account payable.

The Bank Superintendency according to the corresponding process will be able to limit banks, financial entities and off-shore entities on the distribution of dividends, under any method or form adopted by such dividends, when upon the criteria of said body and as a cautious measure it will be necessary to strengthen the liquidity and/or solvency of the bank, financial institution and off-shore entity. Such limitation will not be applicable to the limited vote share with preferential dividends.

j Board of Directors Assignment Payment

In accordance with the Shareholders Meeting, it is approved annually the assignment payments to the Board of Directors. The amount assigned is reduced from the capital reserves and a payable account is registered. The payment is made in cash during the year in which the assignment is declared.

k Reserve for Contingencies and Other Reserves

The reserve for contingencies and other reserves are used to record the amounts that in conformity with the decisions of the directive organs of the Bank are separated from profit since it is convenient to create or increase reserves in order to face eventual losses, ensure coverage for non-specific or unexpected situations, as well as reserves or provisions (estimates) according to section 53 of the Act of Banks and Financial Groups.

l Legal Reserve

According to articles 36 and 37 of the Commerce Code of Guatemala, all partnership must separate annually at least 5% of the net profit of each exercise to create the legal reserve. Such reserve could not be distributed in any way among the shareholders until the dissolution of the partnership. However annually could be capitalized the exceeding of 5% when it exceeds 15% of the paid in capital at the closing of the previous period without detriment of keeping reserving the abovementioned five percent 5% on an annual basis. A 5% of the net profit of the previous year must be recorded during the current year.

Notes to the Interim Unaudited Financial Statements

m Income Tax

Income tax is the estimate tax payable on the year's taxable revenue using the tax rate in force at the balance sheet date and any other adjustment on the tax payable with respect to previous years.

n Assets and Liabilities in Foreign Currency

Assets and liabilities in foreign currency are presented at their equivalent in Quetzales, using the exchange rate issued by the monetary authorities (see note 2c).

o Transactions in Foreign Currency

Transactions in foreign currency are recorded at their equivalent in Quetzales using the exchange rate in force when the operation is carried out.

The foreign currency differences, if any, resulting between the date when the operation is recorded and the date of the payment or the accounting close is recorded against the results of the accounting period.

4 Cash

The summary of this account is as follows:

	March 31, 2018 Q	December 31, 2017 Q
Local currency:		
Central Bank legal deposit (a)	2,699,314,461	2,380,389,468
Cash	124,205,712	150,713,316
Central Bank special deposits	108,909,700	100,924,600
Checks for compensation	18,472,832	43,182,171
Local Banks	2,632,416	6,193,652
Total local currency	<u>2,953,535,121</u>	<u>2,681,403,207</u>
Foreign currency:		
Central Bank legal deposit (a)	144,211,268	227,337,559
Foreign banks	114,493,460	114,433,497
Cash	9,025,155	9,625,901
Central Bank special deposits	719,201	740,353
Checks and money orders to compensate	145,608	1,033,419
Total foreign currency	<u>268,594,692</u>	<u>353,170,729</u>
	<u>3,222,129,813</u>	<u>3,034,573,936</u>

- (a) The balance of this account is applied to cover the required legal banking reserve on its deposit obligations; therefore, these funds are construed as restricted (see note 13).

Notes to the Interim Unaudited Financial Statements

5 Investments, net

The summary of this account as of March 31, 2018 is as follows:

	Annual interest ranges	Maturity	Amount in US\$	Amount in Q
Local currency:				
Securities available for sale:				
Representative certificates of Treasury Bonds of the Republic of Guatemala	7.37% to 12.85%	From 2018 to 2031		3,434,155,000
Term deposit certificates of Bank of Guatemala	7.12% to 9.25%	From 2021 to 2030		1,300,000,000
				<u>4,734,155,000</u>
Securities held to maturity:				
Term deposit certificates of Bank of Guatemala	2.40%	2018		1,150,000,000
F.H.A. mortgage debentures	9.00% to 13.02%	From 2021 to 2040		18,844,162
Financial promissory notes (Financiera de los Trabajadores, S.A.)	6%	From 2018 to 2019		1,143,582
				<u>1,169,987,744</u>
Resale agreement of securities:				
Representative certificates of Treasury Bonds of the Republic of Guatemala	2.80% to 3.08%	2018		<u>130,000,000</u>
Interest paid on purchases of securities				832,975
Total local currency				<u>6,034,975,719</u>
Carried forward				<u>6,034,975,719</u>

Notes to the Interim Unaudited Financial Statements

	Annual interest ranges	Maturity	Amount in US\$	Amount in Q
Brought forward				6,034,975,719
Foreign currency:				
Securities for sale:				
Representative certificates of Treasury Bonds of the Republic of Guatemala	4.75% to 6.20%	From 2020 to 2028	74,466,789	<u>550,993,918</u>
				<u>550,993,918</u>
Resale agreement of securities:				
Representative certificates of Treasury Bonds of the Republic of Guatemala	3.05% to 3.12%	2018	14,600,000	<u>108,028,175</u>
				<u>108,028,175</u>
Total foreign currency				659,022,093
Total investments				6,693,997,812
Less: estimate on valuation				<u>(6,799,492)</u>
Total investments, net				<u>6,687,198,320</u>

Notes to the Interim Unaudited Financial Statements

The summary of this account as of December 31, 2017 is as follows:

	Annual interest ranges	Maturity	Amount in US\$	Amount in Q
Local currency:				
Securities available for sale:				
Representative certificates of Treasury Bonds of the Republic of Guatemala	7.37% to 10.00%	From 2020 to 2031		4,711,155,000
				<u>4,711,155,000</u>
Securities held to maturity:				
Representative certificates of Treasury Bonds of the Republic of Guatemala	1.75%	2018		300,000,000
Financial promissory notes (Financiera de los trabajadores)	6%	2018		23,200,000
F.H.A. mortgage bonds	8.50% to 13.95%	From 2017 to 2040		20,167,848
				<u>343,367,848</u>
Resale agreement of securities:				
Representative certificates of Treasury Bonds of the Republic of Guatemala	3.05%	2018		200,000,000
				<u>200,000,000</u>
Total local currency				<u>5,254,522,848</u>
Carried forward				<u>5,254,522,848</u>

Notes to the Interim Unaudited Financial Statements

	Annual interest ranges	Maturity	Amount in US\$	Amount in Q
Brought forward				5,254,522,848
Foreign currency:				
Securities for sale:				
Representative certificates of Treasury Bonds of the Republic of Guatemala	4.00% to 6.20%	From 2020 to 2027	75,149,095	<u>551,952,822</u> <u>551,952,822</u>
Securities held to maturity:				
Representative certificates of Treasury Bonds of the Republic of Guatemala	3.12%	2018	2,500,000	<u>18,361,925</u> <u>18,361,925</u>
Total foreign currency				570,314,747
Total investments				5,824,837,595
Less: estimate on valuation				<u>(6,799,492)</u>
Total investments, net				<u>5,818,038,103</u>

Notes to the Interim Unaudited Financial Statements

- a) Geographically the investments are securities issued by entities located in Guatemala.
- b) At March 31, 2018 the investments have maturities that range from 2018 to 2031. The maturities during the next five years are summarized as follows

	Q
2018	1,409,536,550
2019	943,583
2020	154,497,975
2021	523,770,030
2022	150,000,000
2023 onwards	4,455,249,674
	<u>6,693,997,812</u>

6 Loans Portfolio, net

The summary of this account is as follows:

	March 31, 2018 Q	December 31, 2017 Q
Local currency:		
Unsecured	11,928,086,071	11,579,109,846
Credit cards	224,204,808	239,059,885
Mortgage	101,817,277	104,020,040
Mortgage-unsecured	80,776,400	79,622,178
With own guarantee	77,467,117	78,782,418
In monetary deposit accounts	12,673,194	8,933,166
Debtors on sale of foreclosed assets	1,490,237	1,530,553
Pledged-unsecured	1,249,265	1,267,839
Total local currency	<u>12,427,764,369</u>	<u>12,092,325,925</u>
Foreign currency:		
Unsecured	59,847,980	59,567,427
Mortgage	26,589,711	27,213,111
Mortgage-unsecured	11,622,189	13,010,266
Payments by credit letters	8,916,403	13,550,683
Credit cards	5,613,193	5,812,620
In monetary deposit accounts	3,027,280	3,146,737
Pledged-unsecured	1,514,744	1,503,603
Pledged	-	43,974
Total foreign currency	<u>117,131,500</u>	<u>123,848,421</u>
Total loan portfolio, gross	<u>12,544,895,869</u>	<u>12,216,174,346</u>
Carried forward	<u>12,544,895,869</u>	<u>12,216,174,346</u>

Notes to the Interim Unaudited Financial Statements

	March 31, 2018 Q	December 31, 2017 Q
Brought forward	12,544,895,869	12,216,174,346
Less:		
Estimate on valuation:		
Specific	(342,121,545)	(336,140,350)
Generic	(43,091,124)	(31,591,124)
Total estimate on valuation	<u>(385,212,669)</u>	<u>(367,731,474)</u>
Total loan portfolio, net	<u>12,159,683,200</u>	<u>11,848,442,872</u>

Loan operations earn variable annual interest rates vary between the percentages indicated below:

	March 31, 2018 Q	December 31, 2017 Q
Loans:		
In local currency	7.00 – 58.80	7.00 – 42.00
In foreign currency	4.00 – 12.40	4.00 – 12.40
Credit card:		
In local currency	0 – 58.8	0 – 58.8
In foreign currency	11.82 – 49.92	11.82 – 49.92

The summary of the loan portfolio by situation is set out below:

	March 31, 2018 Q	December 31, 2017 Q
Local currency:		
Current	<u>12,113,734,158</u>	<u>11,806,825,010</u>
Past due:		
In extension process	338,008	338,008
In administrative collection	82,039,196	71,239,848
In legal collection	<u>231,653,007</u>	<u>213,923,059</u>
	<u>314,030,211</u>	<u>285,500,915</u>
Total local currency	<u>12,427,764,369</u>	<u>12,092,325,925</u>
Carried forward	<u>12,427,764,369</u>	<u>12,092,325,925</u>

Notes to the Interim Unaudited Financial Statements

	March 31, 2018 Q	December 31, 2017 Q
Brought forward	12,427,764,369	12,092,325,925
Foreign currency:		
Current	<u>46,238,923</u>	<u>54,954,947</u>
Past due:		
In administrative collection	54,139,074	52,263,190
In legal collection	<u>16,753,503</u>	<u>16,630,284</u>
	<u>70,892,577</u>	<u>68,893,474</u>
Total foreign currency	<u>117,131,500</u>	<u>123,848,421</u>
Total loan portfolio	<u>12,544,895,869</u>	<u>12,216,174,346</u>

The summary of the loan portfolio according to category is as follows:

	March 31, 2018 Q	December 31, 2017 Q
Local currency:		
Major debtors	7,203,870	8,513,611
Minor debtors	57,915,886	52,828,122
Microcredits	225,585	250,627
Mortgage loans for housing	43,746,405	44,379,618
Consumption	<u>12,318,672,623</u>	<u>11,986,353,947</u>
Total local currency	<u>12,427,764,369</u>	<u>12,092,325,925</u>
Foreign currency:		
Major debtors	71,397,770	71,088,229
Minor debtors	17,583,009	24,117,538
Mortgage loans for housing	8,078,092	8,145,681
Consumption	<u>20,072,629</u>	<u>20,496,973</u>
Total foreign currency	<u>117,131,500</u>	<u>123,848,421</u>
Total loan portfolio	<u>12,544,895,869</u>	<u>12,216,174,346</u>

The loan portfolio according to geographical area is located in Guatemala.

Notes to the Interim Unaudited Financial Statements

The summary of the credit portfolio according to maturities is as follows:

	March 31, 2018 Q	December 31, 2017 Q
Foreign currency:		
Up to one year	275,616,072	448,123,456
From one to three years	1,227,531,557	1,785,258,790
From three to five years	2,212,225,961	2,703,715,822
More than five years	8,712,390,779	7,155,227,857
Total local currency	<u>12,427,764,369</u>	<u>12,092,325,925</u>
Foreign currency:		
Up to one year	12,860,632	24,941,494
From one to three years	9,245,786	2,482,031
From three to five years	2,268,729	2,511,451
More than five years	92,756,353	93,913,445
Total foreign currency	<u>117,131,500</u>	<u>123,848,421</u>
Total loan portfolio	<u>12,544,895,869</u>	<u>12,216,174,346</u>

The accounting movement of the estimate on valuation of the loan portfolio is summarized as follow:

	March 31, 2018 Q	December 31, 2017 Q
Balance at beginning of the year	367,731,474	401,904,535
Plus increases for:		
Provision of period charged to results	32,500,000	-
Transfer to the reserve for contingencies	-	62,000,000
Recoveries	-	7,006,602
Effect of movements in exchange rates	<u>535,770</u>	<u>-</u>
	33,035,770	69,006,602
Less charges for:		
Loans applied to the estimate	<u>(15,554,575)</u>	<u>(103,179,663)</u>
Balance at period end / at year end	<u>385,212,669</u>	<u>367,731,474</u>

Notes to the Interim Unaudited Financial Statements

7 Financial Products Receivable

The summary of this account is as follows:

	March 31, 2018 Q	December 31, 2017 Q
Local currency:		
Cash	351,495	321,438
Investments	98,483,833	77,760,981
Loan portfolio	191,155,838	185,930,009
Income receivable	4,724,891	4,551,992
Total local currency	<u>294,716,057</u>	<u>268,564,420</u>
Foreign currency:		
Investments	2,327,149	8,807,808
Loan portfolio	222,570	265,422
Total foreign currency	<u>2,549,719</u>	<u>9,073,230</u>
	<u>297,265,776</u>	<u>277,637,650</u>

8 Accounts Receivable, net

The summary of this account is as follows:

	March 31, 2018 Q	December 31, 2017 Q
Local currency:		
Payments on account of third party	3,360,300	5,166,959
Advances on salaries	2,077,922	151,026
Rights per services	1,951,578	1,960,016
Legal expenses	1,015,113	1,054,065
Insurance premiums	461,943	445,461
Deposits for challenges	375,404	702,108
Bounced checks	19,610	-
Others	12,340,166	11,920,957
Total local currency	<u>21,602,036</u>	<u>21,400,592</u>
Foreign currency:		
Deposits in guarantee	29,655,744	29,437,631
Accounts pending liquidation	1,183,870	-
Rights per services	126,035	125,108
Others	29,129	22,916
Total foreign currency	<u>30,994,778</u>	<u>29,585,655</u>
Total accounts receivable	<u>52,596,814</u>	<u>50,986,247</u>
Less: estimate on valuation	<u>(13,405,163)</u>	<u>(13,405,768)</u>
	<u>39,191,651</u>	<u>37,580,479</u>

Notes to the Interim Unaudited Financial Statements

9 Foreclosed Assets, net

The summary of this account is as follows:

	March 31, 2018 Q	December 31, 2017 Q
Local currency		
Property	112,099,015	118,415,530
Movable assets	497,805	497,805
Expenditures for realizable assets	59,909	-
Total local currency	<u>112,656,729</u>	<u>118,913,335</u>
Foreign currency		
Property	<u>36,640,349</u>	<u>35,261,635</u>
Total foreign currency	<u>36,640,349</u>	<u>35,261,635</u>
Total foreclosed assets	<u>149,297,078</u>	<u>154,174,970</u>
Less: estimate on valuation	<u>(79,990,921)</u>	<u>(86,251,605)</u>
	<u><u>69,306,157</u></u>	<u><u>67,923,365</u></u>

The accounting movement of the valuation estimate of foreclosed assets is summarized as follow:

	Period ended on March 31, 2018 Q	December 31, 2017 Q
Balance at the beginning of the year	86,251,605	65,556,249
Plus increases for:		
Provisions charged to results (note 6)	-	20,194,720
Holding and exploitation	253,729	-
Others	-	514,429
Exchange currency fluctuation, net	<u>-</u>	<u>119,031</u>
	<u>253,729</u>	<u>20,828,180</u>
Less charges for :		
Balance against the estimation	<u>(6,514,413)</u>	<u>(132,824)</u>
Balance at period end / at year end	<u><u>79,990,921</u></u>	<u><u>86,251,605</u></u>

Notes to the Interim Unaudited Financial Statements

10 Permanent Investments

The summary of this account as of March 31, 2018 and December 31, 2017 is as follows:

	Percentage of participation	Number of shares	Per share Q	Nominal amount Total Q	Cost of investment Total US\$	Q
Shares:						
Local currency:						
Financiera de los Trabajadores, S.A.	94.49	39,120	1,000	39,120,000	-	36,700,000
Aseguradora de los Tabajadores, S.A.	99.18	34,912	801	27,964,512	-	35,018,666
Casa de Bolsa de los Trabajadores, S.A.	99.00	99	10,000	990,000	-	990,000
Útil Valor, S.A.	4.00	40,000	10	400,000	-	402,400
Imágenes Computarizadas de Guatemala, S.A.	3.36	504	1,000	504,000	-	815,100
Other partnerships and institutions:						
Asociación Bancaria de Guatemala	3.60	72	5,000	360,000	-	360,000
						<u>74,286,166</u>
Foreign currency:			US\$	US\$		
VISA Inc.		7,952	0.0001	0.7952	0.7952	6
						<u>74,286,172</u>
Less: estimate on valuation						<u>(400,000)</u>
Total						<u><u>73,886,172</u></u>

- The entities Financiera de los Trabajadores, S.A and Aseguradora de los Trabajadores, S.A. are entities regulated and supervised by the Superintendency of Banks of Guatemala and are part of Grupo Financiero de los Trabajadores (note 31).
- The dividends received as of March 31, 2018 due to the investments in shares in the entity Aseguradora de los Trabajadores, S. A. amounts to Q26,977,455.

Notes to the Interim Unaudited Financial Statements

11 Property and Equipment, net

The movement of this account for period ended March 31, 2018 is summarized as follows:

	Initial balance Q	Additions Q	Transfers Q	Disposals Q	Final balance Q
Cost:					
Lands	43,482,174	-	-	-	43,482,174
Reinvestment of profit tax benefit	822,947	-	-	-	822,947
Buildings	59,760,996	57,741	73,926	(302,417)	59,590,246
Reinvestment of profit tax benefit	1,920,209	-	-	-	1,920,209
Furniture and equipment	54,222,448	657,865	759,157	(2,742,046)	52,897,424
Vehicles	745,020	-	-	-	745,020
Information systems	23,168,892	5,232,583	34,786	(885,567)	27,550,694
Telecommunications equipment	2,845,503	-	52,093	(110,089)	2,787,507
Gallery paints	189,819	-	-	-	189,819
Others	32,427	-	-	-	32,427
Advances for assets acquisition	18,519,594	587,004	(1,943,795)	-	17,162,803
	<u>205,710,029</u>	<u>6,535,193</u>	<u>(1,023,833)</u>	<u>(4,040,119)</u>	<u>207,181,270</u>
Accumulated depreciation - Cost	<u>(84,053,600)</u>	<u>(5,736,248)</u>	<u>-</u>	<u>4,037,219</u>	<u>(85,752,629)</u>
	<u>121,656,429</u>	<u>798,945</u>	<u>(1,023,833)</u>	<u>(2,900)</u>	<u>121,428,641</u>
Revalued fixed assets:					
Lands	2,875,359	-	-	-	2,875,359
Buildings	62,611,795	-	-	-	62,611,795
	<u>65,487,154</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>65,487,154</u>
Accumulated depreciation – revaluated buildings	<u>(18,218,224)</u>	<u>(782,647)</u>	<u>-</u>	<u>-</u>	<u>(19,000,871)</u>
	<u>47,268,930</u>	<u>(782,647)</u>	<u>-</u>	<u>-</u>	<u>46,486,283</u>
Total	<u>168,925,359</u>	<u>16,298</u>	<u>(1,023,833)</u>	<u>(2,900)</u>	<u>167,914,924</u>

Notes to the Interim Unaudited Financial Statements

The movement of this account for the year ended December 31, 2017 is summarized as follows:

	Initial balance Q	Additions Q	Transfers Q	Disposals Q	Final balance Q
Cost:					
Lands	43,482,174	-	-	-	43,482,174
Reinvestments of profit tax benefit	822,947	-	-	-	822,947
Buildings	59,652,024	108,972	-	-	59,760,996
Reinvestments of profit tax benefit	1,920,209	-	-	-	1,920,209
Furniture and equipment	58,787,756	5,727,327	(29,150)	(10,263,485)	54,222,448
Vehicles	168,211	600,809	-	(24,000)	745,020
Information systems	20,100,502	11,011,361	-	(7,942,971)	23,168,892
Telecommunications equipment	2,692,421	301,377	-	(148,295)	2,845,503
Gallery	340,869	-	-	(151,050)	189,819
Others	-	32,427	-	-	32,427
Advances for assets acquisition	10,834,166	7,685,428	-	-	18,519,594
	<u>198,801,279</u>	<u>25,467,701</u>	<u>(29,150)</u>	<u>(18,529,801)</u>	<u>205,710,029</u>
Accumulated depreciation – cost	<u>(80,610,494)</u>	<u>(21,878,475)</u>	<u>211,934</u>	<u>18,223,435</u>	<u>(84,053,600)</u>
	<u>118,190,785</u>	<u>3,589,226</u>	<u>182,784</u>	<u>(306,366)</u>	<u>121,656,429</u>
Revaluated fixed assets:					
Lands	2,875,359	-	-	-	2,875,359
Buildings	62,611,795	-	-	-	62,611,795
	<u>65,487,154</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>65,487,154</u>
Accumulated depreciation – revaluated buildings	<u>(15,087,634)</u>	<u>(3,130,590)</u>	<u>-</u>	<u>-</u>	<u>(18,218,224)</u>
	<u>50,399,520</u>	<u>(3,130,590)</u>	<u>-</u>	<u>-</u>	<u>47,268,930</u>
Total	<u>168,590,305</u>	<u>458,636</u>	<u>182,784</u>	<u>(306,366)</u>	<u>168,925,359</u>

Notes to the Interim Unaudited Financial Statements**12 Deferred Charges, net**

The summary of this account is as follows:

	March 31, 2018 Q	December 31, 2017 Q
Goodwill (a)	4,077,500	4,077,500
Improvements to leased properties	97,616,397	97,050,333
Fusion expenses	158,123,618	158,123,618
Brands and licenses	20,448	20,448
Software licenses	4,755,779	4,755,779
	<u>264,593,742</u>	<u>264,027,678</u>
Less accumulated amortization	<u>(168,862,105)</u>	<u>(162,988,431)</u>
	<u>95,731,637</u>	<u>101,039,247</u>
Pre-paid expenses:		
Taxes, municipal taxes, and contributions	30,130,378	63,379,385
Materials and suppliers	3,348,904	4,194,495
Services	51,113,810	72,425,541
	<u>84,593,092</u>	<u>139,999,421</u>
	<u>180,324,729</u>	<u>241,038,668</u>

- a. The goodwill corresponds to overprice paid for the acquisition of share of Aseguradora de los Trabajadores, S. A.

Notes to the Interim Unaudited Financial Statements

The accounting movement of the accumulative amortization of the deferred charges for period ended on March 31, 2018 is as follow:

	Improvements to leased properties amortization Q	Fusion expenses amortization Q	Goodwill, brands and licenses amortization, Q	Software licenses amortization Q	Total Q
Balance at the beginning of the year	29,646,722	130,451,986	2,387,317	502,406	162,988,431
Plus increases for:					
Amortization expense of period	2,112,957	3,953,090	102,193	237,790	6,406,030
Less:					
Fully amortized asset	(532,356)	-	-	-	(532,356)
Balance at the end of period	<u>31,227,323</u>	<u>134,405,076</u>	<u>2,489,510</u>	<u>740,196</u>	<u>168,862,105</u>

Notes to the Interim Unaudited Financial Statements

The accounting movement of the accumulative amortization of the deferred charges for the year ended on December 31, 2017 is as follow:

	Improvements to leased properties amortization Q	Fusion expenses amortization Q	Goodwill, brands and licenses amortization, Q	Software licenses Amortization Q	Total Q
Balance at the beginning of the year	23,712,700	114,639,625	1,978,545	249,014	140,579,884
Plus increases for:					
Amortization expense of year	7,805,822	15,812,361	408,772	253,392	24,280,347
Less:					
Fully amortized asset	1,871,800	-	-	-	1,871,800
Balance at the end of year	<u>29,646,722</u>	<u>130,451,986</u>	<u>2,387,317</u>	<u>502,406</u>	<u>162,988,431</u>

Notes to the Interim Unaudited Financial Statements

13 Deposit Obligations

The summary of this account is as follows:

	March 31, 2018 Q	December 31, 2017 Q
Local currency:		
Current accounts	895,561,982	912,197,527
Savings deposits	1,649,644,329	1,555,790,252
Term deposits	15,783,348,080	14,558,056,674
Demand deposits	15,413	15,475
Deposits with restrictions	16,834,118	16,860,091
Total local currency	<u>18,345,403,922</u>	<u>17,042,920,019</u>
Foreign currency:		
Current accounts	49,835,552	56,231,537
Savings deposits	45,051,153	49,490,492
Term deposits	16,576,140	16,606,169
Demand deposits	740	734
Deposits with restrictions	533,323	518,674
Total foreign currency	<u>111,996,908</u>	<u>122,847,606</u>
	<u>18,457,400,830</u>	<u>17,165,767,625</u>

Deposit operations earn annual interest rates that fluctuate between the percentages shown below:

	March 31, 2018 %	December 31, 2017 %
Local currency:		
Current accounts	0.00 - 7.23	0.00 - 7.23
Savings deposits	0.00 - 7.23	0.00 - 7.23
Term deposits	3.56 - 9.65	3.56 - 9.65
Foreign currency:		
Current accounts	0.00 - 0.50	0.00 - 0.50
Savings deposits	0.00 - 0.50	0.00 - 0.50
Term deposits	0.25 - 3.56	0.25 - 3.56

Notes to the Interim Unaudited Financial Statements

- Bank deposits are subject to banking reserves, which are calculated in local and/or foreign currency as a percentage of the total amount of such deposits. This banking reserve will have to be maintained constantly as deposits of immediate demand at the Central Bank, as cash funds in the cashiers of the banks, and when the circumstances deserve it, as net investment in titles, documents or securities, either local or foreign, in conformity with the regulations issued by Monetary Board for this purpose.
- The percentage of the banking reserve on financial obligations in local and foreign currency is of 14.6%. Bank of Guatemala pays on availability balances that conform the calculated banking reserve (see note 4).
- On June 1, 2002, the Banks and Financial Groups Act, Decree No. 19-2002, came into force establishing the creation of the Fund for the Protection on Savings (FOPA, in Spanish), which covers deposits made in the Bank by individuals or companies up to Q20,000 or its equivalent in foreign currency.
- The quotas that each bank has to contribute monthly to FOPA are determined according to the regulations in force. The Bank's obligation to pay these quotas ceases when the balance of this contribution reaches 5% of the total deposit obligations in the local banking system.
- During the period ended on March 31, 2018 the Bank carried out contributions to FOPA amounting to Q3,812,502 (Q3,548,641 in 2017), which were recorded against the results of the year.
- At March 31, 2018 the accounts making up the deposit obligations include balances in the amounts of Q16,834,118 and US\$72,078 (Q16,860,091 and US\$70,617 in 2017) that correspond to third party deposits which are seized for a court decision.

14 Loans Obtained

The balance of this account for March 31, 2018 is US\$150,000,000 equivalent to Q1,109,878,500 (US\$. 150,000,000 equivalent to Q1,101,715,500 for 2017).

At November 14, 2013 the bank contracted a loan with the financial institution Deutsche Bank AG, LONDON BRANCH for US\$ 150,000,000 with a term of 7 years, interest rate of 9% per annum, interest payment on a semi-annual basis and capital at the expiration of the term. This loan has an unsecured guarantee from the Bank.

During the term of this financing, the Bank must comply with the financial parameters and the agreements established in the clauses of doing or not doing, contents in the contract of the respective loan.

Notes to the Interim Unaudited Financial Statements**15 Financial Obligations**

The summary of this account is as follows:

	March 31, 2018 Q	December 31, 2017 Q
Mortgage bonds with general guarantee	838,000	838,000
	<u>838,000</u>	<u>838,000</u>

Authorizations for the issue of these bonds are contained in the resolution for the Monetary Board No. JM-166-97 of April 23 of 1997.

All issued mortgage bonds have an authorized amount of up to Q300,000,000. Resources obtained have been allocated to finance active operations authorized under the Banks and Financial Groups Act.

Mortgage bonds are guaranteed with the Bank's assets. These mortgage bonds accrue a variable interest rate that fluctuates between 7.75% and 8% annually.

16 Financial Expenses Payable

The summary of this account is as follows:

	March 31, 2018 Q	December 31, 2017 Q
Local currency:		
Financial obligations	13,396,449	11,633,778
Loans obtained	<u>18,685</u>	<u>18,685</u>
Total local currency	<u>13,415,134</u>	<u>11,652,463</u>
Foreign currency:		
Financial obligations	<u>267,106</u>	<u>202,257</u>
Total foreign currency	<u>267,106</u>	<u>202,257</u>
	<u>13,682,240</u>	<u>11,854,720</u>

Notes to the Interim Unaudited Financial Statements

17 Accounts Payable

The summary of this account is as follows:

	March 31, 2018 Q	December 31, 2017 Q
Local currency:		
Income pending application	260,962,865	260,519,042
Immediate obligations	258,681,809	233,195,351
Obligations on issuance of documents	35,878,170	34,120,834
Others	2,873,348	2,223,855
Obligations on administration	1,544,830	2,079,975
Income tax payable (note 29)	1,083,854	73,645,198
Total local currency	<u>561,024,876</u>	<u>605,784,255</u>
Foreign currency:		
Immediate obligations	1,244,411	54,873
Obligations on issuance of documents	732,247	1,683,494
Income pending application	208,374	429,601
Total foreign currency	<u>2,185,032</u>	<u>2,167,968</u>
	<u>563,209,908</u>	<u>607,952,223</u>

18 Provisions

The summary of this account is as follows:

	March 31, 2018 Q	December 31, 2017 Q
Employee annual bonuses /a/	2,275,221	-
Employee annual bonuses /b/	6,453,142	1,786,787
Reserve for labor compensation	40,648,197	41,001,356
Others	24,943,562	73,642,809
	<u>74,320,122</u>	<u>116,430,952</u>

/a/ Paid in December "Christmas bonuses"

/b/ Paid in July "Mid year bonuses" (Bono 14)

Notes to the Interim Unaudited Financial Statements

19 Deferred Credits

This account relates to the income that the Bank has already earned, but has not been accrued yet. The summary of this account is as follow:

	March 31, 2018 Q	December 31, 2017 Q
Local currency:		
Loan portfolio commissions	47,039,503	120,734
Income from services	122,865	112,415
Loan portfolio interest	15,844	-
	<u>47,178,212</u>	<u>233,149</u>

20 Other Credit Accounts

The summary of this account is as follows:

	March 31, 2018 Q	December 31, 2017 Q
Local currency:		
Investments	1,849,269	1,727,302
Loan portfolio	191,155,838	185,930,009
Accounts receivable	4,724,891	4,551,993
	<u>197,729,998</u>	<u>192,209,304</u>
Capitalized income	53,419,412	54,878,061
Total local currency	<u>251,149,410</u>	<u>247,087,365</u>
Foreign currency:		
Loan portfolio	222,570	265,422
Investments	37,398	-
	<u>259,968</u>	<u>265,422</u>
Capitalized income	582,385	582,386
Total foreign currency	<u>842,353</u>	<u>847,808</u>
	<u>251,991,763</u>	<u>247,935,173</u>

21 Paid-in Capital

The capital is worth of Q200,000,000 distributed in 2,000,000 registered shares with a face value of Q10 each.

At March 31, 2018 the subscribed and paid capital amounts up to Q199,856,970 distributed in shares 19,985,697 (Q199,856,130 distributed in shares 199,985,613 in 2017).

Notes to the Interim Unaudited Financial Statements

22 Capital Reserves

Decreed dividends and Board of Directors bonus:

In conformity with the Fiftieth Ordinary General Shareholders' Assembly No.156 of February 27, 2018 and as part of the profit distribution project of 2017, a dividend to the common shareholder Q5,071,060; preferred series "A" Q157,094 preferred series "B" Q18,786,000 and Board of directors bonus of Q8,837,136.

Reserve for contingencies

In conformity with the Fiftieth Ordinary General Shareholders' Assembly No.156 of February 27, 2018, it was approved to transfer to this account the amount of Q108,388,290 which correspond to the profit of period 2017.

23 Net Financial Income

The summary of income and expenses generated from financial operations is as follows:

	Period ended on March 31	
	2018	2017
	Q	Q
Financial income:		
Income from interests:		
Loan portfolio	603,216,944	537,486,614
Investments	108,018,484	104,185,991
Accounts receivable	7,269	9,078
Others	8,718	12,275
	<u>711,251,415</u>	<u>641,693,958</u>
Commissions:		
Loan portfolio	8,344,988	6,672,759
Others	382,563	267,615
	<u>8,727,551</u>	<u>6,940,374</u>
Other financial income:		
Price difference in resale agreement of securities	<u>2,282,255</u>	<u>466,276</u>
	<u>2,282,255</u>	<u>466,276</u>
Total financial income	<u>722,261,221</u>	<u>649,100,608</u>
Financial expenses:		
Expenses from interests:		
Deposit obligations	(332,228,696)	(260,802,692)
Loans obtained	<u>(29,737,976)</u>	<u>(24,988,357)</u>
Carried forward	<u>(361,966,672)</u>	<u>(285,791,049)</u>

Notes to the Interim Unaudited Financial Statements

	Period ended on March 31	
	2018	2017
	Q	Q
Brought forward	(361,966,672)	(285,791,049)
Financial obligations	(16,469)	(16,469)
	<u>(361,983,141)</u>	<u>(285,807,518)</u>
Other financial expenses:		
Additional benefits	(1,227,754)	(874,868)
Securities negotiation	(43,159)	-
FOPA formation quote	(11,087,924)	(8,942,592)
Price difference in resale agreement of securities	-	(9,061,917)
	<u>(12,358,837)</u>	<u>(18,879,377)</u>
Total financial expenses	<u>(374,341,978)</u>	<u>(304,686,895)</u>
Net financial income	<u>347,919,243</u>	<u>344,413,713</u>

24 Net Services Income

The summary of the income and expenses from services is as follows:

	Period ended on March 31	
	2018	2017
	Q	Q
Services income:		
Commissions	5,209,146	4,588,349
Others	603,737	45,148,169
Total services income	<u>5,812,883</u>	<u>49,736,518</u>
Services expenses:		
Commissions	(19,091,591)	(16,799,399)
Total service expenses	<u>(19,091,591)</u>	<u>(16,799,399)</u>
Margin on services	<u>(13,278,708)</u>	<u>32,937,119</u>

Notes to the Interim Unaudited Financial Statements

25 Other Operating Income and Expenses, net

The summary of other operating income and expenses is as follows:

	Period ended on March 31	
	2018	2017
	Q	Q
Income:		
Dividends received (note 10)	26,977,455	-
Exchange rates movements and gain in foreign currency	319,406	4,311,911
Total other operating income	<u>27,296,861</u>	<u>4,311,911</u>
Expenses:		
Exchange rates movements and losses in foreign currency	<u>(1,969,451)</u>	<u>(24,531)</u>
Sub-total other operating expenses	(1,969,451)	(24,531)
Plus:		
Uncollectible and doubtful accounts		
Loan portfolio	<u>(32,500,000)</u>	<u>-</u>
Total other operating expenses	<u>(34,469,451)</u>	<u>(24,531)</u>
	<u>(7,172,590)</u>	<u>4,287,380</u>

26 Administrative Expenses

The summary of administrative expenses is as follows:

	Period ended on March 31	
	2018	2017
	Q	Q
Outsourcing personnel services	88,083,245	72,504,627
Officers and employees	78,037,201	79,572,491
Marketing and advertising	16,354,452	9,256,787
Lease (note 32)	14,738,666	12,971,281
Amortizations	6,406,030	5,931,142
Depreciations	5,736,248	5,373,310
Professional fees	5,410,195	9,739,314
Taxes, import duties and contributions	5,329,774	5,262,219
Repairs and maintenance	4,792,754	5,665,036
Board of Administrative Directors	3,821,852	7,804,806
Insurance premium and bonds	1,121,423	1,153,052
Stationary and office supplies	966,846	1,186,088
Others (a)	18,828,978	25,896,318
	<u>249,627,664</u>	<u>242,316,471</u>

Notes to the Interim Unaudited Financial Statements

- a. Mainly includes outsourcing, communication expenses and security and surveillance, for both periods.

27 Extraordinary Income and Expenses, net

The summary of the extraordinary income and expenses are as follows:

	Period ended on March 31	
	2018	2017
	Q	Q
Income:		
Recoveries (a)	4,768,688	4,073,161
Extraordinary assets	1,378,343	161,281
Gain on sale of property and equipment	1,950	500
Others	2,120,534	2,735,354
Total extraordinary income	<u>8,269,515</u>	<u>6,970,296</u>
Expenses:		
Loss on possession and misuse of foreclosed assets (note 9)	(253,729)	(246,199)
Compensation for damages	(32,850)	(26,282)
Loss on liquidation on foreclosed assets	(2,283)	(4,901)
Loss on sale of property and equipment	-	(52,091)
Others	(13,059)	(66,130)
Total extraordinary expenses	<u>(301,921)</u>	<u>(395,603)</u>
	<u>7,967,594</u>	<u>6,574,693</u>

- (a) This account is used to record the recovery of credit assets, which balances were written off the credit portfolio and transferred to other memorandum accounts for their control since they were considered irrecoverable at certain moment.

28 Income and Expenses from Previous Periods, net

The summary of income and expenses from previous periods is as follows:

	Period ended on March 31	
	2018	2017
	Q	Q
Income	18,414,690	4,236,588
Expenses	(1,672,749)	(3,914,433)
	<u>16,741,941</u>	<u>322,155</u>

Notes to the Interim Unaudited Financial Statements

29 Income Tax

Income tax returns filed by the Bank from fiscal years 2014 to 2017 are subject to review from the fiscal authorities. The State's right to carry out the review is limited to four years being counted from the maturity date of the tax payment.

In accordance with the Book I Income Tax Decree No. 10-2012 of the Congress of the Republic of Guatemala issued on March 5, 2012, the Bank adopted, from January 1, 2014, the regime upon the earnings coming from profit activities for the determination of the income tax which establishes a taxable rate of 25%. Besides, capital revenues and capital earnings are imposed with a taxable rate of 10% and the distribution of dividends, profits, and earnings is imposed with a rate of 5%.

The income tax expense of period ended on March 31, 2018 amounted up to Q1,083,853 with represented an effective rate of 1.06%.

The integration of the taxable rate determination and the income tax expense is as follows:

	March 31, 2018 Q
Gross revenue (total income)	782,055,171
Less non-taxable income	(104,907,933)
Less deductible costs and expenses	(672,811,825)
Taxable income	<u>4,335,413</u>
Taxable rate	<u>25%</u>
Income tax expense	<u><u>1,083,853</u></u>

The determination of the income tax above was prepared in all significant aspects, in conformity with the provision contained in Book I of the Tax Updating Act, Decree No. 10-2012 of the Congress of the Republic of Guatemala and its amendments which contain the regulation applicable to the income tax. The amounts stated might be subject to subsequent changes depending on the criteria applied by the fiscal authorities when analyzing the transactions.

Notes to the Interim Unaudited Financial Statements

30 Contingencies, Commitments, Other Liabilities and Memorandum Accounts

This is an account that summarizes all the memorandum accounts recorded in the Bank as required by the Manual of Accounting Instructions.

The summary of this account is as follows:

	March 31, 2018 Q	December 31, 2017 Q
Local currency:		
Commitments and contingencies	154,924,934	150,281,670
Loan portfolio guarantee	512,025,997	511,111,842
Classification of investments and loan portfolio	12,098,173,947	11,838,390,387
Third-party administration	520,794,735	512,750,942
Documents and securities remitted	9,725,891	9,725,891
Authorized issuance of financial obligations	817,357,000	817,357,000
Financial obligations	703,357,000	703,357,000
Other memorandum accounts	993,642,914	971,845,446
Register accounts	2,311,634	2,362,917
Total local currency	<u>15,812,314,052</u>	<u>15,517,183,095</u>
Foreign currency:		
Commitments and contingencies	60,659,496	61,301,719
Classification of investments and loan portfolio	124,766,057	131,628,613
Third-party administration	964,866	888,288
Documents and securities remitted	139,770,699	-
Other memorandum accounts	142,728,722	139,591,013
Total foreign currency	<u>468,889,840</u>	<u>333,409,633</u>
	<u>16,281,203,892</u>	<u>15,850,592,728</u>

The item of third-party administration includes trust funds managed by the Bank according to the following summary:

	March 31, 2018 Q	December 31, 2017 Q
Local currency:		
Administration	520,571,135	512,529,410
Others	223,600	221,532
Total local currency	<u>520,794,735</u>	<u>512,750,942</u>

Notes to the Interim Unaudited Financial Statements

31 Conformation of the Financial Group

Article 27 of the Banks and Financial Groups Act, Decree 19-2002, establishes the constitution of Financial Group, which must be organized under the common control of a ruling company incorporated in Guatemala specifically for this purpose or a controlling company of the financial group.

On September 29, 2010 the Monetary Board issued Resolution No. JM 99-2010 fully formalizing the conformation of Grupo Financiero de los Trabajadores, which in this case is the Banco de los Trabajadores the responsible entity.

At March 31, 2018 the companies making part of Grupo Financiero de los Trabajadores are:

- Banco de los Trabajadores (responsible entity)
- Aseguradora de los Trabajadores, S.A.
- Financiera de los Trabajadores, S.A.

The transactions made with companies of Grupo Financiero de los Trabajadores are as follow:

	March 31, 2018 Q	December 31, 2017 Q
Income:		
Interests	689,991	1,392,000
Dividends	26,977,454	-
	<u>27,667,445</u>	<u>1,392,000</u>
Expenses:		
Interests	242,472	2,246,255
Services	824,284	4,897,722
	<u>1,066,756</u>	<u>7,143,977</u>

The balances with companies of Grupo Financiero de los Trabajadores are:

	March 31, 2018 Q	December 31, 2017 Q
Assets:		
Temporary investments	<u>1,143,582</u>	<u>23,200,000</u>

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	March 31, 2018 Q	December 31, 2017 Q
Liabilities:		
Deposit obligations	40,853,329	66,643,437
Accounts payable	359,351	1,093,299
	<u>41,212,680</u>	<u>67,736,736</u>

The companies of the financial group are not allowed to:

- a) Grant direct or indirect financing for the acquisition of representative shares from the parent company, the responsible company or any other financial company of the group to which it belongs;
- b) Carry out financial operations or services rendering among each other, under conditions such as terms, rates, amounts, guarantees and commissions other than those used in similar operations with third party

The Monetary Board will rule the operations that could be carried out among entities; and

- c) Perform operations or provide financial services that the Monetary Board considers incompatible with the financial business.

32 Commitments and Contingencies

- **Letters of Credit**

As of March 31, 2018, the Bank has contingencies from letters of credit issued in the amount of Q10,058,812 (Q10,058,812 and US\$122,088 equivalent to Q896,710 in 2017).

- **Trust funds (note 30)**

As of March 31, 2018, and December 31, 2017, the Bank manages a trustee 11 trust funds. In conformity with the Code of Commerce, the trustee is a responsible before third parties for the compliance of liabilities contained in the subscribed trust funds, including the compliance of the corresponding tax obligations. These trust funds are not audited by Klynveld Peat Marwick Goerdeler, S.A. 4 trust funds are audited by the General Comptroller of Accounts of the Nation and 1 is audited by other independent auditors.

- **Lease commitments**

The Bank entered into operating lease contracts for the use of some branches, furniture and equipment, and other assets, according to the conditions stipulated in the contracts. The amount of the expense of 2018 for this concept is worth of Q14,738,666 (Q12,971,281 in 2017).

Notes to the Interim Unaudited Financial Statements

- **Pending litigations**

As of March 31, 2018, are pending of resolution the following civil and fiscal litigations.

The amounts of the additional taxes claimed do not include fines and compensation interests and are summarized as follows:

	March 31, 2018 Q	December 31, 2017 Q
Additional taxes claimed		
In judicial instance (b):		
Income tax – financial income fiscal year 1998.	3,832,541	3,832,541
Income tax – financial income fiscal year 1999.	2,176,072	2,176,072
Civil process (b):		
Precautionary seizure resulting from decisions made against previous owners of Certibonos.	1,655,000	1,655,000
	<u>7,663,613</u>	<u>7,663,613</u>
Foreign currency (a):		
Litigation presented in the South Florida District, Case Number 1: 41-CV-23193-UU	-	3,250,000
	<u>-</u>	<u>3,250,000</u>
Promoted judgements by Bank		
Executive demand 01050-2017-00128, Comercializadora de Energía Esencial, S.A.	1,000,000	1,000,000
Executive demand 01048-216-01247, Sol Energy, S.A.	1,895,690	1,895,690
Semtel, S.A. Trust Fintrab the auction process under public notary and adjudication of assets given as collateral to a trust in favor of the Bank was temporarily halted due to criminal actions under investigation of Public Ministry.	6,500,000	6,500,000
	<u>9,395,690</u>	<u>9,395,690</u>

- (a) At January 2018 the court dictaminated against the Bank and requested a deposit in cash in favor of the plaintiff which amounted to US\$4,007,971.

Notes to the Interim Unaudited Financial Statements

- (b) According to the opinion of the attorneys and tax advisors as well as the administration, there is a possibility that the result of these litigations will be favorable. For this reason, no provision has been recorded as of March 31, 2018 to cover possible losses from these claims.

33 Net Position in Foreign Currency

The net position in foreign currency is as follows:

	March 31, 2018 US\$	December 31, 2017 US\$
Assets:		
Cash	36,300,553	48,084,654
Investments	89,066,788	77,649,095
Loan portfolio	15,830,313	16,862,123
Financial income receivable	344,594	1,235,332
Accounts receivable	4,188,942	4,028,125
Permanent investments	1	1
Foreclosed assets	4,984,793	4,984,793
Total assets	<u>150,715,984</u>	<u>152,844,123</u>
Liabilities:		
Demand deposits	(15,136,374)	(16,725,861)
Loans obtained	(150,000,000)	(150,000,000)
Financial expenses payable	(36,099)	(27,537)
Accounts payable	(295,306)	(295,171)
Other liabilities	(113,843)	(115,429)
Total liabilities	<u>(165,581,622)</u>	<u>(167,163,998)</u>
Net position	<u>(14,865,638)</u>	<u>(14,319,875)</u>