

Banco de los Trabajadores

Financial Statements

March 31, 2019

(With the Independent Auditors' Report on Review of Interim)

KPMG

Contents

Conclusion of Interim Review

Interim Unaudited Balance Sheet

Interim Unaudited Statement of Income

Interim Unaudited Statement of Changes in Equity

Interim Unaudited Statement of Cash Flows

Notes to the Interim Unaudited Financial Statements





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, 2019 and the related statements of income, changes in equity and cash flows for the three months 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 on March 31, 2019 are not prepared, in all material respects, 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.

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***Emphasis of Matter
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.



Arturo José Aldana A.
CPA-1379

May 27, 2019



Interim Unaudited Balance Sheet*As of March 31, 2019 and December 31, 2018**(Figures expressed in Quetzales)*

	March 31, 2019 Q	December 31, 2018 Q
Assets		
Cash (note 4)	3,295,002,144	3,175,155,410
Investments, net (note 5)	7,562,051,792	7,537,227,762
Loans portfolio, net (note 6)	13,382,343,271	13,062,519,525
Financial products receivable (note 7)	346,084,897	336,173,827
Accounts receivable, net (note 8)	18,614,512	20,983,615
Foreclosed assets, net (note 9)	49,504,419	45,892,899
Permanent investments, net (note 10)	73,886,172	73,886,172
Property and equipment, net (note 11)	174,531,309	177,613,365
Deferred charges, net (note 12)	147,878,778	185,927,613
	<u>25,049,897,294</u>	<u>24,615,380,188</u>
Liabilities, Other Credit Accounts and Equity		
Deposit obligations (note 13)	19,970,379,698	19,652,386,153
Loans obtained (note 14)	1,152,156,000	1,160,542,500
Financial obligations (note 15)	598,000	598,000
Financial expenses payable (note 16)	58,038,565	30,675,964
Accounts payable (note 17)	645,883,008	625,217,658
Provisions (note 18)	84,343,937	50,990,131
Deferred credits (note 19)	95,606,863	92,737,615
Total liabilities	<u>22,007,006,071</u>	<u>21,613,148,021</u>
Other credit accounts (note 20)	<u>299,885,354</u>	<u>293,765,007</u>
Total liabilities and other credit accounts	<u>22,306,891,425</u>	<u>21,906,913,028</u>
Equity (notes 21 and 22)	2,743,005,869	2,708,467,160
Commitments and contingencies (note 32)	<u>25,049,897,294</u>	<u>24,615,380,188</u>
Contingencies, commitments, other liabilities and memorandum accounts (note 30)	<u>17,691,135,341</u>	<u>17,349,657,530</u>

See accompanying notes to the interim unaudited financial statements.

Interim Unaudited Statement of Income

For the three months periods ended on March 31, 2019 and 2018

(Figures expressed in Quetzales)

	2019	2018
	Q	Q
Financial income (note 23)	829,221,333	722,261,221
Financial expenses (note 23)	<u>(392,157,749)</u>	<u>(374,341,978)</u>
Net financial income	<u>437,063,584</u>	<u>347,919,243</u>
Service income (note 24)	9,196,307	5,812,883
Services expenses (note 24)	<u>(5,616,250)</u>	<u>(19,091,591)</u>
Net services income	<u>3,580,057</u>	<u>(13,278,708)</u>
Other operating income and expenses, (note 25):		
Other operating income	1,747,901	27,296,861
Uncollectible and doubtful accounts	(48,100,000)	(32,500,000)
Other operating expenses	<u>-</u>	<u>(1,969,451)</u>
Other operating income and expenses, net	<u>(46,352,099)</u>	<u>(7,172,590)</u>
Gross operating margin	394,291,542	327,467,945
Administrative expenses (note 26)	<u>(245,058,063)</u>	<u>(249,627,664)</u>
Operating margin, net	149,233,479	77,840,281
Extraordinary income and expenses, net (note 27)	12,050,601	7,967,594
Income and expenses from previous periods, net (note 28)	<u>(32,158)</u>	<u>16,741,941</u>
Gross income	161,251,922	102,549,816
Income tax expense (note 29)	<u>(20,785,640)</u>	<u>(1,083,853)</u>
Net income	<u><u>140,466,282</u></u>	<u><u>101,465,963</u></u>

See accompanying notes to the interim unaudited financial statements.

Interim Unaudited Statement of Changes in Equity

For the three months periods ended on March 31, 2019 and 2018

(Figures expressed in Quetzales)

	2019 Q	2018 Q
Equity:		
Paid-in capital (note 21):		
Common shares:		
Balance at the beginning of period	42,253,420	42,258,840
(Decrease) increase in capital	(300)	840
Balance at period end	<u>42,253,120</u>	<u>42,259,680</u>
Preferred shares:		
Balance at the beginning and end of period	<u>157,582,290</u>	<u>157,597,290</u>
Permanent contributions:		
Balance at the beginning and end of period	<u>8,011</u>	<u>8,011</u>
Capital reserves:		
Legal reserve (note 3n):		
Balance at the beginning of period	145,484,152	120,936,549
Transfer of earnings from previous periods	<u>25,642,276</u>	<u>24,547,603</u>
Balance at period end	<u>171,126,428</u>	<u>145,484,152</u>
Reserve for contingencies (note 22):		
Balance at the beginning of period	193,159,241	151,017,321
Transfer of earnings from previous periods	<u>74,175,955</u>	<u>108,388,290</u>
Balance at period end	<u>267,335,196</u>	<u>259,405,611</u>
Reserve for reinvestment of profit		
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	1,628,024,650	1,302,806,151
Plus:		
Transfer of earnings from previous periods	<u>296,703,820</u>	<u>325,164,869</u>
Carried forward	<u>1,924,728,470</u>	<u>1,627,971,020</u>

(Continue)

Interim Unaudited Statement of Changes in Equity

	2019	2018
	Q	Q
Brought forward	1,924,728,470	1,627,971,020
Transfer of dividends from own shares held by the State of Guatemala	60,000	60,000
Less:		
Dividends paid from previous periods	(810)	(2,512)
Balance at period end	<u>1,924,787,660</u>	<u>1,628,028,508</u>
Revaluation of assets:		
Balance at beginning of period	38,899,938	42,030,528
Depreciation of current period (note 11)	(782,647)	(782,647)
Balance at period end	<u>38,117,291</u>	<u>41,247,881</u>
Fair value on available for sale investments:		
Balance at beginning of period	(12,717,842)	4,784,712
Movement of the year	11,119,625	(4,808,449)
Balance at period end	<u>(1,598,217)</u>	<u>(23,737)</u>
Earnings from previous periods:		
Balance at beginning of period	512,845,492	490,952,052
Net income	140,466,282	101,465,963
	653,311,774	592,418,015
Less:		
Transfer to other reserves	(296,703,820)	(325,164,869)
Transfer to reserve for contingencies	(74,175,955)	(108,388,290)
Transfer to legal reserve	(25,642,276)	(24,547,603)
Decreed dividends (note 22)	(24,011,253)	(24,014,154)
Board of Directors bonus (note 22)	(15,385,365)	(8,837,136)
Bonus for employees by collective agreement (note 22)	(76,926,823)	-
	<u>(512,845,492)</u>	<u>(490,952,052)</u>
Balance at period end	<u>140,466,282</u>	<u>101,465,963</u>
Total equity	<u>2,743,005,869</u>	<u>2,378,401,167</u>

See accompanying notes to the interim unaudited financial statements.

Interim Unaudited Statement of Cash Flows

For the three months periods ended March 31, 2019 and 2018

(Figures expressed in Quetzales)

	2019 Q	2018 Q
Cash flow from operating activities:		
Interest collection	793,766,261	711,251,415
Commission collection	23,590,668	8,727,551
Service collection	9,196,307	5,812,883
Payment for interests	(351,658,615)	(361,983,141)
Payment for services	(5,616,250)	(19,091,591)
Payments for administrative expenses	(197,800,281)	(249,627,664)
Exchange gain or loss (net)	-	(1,650,045)
Lost from the holding or use of foreclosed assets (net)	-	(253,729)
Investment in securities:		
Income from divestment	9,331,809,452	41,450,438,777
Disbursements from investments	(9,369,358,964)	(42,324,407,442)
Loan portfolio:		
Income from amortizations	1,068,235,874	2,036,326,168
Disbursements from loans	(730,397,294)	(2,379,735,733)
Deposit obligations:		
Income from depositors	1,547,771,824	8,235,144,190
Disbursements from withdrawals of deposits	(2,244,019,396)	(6,943,510,985)
Sale of foreclosed assets	100,000	7,756,004
Income tax paid	(8,956,760)	(30,908,730)
Other income and expenses (net):	740,712,956	32,487,437
Net cash flows coming from operating activities	<u>607,375,782</u>	<u>176,775,365</u>
Cash flow from investment activities:		
Dividends received	-	26,977,455
Income for sale of property and equipment	7,750	2,390
Disbursement for purchase of property and equipment	<u>(6,376,723)</u>	<u>(6,867,723)</u>
Net cash flows (used in) generated by investments activities	<u>(6,368,973)</u>	<u>20,112,122</u>
Cash flows from financing activities:		
Dividends paid	(637,589)	(494,474)
Board of Directors bonus	(15,385,365)	(8,837,136)
Bonus for employees by collective agreement	<u>(76,926,823)</u>	<u>-</u>
Carried forward	<u>(92,949,777)</u>	<u>(9,331,610)</u>

(Continue)

Interim Unaudited Statement of Cash Flows

	2019	2018
	Q	Q
Brought forward	(92,949,777)	(9,331,610)
Redemption of shares	<u>(560)</u>	<u>-</u>
Net cash flows used in financing activities	<u>(92,950,337)</u>	<u>(9,331,610)</u>
Net increase of cash and cash equivalents	508,056,472	187,555,877
Cash and cash equivalents at the beginning of the period	<u>3,596,644,828</u>	<u>3,034,573,936</u>
Cash and cash equivalents at period end	<u>4,104,701,300</u>	<u>3,222,129,813</u>

Complementary information

The following is a summary of cash and cash equivalents:

	Q
Cash (note 4)	3,295,002,144
Investments (note 5)	<u>809,699,156</u>
	<u>4,104,701,300</u>

See accompanying notes to the interim unaudited financial statements.

Notes to the Interim Unaudited Financial Statements

For the three months periods ended March 31, 2019 and for the year ended December 31, 2018

1 Operations

Banco de los Trabajadores (the “Bank”) was organized under decree of law number 383 of October 1, 1965 and its modifications, in which, a bank institution is set with special nature, legal personality and own capital with the main objective to promote the economic development and well-being of workers.

Its operations relate to banking and are governed, sort by importance as following Guatemalan laws: Organic Law of Banco de los Trabajadores, Law of Banks and Financial Groups and, as applicable, 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. The 99.75% of the Bank belongs to common and preferred shareholders and 0.25% belongs to the State of Guatemala.

2 Basis of Preparation

a Basis of Accounting

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 MIC 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 Organic Law of Banco de Los Trabajadores, 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 3g.

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, 2019 the reference exchange rates of the Bank of Guatemala and forex banking market was around Q7.68 per US\$1.00 (Q7.74 per US\$1.00 in December 2018).

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 Cash Equivalents

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

b Investments

i. Investments securities

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.

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.

Notes to the Interim Unaudited Financial Statements

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.

- ii. **Estimate for investments valuation**

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

- c **Loan Portfolio**

- i. **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.

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.

- ii. **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.

Notes to the Interim Unaudited Financial Statements

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 or provisions 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.

d 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.

e Property and Equipment

i. Assets acquired

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

ii. Revalued assets

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

iii. Surplus on revaluation

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

iv. 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 the period.

Notes to the Interim Unaudited Financial Statements

v. 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
Other	20

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.

f Amortization

Goodwill and merge expenses are deferred and amortized by 10% annual. The improvements to leased properties amortized by the time specified on the respective contracts. The amortization expense is recorded in the result of the period.

g 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.

Notes to the Interim Unaudited Financial Statements

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 profits 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 a cash sale 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.

h 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.

i Labor Indemnification

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. The Bank policy relates to the labor laws of the Republic of Guatemala and the payments for this concept are made against provision.

Notes to the Interim Unaudited Financial Statements

j Income Recognitions

Incomes 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 appropriate, and are recorded in the results of the year until received.

Incomes 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 recognized prestige international risk rating organization, and,
- iii.** Interest, commissions, rents and other income from credit card portfolio.

Record of incomes 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.

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

k Decreed Dividends

Dividends are decreed according to the authorization of the Shareholders Meeting reducing the earnings from previous periods and recording an account payable.

Notes to the Interim Unaudited Financial Statements

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 apply to the limited vote share with preferential dividends.

l Board of Directors and Employees Bonus

In accordance with the Shareholders Meeting, it is approved annually a productivity bonus to the Board of Directors. Payment of the bonus to employees is made based on the collective agreement of working conditions. The amount of these bonuses is reduced from the earnings from previous periods and a payable account is registered. The payment is made in cash during the year in which the bonuses are declared.

m 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 article 53 of the Act of Banks and Financial Groups.

n Legal Reserve

According to articles 36 and 37 of the Commerce Code of Guatemala, all partnership must separate annually at least five percent (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 five percent (5%) when it exceeds fifteen percent (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 five percent (5%) of the net profit of the previous year must be recorded during the current year.

o 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.

p 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).

Notes to the Interim Unaudited Financial Statements

q 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, 2019 Q	December 31, 2018 Q
Local currency:		
Cash	113,441,596	133,621,131
Central Bank legal deposit (a)	2,764,807,473	2,695,942,981
Central Bank special deposits	119,346,600	116,810,800
Checks for compensation	22,474,302	44,676,866
Local Banks	932,877	7,230,726
Total local currency	3,021,002,848	2,998,282,504
Foreign currency:		
Cash	5,922,858	5,983,734
Central Bank legal deposit (a)	183,415,386	42,692,483
Central Bank special deposits	649,816	681,625
Foreign banks	83,661,585	126,840,473
Checks for compensation	349,651	674,591
Total foreign currency	273,999,296	176,872,906
	3,295,002,144	3,175,155,410

- (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, 2019 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 (d)	6.5% to 9.5%	from 2019 to 2034	-	4,395,820,759
Term deposit certificates of Bank of Guatemala	7.12% to 9.25%	from 2021 to 2030	-	<u>1,300,000,000</u>
				<u>5,695,820,759</u>
Securities held to maturity:				
Term deposit certificates of Bank of Guatemala	1.75 to 4.29 %	from 2019 to 2020	-	892,937,750
F.H.A. mortgage debentures (e)	9% to 13.2%	from 2019 to 2040	-	14,980,306
Financial promissory notes (Financiera de los Trabajadores, S.A.)	6%	from 2019 to 2020	-	<u>1,843,583</u>
				<u>909,761,639</u>
Resale agreement of securities:				
Representative certificates of Treasury Bonds of the Republic of Guatemala	2.80% to 3.15%	2019	-	153,895,000
Term deposit certificates of Bank of Guatemala	3.10%	2019	-	<u>6,000,000</u>
				<u>159,895,000</u>
Interest paid on investment purchases				<u>251,979</u>
Total local currency				<u>6,765,729,377</u>
Carried forward				<u>6,765,729,377</u>

Notes to the Interim Unaudited Financial Statements

	Annual interest ranges	Maturity	Amount in US\$	Amount in Q
Brought forward				<u>6,765,729,377</u>
Foreign currency:				
Securities available for sale:				
Representative certificates of Treasury Bonds of the Republic of Guatemala	4.38% to 6.20%	from 2020 to 2028	86,293,504	<u>662,823,858</u>
Securities held to maturity:				
Term deposit certificates of Banco Ficohsa Guatemala, S.A.	4.15% to 4.85%	2019	5,000,000	<u>38,405,200</u>
Resale agreement of securities:				
Representative certificates of Treasury Bonds of the Republic of Guatemala	3.05% to 4.10%	2019	13,265,000	<u>101,888,996</u>
Total investments in foreign currency				<u>803,118,054</u>
Total investments				7,568,847,431
Less: estimate on valuation				<u>(6,795,639)</u>
Total investments, net				<u><u>7,562,051,792</u></u>

Notes to the Interim Unaudited Financial Statements

The summary of this account as of December 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 (d)	6.5% to 10%	from 2019 to 2033	-	4,172,800,305
Term deposit certificates of Bank of Guatemala	7.12% to 9.25%	from 2021 to 2030	-	<u>1,300,000,000</u>
				<u>5,472,800,305</u>
Securities held to maturity:				
Term deposit certificates of Bank of Guatemala	0%	2019 from	-	874,864,300
F.H.A. mortgage debentures (e)	9% to 13.2%	2019 to 2040	-	15,908,090
Financial promissory notes (Financiera de los Trabajadores, S.A.)	6%	2019	-	<u>1,843,583</u>
				<u>892,615,973</u>
Resale agreement of securities:				
Representative certificates of Treasury Bonds of the Republic of Guatemala	2.85% to 3.85%	2019	-	344,000,000
Term deposit certificates of Bank of Guatemala	3.25%	2019	-	<u>6,000,000</u>
				<u>350,000,000</u>
Total local currency				<u>6,715,416,278</u>
Carried forward				<u>6,715,416,278</u>

Notes to the Interim Unaudited Financial Statements

	Annual interest ranges	Maturity	Amount in US\$	Amount in Q
Brought forward				<u>6,715,416,278</u>
Foreign currency:				
Securities available for sale:				
Representative certificates of Treasury Bonds of the Republic of Guatemala	4.38% to 6.2%	from 2020 to 2028	84,857,386	<u>656,537,355</u>
Securities held to maturity:				
Term deposit certificates of Bank of Guatemala	2.75%	2019	10,000,000	77,369,500
Term deposit certificates of Bank of Ficohsa Guatemala, S.A.	4.15%	2019	3,000,000	<u>23,210,850</u>
				<u>100,580,350</u>
Resale agreement of securities:				
Representative certificates of Treasury Bonds of the Republic of Guatemala	3% to 3.4%	2019	9,240,000	<u>71,489,418</u>
Total foreign currency				<u>828,607,123</u>
Total investments				7,544,023,401
Less: estimate on valuation				(6,795,639)
Total investments, net				<u><u>7,537,227,762</u></u>

Notes to the Interim Unaudited Financial Statements

- a. The investments are securities issued by entities located in Guatemala for both periods.
- b. The investments at March 31, 2019 included cash equivalents for Q809,699,156.
- c. At March 31, 2019 the investments have maturities that range from 2019 to 2040. The maturities during the next five years are summarized as follows:

	Q
2019	1,006,976,763
2020	348,035,540
2021	534,198,480
2022	150,733,792
2023 onwards	5,528,902,856
	<u>7,568,847,431</u>

- d. At March 31, 2019 and December 31, 2018 representative certificates of Treasury Bonds of the Republic of Guatemala for Q1,655,000 it seized by judicial order (see note 32).
- e. At March 31, 2019 F.H.A. mortgage debentures for amounts Q4,637,914 have 90 days of default or more.

Notes to the Interim Unaudited Financial Statements

6 Loans Portfolio, net

The summary of this account is as follows:

	March 31, 2019 Q	December 31, 2018 Q
Local currency:		
Unsecured	13,053,820,526	12,724,958,697
Credit cards	190,355,365	201,262,119
Mortgage	115,633,459	108,115,970
Mortgage-unsecured	86,609,417	87,718,895
With own guarantee	79,084,971	79,539,520
In monetary deposit accounts	23,754,944	23,803,605
Debtors on sale of foreclosed assets	1,210,887	1,279,231
Pledged-unsecured	1,207,398	1,207,607
Total local currency	<u>13,551,676,967</u>	<u>13,227,885,644</u>
Foreign currency:		
Unsecured	61,107,397	61,906,753
Mortgage	22,842,623	20,683,172
Mortgage-unsecured	11,128,228	11,377,970
Payments by credit letters	9,115,089	9,296,613
Credit cards	6,249,213	7,116,964
In monetary deposit accounts	3,142,595	3,165,470
Pledged-unsecured	1,572,443	1,583,889
Total foreign currency	<u>115,157,588</u>	<u>115,130,831</u>
Total loan portfolio, gross	<u>13,666,834,555</u>	<u>13,343,016,475</u>
Less:		
Estimate on valuation:		
Specific	(203,474,097)	(214,628,879)
Generic	(81,017,187)	(65,868,071)
Total estimate on valuation	<u>(284,491,284)</u>	<u>(280,496,950)</u>
Total loan portfolio, net	<u>13,382,343,271</u>	<u>13,062,519,525</u>

Loan operations earn variable annual interest rates vary between the percentages indicated in the next page:

Notes to the Interim Unaudited Financial Statements

	March 31, 2019 Q	December 31, 2018 Q
Loans:		
In local currency	1 – 39	1 – 42
In foreign currency	1 – 10	1 – 12.40
Credit card:		
In local currency	0 - 58.80	0 – 58.80
In foreign currency	7.5 - 49.92	8 – 49.92

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

	March 31, 2019 Q	December 31, 2018 Q
Local currency:		
Current	<u>13,367,488,187</u>	<u>13,045,364,667</u>
Past due:		
In extension process	338,008	338,008
In administrative collection	84,663,887	85,041,588
In legal collection	<u>99,186,885</u>	<u>97,141,381</u>
	<u>184,188,780</u>	<u>182,520,977</u>
Total local currency	<u>13,551,676,967</u>	<u>13,227,885,644</u>
Foreign currency:		
Current	<u>45,522,093</u>	<u>44,672,285</u>
Past due:		
In administrative collection	53,293,920	53,998,021
In legal collection	<u>16,341,575</u>	<u>16,460,525</u>
	<u>69,635,495</u>	<u>70,458,546</u>
Total foreign currency	<u>115,157,588</u>	<u>115,130,831</u>
Total loan portfolio	<u>13,666,834,555</u>	<u>13,343,016,475</u>

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

	March 31, 2019 Q	December 31, 2018 Q
Local currency:		
Major debtors	<u>12,341,476</u>	<u>6,416,370</u>
Carried forward	12,341,476	6,416,370

Notes to the Interim Unaudited Financial Statements

	March 31, 2019 Q	December 31, 2018 Q
Brought forward	12,341,476	6,416,370
Minor debtors	91,674,594	83,558,935
Microcredits	224,723	224,721
Mortgage loans for housing	43,070,152	42,949,459
Consumption	13,404,366,022	13,094,736,159
Total local currency	<u>13,551,676,967</u>	<u>13,227,885,644</u>
Foreign currency:		
Major debtors	72,773,414	73,497,719
Minor debtors	14,765,884	15,648,805
Mortgage loans for housing	6,477,379	6,629,871
Consumption	21,140,911	19,354,436
Total foreign currency	<u>115,157,588</u>	<u>115,130,831</u>
Total loan portfolio	<u>13,666,834,555</u>	<u>13,343,016,475</u>

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

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

	March 31, 2019 Q	December 31, 2018 Q
Local currency:		
Up to one year	471,266,374	616,373,569
From one to three years	942,933,277	914,644,845
From three to five years	2,589,668,401	2,365,948,946
More than five years	9,547,808,915	9,330,918,284
Total local currency	<u>13,551,676,967</u>	<u>13,227,885,644</u>
Foreign currency:		
Up to one year	21,628,114	78,995,210
From one to three years	274,928	1,416,192
From three to five years	1,353,499	1,430,534
More than five years	91,901,047	33,288,895
Total foreign currency	<u>115,157,588</u>	<u>115,130,831</u>
Total loan portfolio	<u>13,666,834,555</u>	<u>13,343,016,475</u>

Notes to the Interim Unaudited Financial Statements

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

	Period ended on	
	March 31, 2019 Q	December 31, 2018 Q
Balance at beginning of the year	280,496,950	367,731,474
Plus increases for:		
Provision charged to results	48,100,000	150,000,000
Exchange rate fluctuation, net	-	3,730,192
	<u>48,100,000</u>	<u>153,730,192</u>
Less charges for:		
Loans applied to the estimate	(43,551,994)	(240,964,716)
Exchange rate fluctuation, net	(553,672)	-
	<u>(44,105,666)</u>	<u>(240,964,716)</u>
Balance at period / year end	<u>284,491,284</u>	<u>280,496,950</u>

7 Financial Products Receivable

The summary of this account is as follows:

	March 31, 2019 Q	December 31, 2018 Q
Local currency:		
Loan portfolio	205,187,145	204,375,295
Investments	109,390,122	95,474,729
Accounts receivable	27,191,736	25,152,450
Cash	380,111	376,994
Total local currency	<u>342,149,114</u>	<u>325,379,468</u>
Foreign currency:		
Investments	3,747,742	10,598,591
Loan portfolio	188,041	195,768
Total foreign currency	<u>3,935,783</u>	<u>10,794,359</u>
	<u>346,084,897</u>	<u>336,173,827</u>

Notes to the Interim Unaudited Financial Statements

8 Accounts Receivable, net

The summary of this account is as follows:

	March 31, 2019 Q	December 31, 2018 Q
Local currency:		
Accounts receivable employees	10,953,962	10,875,164
Payments on account of third party	6,569,248	5,952,968
Advances on salaries	6,249,779	133,066
Advance on loans	5,629,775	5,683,548
Rights per services	1,950,890	1,927,075
Difference in prices on resale agreement	1,210,000	2,500,000
Legal expenses	1,062,694	1,100,698
Advances on expenses	818,625	228,070
Insurance premiums	430,445	416,291
Others	824,576	736,791
Total local currency	35,699,994	29,553,671
Foreign currency:		
Difference in prices on resale agreement	2,104,606	10,645,993
Rights per services	189,775	159,442
Others	25,173	29,672
Total foreign currency	2,319,554	10,835,107
Total accounts receivable	38,019,548	40,388,778
Less: estimate on valuation	(19,405,036)	(19,405,163)
	18,614,512	20,983,615

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

	Period ended on	
	March 31, 2019 Q	December 31, 2018 Q
Balance at the beginning of the year	19,405,163	13,405,768
Plus:		
Provisions charged to results	-	6,000,000
Less expenses for:		
Exchange rate fluctuation, net	(127)	(605)
Balance at period / year end	19,405,036	19,405,163

Notes to the Interim Unaudited Financial Statements

9 Foreclosed Assets, net

The summary of this account is as follows:

	March 31, 2019 Q	December 31, 2018 Q
Local currency:		
Property	91,731,846	89,788,395
Movable assets	497,805	497,805
Expenditures for realizable assets	271,296	-
Total in local currency	92,500,947	90,286,200
Foreign currency:		
Property	39,696,180	38,385,394
Total in foreign currency	39,696,180	38,385,394
Total foreclosed assets	132,197,127	128,671,594
Less: estimate on valuation	(82,692,708)	(82,778,695)
	49,504,419	45,892,899

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

	Period ended on March 31, 2019 Q	December 31, 2018 Q
Balance at the beginning of the year	82,778,695	86,251,605
Plus increases for:		
Provisions charged to results	-	8,793,718
Record of valuation performed to foreclosed assets (nota 27)	133,138	3,552,072
	133,138	12,345,790
Less charges for :		
Balances applied to the estimate	(219,125)	(15,818,700)
Balance at period / year end	82,692,708	82,778,695

Notes to the Interim Unaudited Financial Statements

10 Permanent Investments, net

The summary of this account as of March 31, 2019 and December 31, 2018 is as follows:

	Percentage of participation	Number of shares	Nominal amount Per share Q	Total Q	Cost of investment US\$	Total 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 Trabajadores, 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
Imágenes Computarizadas de Guatemala, S.A.	3.36	504	1,000	504,000	-	815,100
Útil Valor, S.A.	4.00	40,000	10	400,000	-	402,400
Other partnerships and institutions:						
Asociación Bancaria de Guatemala	4.17	72	5,000	360,000	-	360,000
						<u>74,286,166</u>
Foreign currency:						
VISA Inc.		7,952	US\$ 0.0001	US\$ 0.7952	0.7952	6
						<u>74,286,172</u>
Less: estimate on valuation						<u>(400,000)</u>
Total						<u>73,886,172</u>

- (a) The entities Financiera de los Trabajadores, S.A, Aseguradora de los Trabajadores, S.A. and Casa de Bolsa 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).

Notes to the Interim Unaudited Financial Statements

11 Property and Equipment, net

The movement of this account for the three months period ended on March 31, 2019 is summarized as follows:

	Initial balance Q	Additions Q	Transfers Q	Disposals Q	Final balance Q
Cost:					
Lands	44,305,121	-	-	-	44,305,121
Buildings	67,579,577	163,090	680,980	(30,747,161)	37,676,486
Furniture and equipment	45,576,529	407,059	593,167	(3,824,034)	42,752,721
Vehicles	805,036	-	-	-	805,036
Information systems	33,754,954	975,973	2,552,754	(796,401)	36,487,280
Telecommunications equipment	3,513,848	-	-	(87,810)	3,426,038
Gallery paints	2,010	-	-	-	2,010
Others	2,721,436	538,891	517,082	(6,480)	3,770,929
Advances for assets acquisition	25,878,507	4,766,599	(4,343,983)	(2,815,675)	23,485,448
	<u>224,137,018</u>	<u>6,851,612</u>	<u>-</u>	<u>(38,277,561)</u>	<u>192,711,069</u>
Accumulated depreciation - cost	(90,661,993)	(6,235,110)	-	35,361,650	(61,535,453)
	<u>133,475,025</u>	<u>616,502</u>	<u>-</u>	<u>(2,915,911)</u>	<u>131,175,616</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	(21,348,814)	(782,647)	-	-	(22,131,461)
	<u>44,138,340</u>	<u>(782,647)</u>	<u>-</u>	<u>-</u>	<u>43,355,693</u>
Total	<u>177,613,365</u>	<u>(166,145)</u>	<u>-</u>	<u>(2,915,911)</u>	<u>174,531,309</u>

Notes to the Interim Unaudited Financial Statements

The movement of this account for the year ended December 31, 2018 is summarized as follows:

	Initial balance Q	Additions Q	Transfers Q	Disposals Q	Final balance Q
Cost:					
Lands	44,305,121	-	-	-	44,305,121
Buildings	61,681,205	1,146,124	5,054,666	(302,418)	67,579,577
Furniture and equipment	54,222,448	2,059,843	1,693,753	(12,399,515)	45,576,529
Vehicles	745,020	-	60,016	-	805,036
Information systems	23,168,892	12,838,890	2,878,860	(5,131,688)	33,754,954
Telecommunications equipment	2,845,503	360,239	561,832	(253,726)	3,513,848
Gallery paints	189,819	-	-	(187,809)	2,010
Others	32,427	1,589,738	1,176,015	(76,744)	2,721,436
Advances for assets acquisition	18,519,594	26,171,854	(11,425,142)	(7,387,799)	25,878,507
	<u>205,710,029</u>	<u>44,166,688</u>	<u>-</u>	<u>(25,739,699)</u>	<u>224,137,018</u>
Accumulated depreciation - cost	(84,053,600)	(24,648,191)	-	18,039,798	(90,661,993)
	<u>121,656,429</u>	<u>19,518,497</u>	<u>-</u>	<u>(7,699,901)</u>	<u>133,475,025</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	(18,218,224)	(3,130,590)	-	-	(21,348,814)
	<u>47,268,930</u>	<u>(3,130,590)</u>	<u>-</u>	<u>-</u>	<u>44,138,340</u>
Total	<u>168,925,359</u>	<u>16,387,907</u>	<u>-</u>	<u>(7,699,901)</u>	<u>177,613,365</u>

Notes to the Interim Unaudited Financial Statements

12 Deferred Charges, net

The summary of this account is as follows:

	March 31, 2019 Q	December 31, 2018 Q
Merge expenses (a)	158,123,618	158,123,618
Improvements to leased properties	98,849,358	98,403,376
Software licenses	11,655,025	11,793,681
Goodwill (b)	4,077,500	4,077,500
Brands and licenses	20,448	20,448
	<u>272,725,949</u>	<u>272,418,623</u>
Less: accumulated amortization	<u>(194,335,640)</u>	<u>(187,754,362)</u>
	<u>78,390,309</u>	<u>84,664,261</u>
Pre-paid expenses:		
Income tax payments	-	41,880,400
Solidarity tax	32,758,973	26,099,716
Services	30,249,886	25,972,818
Materials and suppliers	6,479,610	7,310,418
	<u>69,488,469</u>	<u>101,263,352</u>
	<u>147,878,778</u>	<u>185,927,613</u>

- (a) Corresponds to merge expenses incurred in the merger with Banco de la República, S.A. according to Resolution JM-50-2009 of May 13, 2009 of the Monetary Board.
- (b) 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 the three months period ended on March 31, 2019 is as follow:

	Improvements to leased properties Q	Merge expenses Q	Goodwill, brands and licenses Q	Software licenses Q	Total Q
Balance at the beginning of the year	36,325,312	146,264,347	2,796,089	2,368,614	187,754,362
Plus increases for:					
Amortization expense of period	2,326,279	3,953,090	102,193	582,960	6,964,522
Less:					
Fully amortized assets	(213,477)	-	-	(169,767)	(383,244)
Balance at the end of period	<u>38,438,114</u>	<u>150,217,437</u>	<u>2,898,282</u>	<u>2,781,807</u>	<u>194,335,640</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, 2018 is as follow:

	Improvements to leased properties Q	Merge expenses Q	Goodwill, brands and licenses Q	Software licenses 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 year	8,632,891	15,812,361	408,772	1,607,987	26,462,011
Amortization of previous periods	-	-	-	258,221	258,221
Less:					
Fully amortized assets	(1,954,301)	-	-	-	(1,954,301)
Balance at the end of year	<u>36,325,312</u>	<u>146,264,347</u>	<u>2,796,089</u>	<u>2,368,614</u>	<u>187,754,362</u>

Notes to the Interim Unaudited Financial Statements

13 Deposit Obligations

The summary of this account is as follows:

	March 31, 2019 Q	December 31, 2018 Q
Local currency:		
Current accounts	1,174,482,776	1,046,541,194
Savings deposits	2,027,058,067	1,835,644,165
Term deposits	16,644,968,720	16,640,674,982
Demand deposits	12,876	12,876
Deposits with restrictions	19,172,130	18,817,188
Total local currency	<u>19,865,694,569</u>	<u>19,541,690,405</u>
Foreign currency:		
Current accounts	45,657,802	49,340,744
Savings deposits	45,989,756	48,222,507
Term deposits	12,502,941	12,593,948
Deposits with restrictions	534,630	538,549
Total foreign currency	<u>104,685,129</u>	<u>110,695,748</u>
	<u>19,970,379,698</u>	<u>19,652,386,153</u>

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

	March 31, 2019 %	December 31, 2018 %
Local currency:		
Current accounts	0 - 6	0 - 7.23
Savings deposits	0 - 7	0 - 7.23
Term deposits	2.75 - 9.25	2.75 - 9.65
Foreign currency:		
Current accounts	0 - 0.5	0 - 0.5
Savings deposits	0 - 0.5	0 - 0.5
Term deposits	0.25 - 3.5	0.25 - 3.56

- 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.

Notes to the Interim Unaudited Financial Statements

This banking reserve will have to be maintained constantly as deposits of immediate demand at the Central Bank of Guatemala, 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%. The 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, by its acronym 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 contribute these quotas ceases when the balance of this contribution reaches five percent (5%) of the total deposit obligations in the local banking system.
- During the three months period ended on March 31, 2019 the Bank carried out contributions to FOPA amounting to Q12,458,036 (Q11,087,924 on March, 31, 2018) which were recorded against the result of the year.
- At March 31, 2019 the accounts making up the deposit obligations include balances in the amount of Q19,172,130 and US\$69,604 (Q18,817,188 and US\$69,607 in December 2018) that correspond to third party deposits which are seized for a court decision.

14 Loans Obtained

At November 14, 2013 the Bank contracted a loan without warranty with the financial institution Deutsche Bank AG, London Branch for US\$150,000,000 with interest rate of 9% per annum and term of 7 years, interest payment on a semi-annual basis and capital at the expiration of the term. This loan has an unsecured guarantee from the Bank. This Loan was formal established by a promise to pay under the figure of a trust between Intertrust SPV (Cayman) Limited as an unsecured trustee and the Bank as a principal unsecured Bank. The funds of this loan come from the placement of certificates in international market placed by the Bank. The balance of this loan at March 31, 2019 is in the amount of US\$150,000,000 equivalent to Q1,152,156,000. (US\$150,000,000 equivalent to Q1,160,542,500 at December 31, 2018).

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 at March 31, 2019 and December 31, 2018 is as follows:

	Q
Local currency:	
Mortgage bonds with general guarantee	598,000
	<u>598,000</u>

The authorizations of issued bonds are contained in the Resolution of Monetary Board JM-166-97 of April, 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 Law of Bank and Financial Group.

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

16 Financial Expenses Payable

The summary of this account is as follows:

	March 31, 2019 Q	December 31, 2018 Q
Local currency:		
Deposit obligations	14,454,865	12,952,951
Loans obtained	3,185	3,190
Total local currency	<u>14,458,050</u>	<u>12,956,141</u>
Foreign currency:		
Deposit obligations	374,665	311,685
Loans obtained	43,205,850	17,408,138
Total foreign currency	<u>43,580,515</u>	<u>17,719,823</u>
	<u>58,038,565</u>	<u>30,675,964</u>

Notes to the Interim Unaudited Financial Statements

17 Accounts Payable

The summary of this account is as follows:

	March 31, 2019 Q	December 31, 2018 Q
Local currency:		
Income pending application (a)	282,282,823	286,955,099
Dividends payable	147,281,761	123,907,289
Immediate obligations	122,061,179	95,562,565
Income tax payable (note 29)	20,785,640	51,159,234
Obligations on issuance of documents	43,704,497	38,540,053
Retentions	11,046,077	11,201,954
Obligations on management	10,007,818	1,909,280
Others	2,871,884	2,222,172
Total local currency	<u>640,041,679</u>	<u>611,457,646</u>
Foreign currency:		
Obligations on issuance of documents	3,437,337	11,101,554
Immediate obligations	2,155,354	2,260,107
Income pending application (a)	248,638	398,351
Total foreign currency	<u>5,841,329</u>	<u>13,760,012</u>
	<u>645,883,008</u>	<u>625,217,658</u>

(a) At March 31, 2019 and December 31, 2018 the balance of this account corresponds to loan payment remittances received in the last days before close the period, that were not applied.

18 Provisions

The summary of this account is as follows:

	March 31, 2019 Q	December 31, 2018 Q
Reserve for labor compensation	51,401,448	45,604,534
Employee bonuses	10,743,687	5,385,597
Other provisions	22,198,802	-
	<u>84,343,937</u>	<u>50,990,131</u>

The accounting movement of the reserve for labor compensation is summarized in the next page:

Notes to the Interim Unaudited Financial Statements

	March 31, 2019 Q	December 31, 2018 Q
Balance at beginning of the year	45,604,534	41,001,357
Plus increases for:		
Provision of the year charged to results	6,516,511	11,416,654
Less charges for:		
Payments applied to the reserve	(719,597)	(6,813,477)
Balance at period/year end	<u>51,401,448</u>	<u>45,604,534</u>

19 Deferred Credits

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

	March 31, 2019 Q	December 31, 2018 Q
Local currency:		
Loan portfolio commissions	95,573,931	87,248,030
Loan portfolio interest	18,413	5,475,116
Income from services	14,519	14,469
	<u>95,606,863</u>	<u>92,737,615</u>

20 Other Credit Accounts

The summary of this account is as follows:

	March 31, 2019 Q	December 31, 2018 Q
Local currency:		
Loan portfolio	205,187,145	204,375,295
Commissions	14,758,439	13,363,347
Investments	1,047,907	2,366,431
Accounts receivable	95,617	16,750
	<u>221,089,108</u>	<u>220,121,823</u>
Capitalized income	75,834,685	72,059,593
Total local currency	<u>296,923,793</u>	<u>292,181,416</u>
Carried forward	<u>296,923,793</u>	<u>292,181,416</u>

Notes to the Interim Unaudited Financial Statements

	March 31, 2019 Q	December 31, 2018 Q
Brought forward	296,923,793	292,181,416
Foreign currency:		
Loan portfolio	188,042	195,767
Investments	317,120	237,521
	505,162	433,288
Capitalized income	2,456,399	1,150,303
Total foreign currency	2,961,561	1,583,591
	299,885,354	293,765,007

21 Paid-in Capital

The authorized capital is Q200,000,000 distributed in 20,000,000 registered shares with a face value of Q10 each.

At March 31, 2019 the subscribed and paid capital amounts up to Q199,835,410 distributed in 4,225,312 common shares and 15,758,229 preferred shares (Q199,856,970 distributed in 4,225,968 common shares and 15,759,729 preferred shares in March 31, 2018).

During the year ended on December 31, 2016 the Lower Court of forfeiture of the Republic of Guatemala ordered the seizure, abduction and suspension of the property rights of the preferred shares of the shareholder DHK Finance Inc. in the amount of Q156,550,000 equivalents to 15,655,000 preferred shares. The Bank was constituted as a private prosecutor in this process and is still cooperating with judicial authorities.

The capitalization management of the Bank proceed with the measures in place to satisfy the measures before mentioned, recorded in the data base of the seizure shareholder confiscation and suspension of the preferred shares rights.

22 Capital Reserves

Decreed dividends, Board of Directors and Employees bonuses:

In conformity with the minute Ordinary General Shareholders' Assembly No.160 of February 8, 2019 and as part of the profit distribution project of 2018 was authorized, dividends to: common shareholder by Q5,070,410; preferred series by Q18,940,843 and a Board of Directors bonus by Q15,385,365 were authorized. Additionally, in order to comply with the collective agreement, a bonus was decreed for employees of Q76,926,823.

Notes to the Interim Unaudited Financial Statements

In conformity with the minute Ordinary General Shareholders' Assembly No.156 of February 27, 2018 and as part of the profit distribution project of 2017 was authorized, dividends to: common shareholder by Q5,071,060; preferred series by Q18,943,094 and a Board of Directors bonus by Q8,837,136 were authorized.

Reserve for contingencies and other reserves

- In conformity with the minute Ordinary General Shareholders' Assembly No.160 of February 8, 2019, it was approved to transfer the result of previous years to this account the amount of Q74,175,955 to increase the reserve for contingencies and Q296,703,820 to increase other reserves.

In conformity with the minute Ordinary General Shareholders' Assembly No.156 of February 27, 2018, it was approved to transfer the result of previous years to this account the amount of Q108,388,290. To increase the reserve for contingencies and Q325,164,868 to increase other reserves.

23 Net Financial Income

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

	Period ended on March 31	
	2019	2018
	Q	Q
Financial income:		
Income from interests:		
Loan portfolio	661,375,014	603,216,944
Investments	132,324,655	108,018,484
Other Investments	7,466	-
Accounts receivable	59,127	7,269
Others	-	8,718
	<u>793,766,262</u>	<u>711,251,415</u>
Commissions:		
Loan portfolio	23,546,704	8,344,988
Others	43,965	382,563
	<u>23,590,669</u>	<u>8,727,551</u>
Other financial income:		
Securities negotiation	8,603,531	-
Price difference in resale agreement of securities	3,260,871	2,282,255
	<u>11,864,402</u>	<u>2,282,255</u>
Total financial income	<u>829,221,333</u>	<u>722,261,221</u>
Carried forward	<u>829,221,333</u>	<u>722,261,221</u>

Notes to the Interim Unaudited Financial Statements

	Period ended on March 31	
	2019	2018
	Q	Q
Brought forward	829,221,333	722,261,221
Financial expenses:		
Expenses from interests:		
Deposit obligations	(351,646,880)	(332,228,696)
Loans obtained	(26,047,204)	(29,737,976)
Financial obligations	(11,735)	(16,469)
	<u>(377,705,819)</u>	<u>(361,983,141)</u>
Other financial expenses:		
Additional benefits	(1,196,825)	(1,227,754)
Securities negotiation	(794,279)	(43,159)
FOPA formation quote	(12,458,036)	(11,087,924)
Price difference in resale agreement of securities	(2,790)	-
	<u>(14,451,930)</u>	<u>(12,358,837)</u>
Total financial expenses	<u>(392,157,749)</u>	<u>(374,341,978)</u>
Net financial income	<u>437,063,584</u>	<u>347,919,243</u>

24 Net Services Income

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

	Period ended on March 31	
	2019	2018
	Q	Q
Services income:		
Commissions	7,967,917	5,209,146
Others	1,228,390	603,737
Total services income	<u>9,196,307</u>	<u>5,812,883</u>
Services expenses:		
Commissions	(5,616,250)	(19,091,591)
Total service expenses	<u>(5,616,250)</u>	<u>(19,091,591)</u>
Net services income	<u>3,580,057</u>	<u>(13,278,708)</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	
	2019 Q	2018 Q
Income:		
Exchange rates movements and gain in foreign currency	1,747,901	319,406
Dividends	-	26,977,455
Total other operating income	<u>1,747,901</u>	<u>27,296,861</u>
Expenses:		
Exchange rates movements and losses in foreign currency	-	(1,969,451)
Sub-total other operating expenses	-	(1,969,451)
Plus:		
Uncollectible and doubtful accounts		
Loan portfolio	(48,100,000)	(32,500,000)
Total other operating expenses	<u>(48,100,000)</u>	<u>(34,469,451)</u>
	<u>(46,352,099)</u>	<u>(7,172,590)</u>

26 Administrative Expenses

The summary of administrative expenses is as follows:

	Period ended on March 31	
	2019 Q	2018 Q
Officers and employees	89,244,071	78,037,201
Outsourcing personnel services	56,944,959	88,083,246
Marketing and advertising	16,607,985	16,354,452
Leases (note 32)	16,719,538	14,738,666
Security and surveillance	7,016,268	7,645,621
Repairs and maintenance	8,300,257	4,792,753
Amortizations	6,964,522	6,406,031
Depreciations	6,095,623	5,736,248
Taxes, import duties and contributions	6,028,635	5,329,774
Professional fees	8,808,978	5,410,195
Communications	5,708,588	5,007,896
Board of Administrative Directors	5,606,406	3,821,852
Electricity	2,194,112	2,138,485
Stationery and office supplies	1,707,679	966,845
Carried forward	<u>237,947,621</u>	<u>244,469,265</u>

Notes to the Interim Unaudited Financial Statements

	Period ended on March 31	
	2019	2018
	Q	Q
Brought forward	237,947,621	244,469,265
Freight and carriage	1,697,447	1,440,981
General expenses	1,421,986	525,913
Insurance premium and bonds	1,223,729	1,121,423
Processing data service	645,853	333,604
Parking service	531,569	490,583
Sponsorship	490,534	-
Messenger service	409,035	-
Fuel and lubricants	204,193	133,602
Personal recruitment	153,602	114,034
Contributions to various associations	137,640	97,382
Water	64,900	62,635
Donation	11,250	739,250
Customer service	-	2,230
Miscellaneous expenses	118,704	96,762
	<u>245,058,063</u>	<u>249,627,664</u>

The account miscellaneous expenses include penalties expenses, various post and other minor expenses.

27 Extraordinary Income and Expenses, net

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

	Period ended on March 31	
	2019	2018
	Q	Q
Income:		
Recoveries (a)	10,474,137	4,768,688
Foreclosed assets	26,644	1,378,343
Gain on sale of property and equipment	-	1,950
Others	2,207,664	2,120,534
Total extraordinary income	<u>12,708,445</u>	<u>8,269,515</u>
Expenses:		
Loss on possession and misuse of foreclosed assets	(133,138)	(253,729)
Compensation for damages	(28,434)	(32,850)
Loss on sale of property and equipment	(24,456)	-
Others	(471,816)	(15,342)
Total extraordinary expenses	<u>(657,844)</u>	<u>(301,921)</u>
	<u>12,050,601</u>	<u>7,967,594</u>

Notes to the Interim Unaudited Financial Statements

- (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	
	2019 Q	2018 Q
Income		
Loan portfolio interests	482,425	2,473,955
Remittances commissions	410,678	248,292
Provisions reversals for:		
Board of Administrative Directors	-	10,019,430
Income tax	322,073	3,365,516
Professional fees	-	1,950,499
Financial products receivable	1,649	-
Accounts payable	14,970	-
Labor Benefits	-	19,021
Officers and employees	33	11,800
Others	344,171	326,177
Total income of previous years	<u>1,575,999</u>	<u>18,414,690</u>
Expenses:		
Marketing and advertising	(149,154)	(156,131)
Payments made to suppliers	(778,492)	(984,320)
Depreciations (note 11)	(139,487)	-
Labor benefits	(44,544)	(105,983)
Loan portfolio reserved interest	(9,438)	(320,110)
Depositary obligations	(45,372)	-
Income Tax retentions	-	(70,319)
Loans obtained	(12,298)	-
Others	(429,372)	(35,886)
Total expenses of previous years	<u>(1,608,157)</u>	<u>(1,672,749)</u>
	<u>(32,158)</u>	<u>16,741,941</u>

Notes to the Interim Unaudited Financial Statements

29 Income Tax

The statutory declarations of the income tax presented to the Bank from fiscal years ended on December 31, 2015 to 2018 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 of the period ended on March 31, 2019 amounted up Q20,785,640 (Q1,083,853 in March 31, 2018), which represents an effective rate of 12.89% (1.06% in March 31, 2018).

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

	Period ended on March 31	
	2019	2018
	Q	Q
Gross revenue (total income)	854,449,985	782,055,171
Less non-taxable income	(104,274,269)	(104,907,933)
Less deductible costs and expenses	<u>(667,033,154)</u>	<u>(672,811,825)</u>
Taxable income	83,142,562	4,335,413
Taxable rate	<u>25%</u>	<u>25%</u>
Income Tax Payable (note 17)	<u><u>20,785,640</u></u>	<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, 2019 Q	December 31, 2018 Q
Local currency:		
Commitments and contingencies	198,636,166	170,714,799
Loan portfolio guarantee	596,885,144	538,482,888
Classification of investments and loan portfolio and other assets	13,233,771,602	13,015,761,943
Third-party administration	521,237,627	517,087,789
Documents and own 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	1,029,450,650	997,698,055
Register accounts	1,741,387	1,961,727
Total local currency	17,112,162,467	16,772,147,092
Foreign currency:		
Commitments and contingencies	76,737,568	68,839,304
Classification of investments and loan portfolio and other assets	114,322,481	115,716,592
Documents and securities remitted	237,267,326	238,994,386
Other memorandum accounts	150,645,499	153,960,156
Total foreign currency	578,972,874	577,510,438
	17,691,135,341	17,349,657,530

The item of third-party administration includes trust funds managed by the Bank (note 32) according to the following summary:

	March 31, 2019 Q	December 31, 2018 Q
Local currency:		
Administration	521,007,989	516,855,262
Others	229,634	232,524
	521,237,623	517,087,786

Notes to the Interim Unaudited Financial Statements

31 Conformation of the Financial Group

Article 27 of the Law of Banks and Financial Groups, 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.

On June 6, 2018 the Monetary Board issued Resolution No. JM 35-2018 where authorizes the modification of the Grupo Financiero de los Trabajadores, in the meaning of adding Casa de Bolsa de los Trabajadores S.A. as part of the Group.

At March 31, 2019 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.
- Casa de Bolsa de los Trabajadores, S.A.

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

	Period ended on	
	March 31	
	2019	2018
	Q	Q
Income:		
Dividends	-	26,977,454
Interests	27,275	689,991
	<u>27,275</u>	<u>27,667,445</u>
Expenses:		
Interests	691,732	242,472
Services	2,698,353	824,284
	<u>3,390,085</u>	<u>1,066,756</u>

The balances with companies of Grupo Financiero de los Trabajadores are summarized in the next page:

Notes to the Interim Unaudited Financial Statements

	March 31, 2019 Q	December 31, 2018 Q
Assets:		
Investments	1,843,583	1,843,583
Permanent investments	72,708,666	72,708,666
Accounts receivable	94,605	-
	<u>74,646,854</u>	<u>74,552,249</u>
Liabilities:		
Deposit obligations	64,013,272	63,490,284
Accounts payable	610,688	655,535
	<u>64,623,960</u>	<u>64,145,819</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 entity 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 parties.

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

- **Credit letters**

As of March 31, 2019 The Bank has contingent liabilities due to credit letters issued in the amount of Q17,845,163 (Q12,845,163 in 2018).

- **Trust funds**

As of March 31, 2019 and December 31, 2018, the Bank manages as trustee eleven (11) trust contracts. In conformity with the Code of Commerce, the trustee is responsible before third parties for the compliance of liabilities contained in the subscribed trust contracts, including the compliance of the corresponding tax obligations. These trust funds are not audited by Klynveld Peat Marwick Goerdeler, S.A. four (4) trust funds are audited by the General Comptroller of Accounts of the Nation and one (1) of them also is audited by other independent auditors.

Notes to the Interim Unaudited Financial Statements

- **Lease commitments**

The Bank entered into operating lease contracts for the use of some buildings, furniture and equipment, and other assets, according to the conditions stipulated in the contracts. The amount of the expense of 2019 for this concept is worth of Q16,719,538 (Q14,738,666 in March 31, 2018)

- **Pending litigations**

As of March 31, 2019 and December 31, 2018 are pending of resolution the following civil and fiscal litigations.

The amounts of the additional taxes claimed do not include fines nor compensation interests and are summarized as follows:

	Q
Additional taxes claimed	
In administrative instance:	
Income tax – tax on earnings from lucrative activities fiscal year 2015	61,297,804
Solidarity tax – adjustment of third quarter fiscal period 2015	506,608
Tax adjustments for solidarity tax fourth quarter fiscal period 2015	506,608
	<u>62,311,020</u>
Judicial process:	
Income tax – financial income (ISPF) fiscal year 1998	3,832,541
Income tax – financial income (ISPF) and value added taxes fiscal year 1999	1,998,094
	<u>5,830,635</u>
Civil process:	
Precautionary seizure resulting from decisions made against previous owners of Certificates of Treasury of the Republic of Guatemala (see note 5)	1,655,000
	<u>69,796,655</u>

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, 2019 to cover possible losses from these claims.

Notes to the Interim Unaudited Financial Statements

Other processes:

During the year 2016 as a result of a complaint filed by the Administration for Special Verification of the Superintendency of Banks, on December 31, 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 ended on 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 future financial statements. 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.