Banco de los Trabajadores

Financial Statements

September 30, 2018

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

KPMG

Contents

Conclusion of Interim Review

Interim Unaudited Balance Sheet
Interim Unaudited Statement of Income
Interim Unaudited Statement of Changes in Equity
Interim Unaudited Statement of Cash Flows
Notes to the Interim Unaudited Financial Statements

KPMG

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Independent Auditor´s Report on Review of Interim Financial Statements

To the Shareholders of Banco de los Trabajadores:

We have reviewed the accompanying balance sheet of Banco de los Trabajadores (hereinafter referred to as the "Bank") as of September 30, 2018 and the related statements of income, changes in equity and cash flows for the nine month period then ended, and notes to the interim financial statements. Management is responsible for the preparation and presentation of these interim financial statements according to the Manual of Accounting Instructions for Entities Subject to the Surveillance and Inspection of the Superintendency of Banks issued by the Monetary Board. Our responsibility is to express a conclusion on these interim financial statements based on our review.

Scope of Review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial statements as at and for nine months ended on September 30, 2018 are not prepared, in all material respects, in accordance to the Manual of Accounting Instructions for Entities Subject to the Surveillance and Inspection of the Superintendency of Banks issued by the Monetary Board.

(Continue)

Klynveld Peat Marwick Goerdeler, S.A. es una sociedad anónima guatemalteca y firma miembro de la red de firmas miembro independientes de KPMG afiliadas a KPMG International Cooperative ("KPMG International"), una entidad suiza.

Emphasis of Matters

1) Proceedings Against Former Executives of the Bank

Without modifying our review conclusion, we draw attention to note 32; as a result of a complaint filed by the Administration for Special Verification of the Superintendency of Banks, on September 5, 2016 the Public Ministry initiated proceedings against certain former executives of the Bank for the crimes of illicit association, embezzlement and money laundering. The defrauded amounts were recorded in the income statement of the years 2010 and 2011, so the Bank´s Administration considers that the final result of these processes will not have an additional adverse effects on the assets in the financial statements as of September 30, 2018. The Bank is constituted in the aforementioned criminal process as an adhesive complainant, expecting worthy reparation in favor of the Bank damage caused to the equity.

2) Accounting Base

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

Other Matter

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

Lic. Arturo José Aldana A.
CPA-1379

November 26, 2018

Interim Unaudited Balance Sheet

As of September 30, 2018 and December 31, 2017
(Figures expressed in Quetzales)

	September 30, 2018 Q	December 31, 2017 Q
Assets		
Cash (note 4)	3,136,886,534	3,034,573,936
Investments, net (note 5)	7,576,309,412	5,818,038,103
Loans portfolio, net (note 6)	12,861,518,865	11,848,442,872
Financial products receivable (note 7)	335,656,466	277,637,650
Accounts receivable, net (note 8)	22,300,838	37,580,479
Foreclosed assets, net (note 9)	53,717,315	67,923,365
Permanent investments, net (note 10)	73,886,172	73,886,172
Property and equipment, net (note 11)	161,456,347	168,925,359
Deferred charges, net (note 12)	252,056,970	241,038,668
	24,473,788,919	21,568,046,604
Liabilities, Other Credit Accounts and Equity		
Deposit obligations (note 13)	19,603,704,373	17,165,767,625
Loans obtained (note 14)	1,155,309,000	1,101,715,500
Financial obligations (note 15)	598,000	838,000
Financial expenses payable (note 16)	56,673,832	11,854,720
Accounts payable (note 17)	595,976,801	607,952,223
Provisions (note 18)	85,390,653	116,430,952
Deferred credits (note 19)	78,256,343	233,149
Total liabilities	21,575,909,002	19,004,792,169
Other credit accounts (note 20)	289,362,340	247,935,173
Total liabilities and other credit accounts	21,865,271,342	19,252,727,342
Equity (notes 21 and 22)	2,608,517,577	2,315,319,262
Commitments and contingencies (note 32)		
	24,473,788,919	21,568,046,604
Contingencies, commitments, other liabilities and memorandum accounts (note 30)	17,005,983,965	15,850,592,728

See accompanying notes to the interim unaudited financial statements.

Interim Unaudited Statement of Income

For the nine months period ended on September 30, 2018 and 2017
(Figures expressed in Quetzales)

	2018 Q	2017 Q
Financial income (note 23)	2,271,129,352	2,025,465,909
Financial expenses (note 23)	(1,175,850,344)	(967,958,483)
Net financial income	1,095,279,008	1,057,507,426
Service income (note 24)	28,125,534	147,764,576
Services expenses (note 24)	(33,013,556)	(53,550,460)
Net service income	(4,888,022)	94,214,116
Other operating income and expenses, net (note 25):		
Other operating income	28,109,630	20,868,481
Uncollectible and doubtful accounts	(92,784,366)	(36,014,962)
Other operating expenses	(9,698,959)	(80,286)
Other operating income and expenses, net	(74,373,695)	(15,226,767)
Gross operating margin	1,016,017,291	1,136,494,775
Administrative expenses (note 26)	(646,672,583)	(735,374,015)
Operating margin, net	369,344,708	401,120,760
Extraordinary income and expenses, net (note 27)	21,512,379	14,199,873
Income and expenses from previous periods, net (note 28)	21,543,958	3,010,077
Gross income	412,401,045	418,330,710
Income tax expense (note 29)	(34,558,651)	(53,735,122)
Net income	377,842,394	364,595,588

See accompanying notes to the interim unaudited financial statements.

Interim Unaudited Statement of Changes in Equity

For the nine months period ended on September 30, 2018 and 2017
(Figures expressed in Quetzales)

	2018 Q	2017 Q
Equity:		
Paid-in capital (note 21):		
Balance at the beginning of period	199,856,130	199,851,060
Decrease in capital	(3,580)	(520)
Balance at period end	199,852,550	199,850,540
Permanent contributions:		
Balance at the beginning and end of period	8,011	8,011
Capital reserves (note 22):		
Legal reserve (note 3 item l):		
Balance at the beginning of period	120,936,549	99,172,729
Transfer of earnings from previous periods	24,547,603	21,763,820
Balance at period end	145,484,152	120,936,549
Reserve for contingencies (note 22):		
Balance at the beginning of period	151,017,321	2,717,708
Transfer of earnings from previous periods	108,388,290	155,799,613
Utilization on final judgements (see note 32b)	(36,601,791)	-
Balance at period end	222,803,820	158,517,321
Reserve for fiscal benefits:		
Balance at the beginning and end of period	2,927,808	2,927,808
Other reserves		
Balance at the beginning of period	1,302,806,151	1,069,124,106
Plus:		
Transfer of earnings from previous periods	325,164,869	233,699,420
Transfer of dividends from own shares held by the State of Guatemala	60,000	60,000
	1,628,031,020	1,302,883,526
Carried forward	2,199,107,361	1,785,123,755

Interim Unaudited Statement of Changes in Equity

	2018 Q	2017 Q
Brought forward	2,199,107,361	1,785,123,755
Less:		
Decrease dividends from previous periods	(5,146)	(57,371)
Balance at period end	1,628,025,874	1,302,826,155
Revaluation of assets:		
Balance at beginning of period	42,030,528	45,161,118
Decrease on revaluation of assets	(2,347,942)	(2,347,942)
Balance at period end	39,682,586	42,813,176
Fair value on available for sale investments:		
Balance at beginning of period	4,784,712	(3,967,238)
Gain or loss net for fair value of available-for-sale investments	(12,894,330)	31,602,510
Balance at period end	(8,109,618)	27,635,272
Earnings from previous periods:		
Balance at beginning of period	490,952,052	435,276,399
Net income	377,842,394	364,595,588
	868,794,446	799,871,987
Less:		
Transfer to other reserves	(325,164,869)	(233,699,420)
Transfer to reserve for contingencies	(108,388,290)	(155,799,613)
Transfer to legal reserve	(24,547,603)	(21,763,820)
Dividends decreed	(24,014,154)	(24,013,546)
Board of Directors bonus	(8,837,136)	-
	(490,952,052)	(435,276,399)
Balance at period end	377,842,394	364,595,588
Total equity	2,608,517,577	2,220,110,420

See accompanying notes to the interim unaudited financial statements.

Interim Unaudited Statement of Cash Flows

For the nine months period ended on September 30, 2018 and 2017
(Figures expressed in Quetzales)

	2018 Q	2017 Q
Cash flow from operating activities:		
Interest receivable	2,201,740,771	2,001,961,009
Commissions receivable	50,617,427	21,917,267
Services receivable	28,125,534	147,764,576
Interest payable	(1,136,059,820)	(919,527,113)
Services payable	(33,013,556)	(53,550,460)
Administrative expenses payable	(610,116,722)	(735,374,015)
Exchange gain (net)	-	4,522,376
Earnings from the holding or use of foreclosed assets (net)	-	(471,616)
Investments		
Income from divestiture	107,823,280,260	31,892,935,497
Expense for investment	(109,542,844,001)	(31,672,797,664)
Loans receivable		
Income from amortization	6,865,862,426	5,154,956,979
Expense for disbursement	(7,932,463,332)	(6,287,579,383)
Deposit obligations		
Income from deposits	23,792,797,598	23,166,213,120
Expense for withdrawal of deposits	(21,360,286,488)	(21,195,243,256)
Loans payable		
Income from loans	-	11,356,500
Expense for amortization of loans	-	(38,035,500)
Financial obligations		
Cash from placement	-	3,443,666
Expense from redemption or reacquisition	(240,000)	-
Sale of extraordinary assets	15,511,000	-
Income tax paid	(34,286,929)	(47,102,195)
Other income and expenses:		
Other operating income	623,459,665	448,097,962
Other operating expenses	(653,449,520)	(339,817,284)
Net cash generated by operating activities	98,634,313	1,563,670,466
Cash flow from investment activities:		
Dividends received	27,073,215	10,809
Income for sale of property and equipment	7,542	(11,187,166)
Carried forward	27,080,757	(11,176,357)

(Continued)

Interim Unaudited Statement of Cash Flows

	2018 Q	2017 Q
Brought forward	27,080,757	(11,176,357)
Expense for purchase of property and equipment	(12,980,576)	13,373,000
Net cash generated by investments activities	14,100,181	2,196,643
Cash flows from financing activities:		
Dividends paid	(1,579,829)	(2,396,328)
Subscription and payment of shares	-	520
Return of shares	(4,931)	-
Board of Directors´ assignment payment	(8,837,136)	-
Net cash flows used in financing activities	(10,421,896)	(2,395,808)
Net increase of cash	102,312,598	1,563,471,301
Cash at the beginning of year	3,034,573,936	1,386,319,971
Cash at period end	3,136,886,534	2,949,791,272

See accompanying notes to the interim unaudited financial statements.

Notes to the Interim Unaudited Financial Statements

For the nine months period ended September 30, 2018 and for the year ended December 31, 2017

1 Operations

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

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

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

2 Basis of Preparation

a Statement of Compliance

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

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

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

b Basis of Measurement

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

Notes to the Interim Unaudited Financial Statements

c Presentation Currency

The financial statements are expressed in Quetzales (Q), the functional and legal currency of Guatemala. At September 30, 2018 the reference exchange rates of the Bank of Guatemala and forex banking market was around Q7.70 per US$1.00 (Q7.34 per US$1.00 in December 2017).

d Use of Estimates

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

3 Significant Accounting Policies

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

a Financial Instruments

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

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

i. Cash equivalents

Includes investments that are easily convertible in cash and with maturities of three months or less from the date of the financial statements.

ii. Investments

The investment portfolio includes the following:

- **Securities available for sale**

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

Notes to the Interim Unaudited Financial Statements

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

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

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

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

- **Repurchase and resale agreement of securities**
  Investments in securities that the Bank bought under agreement to resale are accounted at the acquisition cost.

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

iii. Estimate for investments valuation

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

iv. Loan portfolio

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

Notes to the Interim Unaudited Financial Statements

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

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

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

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

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

b Permanent Investments

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

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

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

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

Notes to the Interim Unaudited Financial Statements

c Property and Equipment

i. Assets acquired

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

ii. Revalued assets

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

iii. Surplus on revaluation

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

iv. Disbursements subsequent to acquisition

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

v. Depreciation

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

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

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

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

d Amortization

Goodwill and fusion expenses are deferred and amortized by 10% annual. The improvements to leased properties amortized by the time specified on the respective contracts.

Notes to the Interim Unaudited Financial Statements

e Foreclosed Assets

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

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

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

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

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

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

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

f Provisions

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

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

Notes to the Interim Unaudited Financial Statements

g Employee Benefits

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

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

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

h Income Recognition

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

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

i. Interests earned, not received, upon bonds or documents issued by the Bank of Guatemala and securities from other issuers whose amortization funds are controlled by the Bank of Guatemala;

ii. Interests earned, not received, on securities issued by foreign governments or foreign central banks, which have at least an A-3 risk rating for short term or BBB- for long term granted by Standard & Poor's, or an equivalent rating granted by a prestigious international risk rating organization, and,

iii. Interest, commissions, rents and other income from credit card portfolio.

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

Notes to the Interim Unaudited Financial Statements

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

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

i Decreed Dividends

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

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

j Board of Directors Assignment Payment

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

k Reserve for Contingencies and Other Reserves

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

l Legal Reserve

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

Notes to the Interim Unaudited Financial Statements

m Income Tax

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

n Assets and Liabilities in Foreign Currency

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

o Transactions in Foreign Currency

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

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

4 Cash

The summary of this account is as follows:

	September 30, 2018 Q	December 31, 2017 Q
Local currency:		
Central Bank legal deposit (a)	2,635,492,523	2,380,389,468
Cash	104,046,477	150,713,316
Central Bank special deposits	116,663,300	100,924,600
Checks for compensation	23,067,412	43,182,171
Local banks	2,379,295	6,193,652
Total local currency	2,881,649,007	2,681,403,207
Foreign currency:		
Central Bank legal deposit (a)	108,587,517	227,337,559
Foreign banks	137,935,156	114,433,497
Cash	7,682,759	9,625,901
Central Bank special deposits	725,534	740,353
Checks and money orders to compensate	306,561	1,033,419
Total foreign currency	255,237,527	353,170,729
	3,136,886,534	3,034,573,936

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

Notes to the Interim Unaudited Financial Statements

5 Investments, net

The summary of this account as of September 30, 2018 is as follows:

	Annual interest ranges	Maturity	Amount in US$	Amount in Q
Local currency:				
Securities available for sale:				
Representative certificates of Treasury Bonds of the Republic of Guatemala	6.5% to 12.94%	From 2020 to 2031	-	4,134,155,000
Term deposit certificates of Bank of Guatemala	7.13% to 9.25%	From 2021 to 2030	-	1,300,000,000
				5,434,155,000
Securities held to maturity:				
Term deposit certificates of Bank of Guatemala	0% to 1.75%	From 2018 to 2019	-	1,244,273,200
F.H.A. mortgage debentures	9% to 13.2%	From 2018 to 2040	-	16,663,243
Financial promissory notes (Financiera de los Trabajadores, S.A.)	6%	From 2018 to 2019	-	1,843,583
				1,262,780,026
Resale agreement of securities:				
Representative certificates of Treasury Bonds of the Republic of Guatemala	3.10% to 3.60%	2018	-	76,000,000
Total local currency				6,772,935,026
Carried forward				6,772,935,026

Notes to the Interim Unaudited Financial Statements

	Annual interest ranges	Maturity	Amount in US$	Amount in Q
Brought forward				6,772,935,026
Foreign currency:				
Securities for sale:				
Representative certificates of Treasury Bonds of the Republic of Guatemala	4.38% to 6.20%	From 2020 to 2028	85,397,044	657,733,153
Securities held to maturity:				
Term deposit certificates of Bank of Guatemala	1.75% to 2.75%	From 2018 to 2019	15,000,000	115,530,900
Resale agreement of securities:				
Representative certificates of Treasury Bonds of the Republic of Guatemala	3.18% to 3.25%	2018	4,755,000	36,623,295
Interest paid on purchases of securities				282,676
Total foreign currency				810,170,024
Total investments				7,583,105,050
Less: estimate on valuation				(6,795,638)
Total investments, net				7,576,309,412

Notes to the Interim Unaudited Financial Statements

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

	Annual interest ranges	Maturity	Amount in US$	Amount in Q
Local currency:				
Securities available for sale:				
Representative certificates of Treasury Bonds of the Republic of Guatemala	7.37% to 12.94%	From 2019 to 2031	-	4,711,155,000
				4,711,155,000
Securities held to maturity:				
Representative certificates of Treasury Bonds of the Republic of Guatemala	1.75%	2018	-	300,000,000
Financial promissory notes (Financiera de los Trabajadores)	6%	2018	-	23,200,000
F.H.A. mortgage bonds	8.50% to 13.95%	From 2017 to 2040	-	20,167,848
				343,367,848
Resale agreement of securities:				
Representative certificates of Treasury Bonds of the Republic of Guatemala	3.05%	2018	-	200,000,000
				200,000,000
Total local currency				5,254,522,848
Carried forward				5,254,522,848

Notes to the Interim Unaudited Financial Statements

	Annual interest ranges	Maturity	Amount in USS	Amount in Q
Brought forward			-	5,254,522,848
Foreign currency:				
Securities for sale:				
Representative certificates of Treasury Bonds of the Republic of Guatemala	4.00% to 6.20%	From 2027 to 2028	75,149,095	551,952,822
				551,952,822
Securities held to maturity:				
Representative certificates of Treasury Bonds of the Republic of Guatemala	3.12%	2018	2,500,000	18,361,925
				18,361,925
Total foreign currency				570,314,747
Total investments				5,824,837,595
Less: estimate on valuation				(6,799,492)
Total investments, net				5,818,038,103

Notes to the Interim Unaudited Financial Statements

a) Geographically, the investments are securities issued by entities located in Guatemala.

b) At September 30, 2018 the investments have maturities that range from 2018 to 2040. The maturities during the next five years are summarized as follows:

	Q
2018	718,354,619
2019	758,986,558
2020	155,372,361
2021	534,976,220
2022	150,778,817
2023 onwards	5,264,636,475
	7,583,105,050

6 Loans Portfolio, net

The summary of this account is as follows:

	September 30, 2018 Q	**December 31, 2017 Q**
Local currency:		
Unsecured	12,517,486,812	11,579,109,846
Credit cards	197,810,968	239,059,885
Mortgage	110,873,232	104,020,040
Mortgage-unsecured	82,968,613	79,622,178
With own guarantee	79,100,181	78,782,418
In monetary deposit accounts	18,860,089	8,933,166
Debtors on sale of foreclosed assets	1,529,744	1,530,553
Pledged-unsecured	1,214,321	1,267,839
Total local currency	13,009,843,960	12,092,325,925
Foreign currency:		
Unsecured	62,019,280	59,567,427
Mortgage	21,700,144	27,213,111
Mortgage-unsecured	11,526,664	13,010,266
Payments by credit letters	9,120,444	13,550,683
Credit cards	6,100,291	5,812,620
In monetary deposit accounts	3,151,195	3,146,737
Pledged-unsecured	1,576,747	1,503,603
Pledged	-	43,974
Total foreign currency	115,194,765	123,848,421
Total loan portfolio, gross	13,125,038,725	12,216,174,346
Carried forward	13,125,038,725	12,216,174,346

Notes to the Interim Unaudited Financial Statements

	September 30, 2018 Q	December 31, 2017 Q
Brought forward	13,125,038,725	12,216,174,346
Less:		
Estimate on valuation:		
Specific	(221,127,992)	(336,140,350)
Generic	(42,391,868)	(31,591,124)
Total estimate on valuation	(263,519,860)	(367,731,474)
Total loan portfolio, net	12,861,518,865	11,848,442,872

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

	September 30, 2018 %	December 31, 2017 %
Loans:		
In local currency	6.00 – 39.00	7.00 – 42.00
In foreign currency	4.00 – 12.00	4.00 – 12.40
Credit card:		
In local currency	0 – 58.8	0 – 58.8
In foreign currency	11.82 – 49.92	11.82 – 49.92

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

	September 30, 2018 Q	December 31, 2017 Q
Local currency:		
Current	12,820,937,783	11,806,825,010
Past due:		
In extension process	338,008	338,008
In administrative collection	90,815,189	71,239,848
In legal collection	97,752,980	213,923,059
	188,906,177	285,500,915
Total local currency	13,009,843,960	12,092,325,925
Carried forward	13,009,843,960	12,092,325,925

Notes to the Interim Unaudited Financial Statements

	September 30, 2018 Q	December 31, 2017 Q
Brought forward	13,009,843,960	12,092,325,925
Foreign currency:		
Current	45,057,892	54,954,947
Past due:		
In administrative collection	53,750,577	52,263,190
In legal collection	16,386,296	16,630,284
	70,136,873	68,893,474
Total foreign currency	115,194,765	123,848,421
Total loan portfolio	13,125,038,725	12,216,174,346

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

	September 30, 2018 Q	December 31, 2017 Q
Local currency:		
Major debtors	6,678,869	8,513,611
Minor debtors	76,306,533	52,828,122
Microcredits	224,722	250,627
Mortgage loans for housing	41,856,743	44,379,618
Consumption	12,884,777,093	11,986,353,947
Total local currency	13,009,843,960	12,092,325,925
Foreign currency:		
Major debtors	73,646,954	71,088,229
Minor debtors	16,059,218	24,117,538
Mortgage loans for housing	6,980,638	8,145,681
Consumption	18,507,955	20,496,973
Total foreign currency	115,194,765	123,848,421
Total loan portfolio	13,125,038,725	12,216,174,346

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

Notes to the Interim Unaudited Financial Statements

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

	September 30, 2018 Q	December 31, 2017 Q
Local currency:		
Up to one year	380,051,807	448,123,456
From one to three years	1,030,448,044	1,785,258,790
From three to five years	2,328,721,777	2,703,715,822
More than five years	9,270,622,332	7,155,227,857
Total local currency	13,009,843,960	12,092,325,925
Foreign currency:		
Up to one year	19,256,735	24,941,494
From one to three years	3,281,973	2,482,031
From three to five years	2,035,962	2,511,451
More than five years	90,620,095	93,913,445
Total foreign currency	115,194,765	123,848,421
Total loan portfolio	13,125,038,725	12,216,174,346

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

	Period ended on	
	September 30, 2018 Q	December 31, 2017 Q
Balance at beginning of the year	367,731,474	401,904,535
Plus increases for:		
Provision charged to results (note 25)	88,500,000	-
Transfer to the reserve for contingencies	-	62,000,000
Recoveries	-	7,006,602
Effect of movements in exchange rates, net	3,405,760	-
	91,905,760	69,006,602
Less charges for:		
Loans applied to the estimate	(196,117,374)	(103,179,663)
Balance at period / year end	263,519,860	367,731,474

Notes to the Interim Unaudited Financial Statements

7 Financial Products Receivable

The summary of this account is as follows:

	September 30, 2018 Q	December 31, 2017 Q
Local currency:		
Cash	364,373	321,438
Investments	108,072,011	77,760,981
Loan portfolio	197,978,299	185,930,009
Income receivable	25,742,914	4,551,992
Total local currency	332,157,597	268,564,420
Foreign currency:		
Investments	3,263,986	8,807,808
Loan portfolio	234,883	265,422
Total foreign currency	3,498,869	9,073,230
	335,656,466	277,637,650

8 Accounts Receivable, net

The summary of this account is as follows:

	September 30, 2018 Q	December 31, 2017 Q
Local currency:		
Accounts receivable employees	12,412,149	5,046,741
Advance on loans	5,685,107	5,692,123
Payments on account of third party	5,167,225	5,166,959
Rights per services	1,907,527	1,960,016
Advances on salaries	1,170,231	151,026
Legal expenses	1,085,985	1,054,065
Insurance premiums	422,144	445,461
Bounced checks	24,675	-
Deposits for challenges	16,156	702,108
Others	700,866	1,182,093
Total local currency	28,592,065	21,400,592
Foreign currency:		
Difference in prices on resale agreement	6,957,484	-
Rights per services	131,179	125,108
Deposits in guarantee (see note 32b)	-	29,437,631
Others	25,273	22,916
Total foreign currency	7,113,936	29,585,655
Total accounts receivable	35,706,001	50,986,247
Less: estimate on valuation	(13,405,163)	(13,405,768)
	22,300,838	37,580,479

Notes to the Interim Unaudited Financial Statements

9 Foreclosed Assets, net

The summary of this account is as follows:

	September 30, 2018 Q	December 31, 2017 Q
Local currency		
Property	92,550,865	118,415,530
Movable assets	497,805	497,805
Expenditures for realizable assets	599,419	-
Total local currency	93,648,089	118,913,335
Foreign currency		
Property	38,385,394	35,261,635
Total foreign currency	38,385,394	35,261,635
Total foreclosed assets	132,033,483	154,174,970
Less: estimate on valuation	(78,316,168)	(86,251,605)
	53,717,315	67,923,365

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

	Period ended on	
	September 30, 2018 Q	December 31, 2017 Q
Balance at the beginning of the year	86,251,605	65,556,249
Plus increases for:		
Provisions charged to results (note 25)	4,284,366	20,194,720
Holding and exploitation	1,751,330	-
Others	-	514,429
Effect of movements in exchange rates, net	-	119,031
	6,035,696	20,828,180
Less charges for :		
Balances applied to the estimate	(13,971,133)	(132,824)
Balance at period / year end	78,316,168	86,251,605

Notes to the Interim Unaudited Financial Statements

10 Permanent Investments, net

The summary of this account as of September 30, 2018 and December 31, 2017 is as follows:

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

a. The entities Financiera de los Trabajadores, S.A, Aseguradora de los Trabajadores, S.A. and Casa de Bolsa de los Trabajadores, S.A. are entities regulated and supervised by the Superintendency of Banks of Guatemala and are part of Grupo Financiero de los Trabajadores (note 31).

b. The dividends received as of September 30, 2018 due to the investments in shares in the entity Aseguradora de los Trabajadores, S. A. by Q26,977,455 and Imágenes Computarizadas de Guatemala, S.A. by Q95,760, amounts to Q27,073,215 (note 25).

Notes to the Interim Unaudited Financial Statements

11 Property and Equipment, net

The movement of this account for the nine months period ended on September 30, 2018 is summarized as follows:

	Initial balance Q	Additions Q	Transfers Q	Disposals Q	Final balance Q
Cost:					
Lands	43,482,174	-	-	-	43,482,174
Reinvestment of profit tax benefit	822,947	-	-	-	822,947
Buildings	59,760,996	473,161	256,360	(302,418)	60,188,099
Reinvestment of profit tax benefit	1,920,209	-	-	-	1,920,209
Furniture and equipment	54,222,448	1,532,062	1,166,917	(7,890,117)	49,031,310
Vehicles	745,020	-	60,015	-	805,035
Information systems	23,168,892	7,636,293	399,216	(3,777,107)	27,427,294
Telecommunications equipment	2,845,503	124,114	225,722	(189,115)	3,006,224
Gallery paints	189,819	-	-	(99,032)	90,787
Others	32,427	691,451	547,210	(49,344)	1,221,744
Advances for assets acquisition	18,519,594	3,052,044	(2,655,440)	(1,174,349)	17,741,849
	205,710,029	13,509,125	-	(13,481,482)	205,737,672
Accumulated depreciation - Cost	(84,053,600)	(17,295,080)	-	12,146,367	(89,202,313)
	121,656,429	(3,785,955)	-	(1,335,116)	116,535,359
Revalued fixed assets:					
Lands	2,875,359	-	-	-	2,875,359
Buildings	62,611,795	-	-	-	62,611,795
	65,487,154	-	-	-	65,487,154
Accumulated depreciation – revaluated buildings	(18,218,224)	(2,347,942)	-	-	(20,566,166)
	47,268,930	(2,347,942)	-	-	44,920,988
Total	168,925,359	(6,133,897)	-	(1,335,116)	161,456,347

Notes to the Interim Unaudited Financial Statements

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

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

Notes to the Interim Unaudited Financial Statements

12 Deferred Charges, net

The summary of this account is as follows:

	September 30, 2018 Q	December 31, 2017 Q
Goodwill (a)	4,077,500	4,077,500
Improvements to leased properties	97,370,817	97,050,333
Fusion expenses (b)	158,123,618	158,123,618
Brands and licenses	20,448	20,448
Software licenses	4,755,779	4,755,779
	264,348,162	264,027,678
Less accumulated amortization	(180,854,960)	(162,988,431)
	83,493,202	101,039,247
Pre-paid expenses:		
Taxes, municipal taxes, and contributions	46,827,091	63,379,385
Materials and suppliers	4,860,827	4,194,495
Services	116,875,850	72,425,541
	168,563,768	139,999,421
	252,056,970	241,038,668

(a) The goodwill corresponds to overprice paid for the acquisition of share of Aseguradora de los Trabajadores, S. A. which is amortized by 10% annual.

(b) Corresponds to the fusion expenses incurred in the merger with Banco de la República, S.A. which are amortized by 10% annual.

Notes to the Interim Unaudited Financial Statements

The accounting movement of the accumulated amortization of the deferred charges for the nine months period ended on September 30, 2018 is as follow:

	Improvements to leased properties amortization Q	Fusion expenses amortization Q	Goodwill, brands and licenses amortization Q	Software licenses amortization Q	Total Q
Balance at the beginning of the year	29,646,722	130,451,986	2,387,317	502,406	162,988,431
Plus increases for:					
Amortization expense of period	6,381,566	11,859,270	306,579	713,367	19,260,782
Less:					
Fully amortized asset	(1,394,253)	-	-	-	(1,394,253)
Balance at the end of period	34,634,035	142,311,256	2,693,896	1,215,773	180,854,960

Notes to the Interim Unaudited Financial Statements

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

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

Notes to the Interim Unaudited Financial Statements

13 Deposit Obligations

The summary of this account is as follows:

	September 30, 2018 Q	December 31, 2017 Q
Local currency:		
Current accounts	925,556,072	912,197,527
Savings deposits	1,821,616,214	1,555,790,252
Term deposits	16,723,854,109	14,558,056,674
Demand deposits	12,876	15,475
Deposits with restrictions	18,791,865	16,860,091
Total local currency	19,489,831,136	17,042,920,019
Foreign currency:		
Current accounts	51,346,586	56,231,537
Savings deposits	48,459,720	49,490,492
Term deposits	13,533,776	16,606,169
Demand deposits	-	734
Deposits with restrictions	533,155	518,674
Total foreign currency	113,873,237	122,847,606
	19,603,704,373	17,165,767,625

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

	September 30, 2018 %	December 31, 2017 %
Local currency:		
Current accounts	0.00 - 7.23	0.00 - 7.23
Savings deposits	0.00 - 7.23	0.00 - 7.23
Term deposits	3.56 - 9.65	3.56 - 9.65
Foreign currency:		
Current accounts	0.00 - 0.50	0.00 - 0.50
Savings deposits	0.00 - 0.50	0.00 - 0.50
Term deposits	0.25 - 3.56	0.25 - 3.56

Notes to the Interim Unaudited Financial Statements

- Bank deposits are subject to banking reserves, which are calculated in local and/or foreign currency as a percentage of the total amount of such deposits. This banking reserve will have to be maintained constantly as deposits of immediate demand at the Central Bank, as cash funds in the cashiers of the banks, and when the circumstances deserve it, as net investment in titles, documents or securities, either local or foreign, in conformity with the regulations issued by Monetary Board for this purpose.

- The percentage of the banking reserve on financial obligations in local and foreign currency is of 14.6%. The Bank of Guatemala pays on availability balances that conform the calculated banking reserve (see note 4).

- On June 1, 2002, the Banks and Financial Groups Act, Decree No. 19-2002, came into force establishing the creation of the Fund for the Protection on Savings (FOPA, by its acronym in Spanish), which covers deposits made in the Bank by individuals or companies up to Q20,000 or its equivalent in foreign currency.

- The quotas that each bank has to contribute monthly to FOPA are determined according to the regulations in force. The Bank's obligation to pay these quotas ceases when the balance of this contribution reaches 5% of the total deposit obligations in the local banking system.

- During the period ended on September 30, 2018 the Bank carried out contributions to FOPA amounting to Q34,947,534 (Q28,248,246 on September 30, 2017), which were recorded against the results of the period.

- At September 30, 2018 the accounts making up the deposit obligations include balances in the amounts of Q18,791,865 and US$69,222 (Q16,860,091 and US$70,617 in 2017) that correspond to third party deposits which are seized for a court decision.

14 Loans Obtained

The balance of this account for September 30, 2018 is US$150,000,000 equivalent to Q1,155,309,000 (US$150,000,000 equivalent to Q1,101,715,500 for 2017).

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

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

Notes to the Interim Unaudited Financial Statements

15 Financial Obligations

The summary of this account is as follows:

	September 30, 2018 Q	December 31, 2017 Q
Local currency:		
Mortgage bonds with general guarantee	598,000	838,000
	598,000	838,000

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

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

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

16 Financial Expenses Payable

The summary of this account is as follows:

	September 30, 2018 Q	December 31, 2017 Q
Local currency:		
Deposits	12,999,117	11,633,778
Loans obtained	20,185	18,685
Total local currency	13,019,302	11,652,463
Foreign currency:		
Loans obtained	43,324,088	-
Deposits	330,442	202,257
Total foreign currency	43,654,530	202,257
	56,673,832	11,854,720

Notes to the Interim Unaudited Financial Statements

17 Accounts Payable

The summary of this account is as follows:

	September 30, 2018 Q	December 31, 2017 Q
Local currency:		
Income pending application	273,942,721	260,519,042
Immediate obligations	251,857,670	233,195,351
Obligations on issuance of documents	26,808,186	34,120,834
Income tax payable (note 29)	34,558,651	73,645,198
Obligations on administration	3,409,286	2,079,975
Others	3,022,596	2,223,855
Total local currency	593,599,110	605,784,255
Foreign currency:		
Obligations on issuance of documents	1,774,466	1,683,494
Immediate obligations	383,029	54,873
Income pending application	220,196	429,601
Total foreign currency	2,377,691	2,167,968
	595,976,801	607,952,223

18 Provisions

The summary of this account is as follows:

	September 30, 2018 Q	December 31, 2017 Q
Employee annual bonuses (a)	7,199,337	-
Employee annual bonuses (b)	2,490,738	1,786,787
Reserve for labor compensation	41,134,746	41,001,356
Others employee bonuses	34,565,832	73,642,809
	85,390,653	116,430,952

(a) Paid in December “Christmas bonuses”
(b) Paid in July “Mid year bonuses”

Notes to the Interim Unaudited Financial Statements

19 Deferred Credits

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

	September 30, 2018 Q	December 31, 2017 Q
Local currency:		
Loan portfolio commissions	78,118,409	120,734
Income from services	132,065	112,415
Loan portfolio interest	5,869	-
	78,256,343	233,149

20 Other Credit Accounts

The summary of this account is as follows:

	September 30, 2018 Q	December 31, 2017 Q
Local currency:		
Investments	2,113,568	1,727,302
Loan portfolio	197,987,803	185,930,009
Accounts receivable	16,114	4,551,993
Accrued commissions not received	18,012,594	-
	218,130,079	192,209,304
Capitalized income	69,703,549	54,878,061
Total local currency	287,833,628	247,087,365
Foreign currency:		
Loan portfolio	359,774	265,422
Investments	18,635	-
	378,409	265,422
Capitalized income	1,150,303	582,386
Total foreign currency	1,528,712	847,808
	289,362,340	247,935,173

21 Paid-in Capital

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

At September 30, 2018 the subscribed and paid capital amounts up to Q199,852,550 distributed in shares 19,985,255 (Q199,856,130 distributed in 19,985,613 shares in December 31, 2017).

Notes to the Interim Unaudited Financial Statements

22 Capital Reserves

Decreed dividends and Board of Directors bonus:

In conformity with the Fiftieth Ordinary General Shareholders' Assembly No.156 of February 27, 2018 and as part of the profit distribution project of 2017, dividends were authorized to: i) common shareholder by Q5,071,060; ii) preferred series "A" by Q157,094 iii) preferred series "B" by Q18,786,000 and iv) Board of Directors bonus by Q8,837,136.

Reserve for contingencies

In conformity with the Fiftieth Ordinary General Shareholders' Assembly No.156 of February 27, 2018, it was approved to transfer to this account, the amount of Q108,388,290 from earnings from previous periods.

23 Net Financial Income

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

	Period ended on September 30	
	2018	2017
	Q	Q
Financial income:		
Income from interests:		
Loan portfolio	1,858,319,704	1,687,267,747
Investments	343,370,381	314,578,793
Accounts receivable	22,669	52,757
Others	28,017	61,712
	2,201,740,771	2,001,961,009
Commissions:		
Loan portfolio	49,343,132	21,074,202
Others	1,274,295	843,065
	50,617,427	21,917,267
Other financial income:		
Securities negotiation	12,147,678	-
Price difference in resale agreement of securities	6,623,476	1,587,633
	18,771,154	1,587,633
Total financial income	2,271,129,352	2,025,465,909
Financial expenses:		
Expenses from interests:		
Deposit obligations	(1,053,918,286)	(844,196,056)
Loans obtained	(82,095,287)	(75,281,101)
Carried forward	(1,136,013,573)	(919,477,157)

Notes to the Interim Unaudited Financial Statements

	Period ended on September 30	
	2018	2017
	Q	Q
Brought forward	(1,136,013,573)	(919,477,157)
Financial obligations	(46,248)	(49,956)
	(1,136,059,821)	(919,527,113)
Other financial expenses:		
Additional benefits	(3,734,286)	(3,350,959)
Securities negotiation	(984,065)	-
FOPA formation quote	(34,947,534)	(28,248,246)
Price difference in resale agreement of securities	(124,638)	(16,832,165)
	(39,790,523)	(48,431,370)
Total financial expenses	(1,175,850,344)	(967,958,483)
Net financial income	1,095,279,008	1,057,507,426

24 Net Services Income

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

	Period ended on September 30	
	2018	2017
	Q	Q
Services income:		
Commissions	25,539,903	13,542,771
Others	2,585,631	134,221,805
Total services income	28,125,534	147,764,576
Services expenses:		
Commissions	(33,013,556)	(53,550,460)
Total service expenses	(33,013,556)	(53,550,460)
Margin on services	(4,888,022)	94,214,116

Notes to the Interim Unaudited Financial Statements

25 Other Operating Income and Expenses, net

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

	Period ended on September 30	
	2018	2017
	Q	Q
Income:		
Dividends received (note 10)	27,073,215	16,265,818
Exchange rates movements and gain in foreign currency	1,036,415	4,602,663
Total other operating income	28,109,630	20,868,481
Expenses:		
Exchange rates movements and losses in foreign currency	(9,698,959)	(80,286)
Sub-total other operating expenses	(9,698,959)	(80,286)
Plus:		
Uncollectible and doubtful accounts		
Loan portfolio	(88,500,000)	(21,000,000)
Foreclosed assets	(4,284,366)	(15,014,962)
	(92,784,366)	(36,014,962)
Total other operating expenses	(102,483,325)	(36,095,248)
	(74,373,695)	(15,226,767)

26 Administrative Expenses

The summary of administrative expenses is as follows:

	Period ended on September 30	
	2018	2017
	Q	Q
Officers and employees	197,516,119	205,234,553
Outsourcing personnel services	183,901,639	235,220,238
Marketing and advertising	50,564,972	48,882,843
Leases (note 32)	45,939,018	40,017,966
Security an surveillance	21,763,972	23,189,711
Amortizations	19,260,782	17,967,543
Professional fees	14,939,909	40,533,905
Depreciations	17,295,080	16,212,636
Repairs and maintenance	20,866,529	20,886,268
Taxes, import duties and contributions	16,444,075	16,482,032
Communications	15,410,164	12,903,569
Board of Administrative Directors	11,542,585	18,165,622
Stationary and office supplies	3,894,860	3,984,673
Insurance premium and bonds	3,523,600	3,543,646
Carried forward	622,863,304	703,225,205

Notes to the Interim Unaudited Financial Statements

	Period ended on September 30	
	2018	2017
	Q	Q
Brought forward	622,863,304	703,225,205
Electric power service	6,705,374	6,442,326
Freight	5,112,812	5,424,652
Donations	1,513,796	2,017,767
General services	3,038,111	1,700,399
Customer service	2,588,531	12,090,531
Others (a)	4,850,655	4,473,135
	646,672,583	735,374,015

(a) Mainly includes data processing, recruitment of personnel, parking service fuel and lubricants, for both periods.

27 Extraordinary Income and Expenses, net

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

	Period ended on September 30	
	2018	2017
	Q	Q
Income:		
Recoveries (a)	17,640,723	11,973,398
Foreclosed assets	2,085,598	713,152
Gain on sale of property and equipment	4,302	2,200
Others	4,415,712	5,388,307
Total extraordinary income	24,146,335	18,077,057
Expenses:		
Loss on possession and misuse of foreclosed assets (note 9)	(1,751,331)	(471,616)
Compensation for damages	(69,185)	(555,818)
Loss on sale of property and equipment	(14,342)	(52,091)
Loss on liquidation on foreclosed assets	(2,283)	(38,082)
Others	(796,815)	(2,759,577)
Total extraordinary expenses	(2,633,956)	(3,877,184)
	21,512,379	14,199,873

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

Notes to the Interim Unaudited Financial Statements

28 Income and Expenses from Previous Periods, net

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

	Period ended on September 30	
	2018	2017
	Q	Q
Income	24,774,811	8,195,254
Expenses	(3,230,853)	(5,185,177)
	21,543,958	3,010,077

29 Income Tax

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

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

The income tax expense for the period ended on September 30, 2018 amounted up to Q34,558,650, which represents an effective rate of 8.3%.

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

	September 30, 2018
	Q
Gross revenue (total income)	2,376,285,663
Less non-taxable income	(293,429,918)
Less deductible costs and expenses	(1,944,621,142)
Taxable income	138,234,603
Taxable rate	25%
Income tax expense	34,558,651

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

Notes to the Interim Unaudited Financial Statements

30 Contingencies, Commitments, Other Liabilities and Memorandum Accounts

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

The summary of this account is as follows:

	September 30, 2018 Q	December 31, 2017 Q
Local currency:		
Commitments and contingencies	173,420,743	150,281,670
Loan portfolio guarantee	531,297,845	511,111,842
Classification of investments and loan portfolio	12,714,389,841	11,838,390,387
Third-party administration	513,660,627	512,750,942
Documents and securities remitted	9,725,891	9,725,891
Authorized issuance of financial obligations	817,357,000	817,357,000
Financial obligations	703,357,000	703,357,000
Other memorandum accounts	967,438,798	971,845,446
Register accounts	2,076,354	2,362,917
Total local currency	16,432,724,099	15,517,183,095
Foreign currency:		
Commitments and contingencies	65,967,831	61,301,719
Classification of investments and loan portfolio	119,881,417	131,628,613
Third-party administration	219,216	888,288
Documents and securities remitted	237,916,633	-
Other memorandum accounts	149,274,769	139,591,013
Total foreign currency	573,259,866	333,409,633
	17,005,983,965	15,850,592,728

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

	September 30, 2018 Q	December 31, 2017 Q
Local currency:		
Administration	513,429,792	512,529,410
Others	230,832	221,532
Total local currency	513,660,624	512,750,942

Notes to the Interim Unaudited Financial Statements

31 Conformation of the Financial Group

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

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

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

At September 30, 2018 the companies making part of Grupo Financiero de los Trabajadores are:

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

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

	September 30, 2018 Q	**December 31, 2017 Q**
Income:		
Interests	-	1,392,000
Dividends	26,977,455	-
	26,977,455	1,392,000
Expenses:		
Interests	2,408,240	2,246,255
Services	3,147,965	4,897,722
	5,556,205	7,143,977

Notes to the Interim Unaudited Financial Statements

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

	September 30, 2018 Q	December 31, 2017 Q
Assets:		
Deferred charges	92,612	-
Trade receivable	168,469	-
Investments	1,843,583	23,200,000
	2,104,664	23,200,000
Liabilities:		
Deposit obligations	58,770,277	66,643,437
Accounts payable	294,263	1,093,299
	59,064,540	67,736,736

The companies of the financial group are not allowed to:

a) Grant direct or indirect financing for the acquisition of representative shares from the parent company, the responsible company or any other financial company of the group to which it belongs;

b) Carry out financial operations or services rendering among each other, under conditions such as terms, rates, amounts, guarantees and commissions other than those used in similar operations with third parties.

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

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

32 Commitments and Contingencies

- **Letters of Credit**
  As of September 30, 2018, the Bank has contingencies from letters of credit issued in the amount of Q12,000,000 (Q10,058,812 and US$122,088 equivalent to Q896,710 in 2017).

- **Trust funds (note 30)**
  As of September 30, 2018, and December 31, 2017, the Bank manages a trustee 11 trust funds. In conformity with the Code of Commerce, the trustee is a responsible before third parties for the compliance of liabilities contained in the subscribed trust funds, including the compliance of the corresponding tax obligations. These trust funds are not audited by Klynveld Peat Marwick Goerdeler, S.A. four (4) trust funds are audited by the General Comptroller of Accounts of the Nation and one (1) of them also is audited by other independent auditors.

Notes to the Interim Unaudited Financial Statements

- **Lease commitments**
  The Bank entered into operating lease contracts for the use of some buildings, furniture and equipment, and other assets, according to the conditions stipulated in the contracts. The amount of the expense of 2018 for this concept is worth of Q45,939,018 (Q27,025,288 in 2017).

- **Pending litigations**
  As of September 30, 2018, are pending of resolution the following civil and fiscal litigations.

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

	September 30, 2018 Q	December 31, 2017 Q
Additional taxes claimed		
In administrative process:		
Income tax – regime on the profits of lucrative activities year 2015	61,297,804	-
Tax adjustments for solidarity tax - trimester September 2015	506,608	-
Tax adjustments for solidarity tax - trimester December 2015	506,608	-
	62,311,020	-
In judicial instance (a):		
Income tax – financial income fiscal year 1998.	3,832,541	3,832,541
Income tax – financial income fiscal year 1999.	1,998,095	2,176,072
Tax adjustments for solidarity tax 2015	1,013,216	-
Tax adjustments for solidarity tax 2016	2,208,491	-
	9,052,343	6,008,613
Civil process (a):		
Precautionary seizure resulting from decisions made against previous owners of Certibonos.	1,655,000	1,655,000

Notes to the Interim Unaudited Financial Statements

	September 30, 2018 Q	December 31, 2017 Q
Foreign currency (b):		
Litigation presented in the South Florida District, Case Number 1: 41-CV-23193-UU	-	3,250,000
	-	3,250,000

(a) According to the opinion of the attorneys and tax advisors of the Bank as well as the administration, there is a possibility that the result of these litigations will be favorable. For this reason, no provision has been recorded as of September 30, 2018 to cover possible losses from these claims.

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

- **Other proceedings**
  As a result of a complaint filed by the Administration for Special Verification of the Superintendency of Banks, on September 5, 2016 the Public Ministry initiated proceedings against certain former executives of the Bank for the crimes of illicit association, embezzlement and money laundering. The defrauded amounts were recorded in the income statement of the years 2010 and 2011, so the Bank´s Administration considers that the final result of these processes will not have an additional adverse effects on the assets in the financial statements as of September 30, 2018. The Bank is constituted in the aforementioned criminal process as an adhesive complainant, expecting worthy reparation in favor of the Bank damage caused to the equity.

33 Net Position in Foreign Currency

The net position in foreign currency is as follows:

	September 30, 2018 US$	December 31, 2017 US$
Assets:		
Cash	33,138,865	48,084,655
Investments	105,188,745	77,649,095
Loans portfolio	14,956,358	16,862,124
Financial products receivable	454,277	1,235,332
Accounts receivable	923,641	4,028,125
Carried forward	154,661,886	147,859,331

Notes to the Interim Unaudited Financial Statements

	September 30, 2018 US$	December 31, 2017 US$
Brought forward	154,661,886	147,859,331
Foreclosed assets	4,983,783	4,797,090
Permanent investments	1	1
Total assets	159,645,670	152,656,422
Liabilities:		
Deposits obligations	(14,784,777)	(16,725,862)
Loans obtained	(150,000,000)	(150,000,000)
Financial expenses payable	(5,667,903)	(27,538)
Accounts payable	(308,709)	(295,172)
Other credit accounts	(198,481)	(115,429)
Total liabilities	(170,959,870)	(167,164,001)
Net position	(11,314,200)	(14,507,579)