Banco Agromercantil de Guatemala, S.A. and Subsidiaries

Consolidated Financial Statements

December 31, 2014
with corresponding figures for 2013

(With Independent Auditors' Report)

Contents

KPMG

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Independent Auditors' Report

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

We have audited the accompanying financial statements of Banco Agromercantil de Guatemala, S.A. and Subsidiaries (the "Group"), which comprise the balance sheet at December 31, 2014 and the 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 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 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 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 financial statements are free from material misstatement.

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

(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 financial statements referred to above present fairly, in all material respects, the financial position of Banco Agromercantil de Guatemala, S.A. and Subsidiaries at December 31, 2014, and their results of operations and their cash flows for the year then ended in accordance with the Manual of Accounting Instructions for Entities Subject to Surveillance and Inspection of the Superintendence of Banks issued by the Monetary Board of the Republic of Guatemala, as described in notes 2 and 3 to the financial statements.

Emphasis on a Matter

Without modifying our opinion, we draw attention to notes 2 and 3 to the financial statements, which describe the accounting base used in their preparation. The financial statements have been prepared according to the accounting base established in the Manual of Accounting Instructions for Entities Subject to Surveillance and Inspection of the Superintendence of Banks, which differs in some aspects from International Financial Reporting Standards, as indicated in note 39.

KPMG

Arturo José Aldana A.
CPA – 1379

February 28, 2015

Consolidated Balance Sheets

December 31, 2014 with corresponding figures for 2013
(Figures expressed in thousands of quetzales and thousands of U.S. dollars ("US$"), as applicable)

	2014 US$ (Note 2e)	2014 Q	2013 Q
Assets			
Cash (note 4)	380,261	2,888,737	2,995,330
Investments, net (note 5)	524,554	3,984,909	2,945,303
Loan portfolio, net (note 6)	1,892,956	14,380,315	11,325,520
Accounts receivable from accrued financial products (note 7)	9,840	74,752	70,398
Other accounts receivable, net (note 8)	4,289	32,582	48,576
Foreclosed assets, net (note 9)	10,465	79,501	68,914
Equity securities (note 10)	4,902	37,242	36,009
Other investments (note 11)	1,991	15,126	14,687
Property and equipment, net (note 12)	36,094	274,193	274,902
Deferred charges, net (note 13)	17,703	134,486	94,349
Goodwill	112	853	853
Total assets	2,883,167	21,902,696	17,874,841
Liabilities, Other Credit Balances and Stockholders' Equity			
Deposits (note 14)	1,925,157	14,624,934	12,999,863
Loans with other financial institutions (note 15)	582,253	4,423,230	2,203,782
Financial obligations (note 16)	2,486	18,882	29,480
Accounts payable and accrued financial expenses (note 17)	19,977	151,758	113,237
Other accounts payable (note 18)	35,685	271,092	252,882
Provisions (note 19)	17,716	134,586	130,816
Deferred income (note 20)	292	2,222	2,652
Non-controlling interest	2	18	18
Total liabilities	2,583,568	19,626,722	15,732,730
Other credit balances (note 21)	9,164	69,613	66,625
Total liabilities and other credit balances	2,592,732	19,696,335	15,799,355
Shareholders' equity (notes 22 and 23)	290,435	2,206,361	2,075,486
Commitments and contingencies (note 34)			
	2,883,167	21,902,696	17,874,841
Contingencies, commitments, other liabilities and memorandum accounts (note 31)	6,602,462	50,157,256	40,302,254

See accompanying notes to the consolidated financial statements.

Consolidated Statements of Income

For the years ended *December 31, 2014 with corresponding figures for 2013*
(Figures expressed in thousands of quetzales and thousands of U.S. dollars ("US$"), as applicable)

	2014 US$ (Note 2e)	**2014 Q**	**2013 Q**
Financial income (note 24)	206,340	1,567,515	1,296,454
Financial expenses (note 24)	(85,274)	(647,808)	(432,945)
Investment margin	121,066	919,707	863,509
Income and expenses from services, net (note 25)	8,191	62,223	59,661
Service margin	129,257	981,930	923,170
Other operating income and expenses, net (note 26):			
Operating income	9,547	72,530	67,209
Loan, accounts receivable and securities loss provisions (note 6)	(15,676)	(119,085)	(89,178)
Operating expenses	(2,769)	(21,038)	(1,954)
Other income and operating expenses	(8,898)	(67,593)	(23,923)
Gross operating margin	120,359	914,337	899,247
Administrative expenses (note 27)	(89,537)	(680,187)	(652,379)
Operating margin, net	30,822	234,150	246,868
Extraordinary income and expenses, net (note 28)	6,227	47,309	34,422
Income and expenses from previous periods, net (note 29)	466	3,537	(1,971)
Income before tax expense	37,515	284,996	279,319
Income tax (note 30)	(8,009)	(60,842)	(71,095)
Net income	29,506	224,154	208,224
Non-controlling interest	-	(1)	10
Net consolidated income	29,506	224,153	208,234

See accompanying notes to the consolidated financial statements.

Consolidated Statements of Changes in Shareholders' Equity

For the years ended December 31, 2014 with corresponding figures for 2013
(Figures expressed in thousands of quetzales and thousands of U.S. dollars ("US$"), as applicable)

	2014 US$ (Note 2e)	**2014 Q**	**2013 Q**
Shareholders' equity:			
Paid-in capital (note 22):			
Balance at beginning of year	153,696	1,167,587	715,986
Issuance of common stock	-	1	451,601
Balance at end of year	153,696	1,167,588	1,167,587
Additional paid-in capital (note 22):			
Balance at beginning of year	53,577	407,013	45,732
Premiums on common stock	-	1	361,281
Balance at end of year	53,577	407,014	407,013
Equity reserves:			
Legal reserve (note 23):			
Balance at beginning of year	13,707	104,131	94,580
Transfer from retained earnings	1,399	10,627	9,551
Balance at end of year	15,106	114,758	104,131
Reserve for future dividends (note 23):			
Balance at beginning of year	10,993	83,513	48,773
Transfer from (transfer to) retained earnings	(10,993)	(83,513)	51,488
Less:			
Dividends on preferred shares (note 23 vii)	-	-	(16,236)
Effect for consolidation	-	-	(512)
Balance at year end	-	-	83,513
Contingencies reserve (note 23):			
Balance at beginning of year	15,057	114,381	64,381
Transfer from retained earnings (note 23 ii)	6,582	50,000	100,000
Transfer to allowance for valuation of loan portfolio (note 6)	(9,873)	(75,000)	(50,000)
Disbursements of the year	(107)	(816)	-
Balance at year end	11,659	88,565	114,381

Consolidated Statements of Changes in Shareholders' Equity (continued)

	2014 US$ (Note 2e)	**2014 Q**	**2013 Q**
Income reinvestment reserve (note 23 iv):			
Balance at beginning of year	761	5,782	5,801
Depreciation	(3)	(19)	(19)
Balance at end of year	758	5,763	5,782
Asset revaluation reserve (notes 12 and 23):			
Balance at beginning of year	3,749	28,480	29,384
Asset revaluation	9	65	-
Depreciation for the year	(122)	(926)	(904)
Balance at end of year	3,636	27,619	28,480
Valuation of doubtful recovery assets (note 23 v):			
Balance at beginning and end of year	(6,377)	(48,447)	(48,447)
Gains or loss from changes in the market value of investments available-for-sale (note 23 vi):			
Balance at beginning of year	(1,351)	(10,265)	(17,787)
Gains (losses) from changes in the market value of the year	1,908	14,492	(28,052)
Balance at end of year	557	4,227	(10,265)
Retained earnings:			
Balance at beginning of year	29,396	223,311	195,657
Net income	29,506	224,153	208,234
Effect for consolidation	(33)	(245)	315
	58,869	447,219	404,206
Less:			
Transfer to legal reserve	(1,399)	(10,627)	(9,551)
Transfers to contingencies reserve (note 23 ii)	(6,582)	(50,000)	(100,000)
Transfers from (transfers to) future dividends reserve	10,993	83,513	(51,488)
Compensations to directors and employees (note 23 viii)	(1,976)	(15,013)	(19,856)
Preferred stock dividends (note 23 vii)	(2,082)	(15,818)	-
	(1,046)	(7,945)	(180,895)
Balance at end of year	57,823	439,274	223,311
Total stockholders' equity	290,435	2,206,361	2,075,486

See accompanying notes to the consolidated financial statements.

Consolidated Statements of Cash Flows

For the years ended December 31, 2014 with corresponding figures for 2013
(Figures expressed in thousands of quetzales and thousands of U.S. dollars ("US$"), as applicable)

	2014 US$ (Note 2e)	2014 Q	2013 Q
Cash flows from operating activities:			
Interest income	182,526	1,386,608	1,212,394
Comissions income	18,064	137,226	95,105
Service income	22,595	171,651	155,546
Interest expense	(75,104)	(570,550)	(380,521)
Services expense	(12,785)	(97,124)	(88,463)
Fee expense	(180)	(1,371)	(220)
Administrative expenses paid	(75,881)	(576,447)	(554,169)
Loss from title-securities negotiation (net)	150	1,141	1,798
Foreign exchange (net)	5,902	44,838	61,959
Investment securities:			
Cash from disposals of investments	5,398,711	41,012,654	44,659,844
Investment acquisition	(5,520,790)	(41,940,062)	(45,322,146)
Loan portfolio:			
Cash from amortization of loans	1,850,756	14,059,733	11,210,104
Disbursements for loans	(2,277,718)	(17,303,258)	(13,042,161)
Other investments:			
Cash from disposal of other investments	2,713	20,608	20,870
Acquisitions of other investments	(2,771)	(21,048)	(21,454)
Deposits:			
Cash received from depositors	23,416,289	177,887,695	162,615,794
Disbursements for deposit withdrawals	(23,202,373)	(176,262,625)	(161,735,477)
Loans with other financial institutions:			
Cash from loans	1,046,633	7,951,008	5,219,759
Loans paid	(754,378)	(5,730,820)	(4,155,399)
Financial obligations:			
Redemption or repurchase	(1,395)	(10,598)	(1,771)
Cash from sale of foreclosed assets	1,656	12,583	21,673
Income tax paid	(7,668)	(58,253)	(53,527)
Solidarity tax paid	(2,010)	(15,273)	(13,640)
Contributions to savings protection fund – FOPA (note 14)	(3,589)	(27,262)	(18,710)
Other income and expenses (net)	(8,614)	(65,441)	(99,174)
Net cash flows provided by (used in) operating activities	739	5,613	(211,986)

Consolidated Statements of Cash Flows (Continued)

	2014 US$ (Note 2e)	2014 Q	2013 Q
Cash flows from investment activities:			
Investments in equity securities:			
Cash from disposal of investments	17	129	13,535
Disbursements for investments	(179)	(1,362)	(10,703)
Dividends received	660	5,011	2,864
Cash from sale of property and equipment	8	61	133
Disbursements for purchase of property and equipment	(4,333)	(32,916)	(40,853)
Net cash used in investment activities	(3,827)	(29,077)	(35,024)
Cash flows from financing activities:			
Dividends paid – common stock	(5)	(36)	(170)
Dividends paid – preferred stock	(2,082)	(15,818)	(16,236)
Share contributions income	-	2	812,882
Net cash (used in) provided by financing activities	(2,087)	(15,852)	796,476
Net (decrease) increase in cash and cash equivalents	(5,175)	(39,316)	549,466
Cash and cash equivalents at beginning of year	440,136	3,343,604	2,794,138
Cash and cash equivalents at end of year	434,961	3,304,288	3,343,604

Supplementary information

The following is a summary of cash and cash equivalents:

		December 31,	
	2014 US$	2014 Q	2013 Q
Cash (note 4)	380,261	2,888,737	2,995,330
Cash equivalents (a)	54,701	415,551	348,274
	434,962	3,304,288	3,343,604

(a) Includes investments that can be converted into cash and with a maturity within 3 months following the date of the financial statements (see note 5).

See accompanying notes to the consolidated financial statements.

Notes to the Consolidated Financial Statements

December 31, 2014 with corresponding figures for 2013
(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 consolidated 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: 7ª 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 60% of participation and Bancolombia (Panamá), S.A. with 40% 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

1 Operations (continued)

- 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 interes 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, and a date to continue with the 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 accompanying consolidated financial statements of the Group as of December 31, 2014 and 2013.

- 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. an insurance company which is not included in the accompanying financial statements of the Group (see note 33). 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. an insurance company which is not included in the accompanying financial statements of the Group (see note 33). 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%.

Notes to the Consolidated Financial Statements

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).

2 Basis of Preparation

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 in Spanish MIC) approved by a Resolution of the Monetary Board JM-150-2006 and its subsequent amendments (collectively refered to hereinafter "Guatemala Banking GAAP").

The objective of this manual 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 (note 33), the Monetary Law, the Financial Supervision Law, the Law Against Money and Other Asset Laundering, the Law to Prevent and Suppress and 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 entitities 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 accompanying consolidated financial statements of the Group as of December 31, 2014 and 2013.

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.

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.

Notes to the Consolidated Financial Statements

2 Basis of Preparation (continued)

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, 2014 and 2013.

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, 2014 and 2013.

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

c Basis of measurement

Financial and non-financial assets and liabilities are stated at cost, in the case of 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 3e.

d Presentation currency

The consolidated financial statements are stated in quetzales (Q), the functional currency of the Group and legal currency in Guatemala. At December 31, 2014 the reference exchange rate provided by the Bank of Guatemala (Central Bank) and the banking market rate was Q7.60 = US$1.00 (Q7.84 = US$1.00 in 2013).

e Convenience Translation

Amounts as of December 31, 2014 and 2013 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 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 Q7.60 per one U.S. dollar (US$), as published by “Banco de Guatemala” (the Guatemalan Central Bank) on December 31, 2014 (Q7.84 = US$1.00 in 2013) and the average exchange rate used for 2014 translation was Q7.60 per US$1.

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 these 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 accompanying 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 withing three months following to the date of the 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

3 Significant Accounting Policies (continued)

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 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

3 Significant Accounting Policies (continued)

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.

Notes to Consolidated Financial Statements

3 Significant Accounting Policies (continued)

c Property and Equipment

i. Acquired assets

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

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.

v. Accumulated 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	5
Revalued buildings	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.

d Amortization

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

Notes to Consolidated Financial Statements

3 Significant Accounting Policies (continued)

e 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**.** 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.

f 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 it employees according to what is established in the 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 or to their beneficiaries in case of death or unjustified dissmissal, an indemnity equal to one month of salary for each year worked.

Notes to Consolidated Financial Statements

3 Significant Accounting Policies (continued)

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

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.

g 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 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.

Notes to Consolidated Financial Statements

3 Significant Accounting Policies (continued)

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.

h Subordinated obligations
Subordinated obligations are recorded in liabilities as other obligations.

i Dividends Declared
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 Directors and Employees
In conformity with the Social Deed of the Group's Companies, a remuneration for employees is contemplated (to directors and employees up to 2013). 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 amounts which, in conformity with the provisions of the Group's Stockholders Meeting, are segregated from earnings shall be recorded in order to guarantee funds for paying dividends to stockholders for the invested capital.

Notes to Consolidated Financial Statements

3 Significant Accounting Policies (continued)

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.

n Assets and Liabilities in Foreing 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 Currency

Transactions in foreign currency 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 provison is recognized in the 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 Cash equivalents

Cash equivalents are investments that are readily convertible into cash and have maturities of three months or less as from the financial statements date.

r Foreign Regulatory Aspects

Foreign Account Tax Compliance Act - FATCA

The Foreign Account Tax Compliance Act (FATCA) is a law proposed by the Government of the United States of America, aimed at facilitating the monitoring and taxing of U.S. taxpayers with financial accounts abroad. Information is obtained from U.S. citizens residing or not in such country.

Notes to Consolidated Financial Statements

3 Significant Accounting Policies (continued)

For its implementation, FATCA requires that foreign financial institutions (FFIs) provide information to the U.S. Internal Revenue Service (IRS) on U.S. persons with investments in accounts outside such country and that non financial foreign entities (NFFEs) provide information of their shareholders or partners. With a view to encouraging these entities to provide the information, FATCA requires to withhold 30% of gross payments made to FFIs that do not enter into an agreement with the IRS.

This new withholding system is applied, broadly, to U.S. sources of wealth, bank deposits interest and gross capital gains.

4 Cash

The summary of this account is as follows:

	December 31	
	2014	2013
	Q	Q
Local currency:		
Cash	506,411	627,899
Central Bank legal deposits	1,104,934	1,037,964
Central Bank special deposits	65,054	62,763
Checks from other local banks	128,531	135,606
Local banks	44,107	33,092
	1,849,037	1,897,324
Foreign currency:		
Cash	74,479	80,440
Central Bank legal deposits	562,900	777,382
Central Bank special deposits	24,316	19,358
Checks and money orders from local and foreign banks	42,658	19,060
Local banks	2,929	5,251
Foreign banks	332,418	196,515
	1,039,700	1,098,006
	2,888,737	2,995,330

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.

Notes to Consolidated Financial Statements

5 Investments, net

The summary of this account is as follows:

	December 31 2014 Q	December 31 2013 Q
Local currency:		
Available-for-sale securities:		
Bank of Guatemala – term deposit certificates with maturity in 2015 (March and December in 2014 for 2013) (a and c).	616,200	566,000
Term deposit certificates issued by the Ministry of Finance of the Republic of Guatemala, with annual interest rate between 6.625% and 10.00% (6.80% and 10% in 2013) and maturity between 2015 and 2029 (2014 and 2026 for 2013).	1,181,824	1,182,441
Time deposit certificates issued by Bank of Guatemala, with annual interest between 3.25% and 6.75% (5.11% and 5.28% in 2013) and maturity between 2015 and 2020 (2014 for 2013).	270,500	6,700
F.H.A. Mortgage Certificates with interest rate fluctuating between 8% and 14% in both years and maturity between 2020 and 2034 for both years.	2,003	2,144
Promissory note issued by Credomatic de Guatemala, S.A., with annual interest rate of 6.5% for both years and maturity in 2015 (2014 for 2013).	65,000	65,000
Total available-for-sale securities	2,135,527	1,822,285
Held-to-maturity securities:		
F.H.A. Mortgage Certificates, with interest rate fluctuating between 5.5% and 19% (6% and 21% in 2013) and maturities between 2015 and 2039 (2014 and 2038 in 2013).	717,745	662,230
Private entities non financial	1	1
Total held-to-maturity securities	717,746	662,231
Total local currency	2,853,273	2,484,516
Carried forward	2,853,273	2,484,516

Notes to the Consolidated Financial Statements

5 Investments, net (continued)

	December 31	
	2014	2013
	Q	Q
Brought forward	2,853,273	2,484,516
Foreign currency:		
Available-for-sale securities:		
Term deposit certificates issued by the Ministry of Finance of the Republic of Guatemala for US$90,299 (US$20,000 in 2013) bearing annual interest rate between 4.25% and 5.88% in both years and maturities between 2017 and 2027 in both years.	685,977	156,827
Eurobonds for US$43,375 (US$34,154 in 2013) bearing annual interest rate of 4.38% and 8.13% in both years and maturities between 2022 and 2034 in both years.	329,512	267,811
Treasury Bonds of the United States of America for US$4,847 in 2013 bearing annual interest rate between 1.25% and 1.75% and maturities between 2018 and 2020.	-	38,011
Bonds with local financial institutions, with annual interest rate of 5.50% with maturity in November 2022.	1,013	-
Bonds with foreign financial institutions, with annual interest rate of 2.95% with maturity in January 2018.	7,448	-
Total available-for-sale securities	1,023,950	462,649
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	-
Interest paid in purchase of available-for-sale securities	-	34
	3,991,174	2,947,199
Allowance on F.H.A. mortgage notes	(6,265)	(1,896)
	3,984,909	2,945,303

Notes to the Consolidated Financial Statements

5 Investments, net (continued)

a) As of December 31, 2014, the Bank has investments certificates deposit issued by Bank of Guatemala for Q616,200 (Q566,000 in 2013), which are acquired with discount on the par value. During the year ended December 31, 2014 the Bank obtained Q37,985 (Q15,598 in 2013) which are collected upon maturity of each title.

b) As of December 31, 2014, investment have maturity fluctuating from 2015 to 2039. Maturity in the next six years of these investments are summarized as follows:

	Q
2015	1,168,340
2016	156,242
2017	142,724
2018	114,754
2019	89,668
2020 onwards	2,319,446
	3,991,174

c) Cash equivalents are summarized as follows:

	December 31	
	2014	2013
	Q	Q
Financial promissory note issued by Credomatic de Guatemala, S.A. maturing on March 2015 (March 2014 in 2013).	5,000	5,000
Term deposit certificates issued by the Bank of Guatemala, maturities between January and March 2015 (March 2014 in 2013).	276,600	156,300
Bonds certificates, maturities between January and March 2015 (January and February 2014 in 2013).	20,000	186,974
Repo bond certificate maturities in January, 2015.	113,951	-
	415,551	348,274

Notes to the Consolidated Financial Statements

5 Investments, net (continued)

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

	December 31	
	2014	**2013**
	Q	**Q**
Balance at beginning of year	(1,896)	(1,896)
Plus:		
Provision of the year charged to profit and loss	(4,369)	-
Balance at end of year	(6,265)	(1,896)

During the year ended as of December 31, 2014 in compliance with what is established in article no.53 of the Law of Banks and Financial Groups and the resolution SIB No.807-2014 a provision on FHA mortgage certificates was constituted, with charge to profit or loss of the year for Q4,908. After that, with the authorization of the Superintendence of Banks of Guatemala contained in the official note No.8199-2014 a part of the reserve amounting to Q538 was released, totaling a net charge to the profit or loss for Q4,369.

6 Loan Portfolio, net

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

	December 31	
	2014	**2013**
	Q	**Q**
Local currency:		
Fiduciary	1,602,224	1,626,096
Mortgage	1,887,793	1,753,762
Credits in monetary deposit accounts	1,270,475	1,187,034
Pledge- fiduciary	218,826	184,704
Credit cards	1,136,145	1,157,627
Pledge	77,435	92,186
Mortgage- fiduciary	917,107	745,877
Mortgage-pledge	2,671	2,896
Mortgage-pledge- fiduciary	114,037	142,603
Secured by own obligations	109,877	46,417
Factoring	2,037	2,227
Debtors of property sales	27,024	20,184
	7,365,651	6,961,613
Carried forward	7,365,651	6,961,613

Notes to the Consolidated Financial Statements

6 Loan Portfolio, net (continued)

	December 31 2014 Q	December 31 2013 Q
Brought forward	7,365,651	6,961,613
Foreign currency:		
Fiduciary	2,844,715	1,807,850
Mortgage	1,303,624	684,406
Notes receivable	924,077	802,246
Credits in monetary deposit accounts	267,757	289,611
Secured by own obligations	27,786	16,089
Debtors of foreclosed assets	7,498	869
Pledge	28,572	24,229
Letters of credit payments	106,106	95,414
Credit cards	88,097	90,639
Mortgage- fiduciary	850,231	495,965
Mortgage-pledge	670,855	1,960
Pledge- fiduciary	106,030	110,512
Mortgage-pledge- fiduciary	44,780	151,475
Discounted documents	-	1,320
	7,270,128	4,572,585
Loan portfolio, gross	14,635,779	11,534,198
Less:		
Valuation allowances:		
Specific	(47,867)	(30,580)
Generic	(207,597)	(178,098)
Total allowances	(255,464)	(208,678)
Loan portfolio, net	14,380,315	11,325,520

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

	December 31 2014 Q	December 31 2013 Q
Local currency:		
Current	7,203,342	6,826,177
Due:		
In renewal process	83,538	67,408
In administrative collection	3,683	398
In legal collection	75,088	67,630
	162,309	135,436
Total local currency	7,365,651	6,961,613
Carried forward	7,365,651	6,961,613

Notes to the Consolidated Financial Statements

6 Loan Portfolio, net (continued)

	December 31 2014 Q	December 31 2013 Q
Brougth forward	7,365,651	6,961,613
Foreign currency:		
Current	7,263,910	4,570,641
Due:		
In renewal process	1,279	515
In administrative collection	124	26
In legal collection	4,815	1,403
	6,218	1,944
Total foreing currency	7,270,128	4,572,585
Loan portfolio gross	14,635,779	11,534,198
Less:		
Valuation allowances:		
Specific	(47,867)	(30,580)
Generic	(207,597)	(178,098)
Total valuation allowance	(255,464)	(208,678)
Loan portfolio, net	14,380,315	11,325,520

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

	December 31 2014 Q	December 31 2013 Q
Local currency:		
Major corporate debtors	3,626,124	3,623,170
Minor corporate debtors	1,021,995	885,501
Microcredit loans	27,121	24,830
Mortgage loans	934,909	790,930
Consumer loans	1,755,502	1,637,182
Total local currency	7,365,651	6,961,613
Carried forward	7,365,651	6,961,613

Notes to the Consolidated Financial Statements

6 Loan Portfolio, net (continued)

	December 31 2014 Q	December 31 2013 Q
Brought forward	7,365,651	6,961,613
Foreign currency:		
Major corporate debtors	6,720,993	4,104,954
Minor corporate debtors	380,022	311,667
Microcredit loans	529	312
Mortgage loans	55,636	52,969
Consumer loans	112,948	102,683
Total foreign currency	7,270,128	4,572,585
Total loan portfolio, gross	14,635,779	11,534,198

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

	December 31 2014 Q	December 31 2013 Q
Local currency:		
Consumer	2,486,534	2,227,447
Agriculture, livestock, forestry, hunting and fishing	273,637	239,276
Exploitation of mines and quarry	47,796	19,954
Manufacturing industry	538,333	490,857
Electricity, gas and water	322,452	348,035
Construction	505,013	455,425
Commerce	1,745,274	1,870,065
Transportation and storage	134,538	124,326
Financial establishments, real states and services provided to companies	949,406	837,576
Community, social and personal services	181,409	172,475
Transfers	1,512	6,754
Other destinations	179,747	169,423
Total local currency	7,365,651	6,961,613
Carried forward	7,365,651	6,961,613

Notes to the Consolidated Financial Statements

6 Loan Portfolio, net (continued)

	December 31 2014 Q	December 31 2013 Q
Brought forward	7,365,651	6,961,613
Foreign currency:		
Consumer	152,123	141,795
Agriculture, livestock, forestry, hunting and fishing	1,525,553	766,755
Manufacturing industry	1,117,914	677,163
Electricity, gas and water	1,163,740	248,700
Construction	415,985	353,012
Commerce	2,221,498	1,781,064
Transportation and storage	83,138	44,129
Financial establishments, real states and services provided to companies	516,560	470,735
Community, social and personal services	57,156	73,497
Other destinations	16,461	15,735
Total foreign currency	7,270,128	4,572,585
Total loan portafolio, gross	14,635,779	11,534,198

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

	December 31 2014 Q	December 31 2013 Q
Local currency:		
Guatemala	7,305,539	6,891,557
Other Central America countries	60,107	70,056
Other countries	5	-
	7,365,651	6,961,613
Foreign currency:		
Guatemala	6,137,051	3,344,133
Other Central America countries	1,111,333	1,204,025
United States of America	-	22,622
Other countries	21,744	1,805
	7,270,128	4,572,585
	14,635,779	11,534,198

Notes to the Consolidated Financial Statements

6 Loan Portfolio, net (continued)

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

	December 31 2014 Q	December 31 2013 Q
Local currency:		
Up to one year	1,103,691	1,180,768
From one to three years	1,514,922	1,303,813
From three to five years	1,915,433	699,414
Five years or more	2,831,605	3,777,618
	7,365,651	6,961,613
Foreign currency:		
Up to one year	2,331,042	1,587,514
From one to three years	693,285	543,959
From three to five years	777,702	576,437
Five years or more	3,468,099	1,864,675
	7,270,128	4,572,585
	14,635,779	11,534,198

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

	Years ended as of December 31 2014 Q	Years ended as of December 31 2013 Q
Balance at beginning of year	208,678	201,714
Add increases due to:		
Provision of the year charged to profit or loss	102,850	83,763
Transfer from the contingencies reserve	75,000	50,000
	386,528	335,477
Less charges for:		
Doubtful accounts written off	(131,064)	(126,799)
	(131,064)	(126,799)
Balance at end of year	255,464	208,678

Notes to Consolidated Financial Statements

6 Loan Portfolio, net (continued)

Charges to profit or loss of the valuations allowance are summarized below:

	Years ended as of December 31	
	2014	**2013**
	Q	**Q**
Valuation allowances:		
Loan portfolio (note 6)	102,850	83,763
Accounts receivable (note 8)	128	149
Foreclosed assets (note 9)	11,738	5,266
Investments	4,369	-
	119,085	89,178

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

	2014	**2013**
	%	**%**
The Bank:		
Loans portafolio in local currency	3.65 - 37.08	3.75 - 29.00
Loans portafolio in foreign currency	4.00 - 15.00	4.00 - 16.50
Credit card in local currency	0.00 - 59.88	0.00 - 59.60
Credit card in foreign currency	0.00 - 48.00	0.00 - 42.00
The Lease Company:		
Local currency	10.04 - 23.49	10.05 - 23.49
Foreing currency	8.90 - 22.90	8.90 - 22.90

7 Accounts Receivable from Accrued Financial Products

The summary of this account is as follows:

	December 31	
	2014	**2013**
	Q	**Q**
Local currency:		
Investments	46,498	54,095
Loan portfolio	6,226	6,494
Accounts receivable	141	250
Other investments	41	40
	52,906	60,879
Carried forward	52,906	60,879

Notes to the Consolidated Financial Statements

	December 31 2014 Q	December 31 2013 Q
Brought forward	52,906	60,879
Foreign currency:		
Investments	12,271	4,866
Loan portfolio	9,574	4,642
Accounts receivable	1	11
	21,846	9,519
	74,752	70,398

8 Other Accounts Receivable, net

The summary of this account is as follows:

	December 31 2014 Q	December 31 2013 Q
Local currency:		
Payments on behalf of third-parties under management agreements	2,341	2,405
Prepaids	2,920	5,639
Remittances	4,331	11,773
Security and maintenance	356	174
Other accounts pending liquidation (a)	702	7,622
Insurance premiums	1,478	1,782
Overdrafts in checking accounts	15	1
Service charges	698	705
Taxes, duties and contributions	2,706	1,826
Cash and securities missing	204	290
Other loan portfolio and accounts receivable	5,442	4,395
FHA awards	2,016	2,569
Other	4,164	2,727
	27,373	41,908
Foreign currency:		
Accounts receivable (a)	1,009	8,128
Payments on behalf of others	5,268	217
Cash and securities missing	2	-
Other	192	419
	6,471	8,764
Total accounts receivable	33,844	50,672
Less: Valuation allowance	(1,262)	(2,096)
	32,582	48,576

(a) These accounts mainly include accounts receivable and credit card commissions.

Notes to the Consolidated Financial Statements

8 Other Accounts Receivable, net (continued)

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

	Years ended as of December 31	
	2014	**2013**
	Q	**Q**
Balance at beginning of the year	2,096	2,994
Plus increase due to:		
Provision for the year (note 6)	128	149
Less charges for:		
Write-offs against the allowance	(942)	(1,041)
Reserve release	(2)	(1)
Foreign exchange variation	(18)	(5)
	(962)	(1,047)
Balance at the end of the year	1,262	2,096

9 Foreclosed Assets, net

The summary of this account is as follows:

	December 31	
	2014	**2013**
	Q	**Q**
Property	107,022	87,588
Investment securities	2,516	8,367
Equipment	617	776
Capitalized foreclosure cost	5,553	5,002
	115,708	101,733
Less:		
Valuation allowance	(36,207)	(32,819)
	79,501	68,914

Notes to the Consolidated Financial Statements

9 Foreclosed Assets, net (continued)

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

	Years ended December 31, 2014 Q	2013 Q
Balance at beginning of year	32,819	28,291
Plus:		
Provision of the year (note 6)	11,738	5,266
	11,738	5,266
Less:		
Release due to sale of foreclosed assets	(6,406)	(477)
Write-offs against the allowance	(1,627)	(86)
Revenue on foreclosed assets sales	(208)	-
Foreign exchange variation	(109)	(31)
Other	-	(144)
	(8,350)	(738)
Balance at the end of the year	36,207	32,819

Notes to the Consolidated Financial Statements

10 Equity Securities

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

10 Equity Securities (continued)

The summary of this account as of December 31, 2013 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
In 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$1,374	0.08	998	7.84	10,696
Balance as of December 31, 2013				36,009

Notes to the Consolidated Financial Statements

10 Equity Securities (continued)

a) At December 31, 2014 and 2013, 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 2014 Q	2013 Q
Seguros Agromercantil, S.A.	3,840	1,280
Compañía de Procesamiento de Medios de Pago Guatemala (Bahamas), S.A.	1,027	15
Almacenadora Guatemalteca, S.A.	-	1,178
Bolsa de Valores Nacional, S.A.	21	18
Banco Latinoamericano de Comercio Exterior, S.A.	40	35
Bam Financial Corporation	84	161
Others	-	177
Total dividends income (note 26)	5,012	2,864

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 2014 Q	2013 Q
Local currency:		
Cash available from F.H.A. transactions	10,941	10,472
Bond certificates with anual interest rate of 9% and maturity on May 21, 2015, for both years	4,000	4,000
Mortagage notes	185	215
	15,126	14,687

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, 2014 is summarized as follows:

	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
	375,136	39,458	(17,091)	(3,177)	394,326
Accumulated depreciation cost	(128,714)	(33,047)	14,009	-	(147,752)
	246,422	6,411	(3,082)	(3,177)	246,574
Revaluated fixed assets:					
Land	16,042	-	-	-	16,042
Buildings	18,530	-	-	-	18,530
Furniture	-	65	-	-	65
	34,572	65	-	-	34,637
Accumulated depreciation on revaluated buildings	(6,092)	(926)	-	-	(7,018)
	28,480	(861)	-	-	27,619
Total	274,902	5,550	(3,082)	(3,177)	274,193

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

12 Property and Equipment, net (continued)

The balances ad movement of this account as of and for the year ended December 2013 is summarized below:

	Initial balance Q	Additions Q	Write-offs Q	Transfers Q	Final balance Q
Cost:					
Land	49,449	-	-	-	49,449
Buildings	191,701	4,460	(752)	(330)	195,079
Furniture and equipment	30,796	3,247	(14,493)	-	19,550
Computer equipment	88,059	32,916	(19,280)	-	101,695
Vehicles	3,072	1,235	(1,436)	-	2,871
Communications equipment	3,223	156	(2,088)	-	1,291
Other	1,287	461	(15)	-	1,733
Advances for asset acquisition and constructions	3,685	4,027	(2,032)	(2,212)	3,468
	371,272	46,502	(40,096)	(2,542)	375,136
Accumulated depreciation cost	(133,154)	(32,583)	37,004	19	(128,714)
	238,118	13,919	(3,092)	(2,523)	246,422
Revaluated fixed assets:					
Land	16,042	-	-	-	16,042
Buildings	18,530	-	-	-	18,530
	34,572	-	-	-	34,572
Accumulated depreciation on revaluated buildings	(5,188)	(926)	22	-	(6,092)
	29,384	(926)	22	-	28,480
Total	267,502	12,993	(3,070)	(2,523)	274,902

During the year ended December 31, 2013, Q2,542 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 2014 Q	December 31 2013 Q
Improvements to leasehold properties (a)	41,876	39,230
Intangible assets	423	423
Organization expenses	318	318
	42,617	39,971
Less: accumulated amortization (b)	(15,508)	(14,030)
	27,109	25,941
Prepaid expenses:		
Taxes, duties and contributions (note 30)	43,821	40,987
Services	58,396	24,430
Materials and supplies	5,160	2,991
	107,377	68,408
	134,486	94,349

(a) As of December 31, 2014, Q3,325 (Q2,542 in 2013) were transferred from property, plant 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 2014 Q	Years ended as of December 31 2013 Q
Initial balance	14,030	12,262
Plus:		
Amortization expense for the year	2,005	1,930
Less:		
Write-offs of fully amortized assets	(524)	(162)
Transfer to accumulated depreciation	(3)	-
Final balance	15,508	14,030

Notes to the Consolidated Financial Statements

14 Deposits

The summary of this account is as follows:

	December 31 2014 Q	2013 Q
Local currency:		
Demand deposits	3,870,029	3,976,113
Savings deposits	2,498,400	2,531,094
Time deposits	4,054,393	3,297,644
Restricted deposits	44,491	47,657
Other deposits	9,524	8,534
	10,476,837	9,861,042
Foreign currency:		
Demand deposits	1,527,872	961,998
Savings deposits	778,543	679,687
Time deposits	1,836,032	1,493,256
Restricted deposits	4,727	3,314
Other deposits	923	566
	4,148,097	3,138,821
	14,624,934	12,999,863

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

	December 31 2014 %	2013 %
Local currency:		
Demand deposits	0.20 and 5.00	0.20 and 5.50
Savings deposits	0.45 and 6.50	0.45 and 6.50
Time deposits	0.50 and 8.25	0.50 and 8.25
Foreign currency:		
Demand deposits	0.25 and 4.00	0.25 and 4.00
Savings deposits	0.25 and 2.75	0.25 and 3.00
Time deposits	1.00 and 7.25	1.75 and 7.25

Notes to the Consolidated Financial Statements

14 Deposits (continued)

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 2014 and 2013 for the Bank. Bank of Guatemala reimburses on cash balances integrating the computable banking reserve.

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

14 Deposits (continued)

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 2014 to March 2015.

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, 2014 the Bank made contributions to the FOPA, recording them against profit or loss of the year for Q20,289 and US$901 equivalent to Q6,972 (Q14,132 and US$582 equivalent to Q4,578 in 2013).

- As of December 31, 2014, the third party deposit accounts include Q44,491 and US$622 equivalent to Q4,726 (Q47,631 and US$423 equivalent to Q3,314 in 2013) seized by a court order.

Notes to the Consolidated Financial Statements

15 Loans with Other Financial Institutions

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

Correspondent	Authorized US$	Used US$	Available US$	Maturity
Bank of America, N.A. (a)	300,000	300,000	-	10/04/2019
Nederlandse Financierings-Maatschappij Voor Ontwikkelingslanden N.V. (FMO) and DEG –Deutsche Investitions – UND Entwicklungsgesellschaft MBH Tract A (b)	50,000	50,000	-	15/10/2020
Nederlandse Financierings-Maatschappij Voor Ontwikkelingslanden N.V. (FMO) and DEG –Deutsche Investitions – UND Entwicklungsgesellschaft MBH Tract B (b)	50,000	50,000	-	15/10/2018
BAC Florida Bank	11,000	3,588	7,412	30/04/2015
Banco de Integración Económica	30,000	-	30,000	18/02/2015
Banco Mercantil Commercebank	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.	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
Total in Dollars of the United States of America	748,845	582,253	166,592	
Total in Quetzales	5,688,788	4,423,230	1,265,558	

Notes to the Consolidated Financial Statements

15 Loans with Other Financial Institions (continued)

At December 31, 2013, this account is summarized as follows:

Correspondent	Authorized US$	Used US$	Available US$	Maturity
Nederlandse Financierings-Maatschappij Voor Ontwikkelingslanden N.V. (FMO) and DEG –Deutsche Investitions – UND Entwicklungsgesellschaft MBH Tract A (b)	50,000	37,500	12,500	15/10/2020
Nederlandse Financierings-Maatschappij Voor Ontwikkelingslanden N.V. (FMO) and DEG –Deutsche Investitions – UND Entwicklungsgesellschaft MBH Tract B (b)	50,000	37,500	12,500	15/10/2018
BAC Florida Bank	7,000	6,750	250	In renewal
Banco Centroamericano de Integración Económica	30,000	-	30,000	16/04/2014
Banco Mercantil Commercebank	5,000	5,000	-	30/06/2014
Banesco U.S.A.	4,000	711	3,289	Indefinite
Bank of America, Merrill Lynch Miami	15,000	10,546	4,454	Indefinite
Banco Internacional de Costa Rica, S.A.	4,000	-	4,000	31/05/2014
Deutsche Bank	11,003	11,003	-	Indefinite
Banco Latinoamericano de Comercio Exterior, S.A.	20,000	20,000	-	Indefinite
Citibank, N.A. New York	38,022	30,478	7,544	31/07/2014
Cobank	10,000	9,397	603	Indefinite
Cobank CCC	23,584	23,584	-	Indefinite
Commerzbank	16,536	14,192	2,345	Indefinite
Eastern National Bank	5,876	5,736	140	In renewal
Israel Discount Bank	7,000	7,000	-	Indefinite
Scotiabank Canadá	5,000	3,986	1,014	Indefinite
Standard Chartered Bank	30,000	25,858	4,142	Indefinite
Standard Chartered Bank (Colateral)	6,000	4,043	1,957	Indefinite
U.S. Century Bank	7,000	4,652	2,348	17/12/2014
Wells Fargo Bank	30,000	23,110	6,890	In renewal
Banque De Commerce et de Placements	2,672	-	2,672	Indefinite
Total in Dollars of the United States of America	377,693	281,046	96,648	
Total in Quetzales	2,961,636	2,203,782	757,854	

Notes to the Consolidated Financial Statements

15 Loans with Other Financial Institions (continued)

(a) Loan granted by Bank of America, N.A.
On April 10, 2014 the Bank subscribed a loan with the financial entity Bank of America, N.A. for three hundred million dollars of the United States of America, (US$300,000) 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.

Notes to the Financial Statements

15 Loans with Other Financial Institions (continued)

- 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.

- 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 distributed as follows:

Tranche	**US$**	**Interest rate**	**First equity payment**
A	50,000	Libor + 4.25%	Fifth year
B	50,000	Libor + 4.00%	Third year

Notes to the Consolidated Financial Statements

15 Loans with Other Financial Institions (continued)

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

(c) As of December 31, 2014 loans obtained earning interest rate that fluctuate between LIBOR plus 1.15% and LIBOR plus 2.00% (LIBOR + 1.15% and LIBOR + 2.00% in 2013) with fiduciary guarantee of the Group.

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

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

	December 31	
	2014	**2013**
	US$	**US$**
2014	-	197,779
2015	168,029	8,267
2016	30,890	12,500
2017	16,667	12,500
2018	33,333	25,000
2019	316,667	12,500
2020	16,667	12,500
	582,253	281,046

Notes to the Consolidated Financial Statements

16 Financial Obligations

The summary of this account is as follows:

	December 31 2014 Q	December 31 2013 Q
Mortgage bonds II	17,527	27,906
Mortgage bonds I	176	176
Pledge bonds I	28	28
	17,731	28,110
Promissory note Agrofin I	1,151	1,370
	18,882	29,480

The authorizations to issue the mortgage bonds BANAGRO II and pledge bonds Banagro I are contained in the corresponding Resolutions of the Monetary Board. 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 mentioned in note 11.

17 Accounts payable from Accrued Financial Expenses

The summary of this account is as follows:

	December 31 2014 Q	December 31 2013 Q
Local currency:		
Deposits	76,567	64,944
Financial obligations	-	32
Total local currency	76,567	64,976
Foreign currency:		
Deposits	30,255	38,492
Loans with other financial institutions	44,936	9,769
Total foreign currency	75,191	48,261
	151,758	113,237

Notes to the Consolidated Financial Statements

18 Other Accounts Payable

The summary of this account is as follows:

	December 31 2014 Q	December 31 2013 Q
Local currency:		
Demand obligations	55,989	60,080
Obligations from issuance of documents	52,348	34,944
Income tax payable	60,528	70,431
Deferred income (a)	32,411	30,627
Obligations for administration	17,463	18,010
Deposits as guaranty	3,067	6,021
Total local currency	221,806	220,113
Foreign currency:		
Demand obligations	1,967	5,713
Obligations from issuance of documents	35,412	20,794
Deferred income	8,577	5,783
Obligations for administration	310	16
Deposits as guaranty	2,782	461
Other	238	2
Total foreign currency	49,286	32,769
	271,092	252,882

(a) As of December 31 2014, the balance of this account includes Q4,123 and US$11 equivalent to Q84 (Q4,349 and US$433 equivalent to Q3,395 in 2013) corresponding to payments received from clients pending to be applied towards loans granted.

19 Provisions

The summary of this account is as follows:

	December 31 2014 Q	December 31 2013 Q
Bonuses	7,157	6,784
Severance provisions (a)	121,594	117,853
Other	5,835	6,179
	134,586	130,816

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	
	2014	2013
	Q	Q
Balance at beginning of year	117,853	115,698
Provision for the year	19,376	17,892
Transfer of other provisions	-	297
Payments applied to the provision	(15,635)	(16,034)
Balance at end of year	121,594	117,853

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	
	2014	2013
	Q	Q
Local currency:		
Commissions	1,921	2,129
Income from services	226	237
	2,147	2,366
Foreign currency:		
Loan portfolio	75	124
Commissions	-	162
	75	286
	2,222	2,652

21 Other Credit Balances

The summary of this account is as follows:

	December 31	
	2014	2013
	Q	Q
Local currency:		
Investments	30,832	34,113
Loan portfolio	6,100	6,409
Commissions	967	1,551
Income from services	6	9
Accounts receivable	7	4
	37,912	42,086
Capitalized income	19,867	17,565
Total local currency	57,779	59,651
Carried forward	57,779	59,651

Notes to the Consolidated Financial Statements

21 Other Credit Balances (continued)

The summary of this account is as follows:

	December 31 2014 Q	2013 Q
Brougth forward	57,779	59,651
Foreign currency:		
Loan portfolio	9,513	4,573
Commissions earned but uncollected	9	18
Investments	134	-
Accounts receivable	-	11
	9,656	4,602
Capitalized income	2,178	2,372
Total foreign currency	11,834	6,974
	69,613	66,625

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 2014 Q	2013 Q
Local currency	37,912	42,086
Foreign currency	9,656	4,602
	47,568	46,688

22 Paid-in Capital

i. Authorized, subscribed and paid-in capital

The summary of this account is as follows:

	December 31 2014 Q	2013 Q
Common shares 99,360,541,with a par value of Q10 each were subscribed and paid (99,360,433 with a par value of Q10 each in 2013).	993,607	993,606
Preferred shares series A and B subscribed and paid amounting to Q173,981. Series "A" preferred shares accrue an annual 9% preferred dividends. Series "B" preferred shares accrue an annual 10% preferred dividends.	173,981	173,981
	1,167,588	1,167,587

Notes to the Consolidated Financial Statements

22 Paid-in Capital (continued)

The authorized capital of the Bank is two billion quetzales (Q2,000,000), divided and represented by 200 million common shares with a par value of Q10 each.

Preferred share has no voting rights. The Bank may at any time decide to convert preferred shares to common shares.

ii. Issue of common share

Through Shareholders Assembly deed No. 2-2013 dated October 31, 2013, agreed to issue 45,160,230 common shares with a par value of Q10 each, totalizing Q451,602.

As of December 31, 2013 45,160,122 share are subscribed and paid for a total of Q451,601. The value of each share amounts up to Q18, which includes a premium of Q8, which generated a premium paid on shares of Q361,280.

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.

During the year ended as of December 31, 2013, dividends for Q16,236 were paid with charge to this reserve (see note 23 vii).

ii. Contingencies reserve

In conformity with the Group's Stockholders Meeting, during the year ended December 31, 2014, Q50,000 were segregated from prior years' earnings to increase the contingency reserves (Q100,000 in 2013).

In addition, the Board of Directors authorized to transfer: a) Q75,000 (Q50,000 in 2013) 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.

Notes to the Consolidated Financial Statements

23 Capital Reserves (continued)

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.

vii. Dividends
The dividends decreed are as follows:

Entity	Years ended December 31 2014 Q	2013 Q
Banco Agromercantil de Guatemala, S.A.	15,818	16,236
Arrendadora Agromercantil, S.A.	2,568	1,027
Financiera Agromercantil, S.A.	958	532
Agencia de Seguros y Fianzas Agromercantil, S.A.	2,500	2,500
Asistencia y Ajustes, S.A.	-	20
	21,844	20,315
Less:		
Dividends eliminated through this consolidation	(6,026)	(4,079)
Total paid	15,818	16,236

Notes to the Consolidated Financial Statements

viii. Compensations to directors and employees

In conformity with the Social Deeds of the Banco Agromercantil de Guatemala, S.A. and Subsidiaries it is contemplated a compensation in favor of the employees (to directors and employees until 2013). The distributed percentage as of December 31, 2014 for employees was of 5.29% (8.25% in 2013 for the Bank and 5.25% for other companies), calculated on the gross profit of the year ended as of December 31, 2013 (December 31, 2012 for 2013).

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	
	2014	**2013**
	Q	**Q**
Financial income:		
Interest income:		
Loan portfolio	1,173,601	972,184
Investments	249,512	218,204
Cash equivalents	4,270	1,940
	1,427,383	1,192,328
Fees:		
Loan portfolio	126,043	93,215
Securities negotiation	1,712	9,568
Receivable accounts	790	509
Difference in price of repo operations	1,288	238
Others	10,299	596
	140,132	104,126
Total financial income	1,567,515	1,296,454
Carried forward	1,567,515	1,296,454

Notes to the Consolidated Financial Statements

	Years ended as of December 31 2014 Q	2013 Q
Brought forward	1,567,515	1,296,454
Financial expenses:		
Interest expense:		
Deposits	(433,856)	(367,987)
Uncollected revenue	(180)	(60)
Loans obtained	(163,792)	(30,185)
Financial liabilities	(1,878)	(1,997)
	(599,706)	(400,229)
Other financial expenses:		
Additional benefits	(10,403)	(9,652)
FOPA formation quote	(27,262)	(18,710)
Title-securities negotiation	(3,010)	(1,583)
Difference in price of repo operations	(280)	(2,551)
Commissions brokerage	(208)	(220)
Commissions	(6,939)	-
Total financial expenses	(647,808)	(432,945)
Net financial income	919,707	863,509

25 Net Income from Services

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

	Years ended as of December 31 2014 Q	2013 Q
Income:		
Commissions	138,332	121,445
Account management	24,627	19,111
Leases	452	501
Related insurance services	8,457	14,521
Other	400	391
Total service income	172,268	155,969
Expenses:		
Commissions	(110,045)	(96,308)
Net income from services	62,223	59,661

Notes to the Consolidated Financial Statements

26 Other Operating Income and Expenses

Summary of other operating income and expenses is shown below:

	Years ended as of December 31 2014 Q	2013 Q
Other operating income:		
Foreign exchange gains	67,518	64,345
Dividends (note 10)	5,012	2,864
	72,530	67,209
Other operating expenses:		
Doubtful recovery accounts and securities (see note 6)	(119,085)	(89,178)
Other:		
Variances and losses in foreign currency transactions	(21,038)	(1,954)
	(140,123)	(91,132)
	(67,593)	(23,923)

27 Administrative Expenses

The summary of the administrative expenses is shown below:

	Years ended as of December 31 2014 Q	2013 Q
Board of Directors	1,649	1,982
Officers and employees	306,411	286,542
Taxes, duties and contributions	17,283	14,880
Professional fees	14,659	13,700
Leasing (see note 34)	41,327	39,061
Repairs and maintenance	39,745	34,416
Security and surveillance	40,700	40,505
Marketing	20,951	24,975
Insurance and bonds	6,544	5,666
Depreciations and amortizations	35,335	34,492
Stationery and office supplies	6,601	6,824
Sundry expenses (a)	148,982	149,336
	680,187	652,379

Notes to the Consolidated Financial Statements

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

	Years ended as of December 31 2014 Q	2013 Q
Shipping and handling	24,985	30,375
Infrastructure services	29,656	30,831
Energy	15,223	16,979
Other links	32,667	28,380
Counseling, courier and business support services	10,360	10,312
Agency links	3,971	3,747
Phone	4,239	3,950
Mailing	5,549	4,883
Photocopying services	3,716	3,367
Clearing services	2,476	2,487
Common expenses	2,616	2,464
Publishing	1,018	1,042
Claims	55	430
Dues to associations	367	440
Parking lot	310	342
Other (b)	11,774	9,307
	148,982	149,336

(b) This account includes, among others, the following: fuel and lubricants, water, Guatemalan Banking Association fee, donations and others.

28 Extraordinary Income and Expenses, net

The summary of extraordinary income and expense is shown below:

	Years ended as of December 31 2014 Q	2013 Q
Income:		
Recoveries (a)	39,970	14,331
Proceeds from sale of foreclosed assets	5,755	22,280
Gain on proceeds from property liquidation	61	116
Other	2,769	4,988
	48,555	41,715
Carried forward	48,555	41,715

Notes to the Consolidated Financial Statements

	Years ended as of December 31 2014 Q	2013 Q
Brought forward	48,555	41,715
Expenses:		
Loss in liquidation, holding and exploitation of foreclosed assets and loss in sale of furniture	(1,246)	(7,293)
	(1,246)	(7,293)
	47,309	34,422

(a) This account is used to record the recoveries of the credit assets, which balances had been written off from the loan portfolio and transfered 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 2014 Q	2013 Q
Income:		
Reversal of provisions	4,599	4,940
	4,599	4,940
Expenses:		
Supplementary provisions	(1,062)	(6,911)
	3,537	(1,971)

30 Income Taxes

The income tax returns filed by the Bank for the years ended December 31, 2011, 2012 and 2014 are pending for review by the fiscal authorities. The fiscal period of Bank ended December 31, 2010 and 2013 were partially revised. The income tax returns filed by the Leasing Entity for the years ended December 31, from 2012 to 2014, 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.

Notes to the Consolidated Financial Statements

30 Income Taxes (continued)

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, 2014 amounted to 60,842 (Q71,095 in 2013) wich represents an effective rate of 21.3% (25.5% in 2013):

	Years ended as of December 31	
	2014	**2013**
	Q	**Q**
Companies that adopted the regime on lucrative activities a)		
Banco Agromercantil de Guatemala, S.A.	58,997	68,424
Arrendadora Agromercantil, S.A.	1,425	1,774
Financiera Agromercantil, S.A.	130	107
Agrovalores, S.A.	70	42
Asistencia y Ajustes, S.A.	38	266
Tarjeta Agromercantil, S.A.	4	2
	60,664	70,615
Companies that opted for the simplified regime on income on lucrative activities b)		
Agencia de Seguros y Fianzas, S.A.	178	480
	60,842	71,095

a) The regime on profit activities established a taxable rate for 2014 of 28% (31% for 2013).

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 (6% for 2013), considering as taxable income the total of income subject to tax.

c) In addition, the capital income and capital gains are taxable with a taxable rate of 10%.

Notes to the Consolidated Financial Statements

30 Income Taxes (continued)

The tax expenses differs 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	
	2014	**2013**
	Q	**Q**
Gross income (total income)	1,873,880	1,567,509
Less:		
Exempt income and non-taxable income	(115,286)	(87,909)
Deductible expenses	(1,542,345)	(1,252,164)
Capital income	(127)	(272)
Costs and expenses that are over 97% to prior year	-	(85)
Taxable income	216,125	227,079
Tax rate	28%	31%
Income tax expense on income applicable to profit activities	60,515	70,394
Simplified optional tax system:		
Income before tax expenses	2,475	7,787
Exempt income and non-taxable income	(386)	(677)
Fixed tax payment income	(360)	(360)
Taxable income	1,729	6,750
Tax rate	7%	6%
	121	405
Plus:		
Fixed tax expense	18	18
Simplified optional tax system expenses	139	423
Capital gains tax expense	188	278
Total tax expense	60,842	71,095
Less:		
Capital gains tax payments	(188)	(278)
Tax prepayments	(126)	(386)
Tax payable	60,528	70,431

As the accompanying financial statements were prepared using the accounting practices derived from the Income Tax Regulations contained in the Book I of the Law of Tax Update, Decree No. 10-2012 of the Congress of the Republic of Guatemala and its reforms, some transactions made by the Group might be susceptible to different interpretations by the fiscal authorities when analyzed.

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	
	2014	2013
	Q	Q
In local currency:		
Third-parties' administration (a)	3,239,747	2,894,494
Commitments and contingencies	2,208,592	2,074,550
Loan portfolio guarantees	9,229,826	8,321,918
Investments loan portfolio and other credit assets classifications	7,370,763	6,965,400
Authorized financial obligations	2,100,000	2,100,000
Financial obligations	1,714,168	1,703,570
Amortized financial obligations	366,950	366,950
Own documents and securities issued	668,882	590,588
Other order accounts	731,261	639,477
Securities and good pledge as collateral	31,859	73,614
Register accounts	4,370,697	3,191,846
	32,032,745	28,922,407
Foreign currency:		
Commitments and contingencies	1,219,820	1,006,147
Loan portfolio guarantees	5,867,612	3,544,109
Investments and loan portfolio and other credit assets classification	7,300,450	4,593,500
Third-parties management	2,169,391	1,416,937
Margin for withdrawing	1,265,558	757,854
Own tittle-securities issued	18,392	755
Other memorandum accounts	47,789	60,545
Repo transactions	235,499	-
	18,124,511	11,379,847
	50,157,256	40,302,254

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

Notes to the Consolidated Financial Statements

31 Contingencies, Commitments, Other Liabilities and Memorandum Accounts (continued)

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

	December 31	
	2014	**2013**
	Q	**Q**
Local currency:		
Management	645,833	870,870
Guaranty	584,646	154,023
Investment	13,426	13,796
Other	33,729	41,707
	1,277,634	1,080,396

- **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

31 Contingencies, Commitments, Other Liabilities and Memorandum Accounts (continued)

- **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.

Notes to the Consolidated Financial Statements

- **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.

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.

Notes to the Consolidated Financial Statements

32 Concentration of Investments and Contingencies (continued)

- 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).

- 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.

Notes to the Consolidated Financial Statements

33 Formation of the Financial Group (continued)

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, 2014 and 2013 and for the years ended December 31, 2014 and 2013 herein presented.

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	
	2014	**2013**
	Q	**Q**
Income:		
Interest	330	-
Dividends	3,840	1,280
Services	11,520	14,005
	15,690	15,285
Expenses:		
Interest	2,097	4,059
Insurance premiums	12,356	10,639
	14,453	14,698

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

	December 31	
	2014	**2013**
	Q	**Q**
Assets:		
Equity securities	20,028	20,028
Accounts receivable	206	217
Liabilities:		
Deposits	122,933	72,555
Accounts payable	386	912

In addition, there are other balances and transactions with other related parties, which are summarized as follows:

Notes to the Consolidated Financial Statements

33 Formation of the Financial Group (continued)

The transactions are as follows:

	Years ended December 31, 2014 Q	2013 Q
Products:		
Interest	2,234	2,608
	2,234	2,608
Expenses:		
Interest	471	424
Services	39,277	39,077
Fees	272	178
	40,020	39,679
Other related parties:		
Compensations directors and employees (note 23 viii)	15,013	19,856

The balances are as follows:

	2014 Q	2013 Q
Assets		
Loan portfolio	29,945	36,391
Liabilities		
Deposits	16,550	17,557

The companies of the financial group have as forbidden:

- 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 its 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, 2014, the Group has contingent liabilities from letters of credit issued in the amounting to Q8,754 and $69,917 equivalents to Q531,140 (Q22,930 and US$54,670 equivalent to Q428,686 in 2013).

- **Trusts**
  As of December 31, 2014 the Group manages as trustee forty eight (48) trust agreements (46 in 2013). 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 Controllership. 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 2014 related expense amounts to Q41,327 (Q39,061 in 2013).

- **Repo Liabilities**
  At December 31, 2014 and 2013, the Group does not have repo operations liabilities pending to be settled.

- **Pending Litigations**
  At December 31, 2014, there are fiscal appeals for tax pending resolution for an amount of Q19,183 (Q20,881 in 2013) 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	
	2014	**2013**
	Q	**Q**
Legal:		
Income taxes for fiscal 2007. File 2010-21-44-0000126	-	346
Carried forward	-	346

Notes to the Consolidated Financial Statements

34 Commitments and Contingencies (continued)

	December 31	
	2014	2013
	Q	Q
Brought forward	-	346
Judicial procedure:		
Income taxes for fiscal 2007. File 2010-21-44-0000126	157	-
Income taxes for fiscal 1994. Process No.233-2003.	-	396
Income taxes for fiscal 1995. Process No.286-2003.	1,880	1,880
Income taxes for fiscal 1998. Process No.297-2003.	2,007	2,007
Income taxes for fiscal 1999. Process No.206-2003.	4,667	4,667
Financial income tax for fiscal 1998. Process No. 196-2002.	-	508
Income taxes for fiscal 1992. Process No.155-99.	975	1,003
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
Financial income tax. Process No.32-2003	-	577
	19,183	20,535
	19,183	20,881

According to the opinion of the 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, 2014 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	
	2014	**2013**
	US$	**US$**
Assets:		
Cash and cash equivalents	136,476	139,358
Investments	149,788	59,005
Loan portfolio	953,739	581,708
Financial income receivable	2,876	1,214
Accounts receivable	815	1,034
Foreclosed assets	2,098	2,498
Investments in equity	1,545	1,386
Other investments	66	430
Total assets	1,247,403	786,633
Liabilities:		
Deposits	545,650	399,620
Loans obtained	582,253	281,046
Financial expense payable	9,898	6,155
Accounts payable	6,488	4,179
Deferred credits	9	36
Other credit accounts	1,549	890
Total liabilities	1,145,847	691,926
Net position	101,556	94,707

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 financial statements.

37 Risk Management

The Group is exposed to the following risks that, upon occurrence, might have a significant adverse on its 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, 2014 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 recorded in conformity with the International Financial Reporting Standards and taking into account that the conditions of the interest rates of the international markets as of December 31, 2014, this contract would have a value of non-realizable loss if contract is liquidated in advance in that date for an amount of US$453 equivalent to Q3,442.

39 Basis of Presentation

The accounting policies used by the Group for the preparation of the accompanying 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

39 Basis of Presentation (continued)

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 establish that termination benefits be recorded as liabilities at the time the labor relation ends.

Notes to the Financial Statements

39 Basis of Presentation (continued)

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

39 Basis of presentation (continued)

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 dot 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.