



## Banco Agromercantil de Guatemala, S.A. and Subsidiaries Semi-annual Report June 2014

**Banco Agromercantil de Guatemala, S.A. and Subsidiaries reports consolidated total assets of Q20,674.4 million as of June 2014, which represents an increase of Q2,799.6 million, or 15.7% compared to December 2013.**

- **Net loans increased Q1,507.0 million, 13.3%.** Even though growth in loans comes primarily from the corporate segment, the diversification strategy adopted for the loan portfolio has reported healthy increases in the retail segment as well.
- **Investment portfolio increased Q959.9 million, 32.6%.** Investment portfolio has as main goal to preserve capital and provide the Bank with liquid operations, therefore 82.6% is registered as available for sale, has a moderate risk approach and high liquidity.
- **Cash and cash equivalents increased Q337.0 million, 11.3%.** This high liquidity position is due to the recent increase in resources as a result of a long-term loan acquired to support asset growth. Liquidity levels will tend to decrease as BAM deploys more funds to grow.

Deposits continue to be the principal source of funds of the Bank and increased Q466.9 million, 3.6% compared to December 2013. Loans with financial institutions increased Q2,216.3 million, 100.6% compared to December 2013. These include a long-term loan (1) of Q2,333.6 (US\$300 million).

At the end of the year 2013, the Bank issued common shares in the amount of Q812.9 million priced at Q18 per share. All of 2013 earnings were reinvested, and as a result, total shareholders' equity increased by 72.1% compared to June 2013. This clearly demonstrates shareholder commitment to support growth in the bank's business.

BAM and Subsidiaries, during the six month period ended June 30, 2014, reported consolidated income of Q134.2 million which represents an increase of 7.9% compared to the same period in 2013.

- **Net financial income increased 7.8%.** This increase is the result of annual growth of earning assets; loans grew 30.6% and investments grew 39.9%. The increase in the financial margin was partially reduced by the temporal high liquidity positions registered, due to the recent increase in long term funding.
- **Administrative expenses increased 5.1%.** Mostly the increase is in employees to support growth, and it represents 1.5 times less growth than the increase reported in Net Financial Income.
- **NPL coverage increased from 118.2% in June, 2013 to 164.1% in June, 2014.** As of June 30, 2014 the Bank's coverage of loans over 30 days past due was 100.2%. As a result loan loss provision and other provisions increased 38.1%. The increases in provisions are in line with our projections, as well as reinforcing our commitment to improve NPLs coverage.



Banco Agromercantil de Guatemala, S. A. and Subsidiaries

Consolidated Balance Sheet (Q millions)	Jun-14	Jun-13	Dec-13	Growth	
				Vrs. Jun-13	Vrs. Dec-13
<b>Assets</b>					
Cash and cash equivalents	3,332.3	2,516.1	2,995.3	32.4%	11.3%
Investments – Net	3,905.2	2,790.9	2,945.3	39.9%	32.6%
Loans portfolio – Net	12,832.5	9,822.3	11,325.5	30.6%	13.3%
Other assets	604.4	625.4	608.7	-3.4%	-0.7%
<b>Total Assets</b>	<b>20,674.4</b>	<b>15,754.7</b>	<b>17,874.8</b>	<b>31.2%</b>	<b>15.7%</b>
<b>Liabilities and other credit balances</b>					
Deposits	13,466.8	12,700.0	12,999.9	6.0%	3.6%
Loans with other financial institutions	4,420.1	1,199.8	2,203.8	268.4%	100.6%
Financial obligations	29.3	30.8	29.5	-4.9%	-0.7%
Other liabilities and credit balances	613.9	577.8	566.1	6.2%	8.4%
<b>Total liabilities and other credit balances</b>	<b>18,530.1</b>	<b>14,508.4</b>	<b>15,799.3</b>	<b>27.7%</b>	<b>17.3%</b>
<b>Stockholders' equity</b>					
Paid-in capital	1,167.6	716.0	1,167.6	63.1%	0.0%
Additional paid-in capital	407.0	45.7	407.0	790.6%	0.0%
Retained earnings, reserves and other	569.7	484.5	500.9	17.6%	13.7%
<b>Total stockholders' equity</b>	<b>2,144.3</b>	<b>1,246.2</b>	<b>2,075.5</b>	<b>72.1%</b>	<b>3.3%</b>
<b>Total liabilities and stockholders' equity</b>	<b>20,674.4</b>	<b>15,754.6</b>	<b>17,874.8</b>	<b>31.2%</b>	<b>15.7%</b>

Consolidated Income Statement (Q millions)	Acumulated Jun-14	Acumulated Jun-13	Variation
			Jun-13
Financial Income	738.1	620.0	19.0%
Financial Expenses	(288.6)	(203.0)	42.2%
<b>Net Financial Income</b>	<b>449.5</b>	<b>417.0</b>	<b>7.8%</b>
Income and expenses from Services, net	37.0	39.1	-5.4%
<b>Other operating income and expenses, net</b>			
Operating income	37.1	31.7	17.0%
Loan, accounts receivable, foreclosed assets and securities loss provisions	(68.2)	(49.4)	38.1%
Operating expenses	(4.3)	(2.5)	72.0%
Administrative expenses	(335.0)	(318.6)	5.1%
Extraordinary income and expenses, net	17.0	5.5	209.1%
Prior period's income and expenses, net	1.3	2.0	-35.0%
Income taxes (1)	(0.2)	(0.4)	-50.0%
<b>Net consolidated income</b>	<b>134.2</b>	<b>124.4</b>	<b>7.9%</b>

(1) The income tax corresponds only to entities that contribute monthly on the basis of gross income. The bank liquidates the income tax annually.

Principal ratios	Jun-14	Jun-13	Dec-13	Variation	
				Vrs. Jun-13	Vrs. Dec-13
<b>Profitability</b>					
Return on average total assets (1)	1.4%	1.6%	1.3%	-0.2%	0.1%
Return on average shareholders' equity (2)	12.7%	20.6%	12.8%	-7.9%	-0.1%
<b>Efficiency</b>					
Efficiency ratio (3)	64.5%	65.7%	66.0%	-1.1%	-1.5%
Operating expenses / average total assets (4)	3.5%	4.1%	4.0%	-0.7%	-0.5%
<b>Liquidity</b>					
Liquid assets/ total deposits	53.7%	41.8%	45.7%	12.0%	8.0%
Liquid assets/ total assets	35.0%	33.7%	33.2%	1.3%	1.8%
Loans (5) / deposits	97.2%	79.1%	88.7%	18.1%	8.5%
<b>Capitalization</b>					
Stockholders' equity / total assets	10.4%	7.9%	11.6%	2.5%	-1.2%
Tier 1 capital / risk-weighted assets	12.1%	8.0%	14.0%	4.1%	-1.9%
Total Net Capital / risk-weighted assets	16.8%	12.5%	18.3%	4.3%	-1.6%
<b>Credit quality data</b>					
Non-performing loans (6)/ total loans	1.2%	1.9%	1.2%	-0.7%	0.0%
Past-due loans (7) / loans	4.6%	4.4%	3.5%	0.2%	1.1%
Allowance for possible loan losses / total loans	2.0%	2.2%	1.8%	-0.2%	0.2%
Allowance for possible loan losses / total non-performing loans	164.1%	118.2%	151.9%	45.9%	12.2%
Allowance for possible loan losses / loans graded "C," "D" and "E" (8)	87.3%	44.5%	58.7%	42.8%	28.6%

(1) Net income for the period divided by the average of the end-of-period and end-of-prior period total assets. (2) Net income for the period divided by the average of the end-of-period and end-of-prior period total stockholder's equity. (3) Refers to the period's total administrative expenses divided by the period's total operating income. (4) Refers to the period's total administrative expenses divided by the average of the end-of-period and end-of-prior period total assets. (5) Refers to total loans portfolio (6) A loan is considered non-performing after being 90 days overdue. (7) A loan is considered past-due when it has been in default between 1 and 90 days. For accounting purposes, these loans are considered performing. (8) Risk ratings as of Jun-14 reflect grade as of March-14, the final categories will be update until August 10th, 2014.



Banco Agromercantil de Guatemala, S. A. and Subsidiaries

Investments

Investments (Q millions)	Jun-14	% of total	Jun-13	% of total	Dec-13	% of total	Growth	
							Vrs. Jun-13	Vrs. Dec-13
Available-for-sale securities	3,225.7	82.6%	2,151.5	77.0%	2,285.0	77.5%	49.9%	41.2%
Held-to-maturity securities (F.H.A. mortgage notes)	680.8	17.4%	640.7	22.9%	662.2	22.5%	6.3%	2.8%
Interest paid in purchase of available-for-sale securities	0.6	0.0%	0.6	0.0%	-	0.0%	0.0%	100.0%
<b>Total investments</b>	<b>3,907.1</b>	<b>100.0%</b>	<b>2,792.8</b>	<b>100.0%</b>	<b>2,947.2</b>	<b>100.0%</b>	<b>39.9%</b>	<b>32.6%</b>
Allowance on F.H.A. mortgage notes	(1.9)	0.0%	(1.9)	0.1%	(1.9)	0.1%	0.0%	0.0%
<b>Investments, net</b>	<b>3,905.2</b>		<b>2,790.9</b>		<b>2,945.3</b>		<b>39.9%</b>	<b>32.6%</b>

Loan Portfolio

Type of loan (Q millions)	Jun-14	% of total loans	Jun-13	% of total loans	Dec-13	% of total loans	Growth	
							Vrs. Jun-13	Vrs. Dec-13
Commercial	10,338.8	79.0%	7,718.2	76.9%	8,924.2	77.4%	34.0%	15.9%
Mortgage loans	919.1	7.0%	784.2	7.8%	843.9	7.3%	17.2%	8.9%
Auto loans	184.9	1.4%	164.2	1.6%	170.0	1.5%	12.6%	8.8%
Credit cards	851.2	6.5%	727.2	7.2%	856.4	7.4%	17.1%	-0.6%
Consumer	796.1	6.1%	648.3	6.5%	739.7	6.4%	22.8%	7.6%
<b>Total loans</b>	<b>13,090.1</b>	<b>100.0%</b>	<b>10,042.1</b>	<b>100.0%</b>	<b>11,534.2</b>	<b>100.0%</b>	<b>30.4%</b>	<b>13.5%</b>
Allowance for loan losses	(257.6)	2.0%	(219.8)	2.2%	(208.7)	1.8%	17.2%	23.4%
<b>Loans, net</b>	<b>12,832.5</b>		<b>9,822.3</b>		<b>11,325.5</b>		<b>30.6%</b>	<b>13.3%</b>

Deposits

Type of deposit (Q millions)	Jun-14	% of total deposits	Jun-13	% of total deposits	Dec-13	% of total deposits	Growth	
							Vrs. Jun-13	Vrs. Dec-13
Checking accounts	5,062.3	37.6%	5,039.7	39.7%	4,938.1	38.0%	0.4%	2.5%
Saving accounts	3,185.0	23.7%	3,134.7	24.7%	3,210.8	24.7%	1.6%	-0.8%
Time deposits	5,157.3	38.3%	4,469.6	35.2%	4,790.9	36.9%	15.4%	7.6%
Other	62.2	0.5%	56.0	0.4%	60.1	0.5%	11.0%	3.5%
<b>Tota deposits</b>	<b>13,466.8</b>	<b>100.0%</b>	<b>12,700.0</b>	<b>100.0%</b>	<b>12,999.9</b>	<b>100.0%</b>	<b>6.0%</b>	<b>3.6%</b>

Capital

Capital ratio (Q millions)	Jun-14	% (4)	Jun-13	% (4)	Dec-13	% (4)	Growth	
							Vrs. Jun-13	Vrs. Dec-13
Tier 1 capital (1)	1,689.4	12.1%	865.8	8.0%	1,678.7	13.8%	95.1%	0.6%
Tier 2 Additional net capital (1)	654.3	4.7%	482.9	4.5%	552.3	4.5%	35.5%	18.5%
Total Net Capital (1)	2,343.7		1,348.7		2,231.0		73.8%	5.1%
Total risk-weighted assets (2)	13,966.5		10,773.6		12,161.4		29.6%	14.8%
<b>Capital adequacy</b>		<b>16.8%</b>		<b>12.5%</b>		<b>18.3%</b>		
Minimum regulatory capital required (3)	1,417.3		1,097.5		1,237.1		29.1%	14.6%
<b>Excess of capital over minimum regulatory capital required</b>	<b>926.4</b>		<b>251.2</b>		<b>993.9</b>		<b>268.8%</b>	<b>-6.8%</b>

(1) Based on the Guatemalan regulatory requirements. (2) Risk-weighted assets are calculated in accordance with Monetary Board resolution JM-46-2004, as amended. (3) The minimum requirement in Guatemala is 10% of equity to risk-weighted average assets except by some assets with special requirements. (4) As a percentage of risk-weighted assets.