

Banco Agromercantil de Guatemala, S.A. and Subsidiaries

Consolidated Financial Statements

December 31, 2015

with corresponding figures for 2014

(With Independent Auditors' Report)

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Independent Auditors' Report

To the Shareholders of Banco Agromercantil de Guatemala, S.A. and Subsidiaries:

We have audited the accompanying consolidated financial statements of Banco Agromercantil de Guatemala, S.A. and Subsidiaries (the "Group"), which comprise the consolidated balance sheet at December 31, 2015 and the consolidated statements of income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information. These financial statements have been prepared by management of the Group according to the Manual of Accounting Instructions for Entities Subject to the Surveillance and Inspection of the Superintendence of Banks issued by the Monetary Board.

Management Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risks assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

(Continues)

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.


Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Banco Agromercantil de Guatemala, S.A. and Subsidiaries at December 31, 2015, and their consolidated results of operations and their consolidated cash flows for the year then ended in accordance with the Manual of Accounting Instructions for Entities Subject to Surveillance and Inspection of the Superintendencia of Banks issued by the Monetary Board of the Republic of Guatemala, as described in notes 2 and 3 to the consolidated financial statements.

Emphasis on a Matter

Without modifying our opinion, we draw attention to notes 2 and 3 to the consolidated financial statements, which describe the accounting base used in their preparation. The consolidated 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 Superintendencia of Banks, which differs in some aspects from International Financial Reporting Standards, as indicated in note 39.




Arturo José Aldana A.
CPA - 1379

February 28, 2016

Consolidated Balance Sheets

December 31, 2015 with corresponding figures for 2014

(Figures expressed in thousands of quetzales (Q) and thousands of U.S. dollars ("US\$"), as applicable)

	2015 US\$ (Note 2e)	2015 Q	2014 Q
Assets			
Cash (note 4)	381,698	2,913,252	2,888,737
Investments, net (note 5)	414,071	3,160,342	3,984,909
Loan portfolio, net (note 6)	2,121,150	16,189,404	14,380,315
Accounts receivable from accrued financial products (note 7)	11,445	87,354	74,752
Other accounts receivable, net (note 8)	3,822	29,168	32,582
Foreclosed assets, net (note 9)	8,862	67,636	79,501
Equity securities (note 10)	5,033	38,415	37,242
Other investments (note 11)	2,111	16,114	15,126
Property and equipment, net (note 12)	33,989	259,418	274,193
Deferred charges, net (note 13)	17,141	130,828	134,486
Goodwill	112	853	853
Total assets	<u>2,999,434</u>	<u>22,892,784</u>	<u>21,902,696</u>
Liabilities, Other Credit Balances and Stockholders' Equity			
Deposits (note 14)	1,980,715	15,117,547	14,624,934
Loans with other financial institutions (note 15)	638,862	4,876,028	4,423,230
Financial obligations (note 16)	2,401	18,325	18,882
Accounts payable and accrued financial expenses (note 17)	22,657	172,924	151,758
Other accounts payable (note 18)	32,775	250,153	271,092
Provisions (note 19)	17,639	134,629	134,586
Deferred income (note 20)	277	2,111	2,222
Non-controlling interest	2	19	18
Total liabilities	<u>2,695,328</u>	<u>20,571,736</u>	<u>19,626,722</u>
Other credit balances (note 21)	6,927	52,872	69,613
Total liabilities and other credit balances	<u>2,702,255</u>	<u>20,624,608</u>	<u>19,696,335</u>
Shareholders' equity (notes 22 and 23)	297,179	2,268,176	2,206,361
	<u>2,999,434</u>	<u>22,892,784</u>	<u>21,902,696</u>
Contingencies, commitments, other liabilities and memorandum accounts (note 31)	<u>7,241,927</u>	<u>55,273,063</u>	<u>50,157,256</u>

See accompanying notes to the consolidated financial statements.

Consolidated Statements of Income

For the year ended December 31, 2015 with corresponding figures for 2014

(Figures expressed in thousands of quetzales (Q) and thousands of U.S. dollars ("US\$"), as applicable)

	2015 US\$ (Note 2e)	2015 Q	2014 Q
Financial income (note 24)	225,936	1,724,428	1,567,515
Financial expenses (note 24)	<u>(98,121)</u>	<u>(748,894)</u>	<u>(647,808)</u>
Net financial income	<u>127,815</u>	<u>975,534</u>	<u>919,707</u>
Income and expenses from services, net (note 25)	<u>12,491</u>	<u>95,333</u>	<u>62,223</u>
Net income form services	<u>140,306</u>	<u>1,070,867</u>	<u>981,930</u>
Other operating income and expenses, net (note 26):			
Operating income	11,369	86,775	72,530
Loan, accounts receivable and securities loss provisions (note 6)	(13,078)	(99,815)	(119,085)
Operating expenses	<u>(200)</u>	<u>(1,530)</u>	<u>(21,038)</u>
Other income and operating expenses	<u>(1,909)</u>	<u>(14,570)</u>	<u>(67,593)</u>
Gross operating margin	138,397	1,056,297	914,337
Administrative expenses (note 27)	<u>(94,194)</u>	<u>(718,926)</u>	<u>(680,187)</u>
Operating margin, net	44,203	337,371	234,150
Extraordinary income and expenses, net (note 28)	4,091	31,225	47,309
Income and expenses from prior periods, net (note 29)	<u>514</u>	<u>3,923</u>	<u>3,537</u>
Income before tax expense	48,808	372,519	284,996
Income tax (note 30)	<u>(9,912)</u>	<u>(75,654)</u>	<u>(60,842)</u>
Net income	38,896	296,865	224,154
Non-controlling interest	<u>-</u>	<u>-</u>	<u>(1)</u>
Net consolidated income	<u><u>38,896</u></u>	<u><u>296,865</u></u>	<u><u>224,153</u></u>

See accompanying notes to the consolidated financial statements.

Consolidated Statements of Changes in Shareholders' Equity

For the year ended December 31, 2015 with corresponding figures for 2014

(Figures expressed in thousands of quetzales and thousands of U.S. dollars ("US\$"), as applicable)

	2015 US\$ (Note 2e)	2015 Q	2014 Q
Shareholders' equity:			
Paid-in capital (note 22):			
Balance at beginning of year	152,978	1,167,588	1,167,587
Issuance of common stock	-	-	1
Balance at end of year	<u>152,978</u>	<u>1,167,588</u>	<u>1,167,588</u>
Additional paid-in capital (note 22):			
Balance at beginning of year	53,327	407,014	407,013
Premiums on common stock	-	-	1
Balance at end of year	<u>53,327</u>	<u>407,014</u>	<u>407,014</u>
Equity reserves:			
Legal reserve (note 3 k):			
Balance at beginning of year	15,036	114,758	104,131
Transfer from retained earnings	1,506	11,497	10,627
Balance at end of year	<u>16,542</u>	<u>126,255</u>	<u>114,758</u>
Reserve for future dividends (note 23 i):			
Balance at beginning of year	-	-	83,513
Transfer to retained earnings	-	-	(83,513)
Balance at year end	<u>-</u>	<u>-</u>	<u>-</u>
Contingencies reserve (note 23 ii):			
Balance at beginning of year	11,604	88,565	114,381
Transfer from retained earnings (note 23 ii)	6,551	50,000	50,000
Transfer to allowance for valuation of loan portfolio (note 6)	(12,212)	(93,205)	(75,000)
Disbursements of the year	-	-	(816)
Balance at year end	<u>5,943</u>	<u>45,360</u>	<u>88,565</u>
Income reinvestment reserve (note 23 iii)			
Balance at beginning of year	755	5,763	5,782
Depreciation	(2)	(17)	(19)
Balance at end of year	<u>753</u>	<u>5,746</u>	<u>5,763</u>

**Consolidated Statements of Changes in Shareholders' Equity
(continued)**

	2015 US\$ (Note 2e)	2015 Q	2014 Q
Asset revaluation reserve (notes 12 and 23 iv):			
Balance at beginning of year	3,619	27,619	28,480
Asset revaluation	-	-	65
Depreciation for the year	<u>(123)</u>	<u>(940)</u>	<u>(926)</u>
Balance at end of year	<u>3,496</u>	<u>26,679</u>	<u>27,619</u>
Valuation of doubtful recovery assets (note 23 v):			
Balance at beginning and end of year	<u>(6,348)</u>	<u>(48,447)</u>	<u>(48,447)</u>
Gains or loss from changes in the market value of investments available-for-sale (note 23 vi):			
Balance at beginning of year	554	4,227	(10,265)
Gains (losses) from changes in the market value of the year	<u>(1,338)</u>	<u>(10,209)</u>	<u>14,492</u>
Balance at end of year	<u>(784)</u>	<u>(5,982)</u>	<u>4,227</u>
Retained earnings:			
Balance at beginning of year	57,555	439,274	223,311
Net income	38,896	296,865	224,153
Effect for consolidation	<u>(31)</u>	<u>(233)</u>	<u>(245)</u>
	<u>96,420</u>	<u>735,906</u>	<u>447,219</u>
Less:			
Transfer to legal reserve	(1,506)	(11,497)	(10,627)
Transfers to contingencies reserve (note 23 ii)	(6,551)	(50,000)	(50,000)
Compensations to directors and employees (note 23 viii)	(2,024)	(15,449)	(15,013)
Paid dividends (note 23 vii)	(13,018)	(99,361)	-
Preferred stock dividends (note 23 vii)	(2,049)	(15,636)	(15,818)
Transfers from future dividends reserve	-	-	83,513
	<u>(25,148)</u>	<u>(191,943)</u>	<u>(7,945)</u>
Balance at end of year	<u>71,272</u>	<u>543,963</u>	<u>439,274</u>
Total stockholders' equity	<u>297,179</u>	<u>2,268,176</u>	<u>2,206,361</u>

See accompanying notes to the consolidated financial statements.

Consolidated Statements of Cash Flows

For the year ended December 31, 2015 with corresponding figures for 2014

(Figures expressed in thousands of quetzales and thousands of U.S. dollars ("US\$"), as applicable)

	2015	2015	2014
	US\$	Q	Q
	(Note 2e)		
Cash flows from operating activities:			
Interest income	185,900	1,418,861	1,386,608
Comissions income	20,901	159,527	137,226
Service income	21,979	167,750	171,651
Interest expense	(88,782)	(677,620)	(570,550)
Services expense	(13,385)	(102,160)	(97,124)
Fee expense	(49)	(377)	(1,371)
Administrative expenses paid	(78,717)	(600,799)	(576,447)
Loss from title-securities negotiation (net)	(1)	(7)	1,141
Foreign exchange (net)	9,481	72,366	44,838
Investment securities:			
Cash from disposals of investments	8,070,863	61,599,812	41,012,654
Investment acquisition	(7,993,351)	(61,008,212)	(41,940,062)
Loan portfolio:			
Cash from amortization of loans	1,860,590	14,200,714	14,059,733
Disbursements for loans	(2,109,689)	(16,101,930)	(17,303,258)
Other investments:			
Cash from disposal of other investments	3,169	24,186	20,608
Acquisitions of other investments	(3,298)	(25,174)	(21,048)
Deposits:			
Cash received from depositors	22,915,176	174,897,099	177,887,695
Disbursements for deposit withdrawals	(22,848,294)	(174,386,631)	(176,262,625)
Loans with other financial institutions:			
Cash from loans	453,552	3,461,674	7,951,008
Loans paid	(396,734)	(3,028,019)	(5,730,820)
Financial obligations:			
Redemption or repurchase	(73)	(557)	(10,598)
Cash from sale of foreclosed assets	2,892	22,071	12,583
Income tax paid	(5,969)	(45,556)	(58,253)
Solidarity tax paid	(2,355)	(17,972)	(15,273)
Contributions to savings protection fund – FOPA (note 14)	(4,304)	(32,848)	(27,262)
Other income and expenses (net)	(6,638)	(50,667)	(65,441)
Net cash flows (used in) provided by operating activities	<u>(7,136)</u>	<u>(54,469)</u>	<u>5,613</u>
Carried forward	<u>(7,136)</u>	<u>(54,469)</u>	<u>5,613</u>

Consolidated Statements of Cash Flows (Continued)

	2015 US\$ (Note 2e)	2015 Q	2014 Q
Brought forward	(7,136)	(54,469)	5,613
Cash flows from investment activities:			
Investments in equity securities:			
Cash from disposal of investments	302	2,303	129
Disbursements for investments	(455)	(3,476)	(1,362)
Dividends received	761	5,808	5,011
Cash from sale of property and equipment	11	85	61
Disbursements for purchase of property and equipment	(3,440)	(26,258)	(32,916)
Net cash used in investment activities	(2,821)	(21,538)	(29,077)
Cash flows from financing activities:			
Dividends paid – common stock	(12,988)	(99,126)	(36)
Dividends paid – preferred stock	(2,049)	(15,636)	(15,818)
Share contributions income	-	-	2
Net cash used in financing activities	(15,037)	(114,762)	(15,852)
Net decrease in cash and cash equivalents	(24,994)	(190,769)	(39,316)
Cash and cash equivalents at beginning of year	432,931	3,304,288	3,343,604
Cash and cash equivalents at end of year	407,937	3,113,519	3,304,288

Supplementary information

The following is a summary of cash and cash equivalents:

	2015 US\$	December 31, 2015 Q	2014 Q
Cash (note 4)	381,698	2,913,252	2,888,737
Cash equivalents (note 5c)	26,239	200,267	415,551
	407,937	3,113,519	3,304,288

See accompanying notes to the consolidated financial statements.

Notes to the Consolidated Financial Statements

December 31, 2015 with corresponding figures for 2014

(Figures expressed in thousands of quetzales and thousands of U.S. dollars (“US\$”), as applicable)

1 Operations

Banco Agromercantil de Guatemala, S.A. (the “Bank”) and its subsidiaries Financiera Agromercantil, S.A. (the “Financing Entity”), Tarjeta Agromercantil, S.A. (the “Credit Card Company”), Agrovalores, S.A. (the “Brokerage Company”), Arrendadora Agromercantil, S.A. (the “Lease Company”), Agencia de Seguros y Fianzas Agromercantil, S.A., and Asistencia y Ajustes, S.A. (hereinafter referred to as the “Group”) are included in this following the regulations established by the Superintendence of Banks of Guatemala, in order to prepare the accompanying consolidated financial statements under the figure of controlling entity.

The Group’s headquarters are located at: 7^a avenida 7-30 zona 9, Guatemala City.

The Group’s holding company is Grupo Agromercantil Holding, incorporated in the Republic of Panama whose shareholders are BAM Financial Corporation with 40% (60% from 2014) of participation and Bancolombia (Panamá), S.A. with 60% (40% from 2014) of participation, both entities incorporated in the Republic of Panama.

Description of Operations

The companies included in the consolidated financial statements were incorporated under laws of the Republic of Guatemala, all to operate for an indefinite period of time.

- Banco Agromercantil de Guatemala, S.A. was incorporated on October 18, 2000 through Public Deed No. 179, as a result of the merger of Banco del Agro, S.A., Banco Agrícola Mercantil de Guatemala, S.A. and Corporación del Agro, S.A.

The Bank is in the banking business and its operations are governed by the following Guatemalan laws: Law of Banks and Financial Groups and, as applicable, by the Organic Law of the Guatemalan Central Bank, the Monetary Law, the Financial Supervision Law, the Law Against Money and Other Asset Laundering and the Law to Prevent and Suppress the Financing to Terrorism.

- The Financing Entity was incorporated through Public Deed No. 16 dated March 18, 1996 as a private financing entity. It’s entitled to perform all operations of private financing corporations allowed by law, also known as investing banks. The Bank holds an equity interest of 56.80%, the Lease Company of 43.19% and the Brokerage Company of 0.01% in the Financing Entity. Actually, the Financial Entity carries out transactions with investments and no loan operations are performed.

Notes to the Consolidated Financial Statements

- The Credit Card Company was incorporated on May 29, 2000. Its main activity consists of granting financing to third parties through credit cards for local and international use. The Bank holds an equity interest of 98% and the Financing Entity through the Bamer –Mercom Trust, holds an equity interest of 2% in the Credit Card Company.

The Credit Card Company has suspended its credit card operations since several years ago; there are no plans to liquidate this company nor a date has been defined to restart with its operations has not been defined. Total assets, liabilities, equity, results of operations and cash flows of this company are not significant in relation to the consolidated financial statements of the Group as of December 31, 2015 and 2014.

- The Brokerage Company was incorporated on October 6, 1987. Its main activity consists of manage the investment portfolio of the Group. The Bank holds directly an equity interest of 7.2% and the Lease Company holds an equity interest of 92.8% in the Brokerage Company.
- The Lease Company was incorporated on April 10, 1996. Its main activity consists of grant property in rent, acting as lessor. The Bank holds an equity interest of 99.90% and the Brokerage Company of 0.10% in the Lease Company.
- Agencia de Seguros y Fianzas Agromercantil, S.A. was incorporated on January 8, 2003. Its main activity consists of acting to support to the entity Seguros Agromercantil, S.A. (related company, which is not included in the consolidated financial statements). The Bank holds an equity interest of 99% in Agencia de Seguros y Fianzas Agromercantil, S.A., through the Lease Company and the Brokerage Company holds an equity interest of 1%.
- Asistencia y Ajustes, S.A. was incorporated on July 12, 2007. Its main activity consists of acting to support to the entity Seguros Agromercantil, S.A. The Bank holds an equity interest of 99% in Asistencia y Ajustes, S.A., through the Lease Company and the Brokerage Company holds an equity interest of 1%.

The entities Agencia de Seguros y Fianzas Agromercantil, S.A. and Asistencia y Ajustes, S.A. are not part of the regulated group (see note 33).

Notes to the Consolidated Financial Statements

2 Basis of Preparation

The consolidated financial statements of the Group are prepared in accordance with the following accounting policies considering their relative importance as established by the Agreement No. 06-2008 of the Superintendent of Banks of Guatemala. This agreement establishes that in relation to the homogenization of the financial information if the nature of the operations or legal provision, it were not possible to use uniform accounting policies in the preparation of consolidated financial statements, such situations, if any, should be disclosed in explanatory notes to the consolidated financial statements.

a Statement of Compliance

The accounting policies used by the Group in preparing and presenting its financial information are in accordance, in all significant aspects, with the standard banking practice, regulated in Guatemala, and with the Accounting Instructions Manual for Entities Subject to the Surveillance and Inspection of the Superintendence of Banks (as per initials MIC in Spanish) approved by Resolution of the Monetary Board JM-150-2006 and its subsequent amendments (collectively referred to hereinafter “Guatemala Banking GAAP”).

The purpose of MIC is to standardize the accounting framework of all the financial activities of the entities subject to supervision of the Superintendence of Banks of Guatemala.

Additionally, these accounting policies and reports are regulated by the Law of Banks and Financial Groups, the Monetary Law, the Financial Supervision Law, the Law Against Money and Other Asset Laundering, the Law to Prevent and Suppress the Financing to Terrorism and other laws applicable to its activities; as well as by the provisions of the Monetary Board and of the Superintendence of Banks of Guatemala.

The financial statements of the entities Agencia de Seguros y Fianzas Agromercantil, S.A. and Asistencia y Ajustes, S.A. have been prepared using accounting practices derived from the application of the Guatemalan Income Tax Law and have not been converted to Guatemala Banking GAAP. The effect of not converting these financial statements is not significant in relation to the consolidated financial statements of the Group asand for the year ended of December 31, 2015 and 2014.

b Consolidation principles

The consolidation policies used for the preparation of the accompanying consolidated financial statements of the Group are in accordance with the Resolution No. 06-2008 “Procedures for the Consolidation of Financial Statements of Entities Integrating Financial Groups”, dated February 18, 2008 issued by the Superintendence of Banks of Guatemala.

Notes to the Consolidated Financial Statements

The consolidated financial statements of the Group include the assets, liabilities, stockholders' equity, results of operations, cash flows and accompanying notes, of the entities that comprise the Group, which are described in note 1.

The entities Mercom Bank Ltd. and Seguros Agromercantil, S.A. which form part of the regulated group (see note 33) have not been included in the accompanying consolidated financial statements as of December 31, 2015 and 2014.

In addition, the entities Agencia de Seguros y Fianzas Agromercantil, S.A. and Asistencia y Ajustes, S.A. which do not form part of the regulated group (see note 33), have been included in the accompanying consolidated financial statements as of December 31, 2015 and 2014.

All significant balances and transactions among the companies of the Group have been eliminated in the preparation of these consolidated financial statements.

c Basis of measurement

Financial and non-financial assets and liabilities are stated at cost, and certain available-for-sale investments, at fair value. In addition, some non-financial assets are stated at its revalued value (see notes 3c and 3e) and in the case of foreclosed assets, at its adjudication value or in conformity with the indication in note 3f.

d Presentation currency

The consolidated financial statements are presented in quetzales (Q), the functional currency of the Group and legal currency in Guatemala. At December 31, 2015 the reference exchange rate provided by the Bank of Guatemala (Central Bank) and the banking market rate was Q7.63 = US\$1.00 (Q7.60 = US\$1.00 in 2014).

e Convenience Translation

Amounts as of December 31, 2015 and 2014 and for the years then ended, translated into U.S. dollars (US\$), are included solely for the convenience of readers and the methodology used to convert such amounts is prescribed under Guatemala Banking GAAP, where: balance sheet accounts are translated at year-end exchange rate and the other financial statements accounts are translated at average exchange rate of the year.

Translation has been made at the year-end exchange rate of Q7.63 per one U.S. dollar (US\$), as published by "Banco de Guatemala" (the Guatemalan Central Bank) on December 31, 2015 (Q7.60 = US\$1.00 in 2014) and the average exchange rate used for 2015 translation was Q7.66 per US\$1 (Q7.74% = US\$1.00 in 2014).

Notes to the Consolidated Financial Statements

f Use of estimates

In the preparation of the consolidated financial statements, the Group's management has made a number of estimates and assumptions related to the accounting policies and the amounts reported in assets, liabilities, results of operations and the disclosure of contingent liabilities. Real results might differ from those estimates.

The estimates that are particularly susceptible to significant changes are mainly with the determination of the estimate for loan portfolio, valuation of investment in securities, valuation of foreclosed assets and the recovery of accounts receivable. The current economic environment has increased the degree of uncertainty inherent to such estimates and assumptions.

3 Significant Accounting Policies

The information contained in the consolidated financial statements and its notes has been prepared and is responsibility of the management of the Group. The accounting policies summarized below were applied for the preparation and presentation of these consolidated financial statements. These accounting policies differ from international financial reporting standards (IFRS), mainly as summarized in note 39.

a Financial Instruments

A financial instrument is any contract that gives rise to a financial asset in one entity and at the same time a financial liability or equity instrument in another entity. Financial instruments include, among others: cash equivalents, investments, loan portfolio, financial income receivable, accounts receivable, deposits, loans obtained, financial obligations, other obligations, financial expenses payable and accounts payable.

i. Cash Equivalents

Investments that are easily translated into cash and are due within three months following to the date of the consolidated financial statements are considered cash equivalents.

ii. Investments

The investments portfolio in securities consists of the following:

- **Available-for-sale securities**

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

Notes to Consolidated Financial Statements

The value of these investments is adjusted on a monthly basis based on their market value in the stock exchange. Where there is no market value, the value is determined based on regulations related to valuation of investment securities. In cases where the securities are issued by the Bank of Guatemala or the Ministry of Public Finance, where no reference market value may be set, valuation is made at acquisition cost.

Differences arising from price variances are recorded in equity. When securities are sold, the gain or loss accrued in equity is recognized in the year's results of operations.

- **Held-to-maturity securities**

Held-to-maturity securities are initially recorded at acquisition cost, without considering fees and other similar purchase-related charges.

The book value of these investments is determined through the cost method. Purchases, amortizations and maturities are recorded in accounting on the transaction date.

- **Securities under repurchase/resell agreements**

Investment securities that the Group holds under agreements to resell are stated at acquisition cost.

Investment securities that the Group granted under agreements to repurchase are withdrawn from the consolidated balance sheet's investments account and posted in memorandum accounts.

iii. Estimation for Investments Valuation

According to the existing regulations, the Group must record estimation for valuation as a result of a risk analysis.

iv. Loan Portfolio

- **Loans and Others**

In conformity with the MIC, the loan portfolio represents the amount of loans granted by the Group in local and foreign currency, plus-minus the exchange rate adjustment for loans in foreign currency. The commissions perceived from and any incremental cost related to the loans granted are recorded directly in the profit or loss of the year.

Notes to Consolidated Financial Statements

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

Likewise, in the account “extra-financing receivable” are recorded the consumptions like interest to be received. As the corresponding quotas are due, they are transferred alongside with interests to the accounts receivable from credit cards.

- **Estimate for Loan Portfolio and Accounts Receivable valuation**
According to the Credit Risk Management Regulations, Resolution JM-93-2005 dated May 23, 2005, the Group should record against the year’s results of operations an allowance based on the valuation of its portfolio of credit assets.

In cases where the legal limit as deductible expense for determining the income tax expense is exceeded, this reserve may be recorded directly against capital reserve accounts in stockholders’ equity.

The creation and maintenance of generic reserves or allowances, along with the specific reserves or allowances must cover an amount equal to 100% of the past due loan portfolio and shall in no event be less than 1.25% of the total gross credit assets.

b Permanent Investments

Permanent investments in shares are those where management has the intention of maintaining equity in the issuer’s capital. Permanent investments are accounted for using the cost method, irrespective of the Group’s percentage of equity interest in such enterprises. Income from these investments is recorded only to the extent that retained earnings of the investee (where the investment is held) are distributed after the acquisition date.

Permanent investments in foreign currency are accounted for at their equivalent in quetzales, at the exchange rate in effect at the time of purchase and remain recorded at the historical exchange rate, as required by MIC.

c Property and Equipment

i. Acquired assets

Except for the revaluated fixed assets, property and equipment are presented at cost,

Notes to Consolidated Financial Statements

ii. Revalued assets

Revaluated property and furniture are recorded at value provided by an independent appraisal.

iii. Revaluation surplus

The revaluation surplus is included as part of equity crediting the revaluation account.

iv. Disbursement subsequent to acquisition

Major replacements and improvements are capitalized, whereas minor disbursements for repairs and maintenance not extending the useful life of assets are recognized as expenses as incurred.

d Depreciation

Property and equipment recorded at cost (except for land) and revalued assets are depreciated on a straight-line basis, using the rates required by the tax law. Depreciation percentages used were as follows:

	%
Buildings at cost and revalued	5
Furniture and equipment	20
Computer equipment	20
Vehicles	20
Other	10

The depreciation expense is charged against profit or loss of the year, except for the depreciation expense of revalued buildings, which is charged to the assets revaluation reserve in equity.

Fully depreciated assets and accumulated depreciation are written-off from the respective accounts and are controlled in memorandum accounts.

e Amortization

Leasehold improvements are deferred and amortized on a straight-line basis at an annual rate of 5%.

f Foreclosed Assets

These correspond to property and equipment foreclosed by the Group due to non-payment of secured loans.

Initially these assets are recorded at the outstanding principal amount plus interest and expenses incurred in their foreclosure.

Notes to Consolidated Financial Statements

The value of these assets is updated through an independent appraisal, in a term not exceeding three months after the foreclosure. If the appraisal is less than the recorded amount, a reserve for valuation against the results of the year is recorded, otherwise a profit pending to be realized is recorded in other credit balances.

Foreclosed assets must be sold in a maximum period of two years from the foreclosure date. If the sale is not made by this time, the assets must be offered in public auction. In the event the assets are not sold in public auction, a new auction is performed every three months; the basis price of the subsequent auctions will be reduced each time by 10%.

If the basis price for the auction of a foreclosed asset is less than the book value, a reserve equivalent to the difference between both values is recorded.

If the sale is settled in cash and the selling value is greater than the book value, the difference is directly recorded in income for the year. If the sale is settled in installments and the selling price is greater than the book value, the difference is recorded as a deferred income, and income is recognized as installments are collected.

If the selling price is less than the book value, the loss is recorded through profit or loss, disregarding whether the sale is settled in cash or in installments.

Income, if any, from the sale of foreclosed assets is recorded on cash basis.

g Severance Payments

In accordance with the Accounting Instructions Manual for Entities Subject to the Surveillance and Inspection of the Superintendence of Banks of Guatemala, the Group accrues, on a monthly basis provision against profit or loss, the proportion equivalent to severance payment for labor relation finalization whether, it is recognized to its employees according to what is established in the Guatemala Labor Code, in collective bargaining agreements, entity specific policies or, as applicable, individual employment contracts.

According to Guatemalan Laws, and as provided for by article 85 section (a) of the Labor Code, employers are required to pay to their employees and workers in case of unjustified dismissal, or to their beneficiaries in case of death or, an indemnity equal to one month of salary for each year worked.

Periodically, the Group reviews and makes the necessary adjustments to keep its provision for employee benefits updated.

Notes to Consolidated Financial Statements

Where the provision created exceed the maximum legal amount allowed as a deductible expense for tax purposes, such excesses are directly recorded against the reserve for future contingencies that forms part of stockholders' equity.

h Income Recognition

Revenue earned from items other than those noted in the following sections i, ii and iii is accounted for as income receivable and other credit accounts, as applicable, and recorded as income only when effectively collected.

The following revenue is recorded in income through the accrual basis of accounting:

- i.** Interests accrued not yet collected on bonds or documents issued by the Bank of Guatemala and securities of other issuers whose amortization funds are controlled by the Bank of Guatemala;
- ii.** Interests accrued on securities issued by foreign governments or foreign central banks, having a minimum risk grade of A-3 for short term or BBB- for long term, granted by Standard & Poor's, or equivalent grading granted by an international well-known credit rating agency; and,
- iii.** Interest, commissions, rents and other income on credit card, factoring and financial leasing.

Accounting for revenue earned but uncollected in other credit accounts is suspended when there is a delay in payment of thirty days for investments in securities and ninety calendar days for the rest of the transactions and services, from the day following that on which the agreed-upon payments were due. When such suspension occurs, revenue earned but not collected should be reversed from the relevant balance sheet accounts.

For credit card operations, service fees and interests accrued are recorded as accounts receivable and interest income on the monthly cutoff dates. Revenue recognition is suspended when a delay in payment of ninety-day has been incurred, starting as from the next day of when the agreed or pledged payments should have been received. When such suspension occurs, revenue earned but not collected should be reversed from the relevant accounts; except for charges capitalized in credit card accounts, which are not reversed.

Suspended balances, recorded in balance sheet and income statement accounts as well as those earned as from the suspension date shall be kept in memorandum accounts.

Notes to Consolidated Financial Statements

i Declared Dividends

Dividends are declared as authorized by the General Shareholders' Meeting, whereby the capital reserves accounts and retained earnings are reduced and an account payable is recorded. Payment is made in cash during the year in which dividends are decreed.

The Superintendence of Banks, may limit banks, financial companies and offshore entities from distributing dividends of any type or form, when, in the opinion of such body and as a prudential measure, it is required to strengthen the liquidity and/or solvency of such bank, financial company or offshore entity. Such limitation shall not apply to shares with limited voting rights with preferred dividends.

j Remuneration to Employees

In conformity with the Social Deed of the Group's Companies, a remuneration for employees is contemplated. The amount allocated is written off from results from previous periods and recorded as an account payable. The payment is made during the year in which this allocation is decreed.

k Legal Reserve

In conformity with articles 36 and 37 of the Commerce code of Guatemala, all partnership shall separate annually as minimum 5% of the net profits of each exercise to record the legal reserve. This must not be distributed in any way among the shareholders until the dissolution of the partnership. However, it could be capitalized when exceeding fifteen percent (15%) of the paid in capital the closure of the recently closed period, without detriment of continue reserving the above-mentioned five percent (5%). The Group's records in the current year 5% of the net profit of the previous year.

l Reserve for Future Dividends

The Group record the amounts which, according to the Assembly of shareholders of the companies, are separated from retained earnings, in order to assure resources to cover the payments of dividends in the periods in which profits are insufficient to reward shareholders for their invested capital.

m Reserve for Contingencies

The contingencies' reserve comprises the amounts which, in conformity with the provisions of the Group's Stockholders Meeting, are segregated from earnings for creating or increasing reserves that ensure the coverage of unspecified or unforeseen events.

Notes to Consolidated Financial Statements

n Assets and Liabilities in Foreign Currency

Foreign currency assets and liabilities are stated at their equivalent value in quetzales, using the applicable exchange rate in accordance with the provisions issued by the monetary authorities (see note 2d).

ñ Transactions in Foreign Currencies

Transactions in foreign currencies are recorded at their equivalent value in quetzales, using the exchange rate prevailing on the transaction date.

Foreign exchange differences, if any, that result between the date on which the transaction is recorded and the date on which it is settled or the reporting date are recorded in the results for the period.

o Income Tax

Income taxes are the taxes expected to be paid on the year's taxable income, at the income tax rates in effect as of the balance sheet date and any other adjustment of the tax payable with respect to previous years.

p Provisions

A provision is recognized in the consolidated balance sheet where the Group has a legal or implied obligation that arises as a consequence of past events and will probably require a financial outlay to cancel such obligation.

The provision approximates its settlement value; however, it may differ from the final amount.

q New Regulations

• Credit Card Law, Decree 7-2015

On December 3, 2015 Decree No.7-2015 issued by the Congress of the Republic of Guatemala was published, containing the "Credit Card Law" which has an objective to establish the legal framework to regulate operations through debit and credit cards, purchase/sale transactions by this way their and the relationships between issuer, operator, cardholders and affiliated.

This Law abolishes article No. 757 of the Commerce Code of Guatemala, Decree No. 2-70 of the Congress of the Republic which corresponded to "Credit Cards".

Decree No. 7-2015 will be in force three months after its publication in the Official Journal (March 8, 2016).

The Bank as the issuer of credit cards will have to incorporate into their operations, all the requirements and changes established by this new regulation.

Notes to Consolidated Financial Statements

This law establishes a regime on how credit card issuers should act, on the requirements that the credit card issuance contracts must contain, requires retailers to require identification to the cardholder, the credit limit of users and their extra financing may not exceed twice their monthly income, it is obliged to restructure the debt of users when it reaches the hundred and fifty percent of the credit limit, sets limits on interest rates and issuers will be required to execute financial education programs.

- **Regulations on Operational Risk Management**

On January 6, 2016 the Monetary Board approved the Resolution JM-4-2016 “Regulations on Operational Risk Management”, which has an objective to regulate the minimum aspects that must be observed by banks, financial entities, off-shore entities or off-shore entities authorized by the Monetary Board to operate in Guatemala, and the companies specialized in financial services that are part of a financial group, for the operational risk management.

The operational risk management is the process of identifying, measuring, monitoring, controlling, preventing and mitigating the operational risk.

The operational risk is the contingency that an entity could incur in losses due to inadequacy or failure of processes, persons, internal systems, or due external events. It includes technological and legal risks.

Institutions should implement policies, procedures and systems that permit to maintain an adequate operational risk management, according to the level of risk tolerance from the institution, considering its nature, complexity and volume of its operations.

Institutions shall comply with the provisions of these regulations and shall send to the Superintendence of Bank of Guatemala a manual for the operational risk management approved by the Board of Directors and a business continuity no later than January 31, 2017. In addition, no later than June 30, 2018, shall implement the methodologies referred to these regulations and submit the required information corresponding to the year of 2017.

The Superintendence of Banks of Guatemala, at the justified request of the party concerned, may extend each of the indicated up to twelve (12) months, for a unique opportunity.

Notes to Consolidated Financial Statements

4 Cash

The summary of this account is as follows:

	December 31	
	2015	2014
	Q	Q
Local currency:		
Cash	629,093	506,411
Central Bank legal deposits	1,150,374	1,104,934
Central Bank special deposits	66,367	65,054
Checks from other local banks	130,240	128,531
Local banks	63,512	44,107
	<u>2,039,586</u>	<u>1,849,037</u>
Foreign currency:		
Cash	65,768	74,479
Central Bank legal deposits	581,497	562,900
Central Bank special deposits	27,448	24,316
Checks and money orders from local and foreign banks	50,199	42,658
Local banks	6,668	2,929
Foreign banks	142,086	332,418
	<u>873,666</u>	<u>1,039,700</u>
	<u>2,913,252</u>	<u>2,888,737</u>

The Financing Entity has to maintain a proportional fund equivalent to the amount of financial obligations to reach at least the minimum amounts established by the Monetary Board: 35% for obligations maturing up to thirty (30) days and 10% for the obligations due more than thirty (30) days to a year.

5 Investments, net

The summary of this account is as follows:

	December 31	
	2015	2014
	Q	Q
Local currency:		
Available-for-sale securities:		
Bank of Guatemala – term deposit certificates, with maturity in 2017 (in 2015 for 2014) (a and c).	510,323	616,200
Carried forward	<u>510,323</u>	<u>616,200</u>

Notes to the Consolidated Financial Statements

	December 31	
	2015	2014
	Q	Q
Brought forward	510,323	616,200
Term deposit certificates issued by the Ministry of Finance of the Republic of Guatemala, with annual interest rate 6.625% and 10.00% for both years and maturity between 2016 and 2029 (2015 and 2029 in 2014).	650,495	1,181,824
Time deposit certificates issued by Bank of Guatemala, with annual interest between 4.20% and 6.75% (3.25% and 6.75% in 2014) and maturity between 2016 and 2022 (2015 and 2020 for 2014).	255,400	270,500
F.H.A. Mortgage Certificates with interest rate fluctuating between 8% and 14% and maturity between 2020 and 2034 for both years.	1,897	2,003
Promissory note issued by Credomatic de Guatemala, S.A., with annual interest rate of 6.5% for both years and maturity in 2016 (2015 for 2014).	60,000	65,000
Total available-for-sale securities	<u>1,478,115</u>	<u>2,135,527</u>
Held-to-maturity securities:		
F.H.A. mortgage bonds, with annual interest rates between 5.50% and 19.00% for both years and maturities between 2016 and 2040 (in 2015 and 2039 for 2014)	814,947	717,745
Total held-to-maturity securities	<u>814,948</u>	<u>717,746</u>
Total local currency	<u>2,293,063</u>	<u>2,853,273</u>
Carried forward	<u>2,293,063</u>	<u>2,853,273</u>

Notes to the Consolidated Financial Statements

	December 31	
	2015	2014
	Q	Q
Brought forward	<u>2,293,063</u>	<u>2,853,273</u>
Foreign currency:		
Available-for-sale securities:		
Term deposit certificates issued by the Ministry of Finance of the Republic of Guatemala bearing annual interest rate between 4.25% and 5.875% in both years and maturities between 2017 and 2027 in both years.	574,363	685,977
Eurobonds bearing annual interest rate of 4.875% and 8.125% (4.375 and 8.125% in 2014) and maturities between 2022 and 2034 in both years.	290,745	329,512
Bonds with local financial institutions, with annual interest rate of 5.50% with maturity in November 2022.	955	1,013
Bonds with foreign financial institutions, with annual interest rate of 2.95% with maturity in January 2018 in both years.	7,481	7,448
Total available-for-sale securities	<u>873,544</u>	<u>1,023,950</u>
Repo operations:		
Term deposit certificates issued by the Ministry of Finance of the Republic of Guatemala for US\$15,000 bearing annual interest rate of 1% and maturities in 2015.	-	113,951
	<u>3,166,607</u>	<u>3,991,174</u>
Allowance on F.H.A. mortgage notes	<u>(6,265)</u>	<u>(6,265)</u>
	<u>3,160,342</u>	<u>3,984,909</u>

- a) As of December 31, 2015, the Bank has investments certificates deposit issued by Bank of Guatemala for Q510,323 (Q616,200 in 2014), which are acquired with discount on the par value. During the year ended December 31, 2015 the Bank obtained Q36,962 (Q37,985 in 2014) which are collected upon maturity of each title.

Notes to the Consolidated Financial Statements

- b) As of December 31, 2015, investment have maturity fluctuating from 2016 to 2040. Maturity in the next five years of these investments are summarized as follows:

	Q
2016	627,506
2017	138,038
2018	41,518
2019	82,995
2020 on wards	2,276,550
	<u>3,166,607</u>

- c) Cash equivalent are summarized as follows:

	December 31	
	2015	2014
	Q	Q
Financial promissory note issued by Credomatic de Guatemala, S.A.	5,000	5,000
Term deposit certificates issued by the Bank of Guatemala	95,737	276,600
Bonds certificates	99,530	20,000
Repo bond certificate	-	113,951
	<u>200,267</u>	<u>415,551</u>

- d) The movement of the allowance of F.H.A. mortgage notes is summarized as follows:

	December 31	
	2015	2014
	Q	Q
Balance at beginning of year	(6,265)	(1,896)
Plus:		
Provision of the year charged to profit and loss (nota 6)	-	(4,369)
Balance at end of year	<u>(6,265)</u>	<u>(6,265)</u>

Notes to the Consolidated Financial Statements

6 Loan Portfolio, net

The summary of the loan portfolio by type of guarantee is as follows:

	December 31	
	2015	2014
	Q	Q
Local currency:		
Fiduciary	2,251,195	1,602,224
Mortgage	2,045,186	1,887,793
Credits in monetary deposit accounts	1,504,585	1,270,475
Pledge- fiduciary	250,406	218,826
Credit cards	931,718	1,136,145
Pledge	90,062	77,435
Mortgage- fiduciary	888,227	917,107
Mortgage-pledge	4,423	2,671
Mortgage-pledge- fiduciary	62,839	114,037
Secured by own obligations	68,263	109,877
Factoring	1,619	2,037
Debtors of property sales	31,844	27,024
	<u>8,130,367</u>	<u>7,365,651</u>
Foreign currency:		
Fiduciary	3,274,923	2,844,715
Mortgage	1,490,140	1,303,624
Notes receivable	878,713	924,077
Credits in monetary deposit accounts	270,497	267,757
Secured by own obligations	23,119	27,786
Debtors of foreclosed assets	7,372	7,498
Pledge	25,031	28,572
Letters of credit payments	77,609	106,106
Credit cards	84,466	88,097
Mortgage- fiduciary	1,179,784	850,231
Mortgage-pledge	717,412	670,855
Pledge- fiduciary	88,180	106,030
Mortgage-pledge- fiduciary	226,681	44,780
	<u>8,343,927</u>	<u>7,270,128</u>
Loan portfolio, gross	<u>16,474,294</u>	<u>14,635,779</u>
Less:		
Valuation allowances:		
Specific	(120,885)	(47,867)
Generic	(164,005)	(207,597)
Total allowances	<u>(284,890)</u>	<u>(255,464)</u>
Loan portfolio, net	<u>16,189,404</u>	<u>14,380,315</u>

Notes to the Consolidated Financial Statements

The summary of the loan portfolio by status is as follows:

	December 31	
	2015	2014
	Q	Q
Local currency:		
Current	<u>7,965,426</u>	<u>7,203,342</u>
Due:		
In renewal process	54,361	83,538
In administrative collection	548	3,683
In legal collection	<u>110,032</u>	<u>75,088</u>
	<u>164,941</u>	<u>162,309</u>
Total local currency	<u>8,130,367</u>	<u>7,365,651</u>
Foreign currency:		
Current	<u>8,280,591</u>	<u>7,263,910</u>
Due:		
In renewal process	871	1,279
In administrative collection	57,878	124
In legal collection	<u>4,587</u>	<u>4,815</u>
	<u>63,336</u>	<u>6,218</u>
Total foreign currency	<u>8,343,927</u>	<u>7,270,128</u>
Loan portfolio gross	<u>16,474,294</u>	<u>14,635,779</u>
Less:		
Valuation allowances:		
Specific	(120,885)	(47,867)
Generic	<u>(164,005)</u>	<u>(207,597)</u>
Total valuation allowance	<u>(284,890)</u>	<u>(255,464)</u>
Loan portfolio, net	<u>16,189,404</u>	<u>14,380,315</u>

The summary of the loan portfolio by category is as follows:

	December 31	
	2015	2014
	Q	Q
Local currency:		
Major corporate debtors	4,178,911	3,626,124
Minor corporate debtors	1,067,295	1,021,995
Microcredit loans	39,529	27,121
Mortgage loans	1,044,187	934,909
Consumer loans	<u>1,800,445</u>	<u>1,755,502</u>
Total local currency	<u>8,130,367</u>	<u>7,365,651</u>
Carried forward	<u>8,130,367</u>	<u>7,365,651</u>

Notes to the Consolidated Financial Statements

	December 31	
	2015	2014
	Q	Q
Brought forward	<u>8,130,367</u>	<u>7,365,651</u>
Foreign currency:		
Major corporate debtors	7,839,536	6,720,993
Minor corporate debtors	328,126	380,022
Microcredit loans	374	529
Mortgage loans	69,883	55,636
Consumer loans	<u>106,008</u>	<u>112,948</u>
Total foreign currency	<u>8,343,927</u>	<u>7,270,128</u>
Total loan portfolio, gross	<u><u>16,474,294</u></u>	<u><u>14,635,779</u></u>

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

	December 31	
	2015	2014
	Q	Q
Local currency:		
Consumer	2,661,759	2,486,534
Agriculture, livestock, forestry, hunting and fishing	363,543	273,637
Exploitation of mines and quarry	31,435	47,796
Manufacturing industry	610,900	538,333
Electricity, gas and water	392,302	322,452
Construction	793,674	505,013
Commerce	1,726,367	1,745,274
Transportation and storage	176,538	134,538
Financial establishments, real states and services provided to companies	1,001,383	949,406
Community, social and personal services	189,990	181,409
Transfers	1,021	1,512
Other destinations	<u>181,455</u>	<u>179,747</u>
Total local currency	<u>8,130,367</u>	<u>7,365,651</u>
Carried forward	<u><u>8,130,367</u></u>	<u><u>7,365,651</u></u>

Notes to the Consolidated Financial Statements

	December 31	
	2015	2014
	Q	Q
Brought forward	<u>8,130,367</u>	<u>7,365,651</u>
Foreign currency:		
Consumer	160,307	152,123
Agriculture, livestock, forestry, hunting and fishing	1,978,096	1,525,553
Manufacturing industry	1,395,012	1,117,914
Electricity, gas and water	1,745,443	1,163,740
Construction	611,016	415,985
Commerce	1,816,095	2,221,498
Mining and quarrying	7,616	-
Transportation and storage	50,266	83,138
Financial establishments, real states and services provided to companies	482,497	516,560
Community, social and personal services	81,982	57,156
Other destinations	<u>15,597</u>	<u>16,461</u>
Total foreign currency	<u>8,343,927</u>	<u>7,270,128</u>
Total loan portfolio, gross	<u>16,474,294</u>	<u>14,635,779</u>

The summary of the loan portfolio by geographic area is as follows:

	December 31	
	2015	2014
	Q	Q
Local currency:		
Guatemala	8,107,108	7,305,539
Other Central America countries	23,259	60,107
Other countries	-	5
	<u>8,130,367</u>	<u>7,365,651</u>
Foreign currency:		
Guatemala	6,810,957	6,137,051
Other Central America countries	1,501,710	1,111,333
United States of America	30,529	-
Other countries	731	21,744
	<u>8,343,927</u>	<u>7,270,128</u>
	<u>16,474,294</u>	<u>14,635,779</u>

Notes to the Consolidated Financial Statements

The summary of the loan portfolio by maturity is as follows:

	December 31	
	2015	2014
	Q	Q
Local currency:		
Up to one year	1,221,372	1,103,691
From one to three years	2,144,510	1,514,922
From three to five years	1,823,723	1,915,433
Five years or more	2,940,763	2,831,605
	<u>8,130,368</u>	<u>7,365,651</u>
Foreign currency:		
Up to one year	2,064,558	2,331,042
From one to three years	685,057	693,285
From three to five years	898,184	777,702
Five years or more	4,696,127	3,468,099
	<u>8,343,926</u>	<u>7,270,128</u>
	<u>16,474,294</u>	<u>14,635,779</u>

The roll forward of the valuation allowance is summarized as follows:

	Years ended as of	
	December 31	
	2015	2014
	Q	Q
Balance at beginning of year	255,464	208,678
Add increases due to:		
Provision of the year charged to profit or loss	93,102	102,850
Transfer from the contingencies reserve	93,205	75,000
	<u>441,771</u>	<u>386,528</u>
Less charges for:		
Doubtful accounts written off	(156,926)	(131,064)
Transfer to reserve for accounts receivable	45	-
	<u>(156,881)</u>	<u>(131,064)</u>
Balance at end of year	<u>284,890</u>	<u>255,464</u>

Notes to Consolidated Financial Statements

The reconciliation of charges to results of the valuation allowances are summarized below:

	Years ended as of	
	December 31	
	2015	2014
	Q	Q
Valuation allowances:		
Loan portfolio (note 6)	93,102	102,850
Accounts receivable (note 8)	565	128
Foreclosed assets (note 9)	6,148	11,738
Investments (nota 5)	-	4,369
	<u>99,815</u>	<u>119,085</u>

Credit operations bear variable annual interest rates that range between the percentages show below:

	2015	2014
	%	%
The Bank:		
Loans portfolio in local currency	3.50 - 41.04	3.65 - 37.08
Loans portfolio in foreign currency	4.00 - 13.50	4.00 - 15.00
Credit card in local currency	0.00 - 59.88	0.00 - 59.88
Credit card in foreign currency	0.00 - 48.00	0.00 - 48.00
The Lease Company:		
Local currency	10.04 - 23.49	10.04 - 23.49
Foreign currency	8.20 - 19.49	8.90 - 22.90

7 Accounts Receivable from Accrued Financial Products

The summary of this account is as follows:

	December 31	
	2015	2014
	Q	Q
Local currency:		
Investments	59,192	46,498
Loan portfolio	7,534	6,226
Accounts receivable	59	141
Other investments	22	41
	<u>66,807</u>	<u>52,906</u>
Carried forward	<u>66,807</u>	<u>52,906</u>

Notes to the Consolidated Financial Statements

	December 31	
	2015	2014
	Q	Q
Brought forward	66,807	52,906
Foreign currency:		
Investments	11,946	12,271
Loan portfolio	8,601	9,574
Accounts receivable	-	1
	<u>20,547</u>	<u>21,846</u>
	<u>87,354</u>	<u>74,752</u>

8 Other Accounts Receivable, net

The summary of this account is as follows:

	December 31	
	2015	2014
	Q	Q
Local currency:		
Payments on behalf of third-parties under management agreements	2,194	2,341
Prepays	2,937	2,920
Difference in securities - securities for repurchase transactions	6500	-
Remittances	3,880	4,331
Security and maintenance	97	356
Other accounts pending liquidation	1,091	702
Insurance premiums	1,340	1,478
Service charges	728	698
Taxes, duties and contributions	1,311	2,706
Cash and securities missing	171	204
Other loan portfolio and accounts receivable	4,572	5,442
FHA awards	1,983	2,016
Other	1,242	4,179
	<u>28,046</u>	<u>27,373</u>
Foreign currency:		
Accounts receivable	958	1,009
Payments on behalf of others	313	5,268
Other	1,038	194
	<u>2,309</u>	<u>6,471</u>
Total accounts receivable	30,355	33,844
Less: Valuation allowance	(1,187)	(1,262)
	<u>29,168</u>	<u>32,582</u>

Notes to the Consolidated Financial Statements

The roll forward of the allowance for accounts receivable is summarized below:

	Years ended as of	
	December 31	
	2015	2014
	Q	Q
Balance at beginning of the year	1,262	2,096
Plus increase due to:		
Provision for the year (note 6)	565	128
Transfer to reserve for accounts receivable	(45)	-
	520	128
Less charges for:		
Write-offs against the allowance	(596)	(942)
Others	1	(20)
	(596)	(962)
Balance at the end of the year	1,187	1,262

9 Foreclosed Assets, net

The summary of this account is as follows:

	December 31	
	2015	2014
	Q	Q
Property	96,232	107,022
Investment securities	1,828	2,516
Equipment	2,352	617
Capitalized foreclosure cost	4,825	5,553
	105,237	115,708
Less:		
Valuation allowance	(37,601)	(36,207)
	67,636	79,501

Notes to the Consolidated Financial Statements

The accounting movement of valuation allowance of foreclosed assets is summarized as follows:

	Years ended December 31,	
	2015	2014
	Q	Q
Balance at beginning of year	<u>36,207</u>	<u>32,819</u>
Plus:		
Provision of the year (note 6)	6,148	11,738
Loss in valuation	<u>290</u>	<u>-</u>
	<u>6,440</u>	<u>11,738</u>
Less:		
Release due to sale of foreclosed assets	(2,048)	(6,406)
Write-offs against the allowance	-	(1,627)
Revenue on foreclosed assets sales	(3,025)	(208)
Foreign exchange variation	<u>27</u>	<u>(109)</u>
	<u>(5,046)</u>	<u>(8,350)</u>
Balance at the end of the year	<u>37,601</u>	<u>36,207</u>

Notes to the Consolidated Financial Statements

10 Equity Securities

The summary of this account as of December 31, 2015 is as follows:

	Share percentage	No. of shares	Par value per share Q	Investment cost Q
Shares:				
In local currency:				
Seguros Agromercantil, S.A.	25	12,800	1,000	20,028
Imágenes Computarizadas de Guatemala, S.A.	6.62	881	1,000	1,376
Transacciones y Transferencias, S.A.	14.29	2,428,681	1	2,429
Asociación Bancaria de Guatemala		144	5,000	720
Bolsa de Valores Nacional, S.A.		1	10,000	21
BAM Financial Corporation	0.03	18,011		272
Subtotal				<u>24,846</u>
Foreign currency:				
Banco Latinoamericano de Comercio Exterior, S.A. for US\$11		3,678		89
Compañía de Procesamiento de Medios de Pago Guatemala (Bahamas), S.A. US\$1,534	9.13	1,238	7.63	<u>13,480</u>
Balance as of December 31, 2015				<u><u>38,415</u></u>

Notes to the Consolidated Financial Statements

The summary of this account as of December 31, 2014 is as follows:

	Share percentage	No. of shares	Par value per share Q	Investment cost Q
Shares:				
In local currency:				
Seguros Agromercantil, S.A.	25.00	12,800	1,000	20,028
Transferencias, S.A.	40.00	19,250	100	2,303
Imágenes Computarizadas de Guatemala, S.A.	6.62	881	1,000	1,376
Transacciones y Transferencias, S.A.	2.96	503,681	1	504
Asociación Bancaria de Guatemala	-	144	5,000	720
Bolsa de Valores Nacional, S.A.	-	1	10,000	21
BAM Financial Corporation	0.03	18,011	-	272
Subtotal				25,224
Foreign currency:				
Banco Latinoamericano de Comercio Exterior, S.A. for US\$11	-	3,678	-	89
Compañía de Procesamiento de Medios de Pago Guatemala (Bahamas), S.A. US\$1,534	9.13	1,114	7.60	11,929
Balance as of December 31, 2014				37,242

Notes to the Consolidated Financial Statements

- a) At December 31, 2015 and 2014, permanent investments in foreign currency have been translated at the historical exchange rate in accordance with the requirements of the accounting standards established by the Superintendence of Banks of Guatemala.
- b) The dividends received from the investments in shares are summarized below:

Entity	Years ended as of	
	December 31	
	2015	2014
	Q	Q
Seguros Agromercantil, S.A.	4,160	3,840
Compañía de Procesamiento de Medios de Pago Guatemala (Bahamas), S.A.	1,155	1,027
Bolsa de Valores Nacional, S.A.	26	21
Banco Latinoamericano de Comercio Exterior, S.A.	43	40
Bam Financial Corporation	59	84
Others	365	-
Total dividends income (note 26)	<u>5,808</u>	<u>5,012</u>

11 Other Investments

This account represents the amortization fund constituted for the service of the debt for the authorized issuance of mortgage and pledge bonds I.

Debt service for the authorized issuance of mortgage bonds is constituted according to the corresponding program and regulations authorized by the Monetary Board (note 16).

The summary of this account is as follows:

	December 31	
	2015	2014
	Q	Q
Local currency:		
Cash available from F.H.A. transactions	11,969	10,941
Bond certificates with annual interest rate of 9.5% (9% for 2014) and maturities in 2020 (in 2015 for 2014)	4,000	4,000
F.H.A. mortgage bonds with annual interest rate of 11% and 14% for both years and maturity between 2018 and 2019 for both years.	145	185
	<u>16,114</u>	<u>15,126</u>

Notes to the Consolidated Financial Statements

12 Property and Equipment, net

Balances and movements of these accounts as of and for the year ended December 31, 2015 is summarized as follows:

	Initial balance Q	Additions Q	Write-offs Q	Transfers Q	Final balance Q
Cost:					
Land	49,449	-	-	-	49,449
Buildings	197,916	2,194	-	-	200,110
Furniture and equipment	19,850	5,380	(3,187)	-	22,043
Computer equipment	120,703	11,742	(8,979)	-	123,466
Vehicles	2,576	8	(168)	73	2,489
Communications equipment	1,071	3,656	-	-	4,727
Other	1,919	251	(19)	-	2,151
Advances for asset acquisition and constructions	842	4,459	(665)	(3,971)	665
	<u>394,326</u>	<u>27,690</u>	<u>(13,018)</u>	<u>(3,898)</u>	<u>405,100</u>
Accumulated depreciation cost	<u>(147,752)</u>	<u>(36,797)</u>	<u>12,188</u>	<u>-</u>	<u>(172,361)</u>
	<u>246,574</u>	<u>(9,107)</u>	<u>(830)</u>	<u>(3,898)</u>	<u>232,739</u>
Revaluated fixed assets:					
Land	16,042	-	-	-	16,042
Buildings	18,530	-	-	-	18,530
Furniture	65	-	-	-	65
	<u>34,637</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>34,637</u>
Accumulated depreciation on revaluated buildings	<u>(7,018)</u>	<u>(940)</u>	<u>-</u>	<u>-</u>	<u>(7,958)</u>
	<u>27,619</u>	<u>(940)</u>	<u>-</u>	<u>-</u>	<u>27,619</u>
Total	<u><u>274,193</u></u>	<u><u>(10,047)</u></u>	<u><u>(830)</u></u>	<u><u>(3,898)</u></u>	<u><u>259,418</u></u>

During the year ended December 31, 2015, Q3, 971 were transferred to improvements to leasehold properties (see note 13).

Notes to the Consolidated Financial Statements

The balances and movement of this account as of and for the year ended December 2014 is summarized below:

	Initial balance Q	Additions Q	Write-offs Q	Transfers Q	Final balance Q
Cost:					
Land	49,449	-	-	-	49,449
Buildings	195,079	2,837	-	-	197,916
Furniture and equipment	19,550	5,334	(5,034)	-	19,850
Computer equipment	101,695	27,113	(8,105)	-	120,703
Vehicles	2,871	6	(449)	148	2,576
Communications equipment	1,291	311	(531)	-	1,071
Other	1,733	192	(6)	-	1,919
Advances for asset acquisition and constructions	3,468	3,665	(2,966)	(3,325)	842
	<u>375,136</u>	<u>39,458</u>	<u>(17,091)</u>	<u>(3,177)</u>	<u>394,326</u>
Accumulated depreciation cost	<u>(128,714)</u>	<u>(33,047)</u>	<u>14,009</u>	<u>-</u>	<u>(147,752)</u>
	<u>246,422</u>	<u>6,411</u>	<u>(3,082)</u>	<u>(3,177)</u>	<u>246,574</u>
Revaluated fixed assets:					
Land	16,042	-	-	-	16,042
Buildings	18,530	-	-	-	18,530
Furniture	-	65	-	-	65
	<u>34,572</u>	<u>65</u>	<u>-</u>	<u>-</u>	<u>34,637</u>
Accumulated depreciation on revaluated buildings	<u>(6,092)</u>	<u>(926)</u>	<u>-</u>	<u>-</u>	<u>(7,018)</u>
	<u>28,480</u>	<u>(861)</u>	<u>-</u>	<u>-</u>	<u>27,619</u>
Total	<u>274,902</u>	<u>5,550</u>	<u>(3,082)</u>	<u>(3,177)</u>	<u>274,193</u>

During the year ended December 31, 2014, Q3,325 were transferred to improvements to leasehold properties (see note 13).

Notes to the Consolidated Financial Statements

13 Deferred Charges, net

The summary of this account is as follows:

	December 31	
	2015 Q	2014 Q
Improvements to leasehold properties a)	45,866	41,876
Intangible assets	423	423
Organization expenses	318	318
	<u>46,607</u>	<u>42,617</u>
Less: accumulated amortization b)	<u>(17,669)</u>	<u>(15,508)</u>
	<u>28,938</u>	<u>27,109</u>
Prepaid expenses:		
Taxes, duties and contributions (note 30)	46,537	43,821
Services	51,564	58,396
Materials and supplies	3,789	5,160
	<u>101,890</u>	<u>107,377</u>
	<u>130,828</u>	<u>134,486</u>

- a) As of December 31, 2015, Q3,971 (Q3,325 in 2014) were transferred from property and equipment to leasehold improvements (see note 12).
- b) The accounting movements of the accumulated amortization are the following:

	Years ended as of December 31	
	2015 Q	2014 Q
Initial balance	15,508	14,030
Plus:		
Amortization expense for the year	2,195	2,005
Less:		
Write-offs of fully amortized assets	(34)	(524)
Transfer to accumulated depreciation	-	(3)
Final balance	<u>17,669</u>	<u>15,508</u>

Notes to the Consolidated Financial Statements

14 Deposits

The summary of this account is as follows:

	December 31	
	2015	2014
	Q	Q
Local currency:		
Demand deposits	4,155,148	3,870,029
Savings deposits	2,595,266	2,498,400
Time deposits	3,780,744	4,054,393
Restricted deposits	48,511	44,491
Other deposits	14,723	9,524
	<u>10,594,392</u>	<u>10,476,837</u>
Foreign currency:		
Demand deposits	1,421,585	1,527,872
Savings deposits	767,283	778,543
Time deposits	2,326,444	1,836,032
Restricted deposits	5,760	4,727
Other deposits	2,083	923
	<u>4,523,155</u>	<u>4,148,097</u>
	<u>15,117,547</u>	<u>14,624,934</u>

- Deposit operations bear annual interest rates fluctuating among the percentages shown below:

	December 31	
	2015	2014
	%	%
Local currency:		
Demand deposits	0.00 - 5.00	0.20 - 5.00
Savings deposits	0.00 - 6.50	0.45 - 6.50
Time deposits	0.75 - 8.25	0.50 - 8.25
Foreign currency:		
Demand deposits	0.00 - 4.00	0.25 - 4.00
Savings deposits	0.00 - 2.75	0.25 - 2.75
Time deposits	0.50 - 7.25	1.00 - 7.25

Notes to the Consolidated Financial Statements

- a) Deposits are subject to banking reserves, which are calculated in local and foreign currency as a percentage of the total amount of such deposits. This banking reserve must be constantly maintained as demand deposits in Bank of Guatemala, as cash funds in the cashiers of the banks, and when circumstances require it, in liquid investments in title, title-securities, local or foreign, in conformity with the regulations for this purposes issued by the Monetary Board.

The percentage of banking reserve on these demand deposits and financial obligations in local and foreign currency is of 14.6% for 2015 and 2014 for the Bank. Bank of Guatemala reimburses on cash balances integrating the computable banking reserve.

- b) As of June 1, 2002 the Law of Banks and Financial Groups, Decree 19-2002 came into effect. It provided for the creation of the Savings Protection Fund (FOPA- from Spanish initials), which covers all deposits made at the Bank by individuals and corporate entities up to Q20,000 or its equivalent in foreign currency.

The quotas of the fixed component are the equivalent to a twelfth part of two per thousand of the total of the demand deposits recorded by the Bank, during the just preceding month.

On June 21, 2013 Monetary Board issued resolution No. JM-56-2013, incorporating the calculation of the fixed component for the FOPA, the calculation of the variable component, the rates applicable, as well as the mechanism through which will be calculated the variable component of the quota that banks must contribute in a monthly basis to the FOPA.

For the variable component, the quota that the banks must contribute in a monthly basis to the FOPA, will be determined in function of the local or national long term risk qualifications, granted by a risk assessment company, recorded in the Superintendence of Banks, in conformity with article 58 Bis of the Law of Banks and Financial Groups.

The applicable rate for calculating the variable component of the quota that the banks are liable to contribute to the FOPA is established taking as reference the assessment issued by Fitch Ratings, or else if the corresponding bank is not assessed by this assessment entity, it will be taking as reference an equivalent assessment issued by another assessment entity registered at the Superintendence of Banks.

Notes to the Consolidated Financial Statements

The variable component for the Bank is determined by fifty percent of a twelfth one point twenty-five per thousand monthly average of the total of the deposit liabilities recorded by the Bank, during the immediately preceding month. This component of fifty percent is calculated for the period from July 2015 to March 2016.

The value determined by the variable component plus the corresponding value to the fixed component will be the total amount of the quota to be contributed by the banks in a monthly basis to the FOPA.

The Bank's obligation to contribute such amounts ceases when the balance of such contributions reaches five percent (5%) of the total bank deposits in the national financial system.

During year ended December 31, 2015 the Bank made contributions to the FOPA, recording them against profit or loss of the year for Q23,479 and US\$1,224 equivalent to Q9,370 (Q20,289 and US\$901 equivalent to Q6,972 in 2014).

As of December 31, 2015, the third party deposit accounts include Q48,511 and US\$755 equivalent to Q5,760 (Q44,491 and US\$622 equivalent to Q4,726 in 2014) seized by a court order.

Notes to the Consolidated Financial Statements

15 Loans with Other Financial Institutions

At December 31, 2015, this account is summarized as follows:

Correspondent	Authorized US\$	Used US\$	Available US\$	Maturity
BAC Florida Bank	11,000	6,003	4,997	Indefinite
Banco Centroamericano de Integración Económica	30,000	-	30,000	Indefinite
Banco Mercantil Commercebank	6,000	-	6,000	Indefinite
Banesco U.S.A.	5,000	4,813	187	Indefinite
Bank of America, Merrill Lynch Miami	15,000	9,335	5,665	Indefinite
Banco Internacional de Costa Rica, S.A.	4,000	-	4,000	31/05/2016
Deutsche Bank	30,000	26,676	3,324	Indefinite
Banco Latinoamericano de Comercio Exterior, S.A.	20,000	20,000	-	Indefinite
Citibank, N.A. New York	52,382	43,660	8,722	30/11/2016
Cobank	20,000	7,108	12,892	Indefinite
Cobank CCC	49,000	41,574	7,426	Indefinite
Commerzbank	17,418	11,807	5,611	Indefinite
Eastern National Bank	6,442	5,148	1,294	31/10/2016
Israel Discount Bank	5,000	-	5,000	Indefinite
Scotiabank Canadá	10,000	8,136	1,864	Indefinite
Standard Chartered Bank	30,000	-	30,000	Indefinite
U.S. Century Bank	10,000	9,548	452	Indefinite
Wells Fargo Bank	40,000	30,782	9,218	Indefinite
Banque de Commerce et de Placements	2,990	-	2,990	Indefinite
Deutsche Bank	10,886	-	10,886	Indefinite
Banitsmo, S.A.	10,000	-	10,000	Indefinite
Carried forward	<u>385,118</u>	<u>224,590</u>	<u>160,528</u>	

Notes to the Consolidated Financial Statements

At December 31, 2015, this account is summarized as follows:

Correspondent	Authorized US\$	Used US\$	Available US\$	Maturity
Brought forward	385,118	224,590	160,528	
Bancolombia, S.A	10,000	-	10,000	Indefinite
KBC Bank NV	5,443	-	5,443	Indefinite
Societe Generale	500	-	500	Indefinite
Banco del Bajio (L/C)	450	-	450	31/12/2016
Sumitomo Mitsui Banking	15,000	14,273	727	Indefinite
	<u>416,511</u>	<u>238,863</u>	<u>177,648</u>	
Bank of America N.A. (a)	300,000	300,000	-	10/04/2019
Nederlandse Financierings-Maatschappij Voor Ontwikkelingslanden N.V. (FMO) y DEG –Deutsche Investitions – UND Entwicklungsgesellschaft MBH(b)				
Tranch A (b)	50,000	50,000	-	15/10/2019
Tranch B (b)	50,000	50,000	-	15/10/2020
Total in thousands of dollars of the United States of America	<u>816,511</u>	<u>638,863</u>	<u>177,648</u>	
Total in thousands in quetzals	<u>6,231,922</u>	<u>4,876,028</u>	1,355,894	
Letters credit - Stand By Margin to draw (See note 31)			<u>(130,109)</u> <u>1,225,785</u>	

Notas a los Estados Financieros Consolidados

At December 31, 2014, this account is summarized as follows:

Correspondent	Authorized US\$	Used US\$	Available US\$	Maturity
Bac Florida Bank	11,000	3,588	7,412	30/04/2015
Banco Centroamericano de Integración Económica	30,000	-	30,000	18/02/2015
Banco Mercantil	6,000	3,801	2,199	31/08/2015
Banesco U.S.A.	4,000	2,617	1,383	Indefinite
Bank of America, Merrill Lynch Miami	15,000	8,110	6,890	Indefinite
Banco Internacional de Costa Rica, S.A.	4,000	-	4,000	31/05/2015
Deutsche Bank	30,000	18,964	11,036	Indefinite
Banco Latinoamericano de Comercio Exterior, S.A. – Bladex	20,000	7,063	12,937	Indefinite
Citibank, N.A. New York	51,509	34,629	16,880	31/07/2015
Cobank	20,000	3,479	16,521	Indefinite
Cobank CCC	36,716	36,716	-	Indefinite
Commerzbank	19,421	6,906	12,515	Indefinite
Eastern National Bank	6,054	3,949	2,105	31/07/2015
Israel Discount Bank	5,000	5,000	-	Indefinite
Scotiabank Canadá	10,000	8,115	1,885	Indefinite
Standard Chartered Bank	30,000	9,986	20,014	Indefinite
Standard Chartered Bank (Colateral)	173	-	173	Indefinite
U.S. Century Bank	7,000	4,905	2,095	Indefinite
Wells Fargo Bank	40,000	24,425	15,575	Indefinite
Banque De Commerce Et De Placements	2,972	-	2,972	Indefinite
	<u>348,845</u>	<u>182,253</u>	<u>166,592</u>	
Bank of America, N.A. (a)	300,000	300,000	-	10/04/2019
Nederlandse Financierings-Maatschappij Voor Ontwikkelingslanden N.V. (FMO) y DEG –Deutsche Investitions – UND Entwicklungsgesellschaft MBH				
Tranch A (b)	50,000	50,000	-	15/10/2020
Tranch B (b)	50,000	50,000	-	15/10/2018
Total in thousands of dollars of the United States of America	<u>748,845</u>	<u>582,253</u>	<u>166,592</u>	
Total in thousands in quetzals	<u>5,688,788</u>	<u>4,423,230</u>	<u>1,265,558</u>	

Notes to the Consolidated Financial Statements

(a) Loan granted by Bank of America, N.A.

On April 10, 2014 the Bank subscribed a loan with Bank of America, N.A. (Financial Entity) for three hundred million dollars of the United States of America, (US\$300 millions) with a term of 5 years, with fixed interest rate of 6.25% annual and interests payment on day 10 of the months of April and October of each year beginning on October 10, 2014, and will be amortized to total capital at maturity of the liability which is on April 10, 2019.

This financing agreement contains covenants for the Bank being the main ones as follows:

- To maintain current all the government approvals, permissions or licenses of any governmental entity having jurisdiction on entities, its business or the transactions contemplated in the contract.
- To maintain books, accounts, and necessary records in order to comply with the applicable laws and that allows the preparation of the financial statements.
- To provide access to the loaner entity and the administrative agent to its books and records.
- To maintain an office or agent in New York County, where the news and demands towards the debtor regarding this contracts can be received.
- Notify the loaner and administrative agent on any incompliance or incompliance event to the conditions of the contract, as well as the actions the debtor propose for solving the issue.
- To deliver the loaner and administrative agent within a term of 120 subsequent to the end of each fiscal period, initiation with the fiscal period ended as of December 31, 2014, a certification indicating that during the period there has not been incompliance or incompliance event.
- To provide the loaner within the 120 days following to the end of each fiscal period: (i) consolidated financial information audited, including statements of profit or loss, balance sheet, statement of cash flows and notes related for the most recent fiscal periods; (ii) and English version of the annual financial statements of the debtor and (iii) a summary of the management comments on the results of the operations of the debtor and its subsidiaries for the presented periods.
- To provide the loaner within 60 days following to the final day of each trimester, non-audited financial information, including statement of profit and loss, balance sheet and its related notes.

Notes to the Financial Statements

- Preserve and maintain current the existence and rights of the Bank and its subsidiaries.
- The debtor shall to merge, consolidate or transfer in one transaction or a series of transactions, all substantially its assets and property to any person unless:
 - The resulting entity, if different from the debtor is organized and existing under the laws of Guatemala and assumes all obligations of the debtor, being these:
 - (i) Pay the capital, premium and interests of the loan; and
 - (ii) Perform and observe all the obligations included in the documents of the loan and any other signed document related to it.
 - The debtor or any successor entity is immediately, after the transaction liable to comply with the loan and any other document signed related to it.
 - The debtor shall deliver the loaner certification alongside with a Guatemalan lawyer written opinion, in reasonable satisfactory way for the creditors, confirming the occurrence of the merge, consolidation, transference, confirming that the requirements are met.
- (b) At December 31, 2013 the Group contracted a long term loan with Nederlandse Financierings-Maatschappij Voor Ontwikkelingslanden N.V. (FMO) and DEG –Deutsche Investitions – UND Entwicklungsgesellschaft MBH amounting to US\$100,000,000 distributed as follows:
 - Section A for US\$50,000,000 with annual interest rate of 4.25% with an initial payment of capital in the fifth year.
 - Section B for US\$50,000,000 with annual interest rate of 4.0% with an initial payment of capital in the third year.

This financial agreement contains the following covenants for the Group:

- Equity adequacy ratio > 11%
- Cost income ratio < 70% (as of March 31, 2016)
- Assets exposure ratio < 20%
- Exposure group exposure ratio < 30%
- Exposure client exposure ratio < 15%
- Loans with related parties ratio < 30%

Notes to the Consolidated Financial Statements

- Liquidity coverage > 100%
- Financing net > 100%
- Tier 1 equity ratio > 8%
- Foreign currency without coverage ratio < 45%

(c) As of December 31, 2015 loans obtained earning interest rate that fluctuate between LIBOR plus 1.85% and LIBOR plus 3.00% (LIBOR + 1.15% and LIBOR + 2.00% in 2014) with fiduciary guarantee of the Bank.

(d) Credit lines with indefinite maturity are uncommitted revolving lines.

The amortizations of these loans for the next years is as follows:

	2015
	US\$
2015	-
2016	255,529
2017	16,667
2018	33,333
2019	316,667
2020	16,666
	<u>638,862</u>

16 Financial Obligations

The summary of this account is as follows:

	December 31	
	2015	2014
	Q	Q
Banco Agromercantil de Guatemala, S.A. (a):		
Mortgage bonds II	17,061	17,527
Mortgage bonds I	174	176
Pledge bonds I	28	28
	<u>17,263</u>	<u>17,731</u>
Financiera Agromercantil, S.A. (b):		
Promissory note Agrofin I	1,062	1,151
	<u>18,325</u>	<u>18,882</u>

a) The authorizations to issue the mortgage bonds BANAGRO II and pledge bonds Banagro I are contained in the corresponding Resolutions of the Monetary Board.

Notes to the Consolidated Financial Statements

The total amount authorized is for up to Q1,000 million overall. Proceeds will be used to finance operations authorized by the Banks and Financial Group's Law.

Banking bonds have a general guaranty of the loans and collateral guarantees, to which financing funding will be through placements and all the other Bank investments and assets. The term is for up to twenty five (25) years, accruing variable annual interest ranging between 0.25% and 7.25%.

The bonds will be amortized through annual payments according to the amortization plans established for each series.

To service the debt, an amortization fund was created, which is represented by other investments listed in note 11.

- b) Financial liabilities correspond to the financial promissory notes issued by the Financing Entity. Authorizations for the issuance of those promissory notes are contained in the corresponding resolutions of the Monetary Board. Issuances have an amount authorized for Promissory Notes Agrofin I for Q500 millions.

Promissory notes are secured with the assets of the Financing Entity and earn a variable rate which ranges between 0.25% and 6% annual interest, and maturities in 2016 (2015 for 2014).

To service the debt, an amortization fund was created equivalent to the 13.66% of outstanding debt (16.04% for 2014), which is represented by other investments listed in note 11.

17 Accounts Payable from Accrued Financial Expenses

The summary of this account is as follows:

	December 31	
	2015	2014
	Q	Q
Local currency:		
Deposits	82,823	76,567
Total local currency	<u>82,823</u>	<u>76,567</u>
Foreign currency:		
Deposits	41,289	30,255
Loans with other financial institutions	48,812	44,936
Total foreign currency	<u>90,101</u>	<u>75,191</u>
	<u>172,924</u>	<u>151,758</u>

Notes to the Consolidated Financial Statements

18 Other Accounts Payable

The summary of this account is as follows:

	December 31	
	2015	201
	Q	Q
Local currency:		
Demand obligations	54,119	55,989
Obligations from issuance of documents	32,813	52,348
Income tax payable	75,366	60,528
Deferred income	32,582	32,411
Obligations for administration	18,344	17,463
Deposits as guaranty	4,883	3,067
Total local currency	218,107	221,806
Foreign currency:		
Demand obligations	2,928	1,967
Obligations from issuance of documents	19,951	35,412
Deferred income	4,851	8,577
Obligations for administration	168	310
Deposits as guaranty	4,141	2,782
Other	7	238
Total foreign currency	32,046	49,286
	250,153	271,092

19 Provisions

The summary of this account is as follows:

	December 31	
	2015	2014
	Q	Q
Bonuses	7,555	7,157
Severance provisions (a)	121,139	121,594
Other	5,935	5,835
	134,629	134,586

Notes to the Consolidated Financial Statements

(a) The movement of the provision for severance compensation is summarized as follows:

	Years ended as of December 31	
	2015 Q	2014 Q
Balance at beginning of year	121,594	117,853
Provision for the year	20,078	19,376
Payments applied to the provision	(20,533)	(15,635)
Balance at end of year	<u>121,139</u>	<u>121,594</u>

20 Deferred Income

This account corresponds to income that the Group earned but have not yet been received. The summary of this account is as follows:

	December 31	
	2015 Q	2014 Q
Local currency:		
Commissions	1,837	1,921
Income from services	225	226
	<u>2,062</u>	<u>2,147</u>
Foreign currency:		
Loan portfolio	49	75
	<u>49</u>	<u>75</u>
	<u>2,111</u>	<u>2,222</u>

21 Other Credit Balances

The summary of this account is as follows:

	December 31	
	2015 Q	2014 Q
Local currency:		
Investments	14,326	30,832
Loan portfolio	7,382	6,100
Commissions	449	967
Income from services	1	6
Accounts receivable	4	7
	<u>22,162</u>	<u>37,912</u>
Capitalized income	20,429	19,867
Total local currency	<u>42,591</u>	<u>57,779</u>
Carried forward	<u>42,591</u>	<u>57,779</u>

Notes to the Consolidated Financial Statements

The summary of this account is as follows:

	December 31	
	2015	2014
	Q	Q
Brought forward	42,591	57,779
Foreign currency:		
Loan portfolio	8,540	9,513
Commissions earned but uncollected	114	9
Investments	105	134
	8,759	9,656
Capitalized income	1,522	2,178
Total foreign currency	10,281	11,834
	52,872	69,613

The total balance of financial income earned but not yet collected recorded in other credit accounts, depending on the currency, is summarized below:

	December 31	
	2015	2014
	Q	Q
Local currency	22,162	37,912
Foreign currency	8,759	9,656
	30,921	47,568

22 Paid-in Capital

	December 31	
	2015	2014
	Q	Q
Banco Agromercantil de Guatemala, S.A.:		
Authorized capital of the Bank amounts to two thousand million quetzales (Q2,000,000,000) divided and represented by 200 million of common shares with nominal value of Q10 each. As of December 31, 2015 and 2014 are subscribed and paid 99,360,541 common shares and 17,398,153 preferred shares with nominal value of Q10 each for both years	1,167,588	1,167,588
Carried forward	1,167,588	1,167,588

Notes to the Consolidated Financial Statements

	December 31	
	2015	2014
	Q	Q
Brought forward	<u>1,167,588</u>	<u>1,167,588</u>
Agencia de Seguros y Fianzas, S. A.:		
Authorized capital of the Company is Q500,000 distributed in 500,000 common shares with nominal value of Q1 each. As of December 31, 2015 and 2014 subscribed and paid capital amounts to Q100,000 distributed in 100,000 shares.	100	100
Asistencia y Ajustes, S.A.:		
Authorized, subscribed and paid capital of the Company amounts to Q5,000 divided and represented by 100 common shares with nominal value of Q50 each.	5	5
Financiera Agromercantil, S.A.:		
Authorized, subscribed and paid capital is represented and divided in 10,640 common shares with nominal value of Q1,000 each.	10,640	10,640
Arrendadora Agromercantil, S.A.:		
Authorized, subscribed and paid capital is represented in 10,270 common shares with nominal value of Q1,000 each.	10,270	10,270
Tarjeta Agromercantil, S.A.:		
Authorized, subscribed and paid capital is represented and divided in 9,500 common shares of Q100 each.	950	950
Agrovalores, S.A.:		
Authorized, subscribed and paid capital is divided in 5,390 common shares with nominal value of Q100 each.	539	539
	<u>1,190,092</u>	<u>1,190,091</u>
Less: eliminations in consolidated equity.	<u>(22,504)</u>	<u>(22,543)</u>
Total authorized, subscribed and paid capital after eliminations	<u><u>1,167,588</u></u>	<u><u>1,167,588</u></u>

Additional paid-in capital

As of 31 December 2015 and 2014 additional paid-in capital corresponds to Q407,013 paid as premium on the common shares emissions since 2011 through 2014.

Notes to the Consolidated Financial Statements

23 Capital Reserves

i. Future dividends reserve

This account represents an amount that, in conformity with the dispositions of Shareholders Assembly, is separated from profit of previous periods, with the purpose of securing resources to meet dividends payment in the periods in which the profits are insufficient to repay the capital invested by the shareholders.

During the year ended as of December 31, 2014 the Group's transferred Q83,513 to earnings of previous periods, in conformity with the disposition of Extraordinary General Assembly's Deed No. 7 of March 6, 2014.

ii. Contingencies reserve

In conformity with the Group's Stockholders Meeting, during the year ended December 31, 2015, Q50,000 were segregated from prior years' earnings to increase the contingency reserves (Q50,000 in 2014).

In addition, the Board of Directors authorized to transfer: Q93,205 (Q75,000 in 2014) of the reserve for contingencies with the purpose of constituting the generic reserves of the loan portfolio.

During the year ended as of December 31, 2014 the Bank cancelled the contentious-administrative processes paying Q816 for the adjustments made by the Superintendence of Tax Administration – SAT (as per initials in Spanish). For such effect the reserve for contingencies was used.

iii. Income reinvestment reserve

This account represents the reinvestment of profits in equipment in previous years as part of the tax benefits allowed by the previous income tax law.

iv. Asset revaluation reserve

This account represents increases in asset values through appraisals performed by independent appraisers.

v. Valuation of doubtful recovery assets

Through resolution JM-168-2008 of 2008, the Monetary Board suspended the use of credits or debits to the valuation of assets of doubtful recovery accounts in equity.

vi. Gains or losses from changes in the market value of available-for-sale investments

This account represents accrued gains or losses from changes in the market value of available-for-sale investments.

Notes to the Consolidated Financial Statements

vii. Dividends

The dividends decreed in accordance with Acts of Shareholders of companies listed as follows:

Entity	Years ended December 31	
	2015 Q	2014 Q
Banco Agromercantil de Guatemala, S.A.	114,996	15,818
Arrendadora Agromercantil, S.A.	3,327	2,568
Financiera Agromercantil, S.A.	745	958
Agrovalores, S.A.	337	-
Agencia de Seguros y Fianzas Agromercantil, S.A.	1,980	2,500
Asistencia y Ajustes, S.A.	188	-
	<u>121,573</u>	<u>21,844</u>
Less:		
Dividends eliminated through this consolidation	<u>(6,576)</u>	<u>(6,026)</u>
Total paid	<u>114,997</u>	<u>15,818</u>

viii. Compensations to employees

In conformity with the Social Deeds of the Banco Agromercantil de Guatemala, S.A. and Subsidiaries it is contemplated compensation in favor of the employees. The distributed percentage as of December 31, 2015 for employees was of 5.29% (5.29% in 2014), calculated on the gross profit of the year ended as of December 31, 2014 (December 31, 2013 for 2014).

Entity	December 31	
	2015 Q	2014 Q
Banco Agromercantil de Guatemala, S.A.	14,910	14,265
Arrendadora Agromercantil, S.A.	406	419
Financiera Agromercantil, S.A.	60	38
Agrovalores, S.A.	21	15
Agencia de Seguros y Fianzas Agromercantil, S.A.	45	261
Asistencia y Ajustes, S.A.	7	15
	<u>15,449</u>	<u>15,013</u>

Notes to the Consolidated Financial Statements

24 Net Financial Income

The summary of the income and expenses generated by the financial operation are shown below:

	Years ended as of December 31	
	2015 Q	2014 Q
Financial income:		
Interest income:		
Loan portfolio	1,284,266	1,173,601
Investments	273,939	249,512
Cash equivalents	3,941	4,270
	<u>1,562,146</u>	<u>1,427,383</u>
Fees:		
Loan portfolio	116,080	126,043
Securities negotiation	6,567	1,712
Receivable accounts	734	790
Difference in price of repo operations	3,334	1,288
Others	35,567	10,299
	<u>162,282</u>	<u>140,132</u>
Total financial income	<u>1,724,428</u>	<u>1,567,515</u>
Financial expenses:		
Interest expense:		
Deposits	(480,909)	(433,856)
Uncollected revenue	(129)	(180)
Loans obtained	(205,643)	(163,792)
Financial liabilities	(1,170)	(1,878)
	<u>(687,851)</u>	<u>(599,706)</u>
Other financial expenses:		
Additional benefits	(11,815)	(10,403)
FOPA formation quote	(32,848)	(27,262)
Title-securities negotiation	(3,877)	(3,010)
Difference in price of repo operations	(2,740)	(280)
Commissions brokerage	(209)	(208)
Commissions	(9,554)	(6,939)
Total financial expenses	<u>(748,894)</u>	<u>(647,808)</u>
Net financial income	<u>975,534</u>	<u>919,707</u>

Notes to the Consolidated Financial Statements

25 Net Income from Services

The summary of the income and expenses from service is shown below:

	Years ended as of	
	December 31	
	2015	2014
	Q	Q
Income:		
Commissions	144,235	138,332
Account management	23,939	24,627
Leases	428	452
Related insurance services	9,370	8,457
Other	30,641	400
Total service income	208,613	172,268
Expenses:		
Commissions	(113,280)	(110,045)
Net income from services	95,333	62,223

26 Other Operating Income and Expenses

Summary of other operating income and expenses is shown below:

	Years ended as of	
	December 31	
	2015	2014
	Q	Q
Other operating income:		
Foreign exchange gains	80,967	67,518
Dividends (note 10)	5,808	5,012
	86,775	72,530
Other operating expenses:		
Doubtful recovery accounts and securities (see note 6)	(99,815)	(119,085)
Other:		
Variances and losses in foreign currency transactions	(1,530)	(21,038)
	(101,345)	(140,123)
	(14,570)	(67,593)

Notes to the Consolidated Financial Statements

27 Administrative Expenses

The summary of the administrative expenses is shown below:

	Years ended as of	
	December 31	
	2015	2014
	Q	Q
Board of Directors	1,679	1,649
Officers and employees	320,482	306,411
Taxes, duties and contributions	21,443	17,283
Professional fees	20,490	14,659
Leasing (see note 34)	42,306	41,327
Repairs and maintenance	42,925	39,745
Security and surveillance	40,308	40,700
Marketing	27,279	20,951
Insurance and bonds	6,476	6,544
Depreciations and amortizations	38,941	35,335
Stationery and office supplies	6,740	6,601
Sundry expenses (a)	149,857	148,982
	<u>718,926</u>	<u>680,187</u>

(a) The summary of sundry expenses is shown below:

	Years ended as of	
	December 31	
	2015	2014
	Q	Q
Shipping and handling	21,054	24,985
Infrastructure services	29,656	29,656
Energy	12,841	15,223
Other links	36,193	32,667
Counseling, courier and business support services	10,360	10,360
Agency links	4,018	3,971
Phone	4,322	4,239
Mailing	4,673	5,549
Photocopying services	3,783	3,716
Clearing services	1,785	2,476
Common expenses	2,802	2,616
Publishing	948	1,018
Claims	3,070	55
Dues to associations	345	367
Parking lot	242	310
Other	13,765	11,774
	<u>149,857</u>	<u>148,982</u>

Notes to the Consolidated Financial Statements

28 Extraordinary Income and Expenses, net

The summary of extraordinary income and expense is shown below:

	Years ended as of	
	December 31	
	2015	2014
	Q	Q
Income:		
Recoveries (a)	32,815	39,970
Proceeds from sale of foreclosed assets	3,282	5,755
Gain on proceeds from property liquidation	85	61
Compensation for Damage	15	
Other	1,446	2,769
	<u>37,643</u>	<u>48,555</u>
Expenses:		
Loss in liquidation, holding and exploitation of foreclosed assets and loss in sale of furniture	(5,721)	(1,246)
Loss on valuation Current Goods	(292)	-
Loss on sale of furniture	(1)	-
Others	(404)	-
	<u>(6,418)</u>	<u>(1,246)</u>
	<u>31,225</u>	<u>47,309</u>

- (a) This account is used to record the recoveries of the credit assets, which balances had been written off from the loan portfolio and transferred to other memorandum accounts for its control in previous years, as had been estimated of doubtful recovery.

29 Income and Expenses from Prior Years, net

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

	Years ended as of	
	December 31	
	2015	2014
	Q	Q
Income:		
Reversal of provisions	5,551	4,599
	<u>5,551</u>	<u>4,599</u>
Expenses:		
Supplementary provisions	(1,628)	(1,062)
	<u>3,923</u>	<u>3,537</u>

Notes to the Consolidated Financial Statements

30 Income Taxes

The income tax returns filed by the Bank for the years ended December 31, 2011 and 2015 are pending for review by the fiscal authorities. The fiscal period of Bank ended December 31, 2013 were partially revised. The income tax returns filed by the Leasing Entity for the years ended December 31, from 2012 to 2015, are pending for review by the fiscal authorities. The fiscal period ended December 31, 2011 and 2010 were revised, the fiscal authorities have not yet issued resolutions on these revisions (note 34).

The income tax returns filed by the Financing Company, the Credit Card Company, the Brokerage Company, Agencia de Seguros y Fianzas Agromercantil, S.A. and Asistencia y Ajustes, S.A. are pending for review by the fiscal authorities. The right for review of the Guatemalan authorities prescribes after four years.

In conformity with the Book I of Income Tax Decree No. 10-2012 of the Congress of the Republic of Guatemala dated March 5, 2012, the Group selected the tax regime over profit activities, except for Agencia de Seguros y Fianzas Agromercantil, S.A. which selected the Tax regime over total income. In addition, the capital income and capital gains are taxable with a rate of 10%.

The income tax expense of the Banco Agromercantil de Guatemala, S.A. and subsidiaries for the year ended 31, 2015 amounted to Q75,654 (Q60,842 in 2014) which represents an effective rate of 20% (21.3% in 2014):

	Years ended as of December 31	
	2015	2014
	Q	Q
Companies that adopted the regime on lucrative activities a)		
Banco Agromercantil de Guatemala, S.A.	73,998	58,997
Arrendadora Agromercantil, S.A.	1,240	1,425
Financiera Agromercantil, S.A.	185	130
Agrovalores, S.A.	40	70
Asistencia y Ajustes, S.A.	42	38
Tarjeta Agromercantil, S.A.	5	4
	75,510	60,664
Companies that opted for the simplified regime on income on lucrative activities b)		
Agencia de Seguros y Fianzas, S.A.	144	178
	75,654	60,842

Notes to the Consolidated Financial Statements

- a) The regime on profit activities established a taxable rate for 2015 of 25% (28% for 2014).
- b) Simplified optional regime on income from lucrative activities for the determination of income tax at a rate of 5% on monthly income of Q30,000 plus a 7% on the excess of the monthly taxable income on this amount, considering as taxable income the total of income subject to tax.
- c) In addition, income from capital and capital gains are taxed with a rate of 10% and the distribution of dividends, earnings and profits is taxed with a rate of 5%.

The tax expenses differ from the one that would result from applying the corresponding rates to the profit before Income Tax, according to the following summary:

	Years ended as of	
	December 31	
	2015	2014
	Q	Q
Gross income (total income)	2,072,636	1,873,880
Less:		
Exempt income and non-taxable income	(122,050)	(115,286)
Deductible expenses	(1,646,780)	(1,542,342)
Capital income	2,400	(127)
Taxable income	<u>301,426</u>	<u>216,125</u>
Tax rate	<u>25%</u>	<u>28%</u>
Income tax expense on income applicable to profit activities	<u>75,357</u>	<u>60,515</u>
Simplified optional tax system:		
Income before tax expenses	2,048	2,475
Exempt income and non-taxable income	(269)	(386)
Fixed tax payment income	(360)	(360)
Taxable income	<u>1,419</u>	<u>1,729</u>
Tax rate	<u>7%</u>	<u>7%</u>
	99	121
Plus fixed tax expense	<u>18</u>	<u>18</u>
Simplified optional tax system expenses	<u>117</u>	<u>139</u>
Capital gains tax expense	<u>180</u>	<u>188</u>
Total income tax expense	<u>75,654</u>	<u>60,842</u>
Less:		
Capital gains tax payments	(180)	(188)
Tax prepayments	<u>(108)</u>	<u>(126)</u>
Tax payable	<u>75,366</u>	<u>60,528</u>

Notes to the Consolidated Financial Statements

31 Contingencies, Commitments, Other Liabilities and Memorandum Accounts

This is an account that summarized all the memorandum account, in conformity with the requirement of MIC. The summary of this account is as flows:

	December 31	
	2015	2014
	Q	Q
In local currency:		
Third-parties' administration (a)	2,843,151	3,239,747
Commitments and contingencies	2,522,781	2,208,592
Loan portfolio guarantees	10,037,511	9,229,826
Investments loan portfolio and other credit assets classifications	8,135,170	7,370,763
Authorized financial obligations	2,100,000	2,100,000
Financial obligations	1,714,725	1,714,168
Amortized financial obligations	366,950	366,950
Own documents and securities issued	904,487	668,882
Other order accounts	861,037	731,261
Repo transactions	966,500	
Securities and good pledge as collateral	21,839	31,859
Register accounts	3,776,500	4,370,697
	<u>34,250,651</u>	<u>32,032,745</u>
Foreign currency:		
Commitments and contingencies	1,289,731	1,219,820
Loan portfolio guarantees	7,517,856	5,867,612
Investments and loan portfolio and other credit assets classification	8,374,222	7,300,450
Third-parties management	2,151,123	2,169,391
Margin for withdrawing	1,225,785	1,265,558
Own tittle-securities issued	71,995	18,392
Other memorandum accounts	48,243	47,789
Repo transactions	343,457	235,499
	<u>21,022,412</u>	<u>18,124,511</u>
	<u>55,273,063</u>	<u>50,157,256</u>

Notes to the Consolidated Financial Statements

Memorandum and register accounts are used by the Group for control purpose only.

- (a) The item third-parties administration includes trusts managed by the Group as follows:

	December 31	
	2015	2014
	Q	Q
Local currency:		
Management	445,236	645,833
Guaranty	842,560	584,646
Investment	13,570	13,426
Other	30,404	33,729
	1,331,770	1,277,634

- **Commitments and Contingencies**
 In this account are recorded, if any, for control purposes: Guarantees granted in order to secure third party obligations, loans approved pending formalization and obligations of the Group.
- **Loan Portfolio Guarantees**
 In this account are recorded, if any, for control purposes: Title-securities that guarantee loans granted by the Bank, mortgaged assets in favor of the Bank, pledged assets in favor of the Bank and guarantees that the Bank receives in its favor.
- **Investments, Loan Portfolio and Other Credit Assets Classification**
 In this account are recorded, if any, for control purposes: Credit assets in local and foreign currency, classified by categories according to provisions of the applicable regulations.
- **Third-Party Administration**
 Recorded in this account are, for control purposes: notes and securities the received by the Group; mortgage certificates, equity securities that the Group manages on behalf of third parties; loans portfolio managed on behalf of third parties and, the equity interest in each of the trusts being managed.
- **Authorized Issuances of Financial Liabilities**
 In this account are recorded, if any, for control purposes: The value of the authorizations of the Monetary Board for the emission of bonds and/or financial promissory notes.

Notes to the Consolidated Financial Statements

- **Financial Liabilities**
In this account are recorded, if any, for control purposes: Insurance of bonds and authorized promissory notes, provisional certificates granted and interest coupons of the title-securities issued by the Group and the issuances of other title-securities.
- **Amortized Financial Liabilities**
In this account are recorded, if any, for control purposes: Bonds and promissory notes, which have been redeemed as part of the service of the debt issued.
- **Own Documents and Securities Remitted**
In this account, are recorded, if any, for control purposes: Documents and securities that the Group grants or transfers to the legal department or third parties and documents and securities that the Bank grants on consignment.
- **Other Memorandum Accounts**
In this account are recorded, if any, for control purposes: Those entries applied to the earnings accounts, which the specific law allows to differ in a greater number of taxable periods and all those balances of the loan portfolio that after have practiced all the corresponding collection actions and stopped receiving interests of the portfolio in judicial collection and the approved credits pending formalization.
- **Repo Operations**
In this account are recorded, if any, the value stated in the contracts for repo transactions.
- **Securities and Goods Granted in Guarantee**
In this account are recorded, if any, for control purposes: Assets granted as guarantee in favor of Central Bank and/or other financial entities, such as guarantee on loans obtained and goods that constitute a specific third-parties guarantee as a result of the positioning of financial obligations.
- **Margins to drawing**
In this account are recorded, if any, for control purposes: Margins for with drawing loans granted by the Central Bank, margins for withdrawing loans granted by financial institutions and margins for withdrawing loans granted by international bodies and foreign entities.
- **Register accounts**
In this account are recorded, if any, for control purposes: Documents and securities in custody, assets that have been totally depreciated or amortized and existence of blank forms and not issue credit cards.

Notes to the Consolidated Financial Statements

32 Concentration of Investments and Contingencies

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

- Fifteen percent (15%) of the statutory equity for financing operations with individuals or juridic persons of private nature or with a sole company or entity of the Government or otherwise, an autonomous one. Transitory excesses derived from interbank deposits of an operating nature or deposits and investments that companies of the financial group may have in the Bank of their financial group are exempt from this limit.
- Thirty percent (30%) of the statutory equity for financing operations with two or more wholly related or bounded parties forming part of a risk unit.
- Thirty percent (30%) of the statutory equity for financing operations of two or more wholly related or bounded parties forming part of a risk unit. Such percentage may be increased up to fifty percent (50%) of the statutory equity, if the excess is comprised of fully secured credit assets, during the term of the loan, by term deposit certificates or financial promissory notes issued by the institution itself, which should remain in its custody. In addition, it should be agreed in writing that the guarantee shall be enforced without any formality in case the debtor is sued or is in default.

The deposits and investments that companies maintain with their financial group's bank shall not be computed for purposes of the limits set forth in this section.

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

Notes to the Consolidated Financial Statements

- One hundred percent (100%) of the statutory equity of the set of investments made by banks or financial companies in sovereign debt securities of countries other than Guatemala, with the highest sovereign risk rating that in the investment grade scale is granted by risk rating companies recognized by the Securities and Exchange Commission (SEC).

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

33 Formation of the Financial Group

Article 27 of the Law of Banks and Financial Groups, Decree 19-2002, establishes the formation for Financial Groups, which should be organized under common control by a holding company incorporated in Guatemala specifically for that purpose, or a company that is responsible for the financial group, which in this case is the Bank.

On September 9, 2004, Superintendence of Banks of Guatemala issued Resolution No. 796-2004, which fully formalizes the formation of Grupo Financiero Agromercantil.

The entities forming the regulated Group named Grupo Financiero Agromercantil are:

- Banco Agromercantil de Guatemala, S.A. (responsible company)
- Financiera Agromercantil, S.A.
- Mercom Bank Ltd.
- Tarjeta Agromercantil, S.A.
- Agrovalores, S.A.
- Arrendadora Agromercantil, S.A.
- Seguros Agromercantil, S.A.

As explained in note 2 b, Mercom Bank Ltd. and Seguros Agromercantil, S.A. have not been included in the accompanying consolidated financial statements as of December 31, 2015 and 2014 and for the years ended December 31, 2015 and 2014 herein presented.

Notes to the Consolidated Financial Statements

The transactions carried out with companies of Grupo Financiero Agromercantil included in the accompanying consolidated financial statements are summarized below:

	Years ended as of December 31	
	2015 Q	2014 Q
Income:		
Interest	-	330
Dividends	4,160	3,840
Services	12,448	11,520
	<u>16,608</u>	<u>15,690</u>
Expenses:		
Interest	2,203	2,097
Insurance premiums	11,958	12,356
	<u>14,161</u>	<u>14,453</u>

Balances with companies of the Financial Group Agromercantil are summarized as follow:

	December 31	
	2015 Q	2014 Q
Assets:		
Equity securities	20,028	20,028
Accounts receivable	313	206
Liabilities:		
Deposits	121,633	122,933
Financial Expenses Payable	306	
Accounts payable	466	386

In addition, there are other balances and transactions with other related parties, which are summarized as shown in the next page:

Notes to the Consolidated Financial Statements

The transactions are as follows:

	Years ended December 31,	
	2015	2014
	Q	Q
Products:		
Interest	1,968	2,234
	<u>1,968</u>	<u>2,234</u>
Expenses:		
Interest	302	471
Services	39,349	39,277
Fees	194	272
	<u>39,845</u>	<u>40,020</u>
Other related parties:		
Compensations directors and employees (note 23 viii)	15,449	15,013
	<u>15,449</u>	<u>15,013</u>

The balances are as follows:

	2015	2014
	Q	Q
Assets		
Loan portfolio	26,489	29,945
Liabilities		
Financial Expenses Payable	7	-
Deposits	13,945	16,550
	<u>13,945</u>	<u>16,550</u>

The companies of the Financial Group have as forbidden:

- To provide direct or indirect financing for the acquisition of shares representing its equity, that of its holding company, of the responsible company or of any other financial company of the Financial Group;
- Carrying out financial transactions or providing services among group companies in conditions where terms, rates, amounts, guarantees and fees are different from the ones used in similar transactions with third parties. The Monetary Board shall regulate the transactions such entities may engage in between them; and,
- Carrying out transactions and providing financial services that the Monetary Board deems inconsistent with the financial business.

Notes to the Consolidated Financial Statements

34 Commitments and Contingencies

- **Letters of credit**

At December 31, 2015, the Group has contingent liabilities from letters of credit issued in the amounting to Q2,000 and \$55,038 equivalents to Q420,073 (Q8,754 and \$69,917 equivalents to Q531,140 in 2014).

- **Trusts**

As of December 31, 2015 the Group manages as trustee forty nine (49) trust agreements (48 in 2014). In accordance with the Code of Commerce of Guatemala, the trustee is liable to third parties for compliance of obligations contained in the signed trust agreements, including compliance with the fiscal obligations. From these trust funds two (2) are audited by independent auditors and the government trust funds five (5) are audited by the General Accounts Controllershship of the Republic of Guatemala. In conformity with the lawyers' opinion and fiscal advisors of the Bank and the Financial Entity, as well as the management, there are no known or potential litigation from the performance of the Bank and the Financial Entity as fiduciaries.

- **Lease Contracts**

The Group entered into operating lease contracts for the use of some branches, furniture, equipment and other assets, in accordance with the conditions stipulated therein. The 2015 related expense amounts to Q42,306 (Q41,327 in 2014).

- **Repo Liabilities**

As of December 31, 2015 the Bank has reverse repos operations pending settlement by Q480,000 and US\$15,000 equivalents of Q114,485.

- **Pending Litigations**

At December 31, 2015, there are fiscal appeals for tax pending resolution for an amount of Q17,258 (Q19,183 in 2014) as a result of revisions made by the Superintendence of Tax Administration.

Additional tax claimed are summarized below and do not include 100% fines and compensation interests:

	December 31	
	2015	2014
	Q	Q
Legal:		
Income taxes for fiscal 2007. File 2010-21-44-0000126	82	-
Carried forward	82	-

Notes to the Consolidated Financial Statements

	December 31	
	2015	2014
	Q	Q
Brought forward	82	-
Judicial procedure:		
Income taxes for fiscal 2007. File 2010-21-44-0000126	157	157
Income taxes for fiscal 1995. Process No.286-2003.	1,880	1,880
Income taxes for fiscal 1998. Process No.297-2003.	-	2,007
Income taxes for fiscal 1999. Process No.206-2003.	4,667	4,667
Income taxes for fiscal 1992. Process No.155-99.	975	975
Income taxes for fiscal 2003. Process No.1013-2009-00060.	6,950	6,950
Income taxes for fiscal 2004. Process No.1013-2009-00060.	2,547	2,547
	17,258	19,183
	17,258	19,183

According to the opinion of the Group's legal counsel, fiscal advisors and management, it is possible that the outcome of these litigation will be favorable. For this reason there is no provision recorded in the accompanying consolidated financial statements as of December 31, 2015 to cover possible losses from these tax claims.

Notes to the Consolidated Financial Statements

35 Net Position in Foreign Currency

The position in foreign currency is as follows:

	December 31	
	2015	2014
	US\$	US\$
Assets:		
Cash and cash equivalents	113,595	136,476
Investments	114,453	149,788
Loan portfolio	1,082,454	953,739
Financial income receivable	2,692	2,876
Accounts receivable	264	815
Foreclosed assets	1,834	2,098
Investments in equity	1,747	1,545
Other investments	-	66
Total assets	1,317,039	1,247,403
Liabilities:		
Deposits	591,754	545,650
Loans obtained	638,862	582,253
Financial expense payable	11,805	9,898
Accounts payable	4,199	6,488
Deferred credits	6	9
Other credit accounts	1,340	1,549
Total liabilities	1,247,966	1,145,847
Net position	69,073	101,556

36 Presentation of Financial Statements

According to the Agreement No. 06-2008 of the Superintendent of Banks, the entities within a financial group, in addition to separate financial statements should present consolidated statement of the companies that make up the Grupo Financiero Agromercantil's consolidated financial statements.

37 Risk Management

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

- **Credit Risk**

It is the contingency that one institution incurs in losses as consequence that a debtor or counterparty do not complies with its obligations in the agreed terms.

Notes to the Consolidated Financial Statements

- **Liquidity Risk**
It is the contingency that one institution does not have the capacity to fund increases in asset or timely comply with its liabilities, without incurring in financial costs out of the market.
- **Market Risk**
It is the contingency that one institution incurs in losses as consequences of adverse movements in the financial market prices. This includes the interest rate and exchange rate differential risks.
- **Operating Risk**
It is the contingency that one institution incurs in losses due to inadequate or fails in processes, personnel, and internal systems or from external events. It includes the technological and legal risks.
- **Country Risk**
It is the contingency that an institution incurs in losses, associated with the economic, social and political environment in the country where the debtor or counterparty has its operations and/or domicile. It includes sovereign, political and transference risk.
- **Assets Laundering and Terrorism Financing Risk**
This is the contingency that the services and income of one institution are used to cover financial assets, in a way that might be used without detecting the illegal activity that generates them. In addition of having penalty implications or admonitions for incompliance of the Law of Money and Other Assets Laundering in force and the Law to Prevent and repress the Financing to Terrorism, also puts in risk the image of the institution.
- **Regulatory Risk**
It is the contingency that one institution incurs in losses for stop compliance with the regulatory or legal requirements in the relevant jurisdiction in which the institution operates.

38 Financial Instrument Contract

As part of the risk management policies of interest rate on long term loans obtained from foreign banks, the Bank has performed swap operation through the subscription of contracts on interest rate derivatives.

As of December 31, 2015 the Bank subscribed interest rate swap contract with Citibank N.A. London. The contract has a notional of US\$200,000 of fixed rate at a fluctuating rate and maturity on April 10, 2019.

Notes to the Consolidated Financial Statements

If the accounting records were according to International Financial Reporting Standards (IFRS) and considering the conditions of international markets interest rates as of December 31, 2015, this contract would have a reasonable gain value unrealized if it had been settled early on that date of US\$1,120 (unrealized loss of US\$453 in 2014).

39 Basis of Presentation

The accounting policies used by the Group for the preparation of the accompanying consolidated financial statements differ, in some aspects, from the international financial reporting standards as summarized below:

- a. Income recognition on a cash basis
MIC provides that income for interest on the loan portfolio must be recognized by the accounting method of cash received.

IFRS provide that this income should be recognized according using the accrual accounting method.

- b. Valuation of credit assets
MIC provides that in the estimate for valuation of credit assets including generic and specific reserves should total the equivalent of one hundred percent of the past due loan portfolio. The sum of these reserves may in no case be less than the equivalent of one point two five percent (1.25%) of the total of gross credit assets.

IFRS provide that impairment studies should be made of credit assets at least once a year and reserves should be created for credit risks considered necessary.

- c. Valuation of extraordinary assets – foreclosed assets
MIC provides that assets adjudicated judicially must be accounted for initially at value established in the liquidation approved by the judge plus taxes and transfer-of-domain expenses. Subsequently, entities must value the extraordinary assets in a period not exceeding three (3) months from the date of acquisition of the property, in order to adjust the value they have recorded in the accounts to the value established in the said valuation.

Extraordinary assets that the banks hold or acquire must be sold within a period of two (2) years counting as date of acquisition. If there are no bidders on the date, time and place appointed for the auction, a new auction must be held every three (3) months. The basis for this and subsequent auctions must be a price that will be less, each time, than the previous sum by at least ten (10) percent of the base of the first auction.

Notes to the Financial Statements

IFRS indicate that a non-current asset will be classified as held for sale if its book value can be recovered fundamentally through a sales transaction, instead of continued use.

Non-current assets classified as maintained for sale will be measure at lesser value than its contribution in books or at is par value less the selling costs. IFRS does not allow capitalizing expenses and costs for holding.

- d. Determination of depreciation of property and equipment
MIC indicates the recording of the depreciation of property and equipment and for the calculation of such depreciation the rates allowed for fiscal purposes is used.

The IFRS establish that fixed assets should be depreciated throughout their useful life.

- e. Recording of depreciation of revaluated assets
MIC provides that the depreciation of revalued assets be debited to equity.

IFRS provide that charges for depreciation of all fixed assets should be recognized in the result for the period and subsequently adjusted between the equity accounts affected.

- f. Repo operations
MIC provides that investments that guarantee repo operations be reduced from assets and recorded in memorandum accounts.

IFRS establishes that while the property, risks and benefits of an investment are held, this is recorded in accounting financial asset; recording the contracted obligation by the received counterparty in the repo operation.

- g. Costs of transactions associated to the loan portfolio, to loans obtained or other obligations
According to MIC, associated costs of transactions are recorded in results when incurred.

According to IFRS, transaction costs should form part of the determination of the effective interest rate and amortized during the term of the financial asset or liability.

- h. Employee benefits
MIC contemplates for the creation of a reserve for labor indemnities.

IFRS provide that termination benefits be recorded as liabilities at the time when the labor relationship ends.

Notes to the Financial Statements

- i. Recording and presentation of other reserves in equity
MIC provides that certain liability reserves, such as reserves for contingencies, valuation of assets of doubtful recovery and provisions for indemnities be recorded in equity.

IFRS provide that this type of reserves should be recorded in liabilities or regularizing assets, as may be applicable, with charge to results for the year. Reserves for contingencies are not allowed.
- j. Adjustments to prior periods
MIC establishes that adjustments to previous years should be presented in the income statement of the year as income and expenses of previous periods.

IFRS establish that the financial statements for the current year and previous years presented must be restated retroactively correcting the error. The effect of the correction of an error in previous periods will not be included in the result of the period in which the error is discovered.
- k. Extraordinary income and expenses
MIC contemplates the presentation of extraordinary income and expenses in profit and loss.

IFRS establish that entries of income or expenses should not be presented as extraordinary entries in the profit and loss statement and other integral result of the period or in the notes.
- l. Consolidation of financial statements
MIC provides that the Bank must make consolidation of the financial statements of the companies that make up the Financial Group authorized by the Monetary Board.

IFRS indicate that the consolidation is based on the concept of control and it is necessary to analyze case by case, not only of those companies in which there is majority share participation and that are within the regulated Group.
- m. Notes to the Financial Statements
MIC does not require minimum mandatory disclosures to the financial statements.

The IFRS establishes that in the aggregate the financial statements include, besides the basic financial statements, the disclosure of the accounting policies and explanatory notes.

Notes to the Financial Statements

- n. Some disclosures required by IFRS 7, 12 and 13 and IAS 39 (Financial Instruments) mainly in reference to the issues included as follows:
- Classification of assets and liabilities according to its maturity and disclosures referring to financial instruments (for example: Relevance of the financial instruments and the nature and scope of the risks from such financial instruments).
 - Registry regarding derivative contracts of financial instruments.
 - Shares in other entities.
 - Fair value measurement.

- o. Use of accounting
In the creation of accounts needed to record transactions not covered by the MIC, entities must first obtain the authorization from the Superintendence of Banks.

IFRS do not include a nomenclature of accounts. IFRS provide that operations must be recorded according with its substance.

- p. Deferred income tax
MIC does not contemplate in Section IV. Description of Accounts and Registration Procedure, the accounting for deferred income taxes, which is required when temporary differences are identified in accordance with IFRS.

- q. Value Impairment of non-financial assets
MIC does not require carrying out an assessment of impairment of non-financial assets.

IFRS establishes that the entities must assess at the end of each year if there is any indication of asset impairment value of any asset. If such indication exists, the entities will estimate its recoverable amount. The carrying amount of an asset will be reduced to its recoverable value if, and only if, the recoverable amount is less than the carrying amount. That reduction is an impairment loss.