OFFERING MEMORANDUM

US$150,000,000
Industrial Subordinated Trust

(a Cayman Islands Trust)

8.25% Notes due 2021

supported by unsecured subordinated obligations of

Banco Industrial, S.A.

The 8.25% notes offered hereby (the "Notes") are being issued by the Industrial Subordinated Trust (the "Trust"), established by Walkers SPV Limited (the "Industrial Cayman Trustee") acting as such pursuant to a Declaration of Trust dated July 18, 2011. The sole asset of the Trust is a 100% participation interest, and certain related rights described herein, in an unsecured subordinated loan to Banco Industrial, S.A.

The Notes are secured unsubordinated obligations of the Trust, and will be issued under an indenture (the "Indenture") entered into with The Bank of New York Mellon (the "Indenture Trustee"). The net proceeds obtained from the sale of the Notes will be used by the Trust to acquire, pursuant to a Participation Agreement (the "Participation Agreement") between the Trust and Bank of America, N.A. (the "Lender"), a 100% participation interest (the "Participation") in a US$150,000,000 unsecured subordinated loan (the "Subordinated Loan") made by the Lender to Banco Industrial, S.A. ("Banco Industrial") pursuant to a Subordinated Loan Agreement (the "Subordinated Loan Agreement") between the Lender and Banco Industrial.

The Notes are limited recourse obligations of the Trust secured by the Participation and certain other rights described herein. The Notes will pay interest semi-annually in cash in arrears on January 27 and July 27 of each year, beginning on January 27, 2012, equivalent to the amount due and owing from Banco Industrial under the Subordinated Loan. The Notes will mature on July 27, 2021 in an amount equivalent to the principal amount of the Subordinated Loan. Payments on the Notes will be guaranteed on an unsecured subordinated basis by Banco Industrial, subject to certain exceptions.

The Subordinated Loan and Note Guarantee will constitute general unsecured subordinated obligations of the Banco Industrial. The Subordinated Loan and Note Guarantee will be junior in right of payment to all of Banco Industrial's existing and future senior indebtedness, including liabilities preferred under mandatory provisions of Guatemalan banking law, and will rank senior only to Banco Industrial's capital stock or any other instrument which is expressly or effectively subordinated to the Notes and pari passu to Banco Industrial's existing and future subordinated indebtedness.

Application has been made to list the Notes on the Official List of the Luxembourg Stock Exchange, or LSE, and to trade on the Euro MTF market.

Investing in the Notes involves risks that are described in the ''Risk Factors'' section beginning on page 26 of this offering memorandum.

Offering Price: 100% of principal amount plus accrued interest, if any, from July 27, 2011.

The Notes have not been registered under the U.S. Securities Act of 1933 (the "Securities Act") or the securities laws of any other jurisdiction. The Trust has not been registered and will not be registered as an investment company under the United States Investment Company Act of 1940 (the "Investment Company Act"), in reliance on the exemption set forth in Section 3(c)(7) thereof. The Notes are being offered and sold only to investors that are either (1) U.S. Persons (as defined in Regulation S under the Securities Act) who are both qualified institutional buyers (''QIBs'') in reliance on Rule 144A under the Securities Act and ''Qualified Purchasers'' within the meaning of Section 2(a)(51)(A) of the Investment Company Act or (2) non-U.S. Persons (within the meaning of Regulation S of the Securities Act) outside of the United States. Prospective purchasers are hereby notified that the sellers of the Notes may be relying on the exemptions from the provisions of Section 5 of the Securities Act provided by Rule 144A and the exemption from the Investment Company Act provided by Section 3(c)(7) thereof. For further details about eligible offerees and resale restrictions, see "Notice to Investors."

The Notes will be ready for delivery in book-entry form through the facilities of The Depository Trust Company for the accounts of its participants, including Euroclear Bank S.A./N.V., as operator of the Euroclear System, and Clearstream Banking, *société anonyme*, on or about July 27, 2011. The Notes have also been accepted for clearance with the Guatemalan securities depository Central de Valores Nacional, S.A. within the "RECO" system in Guatemala.

Sole Bookrunner

BofA Merrill Lynch

The date of this offering memorandum is July 20, 2011.

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You should rely only on the information contained in this offering memorandum. The Trust and the Bank have not, and Merrill Lynch, Pierce, Fenner & Smith Incorporated (the "Initial Purchaser") has not, authorized anyone to provide you with information that is different. This document may only be used where it is legal to sell these securities. The information in this document may only be accurate on the date of this document.

The Trust confirms that, after having made all reasonable inquiries, this offering memorandum contains all information with regard to the Trust and the Notes which is material to the offering and sale of the Notes, that the information contained in this offering memorandum is true and accurate in all material respects and is not misleading in any material respect and that there are no omissions of any other facts from this offering memorandum which, by their absence herefrom, make this offering memorandum misleading in any material respect. The Trust accepts responsibility accordingly.

This offering is made in reliance on an exemption from registration under the Securities Act for offers and sales of securities that do not involve a public offering. By purchasing the Notes, you will be deemed to have made the acknowledgements, representations and agreements described under "Notice to Investors" in this offering memorandum. The Trust and the Bank are not, and the Initial Purchaser is not, making an offer to sell the Notes in any jurisdiction except where such an offer or sale is permitted. You should understand that you will be required to bear the financial risks of your investment.

Neither the U.S. Securities and Exchange Commission, or the SEC, nor any state or foreign securities commission has approved or disapproved of the Notes or determined if this offering memorandum is truthful or complete. Any representation to the contrary is a criminal offense.

The distribution of this offering memorandum, or any part thereof, and the offering, sale and delivery of the Notes in certain jurisdictions may be restricted by law. This offering memorandum may only be used for the purposes for which it has been published. The Trust and the Initial Purchaser require persons into whose possession this offering memorandum comes to become familiar with and to observe such restrictions. This offering memorandum does not constitute an offer to sell or a solicitation of an offer to buy any Notes in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation nor does this offering memorandum constitute an invitation to subscribe for or purchase any Notes. For a description of restrictions on offers, sales and deliveries of the Notes and on the distribution of this offering memorandum, see "Notice to Investors" and "Plan of Distribution."

This offering memorandum does not constitute an offer of, or an invitation by or on behalf of, any of the Trust, the Bank or the Initial Purchaser or any of the Trust's, the Bank's or their respective directors, officers and affiliates to subscribe for or purchase any securities in any jurisdiction to any person to whom it is unlawful to make such an offer in such jurisdiction. Each purchaser of the Notes must comply with all applicable laws and regulations in force in each jurisdiction in which it purchases, offers or sells such Notes or possesses or distributes this offering memorandum and must obtain any consent, approval or permission required by it for the purchase, offer or sale by it of such Notes under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers or sales.

In making an investment decision, you must rely on your own examination of our business and the terms of this offering, including the merits and risks involved. These Notes have not been recommended by any federal or state securities commission or regulatory authority. Furthermore, these authorities have not confirmed the accuracy or determined the adequacy of this offering memorandum. Any representation to the contrary is a criminal offense. You should not construe the contents of this offering memorandum as legal, business or tax advice. You should consult your own attorney, business advisor or tax advisor.

This offering memorandum constitutes a prospectus for the purpose of the Luxembourg law dated July 10, 2005 on Prospectuses for Securities.

WHERE YOU CAN FIND MORE INFORMATION

The Trust will make available to the holders of the Notes, at the corporate trust office of the Indenture Trustee located at 101 Barclay Street, Floor 4 East, New York, New York at no cost, copies of the Indenture as well as this offering memorandum, and annual audited consolidated financial statements of the Bank prepared in conformity with generally accepted accounting principles in effect in Guatemala applicable to banks and financial institutions as in effect from time to time. Information is also available at the office of the Luxembourg listing agent, so long as the Notes are listed on the LSE and the rules thereof so require.

Application has been made to admit the Notes to listing on the Official List of the Luxembourg Stock Exchange and to trade on the Euro MTF market in accordance with its rules. This offering memorandum forms, in all material respects, the listing circular for admission to the LSE. The Trust will be required to comply with any undertakings given by us from time to time to the LSE in connection with the Notes, and to furnish to it all such information as the rules of the LSE may require in connection with the listing of the Notes, so long as the Notes are listed on the LSE and the rules thereof so require.

ENFORCEMENT OF JUDGMENTS

The Bank is a *sociedad anónima* organized under the laws of Guatemala and an authorized bank under the banking laws of Guatemala. All of its directors and officers named herein reside in Guatemala and all or a significant portion of the assets of such persons may be, and substantially all of the assets of the Bank are, located in Guatemala. As a result, it may not be possible for investors to effect service of process outside Guatemala upon these persons or to enforce against them or against the Bank in non-Guatemalan courts judgments predicated upon the civil liability provisions of non-Guatemalan securities laws.

Judgments of non-Guatemalan courts for civil liabilities predicated upon non-Guatemalan securities laws may be enforced in Guatemala, subject to certain requirements described below. A judgment against the Bank or the persons described above obtained outside Guatemala would be enforceable in Guatemala against the Bank or such persons without reconsideration of the merits by a Guatemalan court, subject to the conditions enumerated in the next sentence. Enforcement generally will occur if the foreign judgment: (a) fulfills all formalities required for its enforceability under an applicable treaty or in the absence of such a treaty, fulfills all formalities required under the laws of the country where the foreign judgment is granted, whose courts would enforce, reciprocally, judgments by Guatemalan courts, (b) is rendered by a competent court after proper service of process and was not rendered in default of defendant, (c) is final and not subject to appeal or any further proceedings, (d) is authenticated by a Guatemalan consular office in the country where the foreign judgment is issued and is translated into Spanish by a certified translator in Guatemala and (e) refers to a civil or commercial action *in personam,* to obligations that are legal in Guatemala, and is not contrary to Guatemalan overriding public policy (as set forth in Guatemalan law). Notwithstanding the foregoing, no assurance can be given that enforcement will be obtained, that the process described above can be conducted in a timely manner or that a Guatemalan court would enforce a monetary judgment for violation of non-Guatemalan securities laws with respect to the Notes. The Bank has been advised by its Guatemalan counsel, Mayora & Mayora, S.C., that (a) original actions predicated upon non-Guatemalan securities laws may be brought in Guatemalan courts and that, subject to Guatemalan rules of international private law, public policy, public morality and national sovereignty, Guatemalan courts may enforce civil liabilities in such actions against the Bank, its directors, certain of its officers and the advisors named herein, (b) a default judgment rendered against the Bank in a foreign jurisdiction would likely not be enforceable in Guatemala, and (c) the ability of a judgment creditor or other persons named above to satisfy a judgment by attaching certain of our assets is limited by certain provisions of Guatemalan law, such as Article 43 of the Organic Law of the Guatemalan Central Bank (*Ley Orgánica del Banco de Guatemala),* which provides that compulsory deposits maintained by financial institutions (including us) with the Guatemalan Central Bank (*Banco de Guatemala)* are immune from attachment.

The Trust and the Bank have appointed CT Corporation System, 111 Eighth Avenue, New York, New York 10011, as their authorized agent upon which process may be served in any action arising out of or in connection with the Notes offered hereby. With respect to such actions, the Trust and the Bank have submitted to the non-exclusive jurisdiction of the courts of the State of New York sitting in the borough of Manhattan in New York City, or courts of the United States for the Southern District of New York.

The Trust is a Cayman Islands purpose trust (commonly known as a "STAR trust") to which Part VIII of the Trusts Law (as amended) of the Cayman Islands shall apply. The Trust is not an entity with independent legal existence. The Industrial Cayman Trustee is a company with limited liability incorporated under the laws of the Cayman Islands.

The Trust has been advised by Walkers, its Cayman Islands counsel, that there is uncertainty as to whether the courts of the Cayman Islands would (i) recognize or enforce judgments of U.S. courts obtained against the Trust, the Industrial Cayman Trustee as trustee of the Trust or such persons predicated upon the civil liability provisions of the securities laws of the United States or any state thereof, or (ii) be competent to hear original actions brought in each respective jurisdiction, against the Trust, the Industrial Cayman Trustee as trustee of the Trust or such persons predicated upon the securities laws of the United States or any state thereof.

Walkers has further advised the Trust that a final and conclusive judgment in federal or state courts of the United States under which a sum of money is payable, other than a sum payable in respect of taxes, fines, penalties or similar charges, may be subject to enforcement proceedings by way of an action commenced on the judgment debt in the courts of the Cayman Islands. See "Risk Factors— Holders of Notes may find it difficult to enforce civil liabilities against the Trust and the holders of the Subordinated Loan may find it difficult to enforce civil liabilities against the Bank."

NOTICE TO NEW HAMPSHIRE RESIDENTS

NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENSE HAS BEEN FILED UNDER RSA 421-B OF THE NEW HAMPSHIRE REVISED STATUTES WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE THAT ANY DOCUMENT FILED UNDER RSA 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE NEW HAMPSHIRE SECRETARY OF STATE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

FORWARD-LOOKING STATEMENTS

This offering memorandum contains forward-looking statements. Examples of such forward-looking statements include, but are not limited to, the following: (1) statements regarding our future results of operations and financial condition, (2) statements of plans, objectives or goals, including those related to our operations, and (3) statements of assumptions underlying such statements. Words such as "believe," "anticipate," "should," "estimate," "forecast," "expect," "may," "intend" and "plan" and similar expressions are intended to identify forward-looking statements but are not the exclusive means of identifying such statements.

Forward-looking statements involve inherent risks and uncertainties, both general and specific, and there are risks that the predictions, forecasts, projections and other forward-looking statements will not be achieved. We caution investors that a number of important factors could cause actual results to differ materially from the plans, objectives, expectations, estimates and intentions expressed or implied in such forward-looking statements. These factors and uncertainties include the following:

- plans to increase the Bank's retail banking operations, including recently adopted programs and planned initiatives to attract new customers and statements regarding new products;
- the effect of the implementation of any aspect of the Bank's business strategy, including its relationships and agreements with foreign institutions and domestic customers, changing trade relationships and agreements with trading partners in Guatemala;
- competition;
- profitability of our businesses;
- acquisitions and divestitures;
- limitations on the Bank's access to sources of financing on competitive terms;
- restrictions on foreign currency convertibility and remittance outside Guatemala;
- failure to meet capital or other requirements;
- changes in reserve requirements;
- changes in requirements to make contributions to or for the receipt of support from programs organized by the Guatemalan government;
- changes in overall economic conditions in Guatemala, including exchange rates, interest rates or the rate of inflation, and changes in political and business conditions in Guatemala;
- management's belief that pending legal and administrative proceedings will not have a materially adverse effect on the Bank's financial condition or results of operations; and
- the effect of changes in accounting principles, new legislation, intervention by regulatory authorities, government directives or monetary or fiscal policy in Guatemala.

Should one or more of these factors or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those anticipated, believed, estimated, expected or intended, as described in this offering memorandum. Neither the Bank nor the Trust has any intention or obligation to update these forward-looking statements.

Moreover, no assurances can be given that any of the historical information, data, trends or practices mentioned and described in this offering memorandum are indicative of future results or events.

PRESENTATION OF CERTAIN FINANCIAL AND OTHER INFORMATION

Accounting Principles

This offering memorandum includes the Bank's audited consolidated financial statements as of December 31, 2010, 2009 and 2008 and for the years ended December 31, 2010, 2009 and 2008 presented in quetzals (Q), the legal currency of Guatemala, together with the notes thereto (the "Audited Consolidated Financial Statements") and the Bank's unaudited interim consolidated financial statements as of March 31, 2011 and December 31, 2010 and for the three months ended March 31, 2011 and 2010 also expressed in quetzals, together with the notes thereto (the "Unaudited Interim Consolidated Financial Statements"). Our Audited Consolidated Financial Statements together with our Unaudited Interim Consolidated Financial Statements are collectively referred herein as the "Financial Statements."

The Bank's Financial Statements include the assets, liabilities, shareholders' equity and results of operations of the Bank and its consolidated subsidiaries Financiera Industrial, S.A. (the "Financing Entity"), Westrust Bank (International) Limited (the "Off-shore Bank"), Contécnica, S.A. (the "Credit Card Company"), and Banco Industrial El Salvador, S.A. ("BI El Salvador"). The Bank's Financial Statements and other financial information included herein has been prepared in accordance with the accounting practices for banking operations contained in the Financial Institutions Accounting Standards Manual issued by the Superintendency of Banks of Guatemala (*Superintendencia de Bancos de Guatemala)* and the Banks and Financial Groups Law (*Ley de Bancos y Grupos*

Financieros) (collectively, "Guatemalan Banking GAAP").

Currencies

In this offering memorandum, references to "Quetzal," "Quetzales," "quetzal," "quetzals," or "Q" are to Guatemalan quetzales, and references to "U.S. dollars" or "US$" are to United States dollars. See "Exchange Rates and Currency" for information regarding exchange rates between the quetzal and U.S. dollar for the periods specified therein.

Discrepancies in the tables included in this offering memorandum between the amounts listed and the totals are due to rounding.

Terms Relating to our Loan Portfolio

As used in this offering memorandum, the following terms relating to the Bank's loan portfolio and other credit assets have the meanings set forth below, unless otherwise indicated.

"Total performing loans" and "total performing loan portfolio" refer to the total principal amount of loans outstanding as of the date presented and do not include "total non-performing loans" as defined below.

The term "net total performing loans" refers to total performing loans less allowance for loan losses on these loans.

The terms "total non-performing loans" and "total non-performing loan portfolio" include past-due principal and past-due interest. For a description of our policies regarding the classification of loans as non-performing, see "Selected Statistical Information—Non-Performing Loan Portfolio." The term "net non-performing loans" refers to total non-performing loans less allowance for loan losses on these loans.

References in this offering memorandum to "provisions" are to additions to the loan loss allowance or reserves recorded in a particular period and charged to expense, except in the case of certain provisions associated with foreclosed assets and other loan losses that must be recorded directly against shareholders' equity when they exceed the maximum amount allowed by law as deductible expense for tax purposes.

References in this offering memorandum to "allowance" are to the aggregate loan loss allowance or reserves shown as of a particular date as a balance sheet item.

The terms "total loans" and "total loan portfolio" include total performing loans plus total non-performing loans, each as defined above. The terms "net loans" and "net loan portfolio" refer to net total performing loans plus net non-performing loans.

Terms Relating to our Capital Adequacy

As used in this offering memorandum, the following terms relating to the Bank's capital adequacy have the meanings set forth below, unless otherwise indicated:

- "Total capital" as defined under the Banks and Financial Groups Law, refers to Tier 1 capital plus Tier 2 capital;
- "Total net capital" (*patrimonio computable*) as defined under the Banks and Financial Groups Law, refers to Tier 1 capital minus investments in capital in local and foreign banks and subsidiaries plus Tier 2 capital less 50% of surplus derived from the reevaluation of assets;
- "Tier 1 capital" (*capital primario*) as defined under the Banks and Financial Groups Law, includes paid-in capital, other permanent contributions, legal reserves and other permanent reserves resulting from retained profits and certain junior debt (equity investments in subsidiaries are included under long-term investments);

- "Tier 2 capital" (*capital complementario*) as defined under the Banks and Financial Groups Law, includes earnings obtained from previous fiscal years, surplus derived from the revaluation of assets, other capital reserves, debt exchangeable into capital stock and subordinated debt with a minimum term of five years such as the Notes offered hereby;
- "Capital Ratio" refers to the ratio of the Total Net Capital (*patrimonio computable*) to risk-weighted assets. Total net capital and risk-weighted assets are calculated in accordance with the guidelines established by the Monetary Board; and
- "Relevant Capitalization Rules" refers to the rules established under articles 16, 64, 65, 66 and 67 of the Banks and Financial Groups Law and any related laws and regulations issued by the Monetary Board of Guatemala.

Other Definitions

The following definitions are used in this offering memorandum:

- The "Banks and Financial Groups Law" shall mean the *Ley de Bancos y Grupos Financieros de Guatemala* and any successor or future amendment to such legislation;
- "Bicapital" shall mean Bicapital Corporation, our parent company, which is a corporation organized and existing under the laws of the Republic of Panama;
- "Central America" shall mean Guatemala, Honduras, El Salvador, Nicaragua, Costa Rica and Belize (excluding Panama);
- The "Company," the "Bank," "we," "us" and "our" are references to Banco Industrial, S.A. and, unless the context otherwise requires, its consolidated subsidiaries.
- "Credit Card Company" shall mean our subsidiary, Contécnica, S.A.;
- "Financing Entity" shall mean our subsidiary, Financiera Industrial, S.A.;
- "Guatemala" shall mean the Republic of Guatemala;
- "Guatemalan Central Bank" shall mean *Banco de Guatemala;*
- "Industrial Cayman Trustee" shall mean Walkers SPV Limited;
- "Monetary Board" shall mean the *Junta Monetaria de Guatemala*;
- "Superintendency of Banks" shall mean the *Superintendencia de Bancos de Guatemala*;
- "The Bahamas" shall mean the Commonwealth of the Bahamas;
- "Trust" shall mean Industrial Subordinated Trust, formed on July 18, 2011, as a Cayman Islands purpose trust by Walkers SPV Limited, as trustee, pursuant to the Declaration of Trust; and
- "Off-shore Bank" shall mean our subsidiary Westrust Bank (International) Limited.

Rounding Adjustments

We have made rounding adjustments to certain numbers included in the offering memorandum. As a result, numerical figures presented as totals may not always be the arithmetic aggregations of their components, as presented.

Market Share and Ranking Information

This offering memorandum contains statements about our competitive position and market share in, and the market size of, the Guatemalan banking industry and market for financial services. We have made these statements on the basis of statistics and other information from third-party sources that we believe are reliable. We derived this information principally from publicly available reports published by the Superintendency of Banks. Although we have no reason to believe that any of the above-described information or reports is inaccurate in any material respect, neither we, nor the Initial Purchaser have independently verified the competitive position, market share, market size or market growth data contained in such reports.

Unless otherwise indicated, the market share and ranking information included in this offering memorandum (i) is derived from statistics of the Superintendency of Banks as of March 31, 2011 and (ii) includes the information of the Bank only, on an unconsolidated basis excluding our subsidiaries.

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OFFERING MEMORANDUM SUMMARY

The following summary is qualified in its entirety by the detailed information appearing elsewhere in this offering memorandum. For a more complete understanding of us and the offering made herein, you should read the entire offering memorandum, including the risk factors and the Financial Statements appearing elsewhere in this offering memorandum.

The Bank

We are the largest bank in Guatemala and we are one of the largest banks in Central America (excluding Panama), based on total assets as of March 31, 2011. We are a full-service commercial bank providing a wide range of financial services to over 1.4 million customers. Our main business lines include corporate, retail and international banking, as well as private banking and credit cards.

In Guatemala, we have a leading presence with a market share of 27.5%, 24.3% and 26.7% in total assets, total loans and total deposits, respectively, as of March 31, 2011. Our closest competitors had market shares of 20.1%, 22.2% and 19.8% in total assets, total loans and total deposits, respectively, as of March 31, 2011.

Guatemala's economy is the largest in Central America, with an estimated gross domestic product, or GDP, of US$40.77 billion in 2010, and has been characterized in recent years by positive rates of growth, stable currency exchange rates, low indebtedness and low rates of inflation. According to the Guatemalan National Institute of Statistics (*Instituto Nacional de Estadística*), the population of Guatemala was estimated at approximately 14.7 million in 2010. We believe that as much as 60% of the population currently does not have access to financial services, which presents a significant growth opportunity for us.

Our total assets, loan portfolio and net income have grown in recent years due to our client base and branch expansion, market diversification and product innovation. We have actively participated in Guatemala's banking consolidation process, acquiring Banco de Occidente, Banco de Comercio and Banco del Quetzal S.A. since 2006.

We have experienced high rates of growth. From 2005 to 2010, we experienced compounded annual growth rates of 17.3%, 18.0%, 18.8% and 20.8% in terms of assets, loans, deposits and net income, respectively. In 2010, our total assets, loans, deposits and net income grew 9.4%, 2.4%, 9.1% and 29.1%, respectively.

As of March 31, 2011, we had total assets of Q51,223.7 million (US$6.7 billion), total net loans of Q22,623.8 million (US$2.9 billion) and total deposits of Q39,056.4 million (US$5.1 billion). For the three months ended March 31, 2011, we had net income of Q211.3 million (US$27.5 million) and for the year ended December 31, 2010, we had net income of Q763.3 million (US$99.3 million). As of March 31, 2011, we had shareholders' equity of Q3,554.4 million (US$462.3 million).

Our Capital Ratio (defined as end of period Total Net Capital as a percentage of risk-weighted assets) on a consolidated basis was 12.4% and 15.0% as of March 31, 2011 and December 31, 2010, respectively, which was, in each instance, above the regulatory requirement of 10.0% set forth in Guatemalan capitalization requirements.

The following table shows, as of the periods presented, certain financial indicators of our growth.

	As of March 31,	As of December 31,				
	2011	2010	2009	2008	2007	2006
Return on average total assets[(1)]	1.7%	1.6%	1.3%	1.5%	1.3%	1.2%
Return on average shareholders' equity[(2)]	21.7%	17.9%	15.4%	17.5%	16.5%	15.1%
Net interest margin[(3)]	4.3%	4.4%	4.5%	4.5%	4.0%	3.5%
Efficiency ratio[(4)]	60.2%	54.9%	58.3%	56.5%	56.8%	63.0%
Total non-performing loans as a percentage of total loans	0.6%	0.7%	0.6%	0.6%	0.6%	1.0%

(1) Net income for the period divided by the daily average total assets.
(2) Net income for the period divided by the daily average total shareholders' equity.
(3) Represents financial margin divided by average interest-earning assets. Average interest-earning assets are determined on an annualized basis, based on daily balances.
(4) Refers to other administrative expenses divided by total operating income for the period (plus loan loss provisions).

Our Corporate Structure

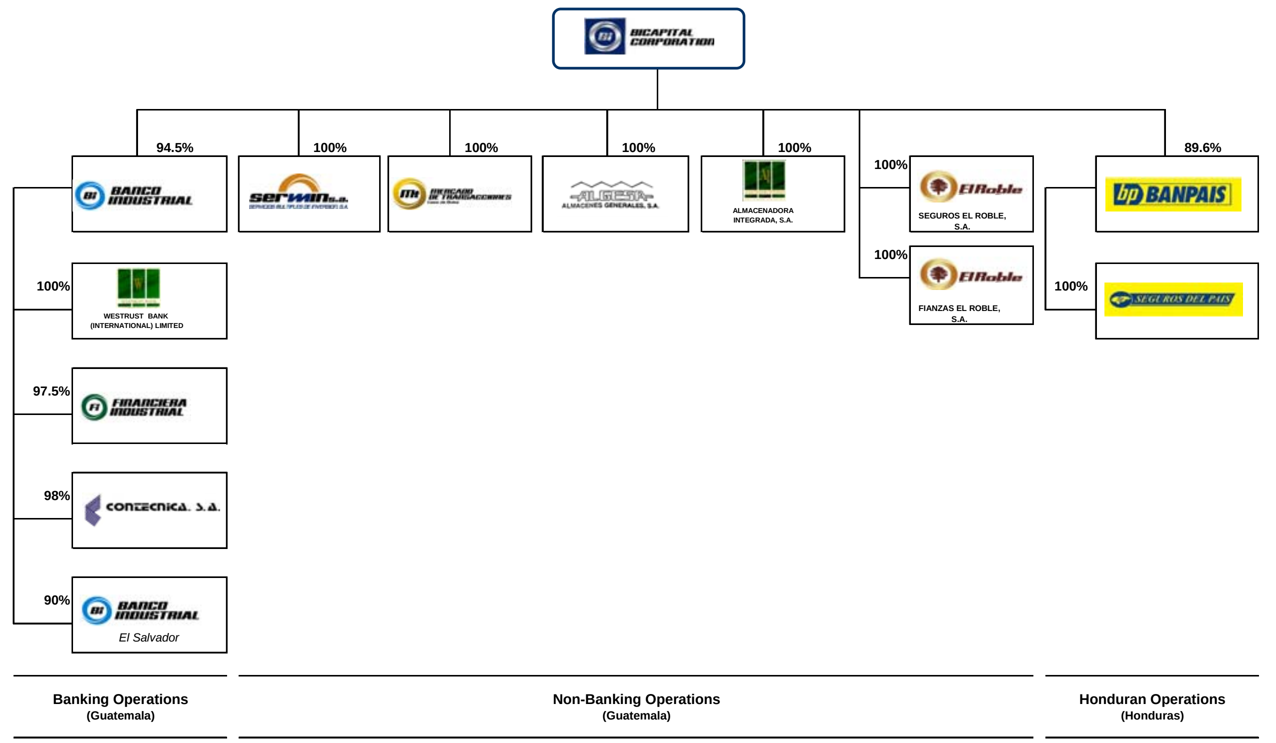
Our principal subsidiaries include:

- the Off-shore Bank, which is an offshore bank incorporated in The Bahamas. It is the largest offshore bank legally authorized to do business in Guatemala and focuses on private and corporate banking in Guatemala and throughout the Central American region;
- the Financing Entity, which provides financial support to corporate and individual customers in Guatemala. Services offered by the Financing Entity include mortgage loans, credit lines in local and foreign currency, and pension fund and trust services;
- the Credit Card Company, which issues credit and debit cards under the VISA trademark. VISA is one of the main card issuers in the Guatemalan market and the Credit Card Company had an estimated market share of 28.8% in credit and 50% in debit VISA cards as of December 31, 2010. The Credit Card Company has a customer base of more than 750,000 persons; and
- BI El Salvador, which is our newly-formed subsidiary in El Salvador. BI El Salvador initiated operations in El Salvador on July 13, 2011.

Our parent company is Bicapital Corporation, or Bicapital, a holding company that is incorporated under the laws of Panama. Bicapital owns 94.5% of our capital stock as of March 31, 2011. Bicapital pursues a universal banking strategy in the Central American region. Through its subsidiaries, Bicapital provides a full range of banking products and financial services, including retail and wholesale banking, deposits, trade finance, trust services, leasing, foreign exchange brokerage, credit card, consumer lending, investment banking, fund management, insurance and pension fund management. Bicapital has approximately 1,693 shareholders, none of whom individually owns more than 5%. We believe we enjoy significant benefits and synergies as a subsidiary of Bicapital.

As of March 31, 2011, Banco Industrial S.A. and Subsidiaries represents approximately 85.9% of Bicapital's total assets, while Banco del Pais and Seguros del Pais represents 13.0% and el Roble represents 1.1%. Mercado de Transacciones, Serminsa, Almacenadora Integrada and Almacenes Generales de Deposito are other subsidiaries which each represent 0.0% of Bicapital's total assets. Within Banco Industrial and Subsidiaries, Banco Industrial, S.A. represents 67.0% of Bicapital's total assets, while Westrust Bank represents 10.2%, Financiera Industrial represents 1.9%, Contecnica represents 1.2%, and Banco Industrial El Salvador represents 0.3%.

The following chart presents our corporate structure and that of Bicapital, indicating subsidiaries and respective ownership interests as of March 31, 2011.



Our History

Founded in 1968, we are a commercial bank organized and existing under the laws of Guatemala as a *sociedad anónima.* Since our incorporation, we have been a 100% privately-held institution.

During our first 20 years of operation, we focused primarily on serving the corporate sector of the Guatemalan economy, which consisted of medium and large size domestic corporations and multinational corporations with a presence in Guatemala. Since the 1990s, we have expanded our distribution network, mainly in the rural areas of the country, to increase our client base as well as to further penetrate the consumer banking, small and medium size companies and private banking clients where we believe there is significant growth potential. This strategy has made us a leader in both the corporate and retail banking segments. We currently market a wide variety of financial products and services to our corporate and individual clients.

Since 2000, after consolidating our leading position in the Guatemalan market, we and our parent company implemented a strategy of international expansion in the Central American region. The creation of Bicapital Corporation, our parent company, was a result of our and our principal shareholders' international expansion strategy to be the vehicle through which our group could expand its operations outside Guatemala.

With respect to Bicapital's and our expansion to other countries in Central America, the first step was to open representative offices in El Salvador, Honduras and Costa Rica. In 2007, Bicapital acquired a controlling interest in our affiliate Banco del País, S.A. in Honduras, the fifth largest bank in that country. In El Salvador, Banco Industrial has been granted a banking license and BI El Salvador initiated operations in El Salvador on July 13, 2011.

With respect to our participation in the international capital markets, in September 2005, we became the first Guatemalan bank to access the international capital markets through a future flows securitization transaction of diversified payment rights, or DPRs, in a principal amount of US$200.0 million. In 2007, we accessed the international funding sources again through an additional DPR securitization transaction, with the first drawing in April 2007 in an aggregate principal amount of US$150.0 million, which was upsized in October 2007 for the full facility amount of US$300.0 million. The proceeds of this facility were used to repay the remaining obligations under the 2005 transaction, as well as other indebtedness. These transactions have provided us with long-term funding and regulatory capital at competitive costs to support growth of our loan portfolio. In April 2008, we issued Tier 1 Capital Notes due 2068 in the international capital markets in an aggregate principal amount of US$35.0 million. This transaction strengthened our Tier 1 Capital.

Between March and November 2006, we completed our acquisition of Banco de Occidente, Guatemala's oldest bank. The acquisition process was concluded on November 11, 2006, incorporating in to Banco Industrial, S.A. total net assets of Q3,428.9 million, total liabilities of Q2,946.2 million and shareholders' equity of Q482.7 million.

On January 16, 2007, certain assets and liabilities of a Guatemalan bank, Banco de Comercio, were transferred to us at the request of the Superintendency of Banks when Banco de Comercio's operations were suspended by the Monetary Board on January 12, 2007 due to the bank's inability to service its liabilities. As of November 30, 2006, Banco de Comercio had total assets of Q1,173.9 million, total deposits of Q985.1 million and shareholders' equity of Q126.1 million.

On February 15, 2008, we acquired Banco del Quetzal S.A., or BanQuetzal, a Guatemalan bank, and two of its three subsidiaries. We now hold substantially all of the shares of BanQuetzal and BanQuetzal's shareholders received approximately 4.6% of the capital stock of the Bank. BanQuetzal historically has been strong in mortgage and consumer loans and is an established competitor in foreign trade and currency exchange. The acquisition process was concluded on February 15, 2008, incorporating into Banco Industrial, S.A. total net assets of Q1,393.6 million, total deposits of Q1,135.5 million and shareholders' equity of Q162.4 million.

Our Competitive Strengths

We benefit from the opportunities presented by our favorable position in the Guatemalan banking market. Our competitive strengths include the following:

Strong franchise

We believe our strong brand recognition and solid reputation have contributed to our leading position in Guatemala. We maintain leading market shares in all areas of corporate, retail, and international banking in Guatemala. We have been one of the main financial institutions in the Guatemalan financial system for the last 44 years and have grown steadily both organically and through acquisitions which have allowed us to diversify our franchise in Guatemala while also participating in the consolidation and strengthening of the financial system.

We received certain of the most distinguished awards in the region such as "Best Bank in Guatemala" by *Euromoney* in 2004, 2005, 2006, 2008, 2009, 2010 and 2011, "Bank of the Year in Guatemala" by *Latin Finance* in 2005, 2006, 2007, 2008 and 2010 and "Bank of the Year in Guatemala" by *The Banker* in 2005, 2006, 2007, 2008, 2009 and 2010.

Leading position in the Guatemalan banking sector

We have strengthened our leading position in the Guatemalan financial system. In 2001, we were the leader with a 16.2% market share in terms of total assets, while our closest competitor had 14.0%. As of March 31, 2011, we had a 27.5% market share in terms of total assets, while our closest competitor had 20.1%.

The table below sets forth the market share of the Bank in the Guatemalan financial system in terms of total assets, total loans and total deposits on an unconsolidated basis for the periods indicated.

	As of March 31,		As of December 31,							
	2011		2010		2009		2008		2007	
	Market share	Rank	Market share	Rank	Market share	Rank	Market share	Rank	Market share	Rank
Total assets	27.5%	1	27.4%	1	27.0%	1	27.6%	1	27.7%	1
Net loans	24.3%	1	24.8%	1	24.9%	1	25.3%	1	23.8%	1
Total deposits	26.7%	1	26.6%	1	26.8%	1	26.5%	1	25.6%	1

We have more than 1.4 million retail customers and more than 48,600 corporate clients as of March 31, 2011. Our clients used on average 3.4 of our products as of March 31, 2011, as compared to 3.3 of our products as of December 31, 2009.

We have the largest distribution network in Guatemala, with more than 2,996 points of service, which includes branches, minibranches, kiosks, banking agents and access to more than 2,180 ATMs, as of March 31, 2011. During 2010, we processed approximately 57 million transactions through our branches and approximately 97 million transactions through ATMs, Internet and telephone banking.

Key role in the Guatemalan financial system and economy

We perform key functions in the Guatemalan financial market and economy. During 2010, we were one of the leading check-clearing institutions in the Guatemalan financial system (with a 31.0% market share), one of the principal tax collectors for the government (with a 50.0% market share), and, as of March 31, 2011, we were the second largest recipient processor of family remittances (with a 23.7% market share). We are also responsible for settling all the payments made in Guatemala's electric energy market as the processor of payments for companies in the business of electricity transmission, distribution and generation and large end-users. We receive one quarter of total US dollar remittances of approximately US$4 billion flowing into Guatemala through a wide remittance network in the United States and we are among the leaders in providing related banking services. In addition, we process trading transactions and are the exclusive custodian for bonds traded on the Guatemalan Stock Exchange, Guatemala's only stock and securities exchange.

Sound credit risk policies

We believe we maintain effective policies and practices in risk management, liquidity management and market risk. We have had historically conservative credit risk and asset/liability management policies. We have an experienced risk management team focused on monitoring and managing risks across all business areas, including operational, market, liquidity and credit risks. Historically, we have experienced low non-performing loan, or NPL, ratios (calculated as the ratio of non-performing loans to total loans). As of March 31, 2011, our NPL rate was 0.6%, which was significantly lower than the Guatemalan banking industry's average default rate of 1.9% as of March 31, 2011. To date, our growth has not led to deterioration of our loan portfolio due to our experience in corporate lending, segment in which we target the top players in each industry. The corporate lending segment represents 81.4% of the total loan portfolio. In addition, we have entered the retail and consumer lending segments targeting the highest quality individuals in each line of business.

Product innovation

Ongoing innovations to our product platform support our regional strategy for both corporate and retail banking. We have developed policies and procedures to identify the needs of our customers and to develop products and services, including technological solutions, to address such needs, develop new business ideas, seek out new business opportunities and help expand our complementary activities.

Cross-selling capabilities

In addition to selling our products to our customers, we are able to offer our customers additional products and financial services through our Bicapital affiliates, increasing our attractiveness as a convenient lender of choice. Our mortgage loans are packaged with life insurance and property and casualty insurance policies, while our auto loans are packaged with auto insurance policies, all of which are provided by Bicapital's insurance subsidiary, Seguros El Roble.

Leader in technology in the Guatemalan banking sector

We focus on providing high quality services to all customers as well as increasing market share in the retail sector and rural areas by relying on advanced technology to offer our services in an efficient manner. In 2010, approximately 63.1% of our banking transactions were conducted electronically.

We believe our Client Relationship Management (CRM) system provides us with a competitive advantage by allowing us to segment our customers based on profitability, income level, consumption preferences and location, among other factors. This tool permits our sales force to target client needs more effectively. In addition, we have our own telecommunications infrastructure consisting of a microwave network that interconnects all our points of service, facilitating efficient communication and improving customer service. We use excess capacity on our network to provide telecommunication services to other banks and companies.

Proven capabilities to consolidate acquisitions effectively and efficiently

We have demonstrated an ability to identify, execute and integrate acquisitions of other banks and capitalize on related synergies. Our most recent acquisitions include the following:

- In November 2006, we completed the acquisition of Banco de Occidente. We realized larger economies of scale than expected from this acquisition and completed the consolidation and merger processes in record-setting time in Guatemala (90 days).
- In January 2007, at the request of the Superintendency of Banks, certain assets and liabilities of Banco de Comercio were transferred to us which resulted in certain economies of scale.
- In February 2008, we acquired BanQuetzal. BanQuetzal historically has been strong in home financing and consumer loans, as well as an established competitor in foreign trade and currency exchange.

Strong shareholder support

Since our incorporation we have had a supportive and diverse shareholder group. Historically, our shareholders have contributed capital on various occasions to support our growth. As a result of our corporate reorganization, our former shareholders now hold their interest in us through Bicapital. We believe that in the future, Bicapital will continue to support our growth and initiatives.

Experienced and professional management team

Our management team has significant experience in the banking industry and the know-how to identify and offer products and services that meet our customers' needs, while maintaining effective risk management and strong margin levels. We have had only two board chairmen and two chief executive officers since our incorporation in 1968. Diego Pulido, our current chief executive officer, has worked for our organization for more than 39 years. The years of experience of our senior management range between 10 and 39 years and most of our senior managers have graduate degrees in their relevant fields of specialization.

Knowledgeable and independent board of directors

Our board of directors is made up of leading business persons in Guatemala representing the country's principal industries. Our directors' experience in the banking industry ranges between 14 and 44 years. Our board of directors generally meets twice per week to discuss the management of our operations and other significant issues. Bicapital's board of directors includes independent directors, which reflects Bicapital's efforts to meet international corporate governance standards. These independent directors participate in all key governance committees including audit, which supervises internal controls, related party lending and other corporate practices.

Improving profitability and efficiency

Our profitability has grown consistently during the past several years through our ability to increase our penetration and cross selling of existing clients as well as through acquisitions. Our performance reflects a diversity of revenue sources, improved funding mix and fee generation as well as operating and credit cost control. For the year ended December 31, 2010, returns on average assets and equity improved to 1.6% and 18.0%, respectively, from 1.3% and 15.0% for the year ended December 31, 2009, bolstered by flat operating expense growth.

Despite our expansion strategy, our cost income ratio has improved and compares favorably to that of our peers given management's intensive focus on cost rationalization, alternative distribution channels, and staff reductions.

Our Strategy

Our objective is to maintain our leading position in the Guatemalan financial system and to further penetrate the more profitable market segments. We have maintained a disciplined and well-executed expansion strategy even during the recent international financial crisis and domestic downturn, including the opening of new branches and the establishment of microfinance as a new line of business. Aligning our objectives with Bicapital's objective of becoming the leading financial conglomerate in Central America, BI El Salvador is expected to initiate operations in El Salvador on July 13, 2011.

Expanding our retail customer base

According to the World Bank, as of December 31, 2010, banking penetration (measured as the ratio of the value of loans extended to GDP) was only 24.5% in Guatemala, compared to 80.8% in Panama and 64.3% in Chile.

We believe this low banking penetration level, in combination with the expected growth of the Guatemalan economy, will support the expansion of our retail banking business. We intend to continue increasing our loan penetration to the retail segment and we intend to continue to increase and diversify our products and services offered to the retail segment. We also intend to continue to offer high-end retail clients exclusive customer service centers located in strategic city locations where they are able to perform banking transactions and receive financial advice from our specialized customer service agents regarding our products and services. We believe that further penetration into the retail segment will increase our profitability.

Increasing our non-interest income

Our non-interest income is comprised primarily of foreign exchange commissions, fees from account administration, third-party collections, fiduciary services, third-party use of our telecommunications network and credit card fees. Increasing fee income is a central component of our business strategy. We seek to increase our fee income by: (i) continuously reviewing our fee structure in order to find new opportunities and to adjust to market conditions and practices; (ii) increasing our cross-selling efforts with Bicapital; (iii) promoting the use of technological and electronic payment methods, as well as telephone and Internet banking; (iv) establishing new points of service where we anticipate high volumes; and (v) promoting our debit card services.

Enhancing customer product use

We seek to strengthen and improve services offered by our Corporate Banking and Retail Banking Divisions to increase market penetration and profitability per customer. In the Corporate Banking Division, we intend to offer additional products such as cash management, treasury products, foreign exchange and electronic banking to our traditional credit customers. We also intend to increase the amount of banking products per customer to at least four products by the end of 2011 by offering our existing customers additional products selected from each customer's personal profile developed by our CRM system. Additional products may include auto loans, home, auto and personal insurance, and credit and debit cards.

We are focused on remaining at the forefront of financial product innovation in Guatemala and continue to develop new ways to reach customers. We seek to continue to improve the variety of consumer and corporate products to differentiate ourselves from our competitors.

Promoting synergies with Bicapital and through acquisitions both within and beyond the borders of Guatemala

We intend to increase our market share and profitability by continuing to cross-sell services and products to our clients and clients of Bicapital. We have introduced processes that facilitate our ability to offer additional financial services to our clients and those of the other companies of Bicapital, with an emphasis on service and innovation. We cross-sell consumer loan products, credit cards and mortgages to our checking and savings account customers and to Bicapital's insurance and pension fund customers. We intend to seek opportunities to better serve our Guatemalan clients by expanding into Central America through our relation with Bicapital and its expansion. For example, Bicapital acquired a Honduran bank, Banpais, in 2007. The Central American market, in particular the northern triangle (Guatemala, Honduras and El Salvador), offers attractive opportunities for Bicapital and us because of the increasing presence of Guatemalan companies.

The Trust

The Trust was established on July 18, 2011 as a Cayman Islands purpose trust (commonly known as a "STAR trust") to which Part VIII of the Trusts Law (as amended) of the Cayman Islands shall apply. The legal name of the Trust is the Industrial Subordinated Trust.

The Industrial Cayman Trustee as trustee of the Trust holds a 100% participation interest, and certain related rights described herein, in an unsecured subordinated loan made by Bank of America, N.A. to Banco Industrial, S.A. pursuant to a Declaration of Trust (as the same may be amended, supplemented or otherwise modified from time to time, the "Declaration of Trust") by the Industrial Cayman Trustee, and acknowledged by GTCS Enforcers Limited, as the enforcer (the "Enforcer"). The Declaration of Trust provides that the primary purposes of the Trust are to issue the Notes to investors pursuant to the Indenture and pay all amounts owed under the Notes and the Indenture when such amounts are due solely out of the proceeds obtained from the Participation and other assets constituting the Trust Assets, and to perform its obligations under the various other transaction documents to which it is a party in connection with the issuance of the Notes and the transactions contemplated therein. The Declaration of Trust further provides that:

- The Industrial Cayman Trustee is entitled to resign as the trustee of the Trust on giving sixty days notice to the Indenture Trustee and Enforcer.
- The Industrial Cayman Trustee will not be liable for any loss and is entitled to be indemnified in respect of any loss except where such loss is incurred as a result of its gross negligence, willful default, fraud or dishonesty.

- The Industrial Cayman Trustee is entitled to be remunerated in accordance with the provisions of the Expense Reimbursement and Indemnity Agreement and to be reimbursed its expenses incurred by reason of its duties relating to the Trust.
- The Enforcer has a fiduciary duty to act responsibly with a view to the proper execution of the Trust.
- The Enforcer is entitled to be remunerated in accordance with the provisions of the Expense Reimbursement and Indemnity Agreement for acting as enforcer and the Declaration of Trust provides for the indemnification of the Enforcer under the circumstances described therein.
- The Enforcer has no duty to supervise or investigate the administration of this Trust save that the Enforcer shall investigate any allegation of wrongdoing or unfitness on the part of the Industrial Cayman Trustee made by the Indenture Trustee or any other person named in the business plan.

The Trust is not a legal entity. Accordingly, references to the Trust shall, where applicable, mean the Industrial Cayman Trustee acting as trustee of the Trust or its duly appointed agent or delegate. All references to the Industrial Cayman Trustee shall, for the avoidance of doubt unless otherwise stated, mean the Industrial Cayman Trustee acting as trustee of the Trust.

The holders of the Notes only have a contractual relationship with the Trust under the Indenture. The holders of the Notes are not beneficiaries of the Trust and neither the Trust nor the Industrial Cayman Trustee owes them any fiduciary duties.

The Industrial Cayman Trustee is a wholly-owned subsidiary of Walkers Global Holdings Limited which is, in turn, wholly and beneficially owned by certain of the partners of Walkers. Established over 40 years ago, Walkers is one of the largest international law firms in the Cayman Islands and is Cayman Islands counsel to the Industrial Cayman Trustee as trustee of the Trust. The Industrial Cayman Trustee holds a trust license under the Banks and Trust Companies Law (2009 Revision) as amended of the Cayman Islands. Subject to the provisions of the Declaration of Trust, the Industrial Cayman Trustee has overall responsibility for the trusteeship and administration of the Trust, save as may be delegated under such provisions.

The Enforcer of the Trust is GTCS Enforcers Limited. The Enforcer is owned by Genesis Trust & Corporate Services Ltd., which is a fully licensed Trust Company in the Cayman Islands regulated by the Cayman Islands Monetary Authority. Genesis Trust & Corporate Services Ltd. was set up by the partners of KPMG Cayman Islands but following a management buy-out in 2004 is now independent from KPMG.

Subordinated Loan Agreement and Participation Agreement

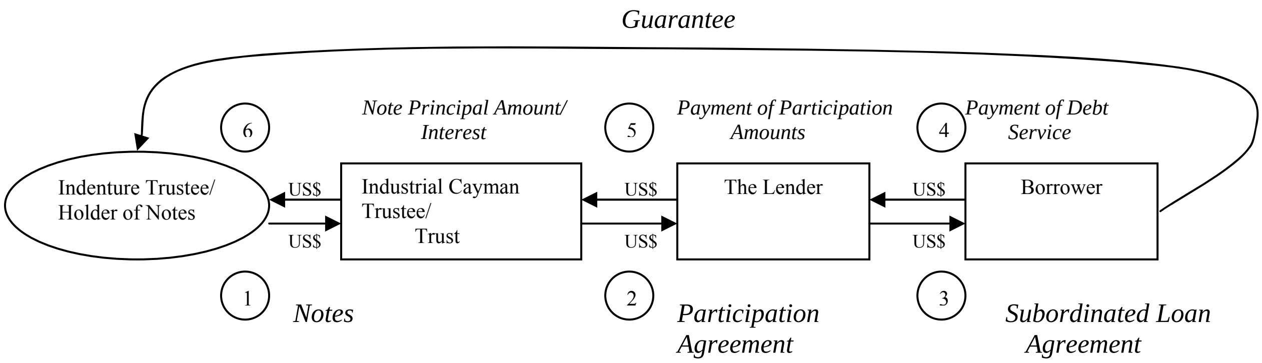
Concurrently with the closing of this offering, the Bank will enter into a subordinated loan agreement in the aggregate amount of $150 million, which we refer to as the Subordinated Loan Agreement. The loan under the Subordinated Loan Agreement will be made in a single disbursement on the Closing Date. The Subordinated Loan will rank junior in right of payment to all of Banco Industrial's existing and future senior indebtedness, senior only to Banco Industrial's capital stock or any other instrument which is expressly or effectively subordinated to the Notes and pari passu to Banco Industrial's existing and future subordinated indebtedness. For further information on the Subordinated Loan Agreement, see "The Subordinated Loan Agreement and Subordinated Loan."

As part of the closing of the Subordinated Loan Agreement, the Lender, with the Bank's consent, will enter into the Participation Agreement with the Trust in order to grant a participation interest in substantially all of the rights and remedies of the Lender under the Subordinated Loan Agreement. As a result of the Participation granted pursuant to the Participation Agreement, the Trust shall be entitled to receive all of the payments of principal, interest and other amounts payable by the Bank on, or with respect to, the Subordinated Loan Agreement as are actually received by the Lender, together with all of the rights and remedies available to the Lender thereunder. Such rights and remedies will be exercisable by the Indenture Trustee, on behalf of the holders of the Notes, as a result of the pledge of the assets held by the Trust to the Indenture Trustee pursuant to the Indenture governing the Notes offered hereby. See "The Participation Agreement."

We refer to the offering of the Notes, the incurrence of debt under the Subordinated Loan Agreement (including the entering into the Participation Agreement) and the application of the net proceeds therefrom as the "Transactions." See "Use of Proceeds." Bank of America, N.A., an affiliate of the Initial Purchaser will act as a lender under the Subordinated Loan Agreement. See "Plan of Distribution."

TRANSACTION DIAGRAM

The following diagram illustrates generally the structure of the transaction described in this offering memorandum. The diagram is intended to provide an overview of the flow of funds to and from the Trust and investors. The diagram does not purport to be complete and is qualified in its entirety by, and should be reviewed in conjunction with, the more detailed information included elsewhere in the offering memorandum and the other documents described herein.



The Trust issues US$150,000,000 of 8.25% Notes due 2021 pursuant to the Indenture with the Indenture Trustee that are purchased by investors.

The Borrower will guarantee the payment of principal and interest on the Notes net of any amounts paid by the Borrower to the Lender on account of the Subordinated Loan, regardless of whether the Trust has received such amounts, and the performance of all other obligations of the Trust under the Indenture and the Notes, which guarantee is unconditional subject to the condition that the Subordinated Loan shall have been fully disbursed to the Borrower.

As described herein, the Trust is not a separate legal entity under Cayman Islands law and will act through the Industrial Cayman Trustee, whose liability will be limited to the assets of the Trust. All references wherein to the Trust shall be to the Industrial Cayman Trustee acting as such under the Declaration of Trust described under "The Trust" below.

The Trust uses the proceeds of such issuance to acquire from the Lender a loan participation (the "Participation") pursuant to the Participation Agreement described under "The Participation Agreement." Through the Participation Agreement, the Trust assumes the credit risk associated with the loan made under the Subordinated Loan Agreement.

The Lender makes a loan to Banco Industrial, S.A., as the Borrower, as provided in the Subordinated Loan Agreement. See "The Subordinated Loan Agreement and The Subordinated Loan."

Banco Industrial, S.A., as the Borrower, makes principal, interest and other payments to the Lender in accordance with the terms of the Subordinated Loan Agreement.

The payments payable to, or received by, the Lender are transferred to the Trust pursuant to the Participation and the Participation Agreement.

Pursuant to the Indenture, the Trust has pledged its assets, including its interest in the Participation, certain rights under the Expense Reimbursement and Indemnity Agreement (as defined below) and certain other property, to the Indenture Trustee acting on behalf of the holders of Notes and, as a result, distributes payments payable to, or received from, the Lender under the Participation Agreement and certain payments under the Expense Reimbursement and Indemnity Agreement to the holders of the Notes.

Upon an event of default under the Subordinated Loan Agreement and certain other circumstances the Lender may assign to the Trust all of the Lender's right, title and interest under the Subordinated Loan Agreement and certain related agreements. See "The Subordinated Loan Agreement and Subordinated Loan – Assignments"

SUMMARY OF THE OFFERING

The following is a brief summary of certain terms of the offering. For a more complete description of the terms of the offering, see "The Subordinated Loan Agreement and the Subordinated Loan," "The Participation," "The Trust" and "The Notes and the Note Guarantee" in this offering memorandum. Capitalized terms used but not defined herein have the meanings assigned to such terms therein and in the Transaction Documents. You should carefully consider the risk factors under the caption "Risk Factors" before purchasing any Notes.

General Terms of the Notes

Notes Offered	US$150,000,000 aggregate principal amount of 8.25% notes due 2021 payable in U.S. dollars.
The Issuer	The issuer is Industrial Subordinated Trust. The Trust will not be a separate legal or juridical entity and all actions of the Trust shall in fact be actions of the Industrial Cayman Trustee acting as trustee thereof. The holders of the Notes will only have a contractual relationship with the Trust as a result of the Indenture. The holders of the Notes are not beneficiaries of the Trust and the Industrial Cayman Trustee does not owe the holders of the Notes any fiduciary duties.
Declaration of Trust	The Trust was established under a Declaration of Trust, dated as of July 18, 2011, which is governed by the laws of the Cayman Islands.
Closing Date	July 27, 2011.
Use of Proceeds	The proceeds from the offering of the Notes will be used by the Trust on the Closing Date to acquire the Participation. The Lender will use the proceeds of the sale of the Participation to disburse the Subordinated Loan to Banco Industrial.
Maturity Date	July 27, 2021, being the stated maturity date of the Subordinated Loan.
Note Principal Amount	The principal amount of the Notes will be equivalent to that payable in respect of the US$150,000,000 Subordinated Loan and will be due and payable in full, together with accumulated and unpaid interest, if any, on the maturity date. Payments on the Notes will be guaranteed on an unsecured subordinated basis by Banco Industrial, subject to certain exceptions.
Note Interest	The Notes will bear interest equivalent to that payable by Banco Industrial on the Subordinated Loan at a fixed rate of 8.25% per annum, payable semiannually in arrears on January 27 and July 27 of each year and on the maturity date, or, if such date is not a business day, the next succeeding business day, commencing on January 27, 2012. Interest on the Notes will be computed on the basis of a 360-day year of twelve 30-day months.
Ranking	The Notes will be senior secured obligations of the Trust and will rank *pari passu,* without any preference among themselves, with all other present and future obligations of the Trust (other than obligations preferred by statute or by operation of law).
The Trust Assets	The assets of the Trust will consist of the Participation and all rights related thereto, including, without limitation, all cash paid in respect thereof and rights related thereto (including, without limitation, certain

	indemnity rights under the Expense Reimbursement and Indemnity Agreement (as defined below)) and any accounts into which such cash or the proceeds of any of the foregoing shall be deposited pursuant to the Subordinated Loan Agreement, the Participation Agreement, the Indenture or otherwise and all other rights relating to the Subordinated Loan Agreement, the Participation Agreement, the Expense Reimbursement and Indemnity Agreement and all other transaction documents entered into by the Trust in connection with the foregoing (the "Trust Assets").
Security	As security for the Notes, all of the Trust Assets will be pledged to the Indenture Trustee for the benefit of the holders of the Notes pursuant to the Indenture. See "Description of the Notes — Security."
Note Guarantee	The Borrower will guarantee the payment of principal and interest on the Notes net of any payments made by the Borrower to the Lender under the Subordinated Loan, regardless of whether the Trust has received such amounts, and the performance of all other obligations of the Trust under the Indenture and the Notes, which guarantee is unconditional subject to the condition that the Subordinated Loan shall have been fully disbursed to the Borrower. The Note Guarantee will constitute a general unsecured subordinated obligation and will be junior in right of payment to all of Banco Industrial's existing and future senior indebtedness, including liabilities preferred under mandatory provisions of Guatemalan banking law, and will rank senior only to Banco Industrial's capital stock or any other instrument which is expressly or effectively subordinated to the Notes and pari passu to Banco Industrial's existing and future subordinated indebtedness.
Limited Recourse Obligations	Payments will be made on the Notes, and the Notes will be redeemed, only to the extent the Trust receives funds from the Trust Assets available to do so. See "Description of the Notes — Source of Available Funds." Remedies are subject to certain limitations described under "Description of the Notes — Limitations on Remedies." The Notes do not represent interests in or obligations of the Lender or any of its affiliates or any person or entity other than the Trust, and are subject to the limited recourse provisions described under "Description of the Notes."
Indenture	The Notes will be issued pursuant to the Indenture between the Trust, as issuer, and The Bank of New York Mellon, a corporation organized under the laws of the State of New York authorized to conduct a banking business, as Indenture Trustee thereunder.
Redemption	The Notes shall be subject to mandatory redemption in whole, but not in part, upon the occurrence of any optional or mandatory prepayment or any repayment by the Bank of the amounts outstanding from time to time under the Subordinated Loan Agreement and Subordinated Loan. See "The Subordinated Loan Agreement and Subordinated Loan — Prepayments."
Covenants	The terms of the Indenture will require the Trust, among other things,

to:

- pay all amounts owed by the Trust under the Notes and the Indenture when such amounts are due solely out of the proceeds obtained from the Participation;
- perform each of its obligations under the various other documents entered into by the Trust in connection with the issuance of the Notes and the transactions contemplated herein;
- comply with all applicable laws;
- maintain all necessary governmental approvals and consents;
- pay all taxes;
- preserve its existence;
- maintain an agent in New York for the purpose of service of process;
- give notice to the Indenture Trustee of certain events;
- provide certain financial statements to the Indenture Trustee;
- maintain its books and records in accordance with applicable law; and
- ensure that the Notes continue to be senior secured unsubordinated obligations of the Trust.

In addition, the terms of the Indenture will restrict the Industrial Cayman Trustee's ability, among other things, to:

- create liens on its assets (other than the lien on the assets of the Trust securing the Notes);
- undertake certain mergers, consolidations or similar transactions; and
- terminate the Trust without the required consent of the noteholders.

No Events of Default under the Notes

There are no events of default under the Notes. The Subordinated Loan Agreement, however, contains events which may trigger an event of default and acceleration of the Subordinated Loan. See "Description of the Notes — No Events of Default; No Acceleration" and "The Subordinated Loan Agreement and Subordinated Loan — Events of Default." An acceleration of the Subordinated Loan would trigger a mandatory prepayment of the Notes and the Notes will be due and payable to the extent the Trust receives funds from the Trust Assets.

Assignment of the Subordinated Loan

The Lender's interest in the Subordinated Loan Agreement, the Subordinated Loan and all rights related thereto may not be assigned to any person except (i) to the Trust and the Indenture Trustee upon the occurrence of a Default or an Event of Default, (ii) to the Trust in the event that the Lender has determined that it shall be required to take any action which would violate or cause the Lender or any of its Affiliates to violate any Applicable Law or any provisions of the credit documents, *provided*, with respect to (i) and (ii), that the Lender shall thereafter provide the Borrower with prompt notice of the same, or (iii) for any other reason with the consent of the Borrower (which shall not be unreasonably withheld) unless such transfer is to another bank or financial institution qualified as a "*banco de primer orden*" under applicable Guatemalan law (as confirmed in writing by the Central Bank of Guatemala or the relevant tax authority or other authorized governmental entity) and such assignee assumes the Lender's obligations under the Subordinated Loan Agreement and the Participation in which case the consent of the Borrower shall not be required.

General Terms of the Loan Documents

Subordinated Loan	US$150,000,000 unsecured subordinated loan made by Bank of America, N.A., as Lender, to Banco Industrial, S.A. as Borrower, pursuant to the Subordinated Loan Agreement.
Maturity Date	July 27, 2021.
Interest	The Subordinated Loan will bear interest at a fixed rate of 8.25% per year (the "Interest Rate"). Interest on the Subordinated Loan will be payable semiannually in arrears on January 27 and July 27 of each year (each such date, a "Payment Date"), or if such date is not a business day, the next succeeding business day, commencing on January 27, 2012. Interest on the Loan will be computed on the basis of a 360 day year of twelve 30-day months. The Subordinated Loan Agreement provides that if the Borrower fails to make any payment of principal or interest, or any other payment on or in respect of the Subordinated Loan, on or before its due date as specified in the Subordinated Loan Agreement or as notified to the Borrower, the Borrower shall pay, in U.S. dollars, in respect of the overdue payment of principal, interest or other amounts due in respect of the Subordinated Loan, interest at the rate of one percent (1%) per annum over and above the Interest Rate from the date such payment became due until the date of actual payment (as well after as before judgment) and such interest shall be payable on each Payment Date thereafter unless demanded or paid beforehand.
Use of Proceeds	The Borrower intends to use the net proceeds of the Subordinated Loan to repay certain existing subordinated indebtedness and the remainder for general corporate purposes. See "Use of Proceeds."
Optional Prepayment	The Subordinated Loan will not be subject to optional prepayment by the Borrower prior to the maturity date, except, in whole but not in part in the case of the occurrence of a Special Event at the Special Event Redemption Amount. As used herein: "Special Event" means a Withholding Tax Event, a Tax Event or an Assignment Redemption Event upon which the Borrower may prepay the Subordinated Loan at any time in whole, but not in part. The Borrower may exercise such option, and prepayment shall only be

made, if the Borrower is in compliance with applicable Guatemalan laws and regulations in effect on the applicable prepayment date and if the Borrower shall have previously obtained any required approvals, if applicable, at the time of prepayment, including but not limited to the authorization from the Superintendency of Banks, the Monetary Board and internal corporate approvals, to effect such prepayment. The Borrower will be required, prior to exercising its prepayment option, to deliver to the Administrative Agent an Officers' Certificate together with a written legal opinion of an independent recognized Guatemalan counsel or other independent recognized counsel from the relevant jurisdiction, as the case may be, experienced in such matters in a form reasonably satisfactory to the Administrative Agent stating that a Special Event has occurred.

"Assignment Redemption Event" means that, as a result of an assignment by the Lender to the Trust in the case specified in clause (ii) of "—Assignments", the Borrower has or will become obligated to pay Additional Amounts in excess of those payable as of the date the Subordinated Loan Agreement is entered into on or in respect of the Subordinated Loan Agreement or the Expense Reimbursement and Indemnity Agreement, which obligation the Borrower determines in good faith cannot be avoided by it taking reasonable measures available to it.

"Special Event Redemption Amount" means (i) in respect of a Withholding Tax Event, an amount equal to the Base Redemption Amount and (ii) in respect of a Tax Event or an Assignment Redemption Event an amount equal to the higher of (a) the Base Redemption Amount and (b) the Make-Whole Amount as calculated by an Independent Investment Banker and notified to the Bank in writing.

"Tax Event" means that, as a result of (i) any enactment of new laws or any change in, or amendment to the laws (or any regulations or rulings issued thereunder) of Guatemala or any political subdivision thereof or any taxing authority therein or (ii) any change in the application, administration or official written interpretation of such laws, regulations or rulings, including, without limitation, the holding of a court of competent jurisdiction, which change or amendment becomes effective after the date of the Subordinated Loan Agreement, interest payments under the Subordinated Loan cease to be allowable deductions for the purposes of income tax laws applicable to the Borrower in Guatemala.

"Withholding Tax Event" means that, as a result of (i) any enactment of new laws or any change in, or amendment to the laws (or any regulations or rulings issued thereunder) of Guatemala or any political subdivision thereof or any taxing authority therein, as applicable (ii) any change in the application, administration or official written interpretation of such laws, regulations or rulings, including, without limitation, the holding of a court of competent jurisdiction, the Borrower has or will become obligated to pay Additional Amounts (as defined below) in excess of those payable as of the date the Subordinated Loan Agreement is entered into on or in respect of the Subordinated Loan Agreement or the Expense Reimbursement and Indemnity Agreement, which change or amendment becomes effective on or after the Subordinated Loan Agreement is entered into, and which obligation the Borrower determines in good faith cannot be avoided by it taking reasonable measures available to it.

For additional information, see "The Subordinated Loan Agreement and Subordinated Loan — No Optional Prepayment by the Borrower prior to the Maturity Date unless as a result of a Special Event."

Additional Amounts	Subject to certain exceptions, the Borrower will pay such additional amounts in respect of Guatemalan Taxes as may be necessary to ensure that the amounts received by the Lender after such withholding or deduction will equal the respective amounts that would have been receivable in respect of such Subordinated Loan Agreement in the absence of such withholding or deduction. For additional information about these payments, see "The Subordinated Loan Agreement and Subordinated Loan — Additional Amounts."
Ranking	The indebtedness evidenced by the Subordinated Loan will be unsecured, and subordinated, ranking in right of payment: • junior to the payment of all the Borrower's senior indebtedness, including liabilities preferred under mandatory provisions of Guatemalan banking law; • senior only to the Bank's capital stock and any other instrument that may qualify as Tier I Capital or is expressly or effectively subordinated to the Notes; and • *pari passu* with all other unsecured and subordinated indebtedness of the Borrower. For additional information, see "The Subordinated Loan Agreement and Subordinated Loan — Ranking."
Covenants	The terms of the Subordinated Loan Agreement will require the Bank, among other things, to: • pay all amounts owed by the Bank under the Subordinated Loan Agreement when those amounts are due and perform each of the Bank's other obligations under the various Transaction Documents; • maintain all necessary governmental and third-party approvals and consents; • maintain its books and records; • maintain an agent in New York to whom notices and demands may be served; • give notice to the Lender of any default or event of default under the Subordinated Loan Agreement and of certain other events; • furnish certain reports to the Lender; and

- preserve its corporate existence.

In addition, the terms of the Subordinated Loan Agreement will require the Bank to meet certain conditions before the Bank consolidates, merges or transfers all or substantially all its assets and properties to another person. See "The Subordinated Loan Agreement and Subordinated Loan — Covenants."

Events of Default

The Subordinated Loan Agreement will contain certain limited events of default, consisting of the following:

- failure to pay principal on the due date thereof;
- failure to pay interest or any Additional Amounts due on any Note within 30 days of the due date thereof;
- certain events involving bankruptcy, liquidation, reorganization or insolvency proceedings, whether voluntary or involuntary.

There is no right of acceleration in the case of a default in the performance of any of the Bank's covenants. See "Risk Factors—Risks Relating to the Notes—If the Bank does not satisfy its obligations under the Notes, noteholders' remedies will be limited."

For more information see "The Subordinated Loan Agreement and Subordinated Loan — Events of Default."

Participation Agreement

The Lender, with the consent of the Borrower, will enter into the Participation Agreement, dated as of the Closing Date, with the Trust.

Pursuant to the Participation Agreement, the Lender will grant a participation interest in all of the rights and remedies of the Lender under the Subordinated Loan Agreement and the Subordinated Loan and all proceeds thereof and rights and related interests with respect thereto.

As a result of the Participation granted pursuant to the Participation Agreement, the Trust shall be entitled to receive all of the payments of principal, interest and other amounts payable by the Borrower on, or with respect to, the Subordinated Loan Agreement and the Subordinated Loan as are actually received by the Lender, together with all of the rights and remedies available to the Lender thereunder. Such rights and remedies will be exercisable by the Indenture Trustee, on behalf of the holders of the Notes, as a result of the pledge of the Trust Assets to the Indenture Trustee pursuant to the Indenture. See "The Participation Agreement."

Expense Reimbursement and Indemnity Agreement

The Borrower will also enter into an Expense Reimbursement and Indemnity Agreement with the Lender, the Trust, the Enforcer and the Indenture Trustee, for itself and for the benefit of the holders of the Notes, providing for reimbursement of specified expenses and indemnities, including indemnities with respect to securities law matters, taxes and other matters incurred in connection with the syndication of the Subordinated Loan and the issuance of the Notes, all as described under "The Subordinated Loan Agreement and

	Subordinated Loan — Taxes and Expenses" and "The Trust — Expense Reimbursement and Indemnity Agreement."
Governing Law	The Subordinated Loan Agreement, the Participation Agreement and the Expense Reimbursement and Indemnity Agreement will be governed by the laws of the State of New York.
	Specific Terms of the Notes
Plan of Distribution; Form of Notes	The Trust is offering the Notes in the United States only to "qualified institutional buyers" in reliance on Rule 144A under the Securities Act who are also "qualified purchasers" as defined in Section 3(c)(7) of the Investment Company Act and outside the United States in compliance with Regulation S of the Securities Act. The Notes will be in fully registered form without interest coupons attached and will be represented by one or more Global Notes deposited with, or on behalf of, DTC. Definitive Notes will be available only under the limited circumstances described herein. See "Description of the Notes — Issuance, Form and Denomination." Payments on the Notes will be settled in same-day funds to the extent received from Banco Industrial.
Minimum Denominations	The Notes will be denominated and payable in U.S. dollars and will be issued in minimum denominations of US$100,000 and integral multiples of US$1,000 in excess thereof.
Transfer Restrictions; Trading	The Notes have not been and will not be registered under the Securities Act or the securities laws of any state in the United States and are subject to certain restrictions on transfer and resale. There is currently no market for the Notes, and there can be no assurance as to the development or liquidity of a market for the Notes. See "Risk Factors — Risks Related to the Notes — There are restrictions on transfers of the Notes" and "Risk Factors — Risks Related to the Notes — There is no established trading market for the Notes and holders of the Notes may not be able to sell them quickly or at the price that they paid."
United States Federal Income Tax Consequences	For a discussion of the United States tax treatment of the Notes, see "Taxation—U.S. Federal Income Tax Matters."
Clearance and Settlement	The Notes will be issued in book-entry form through the facilities of DTC for the accounts of its participants, including Euroclear Bank S.A./N.V., as operator of the Euroclear System, or Euroclear, and Clearstream Banking, societé anonyme, or Clearstream. Beneficial interests in the Notes held in book-entry form will not be entitled to receive physical delivery of certificated notes except in certain limited circumstances. For a description of certain factors relating to clearance and settlement in DTC, Euroclear and Clearstream, see "Description of the Notes— Issuance, Form of Denominations." The Notes will be registered in an account with the Guatemalan securities depository Central de Valores Nacional, S.A. (a subsidiary of the Bolsa de Valores Nacional, S.A.), within the "RECO" system in Guatemala. Central de Valores Nacional, S.A. maintains an account in Clearstream. Such arrangement is intended to facilitate holding of the Notes in book-entry form by Guatemalan investors. It does not constitute a listing on the Guatemalan Stock Exchange nor does it constitute the

	registration of a public offering in Guatemala.
Listing	The Trust has applied to admit the Notes to listing on the Official List of the Luxembourg Stock Exchange and to trade the Notes on the Euro MTF market of the Luxembourg Stock Exchange.
Governing Law	The Indenture and the Notes will be governed by, and construed in accordance with, the laws of the State of New York. The Trust will be governed by, and construed in accordance with, the laws of the Cayman Islands.
Risk Factors	Prospective investors should carefully consider the information under "Risk Factors" in connection with the other information contained in this offering memorandum.

SUMMARY HISTORICAL CONSOLIDATED FINANCIAL INFORMATION

The following tables set forth a summary of historical consolidated financial information derived from the Audited Consolidated Financial Statements and the Unaudited Interim Consolidated Financial Statements as of and for the periods indicated. The consolidated financial information presented below should be read in conjunction with "Presentation of Certain Financial and Other Information," "Exchange Rates and Currency," "Use of Proceeds," "Capitalization," "Management's Discussion and Analysis of Financial Condition and Results of Operations," our Audited Consolidated Financial Statements and Unaudited Interim Consolidated Financial Statements included elsewhere in this offering memorandum.

The consolidated income statement data for the years ended December 31, 2010, 2009 and 2008 and the consolidated balance sheet data as of December 31, 2010, 2009 and 2008 were derived from our Audited Consolidated Financial Statements included elsewhere in this offering memorandum. Our historical financial information as of March 31, 2011 and for the three months ended March 31, 2010 is derived from our Unaudited Interim Consolidated Financial Statements included elsewhere in this offering memorandum. In the opinion of management, the unaudited financial information includes all adjustments, consisting of normal recurring adjustments, considered necessary for a fair representation of this information. The results of operations for interim periods are not necessarily indicative of the results that may be expected for the entire year.

Consolidated Income Statements

	For the three months ended March 31,			For the year ended December 31,			
	2011[1)]	2011	2010	2010[(1)]	2010	2009	2008
	(US$ millions)	(Q millions)		(US$ millions)		(Q millions)	
Income statement data:							
Financial income	US$ 108.2	Q 831.6	Q 815.3	US$ 427.7	Q 3,288.4	Q 3,334.0	Q 3,019.6
Interest income	107.8	828.8	810.4	425.5	3,271.4	3,245.3	2,968.0
Other financial income	0.4	2.8	4.9	2.2	17.0	88.7	51.6
Financial expense	54.0	415.4	415.7	217.7	1,673.6	1,762.3	1,533.9
Interest expense	48.4	372.5	381.5	199.3	1,532.4	1,569.6	1,412.2
Other financial expense	5.6	42.9	34.1	18.3	141.1	192.6	121.6
Net financial income	54.1	416.2	399.6	210.0	1,614.9	1,571.7	1,485.7
Income from services	16.0	123.1	108.3	61.1	469.5	427.3	430.2
Expenses from services	0.4	3.4	1.7	1.6	12.1	6.6	8.7
Net income from services	15.6	119.7	106.6	59.5	457.4	420.8	421.5
Other operating income and expenses, net:							
Operating income	6.1	46.7	35.8	18.1	139.2	202.8	147.5
Loan, accounts receivable and securities loss provision	4.4	33.8	28.8	22.3	171.1	244.6	191.1
Operating expenses	0.5	3.6	5.9	0.5	3.9	0.5	2.3
Other operating income and expense, net	1.2	9.3	1.1	(4.7)	(35.8)	(42.3)	(45.9)
Income net of other operating income and expenses	70.9	545.3	507.3	264.9	2,036.5	1,950.2	1,861.3
Administrative expenses	45.4	348.7	325.5	157.8	1,213.0	1,279.1	1,159.5
Income net of operating income and expenses	25.6	196.6	181.9	107.1	823.5	671.1	701.8
Extraordinary income and expenses, net	2.2	17.1	60.0	14.4	110.4	35.8	38.0
Prior period's income and expenses, net	0.5	3.7	4.8	0.7	5.5	5.4	3.0
Income before tax expense	28.3	217.4	246.7	122.2	939.4	712.3	742.8
Income tax expense	0.7	5.5	5.2	22.4	171.9	118.3	139.9
Income net of tax expense	27.6	212.0	241.5	99.8	767.5	594.0	602.9
Non-controlling interest	0.1	0.7	1.9	0.6	4.3	2.7	0.2
Net consolidated income	**US$ 27.5**	**Q 211.3**	**Q 239.7**	**US$ 99.3**	**Q 763.3**	**Q 591.3**	**Q 602.8**

(1) Statement of income data expressed in U.S. dollars have been translated at the rate of Q7.68836 per US$1.00, based on the Guatemalan Central Bank on March 31, 2011. See "Exchange Rates and Currency."

Consolidated Balance Sheets

	As of March 31,		As of December 31,			
	2011[(1)]	2011	2010[(1)]	2010	2009	2008
	(US$ millions)	*(Q millions)*	*(US$ millions)*		*(Q millions)*	
Balance sheet data:						
Cash and due from banks	US$ 1,011.9	Q 7,779.5	US$ 842.9	Q 6,480.2	Q 6,568.9	Q 4,992.5
Investment securities held-to-maturity	2,342.5	18,010.2	2,285.0	17,568.0	13,871.1	12,034.9
Loan portfolio, net	2,942.6	22,623.8	3,014.9	23,179.7	22,670.9	23,305.0
Accounts receivable from accrued financial products	42.2	324.5	43.4	334.0	286.8	265.3
Other accounts receivable, net	34.7	267.0	34.6	266.0	247.4	411.0
Foreclosed assets, net	1.7	13.4	1.5	11.9	7.7	6.3
Investments in equity securities	1.6	12.3	1.6	12.3	11.1	9.6
Other investments	44.7	343.5	45.1	346.5	148.2	139.6
Property and equipment, net	165.6	1,273.4	163.3	1,255.4	1,318.3	1,099.1
Deferred charges, net	74.9	576.1	79.4	610.6	630.6	685.5
Total assets	**6,662.5**	**51,223.7**	**6,511.8**	**50,064.8**	**45,761.0**	**42,949.0**
Deposits	5,079.9	39,056.4	4,935.4	37,945.3	34,783.8	30,786.9
Loans with other financial institutions	625.2	4,806.9	617.1	4,744.4	3,833.3	5,478.8
Financial obligations	216.6	1,665.2	221.5	1,702.9	1,835.4	1,754.1
Accounts payable from accrued financial expense	26.0	200.0	25.4	195.4	188.2	144.2
Other accounts payable	133.6	1,027.1	94.0	722.4	663.1	584.6
Provisions	4.3	32.7	2.6	19.9	20.3	18.8
Other liabilities	105.0	807.3	36.5	280.5	292.4	272.4
Deferred income	2.4	18.6	2.8	21.6	20.5	26.9
Total liabilities	**6,193.0**	**47,614.1**	**5,935.2**	**45,632.3**	**41,637.0**	**39,066.7**
Other credit balances	4.3	32.8	4.0	30.4	31.8	59.3
Non-controlling interest	2.9	22.4	3.0	23.3	5.6	8.1
Total liabilities, other credit balances and non-controlling interest	**6,200.2**	**47,669.3**	**5,942.2**	**45,686.1**	**41,674.4**	**39,134.1**
Shareholders' equity:						
Primary capital	258.8	1,990.0	253.4	1,948.0	1,914.0	1,880.5
Complementary capital[(2)]	203.5	1,564.4	316.2	2,430.7	2,172.6	1,934.4
Total shareholders' equity	**462.3**	**3,554.4**	**569.5**	**4,378.7**	**4,086.6**	**3,814.9**
Total liabilities, other credit balances, non-controlling interest and shareholders' equity	**US$ 6,662.5**	**Q 51,223.7**	**US$ 6,511.8**	**Q 50,064.8**	**Q 45,761.0**	**Q 42,949.0**

(1) Data expressed in U.S. dollars has been translated at the rate of Q7.68836 per US$1.00, reported by the Guatemalan Central Bank on March 31, 2011. See "Exchange Rates and Currency."

(2) Pursuant to Guatemalan Banking GAAP, the complimentary capital includes subordinated debt in the amount of Q561.0 million, Q584.8 million, Q544.7 million as of December 31, 2010, December 31, 2009 and December 31, 2008, respectively. Complimentary capital included subordinated debt contracted before January 1, 2008 with a maturity at each reporting period of 5 years or more. All subordinated debt contracted after January 1, 2008 is classified as other liabilities.

Other Financial Data and Ratios

The selected financial data and ratios presented below have been derived from and should be read in conjunction with the Financial Statements and the other financial information contained in this offering memorandum.

	As of March 31,		As of December 31,			
	2011[(1) (2)]	2011	2010[(1)]	2010	2009	2008
	(US$ millions, except percentages)	*(Q millions, except percentages)*	*(US$ millions, except percentages)*	*(Q millions, except percentages)*		
Profitability and efficiency:						
Return on average total assets [(3)]	1.7%	1.7%	1.6%	1.6%	1.3%	1.5%
Return on average shareholders' equity [(4)(5)]	21.7%	21.7%	17.9%	17.9%	15.4%	17.5%
Net interest margin[(6)]	4.3%	4.3%	4.4%	4.4%	4.5%	4.5%
Efficiency ratio[(7)]	60.2%	60.2%	54.9%	54.9%	58.3%	56.5%
Capitalization:						
Shareholders' equity as a percentage of total assets[(8)]	6.9%	6.9%	8.7%	8.7%	8.9%	8.9%
Primary capital as a percentage of risk-weighted assets[(9)]	6.9%	6.9%	6.7%	6.7%	7.2%	7.1%
Capital ratio [(10)]	12.4%	12.4%	15.0%	15.0%	15.3%	14.4%
Credit quality data:						
Total performing loans	2,969.1	22,827.4	2,913.6	23,348.6	22,818.3	23,390.4
Total non-performing loans	18.0	138.7	21.0	168.3	147.3	149.2
Total loans	2,987.1	22,966.1	2,934.6	23,516.9	22,965.6	23,539.6
Loans graded "C," "D" and "E"[(11)]	191.7	1,473.7	135.3	1,084.1	417.5	184.3
Allowance for loan losses	44.5	342.3	42.1	337.1	294.7	234.5

(1) Data expressed in U.S. dollars has been translated at the rate of Q7.68836 per US$1.00, reported by the Guatemalan Central Bank on March 31, 2011. See "Exchange Rates and Currency."

(2) Figures for the three-month period ended March 31, 2011 have been annualized.

(3) Net income for the period divided by the daily average total assets.

(4) Net income for the period divided by the daily average total shareholders' equity.

(5) Income for the first quarter of 2011 does not consider income tax provisions. Considering a rate equivalent to the implicit rate in 2010, the return on average shareholders' equity would have been 18.3%.

(6) Represents financial margin divided by average interest-earning assets. Average interest-earning assets are determined on an annualized basis, based on daily balances.

(7) Refers to the period's total administrative expenses divided by the period's total operating income (plus loan loss provisions).

(8) Refers to the end of period shareholders' equity divided by the end of period total assets.

(9) Refers to the end of period Primary capital divided by the end of period risk-weighted assets.

(10) Refers to the end of period net capital as a percentage of risk-weighted assets. Our Capital Ratio on a consolidated basis as of March 31, 2011, December 31, 2010, 2009 and 2008 was 12.4%, 15.0%, 15.3% and 14.4%, respectively, which was, in each instance, above the regulatory requirement of 10.0%.

(11) Guatemalan banking regulations require banks to carry out a quarterly valuation of its loan portfolio, assessing diverse factors such as performance, payment capacity, guarantee structure, updated audited financial information, compliance with specific financial ratios, among others. As of March 31, 2011 and December 31, 2010, 98.8% and 97.1%, of C through E loans respectively, are up to date in terms of payment obligations but have been classified as such due to other reasons stated above. See "Selected Statistical Information—Grading of Loan Portfolio."

Credit Quality Ratios:

	As of March 31,	As of December 31,		
	2011	2010	2009	2008
Allowance for loan losses as a percentage of total loans(1)	1.5%	1.4%	1.3%	1.0%
Allowance for loan losses as a percentage of total non-performing loans(2)	246.8%	200.4%	200.1%	157.2%
Allowance for loan losses as a percentage of loans graded "C," "D" and "E"(3)	23.2%	31.1%	70.6%	127.2%
Total non-performing loans as a percentage of total loans(4)	0.6%	0.7%	0.6%	0.6%

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(1) Refers to the end of period allowance for loan losses divided by the end of period total loans.

(2) Refers to the end of period allowance for loan losses divided by the end of period non-performing loans.

(3) Refers to the end of period allowance for loan losses divided by the end of period loans graded C, D and E.

(4) Refers to the end of period total non-performing loans divided by the end of period total loans. Non-performing loans refers to loans with more than 90 days past due; the amount includes the interest due plus the total principal balance as of such date.

RISK FACTORS

You should carefully consider the following discussion of risks, as well as all the other information presented in this offering memorandum, before buying the Notes. These risks are not the only risks that affect our business. Additional risks and uncertainties that we do not know about or that we currently think are immaterial may also affect our operations and business. Any of the following risks, if they actually occur, could materially and adversely affect our business, results of operations, financial condition and prospects. In that event, the market price of the Notes could decline, and you could lose all or part of your investment.

Risks Relating to Our Business

Our financial results are constantly exposed to market risk. We are subject to fluctuations in interest rates and other market risks, which may materially and adversely affect our financial position and results of operations.

Market risk refers to the probability of variations in our financial margin, or in the market value of our assets and liabilities, due to interest rate volatility. Changes in interest rates affect the following areas, among others, of our business:

- financial margin;
- volume of loans originated;
- market value of our financial assets; and
- gains from sales of loans and securities.

Increases in short-term interest rates could reduce financial margin, which comprises the majority of our revenue. A significant portion of our assets, including our loans, are long-term assets. In contrast, most of our borrowings are short-term. When interest rates rise, we must pay higher interest on our borrowings while interest earned on our assets does not rise as quickly, which causes profits to decrease. Interest rate increases could result in adverse changes in our financial margin, reducing its growth rate or even resulting in losses against previous periods.

Increases in interest rates may reduce the volume of loans we originate. Sustained high interest rates have historically discouraged customers from borrowing and have resulted in increased delinquencies in outstanding loans and deterioration in the quality of assets.

Increases in interest rates may reduce the value of our financial assets. We hold a substantial portfolio of loans and debt securities that have both fixed and adjustable interest rates. The market value of a security with a fixed interest rate generally decreases when prevailing interest rates rise, which may have an adverse effect on our earnings and financial position. In addition, we may incur costs (which, in turn, will impact our results) as we implement strategies to reduce future interest rate exposure. The market value of an obligation with an adjustable interest rate can be adversely affected when interest rates increase, due to a lag in the implementation of repricing terms.

Intensifying competition may adversely affect our results of operations.

We face significant competition from other Guatemalan banks in providing financial services to the Guatemalan retail and corporate banking sectors and from international financial institutions. Our principal competitors are Banco G&T Continental, Banco de Desarrollo Rural, Banco Agromercantil de Guatemala and Citibank.

Evolving Guatemalan banking regulations may adversely affect our results of operations and financial condition, and the value of our assets may be impaired due to regulatory initiatives and procedures.

We are subject to extensive banking and other regulations (in particular those of the Monetary Board and the Superintendency of Banks) designed to maintain the safety and reliability of banks, ensure their compliance with economic and other obligations and limit their exposure to risk. These regulations may increase our cost of doing business or limit our activities. In addition, a breach of regulatory guidelines could expose us to potential liabilities or sanctions. Laws or regulations may be amended, adopted, enforced or interpreted in a manner that could have an adverse effect on our business, financial condition, cash flows and results of operations. Any failure to adopt adequate responses to such changes in the regulatory framework may have an adverse effect on our business, financial condition, cash flows and results of operations.

Liquidity risks may adversely affect our business.

Our banking assets have grown rapidly over the past several years, driven in part by the expansion of our business. Historically, one of our principal sources of funds has been customer deposits. Since we rely heavily on deposits and other short-term liabilities for our funding, there can be no assurance that in the event of a sudden or unexpected shortage of funds in the banking system or otherwise we will be able to maintain our levels of funding without adversely affecting our liquidity or increasing our cost of funding.

Currency risks may adversely affect our loan and investment portfolios.

We are exposed to currency risk any time we hold an open position in a currency other than quetzals. Volatility in quetzal exchange rates and interest rates in Guatemala could result in higher risks associated with such positions. Although we follow various risk management procedures in connection with our investment and treasury activities, we cannot assure you that we will not experience losses with respect to these positions in the future, any of which could have an adverse effect on our financial condition and results of operations.

Failure to successfully implement and continue to improve our credit risk management system could materially and adversely affect our business operations and prospects.

As a commercial bank, one of the principal types of risks inherent in our business is credit risk. We may not be able to improve our credit risk management system so that it can function effectively. For example, an important part of our credit risk management system is to employ an internal credit rating system to assess the particular risk profile of each client. As this process involves detailed analyses of the client or credit risk, taking into account both quantitative and qualitative factors, it is subject to human error. In exercising their judgment, our employees may not always be able to assign an accurate credit rating to a client or credit risk, which may result in our exposure to higher credit risks than indicated by our risk rating system. As a result, failure to effectively implement, consistently follow or continuously refine our credit risk management system may result in a higher risk exposure for us, which could materially and adversely affect us.

If we are unable to effectively control the level of non-performing or poor credit quality loans in our loan portfolio, or if our loan loss reserves are insufficient to cover actual loan losses, our financial condition and results of operations may be materially and adversely affected.

Non-performing or low credit quality loans can negatively impact our financial condition and results of operations. We cannot assure you that we will be able to effectively control and reduce the level of the impaired loans in our loan portfolio. In particular, the amount of our reported non-performing loans may increase in the future as a result of growth in our loan portfolio or factors beyond our control, such as the impact of macroeconomic trends and political events affecting Guatemala or events affecting given industries. In addition, while we believe our current loan loss reserve is adequate to cover all loan losses in our loan portfolio and as required under applicable law, our current loan loss reserves may not be adequate to cover an increase in the amount of non-performing loans or any future deterioration in the overall credit quality of our loan portfolio. As a result, if the credit quality of our loan portfolio deteriorates we may be required to increase our loan loss reserves, which may adversely affect us. Moreover, there is no precise method for predicting loan and credit losses, and we cannot assure you that our loan loss reserves are or will be sufficient to cover actual losses. If we are unable to control or reduce the level of our non-performing or poor credit quality loans, our financial condition and results of operations could be materially and adversely affected.

We may need additional capital in the future, and may not be able to obtain such capital on acceptable terms, or at all.

In order for us to grow, remain competitive, enter into new businesses and meet regulatory capital adequacy requirements, we may require new capital in the future. Moreover, we may need to raise additional capital in the event of large losses in connection with any of our activities that result in a reduction of our shareholders' equity. Our ability to obtain additional capital in the future is subject to a variety of uncertainties, including:

- our future financial condition, results of operations and cash flows;
- any necessary government regulatory approvals;
- general market conditions for capital-raising activities by commercial banks and other financial institutions; and
- economic, political and other conditions in Guatemala and elsewhere.

We may not be able to obtain additional capital in a timely manner or on acceptable terms or at all. If we are unable to obtain additional capital, our business operations, financial condition and results of operations could be materially and adversely affected.

Reductions in our credit ratings could increase our cost of borrowing funds and make our ability to raise new funds, attract deposits and renew maturing debt more difficult.

Our credit ratings are an important component of our liquidity profile. Among other factors, our credit ratings are based on the financial strength, credit quality and concentrations in our loan portfolio, the level and volatility of our earnings, our capital adequacy, the quality of management, the liquidity of our balance sheet, the availability of a significant base of core retail and commercial deposits and our ability to access a broad array of funding sources. Our lenders may be sensitive to the risk of a ratings downgrade. In addition, under rating agency methodologies which have been widely used, our foreign currency ratings will generally be linked to, or may be limited to, the actual or implied foreign currency ratings of the Guatemalan government, over which we have no control. A downgrade in our credit ratings could increase the cost of refinancing our existing obligations, raising funds in the capital markets and borrowing funds from private lenders.

Our increasing focus on consumer banking and small businesses could result in loan losses.

As part of our business strategy, we seek to increase lending and other services to individuals and to small and medium-sized companies. As a result, our loan portfolio may become increasingly vulnerable to macroeconomic events that could negatively impact the income of these customers and result in increased loan losses. Furthermore, because the penetration of bank lending products in the Guatemalan retail sector historically has been low, there is no basis on which to evaluate how the retail sector will perform in the event of an economic crisis, such as a recession or a significant devaluation, and our historical loan loss experience may not be indicative of the performance of our loan portfolio in the future. Consequently, in the future we may experience higher levels of non-performing loans, which could result in higher provisions and higher loan losses.

We rely heavily on data collection, processing and storage systems, the failure of which could materially and adversely affect the effectiveness of our risk management and internal control systems as well as our financial condition and results of operations.

All of our principal businesses are highly dependent on the ability to timely collect and process a large amount of financial and other information across numerous and diverse markets and products at our various branches, at a time when transaction processes have become increasingly complex, with increasing volume. The proper functioning of financial control, accounting or other data collection and processing systems is critical to our businesses and to our ability to compete effectively. A partial or complete failure of any of these primary systems could materially and adversely affect our decision-making process and internal control systems, as well as our timely response to changing market conditions. If we cannot maintain an effective data collection and management system, our business operations, financial condition and results of operations could be materially and adversely affected.

Furthermore, we are dependent on information systems to process transactions and respond to customer inquiries on a timely basis and maintain cost-efficient operations. We may experience operational problems with our information systems as a result of system failures, viruses, computer "hackers" or other causes. Any material disruption or slowdown of our systems could cause information, including data related to customer requests, to be lost or to be delivered to our clients with delays or errors, which could reduce demand for our services and products and could materially and adversely affect our financial condition and results of operations.

Any failure to effectively improve or upgrade our information technology infrastructure and management information systems in a timely manner could adversely affect our competitiveness, financial condition and results of operations.

Our ability to remain competitive will depend in part on our ability to upgrade our information technology on a timely and cost-effective basis. We must continually make significant investments and improvements in our information technology infrastructure in order to remain competitive. In addition, we may experience difficulties in upgrading, developing and expanding our information technology systems quickly enough to accommodate our growing customer base. Any failure to effectively improve or upgrade our information technology infrastructure and management information systems in a timely manner could materially and adversely affect our competitiveness, financial condition and results of operations.

Our corporate disclosure may be different or less substantial than that of issuers in other countries and our Financial Statements have been prepared and are presented in accordance with Guatemalan Banking GAAP, which is significantly different from U.S. GAAP.

Issuers of securities in Guatemala are required to make public disclosures that are different and that may be less substantial than disclosures required in countries with highly developed capital markets. In addition, accounting and other reporting principles and standards for credit and other financial institutions in Guatemala and the financial results reported using such principles and standards may differ substantially from those results that would have been obtained using other principles and standards, such as U.S. GAAP.

Our Financial Statements have been prepared and are presented in accordance with Guatemalan Banking GAAP. Significant differences exist between Guatemalan Banking GAAP and U.S. GAAP, which are material to the Financial Statements and other financial information included in this offering memorandum. We have made no attempt to identify or quantify the impact of those differences in this offering memorandum.

Resources may be devoted, or our business or business opportunities could be diverted, to other entities within the financial group controlled by Bicapital, or operations of other subsidiaries of Bicapital may be transferred to us.

We are part of a financial group controlled by Bicapital. Bicapital could, at any time, devote more resources or divert our business opportunities to other subsidiaries of Bicapital, including those that directly or indirectly compete with us, as well as transfer certain operations of other subsidiaries of Bicapital to us, on grounds of capital efficiency, regulatory constraints, or other criteria. Should more of our resources be devoted, or our business opportunities diverted, to other subsidiaries of Bicapital or if unprofitable operations of other subsidiaries of Bicapital are transferred to us, our business, results of operations and financial condition could be adversely affected.

Guidelines for loan classification and provisions in Guatemala may be less stringent than those in other countries.

Guatemalan banking regulations require us to classify each loan or type of loan according to a risk assessment that is based on specified criteria, to establish corresponding reserves and, in the case of some non-performing assets, to write-off the loans. The criteria to establish reserves include both qualitative and quantitative factors. Guatemalan regulations relating to loan classification and determination of loan loss reserves are generally different or less stringent than those applicable to banks in the United States and certain other countries. Under U.S. rules, our level of loan loss reserves may be different than our current reserve levels. We may be required or deem it necessary to increase our loan loss reserves in the future. Increasing loan loss reserves could materially and adversely affect our business, results of operations and financial condition.

We may not be able to detect money laundering and other illegal or improper activities fully or on a timely basis, which could expose us to additional liability and harm our business.

We are required to comply with applicable anti-money laundering, anti-terrorism laws and other regulations regarding money laundering in Guatemala. These laws and regulations require us, among other things, to adopt and enforce "know your customer" policies and procedures and to report suspicious and uncommon transactions to the applicable regulatory authorities. While we have adopted policies and procedures aimed at detecting and preventing the use of our banking network for money laundering activities and by terrorists and terrorist-related organizations and individuals generally, such policies and procedures may not completely eliminate instances where our operations may be used by other parties to engage in money laundering and other illegal or improper activities. To the extent we may fail to fully comply with applicable laws and regulations, the relevant government agencies to which we report have the power and authority to impose fines and other penalties on us. In addition, our business and reputation could suffer if customers use us for money laundering or illegal or improper purposes.

We are subject to Guatemalan capitalization requirements that limit our capital flexibility.

Pursuant to the Guatemalan capitalization requirements, we are required to maintain specified levels of net consolidated capital as a percentage of risk-weighted assets and market risks, or Capital Ratio, of 10% or above. As of March 31, 2011, we had a consolidated Capital Ratio of 12.4%. Our ability to comply with this requirement may be affected by changes in economic or business conditions (including a devaluation), results of operations or other events beyond our control. If we fail to comply with Guatemalan capitalization requirements, we would be required to defer or cancel interest payments or defer principal payments, including payments on the Notes.

We are subject to Guatemalan regulatory inspections, examinations, inquiries and audits, and future sanctions, fines and other penalties resulting from such inspections and audits could materially and adversely affect our business, results of operations and financial condition or our reputation.

We are subject to comprehensive regulation and supervision by Guatemalan banking authorities. These regulatory authorities have broad powers to adopt regulations and other requirements affecting or restricting virtually all aspects of our capitalization, organization and operations, including the imposition of anti-money laundering or financing of terrorist activities measures and the authority to regulate the terms and conditions of credit that can be applied by Guatemalan banks. Moreover, Guatemalan financial regulatory authorities possess significant powers to enforce applicable regulatory requirements in the event of our non-compliance, including the imposition of fines, sanctions or the revocation of licenses or permits to operate our business. In the event we encounter significant financial problems or became insolvent or in danger of becoming insolvent, Guatemalan banking authorities would have the power to take over our management and operations.

Guatemalan banking and financial services laws and regulations are subject to continuing review and changes. Any such changes may have an adverse impact on, among other things, our ability to make and collect loans and extend credit on terms and conditions, including interest rates, that are adequately profitable, which could materially and adversely affect our results of operations and financial position.

Risks Relating to Guatemala and Other Markets

Our business, results of operations and financial condition may be adversely affected by the economic, political, social or legal developments in Guatemala.

We are a Guatemalan bank and substantially all of our operations and assets are located in Guatemala. As a result, our business, financial condition and results of operations may be affected by the general condition of the Guatemalan economy.

Guatemala is an emerging market country and, in general, operations of businesses in such countries may be subject to different stresses than operations of businesses in countries such as the United States. These include conditions influenced by political events such as wars, civil unrest and significant changes in national economic policies or laws, all of which may be more likely to occur in an emerging market country. Guatemala is affected by political, social, security and other problems and conditions, including, among others, trafficking in drugs, alien smuggling, organized crime, high crime rates, corruption, human rights concerns and a need to implement political, economic and social reforms.

The Guatemalan government has exercised, and continues to exercise, significant influence over the Guatemalan economy. Guatemalan governmental actions concerning the economy and state-owned enterprises could have a significant effect on the Guatemalan private sector entities in general, and us in particular, and on market conditions, prices and returns on Guatemalan securities, including the Notes.

Presidential and congressional elections will be held in September 2011, and the elected candidates will take office in January 2012. The new administration may not continue to support previous government policies, which have contributed to economic growth in the country. Any change in such policies could have a significant effect on Guatemalan financial institutions, including us, as well as on market conditions and the prices of and returns on Guatemalan securities.

We cannot provide any assurance that future economic, political, social or legal developments in Guatemala, over which we have no control, will not have an unfavorable impact on our financial condition or results of operations or impair our ability to make payments under the Notes.

Currency fluctuations and exchange controls may adversely affect our ability to engage in foreign exchange activities, which will hurt our business, results of operations or financial condition.

Since 1994, the Monetary Board has allowed the exchange rate for the quetzal to be determined predominantly by market forces. The Guatemalan Central Bank has intervened in the foreign exchange market by buying or selling U.S. dollars in order to counter temporary imbalances of supply and demand or drastic fluctuations in the exchange rate caused by speculative, cyclical or seasonal factors affecting the balance of payments.

There can be no assurance that the Guatemalan government will not institute restrictive exchange rate policies in the future. Any such restrictive exchange control policy would adversely affect our ability to engage in foreign exchange activities and could also have a material adverse effect on our business, financial condition, results of operations or prospects.

Developments in other countries may adversely affect us and the prices of our debt securities.

Economic and market conditions in other countries may, to varying degrees, affect the market value of securities issued by Guatemalan institutions. Although economic conditions in other countries may differ significantly from economic conditions in Guatemala, investors' reactions to developments in other countries may have an adverse effect on the market value of securities of Guatemalan companies. A recession or economic slowdown in the United States may adversely affect the Guatemalan economy and remittance levels.

Developments or conditions in emerging market countries have from time to time affected significantly the availability of credit in the Guatemalan economy and resulted in considerable outflows of funds and declines in the amount of foreign currency invested in Guatemala. In addition, developments in the debt markets in the United States or other highly developed economies may affect securities issued in emerging markets. For example, the concern over the effects of the collapse of Long Term Capital Management in the United States in 1998 (occurring at approximately the same time as the Russian debt crisis), harmed the market for non-investment grade fixed income securities of all types, including most securities issued by emerging market companies in the fourth quarter of 1998. Increases in interest rates by the Federal Reserve Board in the United States often have been associated with subsequent adverse economic effects in emerging markets of the type described above. More recently, the financial and credit crisis that began with events linked to subprime mortgage loans in the United States in 2007-2008, had global effects, including on the prices of securities issuances by financial institutions or those perceived as posing increased risks, complexity or illiquidity.

It is uncertain whether these or similar circumstances may recur in the future and, if they do, the extent of the adverse secondary effects they may have on the Guatemalan economy, on our ability to obtain financing in the international and domestic capital markets, on the cost of such financing, on the market value of the Notes or on our customers.

Risks Related to the Notes

The Notes are limited recourse obligations.

The Notes represent secured limited recourse obligations of the Trust secured by, and repayable solely from, the Trust Assets (as defined below). The Notes are not direct obligations of any of the Lender, the Bank, the Industrial Cayman Trustee (other than in its capacity as trustee subject to the limited recourse provisions described herein) or the Indenture Trustee. Payments on the Notes will be made solely from payments by the Lender under the Participation Agreement. If the proceeds from any payments by the Lender paid to the Trust under the Participation Agreement and the Additional Transaction Documents (and indirectly from the Bank) are not sufficient to pay all amounts due to the holders of Notes, no other assets will be available for payment of any shortfall. The obligations of the Lender under the Participation Agreement are non-recourse and are limited to its obligation to make payments to the extent they are received from the Bank.

The Trust's ability to pay principal, interest and other amounts due on the Notes will therefore be dependent upon its receiving payments under, or with respect to, the Subordinated Loan Agreement and the Additional Transaction Documents (as defined below) and, as a result, on the financial condition and results of operations of the Bank. If the financial condition or results of operations of the Bank is adversely affected, the Lender and, indirectly, the Trust and the Indenture Trustee may be unable to recover sufficient proceeds under the Subordinated Loan Agreement or the Note Guarantee provided by the Bank to repay all amounts with respect to the Notes at their scheduled maturity or earlier upon any redemption prior to the scheduled maturity date.

There are very limited events of default under the Subordinated Loan Agreement and no events of default under the Notes.

While the Indenture sets forth certain standard covenants with respect to the Trust, failure by the Trust to comply with these obligations will not give rise to any event of default under the Indenture that affords the holders of the Notes any claim against the Lender and/or us under the Subordinated Loan Agreement, the Subordinated Loan or give rise to any default, event of default or right to accelerate the Subordinated Loan. In such case, the persons that are the holders of the Notes may have difficulties in collecting their pro rata interest in the Subordinated Loan Agreement and the Subordinated Loan.

If the Bank does not satisfy its obligations under the Subordinated Loan, the remedies of the holders of the Notes will be limited.

Payment of principal and interest on the Subordinated Loan may be accelerated only in the event of non-payment of principal or interest or in the case of certain events involving the Bank's bankruptcy, extrajudicial liquidation, winding up or dissolution or similar events. There is no right of acceleration in the case of a default by the Bank in the performance of any of its covenants under the Subordinated Loan Agreement.

The Bank's obligations under the Subordinated Loan are subordinated.

The Bank's obligations under the Subordinated Loan will be subordinated in right of payment to the Bank's current and future senior indebtedness, including all of the Bank's obligations to its depositors and certain statutory obligations. By reason of the subordination, in the case of insolvency or receivership or similar event, although principal and interest on the Subordinated Loan may become immediately due and payable, the Bank's assets will be available to pay such amounts only after all of its senior obligations have been paid in full.

There are no restrictive covenants in the Subordinated Loan limiting the Bank's ability to incur future indebtedness or complete other transactions.

The Subordinated Loan Agreement does not contain any financial or operating covenants or restrictions on the Bank concerning the payment of dividends, the incurrence of indebtedness, change of control, transactions with affiliates, incurrence of liens or the issuance or repurchase of securities by the Bank or any of its subsidiaries.

Accordingly, the Bank may incur additional indebtedness, including senior indebtedness, and engage in other transactions that may not be in the interests of the holders.

Payments on the Notes will be made through the Lender.

The ability of the Trust to make payments on the Notes is dependent in part on the performance by the Lender of its obligations under the Subordinated Loan Agreement and the Participation Agreement. Payments made by the Lender pursuant to the Participation Agreement will be the Trust's sole source of funds for payments made by the Trust pursuant to the Indenture. Accordingly, if the Lender defaults on or is otherwise unable to meet its obligations under the Participation Agreement, the Trust's sole source of funds for payment on the Notes will be any recovery on claims against the Lender. In the event that the Lender enters into bankruptcy, receivership or similar proceedings and the asset owned by the Issuer pursuant to the Participation Agreement is characterized as a nonrecourse unsecured debt obligation of the Lender rather than an undivided ownership interest in the Bank's payments made under the Subordinated Loan Agreement, the ability of the Trust to receive payments from the Lender may be subject to delays, moratorium, or the claims of other unsecured creditors of the Lender. Any failure or inability to make payments to the Trust by the Lender will not confer on the holders of the Notes any rights against the Bank.

An assignment of the Subordinated Loan and may lead to a possible redemption of Notes.

Bank of America, N.A. will be the lender with respect to the Subordinated Loan on the date the loan is disbursed. However, Bank of America, N.A., acting as Lender, may assign its interest in the Subordinated Loan Agreement and the Subordinated Loan to the Trust upon a Default or an Event of Default under the Subordinated Loan Agreement or in cases of illegality. In addition, in other instances, the Lender may assign its interest in the Subordinated Loan with the consent of the Borrower or without the consent of the Borrower to certain qualified institutions. See "The Subordinated Loan Agreement and the Subordinated Loan — Assignments and Participation." Upon any such assignment, the Lender will have no further responsibility to the Trust or the holders of the Notes with respect to any matter relating to the Subordinated Loan and the Trust or such third party will succeed to all rights of the Lender under the Subordinated Loan Agreement, the Subordinated Loan and any Additional Transaction Documents as lender under the Subordinated Loan. In such event, it is contemplated that the holders of the Notes and the Indenture Trustee will continue to have the right to direct the Trust with respect to all matters relating to the Subordinated Loan. Any assignment of the Subordinated Loan to the Trust with respect to cases of illegality, however, may give rise at such time to an increase in applicable Guatemalan tax withholding imposed on the Borrower and a possible redemption of the Notes which may, depending on prevailing rates, result in losses of anticipated earnings to investors.

The Lender and its affiliates have other relationships with the Bank.

The Lender and its affiliates have and will continue to have a wide range of banking, insurance, trust and other financial relationships with the Bank. As a consequence of these relationships, the Lender or its affiliates may take actions that, directly or indirectly, may entitle them to appear in proceedings with respect to claims against the Bank. As a result of such relationships, the Lender may take a position in favor of the Bank or contrary to the interests of the Trust and the holders of the Notes. In managing such relationships, the Lender and its affiliates are under no obligation to consider the effect of their actions on the holders of the Notes. In addition, in the course of such relationships or otherwise, the Lender or its affiliates may come into possession of material nonpublic information with respect to the Bank. The Lender will not be required to disclose any such information under the Participation Agreement or in connection with the transactions described herein or to use such information for the benefit of the holders of the Notes, nor will the possession of such information prevent the Lender from taking actions under the Participation Agreement.

Holders of the Notes must direct the Lender, who is not an agent of the Trust, to take action and the Lender may decline to do so.

Under the terms of the Participation Agreement, so long as the Lender is the lender with respect to the Subordinated Loan subject to such agreement, the Lender has agreed to seek the instructions of the Trust (and indirectly those of the holders of the Notes) with respect to the management and administration of the Subordinated

Loan Agreement and the Subordinated Loan. . In the absence of any such instructions, it is possible that the Lender may decline to take any action with respect to collection, management or enforcement of the Subordinated Loan Agreement or the Subordinated Loan.

Although it is expected that the Lender will generally follow such instructions, the Lender will not have any fiduciary duty to the holders of the Notes or the Trust. The Lender has retained the right to decline following such instructions if it believes that giving effect to the instructions of the Trust (and the holders of the Notes) will be in conflict with its other business interests as described under "The Participation Agreement — Administration of the Participation" and may decline to follow such instructions which may have an adverse effect on the holders of the Notes, including with respect to the recovery of amounts due in respect thereof.

There are restrictions on transfers of the Notes.

The Trust is relying on an exemption under the Investment Company Act of 1940, as amended. As a result, the holders' ability to transfer their Notes in the United States is limited for the life of the Notes to resales to "qualified purchasers" as that term is defined under the Investment Company Act of 1940, as amended. In addition, the Trust is relying on an exemption from registration under the Securities Act in the offering and resale of the Notes to United States investors during the one year period that they are restricted securities so that during such period such resales may generally only be made to "qualified institutional buyers" as defined thereunder. See "Notice to Investors."

The rating of the Notes may be lowered or withdrawn depending on various factors, including the rating agencies' assessments of the Bank's financial strength and Guatemalan sovereign risk.

The rating of the Notes addresses the likelihood of payment of principal at their maturity. The rating also addresses the timely payment of interest on each scheduled payment date. The rating of the Notes is not a recommendation to purchase, hold or sell the Notes, and the rating does not comment on market price or suitability for a particular investor. Neither the Bank nor the Trust can assure you that the rating of the Notes will remain for any given period of time or that the rating will not be lowered or withdrawn. A downgrade in or withdrawal of the rating of the Notes will not be an event of default under the Indenture governing the Notes. An assigned rating may be raised or lowered depending, among other things, on the respective rating agency's assessment of the Bank's financial strength, as well as its assessment of Guatemalan sovereign risk generally.

There is no established trading market for the Notes and holders of the Notes may not be able to sell them quickly or at the price that you paid.

The Notes are a new issue of securities and there is no established trading market for the Notes. The holders of Notes will not have any right to require the Trust to register the resale of the Notes pursuant to the Securities Act. Application has been made to list the Notes on the Luxembourg Stock Exchange and trade the Notes on the Euro MTF market. The Bank intends to cause the Notes to be registered in an account with the Guatemalan securities depository Central de Valores Nacional, S.A. (a subsidiary of the Bolsa de Valores Nacional, S.A.), within the "RECO" system in Guatemala. Central de Valores Nacional, S.A. maintains an account in Clearstream. Such arrangement is intended to facilitate holding of the Notes in book-entry form by Guatemalan investors. It does not constitute a listing on the Guatemalan Stock Exchange nor does it constitute the registration of a public offering in Guatemala. The Initial Purchaser has advised the Trust and the Bank that it intends to make a market in the Notes, but it is not obligated to do so. The Initial Purchaser may discontinue any market making in the Notes at any time, in its sole discretion. As a result, the Trust and the Bank cannot assure holders of the Notes as to the liquidity of any trading market for the Notes. The Trust and the Bank also cannot assure holders of the Notes that such holders will be able to sell their Notes at a particular time or that the prices that such holders receive when they sell will be favorable. Consequently, a holder of Notes and an owner of beneficial interests in those Notes must be able to bear the economic risk of their investment in the Notes for the term of the Notes.

Future trading prices of the Notes will depend upon many factors, including:

- the operating performance and financial condition of the Bank;

- the interest of securities dealers in making a market in the Notes; and
- the market for similar securities.

Historically, the market for non-investment grade debt has been subject to disruptions that have caused volatility in prices. It is possible that the market for the Notes will be subject to disruptions. Any such disruptions may have a negative effect on the holders of the Notes, regardless of the Bank's prospects and financial performance.

Exchange control and exchange rate risks.

The obligations of the Bank to make, or cause to be made, payments in respect of interest on the Notes are based on the cash flow available for debt service of the Bank, which is denominated primarily in *quetzales.* These obligations with respect to the cash flow available for debt service of the Bank is subject to the ability to convert *quetzales* into U.S. dollars, the rates at which such conversions occur, and the ability to repatriate such funds into the United States. The *quetzal* may be subject to significant fluctuations in the future. See "Exchange Rates and Exchange Controls."

The U.S. federal income tax consequences of investing in the Notes are not entirely certain and potential alternative characterizations could result in adverse U.S. federal income tax consequences to investors.

The Trust will treat, and each holder of a Note and beneficial owner of a Note by acquiring a beneficial interest in a Note agrees to treat, solely for U.S. federal, state and local tax purposes, (a) the Notes as an ownership interest in the Subordinated Loan, and (b) the Trust as a mere security arrangement that serves to secure and facilitate payment of principal, interest, and other amounts due under the Subordinated Loan to holders of the Notes pursuant to the Participation Agreement. However, there are no statutory, judicial or administrative authorities that address the U.S. federal income tax treatment of a structure consisting of instruments and arrangements similar to the Notes, the Trust, the Participation Agreement, and the Subordinated Loan and, accordingly, this treatment is not certain.

There are possible alternative U.S. federal income tax characterizations of the Notes and other aspects of the structure that may be adverse to holders of Notes. See "Taxation—U.S. Federal Income Tax Matters—Possible Alternative Tax Treatments." In particular, if the Notes were treated as an ownership interest in a foreign grantor trust, U.S. Holders may be subject to potentially onerous information reporting requirements. See "Taxation —U.S. Federal Income Tax Matters—Possible Alternative Tax Treatments—Notes May be Treated as Ownership Interests in a Grantor Trust for U.S. Federal Income Tax Purposes." Accordingly, holders are advised to consult their own tax advisors regarding such alternative characterizations.

The identity of the obligor of the indebtedness giving rise to payment on the Notes for U.S. federal income tax purposes is not entirely clear. Thus, IRS Forms W-8 and W-9, as applicable, will need to be received from all holders of Notes in order to avoid potential U.S. withholding tax on payments on the Notes in the event that the obligor of such indebtedness is determined to be a U.S. person. In this event, payments on the Notes, in the case of a holder other than a U.S. holder, generally will be eligible for the portfolio interest exemption from U.S. withholding tax, unless such payments on the Notes are received by certain holders. In the event a holder fails to provide to the paying agent a duly executed IRS Form W-8 or W-9, as applicable, tax will be withheld from the payment on the Notes otherwise payable to such holder at the rate applicable to U.S. federal backup withholding (currently 28%) in the case of a U.S. Holder or 30% in the case of a holder other than a U.S. Holder.

Holders of Notes may find it difficult to enforce civil liabilities against the Trust.

The Trust is not an entity with an independent legal existence. The Industrial Cayman Trustee is a company with limited liability incorporated under the laws of the Cayman Islands. As a result, it may not be possible for investors to effect service of process upon the Trust or the Industrial Cayman Trustee within the United States or to enforce against the Trust or the Industrial Cayman Trustee in United States courts judgments predicated upon the civil liability provisions of the securities laws of the United States. According to the Trust's Cayman Islands counsel, there is doubt as to the enforceability in the Cayman Islands, in original actions or in actions for the enforcement of judgments of the United States courts, of liabilities predicated solely upon United States securities laws.

The Trust is a Cayman Islands purpose trust (commonly known as a "STAR trust") to which Part VIII of the Trusts Law (as amended) of the Cayman Islands shall apply. The Trust is not an entity with independent legal existence. The Industrial Cayman Trustee is a company with limited liability incorporated under the laws of the Cayman Islands.

The Trust has been advised by Walkers, its Cayman Islands counsel, that there is uncertainty as to whether the courts of the Cayman Islands would (i) recognize or enforce judgments of U.S. courts obtained against the Industrial Cayman Trustee or the Trust or such persons predicated upon the civil liability provisions of the securities laws of the United States or any state thereof, or (ii) be competent to hear original actions brought in each respective jurisdiction, against the Industrial Cayman Trustee or the Trust or such persons predicated upon the securities laws of the United States or any state thereof.

Walkers has further advised the Trust that a final and conclusive judgment in federal or state courts of the United States under which a sum of money is payable, other than a sum payable in respect of taxes, fines, penalties or similar charges, may be subject to enforcement proceedings by way of an action commenced on the judgment debt in the courts of the Cayman Islands.

Holders of the Notes and the Lender may find it difficult to enforce civil liabilities against the Bank.

The Bank is a *sociedad anónima* organized under the laws of Guatemala and an authorized bank under the banking laws of Guatemala. All of its directors and officers named herein reside in Guatemala and all or a significant portion of the assets of such persons may be, and substantially all of the assets of the Bank are, located in Guatemala. As a result, it may not be possible for investors to effect service of process outside Guatemala upon these persons or to enforce against them or against the Bank in non-Guatemalan courts judgments predicated upon the civil liability provisions of non-Guatemalan securities laws.

Judgments of non-Guatemalan courts for civil liabilities predicated upon non-Guatemalan securities laws may be enforced in Guatemala, subject to certain requirements described below. A judgment against the Bank or the persons described above obtained outside Guatemala would be enforceable in Guatemala against the Bank or such persons without reconsideration of the merits by a Guatemalan court, subject to the conditions enumerated in the next sentence. Enforcement generally will occur if the foreign judgment: (a) fulfills all formalities required for its enforceability under an applicable treaty or in the absence of such a treaty, fulfills all formalities required under the laws of the country where the foreign judgment is granted, whose courts would enforce, reciprocally, judgments by Guatemalan courts, (b) is rendered by a competent court after proper service of process and was not rendered in default of defendant, (c) is final and not subject to appeal or any further proceedings, (d) is authenticated by a Guatemalan consular office in the country where the foreign judgment is issued and is translated into Spanish by a certified translator in Guatemala and (e) refers to a civil or commercial action *in personam,* to obligations that are legal in Guatemala, and is not contrary to Guatemalan overriding public policy (as set forth in Guatemalan law). Notwithstanding the foregoing, no assurance can be given that enforcement will be obtained, that the process described above can be conducted in a timely manner or that a Guatemalan court would enforce a monetary judgment for violation of non-Guatemalan securities laws with respect to the Notes. The Bank has been advised by its Guatemalan counsel, Mayora & Mayora, S.C., that (a) original actions predicated upon non-Guatemalan securities laws may be brought in Guatemalan courts and that, subject to Guatemalan rules of international private law, public policy, public morality and national sovereignty, Guatemalan courts may enforce civil liabilities in such actions against the Bank, its directors, certain of its officers and the advisors named herein, (b) a default judgment rendered against the Bank in a foreign jurisdiction would likely not be enforceable in Guatemala, and (c) the ability of a judgment creditor or other persons named above to satisfy a judgment by attaching certain of our assets is limited by certain provisions of Guatemalan law, such as Article 43 of the Organic Law of the Guatemalan Central Bank (*Ley Orgánica del Banco de Guatemala),* which provides that compulsory deposits maintained by financial institutions (including us) with the Guatemalan Central Bank (*Banco de Guatemala)* are immune from attachment.

USE OF PROCEEDS

The proceeds to the Trust from the issuance of the Notes offered hereby will be US$150 million. The Trust intends to use the proceeds from the offering of the Notes to purchase a 100% participation interest in the Subordinated Loan made by the Lender pursuant to the Subordinated Loan Agreement.

The Bank intends to use net proceeds to it from the Subordinated Loan of US$147.75 million (net of commissions and expenses) to repay certain existing subordinated indebtedness at the time of issuance of the Notes and funding of the Subordinated Loan as set forth below and the remainder to strengthen its regulatory capital base and for general corporate purposes.

The existing subordinated indebtedness that the Bank intends to repay includes its subordinated loan due March 2016 (the "2016 Loan") and its subordinated loan due December 2015 (the "2015 Loan"). At March 31, 2011, there was US$40 million (the equivalent of approximately Q307.5 million) and US$30 million (the equivalent of approximately Q230.7 million), respectively, in indebtedness outstanding under the 2016 Loan and the 2015 Loan. The 2016 Loan bears interest at a rate of LIBOR plus 3.25% and the 2015 Loan bears interest at a rate of LIBOR plus 4.00% as of March 31, 2011.

EXCHANGE RATES AND CURRENCY

Since 1994, the Monetary Board has allowed the exchange rate for the quetzal to be determined predominantly by market forces. The Guatemalan Central Bank intervenes in the foreign exchange market by buying or selling U.S. dollars to counter drastic fluctuations in the exchange rate caused by speculative, cyclical or seasonal factors that affect the balance of payments.

Since 1996, the Guatemalan Central Bank has intervened in the foreign exchange market through the "*Sistema Electrónico de Negociación de Divisas*," an electronic system for buying and selling foreign exchange. Currently, there are no restrictions on the conversion of quetzales into other currencies. On May 1, 2001, the Law of Free Transfer of Foreign Currency came into effect, permitting both domestic and foreign banks in Guatemala to freely enter into foreign-currency-denominated contracts and accept monetary deposits and offer bank accounts in foreign currency.

The following table sets forth certain information concerning the quetzal-to-dollar interbank exchange rate for the dates and periods indicated. These rates are presented for information purposes.

Period	Low	High	Average(1)	Period-end
2007	7.59615	7.75396	7.67488	7.63101
2008	7.37815	7.78383	7.56309	7.78159
2009	7.77250	8.36348	8.15955	8.35439
2010	7.93349	8.39482	8.05933	8.01358
November	7.98621	8.04286	8.01026	7.98621
December	7.93349	8.01358	7.97654	8.01358
2011				
January	7.87557	8.02871	7.96619	7.87557
February	7.77586	7.85530	7.81394	7.80074
March	7.67640	7.77279	7.71115	7.68836
April	7.57536	7.66856	7.62419	7.57536
May	7.57529	7.79559	7.64790	7.79559
June	7.72839	7.85057	7.79532	7.77023

Source: Guatemalan Central Bank.
(1) Average of daily rates.

Unless otherwise indicated, the exchange rate used in this offering memorandum is Q7.6883, which is the exchange rate announced by the Guatemalan Central Bank on March 31, 2011 to convert one U.S. dollar to one quetzal.

DIVIDENDS

We paid dividends in the amounts of Q396.6 million, Q371.8 million, Q341.5 million, Q287.8 million and Q227.3 million in January 2011, 2010, 2009, 2008 and 2007, respectively, with respect to distributable income of the prior year. Such dividends represented 52.0%, 62.9%, 56.7%, 60.7% and 70.4% of the years 2010, 2009, 2008, 2007 and 2006 net income, respectively. Each payment of dividends was approved at the annual shareholders' meeting at the recommendation of our board of directors.

Pursuant to Article 70 of the Banks and Financial Groups Law, we cannot pay dividends if our Capital Ratio is below certain required minimum levels. In such event, we would enter into an equity regulation plan under the supervision of the banking authorities. At the date of this offering memorandum, we have complied with requirements of applicable law relating to the payment of dividends and plan to continue paying dividends on an annual basis.

Guatemalan law establishes a mandatory withholding of retained earnings equal to at least 5.0% of net income to form and fund a legal reserve. The amounts in the legal reserve fund cannot be distributed to shareholders. Nevertheless, the legal reserve fund can be utilized for the payment of dividends when it exceeds 15.0% of the equity at year-end. As of March 31, 2011, the amount of our legal reserves was Q237.8 million, 6.7% of our shareholders' equity at that date.

CAPITALIZATION

The following table sets forth, as of March 31, 2011, the Bank's consolidated capitalization (1) on an actual basis and (2) and on an as adjusted basis after giving effect to the Transactions. This table should be read in conjunction with the information contained in the sections "Use of Proceeds," "Selected Consolidated Financial Information," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our historical consolidated financial statements and related notes included elsewhere in this offering memorandum.

	As of March 31, 2011			
	Actual	**As Adjusted for the offering**	**Actual**	**As Adjusted for the offering**
	(US$ in millions, except for percentages)		**(Q millions, except for percentages)**	
Primary Capital:				
Paid in capital	179.1	179.1	1377.0	1377.0
Shareholder's contributions	48.8	48.8	375.2	375.2
Tier 1 admissible bonds	35.0	35.0	269.1	269.1
Legal and special reserves	30.9	30.9	237.8	237.8
Total Primary Capital	**293.8**	**293.8**	**2,259.1**	**2,259.1**
Complementary Capital:				
Retained earnings	108.5	108.5	834.3	834.3
Revaluation of assets	7.6	7.6	58.3	58.3
Other capital reserves	87.4	87.4	671.8	671.8
Subordinated obligations[1]	70.0	150.0	538.2	1,153.3
Total Complementary Capital	**273.5**	**353.5**	**2,102.5**	**2,717.6-**
Total Shareholders Equity	**567.3**	**647.3**	**4,361.6**	**4,976.7-**

(1) In accordance with the Manual of Accounting Instructions for Entities Subject to the Surveillance and Inspection of the Superintendence of Banks of Guatemala, amounts presented in the above table under the captions of "Tier 1 Admissible bonds" and "Subordinated bonds", shall be presented as part of "other liabilities in the Bank's financial statements; however, resolution JM-172-2007 of Guatemala's Monetary Board and article number 20 of the "Law of Banks and Financial Groups" of Guatemala, allow inclusion of such amounts in the calculation of Compulsory Capital.

SELECTED CONSOLIDATED FINANCIAL INFORMATION

The following tables set forth certain summary historical and unaudited consolidated financial information as of and for the periods indicated. The summary consolidated financial information presented below should be read in conjunction with “Presentation of Certain Financial and Other Information,” “Exchange Rates and Currency,” “Use of Proceeds,” “Capitalization,” “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and our Audited Consolidated Financial Statements and Unaudited Interim Consolidated Financial Statements included elsewhere in this offering memorandum.

The consolidated income statement data for the years ended December 31, 2010, 2009 and 2008 and the consolidated balance sheet data as of December 31, 2010 and 2009 were derived from our Audited Consolidated Financial Statements included elsewhere in this offering memorandum. Our historical financial information as of March 31, 2011 and for the three months ended March 31, 2010 and 2009 is derived from our Unaudited Interim Consolidated Financial Statements included elsewhere in this offering memorandum. In the opinion of management, the unaudited financial information includes all adjustments, consisting of normal recurring adjustments, considered necessary for a fair representation of this information. The results of operations for interim periods are not necessarily indicative of the results that may be expected for the entire year.

Consolidated Income Statements

	For the three months ended March 31,			For the year ended December 31,			
	2011[(1)]	2011	2010	2010[(1)]	2010	2009	2008
	(US$ millions)	*(Q millions)*		*(US$ millions)*		*(Q millions)*	
Income statement data:							
Financial income	US$ 108.2	Q 831.6	Q 815.3	US$ 427.7	Q 3,288.4	Q 3,334.0	Q 3,019.6
Interest income	107.8	828.8	810.4	425.5	3,271.4	3,245.3	2,968.0
Other financial income	0.4	2.8	4.9	2.2	17.0	88.7	51.6
Financial expense	54.0	415.4	415.7	217.7	1,673.6	1,762.3	1,533.9
Interest expense	48.4	372.5	381.5	199.3	1,532.4	1,569.6	1,412.2
Other financial expense	5.6	42.9	34.1	18.3	141.1	192.6	121.6
Net financial income	54.1	416.2	399.6	210.0	1,614.9	1,571.7	1,485.7
Income from services	16.0	123.1	108.3	61.1	469.5	427.3	430.2
Expenses from services	0.4	3.4	1.7	1.6	12.1	6.6	8.7
Net income from services	15.6	119.7	106.6	59.5	457.4	420.8	421.5
Other operating income and expenses, net:							
Operating income	6.1	46.7	35.8	18.1	139.2	202.8	147.5
Loan, accounts receivable and securities loss provision	4.4	33.8	28.8	22.3	171.1	244.6	191.1
Operating expenses	0.5	3.6	5.9	0.5	3.9	0.5	2.3
Other operating income and expense, net	1.2	9.3	1.1	(4.7)	(35.8)	(42.3)	(45.9)
Income net of other operating income and expenses	70.9	545.3	507.3	264.9	2,036.5	1,950.2	1,861.3
Administrative expenses	45.4	348.7	325.5	157.8	1,213.0	1,279.1	1,159.5
Income net of operating income and expenses	25.6	196.6	181.9	107.1	823.5	671.1	701.8
Extraordinary income and expenses, net	2.2	17.1	60.0	14.4	110.4	35.8	38.0
Prior period’s income and expenses, net	0.5	3.7	4.8	0.7	5.5	5.4	3.0
Income before tax expense	28.3	217.4	246.7	122.2	939.4	712.3	742.8
Income tax expense	0.7	5.5	5.2	22.4	171.9	118.3	139.9
Income net of tax expense	27.6	212.0	241.5	99.8	767.5	594.0	602.9
Non-controlling interest	0.1	0.7	1.9	0.6	4.3	2.7	0.2
Net consolidated income	**US$ 27.5**	**Q 211.3**	**Q 239.7**	**US$ 99.3**	**Q 763.3**	**Q 591.3**	**Q 602.8**

(1) Statement of income data expressed in U.S. dollars have been translated at the rate of Q7.68836 per US$1.00, based on the Guatemalan Central Bank on March 31, 2011. See “Exchange Rates and Currency.”

Consolidated Balance Sheets

	As of March 31,		As of December 31,			
	2011[1]	2011	2010[1]	2010	2009	2008
	(US$ millions)	*(Q millions)*	*(US$ millions)*		*(Q millions)*	
Balance sheet data:						
Cash and due from banks	US$ 1,011.9	Q 7,779.5	US$ 842.9	Q 6,480.2	Q 6,568.9	Q 4,992.5
Investment securities held-to-maturity	2,342.5	18,010.2	2,285.0	17,568.0	13,871.1	12,034.9
Loan portfolio, net	2,942.6	22,623.8	3,014.9	23,179.7	22,670.9	23,305.0
Accounts receivable from accrued financial products	42.2	324.5	43.4	334.0	286.8	265.3
Other accounts receivable, net	34.7	267.0	34.6	266.0	247.4	411.0
Foreclosed assets, net	1.7	13.4	1.5	11.9	7.7	6.3
Investments in equity securities	1.6	12.3	1.6	12.3	11.1	9.6
Other investments	44.7	343.5	45.1	346.5	148.2	139.6
Property and equipment, net	165.6	1,273.4	163.3	1,255.4	1,318.3	1,099.1
Deferred charges, net	74.9	576.1	79.4	610.6	630.6	685.5
Total assets	**6,662.5**	**51,223.7**	**6,511.8**	**50,064.8**	**45,761.0**	**42,949.0**
Deposits	5,079.9	39,056.4	4,935.4	37,945.3	34,783.8	30,786.9
Loans with other financial institutions	625.2	4,806.9	617.1	4,744.4	3,833.3	5,478.8
Financial obligations	216.6	1,665.2	221.5	1,702.9	1,835.4	1,754.1
Accounts payable from accrued financial expense	26.0	200.0	25.4	195.4	188.2	144.2
Other accounts payable	133.6	1,027.1	94.0	722.4	663.1	584.6
Provisions	4.3	32.7	2.6	19.9	20.3	18.8
Other liabilities	105.0	807.3	36.5	280.5	292.4	272.4
Deferred income	2.4	18.6	2.8	21.6	20.5	26.9
Total liabilities	**6,193.0**	**47,614.1**	**5,935.2**	**45,632.3**	**41,637.0**	**39,066.7**
Other credit balances	4.3	32.8	4.0	30.4	31.8	59.3
Non-controlling interest	2.9	22.4	3.0	23.3	5.6	8.1
Total liabilities, other credit balances and non-controlling interest	**6,200.2**	**47,669.3**	**5,942.2**	**45,686.1**	**41,674.4**	**39,134.1**
Shareholders' equity:						
Primary capital	258.8	1,990.0	253.4	1,948.0	1,914.0	1,880.5
Complementary capital[2]	203.5	1,564.4	316.2	2,430.7	2,172.6	1,934.4
Total shareholders' equity	**462.3**	**3,554.4**	**569.5**	**4,378.7**	**4,086.6**	**3,814.9**
Total liabilities, other credit balances, non-controlling interest and shareholders' equity	**US$ 6,662.5**	**Q 51,223.7**	**US$ 6,511.8**	**Q 50,064.8**	**Q 45,761.0**	**Q 42,949.0**

(1) Data expressed in U.S. dollars has been translated at the rate of Q7.68836 per US$1.00, reported by the Guatemalan Central Bank on March 31, 2011. See "Exchange Rates and Currency."

(2) Pursuant to Guatemalan Banking GAAP, the complimentary capital includes subordinated debt in the amount of Q561.0 million, Q584.8 million, Q544.7 million as of December 31, 2010, December 31, 2009 and December 31, 2008, respectively. Complimentary capital included subordinated debt contracted before January 1, 2008 with a maturity at each reporting period of 5 years or more. All subordinated debt contracted after January 1, 2008 is classified as other liabilities.

Other Financial Data and Ratios

The selected financial data and ratios presented below have been derived from and should be read in conjunction with the Financial Statements and the other financial information contained in this offering memorandum.

	As of March 31,		As of December 31,			
	2011[(1) (2)]	2011	2010[(1)]	2010	2009	2008
	(US$ millions, except percentages)	*(Q millions, except percentages)*	*(US$ millions, except percentages)*	*(Q millions, except percentages)*		
Profitability and efficiency:						
Return on average total assets [(3)]	1.7%	1.7%	1.6%	1.6%	1.3%	1.5%
Return on average shareholders' equity [(4)(5)]	21.7%	21.7%	17.9%	17.9%	15.4%	17.5%
Net interest margin[(6)]	4.3%	4.3%	4.4%	4.4%	4.5%	4.5%
Efficiency ratio[(7)]	60.2%	60.2%	54.9%	54.9%	58.3%	56.5%
Capitalization:						
Shareholders' equity as a percentage of total assets[(8)]	6.9%	6.9%	8.7%	8.7%	8.9%	8.9%
Primary capital as a percentage of risk-weighted assets[(9)]	6.9%	6.9%	6.7%	6.7%	7.2%	7.1%
Capital ratio [(10)]	12.4%	12.4%	15.0%	15.0%	15.3%	14.4%
Credit quality data:						
Total performing loans	2,969.1	22,827.4	2,913.6	23,348.6	22,818.3	23,390.4
Total non-performing loans	18.0	138.7	21.0	168.3	147.3	149.2
Total loans	2,987.1	22,966.1	2,934.6	23,516.9	22,965.6	23,539.6
Loans graded "C," "D" and "E"[(11)]	191.7	1,473.7	135.3	1,084.1	417.5	184.3
Allowance for loan losses	44.5	342.3	42.1	337.1	294.7	234.5

(1) Data expressed in U.S. dollars has been translated at the rate of Q7.68836 per US$1.00, reported by the Guatemalan Central Bank on March 31, 2011. See "Exchange Rates and Currency."
(2) Figures for the three-month period ended March 31, 2011 have been annualized.
(3) Net income for the period divided by the daily average total assets.
(4) Net income for the period divided by the daily average total shareholders' equity.
(5) Income for the first quarter of 2011 does not consider income tax provisions. Considering a rate equivalent to the implicit rate in 2010, the return on average shareholders' equity would have been 18.3%.
(6) Represents financial margin divided by average interest-earning assets. Average interest-earning assets are determined on an annualized basis, based on daily balances.
(7) Refers to the period's total administrative expenses divided by the period's total operating income (plus loan loss provisions).
(8) Refers to the end of period shareholders' equity divided by the end of period total assets.
(9) Refers to the end of period Primary capital divided by the end of period risk-weighted assets.
(10) Refers to the end of period net capital as a percentage of risk-weighted assets. Our Capital Ratio on a consolidated basis as of March 31, 2011, December 31, 2010, 2009 and 2008 was 12.4%, 15.0%, 15.3% and 14.4%, respectively, which was, in each instance, above the regulatory requirement of 10.0%.
(11) Guatemalan banking regulations require banks to carry out a quarterly valuation of its loan portfolio, assessing diverse factors such as performance, payment capacity, guarantee structure, updated audited financial information, compliance with specific financial ratios, etc. As of March 31, 2011 and December 31, 2010, 98.8% and 97.1%, of C through E loans respectively, are up to date but have been classified as such due to other reasons stated above. See "Selected Statistical Information—Grading of Loan Portfolio."

Credit Quality Ratios:

	As of March 31,	As of December 31,		
	2011	2010	2009	2008
Allowance for loan losses as a percentage of total loans(1)	1.5%	1.4%	1.3%	1.0%
Allowance for loan losses as a percentage of total non-performing loans(2)	246.8%	200.4%	200.1%	157.2%
Allowance for loan losses as a percentage of loans graded "C," "D" and "E"(3)	23.2%	31.1%	70.6%	127.2%
Total non-performing loans as a percentage of total loans(4)	0.6%	0.7%	0.6%	0.6%

(1) Refers to the end of period allowance for loan losses divided by the end of period total loans.
(2) Refers to the end of period allowance for loan losses divided by the end of period non-performing loans.
(3) Refers to the end of period allowance for loan losses divided by the end of period loans graded C, D and E.
(4) Refers to the end of period total non-performing loans divided by the end of period total loans.

Historical Growth:

	As of December 31,				
	2010	2009	2008	2007(1)	2006(1)
			(Q millions)		
Balance sheet items:					
Total assets	50,064.8	45,761.0	42,949.0	38,353.6	31,941.9
Yielding assets	41,094.3	36,690.2	35,479.5	30,927.2	25,633.4
Total net loans	23,179.7	22,670.9	23,305.0	19,842.5	14,787.0
Total deposits	37,945.3	34,783.8	30,787.0	26,350.5	22,431.3
Shareholder's equity	4,378.7	4,086.6	3,814.9	3,071.7	2,669.8
Non-performing loans	168.3	147.3	149.2	113.5	146.4
Gross loans	23,516.9	22,965.6	23,539.6	20,023.3	14,944.8
Other investments	346.5	148.2	139.6	146.6	68.0
Loan loss reserve	337.1	294.7	234.5	180.8	157.7
Income statement items:					
Net interest income before provision	1,738.9	1,675.7	1,555.8	1,122.8	743.9
Total administrative expenses (less loan loss provisions)	1,213.0	1,279.1	1,159.5	879.0	657.6
Total operating income (before provisions)	2,207.6	2,194.8	2,052.4	1,548.7	1,044.4
Net Fee income excluding other operating income	457.4	420.8	421.5	425.9	300.5
Total operating income before provision	2,207.6	2,194.8	2,052.4	1,548.7	1,044.4
Net Income	763.3	591.3	602.8	473.9	322.8
Regulatory capital:					
Tier 1 Capital	1,948.0	1,914.0	1,880.5	1,600.4	1,421.6
Tier 2 Capital	2,430.7	2,172.6	1,934.4	1,471.2	1,248.2
Total Regulatory Capital	4,378.7	4,086.6	3,814.9	3,071.7	2,669.8
Tier 1 Capital / RWA	6.7%	7.2%	7.1%	6.7%	7.6%
Tier 2 Capital / RWA	8.3%	8.1%	7.3%	6.1%	6.7%
Total Regulatory Capital	15.0%	15.3%	14.4%	12.8%	14.2%
Risk Weighted Assets (RWA)	29,196.2	26,735.6	26,432.3	24,063.7	18,750.1
Ratios:					
ROAE	17.9%	15.4%	17.5%	16.5%	15.1%
ROAA	1.6%	1.3%	1.5%	1.3%	1.2%
Net Interest Margin:(2)	4.4%	4.5%	4.5%	4.0%	3.5%
Efficiency ratio: (3)	54.9%	58.3%	56.5%	56.8%	63.0%
Fee income ratio:(4)	20.7%	19.2%	20.5%	27.5%	28.8%

(1) Certain changes to Guatemala Banking GAAP that were effective in 2008 may affect the comparability of the figures prior to this year, in particular regarding the allowance for loan losses, where a reserve for individually significant loans was introduced. Please see "Large Commercial and Corporate Loans" under the Selected Statistical Information section.
(2) Refers to net interest income before provisions divided by average yielding assets
(3) Refers to other administrative expenses divided by total operating income for the period (plus loan loss provisions).
(4) Refers to net fee income (excluding other operating income) / total operating income before provisions

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The financial information presented in this section as of and for the three months ended March 31, 2011 and 2010 and as of and for the years ended December 31, 2010, 2009, and 2008 should be read in conjunction with our Financial Statements. Our Financial Statements have been prepared in accordance with Guatemalan Banking GAAP, which differ from U.S. GAAP and SEC guidelines applicable to banking institutions in the United States. No reconciliation of any of our Financial Statements to U.S. GAAP has been prepared for this offering memorandum. Any such reconciliation would result in material differences. See "Presentation of Certain Financial and Other Information".

Overview

We are the largest bank in Guatemala and we are one of the largest banks in Central America (excluding Panama), based on total assets as of March 31, 2011. We had one of the largest distribution networks in Guatemala, with more than 2,996 points of service, which includes branches, minibranches, kiosks, banking agents and provided access to more than 2,180 ATMs (1,500 from alliances), as of March 31, 2011.

Economic Overview

Guatemala's economy continues to grow supported by its track record of macroeconomic stability, its low public and external debt, as well as the government's solid commercial debt repayment history. These factors have provided a sufficient buffer to deal with adverse external shocks.

Guatemala is the largest economy in Central America, with an estimated GDP of US$41.43 billion in 2010. The economy has expanded steadily in recent years, growing at a real rate of 3.61% in 2000, 2.33% in 2001, 2.25% in 2002, 2.13% in 2003, 2.75% in 2004, 3.16% in 2005, 5.40% in 2006, 6.30% in 2007, 3.30% in 2008, 0.5% in 2009 and an estimated 3.3% in 2010. The rate of growth of the economy declined after 2007, due to the international financial crisis, resulting in lower economic growth in the United States and the rest of Central America (Guatemala's main trading partners).

The Guatemalan economy historically has relied heavily upon agriculture, which, predominantly is comprised of the export of coffee, sugar, bananas and cardamom. As Central American countries took strides towards regional economic integration in the 1960s and 1970s, Guatemala became an important regional source for manufactured consumer products as well as processed foods, and it has made some progress in promoting the export of non-traditional products.

Guatemala's economy is affected by external events. Moderate worldwide economic growth, and other events have caused uncertainty and volatility in the United States and international economies and financial markets. While the United States and other countries to which Guatemala exports its products continue to experience moderate economic growth, it is unclear whether the same rates of growth will continue. It is worth mentioning that Guatemala has successfully diversified its commercial partners and is not solely dependant of the United States economy.

On March 10, 2005, Guatemala ratified the U.S.-Dominican Republic - Central America Free Trade Agreement (CAFTA-DR). On July 1, 2006, the CAFTA-DR entered in to force between the United States and Guatemala. CAFTA-DR eliminates customs tariffs on as many categories of goods as possible; opens services sectors; and creates clear and readily enforceable rules in areas such as investment, government procurement, intellectual property protection, customs procedures, electronic commerce, the use of sanitary and phyto-sanitary measures to protect public health, and dispute resolution.

CAFTA-DR has resulted in more investments and competition between companies, which has resulted in an increase of the availability of Guatemalan products in Central America. In addition, CAFTA-DR´s international free trade policy has facilitated Guatemala's entrance into U.S. markets.

Besides the global economic downturn, Guatemala's economy performed with positive growth of 3.30% in 2008, 0.5% in 2009 and 3.3% estimated in 2010. The US recession softened by important structural differences with regional peers and the authorities' moderate counter-cyclical policies. Guatemalan exports contracted less than those of many of its regional peers, as the country has a diversified commodity export base, which benefited from price stability and, in the case of coffee and sugar, an increase in price. However, sharp declines in remittances (−9% in 2009) and FDI (−25%) contributed to a contraction of domestic demand in 2009.

In 2009, the authorities implemented counter-cyclical monetary and fiscal policies to support growth. The central bank's benchmark policy interest rate was reduced by 275 bps to 4.50% during 2009 and has been maintained at this level until March 31, 2011. Additional measures to increase domestic liquidity, such as increased flexibility in computing reserve requirements and the temporary suspension of certificate of deposit placements, were also implemented.

The government also implemented its National Program for Economic Emergency and Recovery in 2009, which included fiscal measures to jump-start the economy, such as strengthening Guatemala's social safety net with targeted conditional income transfer programs and investing in infrastructure.   Growth, has been steadily recovering since September 2009, the increase in the index of confidence in economic activity since the last quarter of 2009 suggests that the recovery finally is arriving.

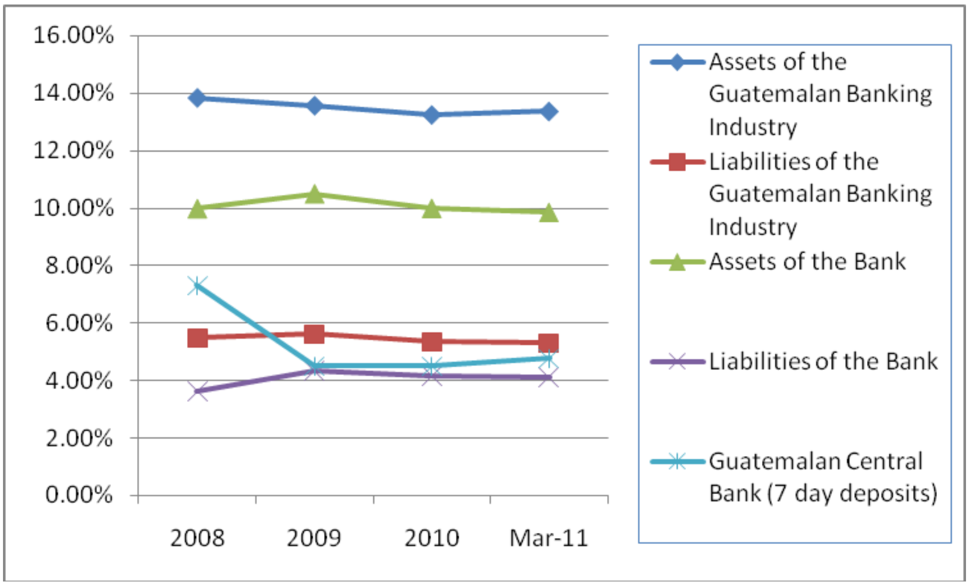
Remittances and capital inflows began to grow in the first half of 2010. Despite monetary easing, credit growth has yet to recover from the end of 2008, in part due to a lack of demand. As a result of slow credit demand and uncertain US growth prospects, it is not expected that Guatemala's growth will return to higher pre-crisis levels over the short term horizon. A return of global risk aversion or a setback to the global recovery represents downside risks to Guatemala's growth picture. Guatemala's government sought a one year extension to its 18-month, US$975 million stand-by agreement with the IMF, which was successfully completed in late October 2010.

In the first three months of 2011 remittances from Guatemalans living abroad continued to recover as the US economy strengthened. Remittances grew by 10% year on year and totaled US$972.1 million in the first quarter of the year a clear recovery from 2009 and 2010 and only just below the record amount registered in the first quarter of 2008 (US$973.4 million). March 2011 was the 13th consecutive month of positive growth following 13 months of decline, averaging 8.2% year on year. Remittances amounted to US$4.1bn in 2010, 5.5% higher than in 2009 (US$3.9bn), but below the US$4.3bn registered in 2008. Banguat expects remittances to increase by 5.3% year on year in 2011.

Effects of Changes in Interest Rates

Interest rate fluctuations in Guatemala have an effect on the banking system's interest income and interest expense. Changes in market interest rates may lead to temporary repricing gaps between interest-earning assets and interest-bearing liabilities. The repricing generally limits the effects of net exposures that regularly occur upon movements in interest rates. The table below presents the weighted average interest rates on local currency assets and local currency liabilities of the Guatemalan banking industry for the periods indicated. The table also presents the weighted average of the seven-day deposit rate published by the Guatemalan Central Bank.

Interest Rates—Local Currency

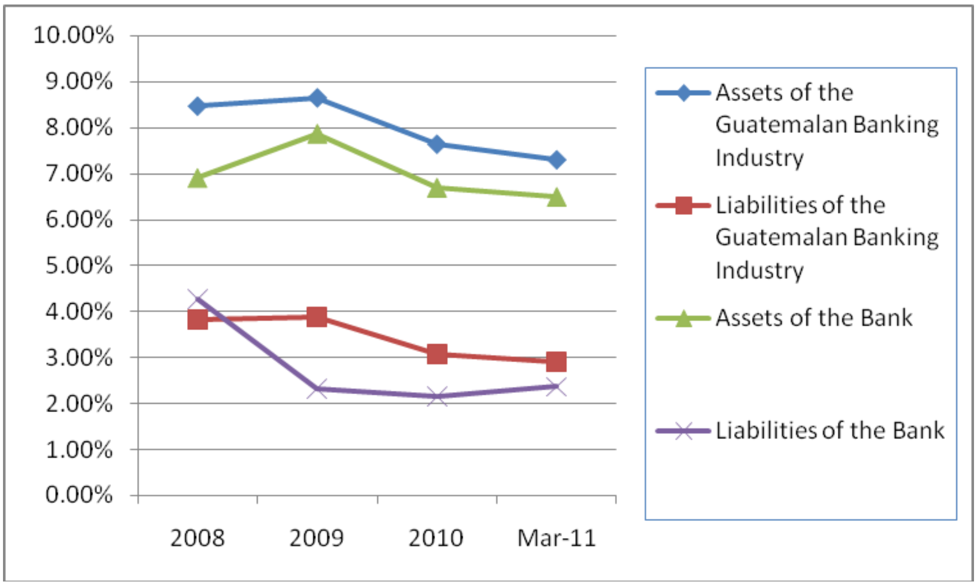


The Guatemalan banking industry generally does not establish its interest rates by reference to a benchmark rate. However, the weighted average interest rates on local currency of the Guatemalan banking industry are somewhat influenced by the rate for seven-day deposits published by the Guatemalan Central Bank. The weighted average of this seven-day deposit rate had generally shown a downward trend, but it increased as of March 31, 2011 to 4.8% from 4.5% as of December 31, 2010.

The Guatemalan banking industry's weighted average interest rate paid on local currency assets has generally shown an downward trend, but increased as of March 31, 2011 to 13.40% from 13.25% as of December 31, 2010. The Guatemalan banking industry's weighted average interest rate on local currency liabilities has shown a stable trend, but decreased to 5.30% as of March 31, 2011 from 5.34% as of December 31, 2010, 5.61% as of December 31, 2009 and 5.47% as of December 31, 2008.

Interest Rates—Foreign Currency

The table below presents the weighted average rates on foreign currency assets and foreign currency liabilities of the Guatemalan banking industry as a whole for the periods indicated.



The Guatemalan banking industry's weighted average interest rate on foreign currency assets has shown a downward trend to 7.29% for March 2011, from 7.63% in 2010, 8.64% in 2009 and 8.46% in 2008. The Guatemalan banking industry's weighted average interest rates on foreign currency liabilities has generally shown a downward trend to 2.90% in March 2011from 3.08% in 2010, 3.88% in 2009 and 3.82% in 2008, corresponding to the trends in international interest rates.

Market Share and Competition

The banking market in Guatemala is competitive. The Guatemalan banking system experienced a compound annual growth rate in terms of loans outstanding and deposits of 14.5% and 13.3%, respectively, from December 31, 2002 to March 31, 2011. The low level of banking penetration has attracted new participants in the market.

As of March 31, 2011, we had a market share within the Guatemalan financial system of 27.5% of assets, 24.3% of loans and 26.7% of deposits. We estimate that we have a market share of approximately 23.4% of Guatemalan family remittance flows and approximately 30% of Guatemalan diversified payment rights (DPR) flows. We have increased our market share, as measured by assets in the Guatemalan banking sector through organic growth and strategic acquisitions.

The table below presents selected data for banks in Guatemala on an unconsolidated basis as of March 31, 2011.

	Assets			Total Loans			Deposits		
	Balance	MKT Share	Rank	Balance	MKT Share	Rank	Balance	MKT Share	Rank
INDUSTRIAL, S. A.	43,255.2	27.5%	1	20,212.7	24.3%	1	33,249.4	26.7%	1
G&T CONTINENTAL, S. A.	31,653.9	20.1%	2	14,795.2	17.8%	3	23,886.1	19.2%	3
DE DESARROLLO RURAL, S. A.	29,477.9	18.7%	3	18,483.6	22.2%	2	24,651.1	19.8%	2
AGROMERCANTIL DE GUATEMALA, S. A.	12,636.4	8.0%	4	7,400.6	8.9%	4	10,254.1	8.2%	4
REFORMADOR, S. A.	8,646.0	5.5%	5	5,102.5	6.1%	5	7,078.5	5.7%	5
CITIBANK DE GUATEMALA, S. A.	7,893.5	5.0%	6	4,123.6	4.9%	6	5,904.0	4.7%	7
DE LOS TRABAJADORES	7,046.4	4.5%	7	4,028.6	4.8%	7	6,056.9	4.9%	6
DE AMÉRICA CENTRAL, S. A.	4,678.5	3.0%	8	2,717.0	3.3%	8	3,711.3	3.0%	8
INTERNACIONAL, S. A.	3,990.2	2.5%	9	2,307.4	2.8%	9	3,418.4	2.8%	9
EL CRÉDITO HIPOTECARIO NACIONAL DE GUATEMALA	2,622.1	1.7%	10	1,066.8	1.3%	10	2,038.0	1.6%	10
OTHER	5,351.0	3.4%	11	3,111.5	3.7%	11	4,050.1	3.3%	11
Total	157,251.2	100.0%		83,349.4	100.0%		124,297.9	100.0%	

Source: Guatemalan Superintendency of Banks, as of March 31, 2011

Local banks play a significant role in the Guatemalan financial system compared to foreign banks that have only recently entered the market in a significant manner. As of March 31, 2011, Citibank (which acquired Banco Uno and Banco Cuscatlan) and Banco de America Central (50% owned by Grupo Aval), accounted for a combined 8.7% of total loans and 7.9% of total deposits in Guatemala. Some foreign banks have shown interest in entering or increasing their exposure to the Guatemalan market.

Effect of Family Remittances

Total family remittances to Guatemala from abroad amounted to US$4,126.78 million in 2010, US$3,912.29 million in 2009 and US$4,314.73 million in 2008. Our business strategy is focused on continuing to capitalize on a large part of these flows by offering specialized products to the recipients of remittances. The revenue we earn from family remittances consists of commissions on foreign exchange transactions, fees for money orders and other related fees. We processed US$968.2 million in family remittances during 2010 (23.5% of the market), US$907.8 million during 2009 (23.2% share of the market) and US$999.8 million during 2008 (23.2% share of the market).

Effect of Changes in the Guatemalan Banking System

In recent years, the Guatemalan banking system has been subject to consolidation, driven by domestic acquisitions and bankruptcies as well by acquisitions by multinational and regional banks. In 1999 Guatemala had 38 banks, two of which were subsidiaries of multinational banks. By December 2010, the Guatemalan banking system had 17 banks, three of which were subsidiaries of multinational banks. With respect to bankruptcies, seven banks have ceased operations and been subject to liquidation or absorption by other banks since 1998. In recent years, the Superintendency of Banks has improved regulation and oversight. It has also conducted orderly liquidations and averted bank runs in recent interventions of Banco de Comercio on January 12, 2007 and Banco del Café in October 2006. With respect to acquisitions by foreign banks, multinational banks have generally focused on establishing a Central American presence and have paid premiums for regional acquisitions when compared to local operations. We believe that there will be further consolidation due, in part, to the continued operation of several banks with persistently low levels of activity.

Critical Accounting Policies

Our Financial Statements have been prepared in accordance with Guatemalan Banking GAAP. On an unconsolidated basis, our subsidiaries use different accounting principles for statutory purposes. Guatemala Banking GAAP is applicable to all financial institutions operating in Guatemala, and sets forth accounting guidelines for, among others, allowances for credit losses, loans, interest, investments in affiliates, and securities under repurchase agreements, and defines the format of the Financial Statements and disclosures to be made in the related notes. We may in the future include International Financial Reporting Standards for reporting to parties different from the Superintendency of Banks in Guatemala.

The following is a description of certain key accounting policies on which our financial condition and results of operations are dependent. These key accounting policies generally involve quantitative analyses or are based on subjective judgments or decisions. In the opinion of our management, the most critical accounting policies under Guatemalan Banking GAAP are those related to the establishment of allowances for loan losses and interest income recognition. For a full description of our accounting policies, see note 3 to our Financial Statements included elsewhere in this offering memorandum.

Allowance for Loan Losses Related to Loan Portfolio

The rules for classification and rating of loan portfolios of Guatemalan banks and the creation of related reserves are set forth in the Regulation for Credit Exposure Management, Resolution No. JM-93-2005, dated May 23, 2005, and Resolution JM-167-2008, dated December 30, 2008, issued by the Monetary Board. See "Selected Statistical Information – Grading Criteria."

In addition to regulatory requirements for the creation of allowances for loan losses, the Bank's management creates generic allowances for each business line. These generic allowances are created based on management's judgment taking into consideration market conditions, trends and performance of each business line.

Interest Income Recognition

Under Guatemalan Banking GAAP, which is applied by the Bank and the Financing Entity, revenue from interest income, subject to certain exceptions, is not recorded in the income statement until it is effectively collected even though it has been accrued. Interest that has been collected but has not accrued is recorded under liabilities as deferred income. The exceptions are interest on debt securities issued by the Guatemalan Central Bank and by certain other issuers approved by the Monetary Board, which have amortization funds controlled by the Guatemalan Central Bank, in which case the interest is recorded as revenue when accrued, even though not collected.

Results of Operations

Results of Operations for the Three Months Ended March 31, 2011 Compared to the Three Months Ended March 31, 2010

The following table shows the principal components of our net income for the three months ended March 31, 2011 and 2010.

	For the three months period ended March 31,		Percentage Change
	2011	2010	(%)
	(Q millions)		
Financial income	831.6	815.3	2.0%
Interest income	828.8	810.4	2.3%
Other financial income	2.8	4.9	(42.2)%
Financial expense	415.4	415.6	0.1%
Interest expense	372.5	381.5	(2.4)%
Other financial expense	42.9	34.1	25.7%
Net financial income	416.2	399.7	4.1%

Income from services, net	119.8	106.6	12.4%
Other operating income, net	43.1	29.9	44.4%
Total operating income	579.1	536.1	8.0%
Loan, accounts receivable and securities loss provisions	33.8	28.8	17.6%
Administrative expenses	348.7	325.5	7.1%
Total administrative expenses	382.5	354.2	8.0%
Net operating income	196.6	181.9	8.1%
Extraordinary income, net	17.1	60.0	(71.6)%
Prior period income and expenses, net	3.7	4.8	(22.3)%
Income before tax expense	217.4	246.7	(11.9)%
Income tax expense	5.5	5.2	5.7%
Non-controlling interest	0.7	1.9	(62.6)%
Net consolidated income	**211.3**	**239.7**	**(11.9)%**

An analysis of the components set forth in the foregoing table follows.

Financial Income

Financial income increased 2.0% to Q831.6 million for the three months ended March 31, 2011 as compared to Q815.3 million for the three months ended March 31, 2010. The components of our financial income for the three months ended March 31, 2011 and 2010 were as follows:

Interest Income

Interest income increased 2.3% to Q828.8 million for March 31, 2011 as compared to Q810.4 million for March 31, 2010. Interest income includes interest from loans granted, interest from investments in securities and interest from deposits in other banks as well as interests from accounts receivable. The increase in our interest income was principally due to the increase in our investment portfolio, derived from investments made in treasury bonds issued by the Guatemalan government ("Treasury Bonds") during the last quarter of 2010 and the first quarter of 2011. The principal components of interest income in terms of local and foreign currency are discussed below.

Local currency transactions

Interest income from local currency denominated assets increased 4.1% to Q541.0 million for the three months ended March 31, 2011 from Q519.9 million for the same period in 2010. This increase resulted principally from the 22.5% increase in the average balance of our local currency investment portfolio to Q13,408.0 million for the three months ended March 31, 2011 from Q10,947.3 million for the same period in 2010, principally due to increase in investments on Treasury Bonds. The increase in local interest income was partially offset by a 1.0% decrease in the average balance of our local currency loan portfolio to Q11,081.8 million for the three months ended March 31, 2011 as compared to Q11,192.9 million for the same period in 2010, and the decrease in our weighted average interest rate on local currency assets to 8.8% for the three months ended March 31, 2011 from 9.4% for the same period in 2010.

Foreign currency transactions

Interest income from foreign currency denominated assets decreased 1.0% to Q287.8 million for the three months ended March 31, 2011 from Q290.6 million for the same period in 2010. Although our average balance of our foreign loan portfolio increased 8.1% to Q12,342.8 million for the three months ended March 31, 2011 from Q11,417.1 million for the three months ended March 31, 2010 and our foreign currency investment portfolio increased 45.1% to Q4,374.9 million for the three months ended March 31, 2011 from Q3,014.9 million for the same period in 2010, the decrease in our interest income in foreign currency resulted from a 12.0% decrease in our weighted average interest in foreign currency assets to 6.3% for the three months ended March 31, 2011 from 7.2% for the same period in 2010, reflecting low levels in international and domestic interest rates.

Other Financial Income

Other financial income is composed of commission from loans and securities. This includes fees on loans, which are fees generated in connection with the issuance, renewal, draw-on or prepayment of loans, as well as commissions from negotiation of securities. Our other financial income decreased 42.2% to Q2.8 million for the three months ended March 31, 2011 from Q4.9 million for the three months ended March 31, 2010, which resulted principally from a reduction in our trading of securities and foreclosure operations.

Financial Expenses

Financial expenses decreased 0.1% to Q415.4 million for the three months ended March 31, 2011 from Q415.6 million for the three months ended March 31, 2010. The components of our financial expenses for the three months ended March 31, 2011 and 2010 were as follows:

Interest Expense

Interest expense decreased 2.4% to Q372.5 million for the three months ended March 31, 2011 from Q381.6 million for the same period in 2010. Interest expense includes interest paid on:

- demand, time and savings deposits;
- loans from other financial institutions (which consist of interbank loans, trade and working capital credit lines in foreign currency, long term loans from financial institutions and subordinated debt); and
- financial obligations (which consist of our local and foreign currency bond issuances).

The decrease in interest expense was principally due to the decrease of our weighted average interest rate on foreign currency liabilities. The principal components of our interest expense in terms of local and foreign currency are discussed below.

Local currency transactions

Interest expense on local currency denominated liabilities increased 3.4% to Q237.3 million for the three months ended March 31, 2011 from Q229.5 million for the same period in 2010. This increase resulted principally from a 8.8% increase in the average balance of our local currency deposit base to Q25,649.3 million for the three months ended March 31, 2011 from Q23,564.2 million for the same period in 2010, which reflects the increased penetration in the retail sector and non-banking population, and the increase in our points of service from 347 to 355 (includes only branches) for the same period. Our weighted average interest rate on local currency liabilities decreased to 3.5% for the three months ended March 31, 2011 from 3.6% for the same period in 2010.

Foreign currency transactions

Interest expense on foreign currency denominated liabilities decreased 11.1% to Q135.2 million for the three months ended March 31, 2011 from Q152.1 million for the same period in 2010. Although our average balance of foreign currency deposits increased 11.6% to Q12,720.4 million for the three months ended March 31, 2011, from Q11,401.2 million for the same period in 2010, and our average balance with liabilities with other financial institutions increased 39.0% to Q4,800.9 million from Q3,453.7 million for the same period, the decrease in our interest expense in foreign currency resulted from a 25.2% decrease in the foreign currency average rate to 3.0% from 4.0% for the same period, reflecting low levels in international interest rates and high levels of liquidity in the local market.

Other Financial Expenses

Our other financial expenses include diverse expenses related to benefits tied to deposit accounts (insurance, promotions, etc), expenses from negotiation of securities, fees related to the “Deposit Insurance Fund” (FOPA) and difference in prices from foreclosure operations. Other financial expenses increased 25.7% to Q42.9 million for the three months ended March 31, 2011 from Q34.1 million for the three months ended March 31, 2010. This increase resulted principally from an increase in the benefits in conjunction to deposit accounts.

Income from Services, Net

Income from services, net increased 12.4% to Q119.8 million for the three months ended March 31, 2011 from Q106.6 million for the three months ended March 31, 2010. Income from services, net consists of fees from account management, commission and fees related to our credit card business, third-party collections, trustee fees, commissions form letters of credit, fund transfers, commissions related to family remittances, commission from checks and drafts, and ATM's and debit cards fees. The increase in income from services, net reflects our efforts to become more effective in the charging of fees, innovation products, as well as the increase in our customer base. The largest components of the increase in income from services, net are described below.

Our net fees related to our credit card business, including annual memberships, service fees and exchange fees increased 9.8% to Q50.2 million for the three months ended March 31, 2011 from Q45.7 million for the three months ended March 31, 2010, resulting from the increase in the issuance of new credit cards, third party alliances, and the launching of a new royalty program called "Club BI".

Our net fees related to account management increased 33.3% to Q15.2 million for the three months ended March 31, 2011 from Q11.4 million for the three months ended March 31, 2010. This was primarily the result of an increase of 2.7% in the number of deposit accounts to 2,026,297, from 1,973,784 for the same period.

Our net fees related for issuance of checks, cashier checks, international drafts, voucher checks and fees related to bounced checks, increased 16.4% to Q10.4 million as March 31, 2011 from Q9.0 million for the three months ended March 31, 2010. This was primarily the result of an increase of 17.1% in income from bounced checks to Q8.4 million from Q7.2 million for the same period.

Other fees includes commissions from ATM's, fees from our mobile and online banking and fees derived from savings accounts. Our other fees increased 14.2% to Q5.5 million as March 31, 2011 from Q4.8 million for the three months ended March 31, 2010, principally due to the increase in customers using our mobile and online banking services.

Other Operating Income, Net

Other operating income, net includes income derived from our foreign exchange business and dividends received from shares. Our other operating income, net increased 44.4% to Q43.1 million for the three months ended March 31, 2011 from Q29.9 million for the three months ended March 31, 2010. The components of other operating income are as follows:

Our income from our foreign exchange services increased 151.1% to Q46.7 million for the three months ended March 31, 2011 from Q18.6 million for the three months ended March 31, 2010, principally due to an increase in volume of foreign exchange operations, both in the corporate and retail sector, supported by an approximately 10.0% increase in family remittances for the same period.

Our income from shares includes dividends from our 26.3% participation in Visanet, the Visa operator in Guatemala. For the three months ended March 31, 2010, we accrued Q17.2 million of non-recurrent dividends from these shares.

Loan Loss Provisions

Loan loss provisions increased 17.4% to Q33.8 million for the three months ended March 31, 2011 from Q28.8 million for the same period in 2010. Loan loss provisions consist of funds allocated to cover losses derived from non-performing loans. This increase reflected the application of provisioning policies in connection with our entry into new market segments, such as the retail segment. During this period, our write-offs of loans decreased 22.5% to Q23.0 million for the three months ended March 31, 2011 from Q29.8 million for the three months ended March 31, 2010, primarily due to better economic conditions, adequate and conservative risk management policies and better collection procedures.

Administrative Expenses

Administrative expenses increased 7.1% to Q348.7 million for the three months ended March 31, 2011 from Q325.5 million for the same period in 2010. Administrative expenses include, among other expenses, salaries and wages, maintenance and repairs, depreciation and amortization, taxes and contributions, leases, professional fees, advertising expenses, security and surveillance, utilities and marketing expenses. The principal components of administrative expenses are discussed below:

- Salaries and wages, the largest component of administrative expenses increased 7.3% to Q124.1 million (35.6% of total administrative expenses) for the three months ended March 31, 2011 from Q115.6 million (35.5% of total administrative expenses) for the same period in 2010, due to an increase in new employees and points of service.
- Maintenance and other services decreased 1.7% to Q53.1 million for the three months ended March 31, 2011 from Q54.0 million for the three months ended March 31, 2010. This decrease was primarily the result of the implementation of a reducing cost policy implemented at the beginning of 2011.
- Depreciation and amortization expenses increased 4.1% to Q38.5 million for the three months ended March 31, 2011 as compared to Q37.0 million for the same period in 2010. This increase was primarily the result of the increase in buildings and other fixed assets in connection with our branch network expansion.
- Professional fees decreased 3.9% to Q14.5 million for the three months ended March 31, 2011 from Q15.1 million in the same period in 2010, resulting from a decrease in outsourcing and external consulting expenses.

Extraordinary Income, Net

Extraordinary income decreased 71.6% to Q17.1 million for the three months ended March 31, 2011 from Q60.0 million for the same period in 2010. Extraordinary income includes non-recurring income and gains or losses on the recovery of non-performing loans and sales of foreclosed and fixed assets, including discounts and expenses incurred in the adjudication of foreclosed assets, and other income. During 2010 we sold the VISA shares held by the Credit Card Company in an amount of Q41.1 million, which generated extraordinary income. The extraordinary income gained from the recovery of non-performing loans was Q16.3 million for the three months ended March 31, 2011 as compared to Q18.6 million for the three months ended March 31, 2010.

Income Taxes

Income before taxes decreased 11.9% to Q217.4 million for the three months ended March 31, 2011 from Q246.7 million for the same period in 2010. Our income tax expense increased 5.7% to Q5.5 million for the three months ended March 31, 2011 from Q5.2 million for the same period in 2010, due to the lower non-taxable income. Our effective tax rate increased to 2.5% for the three months ended March 31, 2011 as compared to 2.1% for the same period in 2010.

Net Income

Our net income decreased 11.9% to Q211.3 million for the three months ended March 31, 2011 from Q239.7 million for the same period in 2010, due to the decrease in extraordinary income. Excluding extraordinary income, our net income increased 8.1% to Q196.6 million for the three months ended March 31, 2011 from Q181.9 million for the same period in 2010.

Results of Operations for the Year Ended December 31, 2010 Compared to the Year Ended December 31, 2009

The following table shows the principal components of our net income for the years ended December 31, 2010 and 2009.

	For the year ended December 31,		Percentage Change
	2010	**2009**	**(%)**
	(Q in millions)		
Financial income	3,288.4	3,334.0	(1.4)%
Interest income	3,271.4	3,245.3	0.8%
Other financial income	17.0	88.7	(80.9)%
Financial expense	1,673.5	1,762.3	(5.0)%
Interest expense	1,532.4	1,569.6	(2.4)%
Other financial expense	141.1	192.6	(26.8)%

Net financial income	1,614.9	1,571.8	2.7%
Net income from services	457.4	420.8	8.7%
Other Operational income, net(1)	135.3	202.3	(33.1)%
Total operating income(2)	2,207.6	2,194.9	0.6%
Loan, accounts receivable and securities loss provisions	171.1	244.6	(30.1)%
Administrative expenses	1,213.0	1,279.1	(5.2)%
Total administrative expenses(3)	1,384.1	1,523.8	(9.2)%
Income, net of operating income and expenses	823.5	671.1	22.7%
Extraordinary income, net	110.4	35.8	208.5%
Prior period income and expenses, net	5.5	5.4	2.1%
Income before tax expense	939.4	712.3	31.9%
Income tax expense	171.9	118.3	45.3%
Non-controlling interest	4.3	2.7	58.5%
Net consolidated income	**763.3**	**591.3**	**29.1%**

(1) Calculated by taking operating income less operating expense.
(2) Calculated by adding income, net of other operating income and expenses plus loan, accounts receivable and securities loss provision.
(3) Calculated by adding administrative expenses plus loan, accounts receivable and securities loss provision.

An analysis of the components set forth in the foregoing table follows.

Financial Income

Financial income decreased 1.4% to Q3,288.4 million for the year ended December 31, 2010 from Q3,334.0 million for the year ended December 31, 2009. The components of our financial income for the year ended December 31, 2010 and 2009 were as follows:

Interest Income

Interest income increased 0.8% to Q3,271.4 million for 2010 from Q3,245.3 million for 2009. Interest income includes interest from loans that we make, interest from investments in securities and interest from deposits in other banks as well as interests from accounts receivable. Although our interest income related to our investment portfolio increased, this was offset by a decrease in our average interest rate on assets and a decrease in the interest income related to the loan portfolio. The principal components of interest income in terms of local and foreign currency are discussed below.

Local currency transactions

Interest income from local currency denominated assets increased 7.7% to Q2,150.6 million for 2010 from Q1,996.6 million for 2009. This increase resulted principally from the 15.8% increase in the average balance of our local currency investment portfolio to Q11,807.1 million for 2010 from Q10,198.3 million for 2009, and, to a lesser extent, the 8.2% increase in the average balance of our local currency loan portfolio to Q11,284.6 million for 2010 from Q10,429.6 million for 2009. Our weighted average interest rate on local currency assets decreased to 9.3% for 2010 from 9.6% for 2009.

Foreign currency transactions

Interest income from foreign currency denominated assets decreased 10.2% to Q1,120.8 million for 2010 from Q1,248.8 million for 2009. This decrease resulted principally from the 13.4% decrease in the average balance of our foreign currency loan portfolio to Q11,224.8 million for 2010 from Q12,963.9 million for 2009, which was related to an increase in demand towards local currency loans derived from the Quetzales/US dollar exchange rate trend. The decrease in our foreign currency loan portfolio was partially offset by a 51.6% increase in the average balance of our foreign currency investment portfolio to Q3,325.8 million for 2010 from Q2,194.4 million for 2009. The increase in our foreign currency investment portfolio for 2010 was principally due to an increase in investments on Treasury Bonds. Our weighted average interest rate on foreign currency assets decreased to 6.9% for 2010 from 7.5% for 2009, reflecting an excess of liquidity in foreign currency.

Other Financial Income

Other financial income is composed of commissions from loans and securities. This includes fees on loans, which are fees generated in connection with the issuance, renewal, draw-on or prepayment of loans, as well as commissions from negotiation of securities. Our other financial income decreased 80.9% to Q17.0 million as of December 31, 2010, from Q88.7 million as of December 31, 2009, which resulted principally from a reduction in our trading of securities and foreclosure operations.

Financial Expenses

Financial expenses decreased 5.0% to Q1,673.5 million as of December 31, 2010 from Q1,762.3 million as of December 31, 2009. The components of our financial expenses in the year ended December 31, 2010 and 2009 were as follows:

Interest Expense

Interest expense decreased 2.4% to Q1,532.4 million for 2010 from Q1,569.6 million for 2009. Interest expense includes interest paid on:

- demand, time and savings deposits;
- loans from other financial institutions (which consist of interbank loans, trade and working capital credit lines in foreign currency, long term loans from financial institutions and subordinated debt); and
- financial obligations (which consist of our local and foreign currency bond issuances).

The decrease in our interest expense in 2010 was principally due to the decrease of our weighted average interest rate on foreign currency liabilities and, to a lesser extent, to a 19.0% decrease in the balance of our average foreign currency liabilities with other financial institutions to Q3,503.8 million for 2010 from Q4,325.0 million for 2009. The principal components of our interest expense in terms of local and foreign currency are discussed below.

Local currency transactions

Interest expense on local currency denominated liabilities increased 1.6% to Q951.9 million for 2010 from Q936.8 million for 2009. This increase resulted principally from a 7.2% increase in the average balance of our local currency deposit base to Q24,258.8 million for 2010 from Q22,625.7 million for 2009, which is a result of an increase in our savings deposits after the launch of our new savings program "Ahorro Seguro", which is a savings program that includes life insurance and is targeted to low income retail clients. This increase was partially offset by the decrease in our weighted average interest rate on local currency liabilities to 3.7% for 2010 from 3.9% for 2009.

Foreign currency transactions

Interest expense on foreign currency denominated liabilities decreased 8.3% to Q580.6 million for 2010 from Q633.1 million for 2009. Our average balance of foreign currency deposits increased 13.1% to Q11,704.8 million for 2010 from Q10,347.8 million for 2009, which was partially offset by a 19.0% decrease in our foreign currency liabilities with other financial institutions to Q3,503.8 million for 2010 from Q4,325.0 million for 2009. Our weighted average interest rate on foreign currency liabilities decreased to 3.7% for 2010 from 4.2% for 2009, which is the principal component of the interest expense reduction.

Other Financial Expenses

Our other financial expenses include various expenses related to benefits tied to deposit accounts (such as insurance and promotions), expenses from negotiation of securities, fees related to the "Deposit Insurance Fund" (FOPA) and differences in prices from foreclosure operations. Other financial expenses decreased 26.8% to Q141.0 million as of December 31, 2010 from Q192.6 million as of December 31, 2009. This decrease resulted principally from a decrease in our trading of securities, which was partially offset by an increase in expenses related to benefits in conjunction with deposit accounts.

Net Income from Services

Net income from services increased 8.7% to Q457.4 million for 2010 from Q420.8 million for 2009. Income from services, net consists of fees from account management, commissions and fees related to our credit card business, third-party collections, trustee fees, commissions from letters of credit, fund transfers, commissions related to family remittances, commissions from checks and drafts, and ATM's and debit cards fees The increase in income from services, net reflects our efforts to become more effective in the charging of fees, launching innovative products, as well as the increase in our customer base. The largest components of the increase in income from services, net are described below.

Our net fees related to our credit card business, including annual memberships, service fees, and exchange fees, increased 5.2% to Q190.0 million as of December 31, 2010 from Q180.6 million as of December 31, 2009, resulting from the increase in the issuance of new credit cards, third party alliances, and the launching of a new royalty program called "Club BI".

Our net fees related to account management increased 19.0% to Q54.7 million as December 31, 2010 from Q48.0 million as of December 31, 2010. This was primarily the result of an increase of 14.0% in the number of deposit accounts to 1,973,784 for 2010, from 1,730,838 for 2009.

Our net fees related to issuance of checks, cashier checks, international drafts, voucher checks and fees related to bounced checks increased 8.8% to Q41.3 million as of December 31, 2010 from Q38.0 million as of December 31, 2009. This was primarily the result of an increase of 193.6% in income from checking books issued to Q5.5 million for 2010 from Q1.9 million for 2009.

Other fees includes commissions from ATM's, fees from our mobile and online banking services and fees derived from savings accounts. Our other fees increased 82.9% to Q36.8 million as December 31, 2010 from Q20.1 million as of December 31, 2009, principally due to the increase in customers using our mobile and online banking services.

Other Operational Income, Net

Other operating income, net includes income net derived from our foreign exchange business and dividends received from shares. Our other operating income, net decreased 33.1% to Q135.3 million as of December 31, 2010 from Q202.3 million as of December 31, 2009. The components of other operating income are as follows:

Income from our foreign exchange services decreased 40.4% to Q120.9 million as of December 31, 2010 from Q202.8 million as of December 31, 2009, principally due to an appreciation of the Quetzal against the US Dollar, reducing our margins of foreign exchange commissions, principally in the corporate sector.

Our income from shares includes dividends from our 26.3% participation in Visanet, the Visa operator in Guatemala. During 2010, we accrued Q18.3 million non-recurring dividends from these shares.

Loan, Accounts Receivable and Securities Loss Provisions

Loan, accounts receivable and securities loss provisions decreased 30.1% to Q171.1 million as of December 31, 2010 from Q244.6 million as of December 31, 2009. Loan, accounts receivable and securities loss provisions consist of funds allocated to cover losses derived from non-performing loans. This decrease reflects lower delinquency levels of our loan portfolio. During this period, our write-offs of loans decreased 40.6% to Q115.0 million as of December 31, 2010 from Q193.7 million as of December 31, 2009, primarily due to better economic conditions, adequate and conservative risk management policies and improved collection procedures.

Administrative Expenses

Administrative expenses decreased 9.2% to Q1,348.1 million for 2010 from Q1,523.8 million for 2009. Administrative expenses include, among other expenses, salaries and wages, maintenance and repairs, depreciation and amortization, taxes and contributions, leases, advertising expenses, professional fees, security and surveillance, utilities and marketing expenses. The principal components of administrative expenses are discussed below:

- Salaries and employee benefits, the largest component of administrative expenses, increased 5.5% to Q464.8 million for 2010 from Q440.7 million for 2009, due to an increase in new employees and points of service.

- Maintenance and other services decreased 16.1% to Q164.0 million as of December 31, 2010 from Q195.4 million as of December 31, 2009. This decrease was primarily the result of the implementation of software to assign an expense allocation for each area of the Bank, and to a lesser extent to reducing cost policy implemented at the beginning of 2010.

- Depreciation and amortization expenses increased 8.5% to Q146.9 million for 2010 as compared to Q135.4 million for 2009. This increase was primarily the result of the increase in the value of our real estate and other fixed assets in connection with our branch network expansion.
- Professional fees decreased 36.7% to Q42.1 million for 2010 from Q66.5 million for 2009, resulting from a decrease in outsourcing and external consulting expenses. During 2009, we implemented client-based culture programs among all employees for which we hired international advisors.

Extraordinary Income, Net

Extraordinary income increased 208.5% to Q110.4 million for 2010 from Q35.8 million for 2009. Extraordinary income includes gains or losses on the recovery of non-performing loans and on sales of foreclosed and fixed assets, net of related expenses, including discounts and expenses incurred in the adjudication of foreclosed assets, and other income. During 2010, we sold the VISA shares held by the Credit Card Company in an amount of US$5.1million (Q41.1 million), which generated extraordinary income. The extraordinary income gained from the recovery of non-performing loans was Q65.1 million as of December 31, 2010 as compared to Q33.9 millions as of December 31, 2009.

Income Taxes

Income before taxes increased 31.9% to Q939.4 million for 2010 from Q712.3 million for 2009. Our income tax expense increased 45.3% to Q171.9 million for 2010 from Q118.3 million for 2009, due to the increase in operating income. Our effective tax rate increased to 18.3% for 2010 as compared to 16.6% for 2009.

Net Income

Our net income increased 29.1% to Q763.3 million for 2010 from Q591.3 million for 2009. The increase in our net income was principally attributable to an improvement in our interest income, driven by the growth of our investments portfolio and a reduction in our funding costs. In addition, we had a 8.7% increase in our income from services, a decrease in our loan loss provisions, a reduction in our administrative expenses and an increase in extraordinary income due to the selling of VISA's shares held by the Credit Card Company.

Results of Operations for the Year Ended December 31, 2009 Compared to the Year Ended December 31, 2008

The following table shows the principal components of our net income for the years ended December 31, 2009 and 2008.

	For the year ended December 31,				Percentage Change
	2009		2008		(%)
	(Q in millions)				
Financial income	Q	3,334.0	Q	3,019.6	10.4%

Interest income		3,245.3	2,968.0	9.3%
Other financial income		88.7	51.6	72.0%
Financial expense		1,762.3	1,533.9	14.9%
Interest expense		1,569.6	1,412.2	11.1%
Other financial expense		192.6	121.6	58.3%
Net financial income		1,571.8	1,485.7	5.8%
Net income from services		420.8	421.5	(0.2)%
Other Operational income, net[(1)]		202.3	145.2	39.4%
Total operating income[(2)]		2,194.9	2,052.4	6.9%
Loan, accounts receivable and securities loss provisions		244.6	191.1	28.0%
Administrative expenses		1,279.1	1,159.5	10.3%
Total administrative expenses[(3)]		1,523.8	1,350.6	12.8%
Income, net of operating income and expenses		671.1	701.8	(4.4)%
Extraordinary income, net		35.8	38.0	(6.0)%
Prior period income and expenses, net		5.4	3.0	80.5%
Income before tax expense		712.3	742.8	(4.1)%
Income tax expense		118.3	139.9	(15.5)%
Non-controlling interest		2.7	0.2	1503.0%
Net consolidated income	**Q**	**591.3**	**Q 602.8**	**(1.9)%**

(1) Calculated by taking operating income less operating expense.
(2) Calculated by adding income, net of other operating income and expenses plus loan, accounts receivable and securities loss provision.
(3) Calculated by adding administrative expenses plus loan, accounts receivable and securities loss provision.

An analysis of the components set forth in the foregoing table follows.

Financial Income

Financial income increased 10.4% to Q3,334.0 million for the year ended December 31, 2009 from Q3,019.6 million for the year ended December 31, 2008. The components of our financial income for the years ended December 31, 2010 and 2009 were as follows:

Interest Income

Interest income increased 9.3% to Q3,245.3 million for 2009 from Q2,968.0 million for 2008. Interest income includes interest from loans that we make, interest from investments in securities and interest from deposits in other banks as well as interests from accounts receivable. The increase in interest income was principally due to the increase in our local currency loan portfolio and the increase of our investment portfolio. The principal components of interest income in terms of local and foreign currency are discussed below.

Local currency transactions

Interest income from local currency denominated assets increased 11.2% to Q1,996.5 million for 2009 from Q1,795.5 million 2008. This increase resulted principally from the 18.6% increase in the average balance of our local currency loan portfolio to Q10,429.6 million for 2009, from Q8,791.0 million for the same period in 2008, and, to a lesser extent, the 2.8% increase in the average balance of our local currency investment portfolio to Q10,198.3 million for 2009 from Q9,923.7 million for 2008. The growth in our local currency loan portfolio was due to transfers of foreign currency loans to local currency made by our clients, which was a measure of protection to volatile exchange rates observed, due to the global financial crisis during 2009. Our weighted average interest rate on local currency assets increased to 9.6% for 2009 from 9.5% for 2008.

Foreign currency transactions

Interest income from foreign currency denominated assets increased 6.5% to Q1,248.8 million for 2009 from Q1,172.5 million for 2008. This increase resulted principally from the 42.6% increase in the average balance of our foreign currency investment portfolio to Q2,194.4 million for 2009 from Q1,538.7 million for 2008, which was partially offset by a 1.1% decrease in the average balance of our foreign currency loan portfolio to Q12,963.9 million for 2009 from Q13,105.5 million for 2008. The increase in our foreign currency investment portfolio for 2009 was principally due our investments in Eurobonds issued by the Guatemalan Government. The increase in such investments was primarily due to increase in our deposit base in foreign currency. Our weighted average interest rate on foreign currency assets decreased to 7.5% for 2009 from 7.6% for 2008, reflecting decreases in international interest rates.

Other Financial Income

Other financial income is composed of commission from loans and securities. This includes fees on loans, which are fees generated in connection with the issuance, renewal, draw-on or prepayment of loans, as well as commissions from negotiation of securities. Our other financial income increased 72.0% to Q88.7 million as of December 31, 2009 from Q51.6 million as of December 31, 2008, which resulted principally from an increase in our foreclosure operations and fees related to syndicated loans.

Financial Expenses

Financial expenses increased 14.9% to Q1,762.3 million as of December 31, 2009 from Q 1,533.9 million as of December 31, 2009. The components of our financial expenses for the years ended December 31, 2010 and 2009 were as follows:

Interest Expense

Interest expense increased 11.1% to Q1,569.6 million for 2009 from Q1,412.2 million for 2008. Interest expense includes interest paid on:

- demand, time and savings deposits;
- loans from other financial institutions (which consist of interbank loans, trade and working capital credit lines in foreign currency, long term loans from financial institutions and subordinated debt); and
- financial obligations (which consist of our local and foreign currency bond issuances).

The increase in interest expense in 2009 was principally due to the growth of our deposit base and the increase of our weighted average interest rate on foreign currency liabilities. The principal components of our interest expense in terms of local and foreign currency are discussed below.

Local currency transactions

Interest expense on local currency denominated liabilities increased 20.9% to Q936.8 million in 2009 from Q774.7 million for 2008. This increase resulted principally from a 14.9% increase in the average balance of our local currency deposit base to Q22,625.7 million for 2009 from Q19,695.0 million for 2008, which reflects the migration of customers to us based on the uncertainty caused by the global financial crisis. Our weighted average interest rate on local currency liabilities increased to 3.9% for 2009 from 3.6% for 2008.

Foreign currency transactions

Interest expense on foreign currency denominated liabilities was substantially unchanged, Q633.1 million for 2009 compared to Q637.4 million for 2008. Our average balance of foreign currency denominated loans obtained decreased 26.6% to Q4,325.0 million from Q5,890.8 million which decrease was offset by an increase of 22.2% in the average balance of our foreign currency denominated deposits to Q10,347.8 million for 2009 from Q8,466.7 million for 2008.

Other Financial Expenses

Our other financial expenses include diverse expenses related to benefits tied to deposit accounts (such as insurance and promotions), expenses from negotiation of securities, fees related to the “Deposit Insurance Fund” (FOPA) and difference in prices from foreclosing operations. Other financial expenses increased 58.3% to Q192.6 million as of December 31, 2009 from Q121.6 million as of December 31, 2008. This increase resulted principally from an increase in our trading of securities, and, offset by a decrease in expenses related to benefits in conjunction to deposit accounts.

Net Income from Services

Net income from services decreased 0.2% to Q420.8 million for 2009 from Q421.5 million for 2008. Income from services, net consists of fees from account management, commissions and fees related to our credit card business, third-party collections, trustee fees, commissions from letters of credit, fund transfers, commissions related to family remittances, commissions from checks and drafts, and ATM and debit cards fees. The decrease in net income from services was principally due to a decrease in bounced checks processed. The largest components of the increase in income from services, net are described below.

Our net fees related to our credit card business, including annual memberships, service fees and exchange fees, increased 11.1% to Q180.6 million as of December 31, 2009 from Q162.6 million as of December 31, 2010, resulting from the increase in the issuance of new credit cards and third party alliances, and the launching of two new credit cards, targeted to high net worth clients.

Our net fees related to account management increased 11.6% to Q48.0 million as of December 31, 2009 from Q43.0 million as of December 31, 2008. This increase was primarily the result of an increase of 11.8% in the number of deposit accounts to 1,730,838, from 1,547,716 for the same period.

Our net fees related to issuance of checks, cashier checks, international drafts, voucher checks and fees related to bounced checks decreased 2.8% to Q38.0 million as of December 31, 2009 from Q39.0 million as of December 31, 2008. This decrease was primarily the result of a decrease of 6.1% in income from bounced checks to Q31.0 million for 2009 from Q33.1 million for 2008.

Other Operational Income, Net

Other operational income, net includes income derived from our foreign exchange business and dividends received from shares. Our other operating income, net increased 39.4% to Q202.3 million as of December 31, 2009 from Q145.2 million as of December 31, 2008, principally resulting from the increase in our efforts to attend small, medium and corporate clients in trade related businesses, which increased our volumes of foreign exchange operations.

Loan, Accounts Receivable and Securities Loss Provisions

Loan, accounts receivable and securities loss provisions increased 28.0% to Q244.6 million for 2009 from Q191.1 million for 2008. Loan, accounts receivable and securities loss provisions consist of funds set aside by us to cover losses derived from non-performing loans. This increase reflected an adjustment made to the generic reserve book to meet new regulatory requirements that bring the total reserves to 1.25% of the portfolio, in addition to the application of provisioning policies in connection with our entry into new market segments, such as the retail segment. During this period, our write-offs of loans increased to Q193.7 million as of December 31, 2009 from Q127.7 million as of December 31, 2008, which reflects management's decision to write-off certain loans in our loan portfolio caused by the global financial crisis during 2009.

Administrative Expenses

Administrative expenses increased 10.3% to Q1,279.1 million in 2009 from Q1,159.5 million for 2008. Administrative expenses include, among other expenses, salaries and wages, maintenance and repairs, depreciation and amortization, taxes and contributions, leases, advertising expenses, professional fees, security and surveillance, utilities and marketing expenses. The principal components of administrative expenses are discussed below:

- Salaries and employee benefits, the largest component of administrative expenses, increased 6.0% to Q440.7 million for 2009 from Q415.6 million for 2008, due to an increase in the number of employees which reached 5,341 and 5,333 for the same period, a 0.2% increase.

- Maintenance and other services increased 28.0% to Q195.4 million as of December 31, 2009 from Q152.6 million as of December 31, 2008. This increase was primarily the result of the increase in the number of branches and points of service.
- Depreciation and amortization expenses increased 6.1% to Q135.4 million for 2009 as compared to Q127.6 million for 2008. This increase was primarily the result of the increase in the value of our real estate holdings and other fixed assets in connection with our branch network expansion.
- Professional fees increased 47.3% to Q66.5 million for 2009 from Q45.1 million for 2008, resulting from an increase in outsourcing and external consulting expenses.

Extraordinary Income, Net

Extraordinary income, net decreased 6.0% to Q35.8 million for 2009 from Q38.0 million for 2008. Extraordinary income includes gains or losses on the recovery of non-performing loans and on sales of foreclosed and fixed assets, net of related expenses, including discounts and expenses incurred in the adjudication of foreclosed assets. The extraordinary income gained from the recovery of non-performing loans was Q33.9 million as of December 31, 2009 as compared to Q30.2 million as of December 31, 2008.

Income Taxes

Income before taxes decreased 4.1% to Q712.3 million for 2009 from Q742.8 million for 2008. Our income tax expense decreased 15.5% to Q118.3 million for 2009 from Q139.9 million for 2008 due to the decrease in operating income. Our effective tax rate decreased to 16.6% for 2009 as compared to 18.8% for 2008. The effective tax rate was lower due to an increase of non-taxable investment securities.

Net Income

Our net income decreased 1.9% to Q591.3 million for 2009 from Q602.8 million for 2008. The decrease in our net income was principally attributable to the increase in loan loss provision, which was a precautionary measure taken to reduce the potential risk resulting from the global financial crisis during 2009. Nevertheless, on the income side, we had a 6.9% increase due to higher interest income derived from the growth of our investments and, on the cost side, to a reduction of our funding costs due to lower interest rates, which was partially offset by the growth in deposits.

Financial Position

Total Assets

The principal components of total assets include our loan portfolio, our total investments and our cash positions.

As of March 31, 2011, we had total assets of Q51,223.7 million as compared to Q50,064.8 million as of December 31, 2010, representing an increase of 2.3%. This increase was primarily attributable to an increase in our long-term investments and in our cash positions. Our total investments portfolio increased by 2.4% to Q18,365.9 million as of March 31, 2011 from Q17,926.8 million as of December 31, 2010, principally as a result of an increase in securities issued by the Guatemalan Government. Our total cash positions increased by 20.1% to Q7,779.5 million as of March 31, 2011 from Q6,480.2 million as of December 31, 2010, due to an increase in our total deposits.

As of December 31, 2010, we had total assets of Q50,064.8 million as compared to Q45,761.0 million as of December 31, 2009, representing an increase of 9.4%. This increase was primarily attributable to an increase in our total investments portfolio and in our net loan portfolio. Our total investments portfolio increased by 27.8% to Q17,926.8 million for the year ended December 31, 2010 from Q14,030.4 million for the same period in 2009, resulting from an increase in securities issued by the Guatemalan Government. Our net loan portfolio increased by 2.2% to Q23,179.7 million for the year ended December 31, 2010 from Q22,670.9 million for the same period in 2009, principally due the 4.1% increase of our corporate loan portfolio to Q19,240.1 million for 2010 from Q18,489.1 million for 2009.

As of December 31, 2009, we had total assets of Q45,761.0 million as compared to Q42,949.0 million as of December 31, 2008, representing an increase of 6.5%. This increase was primarily attributable to a 15.2% increase in our total investments portfolio to Q14,030.4 million as of December 31, 2009 from Q12,184.1 million as of December 31, 2008. Our total cash positions increased by 31.6% to Q6,568 million from Q4,992.5 million for the same period, due to an increase in our total deposits and to our policies to improve liquidity positions due to the uncertainty derived from the global financial crisis during 2009.

Net Loan Portfolio

We had a net loan portfolio of Q22,623.8 million as of March 31, 2011 as compared to Q23,179.7 million as of December 31, 2010, representing a decrease of 2.4%. This decrease was primarily the result of an appreciation effect of the Guatemalan Quetzal against the US Dollar (Q7.69/1USD as of March 31, 2011 from Q8.01/1USD as of December 31, 2010) that negatively affected our foreign currency loan portfolio.

We had a net loan portfolio of Q23,179.7 million as of December 31, 2010 as compared to Q22,670.9 million as of December 31, 2009, representing an increase of 2.2%. This increase was primarily the result of a 4.1% increase in our foreign currency denominated net loan portfolio to Q12,092.3 million as of December 31, 2010 from Q11,615.6 million as of December 31, 2009. The increase in our foreign currency denominated net loan portfolio principally resulted from an increase of 88.2% to Q2,610.1 million for 2010 from Q1,386.7 million for 2009 of our loans funded outside of Guatemala, mainly triggered by the expansion of operations of our clients in Guatemala

We had a net loan portfolio of Q22,670.9 million as of December 31, 2009 as compared to Q23,305.0 million as of December 31, 2008, representing a decrease of 2.7%. This decrease was primarily the result of a 15.5% decrease in our foreign currency denominated net loan portfolio to Q11,615.6 million as of December 31, 2009 from Q13,479.3 million as of December 31, 2008, which resulted from the transfer of loans in foreign currency to local currency made by our clients as a precautionary measure to a potential increase in the cost of foreign currency caused by the global financial crisis.

Total Investments

Total investments consist of titled-securities held to maturity and permanent investments. Securities held to maturity are securities acquired for the purpose of holding them until their maturity. Permanent investments are investments in shares with the purpose of maintaining participation in the equity of the issuer.

We had total investments of Q18,365.9 million as of March 31, 2011 as compared to Q17,926.8 million as of December 31, 2010, representing an increase of 2.4%. This increase was primarily the result of a 2.5% increase in our long term investments to Q18,010.2 million as of March 31, 2011 from Q17,568.0 million as of December 31, 2010 due to an increase in our investments in local currency denominated securities issued by the Guatemalan government

We had total investments of Q17,926.8 million as of December 31, 2010 as compared to Q14,030.4 million as of December 31, 2009, representing an increase of 27.8%. This increase was primarily the result of a 26.7% increase in our long term investments to Q17,568.0 million as of December 31, 2010 from Q13,871.1 million as of December 31, 2009, mainly from our investment in local currency deposits certificates in the Central Bank and Treasury Bonds.

We had total investments of Q14,030.4 million as of December 31, 2009 as compared to Q12,184.1 million as of December 31, 2008, representing an increase of 15.2%. This increase was primarily the result of a 15.3% increase in our long term investments to Q13,871.1 million as of December 31, 2009 from Q12,034.9 million as of December 31, 2008, due to new investments primarily in local currency bond certificates of Guatemala.

Total Liabilities

The principal components of total liabilities include our total deposits, our loans obtained and our financial obligations. The components are as follows:

We had total liabilities of Q47,614.1 million as of March 31, 2011 as compared to Q45,632.3 million as of December 31, 2010, representing an increase of 4.3%. This increase was primarily attributable to a 1.31% increase in our liabilities with other financial institutions (interbank loans) and a 2.9% increase in our total deposits.

We had total liabilities of Q45,632.3 million as of December 31, 2010 as compared to Q41,637.0 million as of December 31, 2009, representing an increase of 9.6%. This increase was primarily attributable to a 9.1% increase in our deposits and a 23.8% increase in our liabilities with other financial institutions (interbank loans).

We had total liabilities of Q41,637.0 million as of December 31, 2009 as compared to Q39,066.7 million as of December 31, 2008, representing an increase of 6.6%. This increase was primarily attributable to a 13.0% increase of our total deposits, which was partially offset by a 30.0% decrease in our liabilities with other financial institutions (interbank loans).

Deposits

As of March 31, 2011, we had total deposits of Q39,056.4 million as compared to Q37,945.3 million as of December 31, 2010, an increase of 2.9%. This increase was primarily the result of a 7.7% increase in our demand deposits and a 2.1% increase in our savings deposits, which is the result of our development of new savings programs such as "Ahorra Seguro", and to a lesser extent to the increase in our points of service.

As of December 31, 2010, we had total deposits of Q37,945.3 million as compared to Q34,783.8 million as of December 31, 2009, an increase of 9.1%. This increase was primarily attributable to a 9.6% increase in our demand deposits and a 8.3% increase in our time deposits during the same period, which is the result of deposits of new clients caused by flight-to-quality due to market conditions in 2009, and, to a lesser extent, to our development of new savings products for the remittances and lower income segments.

As of December 31, 2009, we had total deposits of Q34,783.8 million as compared to Q30,786.9 million as of December 31, 2008, an increase of 13.0%. This increase was primarily the result of a 14.9% increase in our time deposits, mainly our foreign currency time deposits, and a 9.7% increase in our demand deposits, which resulted from the deposit of new clients caused by flight-to-quality, due to the global financial crisis.

The following table shows our deposit breakdown by corporate, retail and type of deposits:

As of March 31, 2011
(Q millions, except percentages)

Type of Deposits	**Corporate**	**Retail**	**Total**	**%**
Demand deposits	11,757.4	5,187.4	16,944.8	43.4%
Savings deposits	794.6	5,715.1	6,509.7	16.7%
Time deposits	5,552.7	9,901.0	15,453.7	39.6%
Other deposits and deposits with restrictions	67.4	80.8	148.2	0.4%
Total Deposits	**18,172.1**	**20,884.3**	**39,056.4**	**100.0%**
%	46.5%	53.5%	100.0%	

As of December 31, 2010
(Q millions, except percentages)

Type of Deposits	**Corporate**	**Retail**	**Total**	**%**
Demand deposits	10,560.0	5,169.5	15,729.5	41.5%
Savings deposits	779.5	5,593.6	6,373.1	16.8%
Time deposits	5,971.6	9,730.9	15,702.5	41.4%
Other deposits and deposits with restrictions	73.2	66.9	140.1	0.4%
Total Deposits	**17,384.3**	**20,560.9**	**37,945.3**	**100.0%**
%	45.8%	54.2%	100.0%	

As of December 31, 2009
(Q millions, except percentages)

Type of Deposits	**Corporate**	**Retail**	**Total**	**%**
Demand deposits	9,664.7	4,684.6	14,349.2	41.3%
Savings deposits	805.3	5,005.1	5,810.4	16.7%
Time deposits	5,737.7	8,765.1	14,502.8	41.7%
Other deposits and deposits with restrictions	61.3	60.1	121.4	0.3%
Total Deposits	**16,268.9**	**18,514.8**	**34,783.8**	**100.0%**
%	46.8%	53.2%	100.0%	

As of December 31, 2008

(Q millions, except percentages)				
Type of Deposits	**Corporate**	**Retail**	**Total**	**%**
Demand deposits	8,246.8	4,816.0	13,062.8	42.4%
Savings deposits	2,930.4	2,168.7	5,099.1	16.6%
Time deposits	5,136.8	7,371.9	12,508.7	40.6%
Other deposits and deposits with restrictions	55.1	61.2	116.3	0.4%
Total Deposits	**16,369.2**	**14,417.7**	**30,786.9**	**100.0%**
%	53.2%	46.8%	100.0%	

Liabilities with Other Financial Institutions (Loans obtained)

We had liabilities with other financial institutions (includes loans obtained from foreign banks and diversified payments rights securitization) of Q4,806.9 million as of March 31, 2011 as compared to Q4,744.4 million as of December 31, 2010, an increase of 1.3%. This increase was primarily the result of a 1.4% increase in our foreign currency denominated liabilities with other financial institutions to Q4,696.9 million as of March 31, 2011 from Q4,634.0 million as of December 31, 2010. We increased our international funding due to low international interest rates.

We had liabilities with other financial institutions (includes loans obtained and securitization of family remittances) of Q4,744.4 million as of December 31, 2010 as compared to Q3,833.4 million as of December 31, 2009, representing an increase of 23.8%. This increase was primarily the result of a 24.5% increase in our foreign currency denominated liabilities with other financial institutions to Q4,634.0 million as of December 31, 2010 from Q3,723.0 million as of December 31, 2009. At the beginning of 2010, we decided to reestablish and increase the usage of credit lines following a significant decrease in international funding costs.

We had liabilities with other financial institutions (includes loans obtained and securitization of family remittances) of Q3,833.4 million as of December 31, 2009 as compared to Q5,478.8 million as of December 31, 2008, a decrease of 30.0%. This decrease was primarily the result of a 30.6% decrease in our foreign currency liabilities with other financial institutions to Q3,723.0 million as of December 31, 2009 from Q5,364.9 million as of December 31, 2008, due to the repayment of interbank loans and the use of alternative funding sources, such as deposits. At the beginning of 2009, we decided to decrease our counterparty risk by reducing our exposure to credit lines with our correspondent banks. The main reasons for such decision were the increased costs of funding, in comparison to low cost deposits, and the uncertainty of credit lines renewals.

Financial Obligations

Financial obligations consist of promissory notes, local market bonds and hybrid instruments. Starting January 1, 2011, subordinated debt is included in Financial Obligations under Guatemalan Banking GAAP, due to a change in regulation. As of March 31, 2011, we had financial obligations of Q2,472.4 million as compared to Q1,983.4 million as of December 31, 2010, an increase of 24.7%. This increase was primarily the result of classifying as financial obligations an additional Q538.2 million of existing subordinated debt. This change in accounting presentation is due to changes in the accounting manuals made by our local regulators. In previous years, our subordinated debt was presented as Complementary capital, and not as part of financial obligations, as it is currently presented.

As of December 31, 2010, we had financial obligations of Q1,983.4 million as compared to Q2,127.8 million as of December 31, 2009, a 6.8% decrease. This decrease was primarily the result of a 9.3% decrease in our local currency denominated financial obligations to Q1,434.0 million from Q1,580.6 million for the same period, due to a decrease in the number of promissory notes issued in connection with our customers' pension funds, and to the maturity of local currency bonds.

As of December 31, 2009, we had financial obligations of Q2,127.8 million as compared to Q2,026.5 million as of December 31, 2008, an increase of 5.0%. This increase was primarily the result of a 25.2% increase in our foreign currency financial obligations to Q547.2 million from Q438.8 million for the same period, related to the Financing Entity and the Credit Card Company's new issuances of bonds and promissory notes, and to a devaluation of our local currency against the US dollar.

Shareholders' Equity

As of March 31, 2011, our shareholders' equity was Q3,554.4 million, compared to Q4,378.7 million as of December 31, 2010, an 18.8% decrease. This decrease was a result of a change in the accounting presentation of our subordinated debt due to changes in the accounting manuals made by our local regulators in previous years, our subordinated debt was presented as Complementary capital, and not as part of financial obligations, as it is currently presented, and to a lesser extent to the dividends paid to our shareholders in January 2011.

As of December 31, 2010, our shareholders' equity was Q4,378.7 million, compared to Q4,086.6 million as of December 31, 2009, an increase of 7.1%. This increase was principally the result of retained earnings for the same period.

As of December 31, 2009, our shareholders' equity was Q4,086.6 million, compared to Q3,814.9 million as of December 31, 2008, an increase of 7.1%. This increase was principally the result of retained earnings for the same period.

Liquidity and Funding

Our asset and liability management policy seeks to ensure that sufficient liquidity is available to honor withdrawals of deposits, repay other liabilities at maturity, extend loans or other forms of credit to customers and meet working capital needs. The minimum amount of liquidity is determined by the reserve requirements established by the Guatemalan Central Bank. We meet these requirements by maintaining a proper balance between maturity distribution and diversity of sources of funds.

Our Assets and Liabilities Management Committee is responsible for managing our funding and liquidity positions and achieving our investment objectives. The Assets and Liabilities Management Committee seeks a diversity of funding options to cover any shortfall by taking in additional deposits and by borrowing interbank loans. The Committee seeks to maximize the efficient use of our deposit base by investing any surplus in liquid investments in the interbank market.

Our most important source of funds is our deposit base. In accordance with our policy to match our assets and liabilities, we have historically maintained the percentage of total funding comprised of deposits at above 75%. Our deposits amounted to Q39,056.4 million (or 84.3% of total funding) as of March 31, 2011, Q37,945.3 million (or 83.9% of total funding) as of December 31, 2010, Q34,783.8 million (or 84.3% of total funding) as of December 31, 2010, and Q30,786.9 million (or 79.3% of total funding) as of December 31, 2008. Total funding from deposits, as a percentage of funding, increased in 2009 due to the increase in the number of deposits accounts, and transfers of deposits to us from current customers because of the *flight to quality* phenomenon observed in 2009, due to the high reputation of Banco Industrial S.A. Deposits provide us with an inexpensive source of funds and represent a more stable funding source than other alternatives, especially funding from banks and the international capital markets, during volatile market conditions.

As of March 31, 2011, 59.4% of our funding was denominated in quetzales and 40.6% was denominated in U.S. dollars, compared to 60.6% and 39.4%, respectively, as of December 31, 2010, 61.3% and 38.7%, respectively, as of December 31, 2009, and 60.1% and 39.9%, respectively, as of December 31, 2008. Our foreign currency denominated assets, substantially all of which are dollar denominated, are funded from a number of sources. These sources include deposits, primarily deposits of private banking customers, medium and large Guatemalan companies, primarily in the export sector, as well as interbank deposits, loans from foreign banks and the placement of securities in the international capital markets. As of March 31, 2011, 61.1% of our assets were denominated in quetzals and 38.9% in U.S. dollars, compared to 62.3% and 37.7%, respectively, as of December 31, 2010, 59.8% and 40.2%, respectively, as of December 31, 2009, and 60.0% and 40.0%, respectively, as of December 31, 2008.

We expect that deposits, interbank loans and capital market securities will be sufficient to meet our liquidity requirements over the next 12 months.

In addition to deposits, we fund our operations with loans from multilateral banks, loans from foreign banks and through local and foreign currency denominated bond issuances. Our current funding strategy is to continue using all sources of funding in accordance with their cost and availability. Our principal loan obligations with other financial institutions include the following:

- In 2008, Banco Industrial issued an aggregate principal amount of US$35,000,000 Non-cumulative Fixed/Floating Rate Step-up Tier 1 Capital Notes due 2068. The notes bear interest at 9.00% per year payable quarterly until and including April 30, 2018 and thereafter bear interest at a rate equal to three-month U.S. dollar LIBOR plus 6% payable quarterly commencing on July 30, 2018. The notes mature on the interest payment date falling on April 30, 2068.

- In March 2006, Banco Industrial entered into a 10-year loan with CABEI for US$40.0 million, which bears interest at the annual rate of LIBOR plus 3.25%. This loan is to be repaid with proceeds of the Subordinated Loan.

- In March 2006, Banco Industrial entered into a 10-year loan with IFC for US$15.0 million, which bears interest at the annual rate of LIBOR plus 4%. In November 2008, Banco Industrial increased its subordinated debt with the IFC by US$15.0 million, bearing interest at the annual rate of LIBOR plus 4%. The total amount of subordinated debt with IFC is US$30.0 million. The IFC loan contains certain financial and operating covenants. This loan is to be repaid with proceeds of the Subordinated Loan.

- In April 2007, Banco Industrial entered into a securitized diversified payment rights (DPR) facility in a principal amount of US$150.0 million. The proceeds of this facility were used to repay US$75.0 million of the US$200.0 million outstanding of an initial DPR transaction that Banco Industrial entered into in September 2005. The April 2007 facility bears interest on a quarterly basis at the annual rate of LIBOR plus 1% and matures in April 2015.

- In October 2007, Banco Industrial entered into a securitized diversified payment rights (DPR) facility in an aggregate principal amount of US$150.0 million, which Banco Industrial used to repay the remaining balance (US$125.0 million) of the initial DPR transaction that Banco Industrial entered into in September 2005 as well as other indebtedness. The October 2007 facility bears interest on a quarterly basis at the annual rate of LIBOR plus 1% and matures in April 2015.

We expect that deposits, interbank loans and capital market securities will be sufficient to meet our liquidity requirements over the next 12 months.

Capital Expenditures

In 2010 our capital expenditures primarily consisted of acquisitions of infrastructure needed to pursue our expansion strategy. The expenditures in infrastructure include new points of service, ATMs, and the opening of new branches and branch renovations.

Our capital expenditures as of December 31, 2010, 2009 and 2008 were Q212.5 million, Q300.4 million and Q183.1 million, respectively. We expect that our capital expenditures in 2011 to be of similar amount to 2010. We intend to fund our 2011 capital expenditures with our own resources as well.

Risk-Based Capital

Under Guatemalan financial law, we are required to comply with the risk-based capital framework developed by the Basel Committee on Banking Regulations and Supervisory Practices in July 1988 (the "Basel Accord"), with some adjustments made by the Guatemalan Local Regulators. The Basel Accord sets forth capital adequacy requirements for banks based on a test of equity capital to risk-adjusted balance sheet equivalents for off-balance sheet items. Adjustments made by the Guatemalan Local Regulators require banks to have a ratio of net worth to assets and certain off-balance sheet items determined on a risk-weighted basis. The following table sets forth our actual capital as compared to the minimum capital requirements as of the dates indicated. In accordance with Guatemalan Central Bank rules, minimum capital requirements must also be computed based on a partially consolidated basis that takes into account financial subsidiaries only. The requirements computed based on a fully consolidated basis are also shown below:

	As of March 31, 2011	2010	As of December 31, 2009	2008
	(Q in millions, except percentages)			
Shareholders' equity as a percentage of total assets	6.94%	8.75%	8.93%	8.88%
Tier 1 capital	1,990.0	1,948.0	1,914.0	1,880.5
Total capital	3,554.4	4,378.7	4,086.6	3,814.9
Total risk-weighted assets	28,704.9	29,196.2	26,735.6	26,432.3
Minimum regulatory capital required[1]	2,870.5	2,919.6	2,673.6	2,643.2
Tier 1 capital as a percentage of risk-weighted assets	6.93%	6.67%	7.16%	7.11%
Total capital as a percentage of risk-weighted assets	12.38%	15.00%	15.29%	14.43%
Excess of capital over minimum regulatory capital	683.9	1,459.1	1,413.0	1,171.7

(1) The minimum requirement in Guatemala was 10% of equity to risk-weighted average assets as of December 31, 2010, 2009 and 2008.

Off-Balance Sheet Arrangements

In the normal course of business, we are a party to a number of off-balance sheet activities that have credit, market and operational risk and are not reflected in our Financial Statements. These activities include commitments to extend credit not otherwise accounted for as contingent loans, such as overdrafts and credit card lines of credit, and long-term contractual obligations under operating leases or service contracts. We record our off-balance sheet arrangements under memorandum accounts, as described in note 36 to our Financial Statements.

We provide our customers with services related to the issuance and confirmation of commercial and stand-by letters of credit and to the issuance of guarantees (bonds). Our letters of credit operations totaled US$59.9 million as of March 31, 2011, US$167.8 million as of December 31, 2010 and US$90.8 million as of December 31, 2009.

The credit risk of both on- and off-balance sheet financial instruments varies based on many factors, including the value of collateral held and other security arrangements. To mitigate credit risk, we generally determine the need for specific covenant, guarantee and collateral requirements on a case-by-case basis, depending on the nature of the financial instrument and the customer's creditworthiness. We may also require comfort letters and oral assurances. The amount and type of collateral held to reduce credit risk varies, but may include real estate, machinery, equipment, inventory and accounts receivable, as well as cash on deposit, stocks, bonds and other marketable securities that are generally held in our possession or at another appropriate custodian or depository. This collateral is valued and inspected on a regular basis to ensure both its existence and adequacy. Additional collateral is required when appropriate.

SELECTED STATISTICAL INFORMATION

Unaudited Interim Selected Consolidated Financial Information as of and for the three-month period ended March 31, 2011

The selected consolidated financial information provided below as of March 31, 2011 is derived from our Unaudited Interim Consolidated Financial Statements.

	As of March 31, 2011
	(Q millions)
Balance sheet data:	
Cash	7,779.5
Investments	18,010.2
Loan portfolio, net	22,623.8
Accounts Receivable from financial products	324.5
Accounts receivable, net	267.0
Foreclosed assets, net	13.4
Permanent investments	12.3
Other investments	343.5
Property and equipment, net	1,273.4
Deferred charges, net	576.1
Total assets	**51,223.7**
Deposits	39,056.4
Liabilities with other financial institutions	4,806.9
Financial obligations	1,665.2
Financial expenses payable	200.0
Accounts payable	1,027.1
Accruals	32.7
Other liabilities	807.3
Deferred income	18.6
Total liabilities	**47,614.2**
Other credit balances	32.7
Minority interest	22.4
Total liabilities and other credit balances	**47,669.3**
Shareholders Equity	
Primary capital	1,990.0
Complementary capital	1,564.4
Total shareholders' equity	**3,554.4**
Total liabilities and shareholders' equity	**51,223.7**

The following selected statistical information is provided with respect to the Bank and its consolidated subsidiaries only. Certain other information in this offering memorandum, including certain information derived from statistics of the Superintendency of Banks is presented on an unconsolidated basis. This information should be read in conjunction with "Presentation of Certain Financial and Other Information," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our Financial Statements, included elsewhere in this offering memorandum. The selected statistical information included in this offering memorandum is as of and for the three months ended March 31, 2011 and as of and for the years ended December 31, 2010, 2009 and 2008.

Presentation of Selected Statistical Information

Presentation of the financial and statistical information included in this "Selected Statistical Information" may differ from the manner of presentation required by Guatemalan Banking GAAP for the presentation of our Financial Statements. The following information is presented solely for the convenience of the reader for analytical purposes and, for certain items, differs from the presentation in our Financial Statements which are prepared in conformity with Guatemalan Banking GAAP.

Assets and liabilities have been classified by currency of denomination (Quetzales or foreign currency), rather than by domicile of customer or other criteria, because substantially all our transactions are effected in Guatemala or on behalf of Guatemalan residents in Quetzales or foreign currency. The U.S. dollar is the main foreign currency used in our transactions; however, Euros are also used. For purposes of this section, all foreign currency assets and liabilities have been converted into U.S. dollars and then converted into Quetzales using the interbank exchange rate at the relevant dates published by the Guatemalan Central Bank, as required by Guatemalan Banking GAAP.

Certain amounts and percentages included in this offering memorandum have been subject to rounding adjustments; accordingly, figures shown for the same category presented in different tables may vary slightly and totals may not sum due to rounding.

Average Balance Sheet and Interest Rate Data

The tables below present the average balances for all of our assets and liabilities together with the related interest income and expense amounts for interest-earning assets and interest-bearing liabilities, resulting in the presentation of the average real yields and rates for each period.

Quetzal-Denominated Average Balances and Interest

Average balances for Quetzal-denominated assets and liabilities have been calculated using the daily balances during each such period. Interest income (expense) for the three months and for each year is the total income (expense) for such period.

Foreign Currency-Denominated Average Balances and Interest

Average balances and interest income (expense) for foreign currency-denominated assets and liabilities have been translated into Quetzales using the applicable period-end exchange rate published in the Guatemalan Central Bank. The average balances for foreign currency-denominated assets and liabilities have been calculated using daily balances during each such period. Interest income (expense) for the three months and for each year is the total income (expense) for such period

Average Rates

The average annual rates earned on interest-earning assets and the average annual rates paid on interest-bearing liabilities are nominal rates.

Average Assets and Interest Rates

The following table presents the average balance of assets, interest income and average annual rates for the periods specified.

	For the three months ended March 31, 2011			**For the year ended December 31, 2010**			**For the year ended December 31, 2009**			**For the year ended December 31, 2008**		
	(Q millions, except percentages)											
	Average Balance	**Interest Income**	**Average rate[1] (%)**	**Average Balance**	**Interest Income**	**Average rate (%)**	**Average Balance**	**Interest Income**	**Average rate (%)**	**Average Balance**	**Interest Income**	**Average rate (%)**
Total interest earning assets	**42,730.1**	**828.8**	**7.8%**	**39,408.0**	**3,271.4**	**8.3%**	**37,314.6**	**3,245.4**	**8.7%**	**34,314.4**	**2,968.0**	**8.6%**
Quetzales	24,575.6	541.0	8.8%	23,183.5	2,150.6	9.3%	20,722.1	1,996.6	9.6%	18,813.2	1,795.5	9.5%
Foreign currency	18,154.5	287.8	6.3%	16,224.5	1,120.8	6.9%	16,592.5	1,248.8	7.5%	15,501.2	1,172.5	7.6%
Interest-bearing deposits in other banks [2]	**1,448.4**	**2.5**	**0.7%**	**1,686.8**	**8.6**	**0.5%**	**1,446.2**	**8.2**	**0.6%**	**869.2**	**18.9**	**2.2%**
Quetzales	11.6	0.1	3.4%	12.9	0.5	3.9%	11.9	0.7	5.9%	12.2	0.4	3.3%
Foreign currency	1,436.8	2.4	0.7%	1,673.9	8.1	0.5%	1,434.3	7.5	0.5%	857.0	18.5	2.2%
Investments [3]	**17,782.9**	**348.0**	**7.8%**	**15,132.9**	**1,243.5**	**8.2%**	**12,392.6**	**1,079.1**	**8.7%**	**11,462.4**	**1,053.7**	**9.2%**
Quetzales	13,408.0	267.6	8.0%	11,807.1	979.1	8.3%	10,198.3	862.3	8.5%	9,923.7	863.7	8.7%
Foreign currency	4,374.9	80.4	7.4%	3,325.8	264.4	7.9%	2,194.3	216.8	9.9%	1,538.7	190.0	12.3%

	For the three months ended March 31, 2011			For the year ended December 31, 2010			For the year ended December 31, 2009			For the year ended December 31, 2008		
	(Q millions, except percentages)											
	Average Balance	Interest Income	Average rate(1) (%)	Average Balance	Interest Income	Average rate (%)	Average Balance	Interest Income	Average rate (%)	Average Balance	Interest Income	Average rate (%)
Loans portfolio, net (4)	**23,424.6**	**477.8**	**8.2%**	**22,509.4**	**2,017.2**	**9.0%**	**23,393.5**	**2,155.9**	**9.2%**	**21,896.5**	**1,893.2**	**8.6%**
Quetzales	11,081.8	272.8	9.8%	11,284.6	1,168.9	10.4%	10,429.6	1,131.4	10.8%	8,791.0	929.2	10.6%
Foreign currency	12,342.8	205.0	6.6%	11,224.8	848.3	7.6%	12,963.9	1,024.5	7.9%	13,105.5	964.0	7.4%
Other (accounts receivable)	**74.2**	**0.5**	**2.7%**	**78.9**	**2.1**	**2.7%**	**82.3**	**2.2**	**2.7%**	**86.3**	**2.2**	**2.5%**
Quetzales	74.2	0.5	2.7%	78.9	2.1	2.7%	82.3	2.2	2.7%	86.3	2.2	2.5%
Foreign currency												
Total non-interest generating assets	**7,597.5**			**7,446.2**			**6,908.5**			**6,201.8**		
Cash and due from banks	**1,281.1**			**1,406.1**			**1,321.4**			**1,084.1**		
Quetzales	1,026.6			1,101.5			1,076.3			881.1		
Foreign currency	254.5			304.6			245.1			203.0		
Central Bank Deposits	**4,301.5**			**3,872.2**			**3,466.2**			**3,005.2**		
Quetzales	3,222.0			3,005.5			2,858.1			2,507.2		
Foreign currency	1,079.5			866.7			608.1			498.0		
(-) Loan loss provision	**(338.5)**			**(291.7)**			**(254.9)**			**(194.6)**		
Quetzales	(213.1)			(156.1)			(185.5)			(159.2)		
Foreign currency	(125.4)			(135.6)			(69.4)			(35.4)		
Property and equipment, net	**1,247.9**			**1,344.7**			**1,152.2**			**1,036.3**		
Quetzales	1,119.7			1,252.7			1,100.9			995.1		
Foreign currency	128.2			92.0			51.3			41.2		
Defered charges	**540.1**			**558.3**			**596.7**			**635.7**		
Quetzales	533.2			550.3			594.8			634.5		
Foreign currency	6.9			8.0			1.9			1.2		
Financial products receivable	**290.1**			**248.2**			**231.2**			**239.2**		
Quetzales	197.9			168.9			154.6			167.9		
Foreign currency	92.2			79.3			76.6			71.3		
Foreclosed assets	**11.9**			**8.6**			**6.2**			**20.2**		
Quetzales	11.1			6.6			3.4			17.2		
Foreign currency	0.8			2.0			2.8			3.0		
Accounts receivable, net	**191.1**			**209.2**			**281.8**			**274.9**		
Quetzales	160.2			175.9			145.8			147.9		
Foreign currency	30.9			33.3			136.0			127.0		
Prepaid assets	**72.3**			**90.6**			**107.7**			**100.8**		
Quetzales	72.0			90.2			107.3			100.5		
Foreign currency	0.3			0.4			0.4			0.3		
Total Assets	**50,327.6**			**46,854.2**			**44,223.1**			**40,516.2**		

(1) For the three months ended March 31, 2011, average rates have been annualized.

(2) Interest income from interest-bearing deposits in other banks includes tax-free interest income from deposits in foreign banks in the amounts of Q2.5 million, Q8.6 million, Q8.2 million and Q18.9 million as of March 31, 2011, December 31, 2010, 2009 and 2008, respectively.

(3) Interest income from investments includes tax-free interest income from investments in Eurobonds, Certibonos and Cédulas Hipotecarias secured by FHA (*Instituto de Fomento de Hipotecas Aseguradas*), which are non-taxable securities, in the amounts of Q100.3 million, Q393.4 million, Q331.5 million and Q287.3 million as of March 31, 2011 and December 31, 2010, 2009 and 2008, respectively.

(4) Interest income from our loan portfolio includes tax-free interest income from guaranteed loans and loans granted by the Offshore Bank, which are tax-exempt, in the amounts of Q42.4 million, Q211.9 million, Q289.3 million and Q262.6 million as of March 31, 2011 and December 31, 2010, 2009 and 2008, respectively.

Average Liabilities, Shareholders' Equity and Interest Rates

The following table presents the average balance of liabilities and shareholders' equity, interest expense and average annual rates for the periods specified.

	For the three months ended March 31, 2011			For the year ended December 31, 2010			For the year ended December 31, 2009			For the year ended December 31, 2008		
	(Q millions, except percentages)											
	Average Balance	**Interest Expense**	**Average rate[1] (%)**	**Average Balance**	**Interest Expense**	**Average rate (%)**	**Average Balance**	**Interest Expense**	**Average rate (%)**	**Average Balance**	**Interest Expense**	**Average rate (%)**
Total interest-bearing liabilities	**45,428.0**	**372.5**	**3.3%**	**41,658.5**	**1,532.5**	**3.7%**	**39,433.4**	**1,569.9**	**4.0%**	**36,122.0**	**1,412.1**	**3.9%**
Quetzales	27,137.1	237.3	3.5%	25,902.9	951.9	3.7%	24,266.6	936.8	3.9%	21,426.4	774.7	3.6%
Foreign currency	18,290.9	135.2	3.0%	15,755.6	580.6	3.7%	15,166.8	633.1	4.2%	14,695.6	637.4	4.3%
Deposits	**38,369.7**	**285.7**	**3.0%**	**35,963.6**	**1,170.0**	**3.3%**	**32,973.5**	**1,183.9**	**3.6%**	**28,161.7**	**922.9**	**3.3%**
Demand deposits	**16,380.8**	**30.4**	**0.7%**	**14,743.9**	**113.3**	**0.8%**	**13,699.0**	**154.6**	**1.1%**	**12,042.8**	**127.4**	**1.1%**
Quetzales	11,004.0	20.9	0.8%	10,269.9	82.5	0.8%	9,825.7	106.1	1.1%	8,768.4	93.2	1.1%
Foreign currency	5,376.8	9.5	0.7%	4,474.0	30.8	0.7%	3,873.3	48.5	1.3%	3,274.4	34.2	1.0%
Savings deposits	**6,409.0**	**20.8**	**1.3%**	**5,969.1**	**67.9**	**1.1%**	**5,396.4**	**62.9**	**1.2%**	**4,916.9**	**52.5**	**1.1%**
Quetzales	5,341.5	19.9	1.5%	4,943.1	63.8	1.3%	4,467.3	52.9	1.2%	4,061.8	41.6	1.0%
Foreign currency	1,067.5	0.9	0.3%	1,026.0	4.1	0.4%	929.1	10.0	1.1%	855.1	10.9	1.3%
Time deposits	**15,579.9**	**234.5**	**6.0%**	**15,250.6**	**988.8**	**6.5%**	**13,878.1**	**966.4**	**7.0%**	**11,202.0**	**743.0**	**6.6%**
Quetzales	9,303.8	169.3	7.3%	9,045.8	685.8	7.6%	8,332.7	654.0	7.8%	6,864.8	508.5	7.4%
Foreign currency	6,276.1	65.2	4.2%	6,204.8	303.0	4.9%	5,545.4	312.4	5.6%	4,337.2	234.5	5.4%
Financial liabilities	**1,674.0**	**27.7**	**6.6%**	**1,804.3**	**122.5**	**6.8%**	**1,747.8**	**124.4**	**7.1%**	**1,816.1**	**136.6**	**7.5%**
Quetzales	1,408.5	25.0	7.1%	1,541.5	110.8	7.2%	1,541.5	114.7	7.4%	1,653.7	125.5	7.6%
Foreign currency	265.5	2.7	4.1%	262.8	11.7	4.5%	206.3	9.7	4.7%	162.4	11.1	6.8%
Loans obtained	**4,880.2**	**48.5**	**4.0%**	**3,606.4**	**211.8**	**5.9%**	**4,424.4**	**233.0**	**5.3%**	**5,968.5**	**334.9**	**5.6%**
Quetzales	79.3	2.2	11.1%	102.6	9.0	8.8%	99.4	9.1	9.2%	77.7	5.9	7.6%
Foreign currency	4,800.9	46.3	3.9%	3,503.8	202.8	5.8%	4,325.0	223.9	5.2%	5,890.8	329.0	5.6%
Other liabilities	**504.1**	**10.6**	**8.4%**	**284.2**	**28.2**	**9.9%**	**287.7**	**28.6**	**9.9%**	**175.7**	**17.7**	**10.1%**
Quetzales	0.0	0.0		0.0	0.0		0.0	0.0		0.0	0.0	
Foreign currency	504.1	10.6	8.4%	284.2	28.2	9.9%	287.7	28.6	9.9%	175.7	17.7	10.1%
Total non-interest-earning liabilities	**4,899.6**			**5,195.7**			**4,789.8**			**4,394.2**		
Other deposits	**161.9**			**202.3**			**169.0**			**183.3**		
Quetzales	109.3			105.6			93.7			84.8		
Foreign currency	52.6			96.7			75.3			98.5		
Financial expenses payable	**132.3**			**146.4**			**135.6**			**122.4**		
Quetzales	48.3			50.1			43.9			33.5		
Foreign currency	84.0			96.3			91.7			88.9		
Accounts payable	**630.7**			**519.2**			**545.5**			**540.5**		
Quetzales	513.2			401.5			431.9			412.6		
Foreign currency	117.5			117.7			113.6			127.9		
Provisions	**24.0**			**28.9**			**27.3**			**21.6**		
Quetzales	21.8			25.9			23.2			18.2		
Foreign currency	2.2			3.0			4.1			3.4		
Deferred credits	**7.4**			**8.1**			**11.6**			**17.6**		
Quetzales	1.5			1.7			2.5			2.8		
Foreign currency	5.9			6.4			9.1			14.8		
Other credit balances	**28.9**			**24.3**			**43.9**			**53.6**		
Quetzales	13.8			12.7			28.1			38.0		
Foreign currency	15.1			11.6			15.8			15.6		
Minority interest	**22.7**			**8.0**			**5.7**			**11.8**		
Quetzales	22.7			8.0			5.7			11.8		
Foreign currency	0.0			0.0			0.0			0.0		
Shareholders' equity[2]	**3,891.7**			**4,258.5**			**3,851.2**			**3,443.4**		
Quetzales	3,215.3			3,582.3			3,355.5			3,012.0		

	For the three months ended March 31, 2011			For the year ended December 31, 2010			For the year ended December 31, 2009			For the year ended December 31, 2008		
	(Q millions, except percentages)											
	Average Balance	**Interest Expense**	**Average rate[1] (%)**	**Average Balance**	**Interest Expense**	**Average rate (%)**	**Average Balance**	**Interest Expense**	**Average rate (%)**	**Average Balance**	**Interest Expense**	**Average rate (%)**
Foreign currency	676.4			676.2			495.6			431.4		
Total liabilities and shareholder's equity	**50,327.6**			**46,854.2**			**44,223.1**			**40,516.2**		

(1) For the three months ended March 31, 2011, the average rates have been annualized

(2) Shareholders' equity included subordinated debt until December 31, 2010, after this date subordinated debt is included in Other Liabilities due to a change in the local regulations regarding presentation of financial information.

Changes in Interest Income and Expense—Volume and Rate Analysis

The following table sets forth the allocation of the changes in our interest income and expense between changes in volume and changes in rates in Quetzales for the three months ended March 31, 2011 compared to the three months ended March 31, 2010 and for the year ended December 31, 2010 compared to the year ended December 31, 2009 and for the year ended December 31, 2009 compared to the year ended December 31, 2008. Volume and rate variances have been calculated based on changes in the average balances over the period and changes in interest rates on average interest-earning assets and average interest-bearing liabilities. The variances caused by changes in both volume and rate have been allocated to volume.

	March 31, 2011/2010 Increase (decrease) due to change in: (Q millions)			December 31, 2010/2009 Increase (decrease) due to change in: (Q millions)			December 31, 2009/2008 Increase (decrease) due to change in: (Q millions)		
	Volume	Rate	Net Change	Volume	Rate	Net Change	Volume	Rate	Net Change
Total interest-earning assets	**86.2**	**(67.9)**	**18.3**	**181.6**	**(155.6)**	**26.0**	**257.5**	**19.9**	**277.4**
Interest-bearing deposits in other banks	**(0.5)**	**1.4**	**0.9**	**1.2**	**(0.8)**	**0.4**	**3.0**	**(13.7)**	**(10.7)**
Quetzales	(0.0)	(0.1)	(0.1)	0.0	(0.2)	(0.2)	(0.0)	0.3	0.3
Foreign currency	(0.5)	1.5	1.0	1.2	(0.6)	0.6	3.0	(14.0)	(11.0)
Investments	**74.1**	**(16.4)**	**57.7**	**223.4**	**(59.0)**	**164.4**	**88.0**	**(62.6)**	**25.4**
Quetzales	49.1	(7.0)	42.1	133.4	(16.6)	116.8	23.2	(24.6)	(1.4)
Foreign currency	25.0	(9.4)	15.6	90.0	(42.4)	47.6	64.8	(38.0)	26.8
Loan portfolio	**12.6**	**(52.9)**	**(40.3)**	**(42.9)**	**(95.8)**	**(138.7)**	**166.6**	**96.1**	**262.7**
Quetzales	(2.7)	(18.2)	(20.9)	88.6	(51.1)	37.5	177.8	24.4	202.2
Foreign currency	15.4	(34.8)	(19.4)	(131.4)	(44.8)	(176.2)	(11.2)	71.7	60.5
Other (accounts receivable)	**(0.1)**	**0.1**	**0.0**	**(0.1)**	**(0.0)**	**(0.1)**	**(0.1)**	**0.1**	**0.0**
Quetzales	(0.1)	0.1	0.0	(0.1)	(0.0)	(0.1)	(0.1)	0.1	0.0
Foreign currency	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total interest-bearing liabilities	**33.7**	**(42.8)**	**(9.1)**	**55.4**	**(92.8)**	**(37.4)**	**133.6**	**24.2**	**157.8**
Demand deposits	**3.1**	**(4.3)**	**(1.2)**	**7.7**	**(49.0)**	**(41.3)**	**18.9**	**8.3**	**27.2**
Quetzales	1.5	(1.7)	(0.2)	3.6	(27.2)	(23.6)	11.4	1.5	12.9
Foreign currency	1.6	(2.6)	(1.0)	4.1	(21.8)	(17.7)	7.5	6.8	14.3
Savings deposits	**2.5**	**3.9**	**6.4**	**6.5**	**(1.5)**	**5.0**	**5.6**	**4.8**	**10.4**
Quetzales	2.4	4.2	6.6	6.1	4.8	10.9	4.8	6.5	11.3
Foreign currency	0.1	(0.3)	(0.2)	0.4	(6.3)	(5.9)	0.8	(1.7)	(0.9)
Time deposits	**15.1**	**(23.8)**	**(8.7)**	**86.3**	**(63.9)**	**22.4**	**183.3**	**40.1**	**223.4**
Quetzales	11.4	(6.8)	4.6	54.1	(22.3)	31.8	115.2	30.3	145.5
Foreign currency	3.8	(17.1)	(13.3)	32.2	(41.6)	(9.4)	68.1	9.8	77.9
Financial liabilities	**(3.4)**	**(0.5)**	**(3.9)**	**2.5**	**(4.4)**	**(1.9)**	**(6.3)**	**(5.9)**	**(12.2)**
Quetzales	(3.5)	(0.2)	(3.7)	0.0	(3.9)	(3.9)	(8.3)	(2.5)	(10.8)
Foreign currency	0.1	(0.3)	(0.2)	2.5	(0.5)	2.0	2.1	(3.5)	(1.4)
Loans obtained	**11.9**	**(17.1)**	**(5.2)**	**(47.3)**	**26.1**	**(21.2)**	**(79.1)**	**(22.8)**	**(101.9)**
Quetzales	(1.1)	1.6	0.5	0.3	(0.4)	(0.1)	2.0	1.2	3.2
Foreign currency	13.0	(18.7)	(5.7)	(47.5)	26.4	(21.1)	(81.1)	(24.0)	(105.1)
Other financial liabilities	**4.5**	**(1.0)**	**3.5**	**(0.3)**	**(0.1)**	**(0.4)**	**11.1**	**(0.2)**	**10.9**
Quetzales	0.0	0.0	0.0		0.0	0.0	0.0	0.0	0.0
Foreign currency	4.5	(1.0)	3.5	(0.3)	(0.1)	(0.4)	11.1	(0.2)	10.9

Interest-Earning Assets—Yield and Yield Spread

The following table sets forth, by currency of denomination, the levels of our average interest-earning assets and net interest income, and gross and net yield and yield spread obtained, for each of the periods indicated.

	As of or for the three months ended March 31, 2011 [(4)]	As of or for the years ended December 31,		
		2010	2009	2008
		(Q millions, except percentages)		
Total average interest-earning assets:				
Quetzales	24,575.6	23,183.5	20,722.1	18,813.2
Dollars	18,154.5	16,224.5	16,592.5	15,501.2
Total	**42,730.1**	**39,408.0**	**37,314.6**	**34,314.4**
Total interest-bearing liabilities:				
Quetzales	27,137.1	25,902.9	24,266.6	21,426.4
Dollars	18,290.9	15,755.6	15,166.8	14,695.6
Total	**45,428.0**	**41,658.5**	**39,433.4**	**36,122.0**
Interest Income				
Quetzales	541.0	2,150.6	1,996.6	1,795.5
Dollars	287.8	1,120.8	1,248.8	1,172.5
Total	**828.8**	**3,271.4**	**3,245.4**	**2,968.0**
Interest Expense				
Quetzales	237.3	951.9	936.8	774.7
Dollars	135.2	580.6	633.1	637.4
Total	**372.5**	**1,532.5**	**1,569.9**	**1,412.1**
Net interest income:				
Quetzales	303.7	1,198.7	1,059.8	1,020.8
Dollars	152.6	540.2	615.7	535.1
Total	**456.30**	**1,738.90**	**1,675.50**	**1,555.90**
Gross Yied				
Quetzales	8.81%	9.28%	9.64%	9.54%
Dollars	6.34%	6.91%	7.53%	7.56%
Total	**7.76%**	**8.30%**	**8.70%**	**8.65%**
Net Yield				
Quetzales	4.94%	5.17%	5.11%	5.43%
Dollars	3.36%	3.33%	3.71%	3.45%
Total	**4.27%**	**4.41%**	**4.49%**	**4.53%**
Yield spread				
Quetzales	5.31%	5.60%	5.77%	5.93%
Dollars	3.38%	3.22%	3.35%	3.23%
Total	**4.48%**	**4.62%**	**4.72%**	**4.74%**

(1) Gross yield is interest income divided by average interest-earning assets.

(2) Net yield represents the total of net interest income divided by average interest-earning assets.

(3) Yield spread represents the difference between gross yield on average interest-earning assets and average rate of interest-bearing liabilities.

(4) For the three months ended March 31, 2011, the average yields have been annualized.

Return on Equity and Assets

The following table shows selected financial data and selected financial ratios for the periods indicated.

	As of or for the three-month periods ended March 31,		As of or for the years ended December 31,		
	2011	2010	2010	2009	2008
	(Q millions, except percentages)				
Net income	211.3	239.7	763.3	591.3	602.8
Average total assets[(1)]	50,327.6	45,395.8	46,854.2	44,223.1	40,516.2
Average shareholders' equity[(1)(2)]	3,891.7	3,852.9	4,258.5	3,851.2	3,443.4
Net income as a percentage of average total assets[(3)]	1.7%	2.1%	1.6%	1.3%	1.5%
Net income as a percentage of average shareholders' equity[(3)]	21.7%	24.9%	17.9%	15.4%	17.5%
Average shareholders' equity as a percentage of average total assets	7.7%	8.5%	9.1%	8.7%	8.5%
Dividend payout ratio[(4)(5)]			48.7%	57.8%	47.8%

(1) Average daily balances during each such period.

(2) Shareholders' equity included subordinated debt until December 31, 2010, after this date subordinated debt is included in Other Liabilities due to a change in the local regulations regarding presentation of financial information.

(3) Figures for the three months ended March 31, 2011 and 2010 have been annualized.

(4) Dividends divided by net income.

(5) Regular dividends are paid on a yearly basis.

Interest Rate Sensitivity of Assets and Liabilities

Interest rates

The regulations of the Guatemalan Central Bank do not mandate, and market practice in Guatemala is such that, Guatemalan banks do not base their local currency or foreign currency interest rates on loans and deposits on a fixed rate or a single reference rate published regularly by an official source. Rather, interest rates in Guatemala are determined individually by lenders based on market conditions. The agreements for loans and demand and savings deposits specify the initial interest rate and state that the applicable interest rate may change depending on market conditions. We evaluate and reset interest rates on loans every 90 days. For our demand and savings deposits , we evaluate and reset rates every 30 days.

A key component of our asset and liability policy is the management of interest rate sensitivity. Interest rate sensitivity is the relationship between market interest rates and net interest income due to the repricing characteristics of assets and liabilities. For any given period, the pricing structure is matched when an equal amount of assets and liabilities reprice. Any excess of assets or liabilities over these matched items results in a repricing gap or net exposure. A positive repricing gap normally means that an increase in interest rates would result in an increase in net income, while a decrease in interest rates would result in a decrease in net income.

Our interest rate sensitivity strategy takes into account, among other things, the rates of return and the underlying degree of risk, liquidity requirements, including minimum regulatory cash reserves, capital ratios, withdrawal and maturity deposits, capital costs and additional demands for funds. Our rate and maturity mismatches and positions are monitored by us.

The following table sets forth our interest-earning assets and interest-bearing liabilities as of March 31, 2011. Fixed rate instruments are classified according to their date of maturity and other instruments according to their repricing date.

	As of March 31, 2011					
	0 - 30 days	**31 - 90 days**	**91 -180 days**	**181 - 365 days**	**Non-rate sensitive or- over one year**	**Total**
	(Q millions, except percentages)					
Assets:						
Commercial and corporate loans	948.4	15,652.5	350.8	161.1	529.6	17,642.3
Retail loans	9.0	5,161.1	5.9	0.3	8.9	5,185.1
Total performing loan portfolio	**957.4**	**20,813.6**	**356.7**	**161.3**	**538.5**	**22,827.4**
Deposits in other banks	1,749.0					1,749.0
Securities	2,053.0	2,513.8	896.2	2,611.9	10,291.1	18,365.9
Total interest-earning assets	**4,759.3**	**23,327.4**	**1,252.9**	**2,773.2**	**10,829.5**	**42,942.3**
Cash, property and other non-interest earning assets					8,484.9	8,484.9
Non-performing loans					138.7	138.7
Less: Allowance for loan losses					(342.3)	(342.3)
Total assets	**4,759.3**	**23,327.4**	**1,252.9**	**2,773.2**	**19,110.9**	**51,223.7**
Liabilities and shareholders' equity:						-
Demand and savings deposits	23,454.5					23,454.5
Time deposits	1,522.1	3,350.6	4,472.2	5,292.9	815.9	15,453.7
Total deposits	**24,976.6**	**3,350.6**	**4,472.2**	**5,292.9**	**815.9**	**38,908.3**
Short-term debt	76.9	546.0	1,016.9	332.3	-	1,972.1
Long-term debt	343.8	252.6	516.2	273.4	3,114.0	4,500.0
Tier 1 Capital Notes					269.1	269.1
Subordinated debt(1)		538.2				538.2
Other non-interest bearing liabilities					1,481.7	1,481.7
Total liabilities	**25,397.3**	**4,687.4**	**6,005.2**	**5,898.7**	**5,680.7**	**47,669.3**
Shareholders' equity(1)					**3,554.4**	**3,554.4**
Total liabilities and shareholders' equity	**25,397.3**	**4,687.4**	**6,005.2**	**5,898.7**	**9,235.0**	**51,223.7**
Interest rate maturity gap	**(20,638.0)**	**18,640.0**	**(4,752.4)**	**(3,125.4)**	**9,875.8**	
Cumulative interest rate maturity gap	**(20,638.0)**	**(1,998.0)**	**(6,750.4)**	**(9,875.8)**		
Cumulative gap as percentage of total interest-earning assets	**(48.1)%**	**(4.7)%**	**(15.7)%**	**(23.0)%**		

As of March 31, 2011, interest-earning assets totaled Q42,942.3 million. Of these assets, 65.4% repriced in 90 days or less. Of the assets that repriced in 90 days or less, 77.5% were performing loans, 6.2% were deposits in other banks and 16.3% were investments in securities.

Of our liabilities as of March 31, 2011, 81.6% consisted of deposits, totaling Q38,908.3 million, of which 72.8% repriced in 90 days or less. The remaining 18.4% of our liabilities amounting to Q8,761.0 million consisted of Q1,972.1 million of short-term debt, Q4,500.0 million of long-term debt, Q269.1 million of Tier 1 Capital Notes, Q538.2 million of subordinated debt and Q1,481.7 million of other liabilities. Of such Q8,761.0 million of non-deposit liabilities, 20.1% repriced in 90 days or less.

Deposit Balances and Interest Rates

The following table shows average balances of interest-bearing deposits we held and the average interest rates thereon for the periods indicated.

	For the three months ended March 31, 2011		For the year ended December 31, 2010		For the year ended December 31, 2009		For the year ended December 31, 2008	
	Average Balance	**Average Rate (%)**	**Average Balance**	**Average Rate (%)**	**Average Balance**	**Average Rate (%)**	**Average Balance**	**Average Rate (%)**
	(Q millions, except percentages)							
Interest-bearing deposits[(1)] :								
Demand deposits	16,380.8	0.7%	14,743.9	0.8%	13,699.0	1.1%	12,042.8	1.1%
Savings deposits	6,409.0	1.3%	5,969.1	1.1%	5,396.4	1.2%	4,916.9	1.1%
Time deposits	15,579.9	6.0%	15,250.6	6.5%	13,878.1	7.0%	11,202.0	6.6%
Total	**38,369.7**	**3.0%**	**35,963.6**	**3.3%**	**32,973.5**	**3.6%**	**28,161.7**	**3.3%**

(1) "Other deposits," which consist of deposits that are judicially restricted, are not included in this table because these deposits do not bear interest.

Our total deposits are comprised of demand deposits, savings deposits, time deposits and other deposits, in both the local and foreign currencies. Demand deposits are checking accounts and bear the lowest interest rates. Savings deposits are savings accounts on which checks cannot be issued and bear higher interest rates than demand deposits.

As a result of our reputation and name recognition in Guatemala, we have access to large amounts of low-cost domestic consumer deposits. Our deposit base is primarily composed of Guatemalan-based customers. We do not believe that the amount of deposits originating from outside of Guatemala is significant at this time.

A significant source of our consumer deposits in the Off-shore Bank, which maintains accounts for approximately 8,600 high net-worth clients. Westrust's Bank's 25 largest institutional depositors represent less than 23% of its consolidated demand, savings and time deposits.

As of March 31, 2011, we had total deposits of Q39,056.4 million compared to Q37,945.3 million as of December 31, 2010, an increase of 2.9%. This increase was attributable to a 7.7% increase in demand deposits to Q16,944.8 million as of March 31, 2011 from Q15,729.5 million as of December 31, 2010, primarily attributable to our strong banking franchise and branch expansion.

As of December 31, 2010, we had total deposits of Q37,945.3 million compared to Q34,783.8 million as of December 31, 2009, an increase of 9.1%. This increase was primarily the result of a 9.6% increase in demand deposits to Q15,729.5 million on December 31, 2010 from Q14,349.2 million on December 31, 2009, primarily related to favorable economic conditions, our strong banking franchise and branch expansion.

As of December 31, 2009, we had total deposits of Q34,783.8 million compared to Q30,786.9 million as of December 31, 2008, an increase of 13.0%. This increase was primarily the result of a 14.9% increase in time deposits to Q14,502.8 million on December 31, 2009 from Q12,619.2 million on December 31, 2008, primarily attributable to a flight to quality effect of depositors seeking safe investments due to the international financial crisis.

Deposits in Excess of the Quetzal Equivalent of US$100,000

Our deposits in excess of the Quetzal equivalent of US$100,000, including demand and time deposits, are set forth in the following table according to the maturities indicated:

	As of March 31,	As of December 31,		
	2011	2010	2009	2008
		(Q millions)		
Maturity within three months	Q15,292.04	Q14,761.66	Q13,248.62	Q11,547.50
Maturity after three months but within six months	Q3,526.64	Q3,119.17	Q2,996.68	Q2,287.34

	As of March 31,	As of December 31,		
	2011	2010	2009	2008
		(Q millions)		
Maturity after six months but within twelve months	Q4,380.12	Q4,018.42	Q3,442.93	Q3,321.85
Maturity after twelve months	Q698.80	Q724.25	Q778.10	Q625.89
Total deposits in excess of the Quetzal equivalent of US$100,000[1]	**Q23,897.6**	**Q22,623.5**	**Q20,466.3**	**Q17,782.6**

(1) The percentage of deposits in excess of the Quetzal equivalent of US$100,000 relative to our total deposits as of March 31, 2011 and December 31, 2010, 2009 and 2008 was 60.2%, 59.7%, 58.7% and 57.6%, respectively.

Although our deposits in excess of the Quetzal equivalent of US$100,000 represent a significant portion of our total deposits, we believe these deposits are spread over a broad client base and that we do not face any significant liquidity risk as a result. The total number of accounts that had deposits in excess of the Quetzal equivalent of US$100,000 was 6,967 as of March 31, 2011, 6,621 as of December 31, 2010, 5,821 as of December 31, 2009 and 5,958 as of December 31, 2008 compared to the total number of all accounts of 2,026,297 as of March 31, 2011, 1,973784 as of December 31, 2010, 1,730,838 as of December 31, 2009 and 1,547,716 as of December 31, 2008. The total balance of our ten largest depositors was Q3,308.2 million, Q2,542.7 million, Q2,870.4 million and Q2,373.2 million as of March 31, 2011 and December 31, 2010, 2009 and 2008, respectively compared to our total deposits of Q39,056.4 million, Q37,945.3 million, Q34,945.3 million and Q30,786.9 million of such dates, respectively.

Guatemalan Central Bank Compulsory Deposits

Financial institutions comply with reserve requirements by depositing cash with the Guatemalan Central Bank. Cash deposited with the Guatemalan Central Bank in satisfaction of reserve requirements does not earn significant interest. Liquidity available to us to make loans and other investments is reduced by such amounts. Reserve requirements have been used by the Guatemalan Central Bank to control liquidity as part of monetary policy in the past and the Guatemalan Central Bank has varied those requirements from time to time. The following sets forth the amounts of Central Bank deposits for the indicated periods.

	As of March 31,	As of December 31,		
	2011	2010	2009	2008
Deposits in the Central Bank:		(Q millions)		
Guatemalan Central Bank				
Quetzales	3,479.2	2,919.3	2,680.3	2,521.8
Foreign currency	1,368.7	880.8	719.6	404.9
Total	***4,847.9***	***3,800.1***	***3,399.9***	***2,926.8***
El Salvador Central Bank				
Foreign currency	124.4	130.1	-	-
Total	***124.4***	***130.1***	-	-
Total in Central Banks	**4,972.3**	**3,930.2**	**3,399.9**	**2,926.8**

Short-term Borrowings

The principal categories of borrowings are our issuance of securities, lines of credit from our relationship banks for trade finance and working capital and repurchase agreements.

The following table presents a summary of the uncommitted lines of credit from our relationship banks as of the dates indicated. All lines of credit are uncommitted and are denominated in foreign currency, primarily U.S. dollars.

	As of the March 31,	As of December 31,		
	2011	2010	2009	2008
		(Q millions)		
Total authorized uncommitted lines of credit[(1)]	8,238.3	8,541.0	9,180.1	8,915.1
Utilized amount[(1)]	4,806.9	4,744.4	3,833.3	5,478.8
Amount outstanding[(1)]	3,431.4	3,796.6	5,346.8	3,436.3

(1) Figures are shown in Quetzales using exchange rates in effect as of such dates, which were US$1.00 equal to Q7.68836 as of March 31, 2011, Q8.01358 as of December 31, 2010, Q8.35439 as of December 31, 2009 and Q7.78159 as of December 31, 2008. See note 15 to the Financial Statements.

The following table presents a summary of our outstanding repurchase agreements as of the dates and for the periods indicated.

Securities sold under repurchase agreements[(1)]	**As of or for the three months ended March 31,**	**As of or for the year ended December 31,**		
	2011	**2010**	**2009**	**2008**
		(Q millions)		
Amount outstanding	Q 3.5	Q -	Q -	Q 581.3
Maximum amount outstanding during the period	Q 3.5	Q -	Q -	Q 581.3

(1) Balances include securities sold under repurchase agreements not held between subsidiaries and include the effects of exchange rate fluctuations.

Securities Portfolio

We believe we manage our investment portfolio conservatively. We only invest in senior unsecured fixed income securities, predominantly sovereign debt of Central American countries, which we believe is highly liquid. As of March 31, 2011, approximately 93% of our investment portfolio was invested in securities issued by the Republic of Guatemala in the international capital markets and the domestic market. Our Treasury Department manages our investment portfolio under the supervision of the Investment Committee.

The chart below sets forth our investment portfolio as of March 31, 2011 and December 31, 2010, 2009 and 2008:

Investment Portfolio

	As of March 31,		**As of December 31,**					
	2011		**2010**		**2009**		**2008**	
	(Q millions)	*(%)*	*(Q millions)*	*(%)*	*(Q millions)*	*(%)*	*(Q millions)*	*(%)*
Government and Central Bank securities	17,113.0	93.2%	16,624.2	92.7%	13,229.0	94.3%	11,654.3	95.7%
Banks and financial institutions	557.8	3.0%	593.2	3.3%	354.3	2.5%	96.1	0.8%
Securities of private issuers	132.3	0.7%	138.0	0.8%	59.9	0.4%	54.5	0.4%
Interest paid in purchase of securities	1.2	0.0%	6.5	0.0%	6.7	0.0%	4.9	0.0%
Banco de Comercio´s trust	205.9	1.1%	206.2	1.2%	221.2	1.6%	225.2	1.8%
Equity Investment	12.3	0.1%	12.3	0.1%	11.1	0.1%	9.6	0.1%
Amortization funds(1)	343.5	1.9%	346.5	1.9%	148.2	1.1%	139.6	1.1%
Total	**18,365.9**	**100.0%**	**17,926.8**	**100.0%**	**14,030.4**	**100.0%**	**12,184.1**	**100.0%**

(1) Amortization funds consist of short term investments that we make for purposes of meeting obligations for the payment of our debt. See note 11 to the Financial Statements.

The following table presents our securities portfolio by currency as of March 31, 2011 and as of December 31, 2010, 2009 and 2008.

	As of March 31,		As of December 31,					
	2011		2010		2009		2008	
	(Q millions)	*(%)*	*(Q millions)*	*(%)*	*(Q millions)*	*(%)*	*(Q millions)*	*(%)*
Denominated in Guatemalan currency	13,959.8	76.0%	13,644.6	76.1%	11,018.7	78.5%	10,379.1	85.2%
Denominated in Foreign Currency	4,406.1	24.0%	4,282.2	23.9%	3,011.7	21.5%	1,805.0	14.8%
Total	**18,365.9**	**100.0%**	**17,926.8**	**100.0%**	**14,030.4**	**100.0%**	**12,184.1**	**100.0%**

Maturity Distribution and Average Yield

The following table presents the maturity distribution and weighted average yields as of March 31, 2011 for our securities portfolio.

	No Stated Maturity		Due in 1 year or less		Due after 1 year to 5 years		Due after 5 years to 10 years		Due after 10 years		Total	
	Volume	Average Yield	Volume	Average Yield	Volume	Average Yield	Volume	Average Yield	Volume	Average Yield	Volume	Average Yield
	(Q millions, except percentages)											
Government and Central Bank securities	0.9	15.3%	5,783.8	5.2%	3,551.3	8.9%	4,821.0	9.0%	2,955.9	8.7%	17,113.0	7.7%
Banks and financial institutions	0.0	0.0%	354.4	4.4%	161.8	6.3%	41.7	5.8%	0.0	0.0%	557.8	5.1%
Securities of private issuers	0.0	0.0%	0.0	0.0%	54.7	7.3%	77.5	7.8%	0.0	0.0%	132.3	7.6%
Interest paid in purchase of securities	0.0	0.0%	0.4	0.0%	0.0	0.0%	0.2	0.0%	0.6	0.0%	1.2	0.0%
Certificate of participation of exclude Assets	0.0	0.0%	0.0	0.0%	0.0	0.0%	0.0	0.0%	205.9	0.0%	205.9	0.0%
Equity Investment	12.3	0.0%	0.0	0.0%	0.0	0.0%	0.0	0.0%	0.0	0.0%	12.3	0.0%
Amortization funds[(1)]	343.5	0.0%	0.0	0.0%	0.0	0.0%	0.0	0.0%	0.0	0.0%	343.5	0.0%
Total	**356.7**	**0.0%**	**6,138.6**	**5.1%**	**3,767.8**	**8.7%**	**4,940.4**	**8.9%**	**3,162.5**	**8.7%**	**18,365.9**	**7.3%**

(1) Amortization funds relates to short term investments that we make for purposes of meeting obligations for the payment of our debt. See note 11 to our Financial Statements.

Loan Portfolio

The balance of our loan portfolio was Q22,966.1 million as of March 31, 2011, compared to Q23,516.7 million as of December 31, 2010, Q22,965.6 million as of December 31, 2009 and Q23,539.6 million as of December 31, 2008. Our loan portfolio has remained at stable levels due to the decrease in demand for credit following the international financial crisis at the beginning of 2009. However, our corporate oriented loan portfolio, which is less vulnerable to the economic downturns, in combination with our strict conservative credit analysis, has helped us to maintain our low delinquency levels history.

As of March 31, 2011, approximately 81.4% of our loan portfolio was comprised of corporate loans and 18.6% of retail loans. Our loan portfolio was 3.2% larger on March 31, 2011 than it was on March 31, 2010. As of December 31, 2010, approximately 81.8% of our loan portfolio was comprised of corporate loans and 18.2% of retail loans. Our loan portfolio was 2.4% larger as of December 31, 2010 than it was as of December 31, 2009. As of December 31, 2009, approximately 80.5% of our loan portfolio was comprised of corporate loans and 19.5% of retail loans. Our loan portfolio was 2.4% smaller as of December 31, 2009 than it was as of December 31, 2008. As of December 31, 2008, approximately 81.5% of our loan portfolio was comprised of corporate loans and 18.5% of retail loans.

The average yield on our loan portfolio in the first three months of 2011 was 8.2%, down from 9.0% for 2010. This yield decrease was driven mainly by an increase in the liquidity levels of the market, low levels of international interest rates and a more competitive environment in the Guatemalan corporate loan market.

The average yield on our loan portfolio in 2010 was 9.0%, down from 9.2% in 2009. This decrease in the average yield on the loan portfolio resulted from a relatively low interest rate environment in Guatemala, largely attributable to efforts made by the Guatemalan Central Bank to increase economic activity and a more competitive environment in the Central American financial system. The yield on our foreign currency loan portfolio decreased from 7.9% to 7.6% and the yield on Quetzal denominated loans decreased from 10.8% to 10.4%.

The average yield on our loan portfolio in 2009 was 9.2%, up from 8.6% in 2008. This increase in the average yield on the loan portfolio resulted mainly from the efforts of penetrating in new segments with higher interest rates. During this period the average yield on local currency increased from 10.6% to 10.8% and the yield in foreign currency increased from 7.4% to 7.9%.

Our net loan portfolio value decreased to Q22,623.8 million as of March 31, 2011, which represented a decrease of 2.4% over the net loan portfolio value reported as of December 31, 2010, mainly due to an appreciation effect of the Guatemalan Quetzal against the US Dollar (Q7.69=$1.00 as of March 31, 2011 from Q8.01=$1.00 as of December 31, 2010) that negatively affected our foreign currency loan portfolio. Our non-performing loans decreased to Q138.7 million as of March 31, 2011 from Q168.3 million as of December 31, 2010 due to our conservative risk management policies. We believe we have maintained an adequate coverage ratio, with an allowance for loan losses over non-performing loans of 246.8% as of March 31, 2011 and 200.4% as of December 31, 2010.

Our net loan portfolio value grew by 2.2% to Q23,179.7 million as of December 31, 2010, from Q22,670.9 million as of December 31, 2009, this increase was primarily the result of a 4.0% increase in our foreign currency gross loan portfolio. Our loan loss reserve increased to Q337.1 million as of December 31, 2010 from Q294.7 million as of December 31, 2009, which represented an increase of 14.4%, reflecting our precautionary measures taken during the international financial crisis and the global economic downturn. Our loan loss reserve coverage over past due loans was 200.4% as of December 31, 2010 and 200.1% as of December 31, 2009. We believe we have maintained adequate levels of coverage due to our conservative risk management policies.

Our net loan portfolio value decreased 2.7% to Q22,670.9 million as of December 31, 2009, from Q23,305.0 million as of December 31, 2008. This decrease was primarily the result of a 14.8% decrease in our foreign currency denominated gross loan portfolio. Since 2008, non-performing loans as a percentage of total loans have been below 1.0% and the allowance for loan losses as a percentage of non-performing loans has been above 150%. We believe these results reflect our stringent risk management and credit process approval and improved management of the loans of customers under financial stress. Our management is committed to meet international banking standards to better withstand sudden changes in economic conditions.

Loans by Type of Borrower and by Maturity

The following table summarizes our loan portfolio by client type as of March 31, 2011 and December 31, 2010, 2009 and 2008:

	As of March 31,		As of December 31,					
	2011		2010		2009		2008	
Type of loan:			*(Q millions, except percentages)*					
Commercial and corporate[(1)]	18,699.4	81.4%	19,240.1	81.8%	18,489.1	80.5%	19,189.1	81.5%
Mortgage loans	1,343.1	5.8%	1,381.8	5.9%	1,418.0	6.2%	1,333.7	5.7%
Vehicles	718.3	3.1%	706.8	3.0%	911.9	4.0%	819.4	3.5%
Credit cards	1,186.9	5.2%	1,196.1	5.1%	1,155.8	5.0%	1,136.7	4.8%
Consumer	1,018.5	4.4%	992.1	4.2%	990.9	4.3%	1,060.6	4.5%
Total loans	22,966.2	100.0%	23,516.9	100.0%	22,965.6	100.0%	23,539.6	100.0%
Allowance for loan losses	342.3	1.5%	337.1	1.4%	294.7	1.3%	234.5	1.0%
Loans, net	**22,623.8**	**98.5%**	**23,179.7**	**98.6%**	**22,670.9**	**98.7%**	**23,305.0**	**99.0%**

(1) Commercial and corporate loans include cross-border loans totaling Q2,017.9 million, Q2,610.1 million, Q1,386.7 million and Q2,974.2 million as of March 31, 2011 and December 31, 2010, 2009 and 2008. Of these cross-border loans, the following amounts were outstanding to borrowers located in the following countries: El Salvador: Q381.0 million as of March 31, 2011, Q512.2 million as of December 31, 2010 and Q441.4 million as of December 31, 2009; and Honduras: Q1,050.1 million as of March 31, 2011, Q1,026.9 million as of December 31, 2010 and Q503.9 million as of December 31, 2009.

Historically, we have not extended credit to clients in certain sectors that we consider volatile, including the coffee sector and government institutions, although we may do so in the future. The following tables illustrate the distribution of our loan portfolio by maturity for each client type for the periods indicated. All of our loans are to entities or persons in the private sector. We do not lend to governments or governmental entities, although we may do so in the future.

	As of March 31, 2011								
	< 30 days	**30 – 90 days**	**90 days -1 year**	**< 1 year**	**1 – 2 years**	**02 – 05 years**	**> 5 years**	**Total**	**As a % of Total Loans**
Private sector:	*(Q millions, except percentages)*								
Corporate	341.2	1,151.0	1,954.0	3,446.2	916.2	4,986.4	9,350.5	18,699.4	82.7%
Mortgage loans	0.0	0.1	2.4	2.4	10.2	94.6	1,235.9	1,343.1	5.9%
Vehicles	1.2	3.2	41.4	45.7	122.2	526.5	23.8	718.3	3.2%
Credit cards	60.9	23.9	320.7	405.5	406.0	375.3	0.0	1,186.9	5.2%
Consumer	7.1	15.0	93.3	115.4	109.2	380.2	413.8	1,018.5	4.5%
Allowance for loan losses								(342.3)	(1.5)%
Total ………………………	**410.3**	**1,193.1**	**2,411.8**	**4,015.3**	**1,563.9**	**6,363.0**	**11,024.0**	**22,623.8**	**100.0%**

	As of December 31, 2010								
	< 30 days	**30 – 90 days**	**90 days -1 year**	**< 1 year**	**1 – 2 years**	**02 – 05 years**	**> 5 years**	**Total**	**As a % of Total Loans**
Private sector:	*(Q millions, except percentages)*								
Corporate	351.9	1,005.8	2,499.2	3,856.8	1,263.5	5,597.9	8,521.9	19,240.1	83.0%
Mortgage loans	0.0	0.2	1.8	2.1	9.0	97.0	1,273.7	1,381.8	6.0%
Vehicles	0.7	4.2	46.9	51.8	118.4	510.9	25.6	706.8	3.0%
Credit cards	36.0	77.1	303.3	416.5	412.6	367.0	0.0	1,196.1	5.2%
Consumer	4.9	25.1	94.1	124.1	99.0	359.1	410.0	992.1	4.3%
Allowance for loan losses								(337.1)	(1.5)%
Total …………………	**393.5**	**1,112.5**	**2,945.4**	**4,451.3**	**1,902.5**	**6,931.9**	**10,231.2**	**23,179.7**	**100.0%**

	As of December 31, 2009								
	< 30 days	**30 – 90 days**	**90 days -1 year**	**< 1 year**	**1 – 2 years**	**02 – 05 years**	**> 5 years**	**Total**	**As a % of Total Loans**
Private sector:	*(Q millions, except percentages)*								
Corporate	305.9	894.9	2,141.8	3,342.6	896.6	6,765.0	7,485.0	18,489.1	81.6%
Mortgage loans	0.4	0.0	4.0	4.4	5.4	94.8	1,313.4	1,418.0	6.3%
Vehicles	0.7	4.5	47.7	53.0	136.1	606.1	116.6	911.9	4.0%
Credit cards	31.0	35.8	284.1	350.9	393.1	411.7		1,155.8	5.1%
Consumer	9.6	29.7	113.7	153.1	117.1	339.5	381.2	990.9	4.4%
Allowance for loan losses								(294.7)	(1.3)%
Total	**347.6**	**965.0**	**2,591.4**	**3,904.0**	**1,548.3**	**8,217.1**	**9,296.2**	**22,670.9**	**100.0%**

	As of December 31, 2008								
	< 30 days	30 – 90 days	90 days -1 year	< 1 year	1 – 2 years	02 - 05 years	> 5 years	Total	As a % of Total Loans
Private sector:	*(Q millions, except percentages)*								
Corporate	642.2	1,365.5	3,950.1	5,957.8	1,268.9	5,607.3	6,355.2	19,189.1	82.3%
Mortgage loans	1.7	0.6	4.5	6.8	9.2	107.1	1,210.6	1,333.7	5.7%
Vehicles	1.2	2.3	31.3	34.7	123.0	660.4	1.4	819.4	3.5%
Credit cards	44.7	52.3	242.5	339.5	411.8	385.3	0.0	1,136.7	4.9%
Consumer	18.8	36.5	130.1	185.4	149.7	364.4	361.1	1,060.6	4.6%
Allowance for loan losses..								(234.5)	(1.0)%
Total.	**708.6**	**1,457.2**	**4,358.4**	**6,524.2**	**1,962.6**	**7,124.4**	**7,928.3**	**23,305.0**	**100.0%**

Loans by Economic Activity

We believe our loan portfolio is diversified in terms of economic sectors in Guatemala, with borrowers distributed among the agroindustry, commerce, industrial, retail and services sectors. The following table sets forth our loan portfolio by the indicated categories as of March 31, 2011 and December 31, 2010, 2009 and 2008:

	As of March 31,		As of December 31,					
	2011		2010		2009		2008	
	(Q millions)	*(%)*	*(Q millions)*	*(%)*	*(Q millions)*	*(%)*	*(Q millions)*	*(%)*
Current Loans	**22,827.4**	**99.4%**	**23,348.6**	**99.3%**	**22,818.3**	**99.4%**	**23,390.4**	**99.4%**
Agroindustry	999.4	4.4%	1,131.1	4.8%	954.3	4.2%	928.0	3.9%
Commerce	3,514.8	15.3%	3,118.2	13.3%	2,867.1	12.5%	3,122.4	13.3%
Industrial	6,623.1	28.8%	6,910.8	29.4%	6,566.1	28.6%	7,042.5	29.9%
Retail	4,141.5	18.0%	4,151.8	17.7%	4,222.8	18.4%	4,087.4	17.4%
Services	7,548.6	32.9%	8,036.7	34.2%	8,208.0	35.7%	8,209.9	34.9%
In Process of extension (1)	**18.0**	**0.1%**	**11.5**	**0.0%**	**8.9**	**0.0%**	**5.3**	**0.0%**
Agroindustry	0.0	0.0%	0.0	0.0%	0.0	0.0%	0.0	0.0%
Commerce	0.8	0.0%	0.8	0.0%	0.8	0.0%	3.1	0.0%
Industrial	6.6	0.0%	1.8	0.0%	3.3	0.0%	0.0	0.0%
Retail	6.4	0.0%	0.7	0.0%	1.7	0.0%	1.3	0.0%
Services	4.4	0.0%	8.2	0.0%	3.1	0.0%	1.0	0.0%
Past due loans	**120.7**	**0.5%**	**156.8**	**0.7%**	**138.4**	**0.6%**	**143.9**	**0.6%**
Agroindustry	0.0	0.0%	1.2	0.0%	8.3	0.0%	0.6	0.0%
Commerce	21.3	0.1%	28.1	0.1%	27.5	0.1%	19.3	0.1%
Industrial	32.2	0.1%	34.2	0.1%	6.7	0.0%	4.4	0.0%
Retail	32.8	0.1%	55.8	0.2%	65.3	0.3%	89.2	0.4%
Services	34.4	0.1%	37.4	0.2%	30.6	0.1%	30.3	0.1%
Gross loans	**22,966.2**	**100.0%**	**23,516.9**	**100.0%**	**22,965.6**	**100.0%**	**23,539.6**	**100.0%**
(-) Allowance for loan losses	(342.3)	(1.5)%	(337.1)	(1.4)%	(294.7)	(1.3)%	(234.5)	(1.0)%
Net loan portfolio value	**22,623.8**		**23,179.7**		**22,670.9**		**23,305.0**	

(1) Loans in "process of extension" refers to non-performing loans that have matured and are subject to the Bank's administrative process for renewal.

Loans by Geographic Concentration

Our loan portfolio is primarily concentrated in Guatemala. The percentage of the total loan portfolio located in Guatemala as of March 31, 2011, December 31, 2010, 2009 and 2008 was 91.2%, 88.9%, 94.0% and 87.4, respectively. Our non-Guatemalan borrowers at such dates were primarily foreign borrowers in Central America, Mexico, Panama, the Dominican Republic and the West Indies.

Non-Performing Loan Portfolio

In assessing the performance of our loan portfolio and calculating our allowance for loan losses, we review both the outstanding amount of our non-performing loan portfolio as well as applicable Guatemalan regulations. The non-performing loan portfolio includes credits past due over 90 days. These credits may be in renewal process, in administrative collection or in legal collection.

The following table sets forth an analysis of non-performing loans distributed by economic activity of the borrowers at the dates indicated.

	As of March 31,		As of December 31,					
	2011		2010		2009		2008	
	(Q millions)	*(%)*	*(Q millions)*	*(%)*	*(Q millions)*	*(%)*	*(Q millions)*	*(%)*
Non-performing loans (1)	**Q138.7**	**100.0%**	**Q168.3**	**100.0%**	**Q147.3**	**100.0%**	**Q149.2**	**100.0%**
Agroindustry	0.0	0.0%	1.2	0.7%	8.3	5.6%	0.6	0.4%
Commerce	22.1	15.9%	28.9	17.2%	28.3	19.2%	22.4	15.0%
Industrial	38.8	27.9%	36.0	21.4%	9.9	6.8%	4.5	3.0%
Retail	39.1	28.2%	56.5	33.6%	67.1	45.5%	90.4	60.6%
Services	38.7	27.9%	45.6	27.1%	33.7	22.9%	31.2	20.9%
Total non-performing portfolio	**138.7**	**100.0%**	**168.3**	**100.0%**	**147.3**	**100.0%**	**149.2**	**100.0%**
Allowance for loan losses	342.3		337.1		294.7		234.5	
Total non-performing portfolio net of allowances for loan losses	**(Q203.6)**		**(Q168.9)**		**(Q147.4)**		**(Q85.2)**	

(1) The secured portion of total non-performing loans as of March 31, 2011, December 31, 2010, 2009 and 2008 was 53.8%, 63.0%, 55.2% and 50.5%, respectively.

The 17.5% decrease in total non-performing loans as of March 31, 2011 as compared to December 31, 2010 was the result of conservative risk management policies and the strengthening of our collections procedures. See "—Allowance for Loan Losses—Allowances by Type of Loan" for a description of changes in allowances for loan losses during these periods.

The following table shows the loan portfolio according to current and past due (PD) loans:

	As of March 31,		As of December 31,					
	2011		2010		2009		2008	
	(Q millions, except percentages)							
Current	21,781.8	94.8%	22,437.1	95.4%	21,726.0	94.6%	21,941.2	93.2%
1-30 days past due (PD)	741.2	3.2%	664.1	2.8%	788.9	3.4%	1,120.5	4.8%
31-60 days PD	208.0	0.9%	197.6	0.8%	211.4	0.9%	237.5	1.0%
61-90 days PD	114.6	0.5%	66.3	0.3%	110.8	0.5%	106.6	0.5%
More than 91 day PD	120.6	0.5%	151.7	0.6%	128.4	0.6%	133.8	0.6%
Total	**22,966.2**	**100.0%**	**23,516.7**	100.0%	**22,965.6**	**100.0%**	**23,539.6**	**100.0%**

Grading of Loan Portfolio

The classification system we utilize to grade our loan portfolio is based on regulations issued by the Monetary Board and is monitored by the Superintendency of Banks on a quarterly basis. The regulations take into account the delinquency of the loans and the type of borrower as well as the borrowers' payment capacity. We evaluate our loan portfolio at least on a quarterly basis pursuant to the Monetary Board's resolution JM 93-2005. Each loan in our loan portfolio must be classified under one of the following five categories, from lowest to highest risk. The five categories and the resulting loan loss reserve requirement calculated on the unsecured portion of the loans is set forth in the following table:

Category	Risk	Loan loss reserve requirement (%)
A	Normal risk	0
B	Above normal risk	5
C	Expected losses	20
D	Significative expected losses	50
E	High risk of being non-performing	100

Grading Criteria

As described below, grading criteria applies to large commercial and corporate loans (based on numerous criteria) as well as small corporate loans and consumer loans (based principally on the length of time payments are overdue).

Large Commercial and Corporate Loans

In accordance with the applicable Monetary Board regulations, Guatemalan banks must classify loans that exceed Q5.0 million as large commercial and corporate loans. Before January 1, 2008, grading for large commercial and corporate loans was based on historic performance, after this date, the new regulation JM-93-2005 for credit risk management was enacted. The new regulation provides for these loans, to base the grading criteria on our evaluation of the borrower's creditworthiness, taking into account various factors, including, but not limited to, the borrower's financial profile, its payment history, its projected payment ability, the nature of the its business and its liquidity level. We classify the loan in one of five categories (A being the lowest risk level, E, the highest). Please find below further details on the requirements used for the classification of large commercial and corporate loans in each of the five categories A through E.

Grade A

To receive a Grade A classification, a large commercial or corporate loan must comply with the following six requirements:

- The first requirement is a determination that the company has sufficient cash flow to meet payment obligations and appropriate levels of liquidity, indebtedness and profitability (given the nature of the borrower's business). For most companies this analysis is based on the two fiscal years immediately preceding the date of evaluation, or the time the company has been in operation if less than two years. Another criteria is that the company have current audited financial statements. In instances where a new company is being evaluated, the analysis is based on projections and the nature of the company's business.
- The second requirement is that payments of principal, interest and other amounts due may be not be made using additional financing obtained from us.
- The third requirement is that the company have current, audited financial statements for the periods covered in the first requirement.

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- The fourth requirement is that an analysis of the principal economic sector in which the borrower operates does not reveal any significant factors that could impede the borrower's payment capacity in both the short and medium-term. In performing this analysis, we review industry reports and trade publications from official or authoritative sources.
- Fifth, we, as the lender, must have no actual knowledge of any other factors that could impede the borrower's ability to generate sufficient cash flows or affect its liquidity, indebtedness and profitability levels.
- Sixth, the borrower's payment of principal, interest and other amounts due must at all times be up to date or no more than one month overdue.

Grade B

To receive a Grade B classification, a large commercial or corporate loan must meet the first two requirements for a Grade A classification (described above), and have one or more of the following characteristics:

- The financial information has not been audited, but includes financial statements and notes, uses applicable accounting principle and is signed by the borrower's accountant and legal representative.
- Our analysis of the principal economic sector in which the borrower operates reveals problems that could indicate a deterioration of the borrower's financial situation.
- We have knowledge of other factors that could negatively impact the cash flow or financial ratios of the borrower.
- The borrower's payment of principal, interest and other amounts due is more than one month but less than three months overdue.

Grade C

To receive a Grade C classification, a large commercial or corporate loan must meet one or more (but not all) characteristics of the Grade A or B classification, the borrower must have updated financial information and the loan must have one or more of the following characteristics:

- The financial information is up to date, but incomplete (i.e., it does not include all the information required in the Grade B classification).
- Our analysis of the financial information reveals that current cash flows are not sufficient to fulfill the borrower's contractual payment obligations.
- The borrower shows deficiencies in its financial situation in terms of liquidity, indebtedness and profitability.
- The borrower's payment of principal, interest and other amounts due is more than three months but less than six months overdue or the borrower has received additional financing from us to cover the overdue payments.

Grade D

To receive a Grade D classification, a large commercial or corporate loan must meet one or more (but not all) of the characteristics of the higher grade loans and have one or more of the following characteristics:

- A substantial deterioration of the borrower's financial situation is reflected in at least two of the following ways: (i) current liabilities exceed current assets; (ii) accumulated losses or period losses represent more than 30% but less than 60% of paid-in-capital and reserves; (iii) indebtedness is excessive in relation to shareholders' equity (taking into consideration the nature of the business); and (iv) accounts receivable and inventories are significantly higher than historic levels.
- The financial information is not current.

- The borrower's payment of principal, interest and other amounts due is more than six months but less than twelve months overdue or the borrower has received additional financing from us to cover the overdue payments.

Grade E

To receive a Grade E classification, a large commercial or corporate loan must have one or more (but not all) of the characteristics of the higher grade loans and have one or more of the following characteristics:

- Our analysis of the financial information shows that the borrower is not able to cover its operational or financial costs.
- No financial information is available to evaluate the borrower's payment capacity or available information is not reliable.
- The external auditors have given a negative opinion or abstained from giving an opinion with respect to the borrower's financial statements.
- In our judgment, the borrower is incapable of continuing the economic activity it performs.
- The borrower's payment of principal, interest and other amounts due is more than twelve months overdue or the borrower has received additional financing from us to cover the overdue payments.
- The borrower has lost more than 60% of its paid-in capital.
- A collection process has been initiated against the borrower.
- The lack of an executory right to demand payment of the loan.
- We have initiated a judicial process against the borrower with regard to any of the borrower's obligations.

Small Commercial and Corporate Loans and Mortgage Loans

Small commercial and corporate loans consist of loans under Q5.0 million. We classify these loans in one of five categories (A being the lowest risk level, E, the highest) depending on the length of time payments are overdue, as shown in the following table:

Category	Payment Period
A	Current - 1 month overdue
B	1-3 months overdue
C	3-6 months overdue
D	6-12 months overdue
E	More than 12 months overdue

Consumer Loans and Microcredits

We classify consumer and microcredit loans in one of five categories (A being the lowest risk level, E, the highest) depending on the length of time payments are overdue, as shown in the following table:

Category	Payment Period
A	Current - 1 month overdue
B	1-2 months overdue
C	2-4 months overdue
D	4-6 months overdue
E	More than 6 months overdue

Grading and Regulation

If the Superintendency of Banks determines that the classification of the loan portfolio or the amount for allowances for loan losses does not comply with applicable law, it can require the reclassification of the loan portfolio and require a bank to increase its loan loss allowances.

The allowance for loan losses is based on the outstanding amount due under the loan on the date of valuation, unless the loan is backed by collateral, in which case, the value of the collateral will be subtracted from amount due under the loan.

Loan Portfolio Risk Classification

The following table sets forth our loan portfolio by risk category as of March 31, 2011 and as of December 31, 2010, 2009 and 2008.

	As of March 31,		As of December 31					
	2011		2010		2009		2008	
Risk Category	*(Q millions)*	*(%)*	*(Q millions)*	*(%)*	*(Q millions)*	*(%)*	*(Q millions)*	*(%)*
A	21,284.9	92.7%	22,099.5	94.0%	22,080.8	96.1%	23,061.7	98.0%
B	207.5	0.9%	333.3	1.4%	467.3	2.0%	293.6	1.2%
C	168.6	0.7%	427.0	1.8%	157.3	0.7%	97.7	0.4%
D	148.0	0.6%	183.9	0.8%	140.3	0.6%	44.4	0.2%
E	1,157.1	5.0%	473.1	2.0%	120.0	0.5%	42.2	0.2%
Total	**22,966.2**	**100.0%**	**23,516.9**	**100.0%**	**22,965.6**	**100.0%**	**23,539.6**	**100.0%**

As of March 31, 2011, approximately 92.7% of our loan portfolio was classified in risk category A. We believe we have been able to maintain strong asset quality in consumer and corporate loans by implementing very strict credit approval policies as well as a centralized process of credit authorization. Our board of directors must authorize loans in excess of Q4.0 million. In addition, we constantly monitor our corporate and individual clients' financial condition by updating their financial information on a quarterly, and sometimes monthly, basis. The Risk Management Area is responsible for keeping current financial information (updated on a quarterly basis) on all commercial and corporate borrowers to identify in a timely manner any problems that may arise due to the deterioration of the borrower's payment ability.

As of March 31, 2011 and December 31, 2010 there are some specific loans that are included in category E, which are not past due and are included in this category due to certain qualitative aspects required by the regulation, 95.1% and 92.6% as of March 31, 2011 and December 31, 2010 of the loans in the E category are in this situation.

Allowance for Loan Losses

Specific Allowance for Loan Losses by Risk Category

As of March 31, 2011, our allowance for loan losses was Q342.3 million, representing 1.5% of total loans outstanding. The following table shows the allowance for loan losses required according to the risk category of the loan portfolio as of March 31, 2011 and as of December 31, 2010, 2009 and 2008.

	As of March 31,			As of December 31								
	2011			2010			2009			2008		
Risk Category	*(Q millions)*	*(%)*	*allowance*	*(Q millions)*	*(%)*	*allowance*	*(Q millions)*	*(%)*	*allowance*	*(Q millions)*	*(%)*	*allowance*
A	21,284.9	92.7%	0.5	22,099.5	94.0%	41.8	22,080.8	96.1%	3.2	23,061.7	98.0%	2.5
B	207.5	0.9%	1.6	333.3	1.4%	2.3	467.3	2.0%	4.4	293.6	1.2%	0.8
C	168.6	0.7%	9.9	427.0	1.8%	12.7	157.3	0.7%	8.8	97.7	0.4%	2.2
D	148.0	0.6%	39.9	183.9	0.8%	18.5	140.3	0.6%	3.9	44.4	0.2%	7.1
E	1,157.1	5.0%	27.8	473.1	2.0%	25.5	120.0	0.5%	11.1	42.2	0.2%	8.2

Total (1)	**22,966.2**	**100.0%**	**79.7**	**23,516.9**	**100.0%**	**100.9**	**22,965.6**	**100.0%**	**31.3**	**23,539.6**	**100.0%**	**20.8**

(1) Allowances for loan losses are allocated on a monthly basis after the classification of the loan portfolio. The total allowance for loan losses as of April 30, 2011, January 31, 2011, 2010 and 2009 was Q99.1 million, Q103.5 million, Q47.1 million and Q36.7 million, respectively.

Specific Allowances by Type of Loan

The following table sets forth the composition of the allowance for loan losses for the three months ended March 31, 2011 and for the years ended December 31, 2010, 2009 and 2008. The allocated amount of the allowance by type of loan is shown in millions of Quetzales and as a percentage of the total loan amounts as well as the corresponding percentage of the loan category type to total loans:

	As of March 31, 2011			**As of December 31, 2010**			**As of December 31, 2009**			**As of December 31, 2008**		
	Allocated allowance	**Allocated allowance as a % of total loans**	**Loan category as a % of total loans**	**Allocated allowance**	**Allocated allowance as a % of total loans**	**Loan category as a % of total loans**	**Allocated allowance**	**Allocated allowance as a % of total loans**	**Loan category as a % of total loans**	**Allocated allowance**	**Allocated allowance as a % of total loans**	**Loan category as a % of total loans**
						(Q millions, except percentages)						
Corporate	70.9	0.3%	81.4%	92.7	0.4%	81.8%	24.7	0.1%	80.5%	9.0	0.0%	81.5%
Mortgage loans	0.5	0.0%	5.8%	0.0	0.0%	5.9%	0.0	0.0%	6.2%	0.0	0.0%	5.7%
Vehicles	0.2	0.0%	3.1%	0.2	0.0%	3.0%	0.3	0.0%	4.0%	1.4	0.0%	3.5%
Credit cards	6.5	0.0%	5.2%	4.7	0.0%	5.1%	4.2	0.0%	5.0%	2.6	0.0%	4.8%
Consumer	1.6	0.0%	4.4%	3.2	0.0%	4.2%	2.0	0.0%	4.3%	7.8	0.0%	4.5%
Total	**79.7**	**0.3%**	**100.0%**	**100.9**	**0.4%**	**100.0%**	**31.3**	**0.1%**	**100.0%**	**20.7**	**0.1%**	**100.0%**

Generic Allowance for Loan Losses

We, as part of our conservative risk management policies, have established higher allowances for loan losses than are required by our local regulator. These reserves are classified as generic reserves, and account for Q262.7 million, Q236.3 million, Q263.4 million and Q213.8 million as of March 31, 2011 and December 31, 2010, 2009 and 2008. Our methodology for the creation of generic allowance for loan losses is based in the following points:

- Our policy requires that the coverage of loan loss reserves to be at least 100% of our non-performing loans.

- Loan loss reserves are created pursuant to Methodology IRV (Internal Rating Based) of Basel 2, in which a five-year period of information on delinquency of the segments of the portfolio is taken into account to estimate an expected loss during the year. We calculate the estimated loss annually, although, it is monitored on a monthly basis and adjusted as necessary.

- Our internal policies for the creation of loan loss reserves cover regulatory reserves. We first create the general loan losses reserve and then allocate these amounts to the specific classifications as required by the regulation.

- Additional risk factors are taken into account in the creation of the generic loan loss reserves, such as the fact that in 2011 we began operating in the microfinance sector, categorized as a high risk sector.

Total Allowance for Loan Losses

The table below shows information related to our loan portfolio as of the dates indicated:

	As of and for the three months ended March 31,	As of and for the year ended December 31,		
	2011	2010	2009	2008
	(Q millions, except percentages)			
Total gross loans	Q22,966.2	Q23,516.9	Q22,965.6	Q23,539.6
Allowance for loan losses	Q342.3	Q337.1	Q294.7	Q234.5
Total non-performing loans	Q138.7	Q168.3	Q147.3	Q149.2
Allowance for loan losses as a percentage of total loans	1.5%	1.4%	1.3%	1.0%
Total write-offs	23.0	115.0	193.7	127.7
Recoveries	16.3	65.2	33.9	30.2

Our allowance for loan losses as a percentage of total non-performing loans was 246.8%, 200.4%, 200.1% and 154.4% as of March 31, 2011, December 31, 2010, 2009 and 2008, respectively. This increase in the loan loss reserve during the past three years is a reflection of management's commitment to adapt to international banking standards and prepare for any sudden changes in Guatemala's economic environment. As may be seen in the table above, we have carried out significant write-offs of our loan portfolio since January 1, 2008 to improve asset quality and remove problematic loans from our portfolio.

Based on information available regarding our borrowers, we believe that our aggregate allowance for loan losses is sufficient to cover known expected losses and known losses inherent in our loan portfolio.

Developments in Reserves and Charge-offs

The following table sets forth the composition of the allowance for loan losses, charge-offs and recoveries for the three months ended as of March 31, 2011 and for the years ended as of December 31, 2010, 2009 and 2008:

	As of March 31,	As of December 31,			Percentage Change	
	2011	2010	2009	2008	2010/2009	2009/2008
	(Q millions, except percentages)					
Opening balance	337.1	294.7	234.5	181.1	25.7%	29.5%
Additions						
Generic and specific valuation	33.5	166.7	242.6	415.4	(31.3)%	(41.6)%
Credit card recoveries	-	1.3	12.2	-	(89.3)%	
Transfer from estimate for valuation of foreclosed assets	-	-	1.2	-		
Transfer from estimate for valuation of accounts receivables	-	0.2	-	-		
Net foreign exchange	-	-	4.1	-		
Increase resulting form merger	-	-	-	11.2		
	33.5	168.2	260.1	426.6	(35.3)%	(39.0)%
Charge offs						
Regularization against the estimate for valuation	(23.0)	(115.0)	(193.7)	(127.7)	(40.6)%	51.7%
Transfer to estimate for valuation of accounts receivables	(0.1)	(1.3)	(1.9)	-	(31.6)%	
Application of unrecovered balances	-	(3.9)	(4.3)	-	(9.3)%	
Regularization of the estimate for generic valuation	-	-	-	(180.4)		
Reversals of favorable evolutions	-	-	-	(65.1)		
Net foreign exchange	(5.2)	(5.5)	-	-		
	(28.3)	(125.8)	(199.9)	(373.2)	(37.1)%	(46.4)%
Ending balance	**342.3**	**337.1**	**294.7**	**234.5**	**14.4%**	**25.7%**

Relevant Regulatory Changes

On December 30, 2008, the Monetary Board issued the Resolution JM-167-2008, which became effective on January 5, 2009. This resolution modifies some of the articles of the Credit Risk Management Regulation issued in Resolution JM-93-2005 as for the formation and holding of generic reserves or provisions, which added to de specific reserves or provisions should totalize the equivalent to one hundred percent of the due loan portfolio, in a period initiating in March 2009 and finalizing in June 2011.

The percentages that must be recorded each year are the following:

- As of December 31, 2009 the 40%
- As of December 31, 2010 the 80%
- As of June 30, 2011, the 100%

When concluding this period, the addition of the generic and specific reserves or provisions in no case could be lesser than 1.25% of the total of gross credit assets.

Our Twenty Largest Borrowers by Outstanding Balances

The following table sets forth the economic sector and outstanding balance of our 20 largest borrowers.

	As of March 31, 2011		
	Economic Sector of the Borrower	**Outstanding Balance**	**% of Total Loan Portfolio**
		(Q millions)	*(%)*
1	Commerce	427.05	1.9%
2	Manufacturing	383.55	1.7%
3	Electricity	322.15	1.4%
4	Real Estate	302.49	1.3%
5	Real Estate	280.69	1.2%
6	Electricity	249.87	1.1%
7	Electricity	232.43	1.0%
8	Manufacturing	230.65	1.0%
9	Services	227.77	1.0%
10	Agricultural	212.53	0.9%
11	Financial Services	210.76	0.9%
12	Real Estate	209.63	0.9%
13	Electricity	200.45	0.9%
14	Services	200.00	0.9%
15	Manufacturing	197.14	0.9%
16	Manufacturing	192.20	0.8%
17	Agricultural	191.25	0.8%
18	Electricity	183.46	0.8%
19	Real Estate	182.36	0.8%
20	Agricultural	177.35	0.8%
	Total Top 20	**4,813.8**	**21.0%**
	Others	18,152.4	**79.0%**
	Total Loans	**22,966.2**	**100.0%**

To mitigate concentration of risks of our principal creditors, we perform an individual analysis, which takes into consideration the following factors: financial position, market, management of the company, collateral and the ability to service the debt based on a cash flow analysis.

Even though the classification of the client and its qualitative factors do not require a specific reserve, we take into consideration the analysis mentioned in the preceding paragraph with respect to these clients when calculating the general loan losses reserve pursuant to the Methodology IRV.

THE BANK

The Bank

We are the largest bank in Guatemala and we are one of the largest banks in Central America (excluding Panama), based on total assets as of March 31, 2011. We are a full-service commercial bank providing a wide range of financial services to over 1.4 million customers. Our main business lines include corporate, retail and international banking, as well as private banking and credit cards.

In Guatemala, we have a leading presence with a market share of 27.5%, 24.3% and 26.7% in total assets, total loans and total deposits, respectively, as of March 31, 2011. Our closest competitors had market shares of 20.1%, 22.2% and 19.8% in total assets, total loans and total deposits, respectively, as of March 31, 2011.

Guatemala's economy is the largest in Central America, with an estimated gross domestic product, or GDP, of US$40.77 billion in 2010, and has been characterized in recent years by positive rates of growth, stable currency exchange rates, low indebtedness and low rates of inflation. According to the Guatemalan National Institute of Statistics (*Instituto Nacional de Estadística*), the population of Guatemala was estimated at approximately 14.7 million in 2010. We believe that as much as 60% of the population currently does not have access to financial services, which presents a significant growth opportunity for us.

Our total assets, loan portfolio and net income have grown in recent years due to our client base and branch expansion, market diversification and product innovation. We have actively participated in Guatemala's banking consolidation process, acquiring Banco de Occidente, Banco de Comercio and Banco del Quetzal S.A. since 2006.

We have experienced high rates of growth. From 2005 to 2010, we experienced compounded annual growth rates of 17.3%, 18.0%, 18.8% and 20.8% in terms of assets, loans, deposits and net income, respectively. In 2010, our total assets, loans, deposits and net income grew 9.4%, 2.4%, 9.1% and 29.1%, respectively.

As of March 31, 2011, we had total assets of Q51,223.7 million (US$6.7 billion), total net loans of Q22,623.8 million (US$2.9 billion) and total deposits of Q39,056.4 million (US$5.1 billion). For the three months ended March 31, 2011, we had net income of Q211.3 million (US$27.5 million) and for the year ended December 31, 2010, we had net income of Q763.3 million (US$99.3 million). As of March 31, 2011, we had shareholders' equity of Q3,554.4 million (US$462.3 million)

Our Capital Ratio (defined as end of period Total Net Capital as a percentage of risk-weighted assets) on an unconsolidated basis was 12.4% and 15.0% as of March 31, 2011 and December 31, 2010, respectively, which was, in each instance, above the regulatory requirement of 10.0% set forth in Guatemalan capitalization requirements.

The following table shows, as of the periods presented, certain financial indicators of our growth.

	As of March 31,	As of December 31,				
	2011	2010	2009	2008	2007	2006
Return on average total assets(1)	1.7%	1.6%	1.3%	1.5%	1.3%	1.2%
Return on average shareholders' equity(2)	21.7%	17.9%	15.4%	17.5%	16.5%	15.1%
Net interest margin(3)	4.3%	4.4%	4.5%	4.5%	4.0%	3.4%
Efficiency ratio(4)	60.2%	54.9%	58.3%	56.5%	56.8%	63.0%
Total non-performing loans as a percentage of total loans	0.6%	0.7%	0.6%	0.6%	0.6%	1.0%

(1) Net income for the period divided by the daily average total assets.
(2) Net income for the period divided by the daily average total shareholders' equity .
(3) Represents financial margin divided by average interest-earning assets. Average interest-earning assets are determined on an annualized basis, based on daily balances.

(4) Refers to other administrative expenses divided by total operating income for the period (plus loan loss provisions).

Our Corporate Structure

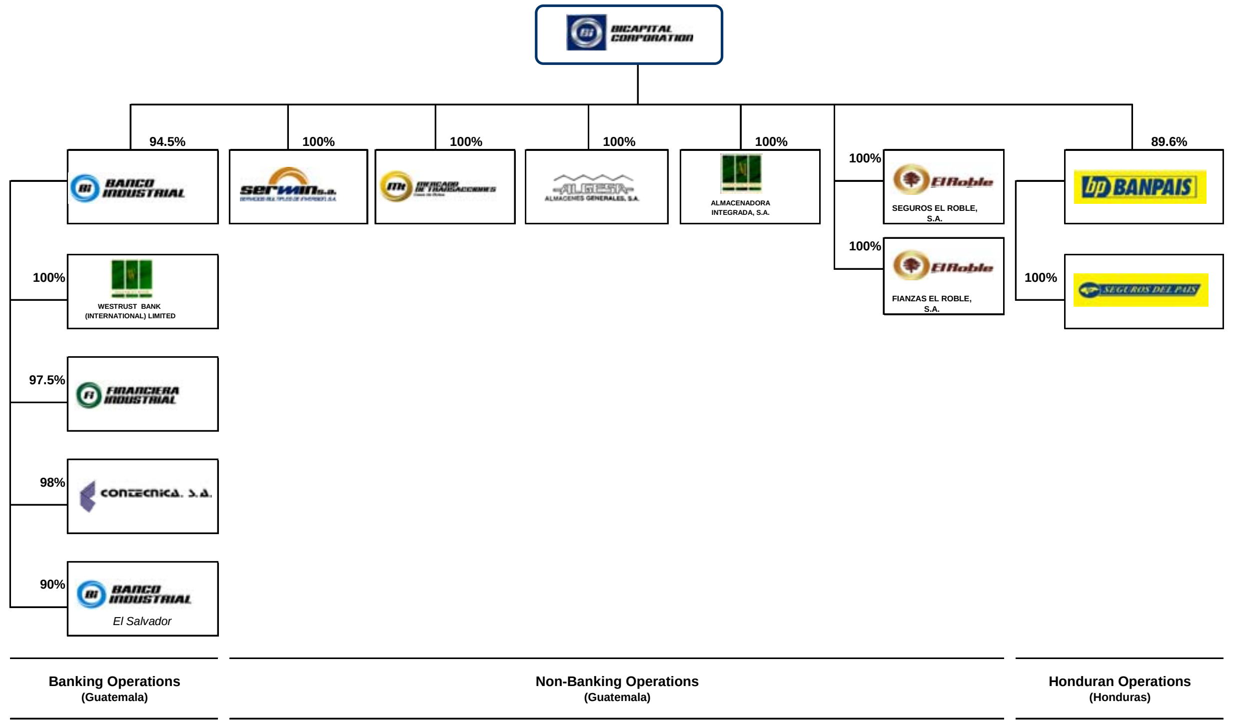
Our principal subsidiaries include:

- the Off-shore Bank, which is an offshore bank incorporated in The Bahamas. It is the largest offshore bank legally authorized to do business in Guatemala and focuses on private and corporate banking in Guatemala and throughout the Central American region;
- the Financing Entity, which provides financial support to corporate and individual customers in Guatemala. Services offered by the Financing Entity include mortgage loans, credit lines in local and foreign currency, and pension fund and trust services;
- the Credit Card Company, which issues credit and debit cards under the VISA trademark. VISA is one of the main card issuers in the Guatemalan market and the Credit Card Company had an estimated market share of 28.8% in credit and 50% in debit VISA cards as of December 31, 2010. The Credit Card Company has a customer base of more than 750,000 persons; and
- BI El Salvador, which is our newly-formed subsidiary in El Salvador. BI El Salvador initiated operations in El Salvador on July 13, 2011.

Our parent company is Bicapital Corporation, or Bicapital, a holding company that is incorporated under the laws of Panama. Bicapital owns 94.5% of our capital stock as of March 31, 2011. Bicapital pursues a universal banking strategy in the Central American region. Through its subsidiaries, Bicapital provides a full range of banking products and financial services, including retail and wholesale banking, deposits, trade finance, trust services, leasing, foreign exchange brokerage, credit card, consumer lending, investment banking, fund management, insurance and pension fund management. Bicapital has approximately 1,693 shareholders, none of whom individually owns more than 5%. We believe we enjoy significant benefits and synergies as a subsidiary of Bicapital.

As of March 31, 2011, Banco Industrial S.A. and Subsidiaries represents approximately 85.9% of Bicapital's total assets, while Banco del Pais and Seguros del Pais represents 13.0% and el Roble represents 1.1%. Mercado de Transacciones, Serminsa, Almacenadora Integrada and Almacenes Generales de Deposito are other subsidiaries which each represent 0.0% of Bicapital's total assets. Within Banco Industrial and Subsidiaries, Banco Industrial, S.A. represents 67.0% of Bicapital's total assets, while Westrust Bank represents 10.2%, Financiera Industrial represents 1.9%, Contecnica represents 1.2%, and Banco Industrial El Salvador represents 0.3%.

The following chart presents our corporate structure and that of Bicapital, indicating subsidiaries and respective ownership interests as of March 31, 2011.



Our History

Incorporated on June 15, 1967, we are a commercial bank organized and existing under the laws of Guatemala as a *sociedad anónima*. Since our incorporation, we have been a 100% privately-held institution. We have issued capital of Q4,000.0 million represented by 160 million nominative common shares, each with a nominative value of Q25.0. 34.4% of our issued capital is fully paid.

During our first 20 years of operation, we focused primarily on serving the corporate sector of the Guatemalan economy, which consisted of medium and large size domestic corporations and multinational corporations with a presence in Guatemala. Since the 1990s, we have expanded our distribution network, mainly in the rural areas of the country, to increase our client base as well as to further penetrate the consumer banking, small and medium size companies and private banking clients where we believe there is significant growth potential. This strategy has made us a leader in both the corporate and retail banking segments. We currently market a wide variety of financial products and services to our corporate and individual clients.

Since 2000, after consolidating our leading position in the Guatemalan market, we and our parent company implemented a strategy of international expansion in the Central American region. The creation of Bicapital Corporation, our parent company, was a result of our and our principal shareholders' international expansion strategy to be the vehicle through which our group could expand its operations outside Guatemala.

With respect to Bicapital's and our expansion to other countries in Central America, the first step was to open representative offices in El Salvador, Honduras and Costa Rica. In 2007, Bicapital acquired a controlling interest in our affiliate Banco del País, S.A. in Honduras, the fifth largest bank in that country. In El Salvador, the Bank has been granted a banking license and BI El Salvador initiated operations in El Salvador on July 13, 2011.

With respect to our participation in the international capital markets, in September 2005, we became the first Guatemalan bank to access the international capital markets through a future flows securitization transaction of diversified payment rights, or DPRs, in a principal amount of US$200.0 million. In 2007, we accessed the international funding sources again through an additional DPR securitization transaction, with the first drawing in

April 2007 in an aggregate principal amount of US$150.0 million, which was upsized in October 2007 for the full facility amount of US$300.0 million. The proceeds of this facility were used to repay the remaining obligations under the 2005 transaction, as well as other indebtedness. These transactions have provided us with long-term funding and regulatory capital at competitive costs to support growth of our loan portfolio. In April 2008, we issued Tier 1 Capital Notes due 2068 in the international capital markets in an aggregate principal amount of US$35.0 million.

Between March and November 2006, we completed our acquisition of Banco de Occidente, Guatemala's oldest bank. As of March 31, 2006, Banco de Occidente was the sixth largest in the Guatemalan banking system in terms of assets and had total assets of Q3,428.4 million, total deposits of Q2,946.2 million and shareholders' equity of Q412.7 million.

On January 16, 2007, certain assets and liabilities of a Guatemalan bank, Banco de Comercio, were transferred to us at the request of the Superintendency of Banks when Banco de Comercio's operations were suspended by the Monetary Board on January 12, 2007 due to the bank's inability to service its liabilities. As of November 30, 2006, Banco de Comercio had total assets of Q1,173.9 million, total deposits of Q985.1 million and shareholders' equity of Q126.1 million.

On February 15, 2008, we acquired Banco del Quetzal S.A., or BanQuetzal, a Guatemalan bank, and two of its three subsidiaries. We now hold substantially all of the shares of BanQuetzal and BanQuetzal's shareholders received approximately 4.6% of the capital stock of the Bank. BanQuetzal historically has been strong in mortgage and consumer loans and is an established competitor in foreign trade and currency exchange. The acquisition process was concluded on February 15, 2008, incorporating into Banco Industrial, S.A. total net assets of Q1,393.6 million, total deposits of Q1,135.5 million and shareholders' equity of Q162.4 million.

Our Competitive Strengths

We benefit from the opportunities presented by our favorable position in the Guatemalan banking market. Our competitive strengths include the following:

Strong franchise

We believe our strong brand recognition and solid reputation have contributed to our leading position in Guatemala. We maintain leading market shares in all areas of corporate, retail, and international banking in Guatemala. We have been one of the main financial institutions in the Guatemalan financial system for the last 44 years and have grown steadily both organically and through acquisitions which have allowed us to diversify our franchise in Guatemala while also participating in the consolidation and strengthening of the financial system.

We received certain of the most distinguished awards in the region such as "Best Bank in Guatemala" by *Euromoney* in 2004, 2005, 2006, 2008, 2009, 2010 and 2011, "Bank of the Year in Guatemala" by *Latin Finance* in 2005, 2006, 2007, 2008 and 2010 and "Bank of the Year in Guatemala" by *The Banker* in 2005, 2006, 2007, 2008, 2009 and 2010.

Leading position in the Guatemalan banking sector

We have strengthened our leading position in the Guatemalan financial system. In 2001, we were the leader with a 16.2% market share in terms of total assets, while our closest competitor had 14.0%. As of March 31, 2011, we had a 27.5% market share in terms of total assets, while our closest competitor had 20.1%.

The table below sets forth the market share of the Bank in the Guatemalan financial system in terms of total assets, total loans and total deposits on an unconsolidated basis for the periods indicated.

	As of March 31,		As of December 31,							
	2011		2010		2009		2008		2007	
	Market share	Rank	Market share	Rank	Market share	Rank	Market share	Rank	Market share	Rank
Total assets	27.5%	1	27.4%	1	27.0%	1	27.6%	1	27.7%	1
Net loans	24.3%	1	24.8%	1	24.9%	1	25.3%	1	23.8%	1
Total deposits	26.7%	1	26.6%	1	26.8%	1	26.5%	1	25.6%	1

We have more than 1.4 million retail customers and more than 48,600 corporate clients as of March 31, 2011. Our clients used on average 3.4 of our products as of March 31, 2011, as compared to 3.3 of our products as of December 31, 2009.

We have the largest distribution network in Guatemala, with more than 2,996 points of service, which includes branches, minibranches, kiosks, banking agents and access to more than 2,180 ATMs (1,500 from alliances), as of March 31, 2011. During 2010, we processed approximately 57 million transactions through our branches and approximately 97 million transactions through ATMs, Internet and telephone banking.

Key role in the Guatemalan financial system and economy

We perform key functions in the Guatemalan financial market and economy. During 2010, we were one of the leading check-clearing institutions in the Guatemalan financial system (with a 31.0% market share), one of the principal tax collectors for the government (with a 50.0% market share), and, as of March 31, 2011, we were the second largest recipient processor of family remittances (with a 23.7% market share). We are also responsible for settling all the payments made in Guatemala's electric energy market as the processor of payments for companies in the business of electricity transmission, distribution and generation and large end-users. We receive one quarter of total US dollar remittances (of approximately US$4 billion flowing into Guatemala) through a wide remittance network in the United States and we are among the leaders in providing related banking services. In addition, we process trading transactions and are the exclusive custodian for bonds traded on the Guatemalan Stock Exchange, Guatemala's only stock and securities exchange.

Sound credit risk policies

We believe we maintain effective policies and practices in risk management, liquidity management and market risk. We have had historically conservative credit risk and asset/liability management policies. We have an experienced risk management team focused on monitoring and managing risks across all business areas, including operational, market, liquidity and credit risks. Historically, we have experienced low non-performing loan, or NPL, ratios (calculated as the ratio of non-performing loans to total loans). As of March 31, 2011, our NPL rate was 0.6%, which was significantly lower than the Guatemalan banking industry's average default rate of 1.9% as of March 31, 2011. To date, our growth has not led to deterioration in our loan portfolio quality due to our focus and know how in the corporate lending sector, in which we target the top players in each industry and which represents 81.4% of the total loan portfolio. In addition, we have entered the retail and consumer lending segments targeting the highest quality individuals in each business line.

Product innovation

Ongoing innovations to our product platform support our regional strategy for both corporate and retail banking. We have developed policies and procedures to identify the needs of our customers and to develop products and services, including technological solutions, to address such needs, develop new business ideas, seek out new business opportunities and help expand our complementary activities.

Cross-selling capabilities

In addition to selling our products to our customers, we are able to offer our customers additional products and financial services through our Bicapital affiliates, increasing our attractiveness as a convenient lender of choice. Our mortgage loans are packaged with life insurance and property and casualty insurance policies, while our auto loans are packaged with auto insurance policies, all of which are provided by Bicapital's insurance subsidiary, Seguros El Roble.

Leader in technology in the Guatemalan banking sector

We focus on providing high quality services to all customers as well as increasing market share in the retail sector and rural areas by relying on advanced technology to offer our services in an efficient manner. In 2010, approximately 63.1% of our banking transactions were conducted electronically.

We believe our Client Relationship Management (CRM) system provides us with a competitive advantage by allowing us to segment our customers based on profitability, income level, consumption preferences and location, among other factors. This tool permits our sales force to target client needs more effectively. In addition, we have our own telecommunications infrastructure consisting of a microwave network that interconnects all our points of service, facilitating efficient communication and improving customer service. We use excess capacity on our network to provide telecommunication services to other banks and companies.

Proven capabilities to consolidate acquisitions effectively and efficiently

We have demonstrated an ability to identify, execute and integrate acquisitions of other banks and capitalize on related synergies. Our most recent acquisitions include the following:

- In November 2006, we completed the acquisition of Banco de Occidente. We realized larger economies of scale than expected from this acquisition and completed the consolidation and merger processes in record-setting time in Guatemala (90 days).
- In January 2007, at the request of the Superintendency of Banks, certain assets and liabilities of Banco de Comercio were transferred to us which resulted in certain economies of scale.
- In February 2008, we acquired BanQuetzal. BanQuetzal historically has been strong in home financing and consumer loans, as well as an established competitor in foreign trade and currency exchange.

Strong shareholder support

Since our incorporation we have had a supportive and diverse shareholder group. Historically, our shareholders have contributed capital on various occasions to support our growth. As a result of our corporate reorganization, our former shareholders now hold their interest in us through Bicapital. We believe that in the future, Bicapital will continue to support our growth and initiatives.

Experienced and professional management team

Our management team has significant experience in the banking industry and the know-how to identify and offer products and services that meet our customers' needs, while maintaining effective risk management and strong margin levels. We have had only two board chairmen and two chief executive officers since our incorporation in 1968. Diego Pulido, our current chief executive officer, has worked for our organization for more than 39 years. The years of experience of our senior management range between 10 and 39 years and most of our senior managers have graduate degrees in their relevant fields of specialization.

Knowledgeable and independent board of directors

Our board of directors is made up of leading business persons in Guatemala representing the country's principal industries. Our directors' experience in the banking industry ranges between 14 and 44 years. Our board of directors generally meets twice per week to discuss the management of our operations and other significant issues. Bicapital's board of directors includes independent directors, which reflects Bicapital's efforts to meet international corporate governance standards. These independent directors participate in all key governance committees including audit, which supervises internal controls, related party lending and other corporate practices.

Improving profitability and efficiency

Our profitability has grown consistently during the past several years through our ability to increase our penetration and cross selling of existing clients as well as through acquisitions. Our performance reflects a diversity of revenue sources, improved funding mix and fee generation as well as operating and credit cost control. For the year ended December 31, 2010, returns on average assets and equity improved to 1.6% and 18.0%, respectively, from 1.3% and 15.0% for the year ended December 31, 2009, bolstered by flat operating expense growth.

Despite our expansion strategy, our cost income ratio has improved and compares favorably to that of our peers given management's intensive focus on cost rationalization, alternative distribution channels, and staff reductions.

Our Strategy

Our objective is to maintain our leading position in the Guatemalan financial system and to further penetrate the more profitable market segments. We have maintained a disciplined and well-executed expansion strategy even during the recent international financial crisis and domestic downturn, including the opening of new branches and the establishment of microfinance as a new line of business. Aligning our objectives with Bicapital's objective of becoming the leading financial conglomerate in Central America, and BI El Salvador is expected to initiate operations in El Salvador on July 13, 2011.

Expanding our retail customer base

According to the World Bank, as of December 31, 2010, banking penetration (measured as the ratio of the value of loans extended to GDP) was only 24.5% in Guatemala, compared to 80.8% in Panama and 64.3% in Chile.

We believe this low banking penetration level, in combination with the expected growth of the Guatemalan economy, will support the expansion of our retail banking business. We intend to continue increasing our loan penetration to the retail segment and we intend to continue to increase and diversify our products and services offered to the retail segment. We also intend to continue to offer high-end retail clients exclusive customer service centers located in strategic city locations where they are able to perform banking transactions and receive financial advice from our specialized customer service agents regarding our products and services. We believe that further penetration into the retail segment will increase our profitability.

Increasing our non-interest income

Our non-interest income is comprised primarily of foreign exchange commissions, fees from account administration, third-party collections, fiduciary services, third-party use of our telecommunications network and credit card fees. Increasing fee income is a central component of our business strategy. We seek to increase our fee income by: (i) continuously reviewing our fee structure in order to find new opportunities and to adjust to market conditions and practices; (ii) increasing our cross-selling efforts with Bicapital; (iii) promoting the use of technological and electronic payment methods, as well as telephone and Internet banking; (iv) establishing new points of service where we anticipate high volumes; and (v) promoting our debit card services.

Enhancing customer product use

We seek to strengthen and improve services offered by our Corporate Banking and Retail Banking Divisions to increase market penetration and profitability per customer. In the Corporate Banking Division, we intend to offer additional products such as cash management, treasury products, foreign exchange and electronic banking to our traditional credit customers. We also intend to increase the amount of banking products per customer to at least four products by the end of 2011 by offering our existing customers additional products selected from each customer's personal profile developed by our CRM system. Additional products may include auto loans, home, auto and personal insurance, and credit and debit cards.

We are focused on remaining at the forefront of financial product innovation in Guatemala and continue to develop new ways to reach customers. We seek to continue to improve the variety of consumer and corporate products to differentiate ourselves from our competitors.

Promoting synergies with Bicapital and through acquisitions

We intend to increase our market share and profitability by continuing to cross-sell services and products to our clients and clients of Bicapital, both within and outside of Guatemala. We have introduced processes that facilitate our ability to offer additional financial services to our clients and those of the other companies of Bicapital, with an emphasis on service and innovation. We cross-sell consumer loan products, credit cards and mortgages to our checking and savings account customers and to Bicapital's insurance and pension fund customers. We intend to seek opportunities to better serve our Guatemalan clients by expanding into Central America through our relation with Bicapital and its expansion. For example, Bicapital acquired a Honduran bank, Banpais, in 2007. The Central American market, in particular the northern triangle (Guatemala, Honduras and El Salvador), offers attractive opportunities for Bicapital and us because of the increasing presence of Guatemalan companies.

Lines of Business

We are a full-service commercial bank providing a wide range of financial services to over 1.4 million retail, commercial and corporate clients.

We market a full range of banking services through our nationwide branch network. Our subsidiaries include an offshore bank, the Off-shore Bank, a credit card issuer, the Credit Card Company, and a finance company, the Financing Entity. In addition to traditional banking products and services, our affiliates (which consist of subsidiaries of our parent company Bicapital) offer financial leasing, securities brokerage services, insurance and surety bond issuance, warehouse services, asset management and pension fund services.

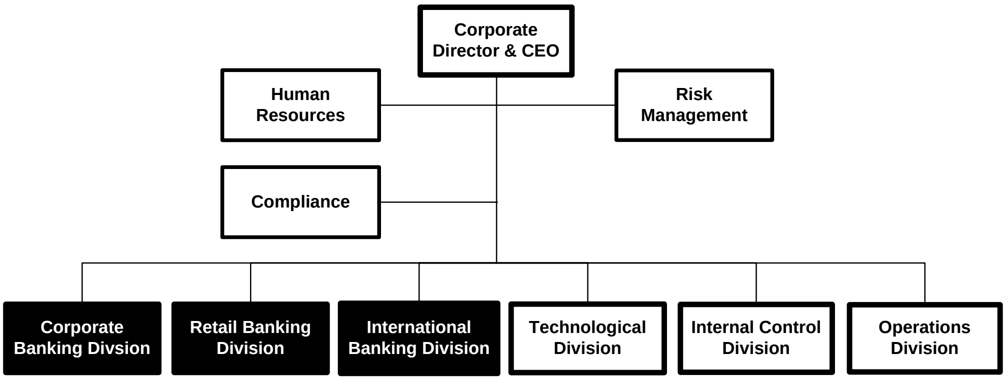
We have maintained a strong presence in the Guatemalan corporate sector and have developed a rapidly growing retail business. Our growth strategy, which management views as critical for our success, is focused on the Guatemalan market and is supported by a strong technological platform.

Banking Activities

General

Our organizational structure promotes the development of products and services that meet the specialized needs of our clients. The following chart illustrates our organizational structure, highlighting our three most important business divisions:

- Corporate Banking Division;
- Retail Banking Division; and
- International Banking Division.



Corporate Banking Division

Our Corporate Banking Division focuses on providing a full range of commercial banking products and services and financial advice to clients in target industries. Our Corporate Banking Division serves more than 48,600 companies throughout Guatemala and is organized into two groups, *Banca Corporativa* (Large Corporations) and *Banca Empresarial* (Medium Sized Companies). As of March 31, 2011, our corporate sector loan portfolio was 81.4% of our total loan portfolio and corporate deposits represented 46.5% of our total deposits.

To meet our corporate clients' needs, we have developed a wide variety of products and services, ranging from traditional financial services to more specialized operations in international banking, trade, syndicated loans and cash management systems. We provide international services such as foreign exchange, incoming and outgoing foreign currency payments, foreign currency loans and deposits, letters of credit, bank guarantees and specialized trade services. We believe that in Guatemala we have the leading share of the international banking services market. See "—International Banking Division" to follow. We also provide a full range of financing options, such as working capital, capital investments, export and import financing and import of capital goods and services (long and medium term) and factoring with importers in the United States, Canada and Central America, to provide Guatemalan exporters access to short-term financing.

Banca Corporativa serves large companies in the industrial, agro-industrial, service and commercial sectors. We offer these clients a full range of products and services, including traditional financial products, trade finance, bank guarantees, financial advice on loan structuring, foreign exchange and treasury services. We classify corporate loans as loans greater than Q25.0 million. As of March 31, 2011, the loan portfolio allocated to Banca Corporativa totaled Q11,753.0 million, representing 62.9% of the Corporate Banking Division's portfolio.

Banca Empresarial serves customers with focus on the industrial, commercial and service sectors. We offer these clients savings and checking accounts, short-term loans, trade finance, vendor and payroll services and electronic banking. We classify Banca Empresarial loans as loans up to Q25.0 million As of March 31, 2011, the loan portfolio allocated to Banca Empresarial totaled Q6,946.4 million, representing 37.1% of the Corporate Banking Division's total loan portfolio.

An important component of our strategy is to provide our corporate clients with a package of services that we call "*Servicio Total*" ("Total Service"). We provide our corporate clients with (i) services of a dedicated account manager specialized in fulfilling the specific needs of each client, (ii) high quality highly competitive financial services and (iii) technological services allowing corporate clients to connect to us online.

We have also developed products for employees, suppliers and clients of our largest corporate clients, such as specific loan programs and electronic direct payment mechanisms via our Internet banking services, as well as preauthorized credit lines for our clients' suppliers. In addition, we have established branches and ATMs on our corporate clients' premises and developed information and technological systems specifically designed to provide a direct online link between a client company's computer mainframe and our mainframe.

We believe that we have high expertise and a significant competitive advantage over other financial institutions in Guatemala regarding our capabilities of serving the corporate sector.

We are constantly developing new products and services for this segment, some of which are the following:

- **Electronic Invoicing**. We offer our corporate clients the following services:

  - Invoices sent via e-mail
  - Invoices posted on-line on the company's website; this service aids our strategy of providing our corporate clientele better and more efficient ways of carrying out their businesses and allows us to strengthen our clients' loyalty

  Some of the advantages for our clients are:

  - Reducing all expenses related to the processing and printing of invoices on a monthly basis
  - Avoiding long fiscal audits carried out by local authorities due to the fact that the tax authority will have access to the invoicing information on- line
  - Reducing the tenor (in days) of its accounts payable due to invoice misplacement or delay in sending the physical invoice

- "**Social Security Electronic Payments"** is a new service in which payments for the employees' social security payroll can be done through our corporate internet banking system. Clients avoid high costs associated with the traditional processes.

Retail Banking Division

The Retail Banking Division focuses on providing a full range of banking products and services to more than 1.4 million retail customers as of March 31, 2011. Our retail products and services are divided into three categories: deposit products, credit products and other products and services.

- Deposit products include demand deposits, savings accounts and time deposits.
- Credit products include consumer loans, automobile loans, mortgages and credit cards.
- Other products and services of the Retail Banking Division are designed to complement our deposit and credit products and to meet the specific needs of our retail client base. These products include debit cards (*Bi-Cheque*), safety deposit boxes, ATM outlets, foreign currency services, trust services, online banking and mobile banking. *Bi-Cheque* is our debit card, which may be used to withdraw quetzales or U.S. dollars from VISA Plus ATMs in Guatemala and abroad. This card may also be used directly in affiliated businesses in Guatemala and internationally for purchases of products and services.

In addition to these retail services, we have developed a call center and a data warehouse. The data warehouse is our most important tool for the cross-selling of financial products. The data warehouse consists of a relational database that allows us to analyze our client base in different ways. By inputting different parameters, we obtain feedback about our clients based on income level, consumption preferences, products they use, and most importantly, which of our products the client does not yet have so that we can target our sales efforts. We believe cross-selling will be a driver of a substantial portion of growth in retail services in the coming years.

As of March 31, 2011, our individual clients used approximately 4.9 million products and services offered by us, and we estimate that the aggregate balance of deposit accounts maintained by our retail customers represented approximately 53.6% of our overall deposit base. As of March 31, 2011, approximately 18.6% of our total loans were made through our Retail Banking Division.

The retail sector has a high growth potential and we have sought to diversify the products and services targeted to this segment. The following services are certain recent developments in the retail sector that we have implemented:

- **“Club Bi”**, our new loyalty program, where clients obtain discounts, promotions and benefits in a wide variety of affiliated restaurants, hotels, shops, movie theaters, etc., and accumulate points according to the amount of credit and debit card transactions and balances in checking and savings accounts.

- **“Bi Movil”** is a new way to access our products and services through the convenience of cellular phones. “Bi Movil” uses text messages in real time to give our customers access to their accounts. Customers can make transfers, payments, account locking and receive notifications of operations done in their accounts (debits and credits in demand deposits and savings accounts, credit cards, etc). “Bi Movil” is used by approximately 125,000 customers and was launched in September 2007.

- **“Tu Bi Aqui”** are new points of services in local establishments and stores that are intended to reach the unbanked Guatemalan population. “Gente BI” uses the latest technology in its points of services to perform varied financial transactions such as check payments, prepaid card issuance, family remittance payments and deposits. We launched this project in December 2007, as of March 31, 2011 we had 450 points of service and in 2010 processed more than 2.5 million transactions.

- **“Tu Bi-lletera”** is a checking account aimed for clients opening their first account in a bank. BI provides a prepaid checking card service along with such account, and minimum requirements must be fulfilled to obtain such service.

- **“Gana Seguro”** is a new investment instrument with a particular characteristic: interest earned is accrued at the time the investment is made.

- **“TD Flex”** is an investment instrument along with a checking account. At any time, the client has the right to disinvest as much as 50% of the face vale of the original investment. Such disinvestment may be made through a checking account or wire transfer.

- **“Bi-Credit Signature Visa” and “Bi-Master Card Black”**, are the Bank’s new highest category credit cards, targeted for the most exclusive and selected clients. These credit cards are granted by invitation only, to clients with an outstanding credit record in their Platinum credit cards. They offer additional benefits, such as:
    - Priority Pass access in major airports around the world.
    - The highest coverage in medical, accident and vehicle insurance.
    - Additional insurance in shopping protection, flight delays and lost baggage.

- **Microfinance** is serving as a key agent in the economic development of Guatemala, and we have decided to penetrate the ample market of the Guatemalan micro-entrepreneurs. This effort has required the adjustment of products and financial services that are suitable to the needs of this market, including credits, means of payment and insurance, which are available for the customer through specialized Banco Industrial - Micro-Enterprise branches.

- **Super Cajeros Bi** are our new cash deposit ATMs. We are the first bank in Guatemala to include cash deposit accepting machines into its ATM network. As of March 2011, 19 “Super Cajeros Bi” are located in strategic points in Guatemala City. We project to have 40 “Super Cajeros Bi” throughout Guatemala by year end 2011.

- **BI in Social Networks**, with the goal to have more channels to listen to its clients and to create a virtual community that allows for a more interactive relationship and brand loyalty, we are now on Facebook and Twitter. As of March 31, 2011, the Bank has more than 12,000 Facebook fans and 900 Twitter followers.

- **New features in Internet Banking**: we have developed real time money transfers between and among the Bank’s clients, electronic payments of basic services (such as public utilities, schools, universities, etc.) and launched “Guate ACH”, an automated compensation system which allows electronic transactions to be made among banks or financial institutions in the Guatemalan financial system.

International Banking Division

We serve both retail and corporate clients with a state of the art international platform of services. We have a high specialization in providing trade related services to small, medium and large size exporters and importers. We offer a variety of services to facilitate our clients' international activities, including fund transfers, money orders, import and export letters of credit, loans and international foreign currency transactions.

During our 44 year history, international banking has been an important part of our business, particularly given our strong focus on corporate clients. We have traditionally serviced the country's largest importers and exporters, a relevant factor in the development of a substantial trade services platform. Our International Banking Division is responsible for all of our international business operations and strategies, specializing in developing products and services that meet the international banking needs of our clients. The International Banking Division oversees all of our operations relating to foreign currency trading, relationships with correspondent financial institutions, strategies for growth outside Guatemala, our remittance business and the operations of the Off-shore Bank, our banking subsidiary in The Bahamas, which operates as an offshore financial institution in the Guatemalan market.

We enjoy longstanding correspondent banking relationships with more than 100 global financial institutions, with the following currently being the most important: Bank of America, Wells Fargo Bank, Citibank, The Bank of New York Mellon and Commerzbank. As of March 31, 2011, we had over US$446.1 million uncommitted credit lines and working capital financing available from our foreign correspondent banks.

We maintain a department that specializes in international trade services and provides trade finance, letters of credit, bank guarantees and collections. As of March 31, 2011, our annual volume of import and export letters of credit exceeded US$59.9 million. We entered into a strategic alliance with Wells Fargo Century to offer our corporate clients international factoring services.

We are the Guatemalan leader in processing corporate remittances. A diverse range of exporting manufacturers, commodity producers and service providers receive payments for goods and services in U.S. dollars and we process these incoming flows for our corporate customers. We provide long- and short-term trade financing to these customers, who in turn continue to generate incoming payment orders for related exports. Due to these capabilities we have become a leader in the foreign exchange business, and during the first three months of 2011, our foreign exchange transaction volume was US$2.7 billion, which, according to Guatemalan Central Bank statistics, was more than double the size of the foreign currency trading level of our nearest competitor. For the year ended December 31, 2010, our market participation was of 28.2%.

In 1999, we were the first non-government owned bank in Guatemala to connect to SWIFT, the international funds clearing house service. Our corporate clients can also carry out several types of international transactions, such as applying for letters of credit and trading foreign currencies, through our Internet-based system. With the support of The Bank of New York Mellon, we also offer our clients an Internet-based international collections system that enables corporate clients to verify the status of the collections they effect through us.

Through our Bahamian subsidiary, the Off-shore Bank, we maintain a working capital and investment loan portfolio with the largest corporate clients in Central America as well as a strong private banking business in Guatemala. The Off-shore Bank offers specialized financial services and products to high-net-worth individuals. Products offered by the Off-shore Bank include checking accounts, savings accounts, time deposits and complementary banking services. As of December 31, 2010, the Off-shore Bank had total assets and deposits of US$847.5 million and US$770.3 million, respectively.

We offer a wide range of international products and services denominated in foreign currency to the retail banking sector, including deposits, savings accounts and pension funds. We are able to send and receive foreign currency funds via wire transfer or bank documents.

In recent years, family remittances have become an important source of incoming foreign currency flows in Guatemala. We anticipated this market opportunity and developed several products and services, such as the program *Los Chapines Estamos Unidos*, to service this market segment. During 2010, we received more than US$968 million in family remittances sent by Guatemalans living in the United States, which represents a 23.4% market share. Some innovative family remittances products we have launched include:

- **"Cash-to-Visa Card Money Transfer Program"** in conjunction with MoneyGram International, a leading global payment services company, we launched a cash-to-Visa card program enabling customers to transfer funds from MoneyGram locations in the United States directly to Visa-branded credit, debit, or prepaid cards issued by us in Guatemala. Once funds are sent to the card, the transfer is complete, and clients will then have access to funds anywhere Visa is accepted 24-hours-a-day. To receive funds directly to a Banco Industrial-issued Visa card, the sender must provide the 16-digit Visa card number and the name on the card. Future transactions can be sent to the same account using only a MoneyGram registration number.
- **"Mi Casa en Guate"** is a trans-national residential loan for clients that live in the United States. We provide customers living abroad access to the best residential projects in Guatemala through consulting and financial services. This product targets customers that send family remittances to Guatemala through the Bank, giving them the opportunity to purchase a house in Guatemala.
- **"Credi-Remesa"** is a loan granted to a receiver of a family remittance who has developed a transaction history with us.
- **"EnGuate"** was launched in 2010. This program provides the beneficiaries of remittances to receive its funds in their Banco Industrial account by calling our call center. By utilizing this program our customers can also access a wide range of other services such as pension funds, life insurance and mortgage loans. As part of the services we offer, the Guatemalans living in the United States can direct their remittances to cover specific needs, including utilities, health, and education, among others.

Distribution Channels

We intend to continue to expand our distribution network, mainly outside of Guatemala City, and to increase the use of electronic banking and transaction processing. To achieve these goals, we have remodeled and opened new points of service and developed electronic channels, computer systems and business intelligence in the recent years.

Points of Service

We serve our client base through more than 2,900 domestic points of service, which is the largest number of points of service of any bank in Guatemala. As of March 31, 2011, we had 2,996 points of service, including branches, minibranches, banking agents and kiosks and access to more than 2,180 ATMs (including 1,500 from alliances). Branches have four tellers or more and minibranches have three or less. Administrative services, such as opening of new accounts, time deposits or similar services, are offered at branches and minibranches. Kiosks are similar to branches except that they are typically staffed with one or two persons and they offer only transactional banking services such as payment of checks, receipt of deposits and withdrawals. ATMs are usually placed in high traffic areas including gasoline stations, office buildings, supermarkets and shopping malls.

The following table shows the growth in the number of the Bank's branches on an unconsolidated basis in Guatemala City and Guatemala's provinces.

	As of March 31		**As of December 31,**					
	2011		**2010**		**2009**		**2008**	
	Branches	**%**	**Branches**	**%**	**Branches**	**%**	**Branches**	**%**
Guatemala City	226	63	224	62	212	61	172	58
Provinces	135	37	140	38	138	39	124	42
Total	361	100	364	100	350	100	296	100

Through our branch network in 2010, we processed over 56.8 million transactions, a 3.0% increase over 2009, and opened more than 242,946 new accounts. In addition, as part of our cross-selling strategy, over 148,000 retail products were sold, including insurance provided by Seguros El Roble, credit cards, pension funds and leasing, among others.

As part of our efforts to reach the unbanked Guatemalan population, we recently started an initiative called "Tu BI Aquí." With this initiative we attempt to reach the entire population in Guatemala that currently does not use banking services. We are transforming retail establishments and stores located mainly in rural areas into Banco Industrial's points of service. We are using the latest technology in points of service to perform varied financial transactions such as check payments, prepaid card issuance, family remittance payments and deposits. As of March 31, 2011, we have 450 "Tu BI Aquí" points of service.

We installed 32 new ATMs during the first quarter of 2011, bringing the total amount of proprietary ATMs to 682. In Guatemala, there are several independent ATM networks, and through strategic alliances with these ATM networks, we can provide our clients access to over 2,182 ATMs throughout Guatemala.

The following table reflects the number of ATMs throughout Guatemala.

	As of March 31	**As of December 31,**		
	2011	**2010**	**2009**	**2008**
Number of our ATMs	682	650	601	542
Number of third party ATMs	2,182	2,128	1,880	1,672

BI-Consulta

We offer our customers telephone banking services 24 hours a day, seven days a week. Through telephone banking, our customers can obtain balance information, make credit card payments, transfer money between accounts, pay their utility and other bills, pay school and college tuition and add credit to their cell phone accounts.

Telephone banking also allows our customers to receive faxes or text messages on their cell phones whenever transactions are posted to their accounts. We have a state-of-the-art call center. In the event that a debit or credit card is lost or stolen, our customers can block the use of their lost or stolen cards through this service.

Bi-B@nking

We offer our corporate customers an integral solution to carry out remote banking operations in a quick and secure manner from their offices. *Bi-B@nking* is a user-friendly system that uses access codes and pre-determined levels of authorization. Among the services provided through this tool, are: online account balances, credit card balances, pending loans and lines of credit balances, wire transfers, payment of credit card bills and other loans, electronic payroll, electronic payment to suppliers, taxes, payroll cash advance and foreign exchange transactions.

BI en línea

We offer online banking to our retail clients through our website www.bi.com.gt. This Internet portal gives customers access to a broad range of information and services, including up-to-date information on account balances and credit card minimum payments and balances. The portal also allows customers to pay credit card bills online and transfer and receive funds from within Guatemala and from abroad.

Security is an important factor in our on-line banking. We continue to enhance security features and expect to introduce security tokens that will provide added security for on-line banking.

BI Premium Customer Service Centers

We offer our high end retail clients exclusive customer service centers located in strategic city locations where they are able to perform banking transactions and receive financial advice from our specialized customer service agents regarding our products and services. These centers are equipped with top of the line technological systems in a comfortable and safe environment.

Call Center

We consolidate all the contacts of our clients in one customer service contact center. We aim to answer all of our clients questions regarding our products and services through specialized customer service agents with state of the art communication and database technologies. Our clients can reach the contact center by phone, e-mail or chat. Our call center has 230 positions with 450 agents and an installed capacity of 25,000 daily transactions.

Competition

The financial system of Guatemala has consolidated in the past recent years as a result of changes in the regulation of banks and the interest shown by international Banks to participate in the financial sector. The low level of banking penetration has attracted new participants in the market.

Over the past thirteen years, the Guatemalan government has enacted a number of banking regulations, increased equity and reserve requirements and adopted stronger risk assessment processes. See "The Guatemalan Financial System" and "Supervision and Regulation." These regulations have forced marginal participants in the Guatemalan financial system to either be acquired by, or to merge with, larger banks, lowering the total number of banks in Guatemala from 34 to 18 from December 2000 to March 2011. As a result of this consolidation, we have increased our market share in both Guatemala and Central America.

The Guatemalan banking system experienced a compound annual growth rate in terms of loans and deposits of 58.45% and 54.81%, respectively, from December 31, 2006 to December 31, 2010.

As of March 31, 2011, we had a market share within the Guatemalan financial system of 27.5% of assets, 24.3% of loans and 26.7% of deposits. We have increased our market share measured by assets in the Guatemalan banking sector through organic growth and strategic acquisitions.

The five largest banks in Guatemala have a total market share of 79.9%, 79.2% and 79.7% in terms of assets, loans and deposits. The international banks that compete in the local market are Citibank, Grupo Aval (through Banco de America Central), Banco Azteca and Scotiabank (through Banco de Antigua).

The table below presents selected data for banks in Guatemala on an unconsolidated basis.

	As of March 31, 2011								
	Assets			Total Loans			Deposits		
	Balance	Market Share	Rank	Balance	Market Share	Rank	Balance	Market Share	Rank
	(Q millions)	*(%)*		*(Q millions)*	*(%)*		*(Q millions)*	*(%)*	
Banco Industrial	43,255.2	27.5	1	19,937.8	24.4	1	33,249.4	26.7	1
Banco G&T Continental	31,653.9	20.1	2	14,517.0	17.8	3	23,886.1	19.2	3
Banco de Desarrollo Rural	29,477.9	18.7	3	18,057.0	22.1	2	24,651.1	19.8	2
Banco Agromercantil	12,636.4	8.0	4	7,175.8	8.8	4	10,254.1	8.2	4
Banco Reformador	8,646.0	5.5	5	4,948.2	6.1	5	7,078.5	5.7	5
Citibank	7,893.5	5.0	6	4,123.6	5.1	7	6,056.9	4.9	6
Banco de los Trabajadores	7,046.4	4.5	7	3,925.3	4.8	6	5,904.0	4.7	7
Banco de America Central	4,678.5	3.0	8	2,633.2	3.2	8	3,711.3	3.0	8
Banco Internacional	3,990.2	2.5	9	2,246.9	2.8	9	3,418.4	2.8	9
Crédito Hipotecario	2,622.1	1.7	10	1,066.8	1.3	10	2,038.0	1.6	10
Others	5,351.0	3.4		3,005.8	3.7		4,050.1	3.3	
Total	**157,251.2**	**100.0**		**81,637.3**	**100.0**		**124,297.9**	**100.0**	

Employees

As of March 31, 2011, we had 5,317 employees, almost all of which were located in Guatemala. None of our employees belong to a union. We offer our employees benefits beyond those required by Guatemalan law, such as additional severance payment benefits, life and disability insurance, health insurance and dental insurance. We also offer training programs at all levels of our organization and have a strong culture of internal promotion.

Properties

We are domiciled in Guatemala and own our headquarters located at 7ª Avenida 5-10 Zona 4, Centro Financiero Torre 1, Guatemala, Guatemala 01004. As of March 31, 2011, we owned approximately 85 of the properties on which 23.5% of our branches are located. We lease the remainder of our branches from unaffiliated third parties. We believe that our facilities are adequate for their intended purposes.

Licenses and Permits

The Bank is authorized by the Monetary Board to conduct banking activities as described in "Supervision and Regulation—Regulatory Framework of the Financial System." The Off-shore Bank is licensed by the Central Bank of The Bahamas to conduct financial activities as described in "Supervision and Regulation—The Bahamas Banking and Supervision Regulation."

Legal Proceedings

We are subject to several administrative proceedings relating to tax audits. In each such proceeding, the claimants are the Superintendency of Tax Administration and the Superintendency of Banks. The total amount involved in these proceedings was approximately Q23.3 million plus interest and penalties, as of December 31, 2010. We believe that none of these proceedings will have a material adverse effect on our financial condition or results of operations.

Additionally, we are subject to a number of other legal and administrative proceedings involving individual, smaller sums arising in the ordinary course of its business, none of which we believe will have a material adverse effect on our financial condition or results of operations.

RISK MANAGEMENT

Policies and Procedures

The primary objective of our asset and liability management strategy is to manage our balance sheet in light of interest rates, liquidity and foreign exchange risks, as well as the current domestic demand for credit, existing asset and liability positions and general market conditions. We monitor and control the maturity mismatches and the size and degree of our interest rate and exchange rate exposure to minimize the effect of these risks on profitability, while ensuring sufficient liquidity and capital adequacy.

The Asset and Liability Management Committee ("ALCO") is responsible for providing guidelines for the management of assets and liabilities and for monitoring our compliance. This committee meets on a weekly basis and is comprised of the Executive Director, the Corporate Banking Division Manager, the International Division Manager, the Retail Banking Division Manager, the Internal Control Division Manager, the Operations Division Manager, the Credit Risk Manager, the Operations Assistant Manager and the Treasury Assistant Manager. In managing our assets and liabilities, we consider interest rates and yields, the size of the loan and investment portfolios, the maturities of loans, time deposits and investments, the net short position, exchange rates, inflation rates and other macroeconomic factors. The ALCO sets overall interest-rate levels and terms for both assets and liabilities and makes decisions regarding maturities and pricing of assets and liabilities based in part on recommendations from the Bank Policies and Procedures' Credit and Investment Department.

Liquidity Risk

Our liquidity management policy seeks to ensure that, even under adverse conditions, we have sufficient funds available to meet our operational needs and to ensure compliance with capital adequacy and other applicable guidelines established by regulatory authorities. Liquidity risks arise in the general funding of our financing, trading and investment activities and in the management of such positions. It includes the risk of being unable to liquidate a position in a timely manner at a reasonable price. Our Treasury Department has overall responsibility for determining the funding and investment structure and for monitoring the development of and changes in the balance sheet structure and the potential impact on financial performance. Our Treasury Department is also responsible for maintaining an adequate liquidity surplus and for planning liquidity risk management. In addition to liquid assets, we maintain lines of credit with international financial institutions that ensure adequate levels of liquidity. We have acquired a special software called "Liquidez CM" to adopt the practices recommended by the Basel II convention. Our Treasury Department manages our liquidity on a daily basis. We have a policy of high liquidity levels, with policies that require that liquid assets must represent at least 20% of total assets and at least 25% of total deposits

In addition, like all banks in the Guatemalan financial system, we are required to maintain liquidity reserves at the Guatemalan Central Bank in the amount of 14.6% of deposits, as well as the coverage of liquid assets over the 90 day liquidity gap, a process that is carried out by monitoring the maturity gap and the stress test, according to the contingency plan established to manage liquidity risk. The Superintendency of Banks is responsible for verifying each bank's daily compliance with the reserve requirements and establishing the interest rate paid on such reserve deposits at the Guatemalan Central Bank.

Interest Rate Risk

A key component of our asset and liability management policy is the management of interest-rate risk. The principal objective of our interest rate risk management activities, which are overseen by ALCO, is to enhance profitability by limiting the effect of adverse interest rate movements and increasing interest rate income by managing interest-rate exposure. We have minimal interest rate exposure because all of our loans carry variable rates of interest.

Most of our funding comes from client deposits. Demand deposits and savings deposits are offered at variable rates, whereas time deposits, which are short-term in nature (less than one year), are offered at fixed rates. Funding from financial institutions is negotiated at variable rates.

Foreign Currency Risk

We are subject to exchange rate risk due to adverse movements in exchange rates in the currencies in which we maintain assets or liabilities. We maintain some foreign currency transactions that are carried out in U.S. dollars, most notably foreign exchange trading operations. We minimize our foreign currency risk exposure by maintaining a minimal foreign currency long or short position. A majority of our assets and liabilities are matched, meaning that any U.S. Dollar funding that we obtain is invested in U.S. Dollar-denominated instruments (investments or loans). Our only foreign currency risk exposure is due to the fact that we maintain U.S. dollars to carry out a certain amount of trading in U.S. Dollar-denominated instruments.

In addition, the Superintendency of Banks requires banks to maintain an absolute difference between assets and liabilities liabilities denominated in foreign currency of no more than the 60% of total equity when this difference is positive and 20% of the total equity when is negative. As an internal policy, we have maintained a difference of no more than 5% of total equity. Our International Division and our Treasury Department are responsible for monitoring our foreign exchange position and changes in market conditions that might impact the net short or long position.

Operational Risk

Operational risk is the risk of the direct or indirect loss derived from inadequate or default internal process, personal or systems or external events, including legal risks, but excluding strategic risk and reputational risk. We have implemented methodologies and procedures to identify, measure, evaluate and mitigate the operational risk through our operations, as well as to alternate models of evaluation of the volatility of the operative expenses so as to determine the impact of such risks in the bank results.

Bank Policies and Procedures

Credit Approval and Risk Policy

In accordance with article 56 of the Banks and Financial Groups Law, all banks and entities that are part of financial groups are required to update their written policies relating to lending, investment, assets quality assessment, know your client policies, and in general, policies for the adequate administration of risk. These policies are elaborated by the Risk Management Committee and approved by the board of directors. Once approved, the policies have to be sent to the Superintendency of Banks.

The maintenance of prudent credit policies is a key goal of our senior management. Our board of directors and our Risk Management Committee have responsibility for approving and periodically reviewing general business strategies, reviewing and developing new organizational policies, analyzing our organizational structure of the Bank and defining the procedures and policies for risk management. Additionally, our activities are supervised by internal and external auditors as well as the Superintendency of Banks.

Our lending policies are dictated by our credit rules and guidelines that are periodically reviewed by our board of directors, Executive Committee and Risk Management Committee. We have traditionally adhered to conservative lending policies and our management plans to continue to do so. Our Risk Management Committee monitors risk situations by reviewing our loan portfolio strategy and establishing concentration limits for different credit risk categories. Credit concentration limits are determined on the basis of the business sector and sub-sector of the borrower, geographic location of the borrower and size and currency of loans, taking into consideration the economic risk of the business sector and prior performance of the sector in general.

The objective of the risk management is the identification and evaluation of risks affecting our shareholders' equity and the implementation of a business strategy to manage those risks. Our Risk Management Committee is also responsible for ensuring that systems, policies and processes for adequate risk management and evaluation are kept in place and are fully functional at all times.

For the analysis of loan applications as well as the analysis of all of the financial information provided by the prospective borrowers, we use Equifax software for individual loan applications and Moody's Financial Analyst for corporate loan or significant amount applications.

We have adopted a model based on internal ratings or Internal Rating Based (IRB) method suggested by Basel II, that classifies the credit portfolio in groups of homogeneous debtors. These groups are: vehicles, housing, consumer loans, credit cards, micro-enterprise and corporate credits. We have classified the defaults by debtor for more than five years, with this information we calculate the probability of default and the expected loss by category. The calculation of expected loss allows us to adjust our policies of credit approval and credit collection, as well as to improve the quality of our credit portfolio, the calculation of the reserve by segment and the administration of interest rate risk.

The officer or corporate body responsible of the analysis and approval of each loan depends on the amount of the loan, which consists of:

Responsible Officer / Corporate Body	**Amount in US Dollars**
Consumption Department Chief	Up to Q20,000 or US$2,626.5
Financial Committee	Up to Q3,000,000 or US$400,000
Division Management	Up to Q1,600,000 or US$200,000
General Management	Up to Q2,800,000 or US$350,000
Credit Committee	Up to Q4,000,000 or US$500,000
Board of Directors	More than Q4,000,000 or $500,000

Loan Loss Reserves

The Superintendency of Banks has established minimum loan-loss reserve requirements based on a system of risk classification. The Superintendency of Banks stipulates that 100% of any loan portfolio be graded on a scale ranging from "A" (highest quality) through "E" (lowest quality) and be reserved in accordance with the reserve requirements set forth in the table below. See "Selected Statistical Information—Grading of Loan Portfolio" for the definitions of such classifications.

Reserve Requirements on Loans

Loan Category	Minimum Loan Loss Reserve Requirement	Description
Category A	0%	Less than 30 days past due
Category B	5%	30-60 days past due
Category C	20%	60-90 days past due
Category D	50%	90-180 days past due
Category E	100%	Greater than 180 days past due

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The loan loss reserves must cover, at a minimum, a 100% of the past due portfolio (overdue more than 90 days) and 1.25% over the total loan portfolio.

We have maintained compliance with the Superintendency of Banks reserve requirements with a loan loss reserve to non-performing loan ratio of 246.8% and 200.4% and a loan loss reserve as a percentage of the total loan portfolio of 1.5% and 1.4% as of March 31, 2011 and December 31, 2010, respectively.

Policy for the Recovery of Past Due Credits Arranged by the Corporate Banking Division

Our Corporate Banking Division manages the recovery of past due credits through administrative processes and judicial proceedings.

Administrative Collection

For collection purposes, past due credits that remain unpaid 90 days after the payment was due are considered defaulted credits. Defaulted credits of customers classified as "small businesses" are subject to an administrative collection process. The executive that manages the customer's credit attempts to negotiate new terms with the customer, whether by refinancing the credits and obtaining additional collateral or by arranging for other methods of payment. If no solution is agreed upon within three months of initiating the administrative collection process, the relevant defaulted credit is transferred to the Judicial Collection Department. In addition to the procedure mentioned above, corporate borrowers have a designated account manager that keeps track of any past due credits.

Judicial Collection Department

The credits that are transferred to this department are those for which recovery by administrative processes has failed. The Judicial Collection Department is responsible for initiating legal proceedings against debtors for collection of defaulted credits and for supervising the progress of ongoing legal claims. Notwithstanding the foregoing, the Judicial Collection Department may continue to attempt administrative collection and to negotiate alternative methods of payment.

Policy for the Recovery of Past Due Credits Arranged by the Retail Banking Division

Our Retail Banking division manages the recovery of past due credits through both administrative and judicial processes. In general, a credit is considered past due one day after the payment is due and from that point is subject to the administrative collection process. The Retail Banking Division may employ different procedures for each product it offers (such products principally consisting of personal loans and mortgage loans). Arrangements for recovery of past due credits may also vary depending on the period of time during which the credits have been past due. If recovery of past due credits through administrative means is unsuccessful, the relevant credits are transferred to the Judicial Collection Department.

Administrative Collection

Several different alternatives are offered to debtors that wish to reactivate their lines of credit that, in our view, will assist such debtors to generate future cash flows to pay off their debts. Our Portfolio Administration Department assists debtors in selecting among such alternatives as: (i) restructured payment conditions; (ii) extension of the maturity of the credit; (iii) decreased interest rates; (iv) consolidation of debts; (v) grace period; (vi) refinancing; and/or (vii) payment with non-cash assets. Debtors with no collateral may be offered a waiver of up to 50% of the interest charged on the past due credit, provided that the total principal amount of the debt is paid off and such credit is classified as "E" by our Risk Management Committee. If none of the above alternatives is agreed upon, credits that are 90 days past due may be transferred to the Judicial Collection Department.

Judicial Collection Department

The Judicial Collection Department is responsible for obtaining the legal documents necessary to file legal collection proceedings and for supervising the progress of ongoing legal claims. Notwithstanding the foregoing, the department may continue to attempt administrative collection and to negotiate alternative methods of payment. Collection procedures vary depending upon whether the credit relates to a personal loan, credit card, mortgage loan or another banking product. With respect to credit cards, for instance, only past due credits in excess of US$3,000 are subject to judicial collection; credits under US$3,000 are usually referred for collection to a third-party collection agency.

MANAGEMENT

Board of Directors

Our board of directors is currently comprised of eight directors and eight alternate directors, all of whom have between 8 to 45 years of banking experience. The first chairman of the board of directors of the Bank, who served until 1991, was one of the founders of the Bank, Mr. Ramiro Castillo Love. Since 1991, the chairman of the board of directors has been Mr. Juan Miguel Torrebiarte. Members of the board of directors are elected for one year terms at our annual general shareholders' meeting.

Guatemalan law prohibits a person from serving on the board of directors of a financial services company if such person holds similar positions in other banks or financial groups. The prohibition is designed to ensure that a bank's board of directors is objective and free of conflicts of interests. In compliance with such law, none of our directors are members of the boards of directors of other financial groups. Our board of directors meet twice a week and each director has one vote.

The following table sets forth the composition of the board of directors as of the date of this offering memorandum:

Name of Director	Age	Position	Address
Juan Miguel Torrebiarte Lantzendorffer	70	Chairman of the board	Banco Industrial, S. A. 7ª. Ave. 5-10, zona 4, Torre I, cuarto nivel Guatemala City, Guatemala
Ramiro Castillo Arevalo	48	Vice-chairman of the board	7ª. Ave.1-70, zona 9 Repuestos Total Guatemala City, Guatemala
Rodolfo Köng Vielman	80	Director	Vía 5, 4-50 zona 4, Edificio Maya, 9º. nivel Guatemala City, Guatemala
José Antonio Arzú Tinoco	50	Director	Grupo Azur 17 Avenida 19-70, zona 10 Edificio Torino, Nivel 15, of. 1501 Guatemala City, Guatemala
José Luis Gabriel Abularach	90	Director	Aceros de Guatemala, S. A. Ave. Las Américas 18-81, zona 14, Edificio Columbus Center, nivel 14 Guatemala City, Guatemala
Rafael Felipe Solares Riélele	82	Director	LANCASCO, S. A. Km. 5.5 Ruta al Atlántico Guatemala City, Guatemala
Mario Rey Rosa Quiroz	85	Director	NOVATEX 5a. Avenida 9-62, Zona 1 Guatemala City, Guatemala
Tomás Rodriguez Schlesinger	47	Director	SIELCA / DISTELSA 1ª. Calle 7-66, zona 9 Guatemala City, Guatemala

Name of Alternate Director	Age	Position	Address
Juan Luis Bosch Gutiérrez	59	Alternate Director	Multinversiones, S. A. 5a. Ave. 15-45. Zona 10, Nivel 7, of. 705 Centro Empresarial Torre I Guatemala City, Guatemala
Andres Castillo Arenales	47	Alternate Director	Industrias Ancla, 50 Calle 23-70, zona 12. Guatemala City, Guatemala

José Roberto Bouscayrol Lemus	70	Alternate Director	LABORATORIOS LAPRIN, Km. 16.5 Carretera El Salvador Guatemala City, Guatemala
Eduardo Herrera Alvarado	68	Alternate Director	Diag. 6 10-01, Zona 10, Centro Gerencial Las Margaritas Torre II, N. 14, Of. 143 Guatemala City, Guatemala
Carlos E. Springmühl Silva	84	Alternate Director	7ª. Ave. 5-10, zona 4 Centro Financiero, Torre II, nivel 10, of. 2 Guatemala City, Guatemala
Victor David Benchoam Perera	82	Alternate Director	0 Calle 20-46, zona 15, Vista Hermosa II Guatemala City, Guatemala

An alternate director replaces a director in the absence of such director. The required quorum for our board of directors' meetings and to pass a board resolution is a simple majority, which means that at least five directors or their alternate directors must be present.

Juan Miguel Torrebiarte Lantzendorffer has been a director of the Bank since 1971. Mr. Torrebiarte is an entrepreneur and a former president of the Industrial Chamber. He currently serves on the boards of Calzado Cobán and Cementos Progreso. He holds a bachelor's degree in economics from the Universidad de San Carlos de Guatemala.

Rodolfo Köng Vielman has been a director of the Bank since 1967. Mr. Kong is an industrialist and is currently the director and manager of several corporations in the edible oils, fat and soap industries. He holds a bachelor's degree in business administration from Claremont Men's College.

Julio Ramiro Castillo Arévalo has been a director of the Bank since 1990. Mr. Castillo is an entrepreneur and is currently a director of Fahonda, an exclusive authorized Honda dealer in Guatemala. He is also active in the real estate business. Mr. Castillo holds a bachelor's degree in Business Administration from Universidad Mariano Galvez.

José Luis Gabriel Abularach has been a director of the Bank since 1979. Mr. Gabriel is an industrialist and he is currently the president of the Corporation Aceros de Guatemala, S.A., a Guatemalan steel producer

Rafael Felipe Solares Riélele has been a director of the Bank since 1968. Mr. Solares is an industrialist and has been the president of Laboratorios Químicos Farmacéuticos Lancasco since 1965. He is also a former member of the Industrial Chamber of Guatemala.

Mario Rey Rosa Quiroz has been a director of the Bank since 1968. Mr. Rey Rosa is an industrialist and is currently a shareholder and president of Distribuidora Novatex, S.A. a Guatemalan textile company. He holds a degree in textile engineering from Técnológico Textil de Biella, Italy.

Tomás Rodriguez Schlesinger has been a director of the Bank since 1992. Mr. Rodriguez is an entrepreneur and is currently the general manager of Distribuidora Electrónica, S.A., the exclusive distributor of Sony in Guatemala. He holds master's degree in business administration from Georgetown University.

Carlos E. Springmühl Silva has been a director of the Bank since 1968. Mr. Springmuhl is an entrepreneur and is currently the advisor to several commercial and industrial groups in Guatemala such as Cementos Progreso and Grupo Tecún. He holds a degree in chemical engineering from Louisiana State University.

Juan Luis Bosch Gutiérrez has been a director of the Bank since 1978. Mr. Bosch is an industrialist and a former president of the Industrial Chamber of Guatemala. Currently, he serves as board member in various companies of Grupo Multinversiones. Mr. Gutierrez holds a degree in mechanical engineering from Universidad Rafael Landivar.

Andrés Castillo Arenales has been a director of the Bank since 1999. Mr. Castillo is an industrialist and a former director of the Industrial Chamber of Guatemala. Currently, he is a director of Industrias Ancla, a corporation in the Guatemalan food industry. He holds a law degree from Universidad Francisco Marroquín.

José Roberto Bouscayrol Lemus has been a director of the Bank since 1975. Mr. Bouscayrol is an industrialist and is currently the general manager and president of Laboratorios Laprin, S.A. He holds a bachelor's degree in business administration from the Menlo School of Business, California.

Eduardo Herrera Alvarado has been a director of the Bank since 1995. Mr. Herrera is in the construction industry and is currently a director in several companies including Ingenieros Constructores and Mezcladora, S.A. He holds a degree in engineering from Universidad de San Carlos de Guatemala.

Ernesto José Viteri Arriola has been a director of the Bank since 1995. Mr. Viteri is a founding partner of the law firm of Viteri & Viteri. Mr. Viteri holds a law degree from Universidad Francisco Marroquín and a master's degree in comparative jurisprudence from New York University.

Victor David Benchoam Perera has been a director of the Bank since 1967. Mr. Benchoam is an industrialist and is currently the director of Fábrica de Tejidos Iris.

Management Committees

In accordance with article 43(g) of our by-laws, the board of directors has the authority to create the committees it deems necessary. Our board of directors has appointed members to the committees described below:

Risk Management Committee

Our risk management committee reports to the board of directors. The committee's main responsibilities include:

- establishing methods to identify, monitor and control risks to which the Bank is exposed;
- approving models, guidelines and scenarios for quantifying and controlling such risks;
- periodically reviewing and proposing administrative policies to monitor and control risk to be followed by the Bank's personnel;
- approving new product offerings after evaluating associated risks; and
- observing our compliance with regulation in risk detection, risk monitoring and risk control areas.

Our risk management committee members are Diego Pulido Aragón, Luis Rolando Lara Grojec, Luis Fernando Prado Ortíz, Ricardo Fernández Ericastilla, Edgar Chavarría Soria, Juan Carlos Martínez Noack, Edgar Girón Monzón and Anabella Samayoa de Bolaños. This committee meets once per month.

Credit Committee

Our credit committee reports to the board of directors. The committee's main responsibilities include:

- monitoring and proposing necessary controls for credit risk management;
- developing and monitoring policy guidelines for managing the Bank's assets and liabilities structure;
- regularly proposing and reviewing our lending policies; and
- approving loans from US$350,000 to US$500,000 in accordance with the board of directors'

approved guidelines.

Our credit committee members are Juan Miguel Torrebiarte Lantzendorffer (who is also the chairman of our board of directors), Diego Pulido Aragón, Luis Rolando Lara Grojec and Anabella Samayoa de Bolaños. This committee meets twice per week.

Executive Officers

The following table sets forth the information concerning the principal officers of the Bank:

Name	Age	Position
Diego Pulido Aragón		President and Chief Executive Officer
Luis Fernando Prado Ortíz		International Division Manager
Luis Rolando Lara Grojec		Corporate Banking Division Manager
Edgar René Chavarría Soria		Retail Banking Division Manager
Juan Carlos Martínez Noack		Technological Division Manager
Edgar Abel Girón Monzón		Internal Control Division Manager
Ricardo Elías Fernández Ericastilla		Operations Division Manager
Anabella Samayoa Porres de Bolaños		Risk Management Manager
Juan Pablo Aguilar López		Human Resources Manager
Claudia Scheel Montenegro		Compliance Officer

The members of the senior management team of the Bank each have between 6 to 35 years of experience in the banking industry.

Diego Pulido Aragón has worked for the Bank for 37 years, during which he has held several management positions within the Bank. Since May 1998, Mr. Aragón has served as President and Chief Executive Officer of the Bank, and as a director of Seguros El Roble, Visanet, Prefiero, Almacenadora Integrada, Westrust Bank and Financiera Industrial. Mr. Aragón has served as Chief Executive Officer of Bicapital since its incorporation. Mr. Pulido holds a master's degree in business administration from Instituto Centroamericano de Administración de Empresas, or INCAE.

Luis Fernando Prado Ortíz has worked for the Bank for 16 years, during which he has held such positions as Manager of Serminsa, Retail Banking Manager and Manager of the International Department and General Manager of Westrust Bank. He currently serves as International Division Manager. Mr. Prado holds a master's degree in business administration from Instituto Centroamericano de Administración de Empresa, or INCAE.

*Luis Rolando Lara Groje*c has worked for the Bank for 18 years, during which he has held such positions as Project Manager, brokerage firm Manager, Assistant to the General Manager and Banking Division Manager. He currently serves as Corporate Banking Division Manager. Mr. Lara holds a master's degree in business administration from INCAE.

Edgar René Chavarría Soria has worked for the Bank for 19 years, during which he has held positions as Manager of Almacenadora Integrada, brokerage firm Manager, Mercado de Transacciones, Customer Relations Manager, Assistant to the General Manager and Financial Division Manager. He currently serves as Retail Banking Division Manager. Mr. Chavarría holds a master's degree in business administration from INCAE.

Juan Carlos Martínez Noack has worked for the Bank for 16 years, during which he has held several management positions within the bank including Manager of Contecnica and Assistant to the General Manager. He currently serves as Technological Division Manager. Mr. Martínez holds a master's degree in business administration from INCAE.

Edgar Abel Girón Monzón has worked for the Bank for 25 years, during which he has held several management positions including General Coordinator of External Auditing, Assistant to the Corporate Operations Management Area, Financial Manager of Contecnica and Assistant to the General Manager. He currently serves as Internal Control Division Manager. Mr. Girón holds a master's degree in business administration from Escuela

Superior de Economía y Administración de Empresa (ESEADE), Universidad Francisco Marroquín.

Ricardo Elías Fernández Ericastilla has worked for the Bank for 11 years, during which he has held such positions as Manager of the Mortgage Loans Department, Manager of Almacenadora Integrada and Manager of Contecnica. He currently serves as Operations Division Manager. Mr. Fernandez holds a master's degree in business administration from INCAE.

Anabella Samayoa Porres de Bolaños has worked for the Bank for over 35 years, during which she has held several management positions including Manager of the Financial Department and Manager of the Corporate Business Area. She currently serves as Risk Management Area Manager. Mrs. Samayoa holds a master's degree in business administration from Universidad Mariano Galvez.

Juan Pablo Aguilar López has worked for the Bank for 9 years, during which he served as Assistant to the General Manager in various areas. He currently serves as Human Resources Area Manager. Mr. Aguilar holds a master's degree in business administration from ESEADE, Universidad Francisco Marroquin.

Claudia Scheel Montenegro has worked for the Bank for 8 years, during which she have served in AML/CTF areas, she became Compliance Officer in 2008. She is a Lawyer and Public Notary, Certified Anti-Money Laundering Specialist by ACAMS on 2005 and Certified Professional in Anti Money Laundering by FIBA on 2010. Ms. Scheel also coordinates since 2008, Guatemala´s Bankers Association Compliance Committee.

Compensation of Directors and Senior Management

Our shareholders determine the compensation received by the members of our board of directors. Members of the board receive director fees for each meeting attended as a director. Directors' fees totaled Q44.4 million for 2010.

Our board of directors is responsible for determining the compensation of the chairman and CEO and each of the Division Managers. Compensation is based on performance and is determined in accordance with corporate policy. The chairman and CEO is responsible for deciding the compensation received by each of the Human Resources Manager, the Compliance Officer and the Risk Management Manager. As of the date of the offering memorandum, none of our executive officers beneficially own any of our capital stock.

Statutory Auditor

Pursuant to Guatemalan law and our bylaws, an independent statutory auditor is appointed by shareholders at the general shareholders' meeting for a period of one year. The statutory auditor reports the shareholders.

The main responsibilities of the statutory auditor are the following:

- oversee management's activities and review the Bank's general balance and other accounting statements in order to ensure their veracity and reasonable precision;
- verify that the accounting practices used by the Bank comply with local legislation; and
- cause management to provide reports regarding our business and operations.

The shareholder's general meeting appointed Aldana, González, Gómez y Asociados, S.C., member firm of the network of independent firms affiliated to KPMG International, which has acted as the statutory auditor for the last decade.

Furthermore, the Banks and Financial Groups Law requires that banks and companies that are part of financial groups, must have adequate internal controls with a clear assignment of duties and responsibilities.

Our current internal auditor is Fredy Estuardo Navichoque Oliveros, who reports to the Internal Control Division Manager.

RELATED PARTY TRANSACTIONS

Pursuant to Banks and Financial Groups Law, corporations belonging to a financial group are not permitted to carry out financial operations or provide service to each other subject to terms, interest rates, amounts, guarantees or fees different from those used for similar transactions with third parties. The Monetary Board in Resolution JM 180-2002 provides the specific requirements for these operations.

From time to time, we enter into arrangements, including service agreements, with our affiliates. The agreements currently in place with our affiliates, all of which are subsidiaries of our parent company Bicapital, include: (i) a life and medical insurance policy covering our employees provided by Seguros el Roble; (ii) an insurance policy covering our banking operations provided by Seguros el Roble; (iii) a fire, equipment, vehicle and civil liability insurance policy provided by Seguros el Roble; and (iv) a storage services agreement with Almancenadora Integrada, S.A. As required under Guatemalan banking regulations, the amounts paid by us under these affiliate agreements are similar to amounts that would be paid to third parties for comparable services.

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THE GUATEMALAN FINANCIAL SYSTEM

Structure of the Financial System

The financial system of Guatemala comprises the Guatemalan Central Bank, the Monetary Board, commercial banks, savings banks, insurance companies, finance firms, private financial institutions, financial groups, auxiliary credit institutions, foreign currency exchange firms, development banks and brokerage firms. The financial system is supervised and administered by the Monetary Board (*Junta Monetaria*), the Guatemalan Central Bank (*Banco de Guatemala*) and the Superintendency of Banks (*Superintendencia de Bancos*).

The Monetary Board

The Constitution of the Republic of Guatemala empowers the Monetary Board to determine the monetary, foreign exchange and credit policies of the country as the governing body of the Bank of Guatemala. The Monetary Board acts through the Guatemalan Central Bank to execute its policies.

The Monetary Board also oversees the liquidity and solvency of the national banking system, seeking to ensure the stability and strength of national saving, regulates legal deposit requirements and determines and evaluates the monetary, foreign exchange and credit policies of the country. The Monetary Board is also responsible for authorizing the establishment and consolidation of banking entities in Guatemala and approving and issuing all rules and regulations to be complied with by the Guatemalan Central Bank and financial institutions pursuant to the Banks and Financial Groups Law.

The Guatemalan Central Bank

The Banco de Guatemala was created as Guatemala's Central Bank to design, evaluate and administer monetary and foreign exchange policies conducive to economic development in Guatemala. Under the direction and supervision of the Monetary Board, the Guatemalan Central Bank operates as an autonomous institution. Its decisions are not subject to approval by any other governmental entity. The Guatemalan Central Bank also promotes liquidity, solvency and efficient functioning of the national banking system.

The Guatemalan Central Bank is in charge of intervening in the foreign exchange market to counter speculation and stabilize the currency, to administer the nation's international monetary reserves and the system of payments, and to protect the balance of payments.

As a result of the 1994 constitutional reforms, the Guatemalan Central Bank is prohibited from directly or indirectly financing the government or public or private entities other than financial institutions, and cannot acquire securities issued or sold in the primary market by the public sector. The Constitution permits the Guatemalan Central Bank to finance public sector entities only in case of national emergency, and then only upon the request of the President of the Republic and with the approval of a two-thirds majority of Congress.

The Guatemalan Central Bank organic law, decree number 16-2002 of the Congress of the Republic of Guatemala, which became effective on June 1, 2002, establishes that its fundamental objective is to create and maintain the most favorable conditions for the orderly development of the Guatemalan economy. For that purpose, the Guatemalan Central Bank will use monetary, exchange and credit policies to promote stability in the general level of prices.

The Superintendency of Banks

The Superintendency of Banks is in charge of supervising the Guatemalan Central Bank and financial institutions within the Guatemalan financial system. In particular, the Superintendency of Banks is responsible for carrying out on- and off-site inspections of financial institutions and verifying compliance with applicable laws and regulations. If a bank is found not to be in compliance, Guatemalan law entitles the Superintendency of Banks to assess fines and to recommend to the Monetary Board that it suspend banking licenses or intervene in the financial institution such as by the appointment of a "delegate" (article 74 of the *Ley de Bancos y Grupos Financieros*).

The Banks and Financial Groups Law defines a financial group as "the group of two or more legal entities that carry out financial activities, one of such having to be a bank, and among which exists common control by virtue of ownership, management or common corporate image use, or the existence of common control due to an agreement among all the group entities".

All financial groups must be organized under the common control of either a "controlling entity" specifically incorporated in Guatemala for such purpose, or a "responsible entity" which must be a bank. The Bank is the responsible entity of the financial group, which consists of the Bank and its consolidated subsidiaries. As such, we are charged with the obligation of ensuring that all entities within this financial group are in compliance with the Banks and Financial Groups Law and other applicable laws.

In order to be approved as a financial group, financial institutions must submit an application for authorization to the Superintendency of Banks and be issued a favorable opinion. On the basis of this opinion, the Monetary Board decides whether or not to approve the formation of the financial group.

For more information regarding the Superintendency of Banks, see "Supervision and Regulation—Financial System Supervision."

Financial Institutions

As of March 31, 2011, there were 112 financial institutions operating in Guatemala under the control and supervision of the Superintendency of Banks. These institutions included, among others, 17 banks (including one branch of a foreign financial institution), 15 financial corporations, 28 insurance companies, 15 general and bonded warehouse companies, 7 offshore banks and two foreign currency exchange firms.

Guatemala's Banking System

Over the past 11 years, the Guatemalan government has enacted a number of banking regulations, increased equity and reserve requirements and adopted stronger risk assessment processes. These regulations resulted in marginal participants in the Guatemalan financial system to be acquired by or to merge with larger banks, lowering the total number of banks in Guatemala from 34 to 17 during the last seven years.

As of March 31, 2011, the Guatemalan banking system consisted of 17 banks with total assets of approximately Q157.3 billion. Almost 84.4% of the total assets were held by the six largest banks, measured as a percentage of total assets: Banco Industrial (27.5%), Banco G&T Continental (20.1%), Banco de Desarrollo Rural (18.7%), Banco Agromercantil (8.0%),Banco Reformador (5.5%) , Citibank (4.1%), and Banco de los Trabajadores (4.5%). As of December 2001, the seven largest Guatemalan banks had 56% of the total assets of the banking system.

Offshore Banks

In order to operate in Guatemala, offshore banks must comply with the requirements specified in Article 113 of the Banks and Financial Groups Law. Offshore banks are defined as entities established abroad dedicated primarily to financial intermediation, organized or registered under the laws of one country that perform activities mainly outside of that country. Article 113 requires offshore banks to be part of a financial group, to subject themselves to consolidated supervision of the Superintendency of Banks, to meet the information requirements of the Superintendency of Banks and the Guatemalan Central Bank and to be authorized in home countries applying prudential standards at least as strict as those in Guatemala. Offshore banks must also obtain a favorable opinion from the Superintendency of Banks and authorization from the Monetary Board.

In addition to meeting with the above statutory requirements, offshore banks must comply with Ruling of Monetary Board number 285-2002, Regulation for the Authorization of Operation of Offshore Entities, which has been in effect since November 19, 2002. This regulation specifies the requirements and procedures that must be followed by an offshore bank applying to do business in Guatemala, including the kind of documentation and information that must be presented and the grounds and procedures for denying or withdrawing an application. It also regulates the currency in which offshore banks are allowed to operate, provides for control of equity requirements in accordance with applicable law and details the mechanisms for withdrawal of authorization.

As of March 31, 2011, there were seven offshore banks authorized to operate within Guatemala. These institutions include the Off-shore Bank, Occidente International Corporation, Mercom Bank Limited, BAC Bank Inc., GTC Bank Inc., Transcom Bank (Barbados) Limited and Citibank Central America (Nassau) Limited.

Foreign Banks

Article 6 of the Banks and Financial Groups Law authorizes foreign banks to establish branches in Guatemala, and register representative offices solely for the promotion of business and the granting of financing in the territory of Guatemala.

SUPERVISION AND REGULATION

Regulatory Framework of the Financial System

The Guatemalan financial system is regulated by the Banks and Financial Groups Law (*Ley de Bancos y Grupos Financieros),* the Law of Financial Supervision (*Ley de Supervision Financiera),* the Organic Law of the Guatemalan Central Bank (*Ley Orgánica del Banco de Guatemala)* and the Monetary Law (*Ley Monetaria)* (together, the "Financial Laws").

In accordance with the Banks and Financial Groups Law, the Monetary Board issues regulations covering the specific operations of banking institutions and financial companies and determines how consolidated supervision is to be carried out in accordance with these regulations.

In addition, certain entities in the financial system are governed by specific financial laws. Finance companies (*Sociedades Financieras)* are subject to the Private Financial Companies Law (*Ley de Sociedades Financieras Privadas),* insurance companies are governed by the recently enacted Insurance Activity Law (*Ley de la Actividad Aseguradora)*, and bonded warehouses are regulated by the Bonded Warehouses Law (*Ley de Almacenes Generales de Depósito).*

Authorization of the Guatemalan government is required to conduct banking activities. The Monetary Board, after receiving the approval of the Superintendency of Banks, has the power to authorize the establishment of new banks, subject to the terms of applicable regulation.

Other Laws

The Law of Free Trading of Foreign Currency (*Ley de Libre Negociación de Divisas)* allows for possession, purchase, sale or collection and payment of foreign currency. This law enables financial institutions to carry out operations in any foreign currency (for example, the receipt of deposits, grant credits, etc.).

The Anti-Money Laundering Law (*Ley Contra el Lavado de Dinero u Otros Activos)* was enacted to prevent and control money laundering in connection with criminal activities. Regulations issued by the Superintendency of Banks in accordance with this law went into effect on April 26, 2002. Among other things, the law and regulations created the Financial Intelligence Unit within the Superintendency of Banks under the name of Special Verification Intendency. The Special Verification Intendency has been developing a national network for the prevention, control and surveillance of money-laundering activities. Penalties for non-compliance with anti-money laundering laws and regulations, which are set forth in the Anti-Money Laundering Law (*Ley Contra el Lavado de Dinero u Otros Activos)* and the Superintendency of Banks Resolution 43 -2002, include fines or jail time for bank directors or employees and the suspension or cancellation of a financial institution's license. Furthermore, the Monetary Board recently approved Resolution JM-108-2010 which establishes procedures to be observed by banks and other financial institutions in the reception of cash in amounts equal to or in excess of US$3,000.00 or its equivalent in any other foreign currency.

The Banks and Financial Groups Law, the Organic Law of the Guatemalan Central Bank, the Law of Financial Supervision and the Monetary Law were approved by the Guatemalan Congress as part of a package of laws aimed at the modernization of the Guatemalan financial system. These laws were enacted as a result of recommendations in the Report of the Financial System Evaluation Program, developed jointly by the World Bank, the Inter-American Development Bank, the International Monetary Fund and the Monetary Board.

In August 2005, Guatemala's Congress approved Decree 58-2005 which contains the Law to Prevent and Repress Terrorism Financing. This law is based on the requirements and recommendations of the United Nation's International Convention for the suppression of Terrorism Financing, the UN's 1373 Resolution from the Security Council and the FATF 9 Special Recommendations. Approval of the Law to Prevent and Repress Terrorism Financing places Guatemala as the first country in Central America and second in Latin America to have specific legislation concerning terrorist financing. The law provides such penalties as seizure of assets, imprisonment or imposition of fines to any director, officer, shareholder or owner of financial entities found guilty of violating it.

In the case of our financial group, the Bank is the responsible company, and as such, it must comply with Article 32 of the Banks and Financial Groups Law, which provides, among other things, that (i) a responsible company within a financial group may not carry out operations that correspond to other corporations of the group, (ii) it may not have an equity participation in corporations that carry out activities different from the activities of the corporations that are members of the financial group and (iii) it must ensure that the corporations belonging to the financial group comply with current applicable regulation.

All Guatemalan banks must observe standards specified in the Commerce Code of Guatemala governing mercantile companies, debentures and commercial agreements. In addition, all banks must comply with Guatemalan tax law, including the Tax Code, which regulates all matters related to the payment of taxes, the Income Tax Law, the Value Added Tax Law, which currently imposes a 12% tax on all commercial transactions, and the Financial Products Tax Law, which provides that banks and other financial institutions must withhold a 10% tax on interest payments of any nature paid by such banks and financial institutions to persons or entities domiciled in Guatemala who are not subject to supervision by the Superintendency of Banks.

Financial System Supervision

The Financial Laws incorporate important criteria from the Basel Committee on the strengthening of effective supervision of financial institutions. These criteria call for the supervising entity to have functional independence, the ability to exercise supervision on a consolidated basis and powers to intervene and settle distressed entities in a timely manner. They also call for the inclusion of offshore banking entities in financial regulations; and the establishment of an adequate sanction standard and for review of financial information by independent external auditors.

Superintendency of Banks

Article 132 of the Constitution empowers the Superintendency of Banks to supervise financial institutions in Guatemala. The Superintendency of Banks is responsible for overseeing the Guatemalan Central Bank and acts under the direction of the Monetary Board. In addition, the Superintendency of Banks supervises all financial groups authorized by the Monetary Board, including domestic and offshore banks, insurance companies, securities firms, entities whose business includes, but is not limited to, financial leases and factoring and other entities as stated in the law.

Duties of Superintendency of Banks

The duties of the Superintendency of Banks are described in the Law of Financial Supervision and are based on the international supervision standards set forth by the Basel Committee. Its main duties include:

- inspecting and investigating financial institutions and ensuring their compliance with financial laws, regulations and rules;
- ensuring that financial institutions maintain adequate liquidity and solvency such that they can carry out their activities in a timely and complete manner;
- monitoring all sources of information within the supervised entities;
- evaluating the policies, procedures, regulations and systems of regulated entities and ensuring that they have integral risk administration procedures;
- carrying out recommendations in a manner such that the regulated institutions identify, limit and manage the risks they take;
- ensuring that financial institutions have sufficient reserves for loan losses to cover the non-recovery risk of loans;
- ensuring that the regulated entities provide sufficient and true information about their activities and financial positions;
- issuing minimum standards for external auditors;

- exchanging information with other national or international supervising entities;
- issuing instructions to correct inadequacies or irregularities identified in its reviews;
- imposing appropriate sanctions for non-compliance with Guatemalan financial laws and regulations; and
- identifying activities that may be criminal in character and bringing them to the attention of the relevant authorities.

Oversight Activities Carried Out by Superintendency of Banks

The Superintendency of Banks appoints auditors and experts in financial supervision to carry out off-site (*extra situ)* audits of the information submitted to it by financial institutions. In addition, the Superintendency of Banks, taking into consideration risk parameters previously determined by the audit office, carries out on-site (*in situ)* audits of financial institutions.

The following are some of the main considerations taken into account by the Superintendency of Banks in determining compliance with specific programs.

Minimum Reserve Requirements

Banking institutions are subject to a minimum reserve requirement of 14.6% over the deposits (generally speaking) received by the institution, the greater part of which must be kept in the form of immediately available deposits with the Guatemalan Central Bank. To verify compliance with the regulation, banking institutions must provide the Superintendency of Banks with a daily report detailing the minimum reserve requirement.

Loan Loss Reserves

In accordance with limitations specified by the Banks and Financial Groups Law and regulations issued by the Monetary Board, banking institutions, financial service entities, offshore entities and other financial institutions must carry out quarterly delinquency assessments of their credit and record reserves based on estimates of non-recoverability. Banking institutions and financial corporations must provide to the Superintendency of Banks monthly reports concerning outstanding credits in effect and movements and appraisals of credit portfolios in accordance with criteria specified by the Monetary Board. Additionally, the Superintendency of Banks carries out on-site reviews in which it evaluates payment ability and payment fulfillment of debtors and requests the institutions to record that necessary reserves be based on the non-payment risk.

Capital Requirements

As specified in regulations issued by the Monetary Board, banking institutions in Guatemala must have a minimum capital adequacy ratio (risk weighted assets to equity) of 10%. Banks must submit a weekly report to the Superintendency of Banks for monitoring compliance with this requirement.

Transactions with Affiliated Companies

In its on-site reviews the Superintendency of Banks verifies that financial institutions are in compliance with Monetary Board regulations limiting transactions between affiliated companies. Affiliated companies may transact business with one another provided they do so in accordance with their normal standards of business.

In particular, affiliated companies must comply with the following:

- The interest rate charged in financial transactions with an affiliated company may not be lower than the weighted average charged with respect to the largest ten loans granted to non-affiliated companies;
- For deposits, the interest rate paid to an affiliated company may not be higher than the weighted average paid with respect to the deposits of the ten largest non-affiliated depositors;

- The amount and terms of financing granted to an affiliated company must be in accordance with the company's payment capacity and under the same conditions as those granted to non-affiliated parties;
- Any financing guarantees provided to an affiliated company must be sufficient to provide support for payment and must be similar to requirements granted to non-affiliated parties; and
- Any fees and charges imposed on affiliated companies must be similar to those charged to nonaffiliated parties.

See "Transactions With Related Parties."

Reports of Financial Institutions

Banking institutions must submit to the Superintendency of Banks the following on a weekly basis: a statement of accounting, a report setting forth values of investments, a report of asset and liability interest rates, a report concerning financial obligations of the institution and a report of foreign exchange transactions. The Superintendency of Banks reviews such reports as they are received.

Additionally, copies of all shareholders' meetings minutes and board of directors' minutes have to be sent to the Superintendency of Banks.

Granted Loans

Banking institutions forward on a weekly basis a written record detailing authorized credit transactions to the Superintendency of Banks for review.

Publication of Financial Information and of Operations

In order to keep the general public informed, financial institutions in Guatemala and the Superintendency of Banks must publish the following information in local newspapers.

- On a monthly basis, banks and financial corporations are required to publish consolidated balance sheets and information regarding asset and liability interest rates. On a quarterly basis they must publish a summary of the valuation of credit assets. Audited Consolidated Financial Statements must be published annually;
- Insurance companies are required to publish quarterly financial statements; and
- On a monthly basis, the Superintendency of Banks is required to publish the consolidated financial statements (general balance and statement of results) of banking institutions, financial corporations and insurance companies; the asset position of banking institutions and financial corporations; the solvency margin of the insurance companies; fines imposed on financial institutions due to lack of compliance with current regulations; and important accounting adjustments and reclassifications required of financial institutions in audits.

Money Laundering and Terrorism Financing Prevention

There are several institutions in Guatemala whose objective is to prevent and detect money laundering within the Guatemalan financial system.

Intendencia de Verificación Especial ("IVE")

The IVE is a unit of the Superintendency of Banks, and its purpose is to monitor compliance with Anti- Money Laundering and Counter-Terrorism Financing laws and their regulations. The IVE exchanges information with other countries on cases related to money laundering or financing of terrorism; analyzes new and existing markets in order to establish patterns in money laundering or financing of terrorism; requests and receives information related to suspicious transactions and analyzes the information obtained to confirm the existence of suspicious transactions, prepares and maintains any necessary records and statistics, imposes monetary fines for non-compliance with money laundering or counter-terrorism financing laws and regulations and files a claim before the appropriate authorities when there is any indication of criminal activity.

Prosecutor's Office Against Money Laundering

The Prosecutor's Office Against Money Laundering is an office within the *Ministerio Público* of Guatemala whose purpose is to investigate money laundering related crimes and to oversee money laundering cases filed in the Guatemalan court system.

Compliance Officers in the Financial Institutions

Pursuant to Article 19 of the Anti-Money Laundering Law and article 15 of the Law to Prevent and Repress Terrorism Financing, financial institutions must appoint management officers to monitor compliance with anti-money laundering and counter-terrorism financing laws and regulations. These officers are responsible for:

- proposing any programs, regulations, procedures and internal controls that must be adopted and carried out in order to prevent the unlawful use of services and products in money laundering or terrorism financing activities;
- informing employees about legal and regulatory requirements as well as any existing internal procedures for the prevention and detection of money laundering and of terrorism financing;
- coordinating the implementation of programs, regulations and internal controls with other areas of the financial institution covered by the Anti-Money Laundering Law and the Law to Prevent and Repress Terrorism Financing;
- ensuring that all information, particularly any reports of suspicious transactions, are properly documented and forwarded to the IVE;
- keeping technical and legal documentation concerning the prevention and detection of money laundering or terrorism financing; and
- establishing communication channels with compliance officers and organizing prevention of money laundering or terrorism financing training for personnel.

Review of Financial Institutions by External Auditors

Pursuant to Article 11 of the Regulation of the Anti-Money Laundering Law, which regulates certain services provided by external auditors, a financial institution must require in the servicing agreement that the external auditors issue an opinion with regards to the compliance and effectiveness of the institution's anti-money laundering programs, regulations and procedures.

Reports of Suspicious Transactions to the IVE

Financial Institutions must report financial transactions determined to be unusual or suspicious to the IVE. Transactions are generally determined to be suspicious or unusual when they do not present an evident or legal economic basis.

Taxation

In general, banks in Guatemala are subject to the same taxes payable by business firms. There are, however, a few exceptions. First, the Value Added Tax (VAT) is not applicable to financial transactions where one of the parties is a bank. From an income tax perspective, while interest on financial transactions paid to non-bank creditors requires a 10% withholding tax (*Impuesto Sobre Productos Financieros),* interest paid to banks is not subject to such withholding but rather it is considered as part of their respective ordinary income and subject to general corporate income tax. Second, documents used in the course of a bank's administrative operations (such as receipts or deposit slips) are not subject to stamp tax. The Income Tax Act establishes a 10% capital gains tax. Lastly, although technically not a tax, banks pay a contribution to the Superintendency of Banks in the amount of 0.10% of their assets.

The Bahamas Banking and Supervision Regulation

In order to carry out banking business from The Bahamas, all banks must be licensed by the Central Bank of The Bahamas pursuant to The Bahamas' Banks and Trust Companies Regulation Act (as amended) and the Central Bank of The Bahamas Act ("Bahamas Banking Law"). The Off-shore Bank operates pursuant to a public banking and trust license under The Bahamas Banking Law, which permits it to conduct banking and trust business anywhere in the world but restricts activities in The Bahamas to banking and trust activities only in furtherance of the licensee's offshore activities.

The Central Bank of The Bahamas was established in 1974 with responsibility for, among other things, supervising the banking and trust industry in The Bahamas.

The Off-shore Bank is required to provide a copy of our audited annual accounts to the Central Bank of The Bahamas and to publish the same in a local newspaper in The Bahamas within four months of the end of our fiscal year end. The Central Bank has a duty to maintain a general review of banking and trust practice in The Bahamas, to carry on investigations and physical inspections to determine that each licensee is in a sound financial position, to investigate any offense against the laws of The Bahamas which it has reasonable grounds to believe has, or may have been, committed by a licensee or any of its directors or officers in their capacity as such, and to examine accounts and audited accounts forwarded to it. Violations of certain provisions of The Bahamas Banking Law are subject to administrative sanctions (including cancellation of licenses), fines and criminal penalties.

The Bahamas—Confidentiality

The Off-shore Bank is subject to two confidentiality regimes applicable in The Bahamas: English common law, pursuant to which a bank is under a duty to keep its customers' affairs confidential, and statute, whereby the Banks and Trust Companies Regulation Act ("The Bahamas Companies Act") makes it a criminal offense, among others, to divulge certain information. Unless an exemption under The Bahamas Companies Act applies, any person in possession of confidential information who divulges it is guilty of an offense and liable on conviction to a fine or a term of imprisonment.

Subject to certain exceptions, The Bahamas Companies Act is deemed to apply to all information with respect to the identity, assets, liabilities, transactions or accounts of a customer of a licensee and to any director, officer, employee, or agent of any licensee or former licensee; attorneys, consultants or auditors of the Central Bank of The Bahamas or employees or agents of any of the above; attorneys, consultants, auditors, receivers or liquidators or employees or agents of any of the above of any licensee or former licensee; auditor of any customer of any licensee or former licensee or employee or agent of such auditor; the Inspector of the Central Bank of The Bahamas; any Supervisory Authority (which would include a foreign entity charged with the responsibility of conducting consolidated supervisions of banking and trust business by organizations licensed in its home country), or employee, director, officer or agent of such Supervisory Authority.

The confidentiality provisions of The Bahamas Companies Act have no application to the seeking, divulging, or obtaining of confidential information in the following circumstances: (1) in compliance with the direction of a court of competent jurisdiction in The Bahamas; (2) for the purpose of the performance of a person's duties or the exercise of his functions under the Act; for the purpose of the performance of his duties within the scope of his employment (3) for the purpose of enabling or assisting the governor of the Central Bank to exercise his functions under the Act ; or (4) to a person with a view to the institution of, or for the purpose of (a) criminal proceedings (b) disciplinary proceedings whether within or outside The Bahamas, relating to the exercise by an attorney, auditor, accountant, appraiser or actuary of his professional duties; or (c) disciplinary proceedings relating to the discharge by a public officer or a member or employee of the Central Bank of The Bahamas of his duties

Under Section 9 of The Bahamas Companies Act, the Inspector of the Central Bank of The Bahamas is entitled, in the performance of his functions under the Act (which include a duty of general supervision of banking and trust practices in The Bahamas and the assisting in the investigation of any offense against the laws of The Bahamas which it has reasonable grounds to believe has or may have been committed by a bank or by any of its directors or officers in such capacity), at all reasonable times, to have access to such books, records, vouchers, documents, cash and securities of any bank; (b) to request any information or explanation from the manager of any licensee; and (c) to call upon the auditors for any licensee for its reports, working papers information or explanation and to require the auditor to report to the Inspector or to require the auditor to make a particular examination relating to the adequacy of the procedures adopted by a licensee.

The Bahamas—Prevention of Money Laundering

As part of our responsibility for the prevention of money laundering, the Off-shore Bank requires a detailed verification of the investor's identity and the source of payment. Depending on the circumstances of each application, a detailed verification might not be required where:

- the investor is a foreign financial institution which is regulated by a recognized authority and carries on business in a country listed in the First Schedule of the Financial Transactions Reporting Act of The Bahamas (as amended) ("First Schedule");

- the application is made through a recognized intermediary which is regulated by a recognized regulatory authority and carries on business in a First Schedule Country. In this situation we may rely on a written assurance from the intermediary that the requisite identification procedures on the investor for business have been carried out, (subject to the Guidelines of the Central Banks); or

- the subscription payment is remitted from an account (or joint account) held in the investor's name at a bank in The Bahamas or a bank regulated in a First Schedule Country. In this situation we may require evidence identifying the branch or office of the bank from which the monies have been transferred, verify that the account is in the name of the investor and retain a written record of such details.

The Off-shore Bank reserves the right to request such information as is necessary to verify the identity of an investor. In the event of delay or failure by the investor to produce any information required for verification purposes, we may refuse to accept the application and the subscription monies relating thereto.

If any financial institution in The Bahamas has a suspicion that a payment to the Fund (by way of subscription otherwise) contains the proceeds of criminal conduct that person is required to report such suspicion pursuant to The Proceeds of Crime Act.

Cayman Islands Anti-Money Laundering Regulations

The Trust is subject to anti-money laundering legislation in the Cayman Islands pursuant to the Proceeds of Crime Law (as amended) (the "PCL"). Pursuant to the PCL the Cayman Islands government enacted The Money Laundering Regulations (as amended), which impose specific requirements with respect to the obligation "to know your client". Except in relation to certain categories of institutional investors, the Trust (and its agents on its behalf) will require a detailed verification of each investor's identity and the source of the payment used by such investor for purchasing the Notes in a manner similar to the obligations imposed under the laws of other major financial centers. In addition, if any person who is resident in the Cayman Islands knows or has a suspicion that a payment to us (by way of investment or otherwise) contains the proceeds of criminal conduct, that person must report such suspicion to the Cayman Islands authorities pursuant to the PCL. If the Trust were determined by the Cayman Islands government to be in violation of the PCL or The Money Laundering Regulations (as amended), the Trust could be subject to substantial criminal penalties. The Trust may be subject to similar restrictions in other jurisdictions.

THE SUBORDINATED LOAN AGREEMENT AND SUBORDINATED LOAN

The following is a description of the material provisions of the Subordinated Loan Agreement among the Lender and the Borrower. The following information does not purport to be a complete description of the Subordinated Loan Agreement and is subject to, and qualified in its entirety by reference to, such documents, copies of which may be obtained by contacting the Indenture Trustee at the address set forth above under the caption "Where You Can Find More Information."

General

Pursuant to the terms of the Subordinated Loan Agreement among the Lender, the Bank, as borrower (the "Borrower") and the Administrative Agent, the Lender will agree to make the Subordinated Loan as provided herein on or about the closing date for the issuance of the Notes (the "Disbursement Date") in the aggregate amount of US$150 million. The Subordinated Loan will be made in a single disbursement on the Disbursement Date, subject to "– Further Advances."

The Subordinated Loan will not be subject to being repaid and reborrowed and once repaid may not be reborrowed. The Subordinated Loan will not be secured by any collateral.

The Subordinated Loan Agreement provides that principal, interest and premium, if any, on the Subordinated Loan are payable only in U.S. dollars.

Principal and Maturity

The aggregate principal amount of the Subordinated Loan will be US$150 million, which will mature on July 27, 2021 (the "Maturity Date").

Interest

The Subordinated Loan will bear interest at a fixed rate of 8.25% per year (the "Interest Rate"). Interest on the Subordinated Loan will be payable semiannually in arrears on January 27 and July 27 of each year (each such date, a "Payment Date"), commencing on January 27, 2012.

The Subordinated Loan Agreement provides that if the Borrower fails to make any payment of principal or interest, or any other payment on or in respect of the Subordinated Loan, on or before its due date as specified in the Subordinated Loan Agreement or as notified to the Borrower, the Borrower shall pay, in U.S. dollars, in respect of the overdue payment of principal, interest or other amounts due in respect of the Subordinated Loan, interest at the rate of one percent (1%) per annum over and above the Interest Rate from the date such payment became due until the date of actual payment (as well after as before judgment) and such interest shall be payable on each Payment Date thereafter unless demanded or paid beforehand.

Prepayments

No Optional Prepayment by the Borrower prior to the Maturity Date unless as a result of a Special Event

The Subordinated Loan will not be subject to optional prepayment by the Borrower prior to the Maturity Date, except as described below under "—Special Event Prepayment." Any Special Event Prepayment will require compliance by the Borrower with all necessary regulations of the *Banco de Guatemala* (the "Central Bank") to legally effect such prepayment, including obtaining prior authorization from the Central Bank, if required at the time of prepayment.

Special Event Prepayment.

The Borrower may prepay the Subordinated Loan at any time in whole, but not in part, upon the occurrence of a Tax Event, a Withholding Tax Event, or an Assignment Redemption Event (each, a "Special Event") at the Special Event Redemption Amount (as defined below), subject to satisfaction of the conditions set forth below. Such option may only be exercised, and prepayment shall only be made, if the Borrower is in compliance with applicable Guatemalan laws and regulations in effect on the applicable prepayment date and if the Borrower shall have previously obtained any required approvals, if applicable, at the time of prepayment, including but not limited to the authorization from the Superintendency of Banks, the Monetary Board and internal corporate approvals, to effect such prepayment.

The Borrower will be required, prior to exercising its prepayment option, to deliver to the Administrative Agent an Officer's Certificate together with a written legal opinion of an independent recognized Guatemalan counsel experienced in such matters or other independent recognized counsel form the relevant jurisdiction experienced in such matters, stating that a Special Event has occurred and whether it is a Tax Event, a Withholding Tax Event or an Assignment Redemption Event.

"Assignment Redemption Event" means that, as a result of an assignment by the Lender to the Trust in the case specified in clause (ii) of "—Assignments", the Borrower has or will become obligated to pay Additional Amounts in excess of those payable as of the date the Subordinated Loan Agreement is entered into on or in respect of the Subordinated Loan Agreement or the Expense Reimbursement and Indemnity Agreement, which change or amendment becomes effective on or after the Subordinated Loan Agreement is entered into, and which obligation the Borrower determines in good faith cannot be avoided by it taking reasonable measures available to it.

"Base Redemption Amount" means the aggregate principal of the Notes plus accrued and unpaid interest to but excluding the redemption date and any Additional Amounts thereon.

"Comparable Treasury Issue" means the United States Treasury security or securities selected by an Independent Investment Banker as having an actual or interpolated maturity comparable to the remaining term of the Notes to the Maturity Date.

"Comparable Treasury Price" means, with respect to any redemption date (i) the average as determined by an Independent Investment Banker, of the Reference Treasury Dealer Quotations for such redemption date after excluding the highest and lowest of such Reference Treasury Dealer Quotations or (ii) if fewer than four such Reference Treasury Dealer Quotations are obtained, the average, as determined by such Independent Investment Banker, of all such quotations.

"Independent Investment Banker" means one of the Reference Treasury Dealers appointed by the Borrower.

"Make-Whole Amount" means the sum of the present values of each remaining scheduled payment of principal and interest on the Notes to the Maturity Date (exclusive of interest for the current Interest Period accrued to the redemption date) discounted to the redemption date on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months) at the Treasury Rate plus 0.50%, plus accrued and unpaid interest to but excluding the redemption date and any Additional Amounts thereon.

"Reference Treasury Dealer" means Merrill Lynch, Pierce, Fenner & Smith Incorporated or any of its affiliates which is a primary United States government securities dealer and two other primary United States government securities dealers in New York City designated by the Borrower; provided that, if any of the foregoing shall cease to be a primary United States government securities dealer in New York City (a "Primary Treasury Dealer"), the Issuer will substitute therefore another Primary Treasury Dealer.

"Reference Treasury Dealer Quotation"Quotation means, with respect to each Reference Treasury Dealer and any redemption date, the average, as determined by an Independent Investment Banker, of the bid and asked prices for the Comparable Treasury Issue (expressed, in each case, as a percentage of its principal amount) quoted in writing to such Independent Investment Banker by such Reference Treasury Dealer at 3:30 pm New York City time on the third Business Day preceding such redemption date.

"Special Event Redemption Amount" means (i) in respect of a Withholding Tax Event, an amount equal to the Base Redemption Amount and (ii) in respect of a Tax Event or an Assignment Redemption Event an amount equal to the higher of (a) the Base Redemption Amount and (b) the Make-Whole Amount as calculated by an Independent Investment Banker and notified to the Bank and the Indenture Trustee in writing.

"Tax Event" means that, as a result of (i) any enactment of new laws or any change in, or amendment to the laws (or any regulations or rulings issued thereunder) of Guatemala or any political subdivision thereof or any taxing authority therein or (ii) any change in the application, administration or official written interpretation of such laws, regulations or rulings, including, without limitation, the holding of a court of competent jurisdiction, which change or amendment becomes effective after the date of the Subordinated Loan Agreement, interest payments under the Subordinated Loan cease to be allowable deductions for the purposes of income tax laws applicable to the Borrower in Guatemala.

"Treasury Rate" means, with respect to any redemption date, the rate per annum equal to the semi-annual equivalent yield to maturity or interpolated maturity (on a day count basis) of the Comparable Treasury Issue, assuming a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for such redemption date.

"Withholding Tax Event" means that, as a result of (i) any enactment of new laws or any change in, or amendment to the laws (or any regulations or rulings issued thereunder) of Guatemala or any political subdivision thereof or any taxing authority therein, as applicable (ii) any change in the application, administration or official written interpretation of such laws, regulations or rulings, including, without limitation, the holding of a court of competent jurisdiction, the Borrower has or will become obligated to pay Additional Amounts (as defined below) in excess of those payable as of the date the Subordinated Loan Agreement is entered into on or in respect of the Subordinated Loan Agreement or the Expense Reimbursement and Indemnity Agreement, which change or amendment becomes effective after the Subordinated Loan Agreement is entered into, and which obligation the Borrower determines in good faith cannot be avoided by it taking reasonable measures available to it.

Payments and Computations

The Borrower will make each payment under the Subordinated Loan Agreement, without regard to the existence of any counterclaim, set-off, defense or other right that the Borrower may have at any time against the Lender or any other person, whether in connection with the transaction contemplated in the Subordinated Loan Agreement or any unrelated transaction, not later than 12:00 PM (New York City time) on the third Business Day prior to the date due in U.S. dollars to the Lender in same day funds.

All computations of interest on the Subordinated Loan will be made on the basis of a 360-day year of twelve 30-day months.

Ranking

The indebtedness evidenced by the Subordinated Loan will be unsecured, and, in the event of the Borrower's bankruptcy, liquidation or dissolution under Guatemalan law (each, a bankruptcy event), will be subordinated obligations ranking:

- junior in right of payment to the payment of all the Borrower's Senior Indebtedness;
- *pari passu* with all other unsecured and subordinated indebtedness of the Borrower; and
- senior to the Borrower's capital stock and any other instrument which is expressly or effectively subordinated to the Subordinated Loan.

"Senior Indebtedness" means all Liabilities of the Borrower, including Liabilities preferred under mandatory provisions of Guatemalan banking law, but excluding (i) any Liability of the Borrower approved or to be approved by the Central Bank or the corresponding Banking authority to be classified in the Tier I Capital (*capital primario*) or Tier II Capital (*capital complementario*) of the Borrower, and (ii) all classes of the Borrower's capital stock.

"Liability," with respect to any Person, means all liabilities of such Person (other than in the case of the Borrower, its indebtedness evidenced under the Subordinated Loan), including, but not limited to, any claims of such Person's creditors and any amounts payable (whether as a direct obligation or indirectly through a guarantee of a Liability by such Person) pursuant to an agreement or instrument involving or evidencing money borrowed or received, the advance of credit, a conditional sale or a transfer with recourse or with an obligation to repurchase or pursuant to a lease with substantially the same economic effect as any such agreement or instrument and which, under Guatemalan Banking GAAP, would constitute a capitalized lease obligation.

"Person" means an individual, partnership, corporation (including a business trust), limited liability company, joint stock company, trust, unincorporated association, joint venture or other entity, or a government or any political subdivision or agency thereof.

A consolidation of the Borrower with, or the merger of the Borrower into, another person, or the liquidation or dissolution of the Borrower after the conveyance or transfer of all or substantially all of its properties, assets and liabilities (including the notes issued under the indenture) to another person, as described under "—Covenants—Mergers, Consolidations, Sales, Leases" will not be deemed a bankruptcy event for the purposes of the subordination provisions if the person formed by such consolidation or merger or that acquires those properties, assets and liabilities (including the notes issued under the indenture) complies with the conditions described under "—Covenants—Mergers, Consolidations, Sales, Leases."

In the event of a liquidation, dissolution, insolvency or other event, all principal, premium, if any, and interest due or to become due on all Senior Indebtedness will be paid in full before the indebtedness evidenced by the Subordinated Loan.

If, in the event of any liquidation, dissolution, insolvency or other event, the Lender receives any payment or distribution of any kind or character, whether in cash, property or securities, before the Senior Indebtedness is paid in full, that payment or distribution must be paid over or delivered to the trustee in bankruptcy or other person making payment or distribution of assets of the Borrower's for application to the payment of all the Senior Indebtedness until the Senior Indebtedness is paid in full, after giving effect to any concurrent payment or distribution to the holders of the Senior Indebtedness.

The terms and conditions of the Subordinated Loan do not limit the amount of Senior Indebtedness that the Borrower may hereafter incur.

Further Advances

The Lender may, from time to time, agree with the Borrower to make further advances under the Subordinated Loan Agreement, *provided* that (i) no Default or Event of Default shall have occurred and be continuing or shall result from such additional advance, (ii) such additional advances rank *pari passu* with and have the same terms and benefits as the Subordinated Loan and (iii) notice of such further advance has been delivered by the Borrower to Moody's and Fitch and each such rating agency has confirmed in writing to the Lender, prior to making such further advance, that a downgrade of the then existing long-term credit rating of the Borrower will not occur as a result of such further advance. Any additional advances will then form part of the Subordinated Loan.

Covenants

For so long as any of the Subordinated Loans are outstanding and any amount remains unpaid under the Subordinated Loan Agreement and the Subordinated Loans, the Borrower and all of its subsidiaries will comply with the terms of the covenants described below, among others:

Performance of Obligations Under the Subordinated Loan. The Borrower will pay all amounts owed by it and comply with all its other obligations under the terms of the Subordinated Loan and the Participation Agreement, the Expense Reimbursement and Indemnity Agreement, the Indenture, the Notes and the Declaration of Trust entered into in connection with the transactions described herein (the "Additional Transaction Documents") to which it is a party in accordance with the terms thereof.

Maintenance of Approvals. The Borrower will, and will cause its Subsidiaries to, duly obtain and maintain in full force and effect all governmental approvals, consents or licenses of any governmental authority under the laws of Guatemala or any other jurisdiction having jurisdiction over it, its business or the transactions contemplated herein, as well as of any third party under any agreement to which the Borrower may be subject, in connection with its execution, delivery and performance of the Additional Transaction Documents or validity or enforceability thereof, except to the extent that its failure to do so in jurisdictions other than Guatemala will not result in a material adverse effect on the Borrower's ability to perform its obligations under the Subordinated Loan Agreement.

Maintenance of Books and Records. The Borrower will, and will cause its Subsidiaries to, maintain books, accounts and records as may be necessary to comply with all applicable laws and to enable its financial statements to be prepared, and it will allow the Lender and the Administrative Agent access to those books, accounts and records at reasonable times.

Maintenance of Office or Agency. The Borrower will appoint an agent in New York County, where notices to and demands upon the Borrower in respect of the Subordinated Loan Agreement may be served. Initially this agent will be CT Corporation System, 111 Eighth Avenue, New York, NY 10011, and the Borrower will agree not to change the designation of such office without prior notice to the Lender and the Administrative Agent and designation of a replacement office or agency in New York County.

Use of Proceeds. The Borrower intends to use the net proceeds from the borrowings of the Subordinated Loan to repay certain existing subordinated indebtedness and the remainder for general corporate purposes. See "Use of Proceeds."

Notice of Certain Events. The Borrower will deliver to the Lender and the Administrative Agent upon becoming aware of any Default or Event of Default under the Subordinated Loan Agreement a written notice setting forth the nature of such Event of Default and what action the Borrower proposes to take in respect thereof. In addition, the Borrower will deliver to the Lender and the Administrative Agent within 120 days after the end of each fiscal year of the Borrower commencing with the fiscal year ending December 31, 2011 an Officer's Certificate stating that in the course of the performance by the signers of their duties as an Officer of the Borrower they would normally have knowledge of any Event of Default and whether, to the best of their knowledge, any Event of Default has occurred during such period, and describing any such Event of Default, its status and what action the Borrower is taking or proposes to take with respect thereto.

Reports to Lender. The Borrower will furnish to the Lender:

i) Within 120 days following the end of each of the Borrower's fiscal years, (i) its consolidated audited income statements, balance sheets and cash flow statements and the related notes thereto for the two most recent fiscal years in accordance with Guatemalan Banking GAAP, which need not, however, contain any reconciliation to U.S. GAAP or otherwise comply with Regulation S-X as promulgated by the U.S. Securities and Exchange Commission, together with an audit report thereon by the Borrower's independent auditors, (ii) an English version of the Borrower's annual financial statements and (iii) an English language summary management discussion of the results of operations of the Borrower and its Subsidiaries for the periods presented; and

ii) Within 60 days following the end of the fiscal quarter ended June 30, 2011, and of the first three fiscal quarters in each of the Borrower's fiscal years thereafter, quarterly reports containing unaudited condensed balance sheets and statements of income and the related condensed notes thereto for the Borrower and its subsidiaries on a consolidated basis, in each case for the quarterly period then ended and the corresponding quarterly period in the prior fiscal year and prepared in accordance with Guatemalan Banking GAAP, which need not, however, contain any reconciliation to U.S. GAAP or otherwise comply with Regulation S-X as promulgated by the U.S. Securities and Exchange Commission.

Proper Legal Form. The Borrower will, as promptly as practicable and in no event later than 90 days following the Disbursement Date, cause at its expense the Subordinated Loan Agreement to be consularized, notarized and translated into Spanish and otherwise prepared in proper legal form in accordance with the laws of Guatemala to allow for its submission of the same into evidence in an enforcement or other legal proceeding in Guatemala.

Further Actions. The Borrower will, at its own cost and expense, and will cause its Subsidiaries to, at their own cost and expense, satisfy any condition or take any action (including the obtaining or effecting of any necessary consent, approval, authorization, exemption, filing, license, order, recording or registration) at any time required, as may be necessary or as the Lender may reasonably request, in accordance with applicable laws and/or regulations, to be taken, fulfilled or done in order (a) to enable the Borrower to lawfully enter into, exercise its rights and perform and comply with its obligations under the Subordinated Loan Agreement and each of the transaction documents entered into in connection therewith relating to the syndication of the Subordinated Loan to which it is a party, (b) to ensure that the Borrower's obligations under the Subordinated Loan Agreement and each of the Additional

Transaction Documents entered into in connection therewith to which it is a party, are legally binding and enforceable, (c) to make the Subordinated Loan Agreement and each of the Additional Transaction Documents entered into in connection therewith to which it is a party admissible in evidence in the courts of the State of New York or, after the expiration of the period referred to in the covenant described under "—Proper Legal Form," Guatemala and (d) to enable the Lender, the Indenture Trustee, each agent appointed under the Indenture and the Administrative Agent to exercise and enforce its rights under and carry out the terms, provisions and purposes of the Subordinated Loan Agreement and each of the Additional Transaction Documents entered into in connection therewith to which it is a party.

Maintenance of Existence. Subject to the covenant described in "—Mergers, Consolidations, Sales, Leases," the Borrower will, and will cause its Subsidiaries to, preserve and keep in full force and effect its corporate existence and rights; *provided*, *however*, that the Borrower will not be required to preserve any such right if its board of directors determines that the preservation thereof is no longer desirable in the conduct of its business and that the loss thereof is not disadvantageous in any material respect to the Lender or the Administrative Agent.

Mergers, Consolidations, Sales, Leases. The Borrower may not consolidate with or merge into, or convey or transfer, in one transaction or a series of transactions, all or substantially all of its properties and assets to any person, unless:

i) the resulting entity, if other than the Borrower, is organized and existing under the laws of Guatemala;

ii) and assumes all of the Borrower's obligations to:

a) pay the principal of, and premium and interest on, the Subordinated Loan; and

b) perform and observe all of the Borrower's other obligations under the Subordinated Loan Agreement;

iii) the Borrower, or any successor entity is, as the case may be, not, immediately after any such transaction, in default under the Subordinated Loan Agreement; and

iv) certain opinions and certificates of counsel (as described in the Subordinated Loan Agreement) are delivered to the Lender.

Additional Amounts

All payments of principal, premium or interest by the Borrower in respect of the Subordinated Loan Agreement will be made without deduction or withholding for or on account of any present or future taxes, penalties, fines, duties, assessments or other governmental charges of whatever nature imposed or levied by or on behalf of Guatemala, or any political subdivision thereof or any authority therein having power to tax ("Guatemalan Taxes"), unless the Borrower is compelled by law to deduct or withhold such Guatemalan Taxes.

In any such event, the Borrower will pay such additional amounts ("Additional Amounts") in respect of Guatemalan Taxes as may be necessary to ensure that the amounts received by the Lender after such withholding or deduction will equal the respective amounts that would have been receivable in respect of such Subordinated Loan Agreement in the absence of such withholding or deduction (taking into account any taxes imposed on such Additional Amounts), except that no such Additional Amounts will be payable:

(i) to or on behalf of the Lender if the Lender is liable for Guatemalan net income and franchise taxes in respect of such Subordinated Loan Agreement by reason of having a present or former connection with Guatemala other than merely the holding or owning of such Subordinated Loan Agreement or the enforcement of rights with respect to such Subordinated Loan Agreement or the receipt of income or any payments in respect thereof;

(ii) to or on behalf of the Lender in respect of Guatemalan Taxes that would not have been imposed but for the failure of the Lender to comply with any certification, identification, information, documentation or other reporting requirement that it is legally capable of complying with and (within 30 calendar days following a written request from the Borrower to the Lender for compliance) if such compliance is required by applicable law, regulation, administrative practice or an applicable treaty as a precondition to exemption from, or reduction in the rate of deduction or withholding of, Guatemalan Taxes;

(iii) in respect of any estate, inheritance, gift, sales, transfer, personal assets or similar tax, assessment or other governmental charge other than any such tax that qualifies as an Other Tax (as defined below);

(iv) to or on behalf of the Lender in respect of Guatemalan Taxes that would not have been imposed but for the fact that the Lender presented evidence of the Subordinated Loan Agreement for payment (where presentation is required) more than 30 days after the later of (x) the date on which such payment became due and (y) if the full amount payable has not been received by the Lender on or prior to such due date, the date on which, the full amount having been so received, notice to that effect has been given by the Lender; *provided*, *however*, that the Borrower will pay additional amounts to which the Lender would have been entitled had evidence of the International Loan been presented on any day (including the last day) within such 30-day period; or

(v) any combination of items (i) to (iv) above;

nor will Additional Amounts be paid with respect to any payment of the principal of, or any premium or interest on, the Subordinated Loan Agreement to a Lender who is a fiduciary or partnership or limited liability company or other than the sole beneficial owner of such payment (provided, for this purpose, that a transfer of the Participation shall not in itself cause the Lender to be considered other than the sole beneficial owner of payments in respect of the Subordinated Loan) to the extent such payment would be required by the laws of Guatemala to be included in the income for tax purposes of a beneficiary or settlor with respect to such fiduciary or a member of such partnership, limited liability company or beneficial owner who would not have been entitled to such Additional Amounts had it been the Lender.

All references herein to principal, premium or interest payable hereunder will be deemed to include references to any Additional Amounts payable with respect to such principal, premium or interest. The Borrower will provide the Lender with documentation reasonably satisfactory to the Lender evidencing the payment of any amounts deducted or withheld promptly upon the Borrower's payment thereof.

The Borrower:

(i) at least fourteen Business Days before the first interest payment date on which any Guatemalan Taxes (the "Relevant Withholding Taxes") shall be required to be deducted or withheld on any payment under the Subordinated Loan (and at least ten Business Days before each succeeding interest payment date if there has been any change with respect to such matters), shall deliver to the Administrative Agent an Officer's Certificate: (A) specifying the amount (if any) required to be so deducted or withheld and the Additional Amounts (if any) due in connection with such payment and (B) certifying that the Borrower will pay to the appropriate taxing authority such deduction or withholding on or before the date on which such amount is due,

(ii) on or before the due date for the payment thereof, shall pay any such Relevant Withholding Taxes, together with any penalties or interest applicable thereto,

(iii) upon request, after paying such Relevant Withholding Taxes, shall deliver to the Administrative Agent (for further delivery to the applicable recipient(s)) evidence of such payment and of the remittance thereof to the relevant taxing or other authority, and

(iv) shall pay any Additional Amounts due on any interest payment date to the Administrative Agent.

The Borrower will pay promptly when due any present or future stamp, court or documentary taxes or any excise or property taxes, charges or similar levies that arise in any jurisdiction from the execution, delivery or registration of the Subordinated Loan Agreement or any other Additional Transaction Documents (each such tax, an "Other Tax").

Events of Default

The Subordinated Loan Agreement will provide that each of the following constitutes an event of default (each, an "Event of Default"):

(i) failure by the Borrower to pay all or any portion of the principal amount of the Subordinated Loan when due and payable, whether at maturity or upon prepayment or otherwise (including, without limitation, any amounts payable by way of any optional prepayment or mandatory prepayment, together with any applicable premium required to be paid in respect of any such prepayment), when the same shall become due and in the place of payment and currency of payment as originally agreed;

(ii) failure by the Borrower to pay any interest, any Additional Amount, or other amount on, or with respect to, the Subordinated Loan (including any additional amounts due under the Expense Reimbursement and Indemnity Agreement) within 15 days after the due date and in the place of payment and currency of payment as originally agreed (excluding any other amount payable in respect of the principal amount of the Subordinated Loan upon any prepayment, which shall be subject to clause (i) hereof);

(iii) the Borrower applies for or consents to the appointment of, or the taking of possession by, a receiver, custodian, interventor, administrator, trustee, examiner or liquidator of the Borrower or of all or a substantial part of its property;

(iv) the Borrower makes a general assignment for the benefit of its creditors;

(v) the Borrower files a petition seeking to take advantage of any other law relating to bankruptcy, insolvency, reorganization, suspension of payments, liquidation, dissolution, spin-off, arrangement or winding-up, or composition or readjustment of debts; or

(vi) the Borrower takes any action in furtherance of, or indicating its consent to, approval of, or acquiescence in, any of the acts described in (iii) through (v) above.

Upon the occurrence and continuation of any Event of Default, the Lender may, by notice to the Borrower, declare the Subordinated Loan, all interest thereon and all other amounts payable under the Subordinated Loan Agreement to be forthwith due and payable, whereupon the Subordinated Loan, all such interest and all such amounts shall become and be forthwith due and payable, without presentment, demand, protest or further notice of any kind, all of which are expressly waived by the Borrower; *provided*, *however*, that any time after a declaration of acceleration has occurred and before a judgment for payment of the money due has been obtained by the Lender, the Lender, by written notice to the Borrower, may rescind and annul such declaration and its consequences if the rescission would not conflict with any judgment or decree of a court of competent jurisdiction, all existing Events of Default, other than the nonpayment of the principal of the Subordinated Loan and interest on the Subordinated Loan that have become due solely by the declaration of acceleration, have been cured or waived, and no such rescission shall affect any subsequent Default or impair any right consequent thereon; *provided*, *however*, that in the case of an Event of Default described in clauses (iii) through (vi) above, all such interest and all such amounts shall be deemed to have been accelerated in full and shall automatically become and be due and payable, without presentment, demand, protest or any notice of any kind, all of which are expressly waived by the Borrower.

Fees and Expenses

The Borrower will agree to pay to each of the Lender and the Administrative Agent for its own account such fees as may from time to time be agreed between the Borrower and the Lender or Administrative Agent, as the case may be, in connection with the administration of the Subordinated Loan Agreement.

In addition, the Borrower will agree to pay on demand all costs and expenses of the Lender and Administrative Agent in connection with the preparation, execution, delivery, administration, modification and amendment of the Subordinated Loan Agreement and the Additional Transaction Documents (including, without limitation, (i) all due diligence, collateral review, syndication, transportation, computer, duplication, appraisal, audit, insurance, consultant, search, filing and recording fees and expenses), (ii) the reasonable and documented fees and expenses of counsel for the Lender and the Administrative Agent, with respect thereto, with respect to advising the Lender or Administrative Agent, as the case may be, as to its rights and responsibilities, or the perfection, protection or preservation of rights or interests, under the Subordinated Loan Agreement and the Additional Transaction Documents, with respect to negotiations with either Borrower or any of its subsidiaries or with other creditors of such Borrower or subsidiaries arising out of any Event of Default or any events or circumstances that may give rise to an Event of Default and with respect to presenting claims in or otherwise participating in or monitoring any bankruptcy, insolvency or other similar proceeding involving creditors' rights generally and any proceeding ancillary thereto) and (iii) all costs and expenses of the Lender and Administrative Agent in connection with the enforcement of the Subordinated Loan Agreement and the Additional Transaction Documents, whether in any action, suit or litigation, or any bankruptcy, insolvency or other similar proceeding affecting creditors' rights generally (including, without limitation, the reasonable and documented fees and expenses of counsel with respect thereto).

Amendment and Modification

No amendment or waiver of any provision of the Subordinated Loan Agreement, nor consent to any departure by the Borrower therefrom, shall in any event be effective unless the same shall be in writing and signed by the Lender (and, in the case of an amendment, the Borrower), and then such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given. The Lender will consent to any such amendment or waiver only in accordance with the terms of the Participation Agreement.

Waiver of Set-off

The Lender will waive any right of setoff, counterclaim, deduction, diminution or abatement based upon any claim it may have against the Borrower under the Subordinated Loan Agreement.

Assignments

The Lender's interest in the Subordinated Loan Agreement, the Subordinated Loan and all rights related thereto may not be assigned to any person except (i) to the Trust and the Indenture Trustee upon the occurrence of a Default or an Event of Default, (ii) to the Trust in the event that the Lender has determined that it shall be required to take any action which would violate or cause the Lender or any of its Affiliates to violate any Applicable Law or any provisions of the Credit Documents, *provided*, with respect to (i) and (ii), that the Lender shall thereafter provide the Borrower with prompt notice of the same, or (iii) for any other reason with the consent of the Borrower (which shall not be unreasonably withheld) unless such transfer is to another bank or financial institution qualified as a "*banco de primer orden*" under applicable Guatemalan law (as confirmed in writing by the Central Bank of Guatemala or the relevant tax authority or other authorized governmental entity) and such assignee assumes the Lender's obligations under the Subordinated Loan Agreement and the Participation in which case the consent of the Borrower shall not be required.

Governing Law

The Subordinated Loan Agreement will be governed by the laws of the State of New York.

Jurisdiction

The Borrower will consent to the non-exclusive jurisdiction of any court of the State of New York or any U.S. federal court sitting in the Borough of Manhattan in The City of New York, New York, United States and any appellate court from any thereof. The Borrower has appointed CT Corporation System, 111 Eighth Avenue, New York, NY 10011, as its authorized agent upon which service of process may be served in any action or proceeding brought in any court of the State of New York or any U.S. federal court sitting in The City of New York in connection with the Subordinated Loan Agreement.

Waiver of Immunities

To the extent that the Borrower may in any jurisdiction claim for itself or its assets immunity from a suit, execution, attachment, whether in aid of execution, before judgment or otherwise, or other legal process in connection with the Subordinated Loan Agreement and to the extent that in any jurisdiction there may be immunity attributed to the Borrower or its assets, whether or not claimed, the Borrower has irrevocably agreed with the Lender not to claim, and irrevocably waive, the immunity to the full extent permitted by law.

Currency Rate Indemnity

The Borrower agrees that, if a judgment or order made by any court for the payment of any amount in respect of any of its obligations under, or with respect to, the Subordinated Loan Agreement or Subordinated Loan is expressed in a currency other than U.S. dollars, the Borrower will indemnify the Lender or Administrative Agent, as the case may be, against any deficiency arising from any variation in rates of exchange between the date as of which the denomination currency is notionally converted into the judgment currency for the purposes of the judgment or order and the date of actual payment. This indemnity will constitute a separate and independent obligation from the Borrower's other obligations under the Subordinated Loan Agreement, will give rise to a separate and independent cause of action, will apply irrespective of any waiver of any other provision of the Subordinated Loan Agreement granted from time to time and will continue in full force and effect notwithstanding any judgment or order for a liquidated sum or sums in respect of amounts due in respect of the Subordinated Loan or under any such judgment or order.

THE PARTICIPATION AGREEMENT

General

The Lender, with the consent of the Borrower, will enter into the Participation Agreement with the Trust in order to grant a participation interest in substantially all of the rights and remedies of the Lender under the Subordinated Loan pursuant to the Participation Agreement between the Trust, as participant, and the Lender, which will remain as lender of record and servicer of the Subordinated Loan on behalf of the Trust. The Trust will purchase and pay for a 100% participation interest (the "Participation") in the Subordinated Loan Agreement, the Subordinated Loan and the proceeds thereof and all rights and related interests with respect thereto out of the net proceeds of the sale of the Notes. As a result of the purchase of the Participation, the Trust shall be entitled to receive an amount equal to all of the payments of principal, interest and other amounts payable by the Borrower on, or with respect to, the Subordinated Loan Agreement and the Subordinated Loan as are actually received by the Lender, together with the right to instruct the Lender with respect to all of the rights and remedies available to the Lender thereunder.

The Lender shall receive all funds from the Borrower for the account and benefit of the Trust and, as a result of the pledge of the Participation, also on behalf of the Indenture Trustee for the benefit of the holders of the Notes.

Administration of the Participation

Pursuant to the Participation Agreement, the Lender will agree to administer and service the Subordinated Loan Agreement, the Subordinated Loan and monitor all matters relating thereto for the benefit of the Trust and, indirectly, the holders of the Notes. The Lender will pay over to a designated account established in connection with the issuance of the Notes all payments of principal, premium, interest and other amounts received from the Borrower from time to time on or with respect to the Subordinated Loan so that all such amounts will be promptly paid over to the Trust pursuant to the Participation and thereafter to the Indenture Trustee for payment and distribution to the holders of the Notes. In addition, following any written request from the Trust, the Lender will direct the Borrower to furnish and will transmit to the Trust (and the Indenture Trustee) copies of the financial and other information required to be produced and furnish to the Lender pursuant to the terms of the Subordinated Loan Agreement. See "The Subordinated Loan Agreement and Subordinated Loan—Covenants—Notice of Certain Events."

In administering the Subordinated Loan Agreement and, the Subordinated Loan, from time to time the Lender will seek instructions from the Trust, which shall in turn seek instructions from the Indenture Trustee who shall, in turn if required under the Indenture, seek instructions from the holders of the Notes in accordance with the terms of the Indenture, as to all matters that shall be required to be taken under the Subordinated Loan Agreement, the Subordinated Loan and the Expense Reimbursement and Indemnity Agreement, including instructions relating to the exercise of rights and remedies with respect to any of the foregoing.

Subject to the foregoing, the Lender will (i) administer and manage the Participation at the Trust's expense (subject to reimbursement by the Borrower) in the ordinary course of business and in accordance with its usual practices, modified from time to time as it deems appropriate under the circumstances and (ii) be entitled to use its discretion in taking or refraining from taking any actions in connection with the Participation as if it were the sole party involved in the Subordinated Loan. Notwithstanding the foregoing, (a) subject to the requirements of the Subordinated Loan Agreement and the Subordinated Loan, the Lender shall promptly notify the Trust in writing of any matter in respect of which it may exercise any action in respect of which the Trust may vote and (b) to the extent permitted under the terms of the Subordinated Loan Agreement and the Subordinated Loan, the Lender (x) shall not take any action, or refrain from taking any action, with respect to the Borrower, the Subordinated Loan or the Subordinated Loan Agreement without the written consent of the Trust and (y) shall take all action, or refrain from taking any action, as the Trust shall direct in writing; *provided*, *however*, that, notwithstanding anything in the Participation Agreement or herein to the contrary, the Lender shall not be required to take any action to the extent that doing the same would (i) be inconsistent with the Lender's corporate policies or adversely affect or conflict with any election made by the Lender or any of its affiliates in connection with loans, commitments or other claims held for its own account or for the account of others, (ii) violate or cause the Lender or any of its affiliates to violate any provision of applicable law or any documents executed in connection with the Subordinated Loan or (iii) require any new money advances except as contemplated under "The Subordinated Loan Agreement and Subordinated Loan—Further Advances."

As a result of the purchase of the interest in the Participation by the Trust, subject to having received instructions from the Indenture Trustee, acting to the extent necessary, on the instructions of the holders of the Notes, the Trust will be entitled to exercise substantially all of the rights and remedies of the Lender under the Subordinated Loan Agreement and the Subordinated Loan, by directing the Lender, subject to the foregoing limitations, to take action or withhold any action including those that relate generally to (i) the Subordinated Loan and any amendment thereto and the amounts and terms of additional advances thereunder as a result of any further issuances of the Notes as provided for herein and in the Indenture, (ii) conditions to effectiveness and making of any additional advances, (iii) appointment of any agent, (iv) additional payments due to the Lender as a result of prepayment of principal, (v) waiver of set off by the Lender, (vi) assignments and participations involving the Lender's rights and obligations under the Subordinated Loan Agreement and the Subordinated Loan and (vii) all matters relating to expenses and indemnities contemplated in the Subordinated Loan Agreement and the Expense Reimbursement and Indemnity Agreement.

The Lender will provide written notice to the Trust and the Indenture Trustee promptly of any and all matters relating to the Subordinated Loan, including any request by the Borrower for amendment, waiver or consent or any other affirmative action it takes with respect to the Borrower and the Subordinated Loan Agreement and the Subordinated Loan. Notwithstanding anything to the contrary herein, the Lender shall not declare any Event of Default or agree to any modification of the terms of the Subordinated Loan Agreement or the Subordinated Loan without having first received directions from the Trust, acting upon, as a result of the pledge described herein, as provided in and as required by the Indenture the direction of the Indenture Trustee or the holders of not less than a majority of the aggregate outstanding principal amount of Notes, or 100% of the aggregate outstanding principal amount of the Notes, all as specified in the Indenture.

Standard of Care

The Lender shall be required under the Participation Agreement to act in good faith and in a manner in which the Lender would act if acting for its own account. Notwithstanding the foregoing, the Participation Agreement will provide that:

(i) the Lender shall have no liability in respect of the Lender's omission to take any act for which notice to the Trust is (in the Lender's reasonable judgment) required, to the extent that the Trust has not agreed in writing that the Lender may take such act and that the Lender will be indemnified for any costs incurred in connection with taking such act,

(ii) the Trust shall acknowledge that the sale of the Participation and the other matters related thereto is without recourse to the Lender, and that the Trust expressly assumes all risk of loss in connection therewith as if the Trust had made the Subordinated Loan directly to the Borrower;

(iii) the Lender shall have no liability, express or implied, for any action taken or omitted to be taken by the Lender or for any failure or delay in exercising any right or power possessed by the Lender in connection with the Participation, the Subordinated Loan Agreement or the Subordinated Loan, except for actual losses, if any, suffered by the Trust that are proximately caused by the Lender's gross negligence, willful misconduct or breach of representation or warranty made in the Participation Agreement;

(iv) the Lender (a) shall not be deemed to be a trustee or agent for the Trust in connection with any extension of credit made pursuant to the sale of the Participation; *provided*, *however*, that the Lender agrees that any proceeds that the Lender receives in connection with the Participation shall be held by the Lender for the Trust's account and shall be paid over to the Trust on the terms and conditions, as provided in the Participation Agreement; (b) may serve as a voting member of a creditors' committee in regards to a plan of reorganization related to the Participation; (c) may accept deposits from, make loans or otherwise extend credit to, and generally engage in any kind of banking business with, the Borrower; (d) may directly or indirectly purchase or otherwise acquire any capital stock, shares, participations, certificates of interest, bonds, notes, debentures or other securities, or a beneficial interest therein, issued by the Borrower and other parties to the Subordinated Loan Agreement and the Subordinated Loan and may make capital contributions and receive payments in connection with any such instrument; and (e) may act as financial adviser to the Borrower and other parties to the Subordinated Loan Agreement and the Subordinated Loan or as a placement agent for any debt or equity securities of the Borrower, the Participant, the Indenture Trustee or other parties to the Subordinated Loan Agreement and the Subordinated Loan; and

(v) the Lender shall have no liability to the Trust, the Industrial Cayman Trustee, the Indenture Trustee or the holders from time to time of the Notes.

Relations with the Borrower

Except as otherwise provided in the Participation Agreement or in the event of an assignment of the Loan to the Trust, none of the Industrial Cayman Trustee, the Trust nor the Indenture Trustee may deal directly with the Borrower with respect to the Subordinated Loan Agreement, the Subordinated Loan or the Participation Agreement. The Lender will remain free to deal with and transact other business with the Borrower and its affiliates.

Transfer of the Participation

Other than as contemplated in the Indenture, the Trust will agree not to sell, assign, or otherwise transfer its rights and obligations under the Participation Agreement and not to grant any participation or subparticipation in those rights and obligations without the prior written consent of the Lender.

Assignment of the Lender's Rights and Obligations under the Subordinated Loan and Acceptance by the Participant

The Lender's interest in the Subordinated Loan Agreement, the Subordinated Loan and all rights related thereto may not be assigned to any person except (i) to the Trust and the Indenture Trustee upon the occurrence of a Default or an Event of Default, (ii) to the Trust in the event that the Lender has determined that it shall be required to take any action which would violate or cause the Lender or any of its Affiliates to violate any Applicable Law or any provisions of the Credit Documents, *provided*, with respect to (i) and (ii), that the Lender shall thereafter provide the Borrower with prompt notice of the same, or (iii) for any other reason with the consent of the Borrower (which shall not be unreasonably withheld) unless such transfer is to another bank or financial institution qualified as a "*banco de primer orden*" under applicable Guatemalan law (as confirmed in writing by the Central Bank of Guatemala or the relevant tax authority or other authorized governmental entity) and such assignee assumes the Lender's obligations under the Subordinated Loan Agreement and the Participation in which case the consent of the Borrower shall not be required.

Relationship Between the Lender and the Trust

The Lender and the Trust will agree that the relationship between them is that of seller and buyer and not of debtor and creditor, that neither party is a trustee, agent, or partner of the other, and that neither party owes fiduciary obligations to the other.

Confidential Information

Except with respect to passing on to the Indenture Trustee (so that the Indenture Trustee may make the same available to the holders of the Notes) certain reports and notices delivered to the Lender as described in "The Subordinated Loan Agreement and Subordinated Loan—Covenants," the Trust will agree with the Lender (for the benefit of the Borrower) to be bound by the provisions of the Subordinated Loan Agreement requiring the confidential treatment of information that the Trust may acquire from the Lender or otherwise in connection with the sale of the participation interest.

Agreement by Lender

The Lender will agree not to petition or take any action for the bankruptcy of the Trust until the later of (a) one year and one day after the date on which the Participation Agreement has terminated in its entirety and all settlements thereunder have been effected in full and (b) the expiration of any then applicable preference period under the laws of the Cayman Islands and Guatemala.

The obligations of the Trust are limited in recourse to the amounts remaining after application of the Trust Assets towards the redemption or repayment of the Notes in accordance with the Indenture and, to the extent there is any shortfall, any outstanding obligations of the Trust shall be extinguished and the Trust shall have no further liability to the Lender.

Additional Amounts

Pursuant to the Expense Reimbursement and Indemnity Agreement, subject to certain limitations described under "The Trust—Expense Reimbursement and Indemnity Agreement," in the event that the laws of Guatemala, the United States, the Cayman Islands, Luxembourg, or any other jurisdiction from which payments are made, including, in each case, any political subdivision thereof, impose any withholding or similar tax on payments or distributions by the Lender to the Trust pursuant to the Participation Agreement on amounts received from the Borrower or certain other taxes, then, upon notice by the Trust to the Lender and by the Lender to the Borrower, the Borrower shall make additional payments to the Trust in an amount sufficient to provide the Trust with aggregate amounts equal to the amounts that the Trust would have received had no such taxes been imposed. See "The Trust – Expense Reimbursement and Indemnity Agreement."

Amendment

No amendment of any provision of the Participation Agreement, or consent to any departure by the Lender, the Administrative Agent or the Participant, therefrom, shall in any event be effective unless it is in writing and signed by the Lender, the Administrative Agent and the Participant, acting in accordance with the terms of the Declaration of Trust and the Indenture, and then such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given.

Governing Law

The Participation Agreement will be governed by the laws of the State of New York.

THE TRUST

General

The Trust

The Trust was formed on July 18, 2011 under the laws of the Cayman Islands by Walkers SPV Limited, herein referred to as the Industrial Cayman Trustee, pursuant to the Declaration of Trust. The legal name of the Trust is the Industrial Subordinated Trust.

The Industrial Cayman Trustee, acting solely in its capacity as trustee of the Trust, has not, and will not have, prior to the Closing Date conducted any operations other than activities incidental to the formation of the Trust. On the Closing Date, the Trust will issue the Notes to the Initial Purchasers for sale to investors on such date or thereafter.

The Trust will not, as is the case under U.S. law, be a separate legal, or juridical, entity. The holders of Notes only have a contractual relationship with the Trust as a result of the Indenture. The holders of the notes are not beneficiaries of the Trust and the Industrial Cayman Trustee does not owe them any fiduciary duties. For ease of reference, when used herein, the term "Trust" shall not refer to a separate legal entity but shall, unless the context otherwise requires, refer to the Industrial Cayman Trustee acting as such under the Declaration of Trust.

The Industrial Cayman Trustee

The Industrial Cayman Trustee was incorporated in the Cayman Islands on December 14, 1995 and provides corporate and trustee services to a wide variety of clients. The corporate services involve, inter alia, providing administration, registered office and corporate director services for Cayman Islands companies. The trustee services involve establishing and acting as trustee of a variety of trusts including but not limited to trusts used as structured finance special purpose vehicles, orphan trusts for holding shares of SPVs, STAR trusts, charitable trusts and unit trusts. Walkers SPV Limited is regulated in the Cayman Islands as an unrestricted trust company under the Banks and Trust Companies Law (2009 Revision) and as mutual fund administrator under the Mutual Funds Law (2009 Revision). The principal office of Walkers SPV Limited is at Walker House, 87 Mary Street, Grand Cayman KYI-9002, Cayman Islands.

The Enforcer

The Enforcer of the Trust is GTCS Enforcers Limited. The Enforcer is owned by Genesis Trust & Corporate Services Ltd., which is a fully licensed Trust Company in the Cayman Islands regulated by the Cayman Islands Monetary Authority. Genesis Trust & Corporate Services Ltd. was set up by the partners of KPMG Cayman Islands but following a management buy-out in 2004 is now independent from KPMG.

Purpose and Powers

The Trust will engage in only those activities required or expressly authorized by the Declaration of Trust, the Indenture, the Notes and the Participation Agreement and the other Additional Transaction Documents. The sole purposes of the Trust shall be to (i) issue the Notes pursuant to the Indenture, (ii) use the proceeds thereof to acquire the Participation in the Subordinated Loan Agreement and the Subordinated Loan, (iii) pledge the Trust Assets (as defined below) to secure the obligations of the Trust under the Notes and the Indenture, (iv) execute the Indenture, the Notes, the Participation Agreement and the Additional Transaction Documents, as applicable, (v) receive funds and/or notices from the Lender under the Participation Agreement, (vi) provide the Lender with instructions as requested or required or as necessary under, or in connection with, the Participation and/or the Participation Agreement, (vii) accept an outright assignment of the Subordinated Loan Agreement and the Subordinated Loan on terms and conditions described below under "—Assignment of Subordinated Loan" and (viii) all matters reasonably incidental to any or all of the foregoing.

Limited Recourse and Nature of Obligations of the Industrial Cayman Trustee

As noted above, unlike trusts established under U.S. law, the Trust is not a separate legal entity and cannot take actions in its own name. The Industrial Cayman Trustee is acting solely in its capacity as trustee of the Trust in relation to the issuance of the Notes and entry into the Indenture and the Participation Agreement. Pursuant to the Indenture, the Notes will be secured obligations of the Trust but are limited in recourse solely to the assets securing the Notes. The assets of the Trust will consist principally of the Participation in the Subordinated Loan, the Subordinated Loan Agreement and the Expense Reimbursement and Indemnity Agreement, all cash paid in respect thereof, all rights related to the foregoing and any accounts into which such cash or the proceeds of any of the foregoing shall be deposited pursuant to the Subordinated Loan Agreement, the Participation Agreement, the Indenture or otherwise (the "Trust Assets"). Accordingly, the holders of the Notes must rely solely on amounts payable under or in respect of the Trust Assets as the source for the payment of principal of and interest and other amounts due on, or with respect to, the Notes. The Notes do not represent interests in or obligations of the Lender or any of its affiliates or any person or entity other than the Trust (subject to the limited recourse provisions described herein).

To the extent that the Trust Assets are not sufficient to meet in full the claims of all holders of the Notes, the holders of the Notes may not take any action (including, without limitation, the filing of any petition for the bankruptcy, winding-up or insolvency of the Trust) to enforce their rights other than to require the realization of such assets. Claims of the holders of the Notes in respect of any shortfall remaining after collection or other realization in respect of the Trust Assets will be extinguished.

Assignment of Subordinated Loan

Except as set forth under "The Subordinated Loan Agreement and Subordinated Loan", the Lender may not assign its rights or obligations under the Subordinated Loan Agreement or the Subordinated Loan without the prior written consent of the Borrower (which may not be unreasonably withheld). Any purported assignment without such prior written consent shall be null and void.

Except in connection with the termination of the Trust and a distribution of the Trust Assets to the holders of the Notes secured thereby as contemplated by the Indenture, the Trust will agree not to sell, assign, or otherwise transfer its rights and obligations under the Participation Agreement and not to grant any participation or sub-participation in those rights and obligations without the prior written consent of the Lender, which consent shall not be unreasonably withheld or delayed.

Notwithstanding the foregoing, upon the occurrence of any Default or Event of Default with respect to the Subordinated Loan and certain other events described under "The Subordinated Loan Agreement and Subordinated Loan—Assignments and Participations," the Lender shall have the right to assign the Lender's interest in the Subordinated Loan and the Subordinated Loan Agreement outright to the Trust, and the Trust shall have the obligation to accept such assignment, in exchange for the cancellation of the Participation and termination of the Participation Agreement. Any such assignment shall be effected without any payment by or to the Lender or the Participant and upon consummation thereof, the Participation Agreement and the Participation shall be of no further force and effect. Upon any such assignment the Lender shall have no further responsibility to the Trust or the holders of the Notes with respect to any matter relating to the Subordinated Loan.

Amendment, Supplement and Modification

Modification of Declaration of Trust

The Declaration of Trust may not be amended or modified except with the written consent of the Indenture Trustee acting in accordance with the Indenture upon the written instruction of a majority of the holders of the Notes and as otherwise set forth under "Description of the Notes – Modification of the Subordinated Loan Agreement and the Transaction Documents".

Termination of the Trust

Each of the following events will trigger the termination of the Trust: (i) distribution to the holders of the Notes of the full principal amount of the Subordinated Loan as payment of the Note Principal Amount and the final payment of all other amounts due in respect of the Subordinated Loan and, as a result thereof, due in respect of the Notes, or (ii) upon the expiration of the term of the Trust as set forth in the Declaration of Trust. Upon any such termination event, the Trust will terminate and the Declaration of Trust will be of no further force or effect.

Covenants Relating to the Separateness of the Trust

Pursuant to the terms of the Declaration of Trust, in order to protect the separateness of the Trust, the Industrial Cayman Trustee will covenant (i) not to commingle or pool funds or other assets of the Trust with those of any other person or with other assets of the Industrial Cayman Trustee; (ii) to maintain records and books of account relating to the Trust separate from those of any other person; (iii) not to create, assume or incur any indebtedness or obligations of any kind or nature as trustee of the Trust, except pursuant to the Indenture, the Notes and the Participation Agreement; and (iv) not, as trustee of the Trust, to lend money to any person, or to guarantee or become obligated to provide funds for the purpose of supporting the indebtedness or obligations of any person, except pursuant to the Indenture, the Notes and the Participation Agreement, or, to the extent practicable, permit any person to guarantee, become obligated for, or hold itself or property out to be responsible for, or available to satisfy, the debts or obligations of the Trust. The Industrial Cayman Trustee shall make no transfer of the Trust Assets except in accordance with the Additional Transaction Documents and after adherence to requisite Cayman Islands trust formalities.

Standard of Care for the Industrial Cayman Trustee

Pursuant to the Declaration of Trust, the Industrial Cayman Trustee (or any present or former officer, employee or affiliate of the Industrial Cayman Trustee) shall not be liable for the consequences (including legal and other expenses) of any act or omission of itself or any agent, delegate or adviser, whether affiliated or unaffiliated, or any answer to any enquiries or generally any breach of any duty or trust unless it shall constitute gross negligence (as defined in the Declaration of Trust), wilful default or fraud on the part of the Industrial Cayman Trustee or shall prove to have been made, given, or omitted with a sufficient absence of care to constitute reckless disregard on the part of the Industrial Cayman Trustee itself or its officers or employees of the duties and obligations imposed by the Declaration of Trust.

These protections extend to any present or former officer, employee or affiliate of the Industrial Cayman Trustee acting as a director, officer or agent of the company or other entity, and shall protect them for accepting in good faith any instructions, recommendations or advice from any authorised person given by word of mouth, letter, cable, telephone, telex, telefacsimile or any other means and the burden of proving that no such instructions, recommendations or advice have been given shall lie with the person making that allegation.

The Industrial Cayman Trustee shall not be liable for acting in accordance with the advice of qualified professional advisers with respect to the Trust unless when it does so it knows or has reasonable cause to suspect that the advice was given in ignorance of material facts or proceedings are pending to obtain the decision of the court on the matter.

The Industrial Cayman Trustee shall not be responsible for the default of a person to whom its powers are delegated (even if the delegation of this power was not strictly necessary or expedient) provided that the Industrial Cayman Trustee took reasonable care in his selection and supervision.

Appointment, Removal and Resignation of the Industrial Cayman Trustee

Pursuant to the Declaration of Trust, the Indenture Trustee has the power to remove the Industrial Cayman Trustee as the trustee of the Trust and appoint a replacement trustee; *provided*, *however*, that the Industrial Cayman Trustee may not be removed until a successor trustee with the requisite qualifications stipulated in the Declaration of Trust has been appointed and has accepted the appointment in a written instrument signed by such successor trustee.

The Industrial Cayman Trustee may resign at any time by giving not less than 60 days' prior written notice to the Enforcer and the Indenture Trustee, in which event they will use their reasonable best efforts to promptly appoint a successor trustee that meets the standards set forth in the Declaration of Trust.

If no successor trustee shall have been appointed and accepted as provided in the Declaration of Trust within 30 days after delivery to the Enforcer and the Indenture Trustee of a notice of resignation, the Industrial Cayman Trustee, the Enforcer and the Indenture Trustee may petition any court of competent jurisdiction to appoint a successor trustee to act until such time as a successor trustee has been appointed and accepted as above provided. Such court may, after prescribing such notice, if any, as it may deem proper and prescribe, appoint a successor trustee. Any resignation of the trustee and appointment of a successor trustee will not become effective until written acceptance of the appointment and novation of the Additional Transaction Documents to the successor trustee or until the Trust Assets have been completely liquidated and the proceeds thereof distributed to the holders of the Notes. The successor trustee shall promptly notify the Rating Agencies in writing of its appointment.

Section 105 of the Trusts Law (2009 Revision) applies to the Trust, which means the Trust must have either a Cayman Islands licensed trust company or registered private trust company appointed as its trustee at all times.

Expense Reimbursement and Indemnity Agreement

The Borrower will enter into an Expense Reimbursement and Indemnity Agreement with the Lender, the Industrial Cayman Trustee, the Enforcer, the Administrative Agent, any agents as appointed pursuant to the Indenture and the Indenture Trustee and for the benefit of the holders of the Notes providing for reimbursement of specified expenses and tax payments as described herein.

Expenses

The Borrower will agree to reimburse the Industrial Cayman Trustee, the Enforcer, the Indenture Trustee, the Administrative Agent, any agents as appointed pursuant to the Indenture and the holders of the Notes for all expenses from time to time incurred by the Industrial Cayman Trustee, the Enforcer, the Indenture Trustee, the Administrative Agent, any agents as appointed pursuant to the Indenture and the holders of the Notes, if applicable, relating to (i) the establishment and continued existence of the Declaration of Trust and all matters contemplated therein, including the fees and expenses of the Industrial Cayman Trustee for acting as such under the Declaration of Trust, the Indenture and the Participation Agreement or otherwise as contemplated herein, (ii) any expenses, indemnities or other costs provided, or required to be provided by the Trust to the Lender or the Administrative Agent under, or in respect of the Participation Agreement, including any indemnity to be given to the Lender in connection with the Lender's acting upon any instructions of the Trust, the Indenture Trustee and/or the holders of the Notes (pursuant to their right under the Indenture to give instructions to the Trust as to all matters relating to the Participation Agreement), (iii) the issuance of the Notes pursuant to the Indenture, including all fees and reasonable and documented expenses of the Indenture Trustee or any agents appointed pursuant to the Indenture incurred in connection with the issuance of the Notes, the costs of arranging and maintaining the clearance of the Notes through DTC or otherwise, the listing of the Notes on the Luxembourg Stock Exchange and any costs incurred in administrating, performing, maintaining and enforcing all duties, obligations and rights under the Indenture and the Notes, including costs and expenses (including reasonable and documented counsel fees and disbursements) necessary to maintain the pledge contemplated thereunder, to seek instructions from the holders of the Notes with respect to the Participation Agreement or any other Transaction Document or otherwise and implement any mandatory redemption of the Notes as described under "The Notes—Redemption Events" and take all action contemplated to be taken by the Indenture Trustee under the Indenture or of any agent appointed under the Indenture or reasonably incidental thereto from time to time in connection with the performance of the Indenture Trustee's duties and obligations under the Indenture and (iv) enforcing the obligation of the Borrower with respect to the foregoing and the Expense Reimbursement and Indemnity Agreement.

Additional Amounts

Without duplication for amounts payable pursuant to the Subordinated Loan Agreement, the Borrower will indemnify and hold harmless from and agree to pay the relevant party for the following: (i) any and all stamp, administrative, court, documentary, excise, sales, use, value-added or property taxes, duties, assessments or other similar governmental charges arising in connection with the Subordinated Loan Agreement, the Participation Agreement, the Indenture, the Declaration of Trust, the Notes or the Expense Reimbursement and Indemnity Agreement; (ii) any and all taxes, duties, assessments or other governmental charges levied or imposed upon the Industrial Cayman Trustee and/or the Trust; (iii) any and all taxes, duties, assessments or other governmental charges, other than net income or franchise taxes arising from a pre-existing connection between the recipient and the taxing jurisdiction (other than merely being a party to the Loan Documents, the Participation Agreement, the Indenture, the Declaration of Trust or the Notes) imposed by Guatemala, the United States, Luxembourg, the Cayman Islands or Luxembourg, including in each case, any political subdivision thereof; and (iv) additional amounts, on or prior to the due date of payments to the Trust or to holders of the Notes, sufficient to provide the Lender, the Trust or holders of the Notes, as applicable, with aggregate amounts equal to the amounts that the Lender, the Trust or the holders of the Notes, as applicable, would have received had no such taxes, duties, assessments or other governmental charges described in clauses (i), (ii) or (iii) been imposed, including in each case any taxes, duties, assessments or other governmental charges imposed on amounts payable under the Expense Reimbursement and Indemnity Agreement.

For purposes of the preceding sentence, clauses (iii) and (iv) do not include any tax, duty, assessment or other governmental charge that is imposed due to any of the following:

(i) the Lender, the Trust or holder of the Notes (or beneficial owner of the Notes), as applicable, having a present or former connection with Guatemala other than merely holding or owning of the Subordinated Loan, the Participation Agreement or the Notes, as applicable, or the enforcement of rights with respect to such Subordinated Loan, Participation Agreement or Notes, as applicable, or the receipt of income or any payments in respect thereof;

(ii) the failure of the Lender, the Trust or holder of the Notes (or beneficial owner of the Notes), as applicable, to comply with any certification, identification, information, documentation or other reporting requirement that each is legally capable of complying with (within 30 calendar days following a written request from the Borrower to the Lender, the Trust or holder of the Notes, as applicable, for compliance) if such compliance is required by applicable law, regulation, administrative practice or an applicable treaty as a precondition to exemption from, or reduction in the rate of deduction or withholding of, Guatemalan Taxes;

(iii) the Lender, the Trust or the holders of the Notes (or beneficial owners of the Notes), as applicable, presented evidence of the Subordinated Loan Agreement in the Participation Agreement, or Note, as applicable, for payment (where presentation is required) more than 30 days after the later of (x) the date on which such payment became due and (y) if the full amount payable has not been received by the Lender or the Trust, as applicable, on or prior to such due date, the date on which, the full amount having been so received, notice to that effect has been given by the Lender; *provided*, *however*, that the Borrower will pay additional amounts to which such person would have been entitled had such evidence been presented on any day (including the last day) within such 30-day period;

(iv) any estate, inheritance, gift, sales, transfer, personal assets or similar tax, assessments or governmental charge other than any stamp or similar tax;

(v) any combination of items (i) to (iv) above.

Payments in respect of the foregoing shall be made by the Borrower to the Lender at least 10 business days (defined as any day on which banks are required or authorized to close in New York, New York or Guatemala City, Guatemala) before the deduction, withholding or payment of the taxes, duties, assessments or other governmental charges for which such amounts are being paid is required or due. At such time, the Borrower will deliver information that the Lender or the Trust, as applicable, shall reasonably request for tax purposes.

The Borrower undertakes that, if European Union Council Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26 and 27 November 2000 or any law implementing or complying with, or introduced in order to conform to, such Directive is brought into force, the Borrower will ensure that it maintains a paying agent in a European Union Member State that will not be obliged to withhold or deduct tax pursuant to the Directive.

If the Borrower shall at any time be required to pay additional amounts to the Lender pursuant to the terms of the Expense Reimbursement and Indemnity Agreement, the Borrower, the Lender, the Trust and holders of the Notes (or beneficial owners of the Notes) will use reasonable endeavors to obtain an exemption from the payment of (or otherwise avoid the obligation to pay) the tax, assessment or other governmental charge which has resulted in the requirement that such additional amounts be paid.

The foregoing obligations shall survive any termination of the Subordinated Loan Agreement, the Participation Agreement, the Indenture, the Declaration of Trust or the Notes.

The Borrower has agreed to indemnify the Trust, the Industrial Cayman Trustee and the Indenture Trustee for certain liabilities, including liabilities under the U.S. securities laws as set forth in the Expense Reimbursement and Indemnity Agreement.

Available Information

For as long as the Notes are "restricted securities" within the meaning of Rule 144(a)(3) under the Securities Act, the Borrower will, to the extent required by law, furnish to the Indenture Trustee for delivery to any holder of the Notes, or to any prospective purchaser designated by such holder of the Notes upon request of such holder, financial and other information described in paragraph (d) (4) of Rule 144A under the Securities Act with respect to the Borrower to the extent required in order to permit such holder of the Notes to comply with Rule 144A with respect to any resale of its Notes, unless during that time the Borrower is subject to the reporting requirements of Section 13 or 15(d) of the Exchange Act, or is exempt from reporting pursuant to Rule 12g3-2(b) under the Exchange Act and no such information about the Borrower is otherwise required pursuant to Rule 144A.

Liquidation/Termination

Upon a repayment in full of the Subordinated Loan Agreement and the Subordinated Loan, remaining Trust Assets (if any) will be liquidated and applied in the following order of priority: (i) *first*, to pay the costs and expenses of termination of the Trust; (ii) *second*, to any creditors of the Trust (including, without limitation, the Industrial Cayman Trustee, the Administrative Agent, the Indenture Trustee and any agent appointed pursuant to the Indenture); (iii) *third*, to establish reserves reasonably adequate to meet any and all contingent liabilities or obligations of the Trust; (iv) *fourth*, to the holders of the Notes in an amount equal to such holders' *pro rata* interest in the Trust Assets; and (v) *fifth*, the balance to the Trust to be applied by the Industrial Cayman Trustee in accordance with the Declaration of Trust.

Governing Law

The Declaration of Trust will be governed by the laws of the Cayman Islands. The Expense Reimbursement and Indemnity Agreement will be governed by the laws of the State of New York.

DESCRIPTION OF THE NOTES AND THE NOTE GUARANTEE

General

The sole purpose of the issuance of the Notes is to provide the funds for the Trust to purchase the Participation and in so doing provide the Lender with funds to make the Subordinated Loan. Payments received by the Trust in respect of the Subordinated Loan will be used to make payments of principal, interest, additional amounts in respect of taxes and other amounts payable by the Borrower with respect to the Subordinated Loan Agreement. The principal obligation of the Trust will be to account to the holder of the Notes for all such payments when, as and if actually received by the Lender and, as a result of the Participation, by the Trust pursuant thereto. The Notes do not represent an obligation of the Lender, the Administrative Agent, the Indenture Trustee, any agent appointed pursuant to the Indenture, the Industrial Cayman Trustee (other than in its capacity as trustee subject to the limited recourse provisions described herein), or the Borrower and none of the foregoing shall be required, in the event funds received in respect of the Subordinated Loan are insufficient to make payments described below that are due on the Notes, to make up any such shortfall from their own respective funds.

The Notes will be unconditionally and irrevocably guaranteed on a general subordinated unsecured basis by Banco Industrial, S.A. See "– Note Guarantee."

The Trust and its operations are governed by Cayman Islands law. As described above, the Trust is not a separate legal entity, but is rather an equitable obligation binding the Industrial Cayman Trustee to deal with property in a particular way. All references herein to the Trust shall in fact refer to the Industrial Cayman Trustee acting as such under the Declaration of Trust. See "The Trust." The Trust will issue the Notes under the Indenture among the Industrial Cayman Trustee, The Bank of New York Mellon, as Indenture Trustee, Registrar, New York Paying Agent and Transfer Agent and The Bank of New York Mellon (Luxembourg) S.A., as Luxembourg Paying Agent and Transfer Agent.

The Notes will have the following basic terms:

- The Notes will be in an aggregate principal amount (the initial outstanding "Note Principal Amount") of US$150,000,000. The principal amount of the Notes will be payable in full in a single payment on the Maturity Date unless redeemed or repaid earlier as a result of one or more redemption events described herein pursuant to the terms of the Indenture as a result of a prepayment or acceleration of the Subordinated Loan.

- The Notes will bear interest at a fixed rate of 8.25% per annum (the "Note Interest") from the date of issuance until all required amounts due in respect thereof have been paid, which rate is equal to the rate of interest payable by the Borrower on the Subordinated Loan. Interest on the Notes will be paid semiannually on January 27 and July 27 of each year, commencing on January 27, 2012, to the holders of the Notes registered as such as of the close of business on a record date being the tenth day preceding such payment date other than the interest payment date which is the same as the Maturity Date, in which case, it will be the Maturity Date (the "Record Date"). Interest for the first interest period will accrue from July 27, 2011. Interest on the Notes will be computed on the basis of a 360-day year of twelve 30-day months.

- As security for the Notes, the Trust will pledge all of the Trust Assets to the Indenture Trustee, which Trust Assets will consist, as described under "The Trust," of the Participation in the Subordinated Loan (which will have a principal amount equal to the Note Principal Amount), the Subordinated Loan Agreement and all cash paid in respect thereof, any accounts into which such cash or the proceeds of the foregoing shall be deposited pursuant to the Subordinated Loan Agreement, the Participation Agreement, the Indenture or otherwise and the rights related thereto with respect to the Subordinated Loan. All outstanding Notes will share *pari passu* in the proceeds from the Trust Assets, except to the extent Notes are repurchased as a result of a redemption as provided herein.

- The Notes will be limited recourse obligations of the Trust and will be payable solely out of the Trust Assets (including payments received from the Lender as a result of the Participation) and neither the Trust nor the Indenture Trustee or any agent appointed pursuant to the Indenture will have any liability in respect of all or any portion of the Subordinated Loan Agreement. Prior to any distribution and assignment of the

Subordinated Loan Agreement to the Trust (and, if at all, by the Trust to the Indenture Trustee on behalf of the Administrative Agent, the Indenture Trustee, each agent appointed under the Indenture and the holders of the Notes) as described below, the Notes will be entitled to receive payments or be repurchased in a redemption as described herein only to the extent the Indenture Trustee receives funds from the Trust Assets.

- The Notes are being offered and sold only to investors that are either (1) U.S. Persons (as defined in Regulation S under the Securities Act), who are QIBs in reliance on Rule 144A under the Securities Act and also Qualified Purchasers (as defined in Section 2(a)(51)(A) of the United States Investment Company Act of 1940 (the "Investment Company Act") or (2) non-U.S. Persons (within the meaning of Regulation S of the Securities Act) outside of the United States.

Except as described below with respect to a Mandatory Note Redemption Event (as defined below), the Indenture does not contain provisions that permit the holders of the Notes to require that the Trust repurchase the Notes.

Note Principal Amount

The Indenture Trustee will make payments of principal in respect of the Note Principal Amount to holders of the Notes out of (i) payments in respect of principal arising as a result of repayment at maturity or earlier as a result of an acceleration or prepayment of the Subordinated Loan received by the Lender from the Borrower and paid over to the Trust pursuant to the Participation and (ii) any payments of premium or other amounts payable in connection with any prepayment or repayment of the principal of the Subordinated Loan as provided in the Subordinated Loan Agreement. The Note Principal Amount is US$150,000,000. The Note Principal Amount will be due and payable in full, together with accumulated and unpaid Note Interest and other amounts due under the Indenture, on the same date as the maturity date for the Subordinated Loan, being July 27, 2021, to the extent the Notes have not been redeemed prior thereto as provided below under "—Redemption Events." No Event of Default under the Notes will occur in the event the Trust fails to receive payments from the Lender in respect of the Participation and amounts due in respect of the Note Principal Amount will be delayed until payments in respect of the principal amount of the Subordinated Loan are received by the Trust and paid over pursuant to the Indenture to the Indenture Trustee. The failure by the Trust to pay the Note Principal Amount when due and payable will not be an Event of Default under the Subordinated Loan Agreement.

Note Interest

The Indenture Trustee will make payments in respect of the Note Interest to holders of the Notes out of payments of interest on the Subordinated Loan received by the Lender from the Borrower and paid over to the Trust pursuant to the Participation on any day on which payments are received by the Trust. Note Interest will accumulate at 8.25% per annum (being the rate of interest payable on the Subordinated Loan) and will be calculated on the basis of a 360-day year consisting of twelve 30-day months. Note Interest will be payable semiannually in arrears on January 27 and July 27 of each year and on the Maturity Date for the Subordinated Loan, or, if such date is not a business day, the next succeeding business day, commencing on January 27, 2012. No default under the Notes will occur in the event the Trust fails to receive payments from the Lender in respect of the Participation and amounts due in respect of Note Interest will be delayed until payments in respect of interest on the Subordinated Loan are received by the Trust pursuant to the Participation and paid over pursuant to the Indenture to the Indenture Trustee. The failure by the Trust to pay any Note Interest when due and payable will not be an Event of Default under the Subordinated Loan Agreement. Payments of Note Interest will be made to the holders of the Notes of record on the related Record Date.

Source of Available Funds

As provided above, the Trust will pay all amounts due on or with respect to the Notes solely from the periodic payments it receives from the Lender under the Participation Agreement representing funds received by the Lender in respect of the Subordinated Loan Agreement, the Subordinated Loan and in respect of expenses, taxes and certain other amounts, the Expense Reimbursement and Indemnity Agreement.

Note Guarantee

General

Upon the receipt by the Borrower of the full amount of the Loan, the Bank, as guarantor (the "Guarantor") hereby absolutely, unconditionally and irrevocably guarantees to the Indenture Trustee, on behalf of the holders of the Notes (the "Note Guarantee") (i) the punctual payment of the Notes and (ii) the performance of all other obligations of the Trust under the Indenture and the Notes (net, in each case, any amounts paid by the Borrower in accordance with the Loan, whether or not those amounts have been paid to the Issuer or the Indenture Trustee in accordance with the terms of the Participation Agreement and the Indenture)(such obligations being the "Guaranteed Obligations"). The Guarantor will guarantee the full punctual payment when due, whether at the expected maturity date, by acceleration, redemption or otherwise, of the principal of, premium, if any, and interest, if any, on the Notes constituting Guaranteed Obligations and agrees to pay any and all expenses (including, without limitation, fees and expenses of counsel) incurred by the Indenture Trustee in enforcing any rights under this Guarantee or any other Transaction Document.

For the avoidance of doubt, in the event that the Borrower pays the Lender the amounts due and owing under the Subordinated Loan Agreement and the Lender fails to make the required payments to the Issuer pursuant to the Participation and the Participation Agreement, the Note Guarantee shall not be available with respect to such amounts.

The obligations of the Guarantor, in respect of the Note Guarantee will be limited to the maximum amount as will result in the obligations not constituting a fraudulent conveyance, fraudulent transfer or similar illegal transfer under applicable law.

The Guarantor's obligations under the Note Guarantee will be unsecured, and, in the event of the Borrower's bankruptcy, liquidation or dissolution under Guatemalan law (each, a bankruptcy event), will be subordinated obligations ranking:

- junior in right of payment to the payment of all the Bank's Senior Indebtedness;
- *pari passu* with all other unsecured and subordinated indebtedness of the Bank; and
- senior to the Borrower's capital stock and any other instrument which is expressly or effectively subordinated to the Subordinated Loan.

The Guarantor will waive the right to any defenses to which it may be entitled under applicable Guatemalan Law.

Payment

Pursuant to the Note Guarantee, in the event that the Borrower has not performed its obligations or the Issuer has not made payment to the Indenture Trustee under the Indenture, upon notice of such nonperformance or nonpayment by the Lender to the Guarantor, the Guarantor will make immediate payment of principal, interest or premium, if any, as is due and payable under the Notes, in favor of the Issuer and the noteholders.

The Guarantor's obligations under the Note Guarantee will remain in full force and effect until all the Guaranteed Obligations have been paid or satisfied in full. The Guarantor will agree that the Note Guarantee will continue to be effective or be reinstated, as the case may be, if at any time payment, or any part thereof, of principal of or interest on any of the guaranteed obligations is rescinded or must otherwise be returned by any noteholder upon the bankruptcy or reorganization of the Issuer or the Guarantor or otherwise.

All amounts payable by the Guarantor under the Note Guarantee shall be payable in cash at the direction of the Indenture Trustee. The Guarantor will not be relieved of its obligations under the Note Guarantee unless and until the Indenture Trustee shall have received all amounts required to be paid by the Borrower under the Subordinated Loan Agreement and in accordance with the Indenture.

Subrogation

Until such time as the holders of the Notes have irrevocably been paid in full all amounts owing under the Notes, the Guarantor shall not be entitled to be subrogated to any of the rights of the Indenture Trustee or any noteholder against the Issuer or any other person or any collateral security or guarantee or right of offset held by the Indenture Trustee or any noteholder for the payment of the Guaranteed Obligations, nor shall the Guarantor seek or be entitled to seek any contribution or reimbursement from the Issuer or any other person in respect of payments made by the Guarantor pursuant to the Note Guarantee. If any amount shall be paid to the Guarantor on account of such subrogation rights at any time when all of the Guaranteed Obligations shall not have been paid in full, such amount shall be held by the Guarantor in trust for the Indenture Trustee and the noteholders, segregated from other funds of the Guarantor, and shall, forthwith upon receipt by the Guarantor, be turned over to the Indenture Trustee in the exact form received by the Guarantor (duly indorsed by the Guarantor to the Indenture Trustee, if required), to be applied against the Guaranteed Obligations.

Continuation of the Guarantee

The Note Guarantee shall continue to be effective or be reinstated, as the case may be, if at any time any payment of all or any portion of the guaranteed obligations is rescinded or must otherwise be returned by the Indenture Trustee upon the insolvency, bankruptcy or reorganization of the Lender, the Trust, the Guarantor or the Borrower, all as though such payment had not been made.

The Note Guarantee and all rights related thereto will be assigned to, and continue in full force and effect for the benefit of, any person to whom the Indenture and the Notes are assigned. The covenants of the Borrower contained in the Subordinated Loan Agreement will be deemed made in the Note Guarantee by the Guarantor for the benefit of the Indenture Trustee.

Additional Amounts

The Guarantor will make all payments of amounts due under the Note Guarantee free of taxes in the same manner set forth under "The Subordinated Loan Agreement and Subordinated Loan – Additional Amounts" and "The Trust – Expense Reimbursement and Indemnity Agreement – Additional Amounts."

Events of Default

There are no events of default under the Note Guarantee. The Subordinated Loan Agreement, however, contains Events of Default relating to the Guarantor which may trigger an Event of Default and acceleration of the Subordinated Loan Agreement. Upon any such acceleration (including any acceleration arising out of the insolvency or similar events relating to the Guarantor), if the Borrower fails to pay all amounts then due under the Subordinated Loan Agreement, the Guarantor will be obligated to make a payment as described herein. See "The Subordinated Loan Agreement and Subordinated Loan – Events of Default"

Amendments

The Note Guarantee may only be amended and waived in accordance with its terms pursuant to a written document which has been duly executed and delivered by the Guarantor and the Lender acting at the written direction of, and/or counsel of, the Trust, itself acting pursuant to the direction or written consent of the Indenture Trustee or holders of the Notes as provided in the Indenture.

Governing Law

The Note Guarantee will be governed by the laws of the State of New York.

Jurisdiction

The Guarantor will consent to the non-exclusive jurisdiction of any court of the State of New York or any U.S. federal court sitting in the Borough of Manhattan in The City of New York, New York, United States and any appellate court from any thereof. The Guarantor has appointed CT Corporation System, 111 Eighth Avenue, New York, NY 10011, as its authorized agent upon which service of process may be served in any action or proceeding brought in any court of the State of New York or any U.S. federal court sitting in The City of New York in connection with the Note Guarantee.

Waiver of Immunities

To the extent that the Guarantor may, in any jurisdiction, claim for itself or its assets immunity from a suit, execution, attachment, whether in aid of execution, before judgment or otherwise, or other legal process in connection with the Note Guarantee (or the Subordinated Loan Agreement) and to the extent that in any jurisdiction there may be immunity attributed to the Guarantor or its assets, whether or not claimed, the Guarantor will irrevocably agree with the Indenture Trustee not to claim, and irrevocably waive, immunity to the full extent permitted by law.

Currency Rate Indemnity

The Guarantor will agree that, if a judgment or order made by any court for the payment of any amount in respect of any of its obligations under the Note Guarantee is expressed in a currency other than U.S. dollars, it will indemnify the Indenture Trustee, for the benefit of the holders of the Notes, against any deficiency arising from any variation in rates of exchange between the date as of which the denomination currency is notionally converted into the judgment currency for the purposes of the judgment or order and the date of actual payment. This indemnity will constitute a separate and independent obligation from the Guarantor's other obligations under the Note Guarantee, will give rise to a separate and independent cause of action, will apply irrespective of any waiver of such indemnity by the Lender under the comparable provisions of the Subordinated Loan Agreement (or waiver by the Lender of any other provisions of the Subordinated Loan Agreement or Note Guarantee) granted from time to time and will continue in full force and effect notwithstanding any judgment or order for a liquidated sum or sums in respect of amounts due in respect of the Subordinated Loan Agreement or under any such judgment or order.

Security

The Notes will be secured by a first priority perfected security interest in the Trust Assets and, by virtue of the same, the holders of the Notes will have recourse to be repaid amounts due on or in respect of the Notes solely to the Trust Assets and no person or entity, other than the Trust (subject to the limited recourse provisions described herein), shall have any liability in respect thereof. Upon the occurrence of an Event of Default under the Subordinated Loan and certain other circumstances described under "The Subordinated Loan Agreement and Subordinated Loan—Assignments," the Lender will have the right to assign the Subordinated Loan Agreement and the Subordinated Loan to the Trust outright and, as a result of the Trust's pledge of the Trust Assets, the holders of the Notes will succeed to a first priority security interest in the same in consideration of a release of any security interest in the Participation.

Further Issuances

The Indenture by its terms does not limit the aggregate principal amount of Notes that may be issued thereunder and permits the issuance, from time to time, of additional Notes of the same series as is being offered hereby; *provided*, *however*, that among other requirements (i) the Lender has made an additional disbursement under the Subordinated Loan equal to the aggregate face amount of the additional Notes to be issued, (ii) the Participation Agreement has been amended to reflect the additional disbursement, (iii) no Default or Event of Default under the Subordinated Loan Agreement shall have occurred and then be continuing or shall occur as a result of such additional issuance, (iv) such additional Notes rank *pari passu* with, and have equivalent terms and benefits as, the Notes offered hereby, and (v) each rating agency identified in writing to the Indenture Trustee that theretofore has rated the Notes has confirmed to the Indenture Trustee in writing, prior to the issuance of such additional Notes, that the issuance of such additional Notes will not result in a lowering or a withdrawal of the then existing rating of the Notes.

Such additional Notes under the Indenture shall have the same terms in all respects as the Notes except that interest will accrue on the additional Notes from their date of issuance, *provided*, *however*, that unless such additional Notes are issued under a separate CUSIP number, such additional Notes must be either part of the same "issue" within the meaning of U.S. Treasury Regulation Section 1.1275-1(f) or neither the Notes nor such additional Notes are issued with original issue discount for U.S. federal income tax purposes. The Notes offered hereby and any additional Notes would be treated as a single class for all purposes under the Indenture and will vote together as one class on all matters with respect to the Notes. For purposes of this "Description of the Notes," whether or not expressly stated, reference to the Notes includes additional Notes except as otherwise indicated.

Accounts

On or prior to the Closing Date, the Trust will establish a segregated trust account at the Indenture Trustee in the name of the Indenture Trustee (the "Loan Collection Account"). The Trust will deposit, or cause to be deposited (including pursuant to a request to the Lender), into the Loan Collection Account, so long as the Indenture Trustee has a security interest in the Trust Assets pursuant to the Indenture, all payments received by the Trust from the Lender under the Participation Agreement and any Additional Transaction Documents, including all periodic principal, interest and other payments received by the Trust in respect of the Participation representing funds received in respect of the principal, interest and other payments payable by the Borrower under the Subordinated Loan Agreement.

The Indenture Trustee will also establish and maintain a segregated trust account at the Indenture Trustee into which it will deposit any amounts allocated for payment in respect of the Notes received by the Trust in respect of the Participation and on deposit in the Loan Collection Account (the "Note Payment Account").

It is not expected that funds will remain on deposit in either the Loan Collection Account or the Note Payment Account for more than three business days and, as a result, neither the Declaration of Trust nor the Indenture provides for the investment of any such funds. In the event, for any reason it becomes necessary for funds on deposit in either the Loan Collection Account and/or the Note Payment Account to remain on deposit pending payment or distribution to the holders of the Notes, the Indenture Trustee shall invest such funds in overnight investments in The Bank of New York Deposit Reserve Account Fund, all as set forth in the Indenture, and all earnings thereon shall be distributed *pro rata* to the holders of the Notes when final payment in respect of principal on the Notes is made.

Payments on the Notes

Pursuant to the Indenture, on each date a payment in respect of principal, interest or other amounts is due on, or with respect to, the Notes (a "Note Payment Date"), the Trust will direct the Indenture Trustee in writing to withdraw all amounts then credited to the Loan Collection Account and apply such amounts in the following order of priority:

(i) *first*, to the Lender, the Administrative Agent, Indenture Trustee and any agents appointed pursuant to the Indenture in an amount equal to any due but unpaid amounts owing by the Borrower under the Expense Reimbursement Agreement in respect of fees and expenses to the extent the Borrower has not theretofore paid the same; and

(ii) *second*, the remainder to the Note Payment Account for application in accordance with the terms of the Indenture.

Pursuant to the Indenture, the Indenture Trustee, or such Paying Agent as the Trust shall appoint with respect to the Notes, will distribute the funds deposited into the Note Payment Account in the following order of priority, with the amount of each such distribution (and the components thereof) being determined by the Indenture Trustee:

(i) *first*, to each holder of Notes, its proportionate interest of the accumulated and unpaid Note Interest then due and payable in respect of the Notes held by such holder of Notes; and

(ii) *second*, to each holder of Notes, its proportionate interest of the Note Principal Amount then due and payable in respect of the Notes held by such holder of Notes.

The Indenture will provide that each holder of Notes will be deemed to assent and agree, by its acceptance of a Note, that it will promptly remit to the Indenture Trustee any excess payment it has received on the Notes.

Payment Procedures

Payments in respect of the Note Principal Amount and Note Interest will be made at the Corporate Trust Office of the Indenture Trustee in New York by the Indenture Trustee or at the specified offices of any Paying Agent appointed by the Trust for such purpose; provided, however, that so long as the Notes are held in the name of a nominee of DTC, the Indenture Trustee, or such Paying Agent, and will make such payments to DTC or its nominee, as the case may be, in accordance with DTC's applicable procedures. The Note Principal Amount of any Note, whether due on the Maturity Date or on the date of a Mandatory Note Redemption, will be payable only upon surrender of such Note at the Corporate Trust Office of the Indenture Trustee or at the specified offices of any Paying Agent appointed by the Indenture Trustee. All payments will be made to the holders of the Notes of record as of the Record Date applicable to such Note Interest Payment and payments of principal and interest due on the Maturity Date will be paid to holders of record as of the Maturity Date.

Payments with respect to any Note will be made by wire transfer in immediately available funds to the account of such holder of Notes at a bank or other entity having appropriate facilities therefor if such holder of Notes has notified the Indenture Trustee or the Paying Agent, as applicable, in writing of wire instructions by the Record Date immediately prior to the applicable Note Payment Date. If a holder of the Notes does not provide the Indenture Trustee or the Paying Agent, as applicable, with such wire transfer instructions, the Indenture Trustee or the Paying Agent, as applicable, will make payments by U.S. dollar check to the mailing address of such holder of the Notes appearing in the note register maintained by the registrar. Until revoked in writing, such instructions will remain in effect with respect to any future payments payable to such holder of the Notes with respect to such Notes.

If the due date for payment of the Note Principal Amount in respect of any Note is not a business day at the place in which such Note is presented for payment, the holder thereof will not be entitled to payment of the amount due until the next succeeding business day at such place and will not be entitled to any further interest or other payment in respect of any such delay.

The Indenture will provide that any funds deposited with the Indenture Trustee or any Paying Agent in trust for the payment of the Note Principal Amount and Note Interest on any Note and remaining unclaimed for two years after such Note Principal Amount and Note Interest have become due and payable will be paid to the Trust, and the holder of such Notes will thereafter look only to the Trust for payment thereof, and all liability of the Indenture Trustee or such Paying Agent with respect to such funds will thereupon cease.

Redemption Events

General

The Notes shall be subject to mandatory redemption upon the occurrence of any optional prepayment by the Borrower of the amounts outstanding from time to time under the Subordinated Loan Agreement and the Subordinated Loan due to the occurrence of a Special Event Prepayment under the Loan Agreement (a "Special Event Mandatory Note Redemption"). The Notes will also be subject to mandatory redemption upon the occurrence of any acceleration of amounts due under the Loan Agreement as a result of the occurrence and continuation of an Event of Default (an "Acceleration Mandatory Note Redemption" and, together with any Special Event Mandatory Note Redemptions, the "Mandatory Note Redemptions"). The Notes will mature on the Maturity Date.

In the case of a Mandatory Note Redemption, upon the Trust informing the Indenture Trustee of the same, the Trust will effect a mandatory redemption on the Notes or offer the holders of the Notes the right to require the Trust to repurchase all or a portion of the Notes held by such holder, in each case as described below.

Upon the occurrence of a Mandatory Note Redemption and payment by the Borrower to the Lender of the applicable prepayment or repayment amounts as provided for under "The Subordinated Loan Agreement and Subordinated Loan" (a "Redemption Amount"), the Lender shall promptly pay over the amounts so received from the Borrower for deposit to the Loan Collection Account for the benefit of the Trust and, as provided herein, the Indenture Trustee on behalf of the holders from time to time of the Notes. Upon receipt of the same, the Trust, consistent with the requirements of applicable Cayman, United States and other law, shall mandatorily redeem the Notes (the "Mandatory Redemption"). Such Mandatory Redemption by the Trust of the Notes (or the applicable portion thereof) shall be accomplished by the Trust sending to each holder of Notes on the applicable record date (which shall be the date that is five days after receipt of the prepayment amount from the Borrower, a notice of the reason for the redemption sent by the Borrower to the Lender and the Administrative Agent pursuant to the Loan Agreement and forwarded to the Trust and the expected amount of Notes to be mandatorily redeemed and the applicable redemption price payable per US$1,000 principal amount of the Notes.

Notwithstanding anything herein to the contrary, the funds available to be used to so mandatorily redeem the Notes shall be limited to funds in respect of the prepayment or repayment amount actually received in the Loan Collection Account by the Trust from the Lender following receipt of the same from the Borrower. To the extent amounts are due and owing and unpaid, there may be an Event of Default under the Subordinated Loan Agreement.

Acceptance of the Subordinated Loan by the Trustee

Under the Subordinated Loan, the Lender has reserved the right to assign all of its rights under the Subordinated Loan Agreement, the Subordinated Loan and the Expense Reimbursement and Indemnity Agreement outright without the consent of the Borrower to (i) the Trust or the Indenture Trustee upon the occurrence of a Default or an Event of Default on the Subordinated Loan or (ii) to the Trust upon a determination that it is required to take any action which would violate or cause it or any of its Affiliates to violate any Applicable Law or any provision of the Credit Documents, in which event, after giving Borrower notice of the same, the Lender will have no further obligations with respect to any of the foregoing. See "Subordinated Loan Agreement and Subordinated Loan—Assignments". In such event, the Trust or the Indenture Trustee, as applicable, will succeed to all rights of the Lender under the Subordinated Loan Agreement, the Subordinated Loan and the Expense Reimbursement and Indemnity Agreement pursuant to the pledge of the Trust Assets contemplated in the Indenture. In the event that the Trust succeeds to all rights of the Lender under the foregoing, the Indenture Trustee, acting pursuant to the written instructions of the Required Holders (as defined below), shall have the right to direct the Trust with respect to all matters relating to the Subordinated Loan Agreement and the Subordinated Loan as contemplated below under "—Voting Rights."

To facilitate the assignment and distribution of the Subordinated Loan Agreement, the Subordinated Loan and the Expense Reimbursement and Indemnity Agreement to the Trust and by the Trust to the Indenture Trustee on behalf of the holders of the Notes, each holder of the Notes will be deemed, by its purchase of a Note, to consent to any subsequent assignment to the Trust of all or any portion of the Subordinated Loan Agreement, the Subordinated Loan and the Expense Reimbursement and Indemnity Agreement to, or for the benefit of, such holder of the Notes. See "Notice to Investors" for the representations that each holder of the Notes will make as an assignee pursuant to such form of assignment and acceptance, and upon assignment interest payment may become subject to withholding tax.

Voting Rights

General

The holders of the Notes will have the right (unless otherwise specifically provided in the Indenture) to direct the time, method and place of conducting any proceeding for any remedy available to the Indenture Trustee, or vote or direct the exercise of any trust or power conferred upon the Indenture Trustee under the Indenture, subject to the requirements that a tax opinion of United States nationally recognized outside tax counsel experienced in such matters to the effect that following such action, the Trust will not be classified as an association (or a publicly traded partnership) taxable as a corporation for U.S. federal income tax purposes. Unless otherwise specified in the Indenture, all action to be taken by the holders of the Notes shall require the consent of holders of Notes holding more than 50% of the outstanding principal amount of the Notes (the "Required Noteholders"). For purposes of determining whether the holders of the Notes have taken any action authorized by the Indenture with respect to giving instructions, consents or approvals, or with respect to any other matter, any Notes actually known by a trust officer of the Indenture Trustee to be directly or indirectly owned by the Borrower or any of their respective affiliates, will be disregarded and not deemed to be outstanding.

Voting Rights With Respect to the Participation

Promptly upon receipt by the Trust of written notice from the Lender or the Borrower of any action upon which the Trust is entitled to exercise a right or remedy under the Subordinated Loan Agreement or the Subordinated Loan pursuant to the Participation Agreement, the Trust will send written notification to the Indenture Trustee, and the Indenture Trustee will within five business days of the receipt of such notice from the Trust thereupon send to each holder of the Notes, a copy of such notice that will contain (i) a statement that the holders of the Notes at the close of business on a specified record date will be entitled, subject to any applicable provision of law or of the Indenture, to direct the Trust (and, indirectly, the Lender) as to the exercise of such right or remedy and (ii) a brief statement as to the manner in which such specific directions may be given. Any notice that is given in the manner provided in the Indenture to a holder of the Notes will be conclusively presumed to have been duly given, whether or not the holder of the Notes receives such notice.

With respect to the exercise of any right or remedy under the Subordinated Loan Agreement or the Subordinated Loan that requires the consent of the Lender, upon receipt by the Trust of specific written direction from the Required Noteholders approving the exercise of such right or remedy, the Trust will promptly notify the Lender that it consents to such exercise and, to the extent necessary, the Lender shall so inform the Borrower subject to such limitations on the obligation of the Lender to take action, or refrain from taking action, as are specified in "The Participation Agreement—Administration of the Participation."

The Indenture Trustee and the Trust will not take any such action in accordance with the directions of the holders of the Notes unless they have obtained an opinion of United States nationally recognized outside tax counsel experienced in such matters to the effect that such action will not result in the Trust being classified as an association (or a publicly traded partnership) taxable as a corporation for U.S. federal income tax purposes.

Modification of the Subordinated Loan Agreement and the Transaction Documents

Amendment with Consent of Holders

The Lender will provide written notice to the Trust and the Trust will provide written notice to the Indenture Trustee promptly of any and all matters relating to the Transaction Documents, including any request by the Borrower for amendment, waiver or consent or any other affirmative action with respect to the Borrower and the Transaction Documents and at least ten business days prior to effectiveness of any such amendment, waiver or consent. Notwithstanding anything to the contrary therein, the Lender shall not agree to any modification of the terms of the Transaction Documents to which it is a party without having first received directions from the Trust, acting upon and as a result of the pledge described herein and the directions of the Indenture Trustee, acting upon the instructions of all the holders of outstanding Notes or the Required Holders, except as set forth below and under "– Amendments to Transaction Documents without Consent of Holders."

However, no modification of any Transaction Documents may be made, without the consent or without the direction of the holder of each outstanding Note that would or, whose effect would be to:

- change the maturity of any payment of principal of or any installment of interest on any Note;
- reduce the principal amount or the rate of interest, or change the method of computing the amount of principal, interest or Additional Amounts, payable under any Transaction Document on any date;
- change any place of payment where the principal of or interest under any Transaction Document is payable;
- change the coin or currency in which the principal of or interest under any Transaction Document is payable;
- impair the right of the holders of the Notes to institute suit for the enforcement of any payment on or after the date due;

- release the security interest in the Trust Assets created under the Indenture or waive any of the payment obligations of the Trust that would otherwise be payable to the holders of the Notes;

- reduce the percentage in principal amount of the outstanding Notes, the consent of whose holders is required for any modification or the consent of whose holders is required for any waiver of compliance with certain provisions of the Indenture; or

- modify any of the provisions of certain sections of the Indenture except to increase any percentage or to provide that certain other provisions of the Indenture cannot be modified or waived without the consent of each holder of the Notes.

Following the receipt of the consent of the holder of each outstanding Note to any of the above, the Trust may amend the Transaction Documents to which it is a party and the Borrower may amend the Loan Agreement subject to the procedures described above.

"Transaction Documents" means the Notes, the Indenture, the Subordinated Loan Agreement, the Promissory Note (as defined in the Subordinated Loan Agreement), the Participation Agreement and the Expense Reimbursement and Indemnity Agreement.

Amendments to Transaction Documents Without Consent of Holders

Notwithstanding the foregoing, the Borrower, the Lender, the Trust and the Indenture Trustee are permitted to amend or modify any Transaction Document without the direction of the holders of the Notes (i) to cure any ambiguity; (ii) to correct or supplement any provision in the Indenture, Subordinated Loan Agreement and the Additional Transaction Documents or in any amendment thereto that may be defective or inconsistent with any other provision of the Transaction Documents or in any amendment to the Transaction Documents; (iii) to conform to any change in the Investment Company Act or securities law or any change in interpretation or application of the rules and regulations promulgated thereunder by any legislative body, court, government agency or regulatory authority; (iv) to modify, eliminate or add to any provisions of the Transaction Documents to such extent as shall be necessary to ensure that the Trust will not be classified as an association (or a publicly traded partnership) taxable as a corporation for U.S. federal income tax purposes; (v) to modify, eliminate and add to any provision of the Transaction Documents to such extent as may be necessary or desirable; *provided* that such amendments do not have an adverse effect on the rights, preferences or privileges of the Trust and, to the extent applicable, the Indenture Trustee and the holders of the Notes under the Transaction Documents; or (vi) to make such other provisions in regard to matters or questions arising under the Transaction Documents as the Trust and, to the extent applicable, the Indenture Trustee and the holders of the Notes may deem necessary or desirable and which will not adversely affect the interests of the Trust and, to the extent applicable, the Indenture Trustee and the holders of the Notes thereunder.

Notwithstanding the foregoing, the Trust has agreed in the Indenture that it shall not amend or waive or instruct the Lender to amend or waive any provision of the Subordinated Loan Agreement or any Additional Transaction Document unless it has obtained an opinion of a United States nationally recognized outside tax counsel experienced in such matters to the effect that following such amendment, the Trust will not be classified as an association (or a publicly traded partnership) taxable as a corporation for U.S. federal income tax purposes.

Prior to the execution of any amendment to any Transaction Document, the Trust and the Indenture Trustee will be entitled to receive an opinion of counsel as to whether such amendment is permitted by, and conforms to the requirements of, the Indenture or such other additional Transaction Document, as applicable, and any conditions precedent to such amendment shall have been satisfied.

As long as the Notes are listed on the Luxembourg Stock Exchange and the rules of the Luxembourg Stock Exchange so require, the Trust, or any person acting on behalf of the Trust, will notify the Luxembourg Stock Exchange of any modification or supplement to the Indenture.

Limitations on Remedies

The obligations of the Trust under the Notes and the Indenture are limited recourse obligations of the Trust, payable solely from the Trust Assets. The Trust will not sell or otherwise dispose of the Participation without the consent of all of the holders of the Notes and payment of all amounts owing to the Indenture Trustee, Administrative Agent, and agents appointed pursuant to the Indenture. Following realization or collection of the Trust Assets and application of proceeds thereof in accordance with the terms of the Indenture, none of the holders of the Notes, the Indenture Trustee, the Trust (including the Industrial Cayman Trustee), the Lender or any of the other parties to the Additional Transaction Documents will be entitled to take any further action to recover any sums due but remaining unpaid thereunder and all claims in respect of which will be extinguished.

No Personal Liability

The Trust will represent and warrant in the Indenture that the Trust is the legal and beneficial owner of the Participation and other Trust Assets free and clear of all liens and the Trust (including the Industrial Cayman Trustee) has not made any other representation or warranty of any kind and neither the Trust nor the Indenture Trustee will assume responsibility with respect to (i) any statements, representations or warranties made by the Borrower in or in connection with the Subordinated Loan Agreement, the Subordinated Loan and the Expense Reimbursement and Indemnity Agreement or this offering memorandum, including the accuracy or completeness of the information set forth herein or in any other document used in connection therewith or herewith, (ii) the execution, legality, validity, enforceability, genuineness, sufficiency or value of any of the Subordinated Loan Agreement and the Subordinated Loan, (iii) the financial condition of the Borrower or any of its subsidiaries or affiliates or any other person for the performance or observance by any such person of any of its obligations under any of the Additional Transaction Documents entered into in connection with the issuance of the Notes or the making of the Subordinated Loan or any instrument or document furnished pursuant thereto or (iv) legality of the sale of the Notes for the effects of such sale.

In addition, there will be no recourse for the payment of any amount owing in respect of the Notes against any trustee, officer, director, employee or shareholder of the Trust, the holders of the Notes, the Indenture Trustee, the Industrial Cayman Trustee, the Lender, the Initial Purchaser, the Administrative Agent or any of their respective affiliates, any of their respective directors, officers, employees, agents or representatives, or any of their successors or assigns for any amounts payable under the Notes or the Indenture. Each holder of the Notes by accepting a Note waives and releases all such liability. The waiver and release are part of the consideration for issuance of the Notes. Neither the Industrial Cayman Trustee (other than in its capacity as trustee and subject to the limited recourse provisions described herein) or the Indenture Trustee nor any successor trustee will be personally liable under any circumstances, except for its own bad faith, willful misconduct or gross negligence (as conclusively determined by a court of competent jurisdiction) or as otherwise provided in the Indenture.

Additional Amounts

Pursuant to the Expense Reimbursement and Indemnity Agreement, subject to certain limitations as further described under "The Trust—Expense Reimbursement and Indemnity Agreement—Additional Amounts," in the event that the laws of Guatemala, the United States, the Cayman Islands, Luxembourg, or any other jurisdiction from which payments are made by the Borrower, Lender, Trust, the Enforcer or any paying agent of the foregoing in respect of the Notes, including in each case, any political subdivision thereof, impose any withholding or similar tax on payments or distributions by the Trust to the holders of the Notes on amounts received by the Trust, indirectly or directly from the Lender, the Borrower or certain other taxes, then upon notice by the Trust to the Lender and by the Lender to the Borrower, the Borrower shall make additional payments to the Trust, for payment over to the Indenture Trustee on behalf of the holders of the Notes, in an amount sufficient to provide the holders of the Notes with aggregate amounts equal to the amounts that the holders of the Notes would have received had no such taxes been imposed (taking into account any taxes imposed on such Additional Payments). See "The Trust – Expense Reimbursement and Indemnity Agreement."

The Trust will comply with all applicable withholding tax requirements (including, without limitation, any United States backup withholding tax requirements). The holders of the Notes will be obligated to provide the Trust with such forms or other documentation necessary to establish an exemption from withholding and backup withholding tax with respect to each holder of the Notes, and any representations, forms and documents as shall reasonably be requested by the Trust to assist it in determining the extent of, and in fulfilling, its withholding and backup withholding tax obligations, which shall include applicable IRS Form W-8 and W-9 as discussed under "Taxation — U.S. Federal Income Tax Matters." The Trust will file (or cause to be filed) any required forms with all applicable tax authorities and, unless an exemption from withholding and backup withholding tax is properly established by a holder of the Notes, will remit amounts withheld with respect to the holder of the Notes to the applicable tax authorities. Under the Participation Agreement and Expense Reimbursement and Indemnity Agreement, subject to certain exceptions, the Trust shall receive payments of certain additional amounts in respect of any such taxes in an amount sufficient to provide the holders of the Notes with aggregate amounts equal to the amounts that such holders would have received had no such tax been imposed. The Trust will provide required notifications under the terms of the Indenture that such additional amounts are payable and promptly upon receipt thereof, will cause such additional amounts to be paid over to holders of the Notes in the manner described above.

Covenants

For so long as any of the Notes are outstanding and the Trust has obligations under the Indenture and the Notes, the Trust will comply with the terms of the covenants set forth below:

Payment Obligations under the Notes and the Indenture

The Trust shall duly and punctually pay all amounts owed by it, and comply with all its other obligations, under the terms of the Notes and the Indenture.

Performance Obligations under the Additional Transaction Documents

The Trust will agree to duly and punctually perform, comply with and observe all obligations and agreements to be performed by it set forth in the Indenture, the Notes, the Participation Agreement, the Expense Reimbursement and Indemnity Agreement and the DTC letter of representations.

Maintenance of Approvals

The Trust will duly obtain and maintain in full force and effect all governmental approvals, consents or licenses of any governmental authority under the laws of the Cayman Islands or any other jurisdiction having jurisdiction over it, its business or the transactions contemplated herein, as well as of any third party under any agreement to which the Trust may be subject, in connection with its execution, delivery and performance of the Additional Transaction Documents, to which it is a party (including, without limitation, any authorization required to obtain and transfer U.S. dollars or any other currency which at that time is legal tender in the United States out of the Cayman Islands in connection with the Notes, the Indenture, the Participation Agreement and the Declaration of Trust) or validity or enforceability thereof.

Maintenance of Books and Records

The Trust will maintain books, accounts and records as may be necessary to comply with all applicable laws and to enable its financial statements to be prepared, and it will allow the Indenture Trustee access to those books, accounts and records at reasonable times.

Maintenance of Office or Agency

The Trust will maintain an agent in New York County, where notices to and demands upon the Trust in respect of the Indenture and the Notes may be served. Initially this office will be at the offices of CT Corporation System located at 111 Eighth Avenue, New York, NY 10011, and the Trust will agree not to change the designation of such office without prior notice to the Indenture Trustee and designation of a replacement office in the same general location.

Notice of Certain Events

Subject to receiving notice from the Lender, the Trust will give notice to the Indenture Trustee, promptly and in any event within ten calendar days after the Trust becomes aware, of the occurrence of any Event of Default under the Subordinated Loan Agreement, accompanied by a certificate setting forth the details, if any, received by the

Lender from the Borrower with respect to such Event of Default stating what action the Borrower has proposed to take with respect thereto.

Maintenance of Existence

The Industrial Cayman Trustee will maintain in effect the existence of the Trust and all registrations necessary therefor and take all actions to maintain all rights, privileges, titles to property, franchises and the like necessary or desirable in the normal conduct of its business, activities or operations; *provided*, *however*, that this covenant shall not require the Industrial Cayman Trustee to maintain any such right, privilege, title to property, franchise or the like of the Trust, if the failure to do so does not, and will not, have a material adverse effect on the Trust or have a material adverse effect on the rights of the holders of the Notes.

Consolidations, Merger, Conveyance or Transfer

The Trust will not establish or acquire any subsidiaries or in one or a series of transactions, consolidate or amalgamate with or merge into any other person or convey, lease or transfer either all or substantially all of its properties or assets or substantially all of its properties, assets and liabilities to any other person or permit any person to merge with or into it or acquire any assets of any kind other than the Trust Assets.

Negative Pledge

The Trust will not grant any lien, pledge, charge, security interest or encumbrance of any kind or nature on any of the Trust Assets except as described under the Indenture.

Compliance with Laws

The Trust will comply at all times with all applicable laws, rules, regulations, orders and directives of any government or government agency or authority having jurisdiction over the Trust, the Trust's business or any of the transactions contemplated herein, except where the failure by the Trust to comply would not have a material adverse effect on the Trust or have a material adverse effect on the rights of the holders of the Notes.

Limitation on Nature of Business

The Trust will not be permitted to engage in any lines of business other than (i) holding the Participation and issuing the Notes and other matters described under "The Trust—Purpose and Powers" and (ii) those matters that are reasonably related and ancillary to the ownership of, and enforcement of the Trust's rights with respect to, the same.

Payments of Taxes and Other Claims

Subject to reimbursement by the Borrower under the Expense Reimbursement and Indemnity Agreement, the Trust will pay or discharge or cause to be paid or discharged, before the same shall become delinquent, all taxes, assessments and governmental charges levied or imposed upon the Trust; *provided*, *however*, that the Trust will not be required to pay or discharge or cause to be paid or discharged any such tax, assessment, charge or claim whose amount, applicability or validity is being contested in good faith and, if appropriate, by appropriate legal proceedings or where the failure to do so would not have a material adverse effect on the Trust or have a material adverse effect on the rights of the holders of the Notes.

Ranking

The Trust will ensure that the Notes will constitute general senior, unsubordinated obligations of the Trust and will rank *pari passu,* without any preferences among themselves, with all other present and future obligations of the Trust (other than obligations preferred by statute or by operation of law).

Limitations on Sale and Lease-Back Transactions

The Trust will not enter into any sale and lease-back transaction with respect to any of the Trust Assets.

No Liquidation or Termination without Consent

To the extent applicable, the Industrial Cayman Trustee shall not terminate or commence a voluntary case or other proceeding seeking liquidation, reorganization or other relief with respect to itself or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect, or seek the appointment of a trustee, receiver, liquidator, custodian or other similar official of it or any substantial part of its property, or consent to any such relief or to the appointment of or taking possession by any such official in an involuntary case or other proceeding commenced against it, or make a general assignment or conveyance for the benefit of creditors, or take any corporate action to authorize any of the foregoing without the unanimous consent of the holders of the Notes. Insofar as the Trust operates through the Industrial Cayman Trustee, the Industrial Cayman Trustee will agree to refrain from taking any of the foregoing actions unless and until a successor trustee has assumed the obligations of the Industrial Cayman Trustee with respect to the Trust, including any obligations under the Transaction Documents.

Notice of Event of Default

Promptly, and in any event, within ten business days after a responsible officer of the Trust, acting on behalf of the Trust, has actual notice of an Event of Default under the Subordinated Loan, the Trust will furnish written notice of the same to the Indenture Trustee, specifically stating the event or condition that caused the Event of Default, specifically stating that such event or condition has occurred and describing it and any action being or proposed to be taken by the Borrower with respect thereto. Upon receipt of such notice from the Trust, the Indenture Trustee will promptly mail such notice to the holders of the Notes.

Provision of Financial Statements and Reports

For as long as the Notes are "restricted securities" within the meaning of Rule 144(a)(3) under the Securities Act, the Trust will, to the extent required, furnish to any holder of Notes holding an interest in a Restricted Global Note, or to any prospective purchaser designated by such holder of Notes, upon request of such holder of Notes, financial and other information described in paragraph (d) (4) of Rule 144A with respect to the Trust to the extent required in order to permit such holder of Notes to comply with Rule 144A with respect to any resale of its Note, unless during that time, the Trust is subject to the reporting requirements of Section 13 or 15(d) of the Exchange Act, or is exempt from reporting pursuant to Rule 12g3-2(b) under the Exchange Act and no such information about the Trust is otherwise required pursuant to Rule 144A. Pursuant to the Expense Reimbursement and Indemnity Agreement, the Borrower has agreed to provide the Lender and the Trust with comparable information to the extent the holders of the Notes require the same in order to resell their Notes in compliance with Rule 144A.

In addition, in the event the Trust shall be required under the law of the Cayman Islands to prepare any financial statements or reports or shall publish or otherwise make such statements or reports publicly available, the Trust shall promptly furnish a copy of such statements or reports to the Indenture Trustee for delivery to the holders of the Notes. It is not expected that the Trust will prepare any such financial statements and reports under Cayman Islands law and the only reports or information to be furnished by the Trust to the Indenture Trustee will be reports, financial statements or other materials provided for under the Indenture and reports, financial statements and other materials relating to the Borrower, the Subordinated Loan Agreement and the Subordinated Loan as are received by the Lender and furnished to the Trust pursuant to the Participation Agreement.

No Events of Default; No Acceleration

There are no events of default under the Notes. The Subordinated Loan Agreement, however, contains events which may trigger an Event of Default and acceleration of the Subordinated Loan Agreement and Subordinated Loan

Purchase

The Borrower and its respective affiliates may at any time and from time to time purchase any Note in the open market or otherwise at any price, but any such Note shall not be treated as outstanding for purposes of any vote to be taken by the holders of the Notes under the Indenture or otherwise, except in the circumstances described in "—Voting Rights."

Defeasance and Covenant Defeasance

The Notes are not subject to defeasance or covenant defeasance.

The Indenture Trustee

The Bank of New York Mellon is the Indenture Trustee under the Indenture and has been appointed by the Trust as registrar and paying agent with respect to the Notes. The Industrial Cayman Trustee, the Trust and the Indenture Trustee may have normal banking relationships with the Borrower in the ordinary course of business. The address of the Indenture Trustee is 101 Barclay Street, 4E, New York, New York 10286.

Paying Agents; Transfer Agents; Registrars

The Trust has initially appointed The Bank of New York Mellon as paying agent, registrar and transfer agent. The Trust may at any time appoint new paying agents, transfer agents and registrars. However, the Trust will at all times maintain a paying agent in New York City until the Notes are paid. The Trust will maintain a paying agent and transfer agent in Luxembourg to the extent required to do so or desirable in connection with the listing of the Notes on the Luxembourg Stock Exchange. The Trust will provide prompt notice of the termination, appointment or change in the office of any paying agent, transfer agent or registrar acting in connection with the Notes.

Listing

The Trust has made an application to list the notes on the Official List of the Luxembourg Stock Exchange and it has made an application for admission to trading on the Euro MTF market of the Luxembourg Stock Exchange.

So long as the notes are listed on the Luxembourg Stock Exchange, the Trust will satisfy any reporting requirement of such exchange, provided that if the Trust deems such requirements to be unduly burdensome it may delist from such exchange and seek to list the notes with an alternative exchange.

Notices

The Trust will publish notices in a leading daily newspaper of general circulation in Luxembourg, which is expected to be the *Luxemburger Wort*, for so long as the Notes are listed on the Luxembourg Stock Exchange and the rules of the Luxembourg Stock Exchange so require. A notice will be deemed given on the date of its first publication.

The Trust will also mail notices to the registered address of the holders of the Notes as provided in the register. So long as DTC, or its nominee, is the registered holder of the Global Notes, each person owning a beneficial interest in a Global Note must rely on the procedures of DTC to receive notices provided to DTC. Each person owning a beneficial interest in a Global Note who is not a participant in DTC must rely on the procedures of the participant through which the person owns its interest in the Global Note to receive notices provided to DTC.

Governing Law

The Notes will be governed by the laws of the State of New York.

ISSUANCE, FORM AND DENOMINATION

General

The Notes are being offered and sold in this initial offering (1) in the United States solely to investors that are both QIBs under Rule 144A under the Securities Act who are also Qualified Purchasers as defined in Section 2(a)(51)(A) of the Investment Company Act ("Qualified Purchasers") or (2) in offshore transactions to persons other than U.S. persons, as defined in Regulation S under the Securities Act, in reliance on Regulation S. Following this offering, the Notes may be sold:

- to investors that are both QIBs under Rule 144A and Qualified Purchasers under the Investment Company Act;
- to non-U.S. persons outside the United States in reliance on Regulation S; and
- under other exemptions from, or in transactions not subject to, the registration requirements of the Securities Act, so long as any such transferee that is a U.S. person is also a Qualified Purchaser, as described under "Notice to Investors."

The Notes will be issued on the Closing Date only against payment in full in immediately available funds.

The Notes will be issued in registered form without interest coupons. No Notes will be issued in bearer form. The Notes will be issued in minimum denominations of US$100,000 and in integral multiples of US$1,000 in excess thereof.

Book-Entry, Delivery and Form

Notes offered and sold to QIBs who are also Qualified Purchasers in reliance on Rule 144A under the Securities Act will be represented by a single, permanent global note in definitive, fully registered form (the "Restricted Global Note") which will be registered in the name of a nominee of DTC and deposited on behalf of the purchasers of the Notes represented thereby with a custodian for DTC for credit to the respective accounts of such purchasers (or to such other accounts as they may direct) at DTC.

Notes offered and sold in reliance on Regulation S will be represented by a single, permanent global note in definitive, fully registered form (the "Regulation S Global Note" and, together with the Restricted Global Note, the "Global Notes") which will be registered in the name of a nominee of DTC and deposited on behalf of the purchasers of the Notes represented thereby with a custodian for DTC for credit to the respective accounts of such purchasers (or to such other accounts as they may direct) at Euroclear or Clearstream.

Except as set forth below, the Global Notes may be transferred, in whole and not in part, only to another nominee of DTC or to a successor or its nominee. Beneficial interests in the Global Notes may not be exchanged for Notes in certificated form except in the limited circumstances described below. See "—Exchange of Global Notes for Certificated Notes."

The Notes (including beneficial interests in the Global Notes) will be subject to certain restrictions on transfer and will bear restrictive legends as described under "Notice to Investors." In addition, transfers of beneficial interests in the Global Notes will be subject to the applicable rules and procedures of DTC and its direct or indirect participants, which may change from time to time.

Depositary Procedures

The following description of the operations and procedures of DTC is provided solely as a matter of convenience. These operations and procedures are solely within the control of DTC and are subject to changes from time to time. Neither the Trust nor the Indenture Trustee takes any responsibility for these operations and procedures and urges investors to contact DTC or its participants directly to discuss these matters.

The Trust understands that DTC is a limited purpose trust company organized under the laws of the State of New York, a "banking organization" within the meaning of New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code and a "clearing agency" registered pursuant to the provisions of Section 17A of the Exchange Act. The Trust further understands that DTC was created to hold securities for its Participants and facilitate the clearance and settlement of securities transactions between participants through electronic book-entry changes in accounts of its Participants, thereby eliminating the need for physical movement of certificates. Participants include securities brokers and dealers, banks, trust companies and clearing corporations and certain other organizations ("Participants"). The Trust further understands that indirect access to the DTC system is available to others such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a Participant, either directly or indirectly ("Indirect Participants").

Persons who are not DTC Participants may beneficially own securities held by or on behalf of DTC only through the DTC Participants or the Indirect DTC Participants. The ownership interests in, and transfers of ownership interests in, each security held by or on behalf of DTC are recorded on the records of the DTC Participants and the Indirect DTC Participants.

DTC has also advised the Trust that, pursuant to procedures established by it, (i) upon deposit of the Global Notes, DTC will credit the accounts of the DTC Participants designated by the Initial Purchasers with portions of the face amount of the Global Notes and (ii) ownership of such interests in the Global Notes will be shown on, and the transfer of ownership thereof will be effected only through, records maintained by DTC (with respect to the DTC Participants) or by the DTC Participants and the Indirect DTC Participants (with respect to other owners of beneficial interests in the Global Notes).

Except as described below, owners of interests in the Global Notes will not have Notes registered in their names, will not receive physical delivery of Notes in certificated form and will not be considered the registered owners or holders of the Notes thereof under the Indenture for any purpose.

Payments in respect of the Note Principal Amount, Note Interest or other amounts on the Global Notes will be payable to DTC (or its nominee) in its capacity as the registered holder under the Indenture. Under the terms of the Indenture, the Trust and the Indenture Trustee will treat the persons in whose names the Notes, including the Global Notes, are registered as the owners thereof for the purpose of receiving such payments and for any and all other purposes whatsoever. Consequently, none of the Trust, the Indenture Trustee or any agent of any of the same has or will have any responsibility or liability for (i) any aspect of DTC's records or any DTC Participant's or Indirect DTC Participant's records relating to, or payments made on account of, beneficial interest in the Global Notes, or for maintaining, supervising or reviewing any of DTC's records or any DTC Participant's or Indirect DTC Participant's records relating to the beneficial interests in the Global Notes or (ii) any other matter relating to the actions and practices of DTC or any DTC Participants or Indirect DTC Participants. DTC has advised the Trust that its current practice, upon receipt of any payment in respect of securities such as the Global Notes (including payment of the Note Principal Amount and Note Interest), is to credit the accounts of the relevant DTC Participants with the payment on each Note Payment Date, in amounts proportionate to their respective holdings in the Note Principal Amount of beneficial interest in the relevant security as shown on the records of DTC or its nominee unless DTC has reason to believe it will not receive payment on such Note Payment Date. Payments by the DTC Participants and the Indirect DTC Participants to the beneficial owners of Notes will be governed by standing instructions and customary practices and will be the responsibility of the DTC Participants or the Indirect DTC Participants and will not be the responsibility of DTC, the Trust or the Indenture Trustee. None of the Trust, the Industrial Cayman Trustee or Indenture Trustee will be liable for any delay by DTC or any DTC Participants in identifying the beneficial owners of the Notes, and the Trust and the Industrial Cayman Trustee may conclusively rely on and will be protected in relying on instructions from DTC or its nominee for all such purposes.

Subject to the transfer restrictions set forth under "Notices to Investors," transfers between DTC Participants will be effected in accordance with DTC's procedures, and will be settled in same-day funds. Transfers between participants in Euroclear and Clearstream will be effected in the ordinary way in accordance with their respective rules and operating procedures.

Before the 40th calendar day after the later of the commencement of the offering of the Notes and the issue date, transfers by an owner of a beneficial interest in the Regulation S Global Note to a transferee who takes delivery of such interest through the Restricted Global Note will be made only in accordance with the applicable procedures and upon receipt by the Indenture Trustee of a written certification form, denomination and registration from the transferor in the form provided in the Indenture to the effect that such transfer is being made to a person whom the transferor reasonably believes is a QIB and a Qualified Purchaser in a transaction meeting the requirements of Rule 144A.

Transfers by an owner of a beneficial interest in the Restricted Global Note to a transferee who takes delivery of such interest through the Regulation S Global Note, whether before, on or after the 40th calendar day referred to above, will be made only upon receipt by the Indenture Trustee of a certification to the effect that such transfer is being made in accordance with Regulation S.

Any beneficial interest in a Global Note that is transferred to a person who takes delivery in the form of an interest in the other Global Note will, upon transfer, cease to have an interest in the first Global Note and become an interest in the other Global Note and, accordingly, will thereafter be subject to all transfer restrictions, if any, and other procedures applicable to beneficial interests in such other Global Note.

Subject to compliance with the transfer restrictions applicable to the Notes, the Trust understands that crossmarket transfers between DTC Participants, on the one hand, and directly or indirectly through Euroclear or Clearstream participants, on the other, will be effected in DTC in accordance with DTC rules on behalf of Euroclear or Clearstream, as the case may be, by its respective depositary; however, such crossmarket transactions will require delivery of instructions to Euroclear or Clearstream, as the case may be, by the counterparty in such system in accordance with its rules and procedures and within its established deadlines (Brussels or Luxembourg time, respectively). The Trust understands that Euroclear or Clearstream, as the case may be, will, if the transaction meets its settlement requirements, deliver instructions to its depositary to take action to effect final settlement on its behalf by delivering or receiving interests in the relevant Global Note in DTC and making or receiving payment in accordance with normal procedures for same-day funds settlement applicable to DTC. Clearstream participants and Euroclear participants may not deliver instructions directly to the depositories of Clearstream or Euroclear.

Because of time zone differences, the securities account of a Euroclear or Clearstream participant purchasing an interest in a Restricted Global Note from a DTC Participant will be credited during the securities settlement processing day immediately following the DTC settlement date, and such credit will be reported to the relevant Euroclear or Clearstream participant on such business day following the DTC settlement date. Cash received in Euroclear or Clearstream as a result of sales of interests in the Regulation S Global Note by or through a Euroclear or Clearstream participant to a DTC Participant will be received with value on the DTC settlement date but will be available in the relevant Euroclear or Clearstream cash account only as of the business day following settlement in DTC.

The Trust expects that DTC will take any action permitted to be taken by a holder of Notes only at the direction of the Participant to whom interests in the applicable Global Notes are credited and only in respect of the aggregate principal amount of Notes as to which such Participant has given such direction.

Although DTC, Euroclear and Clearstream are expected to follow the foregoing procedures in order to facilitate transfers of interests in the Global Notes among participants, they are under no obligation to perform such procedures, and such procedures may be discontinued or modified at any time. None of the Trust, the Indenture Trustee or any paying agent will have any responsibility for the performance by Participants or Indirect Participants of their respective obligations under the rules and procedures governing their operations.

Exchange of Global Notes for Certificated Notes

A Global Note is exchangeable for Notes in certificated form in accordance with the terms of the Indenture only if an Event of Default has occurred and is continuing under the Subordinated Loan Agreement or if DTC notifies the Trust that it is unwilling or unable to continue as depositary for the Global Notes or that it has ceased to be a clearing agency registered under Section 17A of the Exchange Act and, in either case, the Trust thereupon fails to appoint a successor depositary within 90 calendar days after the date of such notice. In all cases, certificated Notes delivered in exchange for any Global Note or beneficial interests therein will be registered in the names, and issued in any approved denominations, requested by or on behalf of DTC (in accordance with its customary procedures). Such certificated Notes will bear the restrictive legends referred to under “Notice to Investors,” and will be subject to the transfer restrictions referred to in such legends, unless the Trust determines otherwise in compliance with applicable law.

Replacement, Transfer and Exchange

If any Note at any time is mutilated, defaced, lost, destroyed or stolen, then on the terms set forth in the Indenture, such Note may be replaced at the cost of the applicant (including legal fees of the Trust, the Indenture Trustee, and the Paying Agent) at the office of the Indenture Trustee. The applicant for a new Note will, in the case of any mutilated or defaced Note, surrender such Note to the Indenture Trustee and, in the case of any lost, destroyed or stolen Note, furnish evidence satisfactory to the Indenture Trustee of such loss, destruction or theft, and, in each case, furnish evidence satisfactory to the Trust of the ownership and authenticity of a Note together with such indemnity as the Indenture Trustee and the Trust may require.

Initially, the Indenture Trustee will act as the note registrar and Notes may be presented for registration of transfer and exchange at the offices of the note registrar with a written instruction of transfer in form satisfactory to the note registrar, duly executed by such holder of the Notes or by such holder's attorney, duly authorized in writing. Such holder of the Notes will also provide a written certificate to the effect that such transfer will comply with the appropriate transfer restrictions applicable to such Notes. See "Notices to Investors."

The registered holder of a Note will be treated as its owner for all purposes.

Guatemala

The Bank has caused the Notes to be registered in an account with the Guatemalan securities depository Central de Valores Nacional, S.A., within the "RECO" system in Guatemala. Central de Valores Nacional, S.A. (a subsidiary of the Bolsa de Valores Nacional, S.A.) which maintains an account in Clearstream. Such arrangement is intended to facilitate holding of the Notes in book-entry form by Guatemalan investors. It does not constitute a listing on the Guatemalan Stock Exchange nor does it constitute the registration of a public offering in Guatemala.

CERTAIN ERISA AND OTHER LEGAL CONSIDERATIONS

ERISA imposes certain requirements on "employee benefit plans" (as defined in Section 3(3) of the Employment Retirement Income Security Act of 1974, as amended ("ERISA")) subject to ERISA ("ERISA Plans"), including entities such as collective investment funds whose underlying assets include the assets of such ERISA Plans, and on those persons who are fiduciaries with respect to such ERISA Plans. Moreover, Section 406 of ERISA and Section 4975 of the Internal Revenue Code of 1986, as amended (the "Code") prohibit certain transactions involving the assets of ERISA Plans (as well as those plans that are not subject to ERISA but which are subject to Section 4975 of the Code, such as individual retirement accounts and certain Keogh plans, and entities whose underlying assets include the assets of such plans (such plans, together with ERISA Plans, "Plans")) and certain persons (referred to as "parties in interest" for purposes of Section 406 of ERISA or "disqualified persons" for purposes of Section 4975 of the Code) having certain relationships to such plans, unless a statutory or administrative exemption is applicable to the transaction. U.S. public or foreign private or public pension plans, while not subject to the fiduciary responsibility provisions of ERISA or the provisions of Section 4975 of the Code, may nevertheless be subject to state, local, foreign or other federal laws that are substantially similar to the foregoing provisions of ERISA and the Code.

In light of the foregoing, the Notes may not be purchased or held by any person or entity that is or is acting on behalf of or using the assets of (i) an employee benefit plan (as defined in Section 3(3) of ERISA), that is subject to the fiduciary responsibility provisions of ERISA, (ii) a plan described in Section 4975 (e) (1) of the Code, including without limitation, an individual retirement account that is subject to such section, (iii) an entity with respect to which part or all of its assets constitute "plan assets" by reason of U.S. Department of Labor Regulation 29 C.F.R. section 2510.3-101 (as modified by section 3(42) or ERISA) ((i), (ii) and (iii) collectively, "Benefit Plan Investors") or (iv) a governmental, non-U.S., church or other plan which is subject to any federal, state, local, non-U.S. or other laws that are substantially similar to the provisions of ERISA ("Similar Law"), other than an insurance company making the representations set forth in the next sentence. Each purchaser of a Note will be deemed to have represented by its purchase and holding of the Note that, on each day from the date on which the purchaser acquires its interest in the Note through and including the date on which the purchaser disposes of its interest in the Note, either (A) it is not and is not acting on behalf of or using the assets of a Benefit Plan Investor (or a plan subject to Similar Law), or (B) (x) it is an insurance company acquiring its interest in such Note with the assets of its general account, (y) less than 25% of the assets of such general account are assets of Benefit Plan Investors and (z) the conditions of Prohibited Transaction Class Exemption ("PTCE") 95-60 are met such that PTCE 95-60 is applicable to the purchase, holding and disposition of its interest in such Note.

Nothing herein shall be construed as a representation that an investment in the Notes would meet any or all of the relevant legal requirements with respect to investments by, or is appropriate for, any person generally or any particular person. Any person proposing to acquire Notes should consult with its counsel regarding the foregoing investment restrictions.

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TAXATION

Persons considering the purchase, ownership or disposition of Notes should consult their own tax advisors concerning the tax consequences in light of their particular situations as well as any consequences arising under the laws of any other taxing jurisdiction.

Guatemalan Tax Matters

The following summary contains a description of the principal Guatemalan tax consequences of the purchase, ownership and disposition of the Notes. It does not purport to be a comprehensive description of all of the tax considerations that may be relevant to a decision to purchase the Notes. In addition, it does not describe any tax consequences arising under the laws of any taxing jurisdiction other than Guatemala.

A "Non-Guatemalan Holder" is a holder who is not domiciled in Guatemala for tax purposes, as defined by the Guatemalan Tax Code (*Código Tributario)* and the Income Tax Act (*Ley del Impuesto Sobre la Renta), inter alia.* In general, taxpayers (*contribuyentes o responsables)* with domicile outside Guatemala must determine a domicile in Guatemala for tax purposes if they have a permanent establishment in the country. Otherwise, their domicile would be reputed to be either that of their legal representative in Guatemala, or in the absence thereof the place where (1) their transactions are executed; (2) their activities are performed; or (3) the goods subject to taxation are located. Pursuant to the provisions contained in the Executive Rules of the Income Tax Act (*Reglamento de la Ley del Impuesto Sobre la Renta),* the notion of a permanent establishment of a non-domiciled person or entity is associated, *inter alia,* with having offices, manufactures, real estate, plantations, operations for the exploitation of natural resources, warehouses or stores, or facilities for the provision of services or the use of technology. Any such activity triggers the obligation to determine and report a domicile for tax purposes in Guatemala.

This summary is based upon the Tax Code and the Income Tax Act and its executive rules in effect as of the date of this offering memorandum, which are subject to change. Prospective purchasers of the Notes should consult their own tax advisers as to the Guatemalan or other tax consequences of the purchase, ownership and acquisition of the Notes, including, in particular, the effect of the laws of any foreign state. The acquisition of the Notes by an investor who is a resident of Guatemala will be made under its own responsibility.

Under the Guatemalan Income Tax Act, and the regulations thereunder, neither payments of principal nor interest on the Notes made by the Issuer will be subject to Guatemalan withholding or other similar taxes. Capital gains related to the sale or other disposition of the Notes by a Non-Guatemalan Holder, outside Guatemala, will not be subject to any Guatemalan Capital Gains or other taxes.

Payments on the Subordinated Loan by the Bank will likewise not be subject to Guatemalan withholding or similar taxes if made to a first order banking and financial institution. Although there is no statutory definition of "first order banking and financial institutions" (*instituciones bancarias y financieras de primer orden*), some of the criteria generally accepted for such status in Guatemala are that the banking and financial institution be duly registered in its jurisdiction of origin and licensed to carry out banking business therein, and is subject to the authority of the financial regulator in its jurisdiction. The Bank believes that the Lender, Bank of America N.A., would be deemed to be a first order banking and financial institution for such purpose. In the event that the Bank were to make any payment (a) in respect to the Subordinated Loan to an entity that was not a first order banking and financial institution or (b) to the Indenture Trustee under the Note Guarantee, when so required, such payment would subject the Bank to a 10% withholding tax on the interest portion of any such payment, which will be grossed-up by the Bank as required under the Subordinated Loan or the Note Guarantee.

A Non-Guatemalan Holder will not be liable for Guatemalan estate, gift, inheritance or similar taxes with respect to the acquisition, ownership, of disposition of the Notes, nor will it be liable for any Guatemalan stamp, issue, registration or similar taxes, to the extent that the relevant transactions, the assets, or the beneficiaries are not situated within the jurisdiction of Guatemala.

Persons residing or domiciled in Guatemala, who may acquire the Notes through the book-entry form within the "RECO", which is a system run by Central de Valores Nacional, S. A., who holds an account in

Clearstream, are not subject to withholding tax on the transfer of funds for the purchase of the Notes; payment of interests to persons residing or domiciled in Guatemala are not subject to withholding; however they may be subject to local Guatemalan taxes including, either a 10% Financial Product Tax applicable on the interest portion of the Notes or Income Tax, depending on whether or not, the note holder is a person subject to the regulation of the Superintendency of Banks. Guatemalan holders should seek advice based on their particular circumstances from an independent tax advisor.

U.S. Federal Income Tax Matters

TO ENSURE COMPLIANCE WITH INTERNAL REVENUE SERVICE CIRCULAR 230, U.S. HOLDERS ARE HEREBY INFORMED THAT: (A) ANY DISCUSSION OF U.S. FEDERAL INCOME TAX ISSUES IN THIS OFFERING MEMORANDUM IS NOT INTENDED OR WRITTEN TO BE RELIED UPON, AND CANNOT BE RELIED UPON, BY U.S. HOLDERS FOR THE PURPOSE OF AVOIDING PENALTIES THAT MAY BE IMPOSED ON U.S. HOLDERS UNDER THE U.S. INTERNAL REVENUE CODE OF 1986, AS AMENDED, (B) SUCH DISCUSSION IS WRITTEN IN CONNECTION WITH THE PROMOTION OR MARKETING OF THE TRANSACTIONS OR MATTERS ADDRESSED HEREIN AND (C) U.S. HOLDERS SHOULD SEEK ADVICE BASED ON THEIR PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISOR.

The following is a description of certain U.S. federal income tax consequences that may be relevant to the acquisition, ownership and disposition of the Notes by U.S. Holders, as defined below. This description addresses only the U.S. federal income tax considerations applicable to U.S. Holders, except as specifically stated otherwise, that purchase Notes pursuant to this offering at their issue price (generally, the first price at which a substantial amount of the Notes is sold to the public, other than sales to underwriters, placement agents, wholesalers, or similar persons) and that will hold the Notes as capital assets (generally, assets held for investment). This description does not address tax considerations applicable to holders that may be subject to special tax rules, including:

- certain financial institutions;
- insurance companies;
- real estate investment trusts or regulated investment companies;
- dealers or traders in securities or currencies;
- tax-exempt entities;
- persons that are subject to the alternative minimum tax;
- persons that will hold the Notes as part of a "hedging" or "conversion" transaction or as a position in a "straddle" for U.S. federal income tax purposes;
- persons that have a "functional currency" other than the U.S. dollar;
- persons who own, directly or indirectly, 10% or more of the Bank's voting stock; or
- partnerships or other entities classified as partnerships for U.S. federal income tax purposes.

This description is based on the U.S. Internal Revenue Code of 1986, as amended, existing, proposed and temporary U.S. Treasury Regulations and judicial and administrative interpretations thereof, in each case as available on the date hereof. U.S. tax laws and the interpretation thereof are subject to change, which change could apply retroactively and could affect the tax consequences described below.

This description does not address any U.S. federal tax consequences other than U.S. federal income tax consequences, such as the estate and gift tax or the Medicare tax on net investment income. It also does not address any U.S. state, local or non-U.S. tax consequences. You should consult your own tax advisor with respect to the U.S. federal, state, local and foreign tax consequences of acquiring, owning or disposing of the Notes, in your particular circumstances.

For purposes of this description, a "U.S. Holder" is a beneficial owner of the Notes for U.S. federal income tax purposes that is:

- a citizen or individual resident of the United States;
- a corporation (or other entity treated as a corporation for U.S. federal income tax purposes) created or organized in or under the laws of the United States or any state thereof, or the District of Columbia;
- an estate, the income of which is subject to U.S. federal income taxation regardless of its source; or
- a trust, if either a court within the United States is able to exercise primary jurisdiction over the administration of the trust and one or more U.S. persons have the authority to control all substantial decisions of the trust or such trust has a valid election in effect under applicable U.S. Treasury regulations to be treated as a U.S. person.

The U.S. federal income tax treatment of a partner in a partnership (including any entity classified as a partnership for U.S. federal income tax purposes) that holds Notes will depend on the status of the partner and the activities of the partnership. Prospective purchasers that are partnerships and partners in such partnerships should consult their tax advisors concerning the U.S. federal income tax consequences to them of the acquisition, ownership and disposition of the Notes by the partnership.

Characterization of the Structure for U.S. Federal Income Tax Purposes

There are no statutory, judicial or administrative authorities that address the U.S. federal income tax treatment of a structure consisting of instruments and arrangements similar to the Notes, the Trust, the Participation Agreement, and the Subordinated Loan and, accordingly, the proper characterization of the Notes is not certain.

The Trust intends to take the position, for U.S. federal income tax purposes, that the Notes are ownership interests in the Subordinated Loan, with the Trust serving as a mere security arrangement that facilitates and secures payment of distributions due under the Subordinated Loan to holders of the Notes, and that the Subordinated Loan will be characterized as indebtedness of the Borrower. Each holder and beneficial owner of a Note, by acquiring a beneficial interest in a Note agrees to treat, solely for U.S. federal, state and local tax purposes, (a) the Notes as ownership interests in the Subordinated Loan, and (b) the Trust as a mere security arrangement that serves to facilitate and secure payment of distributions due under the Subordinated Loan to holders of the Notes pursuant to the Participation Agreement. Each of the Bank and the Lender agrees that it will take no position for U.S. federal income tax purposes that is inconsistent with the positions to be taken by the Trust and holders of the Notes. See discussion below under the caption "Possible Alternative Tax Treatments — Notes May be Treated as Ownership Interests in a Grantor Trust for U.S. Federal Income Tax Purposes."

However, it is possible that the Notes may, instead, be characterized as: (1) ownership interests in the Trust, which is classified as a partnership for U.S. federal income tax purposes (assuming the timely and effective filing of an appropriate U.S. protective entity classification election on IRS Form 8832 or successor form); (2) ownership interests in the Trust, which is a grantor trust for U.S. federal income tax purposes, that represents ownership or participation interests in the Subordinated Loan; (3) interests in indebtedness of the Trust or (4) interests in an obligation of the Lender. The U.S. federal income tax consequences to a U.S. Holder of a Note under any of these alternative characterizations of the structure may differ materially from the consequences described below.

Except as expressly noted, the discussion below assumes that the characterization of the Notes as ownership interests in the Subordinated Loan, with the Trust serving as a mere security arrangement, and of the Subordinated Loan as indebtedness of the Borrower, will be respected.

Payments of Stated Interest

Interest paid on a Note will be taxable to a U.S. Holder as ordinary interest income at the time it accrues or is received in accordance with the U.S. Holder's regular method of accounting for U.S. federal income tax purposes.

Interest on the Notes will generally constitute foreign source income, which may be relevant to a U.S. Holder in calculating its foreign tax credit for U.S. federal income tax purposes. If the U.S. Holder is considered, for U.S. tax purposes, to have paid any Guatemalan or other income tax in respect of the Subordinated Loan or payments by the Bank under the Note Guarantee, such U.S. Holder will have to include in income any amounts withheld in respect of Guatemalan income taxes and additional amounts paid in respect of the Subordinated Loan or the Note Guarantee on account of such taxes. In that event, subject to limitations under the Code (including holding period requirements), any such tax withheld from payments on the Subordinated Loan or the Note Guarantee would be treated as a foreign income tax eligible for credit against a U.S. Holder's income tax liability (or, at a U.S. Holder's election, may be deducted in computing taxable income if the U.S. Holder has elected to deduct all foreign income taxes paid or accrued for the relevant year). Under current law, it is unclear whether a U.S. Holder will be considered to have paid any Guatemalan income taxes in respect of the Subordinated Loan or the Note Guarantee. The limitation on foreign taxes eligible for credit is calculated separately with respect to specific classes of income. The rules governing foreign tax credits are complex, and U.S. Holders should consult their own tax advisor regarding the availability of foreign tax credits (or deductions), including credits (or deductions) in respect of taxes imposed by Guatemala on payments on the Subordinated Loan, the Notes or the Note Guarantee, in their particular circumstances.

Sale, Exchange or Other Taxable Disposition of the Notes

You generally will recognize taxable gain or loss on the sale, exchange or other taxable disposition of the Notes equal to the difference between the amount realized on the sale, exchange or other taxable disposition (other than amounts attributable to accrued but unpaid interest, which will be taxable as ordinary interest income) and your adjusted tax basis in the Notes. This gain or loss will generally be treated as from U.S. sources for U.S. foreign tax credit purposes, will be capital gain or loss, and will be long-term capital gain or loss if the Notes were held for more than one year. Long-term capital gains of a non-corporate U.S. Holder may be subject to tax at a preferential rate. The deductibility of capital losses is subject to limitations.

Possible Alternative Tax Treatments

Notes May Be Treated as Ownership Interests in a Partnership for U.S. Federal Income Tax Purposes

The Notes may be treated as ownership interests in the Trust for U.S. federal income tax purposes. In that case, the Trust should be treated as a "foreign eligible entity" under the U.S. Treasury regulations relating to entity classification for business entities, which regulations likely would treat the Trust as an association taxable as a corporation in the absence of an election by the Trust to be classified as a partnership for U.S. federal tax purposes. While such treatment is not expected, a protective entity classification election to classify the Trust for U.S. federal tax purposes as a partnership will be made to prevent any potential adverse U.S. federal income tax consequences that could result to holders of Notes in the event that the Trust is classified as a corporation. Each holder of a Note and beneficial owner of a Note by acquiring a beneficial interest in a Note will be deemed to have consented to such protective election. Notwithstanding treatment as a partnership, under Section 7704 of the Code, partnerships that are "publicly traded partnerships" are generally treated in the same manner as corporations for U.S. federal income tax purposes, except in the case of publicly traded partnerships that recognize "qualifying income" (*e.g.*, interest, dividends and certain capital gains) equal to at least 90% of their gross income. It is anticipated that the Trust will have sufficient qualifying income to satisfy this exception and avoid treatment as a publicly traded partnership taxable as a corporation.

In the event that the Notes are treated as ownership interests in the Trust and the Trust is classified as a partnership for U.S. federal tax purposes, each U.S. Holder would be required to report on its U.S. federal income tax return its allocable share of the Trust's income, gains, losses, deductions and credits for the taxable year of the Trust ending within or with such U.S. Holder's taxable year, whether or not cash or other property associated with such income or gain is distributed to such U.S. Holder. Certain limitations may apply with respect to a U.S. Holder's ability to deduct expenses incurred (or deemed to be incurred) by the Trust (or the timing of such deductions). The character and source of items of income and gain derived by a U.S. Holder from the Trust generally would be determined as if such U.S. Holder had directly recognized such income or gain, but a cash basis U.S. Holder would be treated as recognizing income on the Notes when the corresponding payments under the Participation Agreement are received by the Trust and not when distributions from the Trust are received by the U.S. Holder. In addition, under Section 6038B of the Code and the U.S. Treasury regulations issued thereunder, a U.S. Holder would be subject to certain information reporting requirements applicable to transfers of money to a foreign partnership in excess of US$100,000 within a 12-month period with respect to an acquisition of Notes if such U.S. Holder paid more than US$100,000 for the Notes. Substantial penalties may apply to the failure to comply with these requirements.

Notes May be Treated as Ownership Interests in a Grantor Trust for U.S. Federal Income Tax Purposes

Alternatively, if the Notes are treated as ownership interests in the Trust for U.S. federal income tax purposes, and the Trust is treated as a grantor trust for U.S. federal income tax purposes, then the Trust would not be subject to U.S. federal net income taxation, and a holder of a Note would be treated as the beneficial owner of its proportionate share of the assets that are beneficially owned by the Trust. In that case, a holder of a Note should be treated as the beneficial owner of its proportionate share of the Participation Agreement, which should be treated as an ownership interest in the Subordinated Loan. Under this characterization, the U.S. federal income tax treatment of the Notes generally would be the same as the treatment described above for the Notes being ownership interests in the Subordinated Loan with the Trust serving as a mere security arrangement. It should be noted, however, that under Section 6048 of the Code and the U.S. Treasury regulations issued thereunder, a U.S. Holder would be subject to certain, potentially onerous, information reporting requirements applicable to ownership of, transfers of money or other property to, and distributions from, a foreign trust. Substantial penalties may apply to the failure to comply with these requirements.

Notes May Be Treated as Debt of the Trust for U.S. Federal Income Tax Purposes

It is also possible, although the Bank does not believe it is likely, that the Notes may be treated, in accordance with their form, as indebtedness of the Trust for U.S. federal income tax purposes. In that case, the Notes would be treated as indebtedness of a non-United States person, and payments on the Notes would be treated as foreign source income for U.S. federal income tax purposes. In addition, in that case, the Notes may be treated as debt instruments subject to special rules governing the taxation of contingent payment debt instruments (the "CPDI Rules") if payments of principal, interest and other amounts on the Notes are contingent on the receipt by the Trust of such amounts under the Participation Agreement. We believe, however, that the contingency of non-receipt by the Trust of such amounts under the Participation Agreement is remote. Therefore, the CPDI Rules should not apply to the Notes.

The treatment of a sale, exchange or other taxable disposition of a Note that is treated as indebtedness of a non-United States person generally would be the same as the treatment described above under the caption "— Sale, Exchange or Other Taxable Disposition of the Notes" for the Notes being an ownership interest in the Subordinated Loan with the Trust serving as a mere security arrangement.

Notes May Be Treated as an Obligation of the Lender

The identity of the obligor of the indebtedness giving rise to payment on the Notes for U.S. federal income tax purposes is not entirely clear. Thus, IRS Forms W-8 and W-9, as applicable, will need to be received from all holders of Notes in order to avoid potential U.S. withholding tax on payments on the Notes in the event that the obligor of such indebtedness is determined to be a U.S. person. In this event, payments on the Notes, in the case of a holder other than a U.S. holder, generally will be eligible for the portfolio interest exemption from U.S. withholding tax, unless such payments on the Notes are received by certain holders. In the event a holder fails to provide to the paying agent a duly executed IRS Form W-8 or W-9, as applicable, tax will be withheld from the payment on the Notes otherwise payable to such holder at the rate applicable to U.S. federal backup withholding (currently 28%) in the case of a U.S. Holder or 30% in the case of a holder other than a U.S. Holder. The collection of IRS Forms W-8 and W-9, as applicable, from U.S. Holders and holders other than U.S. Holders, and the withholding of U.S. tax, if any, on payments to such holders, shall not be treated as inconsistent with the agreed treatment of the Notes for U.S. federal income tax purposes described above in "–Characterization of the Structure for U.S. Federal Income Tax Purposes."

Backup Withholding and Information Reporting

Payment of interest and proceeds from the sale or disposition of the Notes that are made within the United States or through certain U.S.-related financial intermediaries generally are subject to information reporting and to backup withholding unless (i) you are an exempt recipient or (ii) in the case of backup withholding, you provide a correct taxpayer identification number and certify that you are not subject to backup withholding. Backup withholding is not an additional tax. Any amounts withheld under the backup withholding rules will be allowed as a refund or a credit against your U.S. federal income tax liability, provided the required information is timely furnished to the IRS.

Recently enacted legislation requires individual U.S. Holders to report information to the IRS with respect to their investment in the Notes unless certain requirements are met. Investors who are individuals and fail to report required information could become subject to substantial penalties. Prospective investors are encouraged to consult with their own tax advisors regarding the possible implications of this new legislation on their investment in Notes.

Cayman Islands Taxation

The Trust will apply for, under Section 81 of the Trusts Law (2009 Revision) as amended of the Cayman Islands, and expects to receive an undertaking for a period of 50 years from the Governor in Cabinet of the Cayman Islands that no law thereafter enacted in the Cayman Islands imposing any tax or duty to be levied on income or on capital assets, gains or appreciation or any tax in the nature of estate duty or inheritance tax shall apply to any property comprised in or income arising under the Trust or to the trustee thereof or any beneficiaries thereof in respect of any such property or income.

PLAN OF DISTRIBUTION

Merrill Lynch, Pierce, Fenner & Smith Incorporated is acting as sole Initial Purchaser. Subject to the terms and conditions set forth in a purchase agreement between the Trust and the Initial Purchaser and a facilitation agreement among us and the Initial Purchaser, the Trust has agreed to sell to the Initial Purchaser, and the Initial Purchaser has agreed, to purchase from the Trust, the principal amount of the Notes.

Subject to the terms and conditions set forth in the purchase agreement, the Initial Purchaser has agreed to purchase all of the Notes sold under the purchase agreement if any of these Notes are purchased.

We have agreed to indemnify the Initial Purchaser against certain liabilities, including liabilities under the Securities Act, or to contribute to payments the Initial Purchaser may be required to make in respect of those liabilities.

Offering Terms

The Initial Purchaser has advised us that it proposes initially to offer the Notes at the offering price set forth on the cover page of this offering memorandum. After the initial offering, the offering price or any other term of the offering may be changed. The Initial Purchaser may offer and sell Notes through certain of its affiliates.

Notes Are Not Being Registered

The Notes have not been registered under the Securities Act or any state securities laws. The Trust has not been registered and will not be registered as an investment company under the Investment Company Act, in reliance on the exemption set forth in Section 3(c)(7) thereof. The Notes are being offered and sold only to investors that are either (1) U.S. Persons (as defined in Regulation S under the Securities Act) who are both qualified institutional buyers in reliance on Rule 144A under the Securities Act and qualified purchasers within the meaning of Section 2(a)(51)(A) of the Investment Company Act or (2) non-U.S. Persons (within the meaning of Regulation S of the Securities Act) outside of the United States. Prospective purchasers are hereby notified that the sellers of the Notes may be relying on the exemptions from the provisions of Section 5 of the Securities Act provided by Rule 144A and the exemption from the Investment Company Act provided by Section 3(c)(7) thereof.

The Initial Purchaser proposes to offer the Notes for resale in transactions not requiring registration under the Securities Act or applicable state securities laws, including sales pursuant to Rule 144A and Regulation S. The Initial Purchaser will not offer or sell the Notes except to persons it reasonably believes to be qualified institutional buyers and qualified purchasers or pursuant to offers and sales to non-U.S. persons that occur outside of the United States within the meaning of Regulation S. In addition, until 40 days following the commencement of this offering, an offer or sale of Notes within the United States by a dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act unless the dealer makes the offer or sale in compliance with Rule 144A or another exemption from registration under the Securities Act. Each purchaser of the Notes will be deemed to have made acknowledgments, representations and agreements as described under "Notice to Investors."

New Issue of Notes

The Notes are a new issue of securities with no established trading market. We do not intend to apply for listing of the Notes on any national securities exchange or for inclusion of the Notes on any automated dealer quotation system except that the Trust has applied to admit the Notes to listing on the Official List of the Luxembourg Stock Exchange. We have been advised by the Initial Purchaser that it presently intends to make a market in the Notes after completion of the offering. However, it is under no obligation to do so and may discontinue any market-making activities at any time without any notice. We cannot assure you of the liquidity of the trading market for the Notes. If an active trading market for the Notes does not develop, the market price and liquidity of the Notes may be adversely affected. If the Notes are traded, they may trade at a discount from their initial offering price, depending on prevailing interest rates, the market for similar securities, our operating performance and financial condition, general economic conditions and other factors.

Settlement

We expect that delivery of the Notes will be made to investors on or about July 27, 2011, which will be the fifth business day following the date of this offering memorandum (such settlement being referred to as "T+5"). Under Rule 15c6-1 under the Securities Exchange Act of 1934, trades in the secondary market are required to settle in three business days, unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade Notes prior to the delivery of the Notes hereunder may be required, by virtue of the fact that the Notes initially settle in T+5, to specify an alternate settlement arrangement at the time of any such trade to prevent a failed settlement. Purchasers of the Notes who wish to trade the Notes prior to their date of delivery hereunder should consult their advisors.

No Sales of Similar Securities

We have agreed that we will not, for a period of 90 days after the date of this offering memorandum, without first obtaining the prior written consent of Merrill Lynch, Pierce, Fenner & Smith Incorporated, directly or indirectly, issue, sell, offer to contract or grant any option to sell, pledge, transfer or otherwise dispose of, directly or through a trust any U.S. dollar denominated debt securities of the Bank or securities exchangeable for, supported by or convertible into debt securities with a maturity of greater than one year of the Bank, except for the Notes sold to the Initial Purchaser pursuant to the purchase agreement and issuances under our diversified payment rights securitization program.

Short Positions

In connection with the offering, the Initial Purchaser may purchase and sell the Notes in the open market. These transactions may include short sales and purchases on the open market to cover positions created by short sales. Short sales involve the sale by the Initial Purchaser of a greater principal amount of Notes than it is required to purchase in the offering. The Initial Purchaser must close out any short position by purchasing Notes in the open market. A short position is more likely to be created if the Initial Purchaser is concerned that there may be downward pressure on the price of the Notes in the open market after pricing that could adversely affect investors who purchase in the offering.

Similar to other purchase transactions, the Initial Purchaser's purchases to cover the syndicate short sales may have the effect of raising or maintaining the market price of the Notes or preventing or retarding a decline in the market price of the Notes. As a result, the price of the Notes may be higher than the price that might otherwise exist in the open market.

Neither we nor the Initial Purchaser make any representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the price of the Notes. In addition, neither we nor the Initial Purchaser make any representation that the Initial Purchaser will engage in these transactions or that these transactions, once commenced, will not be discontinued without notice.

Notice to Prospective Investors in the European Economic Area

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "Relevant Member State"), with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the "Relevant Implementation Date") no offer of Notes may be made to the public in that Relevant Member State other than:

- to any legal entity which is a qualified investor as defined in the Prospectus Directive;
- to fewer than 100 or, if the Relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 150, natural or legal persons (other than qualified investors as defined in the Prospectus Directive), as permitted under the Prospectus Directive, subject to obtaining the prior consent of the Initial Purchaser; or

- in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Notes shall require the Bank or the Initial Purchaser to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

This offering memorandum has been prepared on the basis that any offer of Notes in any Relevant Member State will be made pursuant to an exemption under the Prospectus Directive from the requirement to publish a prospectus for offers of Notes. Accordingly any person making or intending to make an offer in that Relevant Member State of Notes which are the subject of the offering contemplated in this offering memorandum may only do so in circumstances in which no obligation arises for the Bank or the Initial Purchaser to publish a prospectus pursuant to Article 3 of the Prospectus Directive in relation to such offer. Neither the Company nor the Initial Purchaser have authorized, nor do they authorize, the making of any offer of Notes in circumstances in which an obligation arises for the Company or the Initial Purchaser to publish a prospectus for such offer.

For the purpose of the above provisions, the expression "an offer to the public" in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes, as the same may be varied in the Relevant Member State by any measure implementing the Prospectus Directive in the Relevant Member State and the expression "Prospectus Directive" means Directive 2003/71/EC (including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member States) and includes any relevant implementing measure in the Relevant Member State and the expression "2010 PD Amending Directive" means Directive 2010/73/EU.

Notice to Prospective Investors in the United Kingdom

In addition, in the United Kingdom, this document is being distributed only to, and is directed only at, and any offer subsequently made may only be directed at persons who are "qualified investors" (as defined in the Prospectus Directive) (i) who have professional experience in matters relating to investments falling within Article 19 (5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the "Order") and/or (ii) who are high net worth companies (or persons to whom it may otherwise be lawfully communicated) falling within Article 49(2)(a) to (d) of the Order (all such persons together being referred to as "relevant persons"). This document must not be acted on or relied on in the United Kingdom by persons who are not relevant persons. In the United Kingdom, any investment or investment activity to which this document relates is only available to, and will be engaged in with, relevant persons.

Notice to Residents of the Republic of Panama

The Notes have not been, and will not be, registered for public offering in Panama with the National Securities Commission of Panama under Decree-Law 1 of July 8, 1999 (the "Panamanian Securities Act"). Accordingly, the notes may not be offered or sold in Panama, except in certain limited transactions exempted from the registration requirements of the Panamanian Securities Act. The notes do not benefit from tax incentives accorded by the Panamanian Securities Act and are not subject to regulation or supervision by the National Securities Commission of Panama.

Notice to Members of the Public in the Cayman Islands

No invitation is made to any person resident or domiciled in the Cayman Islands to subscribe for any of the Notes, other than an exempted or non-resident company incorporated in the Cayman Islands.

Chilean Selling Restriction

The Notes may not be offered or sold, directly or indirectly, in the Republic of Chile or to any resident of Chile, except as permitted by applicable Chilean law.

Guatemala

The Bank intends to cause the Notes to be registered in an account with the Guatemalan securities depository Central de Valores Nacional, S.A. (a subsidiary of the Bolsa de Valores Nacional, S.A.), within the "RECO" system in Guatemala. Central de Valores Nacional, S.A. maintains an account in Clearstream. Such arrangement is intended to facilitate holding of the Notes in book-entry form by Guatemalan investors. It does not constitute a listing on the Guatemalan Stock Exchange nor does it constitute the registration of a public offering in Guatemala. Sales in Guatemala or to Guatemalan persons may only be made in compliance with applicable Guatemalan Law.

Other Relationships

The Initial Purchaser and its affiliates have engaged in, and may in the future engage in, investment banking and other commercial dealings in the ordinary course of business with us or our affiliates. They have received, or may in the future receive, customary fees and commissions for these transactions.

In addition, in the ordinary course of their business activities, the initial purchasers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of ours or our affiliates. If the initial purchasers or their affiliates have a lending relationship with us, they routinely hedge their credit exposure to us consistent with their customary risk management policies. Typically, the underwriters and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in our securities, including potentially the notes offered hereby. Any such short positions could adversely affect future trading prices of the notes offered hereby. The underwriters and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

Affiliates of the Initial Purchaser will act as agent and lender under the Subordinated Loan Agreement and the Bank will pay customary fees and expenses for these services to the Initial Purchaser and its affiliates from time to time.

Our affiliate, Mercado de Transacciones, may purchase Notes in the offering on behalf of its clients.

NOTICE TO INVESTORS

The Notes have not been registered, and will not be registered, under the Securities Act or any state securities laws, and the Notes may not be offered or sold except pursuant to an effective registration statement or pursuant to transactions exempt from, or not subject to, registration under the Securities Act.

Accordingly, the Notes are being offered and sold only:

- in the United States to qualified institutional buyers (as defined in Rule 144A) that are also qualified purchasers (as defined in Section 2(a)(51) of the Investment Company Act) pursuant to Rule 144A under the Securities Act; and

- outside of the United States, to certain persons, other than U.S. persons, in offshore transactions meeting the requirements of Rule 903 of Regulation S under the Securities Act.

Purchasers' Representations and Restrictions on Resale and Transfer

Each purchaser of Notes (other than the Initial Purchaser in connection with the initial issuance and sale of Notes) and each owner of any beneficial interest therein will be deemed, by its acceptance or purchase thereof, to have represented and agreed as follows:

(1) it is purchasing the Notes for its own account or an account with respect to which it exercises sole investment discretion and it and any such account is either (a) both a qualified institutional buyer and a qualified purchaser and is aware that the sale to it is being made pursuant to Rule 144A and Section 3(c)(7) of the Investment Company Act or (b) a non-U.S. person that is outside the United States;

(2) it acknowledges that the Notes have not been registered under the Securities Act or with any securities regulatory authority of any state and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except as set forth below;

(3) it understands and agrees that Notes initially offered in the United States to qualified institutional buyers that are also qualified purchasers will be represented by a global note and that Notes offered outside the United States pursuant to Regulation S will also be represented by a global note;

(4) it will not resell or otherwise transfer any of such Notes prior to (i) the date which is one year (or such other period of time as permitted by Rule 144(d) under the Securities Act or any successor provision thereunder) after the later of the date of original issuance of the Notes and (ii) such later date, if any, as may be required by applicable laws, except (a) to us or any of our subsidiaries (b) within the United States to a qualified institutional buyer that is also a qualified purchaser in a transaction complying with Rule 144A under the Securities Act, (c) outside the United States in compliance with Rule 903 or 904 under the Securities Act, (d) pursuant to an exemption from registration under the Securities Act (if available) or (e) pursuant to an effective registration statement under the Securities Act;

(5) it agrees that it will give to each person to whom it transfers the Notes notice of any restrictions on transfer of such Notes;

(6) it understands that the Trust has not registered and does not intend to register as an investment company under the Investment Company Act;

(7) it acknowledges that prior to any proposed transfer of Notes (other than pursuant to an effective registration statement) the holder of such Notes may be required to provide certifications relating to the manner of such transfer as provided in the indenture;

(8) it acknowledges that the Indenture Trustee, registrar or transfer agent for the Notes may not be required to accept for registration or transfer of any Notes acquired by it, except upon presentation of evidence satisfactory to the Trust that the restrictions set forth herein have been complied with;

(9) it acknowledges that we, the Initial Purchaser and other persons will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements and agrees that if any of the acknowledgements, representations and agreements deemed to have been made by its purchase of the Notes are no longer accurate, it will promptly notify us, the Trust and the Initial Purchaser;

(10) if it is acquiring the Notes as a fiduciary or agent for one or more investor accounts, it represents that it has sole investment discretion with respect to each such account and it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each account; and

(11) if it, or any other person for which it is acting, is an investment company exempted from the Investment Company Act pursuant to Section 3(c)(1) or Section 3(c)(7) thereof (or a foreign investment company under Section 7(d) thereof relying on Section 3(c)(1) or Section 3(c)(7) with respect to its holders that are U.S. persons) and was formed on or before April 30, 1996, it has received consent of the beneficial owners who acquired their interest on or before April 30, 1996, with respect to its treatment as a qualified purchaser in the manner required by Section 2(a)(51)(c) of the Investment Company Act and the rules promulgated thereunder.

Legends

The following is the form of restrictive legend which will appear on the face of the Rule 144A global note and which will be used to notify transferees of the foregoing restrictions on transfer.

THE SECURITIES EVIDENCED HEREBY HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR ANY STATE OR OTHER SECURITIES LAWS, AND INDUSTRIAL SUBORDINATED TRUST (THE "ISSUER") HAS NOT REGISTERED AND DOES NOT INTEND TO REGISTER AS AN INVESTMENT COMPANY UNDER THE INVESTMENT COMPANY ACT OF 1940, AS AMENDED (THE "INVESTMENT COMPANY ACT"), IN RELIANCE ON THE EXCLUSION FROM THE DEFINITION OF INVESTMENT COMPANY PROVIDED BY SECTION 3(C)(7) OF THE INVESTMENT COMPANY ACT. THE SECURITIES EVIDENCED HEREBY MAY NOT BE OFFERED, SOLD, PLEDGED, OR OTHERWISE TRANSFERRED EXCEPT IN ACCORDANCE WITH THE FOLLOWING SENTENCE. BY ITS ACQUISITION HEREOF OR OF A BENEFICIAL INTEREST HEREIN, THE HOLDER OF THIS SECURITY (1) AGREES ON ITS OWN BEHALF AND ON BEHALF OF ANY INVESTOR ACCOUNT FOR WHICH IT HAS PURCHASED SECURITIES AND FOR THE BENEFIT OF THE BANK, THAT IT WILL NOT OFFER, SELL, PLEDGE OR OTHERWISE TRANSFER THIS SECURITY OR ANY BENEFICIAL INTEREST HEREIN PRIOR TO THE DATE (THE "RESALE RESTRICTION TERMINATION DATE") THAT IS ONE YEAR AFTER THE LATER OF THE LAST ISSUE DATE HEREOF AND THE LAST DATE ON WHICH THE ISSUER OR ANY AFFILIATE THEREOF WAS THE OWNER OF THIS NOTE (OR A BENEFICIAL INTEREST HEREIN OR ANY PREDECESSOR HERETO), EXCEPT (A) (I) TO THE ISSUER OR ANY AFFILIATE THEREOF, (II) FOR SO LONG AS THIS NOTE IS ELIGIBLE FOR RESALE PURSUANT TO RULE 144A UNDER THE SECURITIES ACT ("RULE 144A"), TO A PERSON IT REASONABLY BELIEVES IS BOTH A QUALIFIED INSTITUTIONAL BUYER IN COMPLIANCE WITH RULE 144A AND A QUALIFIED PURCHASER IN COMPLIANCE WITH SECTION 3(C)(7) OF THE INVESTMENT COMPANY ACT, (III) IN AN OFFSHORE TRANSACTION COMPLYING WITH THE REQUIREMENTS OF RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT, OR (IV) PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT (IF AVAILABLE), AND (B) IN ACCORDANCE WITH ALL APPLICABLE SECURITIES LAWS OF THE STATES OF THE UNITED STATES AND OTHER JURISDICTIONS, (2) AGREES THAT IT WILL GIVE TO EACH PERSON TO WHOM THIS SECURITY IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND AND (3) REPRESENTS, WARRANTS, ACKNOWLEDGES AND AGREES THAT IF IT, OR ANY OTHER PERSON FOR WHICH IT IS ACTING, IS AN INVESTMENT COMPANY EXEMPTED FROM THE INVESTMENT COMPANY ACT PURSUANT TO SECTION 3(C)(1) OR SECTION 3(C)(7) THEREOF (OR A FOREIGN INVESTMENT COMPANY UNDER

SECTION 7(D) THEREOF RELYING ON SECTION 3(C)(1) OR SECTION 3(C)(7) WITH RESPECT TO ITS HOLDERS THAT ARE U.S. PERSONS) AND WAS FORMED ON OR BEFORE APRIL 30, 1996, IT HAS RECEIVED CONSENT OF THE BENEFICIAL OWNERS WHO ACQUIRED THEIR INTEREST ON OR BEFORE APRIL 30, 1996, WITH RESPECT TO ITS TREATMENT AS A QUALIFIED PURCHASER IN THE MANNER REQUIRED BY SECTION 2(A)(51)(C) OF THE INVESTMENT COMPANY ACT AND THE RULES PROMULGATED THEREUNDER. AS USED HEREIN, THE TERMS "OFFSHORE TRANSACTION," "UNITED STATES" AND "U.S. PERSON" HAVE THE RESPECTIVE MEANINGS GIVEN TO THEM BY REGULATION S UNDER THE SECURITIES ACT. PRIOR TO THE REGISTRATION OF ANY TRANSFER IN ACCORDANCE WITH PARAGRAPH 2A(V) ABOVE, THE ISSUER RESERVES THE RIGHT TO REQUIRE THE DELIVERY OF SUCH LEGAL OPINIONS, CERTIFICATIONS, OR OTHER EVIDENCE AS MAY REASONABLY BE REQUIRED BY THE ISSUER IN ORDER TO DETERMINE THAT THE PROPOSED TRANSFER IS BEING MADE IN COMPLIANCE WITH THE SECURITIES ACT AND APPLICABLE STATE SECURITIES LAWS. NO REPRESENTATION IS MADE AS TO THE AVAILABILITY OF ANY EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT. THIS LEGEND WILL BE REMOVED UPON THE REQUEST OF THE HOLDER HEREOF AFTER THE RESALE RESTRICTION TERMINATION DATE.

IF ANY U.S. PERSON HOLDING AN INTEREST IN THE NOTES IS NOT A QUALIFIED INSTITUTIONAL BUYER AND NOT A QUALIFIED PURCHASER, AT THE TIME OF ACQUIRING SUCH INTEREST THE TRUST MAY REGARD THE ACQUISITION OF NOTES BY SUCH PERSON AS NULL AND VOID AND OF NO EFFECT. IN SUCH CASE, SUCH PERSON MAY BE FORCED TO TRANSFER OR SELL SUCH INTEREST TO A PERMITTED TRANSFEREE MEETING THE REQUIREMENTS SET FORTH UNDER *"NOTICE TO INVESTORS".*

The following is the form of restrictive legend which will appear on the face of the Regulation S global note and which will be used to notify transferees of the foregoing restrictions on transfer:

PRIOR TO EXPIRATION OF THE 40-DAY DISTRIBUTION COMPLIANCE PERIOD (AS DEFINED IN REGULATION S ("REGULATION S") UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT")), THIS SECURITY MAY NOT BE REOFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED WITHIN THE UNITED STATES (AS DEFINED IN REGULATION S) OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, A U.S. PERSON (AS DEFINED IN REGULATION S), EXCEPT TO A QUALIFIED INSTITUTIONAL BUYER THAT IS ALSO A QUALIFIED PURCHASER IN COMPLIANCE WITH RULE 144A UNDER THE SECURITIES ACT IN A TRANSACTION MEETING THE REQUIREMENTS OF THE INDENTURE REFERRED TO HEREIN.

GENERAL INFORMATION

Listing

Application has been made to admit the Notes to listing on the Official List of the Luxembourg Stock Exchange and to trading on the Euro MTF market. Copies of our bylaws, the indenture, as may be amended or supplemented from time to time, our published annual audited consolidated financial statements and any published quarterly unaudited interim consolidated financial statements will be available at our principal executive offices, as well as at the offices of the Luxembourg listing agent, as such addresses are set forth in this offering memorandum. As long as the new bonds are listed on the Euro MTF market of the Luxembourg Stock Exchange, you may inspect or receive copies, free of charge, of the declaration of trust on any business day at the offices of the Luxembourg listing agent. We will maintain a paying and transfer agent in Luxembourg for so long as any of the Notes are listed on the Official List of the Luxembourg Stock Exchange.

The Notes have been accepted for clearance through DTC, Euroclear and Clearstream, Luxembourg. The common code, ISIN and CUSIP numbers for the notes are as follows:

	Rule 144A Global Note	Regulation S Global Note
Common code	065387476	065345552
ISIN	US456348AA94	USG47665AA56
CUSIP	456348 AA9	G47665 AA5

Notices

All notices to the registered holders of Notes will be mailed or delivered to such holders at their addresses indicated in records maintained by the Registrar and, as long as the Notes are listed on the Luxembourg Stock Exchange, and the rules of the Luxembourg Stock Exchange so require, notices will be published in a leading newspaper having general circulation in Luxembourg (which is expected to be the *Luxembourg Wort*) or on the Luxembourg Stock Exchange website (www.bourse.lu). Any such notice shall be deemed to have been given on the date of such delivery or publication, as the case may be, or in the case of mailing, on the second business day after such mailing.

Authorization

The Industrial Cayman Trustee, on behalf of the Trust, has obtained all necessary consents, approvals and authorizations in connection with the issuance and performance of the Notes, including the authorization of the Authorized Signatories of the Trustee granted on July 20, 2011.

The Bank has obtained all necessary consents, approvals and authorizations in connection with the Subordinated Loan and the Guarantee, including the authorization of the board of directors of the Bank granted on April 5, 2011.

Responsibility and No Material Adverse Change

The Bank and the Trust accept responsibility for the information contained in this offering memorandum and, to the best of our knowledge and belief, such information is in accordance with the facts and does not omit anything likely to have a material effect on such information. Except as disclosed in this offering memorandum, there has not been any significant change in the Bank's financial or trading position since the date of the Bank's last published interim financial statements and there has not been any material adverse change in the Bank's business prospects since the date of the Bank's last published Financial Statements included in this offering memorandum.

No Litigation

Except as disclosed herein, the Bank is not involved in any governmental litigation or arbitration proceedings relating to claims or amounts which are material in the context of the issue of the Notes nor so far as the Bank is aware is any such governmental litigation or arbitration proceeding pending or threatened.

LEGAL MATTERS

Certain legal matters relating to the issuance of the Notes and the United States federal tax consequences of the issuance of the Notes will be passed upon for the Trust and Banco Industrial by Hogan Lovells US LLP, New York, New York. Certain legal matters relating to the issuance of the Notes will be passed upon for the Initial Purchaser by Dewey & LeBoeuf LLP, New York, New York. Certain legal matters relating to Guatemalan law will be passed upon by Mayora & Mayora, S.C., Guatemala City, Guatemala, counsel to the Trust and Banco Industrial and Consortium Centro America Abogados, Guatemala City, Guatemala, special counsel to the Initial Purchaser. Certain legal matters relating to Cayman Islands law will be passed upon by Walkers, Cayman Islands, British West Indies.

INDEPENDENT AUDITORS

The Audited Consolidated Financial Statements as of December 31, 2010 and 2009 and for each of the three years in the period ended December 31, 2010, included in this offering memorandum have been audited by Aldana, Gonzalez, Gómez y Asociados, S.C., independent auditors and a Guatemalan entity and a member firm of the KPMG network of independent member firms affiliated with KPMG International a Swiss cooperative, as stated in their report appearing elsewhere therein.

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APPENDIX A:

SUMMARY OF SIGNIFICANT DIFFERENCES BETWEEN GUATEMALAN BANKING GAAP AND U.S. GAAP

This Annex A and the information provided herein should not be construed or seen as a comprehensive comparison of accounting standards established by the Superintendency of Banks of Guatemala ("Guatemalan Banking GAAP") and accounting principles generally accepted in the United States of America ("U.S. GAAP"). Readers should not rely solely on this Annex A for the interpretation of financial statements of the Bank or otherwise rely on it for any other purpose without seeking professional advice. Potential investors should consult their own professional advisors for an understanding of the differences between Guatemalan Banking GAAP and U.S. GAAP and how these differences might affect the financial information contained herein.

The consolidated financial statements of the Bank are prepared and presented in accordance with Guatemalan Banking GAAP. Those standards vary in certain significant respects from U.S. GAAP. We have not prepared a reconciliation of our financial statements and related footnote disclosures that appear in the offering memorandum from Guatemalan Banking GAAP to U.S. GAAP. Certain differences between Guatemalan Banking GAAP and U.S. GAAP are summarized below.

Accounting Methodologies

The Superintendency of Banks of Guatemala has issued the accounting criteria applicable to all financial institutions operating in Guatemala, contained in the Financial Institutions Accounting Standards Manual,enforcing their provisions, which set forth accounting guidelines for, among others, allowances for credit losses, loans, interest, investments in affiliates, and securities under repurchase agreements, and defines the format of the financial statements and disclosures to be made in the related notes.

Income Recognition

Under Guatemalan Banking GAAP, revenue from interest income, subject to certain exceptions, is not recorded in the income statement until it is effectively collected even though it has been accrued. Interest that has been accrued but has not been collected is recorded under liabilities as deferred income. The exceptions are interest on debt securities issued by the Guatemalan Central Bank and by certain other issuers approved by the Monetary Board, which have amortization funds controlled by the Guatemalan Central Bank, in which case the interest is recorded as revenue when accrued, even though not collected. Off-shore Bank records its revenue under the accrual basis; however, the effect between this basis and the regulatory basis is considered not material in relation to the overall consolidated financial statements.

Under U.S. GAAP, ASC Subtopic 605-10 - "Revenue Recognition", revenue is realized or realizable and earned, when all of the following criteria are met: (i) persuasive evidence of an agreement exists, (ii) delivery has occurred or services have been rendered, (iii) the seller's price to the buyer is fixed or determinable and (iv) collectivity is reasonably assured. In general, revenue is recognized on an accrual basis.

Allowance for Loan Losses

In Guatemala, the allowance for loan losses is established in accordance with specific guidelines issued by the Superintendency of Banks of Guatemala, which determines the adequacy of the allowance upon review of the risks of individual credits based on the maturity and type of guarantee. These guidelines include requirements for classifying and provisioning loans in five categories, labeled A through E. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Classification of Loan Portfolio" and "Selected Statistical Information—Grading of Loan Portfolio."

On December 30, 2008 the Monetary Board issued Resolution JM-167-2008, effective from January 5, 2009, requiring financial institutions to constitute and maintain generic and specific reserves or provisions that allow them to undertake their loan losses. In this regard, the total sum of the generic and specific reserves or provisions recorded by the Group must, in no event, be less than 1.25% of the total loan portfolio; and the past due loan portfolio must be completely reserved.

Resolution JM-167-2008 allows to gradually constitute the required generic reserves, during the period initiating in March 2009 and finalizing in June 2011

Under U.S. GAAP, management uses its judgment, historical experience and an analysis of the specific terms and conditions of individual loans and guarantees to determine the allowance for loan losses. U.S. GAAP requires that the allowance for loans losses be established at a level that is deemed adequate to provide for all known and inherent or probable losses that exist as of the balance sheet date. Loans are written off when they are deemed improbable of collection. Pursuant to ASC Topic 310 -, “Receivables,” , a loan is deemed impaired when it is probable that a creditor will be unable to collect all amounts due according to the contractual terms of the loan agreement. An impaired loan should be valued at the present value of expected future cash flows discounted at the loan’s effective interest rate or, as a practical alternative, at the loan’s observable market value or the fair value of the loan’s collateral if the loan is collateral-dependent.

Fair Value of Financial Instruments

Guatemalan Banking GAAP does not require a separate note to the financial statements setting forth the fair market value of financial instruments as required under U.S. GAAP.

Revaluation of Fixed Assets

The revaluation of fixed assets on the basis of independent appraisals is an acceptable practice under Guatemalan Banking GAAP. The increase in fixed asset revaluation, which is depreciated through a charge to income, is credited to a revaluation surplus account, which is an equity account. Upon realization or disposal of the related assets, this account is charged against retained earnings.

Under U.S. GAAP, property and equipment are reported at their historical cost less accumulated depreciation. Revaluations are not permitted.

Income Tax

Inter-period tax allocation that results from tax deferrals is not a common practice among Guatemalan financial institutions. Under Guatemalan Banking GAAP, income taxes usually are expensed without considering the effect of such differences, and the expense represents the estimated amount for such period.

Under U.S. GAAP, the asset and liability method is used to calculate the income tax provision, as specified in ASC Topic 740 - “Income Taxes”. Under the asset and liability method, deferred tax assets or liabilities are recognized with a corresponding charge to income for differences between the financial and tax basis of assets and liabilities at each year/period end. Deferred taxes are computed based on the applicable income tax rate. Net operating loss carry-forwards arising from tax losses are recognized as assets. A valuation allowance is recognized for a deferred tax asset if, on the weight of available evidence, it is more likely than not that some portion or all of the deferred tax asset will not be realized.

Financial Statements Presentation

In general, Guatemalan Banking GAAP requires less disclosure in financial statement footnotes than U.S. GAAP. Financial statement disclosures required under U.S. GAAP but not found in Guatemalan Banking GAAP include, but are not limited to, the following:

- *Loans and deposits* – disclosure of the concentration of credit risks, details of loans, deposits and maturity information, interest losses on non-performing assets, complicated debt restructurings and other items;

- *Borrowings* – disclosure of long-term debt repayments over the forthcoming five-year period;
- *Investments in debt and equity securities* – details of such investments. Guatemalan Banking GAAP generally requires only the disclosure of the cost and average interest rate for such investments;
- *Leases* – disclosure of future minimum rental payments required under operating leases; and
- *Off-balance sheet risks, commitments and contingent liabilities* – details of such items. Related Guatemalan Banking GAAP requirements include, but are not limited to, disclosure of contingencies for past-due loans and pending litigation.

Accounting for Foreign Currency Translation

Under Guatemalan Banking GAAP, assets, liabilities and shareholders' equity of a foreign subsidiary that are included in the consolidated statements are translated to quetzales using the exchange rate at the balance sheet date. Income and expenses are translated using average exchange rates.

U.S. GAAP, ASC 830 - "Foreign Currency Matters" requires the translation of foreign currency financial statements using the current exchange rate for assets and liabilities and the period-average rate for income statement accounts, except for enterprises operating in highly inflationary environments (as evidenced by a cumulative inflation rate of approximately 100% or more over a three-year period); in this case, the functional currency is considered to be the reporting currency and the financial statements translation is made using the current exchange rate for monetary assets and liabilities, historical rates for non-monetary assets and liabilities and period-average rates for income statement accounts. Currency translation gains and losses are reported as a separate component of shareholders' equity for enterprises that operate in a country with a currency different than the currency in which the statement is reported. For those companies that have the same functional and reporting currency, gains and losses appear on the income statement. Similarly, businesses that operate in highly inflationary environments report currency translation gains and losses in the manner described above.

Accounting for Consolidation

Under Guatemalan Banking GAAP, there is no guidance as to how to account for variable interest entities.

Under U.S. GAAP, ASC Subtopic 810-10 requires that existing unconsolidated variable interest entities, as defined therein, be consolidated by their primary beneficiaries if the entities do not disperse risks effectively among parties involved. The "primary beneficiary" is the party that absorbs a majority of expected losses and/or receives a majority of expected residual returns in an entity. Variable interest entities that effectively disperse risk will not be consolidated unless a single party holds an interest or combination of interests that effectively combine risks previously dispersed.

Accounting for Securitizations and Other Transfers of Financial Assets and Liabilities

Under Guatemalan Banking GAAP, the financial institutions record a transfer of financial assets and liabilities as a sale or purchase when it surrenders control over those financial assets and liabilities and receives or is paid the total equivalent value in exchange.

Under U.S. GAAP, transfer of financial assets (on all or a portion of a financial asset) in which the transferor surrenders control over the assets shall be accounted for as a sale to the extent that consideration other than beneficial interests in the transferred assets is received in exchange. The transferor has surrendered control, if and only if, all of the following conditions are met:

- Transferred assets have been isolated from the transferor presumptively beyond the reach of the transferor and its creditors, even in the event of bankruptcy or other receivership;
- Each transferee (or, if the transferee is a qualifying special-purpose entity, each holder of its beneficial

interests) has the right to pledge or exchange the assets (or beneficial interests) it received so long as no condition constrains the transferee (or holder) from taking advantage of its right to pledge or exchange its assets and provides more than a trivial benefit to the transferor; and

- The transferor does not maintain effective control over the transferred assets through either (1) an agreement that both entitles and obligates the transferor to repurchase or redeem them before their maturity or (2) the ability to unilaterally cause the holder to return specific assets, other than through a cleanup call.

In addition, there are strict requirements that often result in the consolidation of the financial statements of the transferee special purpose entity. Upon completion of a transfer of assets in satisfaction of the conditions to be accounted for as a sale, the transferor is required to recognize all assets obtained and liabilities incurred in the transaction, including assets or liabilities related to servicing.

Lease Accounting

Under Guatemalan Banking GAAP, leases normally are treated for accounting purposes as operating leases and the expense is recognized at the time that each lease installment falls due. Disclosure regarding leases is more limited than under U.S. GAAP.

Under U.S. GAAP, there are specific methods for recording financial leases for leaseholders and lessors. Furthermore, under U.S. GAAP, a lease meeting any one of four specified criteria is accounted for as a capital lease by the lessee and as sales, direct financing or leveraged lease by the lessor. If a lease does not meet any of these four criteria, it is accounted for as an operating lease.

Accounting for Affiliates

Under Guatemalan Banking GAAP, the Bank records an original investment in the equity of another entity at cost. In the case of investments expressed in U.S. dollars, the Bank periodically adjusts the exchange difference in the statement of income (gains or losses). Dividend payments received after the date of original investment are recorded in the statement of income when received.

Under U.S. GAAP, the equity method of accounting is applicable only to those investments in which the parent company has the ability to exercise significant influence, which is presumed to be a participation through common voting shares greater than 20%, but less than 50%, of the share capital of the subsidiary or affiliate and where the parent company does not have control.

Accounting for Guarantees

Under Guatemalan Banking GAAP, guarantees granted to third parties are recorded in memorandum accounts.

U.S. GAAP, ASC Topics 460 - “Guarantees”, requires a guarantor to recognize at the inception of a guarantee a liability for the fair value of the obligation undertaken when issuing the guarantee. Specific disclosures of guarantees granted are also required under ASC 460.

Accounting for Other Comprehensive Income

Comprehensive income and its components must be presented in a full set of financial statements under U.S. GAAP. Components of comprehensive income must be reported in a financial statement that is displayed with the same prominence as other financial statements. Comprehensive income consists of net income and non-owner transactions affecting shareholders’ equity, including unrealized holding gains and losses on available-for-sale securities, foreign currency translation adjustments, excess of minimum pension liability over unrecognized prior service costs, gains and losses from qualifying cash flow hedges, and gains and losses on foreign currency hedges designated and effective as hedges of a net investment in a foreign entity.

Related Parties

Under Guatemalan Banking GAAP, related parties are generally defined in a more limited manner and require fewer disclosures than under U.S. GAAP.

Extraordinary Items

Under Guatemalan Banking GAAP, there are specific accounts and transactions that are classified as extraordinary, such loan recoveries, increases in extraordinary asset value, sales of fixed assets and prior period adjustments.

Under U.S. GAAP, extraordinary items are limited to events and transactions that are both unusual and infrequent. A very limited number of specific events and transactions qualify for extraordinary treatment. Therefore, extraordinary items tend to be more frequent under Guatemalan Banking GAAP than under U.S. GAAP. Pursuant to U.S. GAAP, extraordinary items are presented separately from ordinary results and listed on a net-of-tax basis.

Loan Fees and Origination Costs

Under Guatemalan Banking GAAP, loan fees and origination costs are expensed as incurred..

Under U.S. GAAP, loan origination fees are deferred and recognized over the life of the loan as additional interest income. Direct loan origination costs are deferred and recognized over the life of the loan as a reduction of interest income. Loan origination fees and related direct loan origination costs are offset, and only the net amount shall be deferred and amortized. Loan commitment fees are deferred and, if the commitment is exercised, recognized over the life of the loan as additional interest income. If the loan commitment expires unexercised, the commitment fee is recognized as income upon the expiration of the commitment.

APPENDIX B

DESCRIPTION OF GUATEMALA

The information included in this Appendix A has been extracted from public sources. None of the Issuer, the Bank or the Placement Agent has independently verified the information set forth herein.

Overview of Guatemala

Guatemala is a Central American republic located immediately south of Mexico and covers a territory of 42,042 square miles (108,889 square kilometers). Guatemala is divided into 22 departments. Guatemala is mountainous, except for the south coastal area and the northern vast lowlands of Petén department. Two mountain chains enter Guatemala from west to east, dividing the country into three major regions: the highlands, where the mountains are located; the Pacific coast, south of the mountains; and the Petén region, north of the mountains. All major cities are located in the highlands and Pacific coast regions; by comparison, Petén is sparsely populated. These three regions vary in climate, elevation, and landscape, providing dramatic contrasts between hot and humid tropical lowlands and colder and drier highland peaks.

Guatemala had a population of approximately 14.7 million in 2010 according to the estimate of the National Institute of Statistics. Approximately 59.7% of the Guatemalan population lives in rural areas, and the rest in urban areas (2006 estimate, National Institute of Statistics). The Department of Guatemala has approximately 3.1 million inhabitants and the capital, Guatemala City, has approximately one million inhabitants. Other large cities include Quetzaltenango, Escuintla and Cobán. In the last decade, the population of Guatemala has grown at an average annual rate of 1.98%. The country's main ports are Puerto Barrios and Puerto Santo Tomás de Castilla on the Atlantic Ocean, and Puerto Quetzal on the Pacific Ocean.

A majority of Guatemala's population is of Mayan descent and lives mainly in the highlands of the western and northern regions of the country; a large portion of this population speaks any of 23 Mayan languages. Most of the remainder of the population is *ladino*, a group that consists mostly of people with mixed indigenous and European backgrounds. Ladinos represent a majority of the population in Guatemala City. Spanish is the official language of Guatemala, but approximately 40% of the population speaks Mayan languages (CIA World Factbook).

According to the World Bank, Guatemala's economy is the largest in Central America, comprising roughly one-third of the region's GDP. Guatemala is classified as a lower middle income developing country. The following table sets forth certain comparative information for Guatemala relative to selected countries.

	Guatemala	Nicaragua	Honduras	Jamaica	El Salvador	Panama	Dominican Republic	Colombia	Costa Rica	Mexico	United States
GDP (US$, billions,trillion)[(1)]	41.5	6.6	15.4	13.7	21.7	26.8	51.6	285.5	35.8	1,039	14.7
Population (millions)[(2)]	13.82	5.67	8.14	2.87	6.07	3.46	9.96	44.73	4.58	113.72	313.23
GNI per Capita[(3)]	2,650	1,000	1,800	4,590	3,370	6,570	4,550	4,990	6,260	8,960	46,360
GDP per Capita (PPP)[(4)]	5,200	3,000	4,200	8,300	7,200	13,000	8,900	9,800	11,300	13,900	47,200
Life Expectancy at Birth[(5)]	71	73	72	72	71	76	73	73	79	75	79
Human Development Index[(6)]	116	115	106	80	90	54	88	79	62	56	4
Infant Mortality (per 1000 live births)[(7)]	26.02	22.64	20.44	14.60	20.30	11.64	22.22	16.39	9.45	17.29	6.06
Literacy Rate[(8)]	74.0%	78.0%	84.0%	86.0%	84.0%	94.0%	88.0%	93.0%	96.0%	93.0%	N/D
Population below the poverty line[(9)]	51.00%	46.2%	60.00%	9.9%	37.8%	32.7%	50.5%	45.5%	21.7%	47.4%	N/D

(1) CIA World Factbook, 2010 estimate.
(2) CIA World Factbook, July 2011 estimate.
(3) World Bank Development Indicators, Atlas Method, current US$, 2009 data.
(4) CIA World Factbook, GDP on a Purchasing Power Parity basis in US$, 2010 data.
(5) Word Bank Development Indicators.
(6) United Nations 2010 Human Development Report, ranking out of 177 countries.
(7) CIA World Factbook 2011 estimate
(8) World Bank Development Indicators, Guatemala data from 2009; Nicaragua, 2005; Honduras, 2007; Jamaica, 2009; El Salvador, 2009; Panama, 2009; Dominican Republic, 2007; Colombia, 2009; Costa Rica, 2009; Mexico, 2009; United States no data.
(9) World Bank Development Indicators, National estimates of the percentage of the population falling below the poverty line. Definitions of poverty vary considerably among nations. Guatemala data from 2006; Nicaragua, 2005; Honduras,2010; Jamaica, 2007; El Salvador, 2009; Panama, 2008; Dominican Republic, 2008; Colombia, 2009; Costa Rica, 2009; Mexico, 2008; United States no data.

Economic Overview

Guatemala's economy continues to be supported by its track record of macroeconomic stability, its low public and external debt, as well as the government's solid commercial debt repayment history. These factors have provided a sufficient buffer to deal with adverse external shocks.

Guatemala is the largest economy in Central America, with an estimated GDP of US$41.43 billion in 2010. The economy has expanded steadily in recent years, growing at a real rate of 3.61% in 2000, 2.33% in 2001, 2.25% in 2002, 2.13% in 2003, 2.75% in 2004, 3.16% in 2005, 5.40% in 2006, 6.30% in 2007, 3.30% in 2008, 0.5% in 2009 and 3.3% estimated in 2010. The rate of growth of the economy declined after 2007, due to the international financial crisis, resulting in lower economic growth in the United States and the rest of Central America (Guatemala's main trading partners).

The Guatemalan economy historically has relied heavily upon agriculture, which, predominantly is comprised of the export of coffee, sugar, bananas and cardamom. As Central American countries took strides towards regional economic integration in the 1960s and 1970s, Guatemala became an important regional source for manufactured consumer products as well as processed foods, and it has made some progress in promoting the export of non-traditional products.

Guatemala's economy is affected by external events. Moderate worldwide economic growth, and other events have caused uncertainty and volatility in the United States and international economies and financial markets. While the United States and other countries to which Guatemala exports its products continue to experience moderate economic growth, it is unclear whether the same rates of growth will continue. It is worth mentioning that Guatemala has successfully diversified its commercial partners and is not dependant on the United States economy.

On March 10, 2005, Guatemala ratified the Dominican Republic-Central America Free Trade Agreement (CAFTA-DR). On July 1, 2006, the CAFTA-DR entered in to force between the United States and Guatemala. CAFTA-DR eliminates customs tariffs on as many categories of goods as possible; opens services sectors; and creates clear and readily enforceable rules in areas such as investment, government procurement, intellectual property protection, customs procedures, electronic commerce, the use of sanitary and phyto-sanitary measures to protect public health, and dispute resolution.

CAFTA-DR has resulted in more investments and competition between companies, which has resulted in an increase of the availability of Guatemalan products in Central America. In addition, CAFTA-DR´s international free trade policy has facilitated Guatemala's entrance into US markets.

Notwithstanding the global economic downturn in 2007, Guatemala's economy grew at a rate of 3.30% in 2008 and 0.5% in 2009 and is expected to grow at a rate of 3.3% in 2010. The US recession softened by important structural differences with regional peers and the authorities' moderate counter-cyclical policies. Guatemalan exports contracted less than those of many of its regional peers, as the country has a diversified commodity export base, which benefited from price stability and, in the case of coffee and sugar, an increase in price. However, sharp declines in remittances (−9%) and FDI (−25%) contributed to a contraction of domestic demand in 2009. Given Guatemala's large expatriate community in the United States, it is the top remittance recipient in Central America, with inflows serving as a primary source of foreign income equivalent to nearly two-thirds of exports or one-tenth of GDP. Economic growth fell in 2009 as export demand from US and other Central American markets fell and foreign investment slowed amid the global recession.

In 2009, the Guatemalan authorities implemented counter-cyclical monetary and fiscal policies to support growth. The central bank's benchmark policy interest rate was reduced by 275 bps to 4.50% during 2009 and was maintained at this level through March 31, 2011. Additional measures to increase domestic liquidity, such as increased flexibility in computing reserve requirements and the temporary suspension of certificate of deposit placements, were also implemented.

The government also implemented its National Program for Economic Emergency and Recovery in 2009, which included fiscal measures to jump-start the economy, such as strengthening Guatemala's social safety net with targeted conditional income transfer programs and investing in infrastructure. Growth has been steadily recovering since September 2009 and confidence in the index of economic activity has been increasing since the last quarter of 2009 suggesting that the recovery finally is arriving.

Remittances and capital inflows began to grow in the first half of 2010. Despite monetary easing, credit growth has yet to recover from the end of 2008, in part due to a lack of demand. As a result of slow credit demand and uncertain US growth prospects, it is not expected that Guatemala's growth will return to pre-crisis levels in the near future. A return of global risk aversion or a setback to the global recovery represents downside risks to Guatemala's growth picture. Guatemala's government sought a one year extension to its 18-month, US$975 million stand-by agreement with the IMF, which was successfully completed in late October 2010.

In the first three months of 2011, remittances from Guatemalans living abroad continued to recover as the

US economy strengthened. Remittances grew by 10% year-on-year and totaled US$972.1 million in the first quarter of the year, a clear recovery from 2009 and 2010, and only just below the record amount registered in the first quarter of 2008 (US$973.4 million). March 2011 was the 13th consecutive month of positive growth following 13 months of decline, averaging 8.2% year-on-year. Remittances amounted to US$4.1bn in 2010, 5.5% higher than in 2009 (US$3.9bn), but below the US$4.3billion recorded in 2008. Banguat expects remittances to increase by 5.3% year-on-year in 2011.

The natural disasters that hit Guatemala in May 2010 did not affect the recovery of the Guatemalan economy. Real GDP in 2011 is expected to grow by 2.8% and annual inflation to reach 5.00%, within the target band set by the Monetary Board. The balance of payments is strengthening and the financial system remains sound.

The main selected economic information is presented in the following tables:

Selected Economic Information
(in millions of U.S. dollars, except as otherwise indicated)

	For the year ended December 31,					
	2006	2007	2008	2009	2010	2011
Domestic economy						
GDP (at current prices) (1)	**30,242**	**34,307**	**38,030**	**36,829**	**41,436**	**44,740**
Real GDP (in millions of S/. at constant 2001 prices) (1)	**23,117**	**24,478**	**24,794**	**23,228**	**24,838**	
Real GDP growth rate (in %) (1)	**5.4**	**6.3**	**3.3**	**0.5**	**2.6**	**2.8**
CPI (change for the period in %) (1)	5.79	8.75	9.4	-0.28	5.39	5
Unemployment rate (in %) (2)	7.5	3.2	3.2	3.2	3.2	3.2
Balance of payments						
Total current account (3)	**-1,524**	**-1,769**	**-1,773**	**-217**	**-1**	**-1,650**
Of which:						
Trade balance (3)	-4,852	-5,487	-5,575	-3,301	-4,203	-5,204
Total capital account (3)	**1,355**	**1,611**	**1,222**	**-91**	**1,191**	**1,704**
Of which:						
Foreign direct investment (4)	591.6	745.1	753.8	600	709.5	789.1
Errors and omissions (3)	**421**	**374**	**884**	**782**	**211**	**219**
Overall balance of payments (3)	**252**	**216**	**333**	**473**	**130**	**273**
Change in Central Bank net international reserves (period end in %) (3)	7.49	6.15	9.7	16.49	1.57	8.7
Central Bank net international reserves (period end) (4)	**4,061**	**4,320**	**4,659**	**5,213**	**5,954**	
Public sector balance						
Central government revenue (3)	3,841	4,405	4,573	4,076	4,573	5,135
As a % of GDP	*12.7*	*12.8*	*12*	*11.1*	*11.3*	*11.5*
Central government expenditure (3)	4,446	4,899	5,187	5,235	5,813	6,270
As a % of GDP	*14.7*	*14.3*	*13.6*	*14.2*	*14..3*	*14*
Central government fiscal balance (3)	-605	-494	-614	-1158	1240	-1135
As a % of GDP	*-1.9*	*-1.4*	*-1.6*	*-3.1*	*-3.1*	*-2.5*
Public sector debt						
Public sector external debt (3)	3,958.3	4,226.0	4,382.4	4,927.6	5,562.0	
As a % of GDP	*13.1%*	*12.3%*	*11.5%*	*13.4%*	*13.4%*	
Public sector domestic debt (3)	2,657.7	3,170.1	3,368.2	3,662.5	4,588.4	
As a % of GDP	*8.8%*	*9.2%*	*8.9%*	*9.9%*	*11.1%*	
Total public sector debt (3)	6,616.0	7,396.1	7,750.6	8,590.1	10,150.4	
As a % of GDP	*21.9%*	*21.6%*	*20.4%*	*23.3%*	*24.5%*	
Public sector external debt service:						
Disbursements (3)		605	355	751	819	1099
Amortizations (3)		206	246	258	265	635
Total external debt service (3)		**399**	**109**	**493**	**554**	**464**
As a % of exports of goods and services (3)		*1.2*	*0.3*	*1.3*	*1.4*	*1*
International Reserves:						
Total International Reserves (4)	4,061	4,320	4,659	5,213	5,954	
As a % of public sector external debt	*102.6%*	*102.2%*	*106.3%*	*105.8%*	*107.0%*	
Exchange rate (6)						
Exchange rate (end of period, S/. per US$) (4) (5)	7.6	7.63	7.78	8.35	8.01	7.8
Annual rate variation(end of period, S/. per US$)		0.4	2	7.3	-4.1	-2.62

(1) Banco de Guatemala 2006 to 2009 & 2010 estimate. FMI 2011 estimate
(2) World Fact Book estimate
(3) IMF 2010, 2011 estimate
(4) Banco de Guatemala
(5) Banco de Guatemala 2006 to 2009, 2010 estimate.
(6) EIU 2011 estimate

Gross Domestic Product and Structure of the Economy

Data for the fourth quarter of 2010 compiled by Banco de Guatemala (Banguat, the central bank) show that real GDP grew by 3.1% year-on-year, the highest rate since the fourth quarter of 2008, when it grew by 4.1% bringing 2010 full-year growth to 3.3%, an upward revision from Banguat's previous estimate of 2.6% (February 2011, Economic performance).

Private consumption grew by 4.1% year-on-year in the fourth quarter of 2010, reflecting a broad-based improvement in domestic economic conditions, as well as an increase in remittances inflows. Although government consumption grew by 6.2% year-on-year in the fourth quarter, as a result of public-sector wage rises and greater purchases of goods and services, this represented slower growth than in 2009, when the government implemented mildly countercyclical policies to counter the global recession. Following an 11.6% contraction a year earlier, gross capital formation (fixed investment including changes in inventories) grew by 3.6% in the fourth quarter of 2010, reflecting the recovery in capital goods import spending (which grew by 44% in the same period). However, this did not offset negative growth in the first quarter of 2010, leading full-year growth in gross capital formation to remain negative.

Following growth of 17.2% in the fourth quarter of 2009—when real exports of goods and services bounced back—exports grew by just 0.8% in the fourth quarter of 2010. Since domestic demand recovered more slowly than external demand, the recovery in real imports of goods and services gathered pace only in the second half of 2010, leading imports to grow by 11.6% in the fourth quarter of 2010, following growth of 3.7% a year earlier.

Mining, quarrying and financial services, grew at a rate of 10.2% year-on-year in the fourth quarter of 2010, followed by public administration, which grew by 8%, driven in part by an increase in the payroll, especially in the Ministry of Education. Commerce (retail and wholesale trade) grew by 4.8% year-on-year, owing to the recovery of domestic demand, and private services rose by 3.7% on the back of better performance in legal activities, accounting, architecture, vehicle repair and other areas. The construction sector has remained depressed, falling at a rate of 6.1% year-on-year in the fourth quarter of 2010, albeit at a slower pace than the drop of 21.3% in the first quarter of 2010. The supply of electricity also fell by 2.8% year-on-year in the last quarter of 2010.

Available indicators for 2011 suggest that the positive trend in economic activity continues to hold. The *Índice Mensual de Actividad Económica* (IMAE, Banguat's monthly index of economic activity) grew by 3.5% year-on-year in March (following growth of 3.3% in January and 3.2% in February). This was the result of trade dynamism linked to a strengthening US economy, Guatemala's largest trade partner, and a boost to private consumption supported by strong growth in remittances from the US (averaging 10% growth year-on-year in the first three months of 2011).

GDP is expected to grow by 3% in 2011, as high inflation is expected to dampen private consumption growth. Presidential elections in September 2011 are expected to prevent a more robust recovery in investments and lead to a cooling of the economic activity seen in the last quarter of 2011.

Gross Domestic Product by Expenditure
(in millions of US dollars, at current prices)

	For the year ended December 31,				
	2005	2006	2007	2008	2009
Final Expenditure	**26,295.0**	**29,071.4**	**32,912.7**	**37,378.1**	**35,443.6**
Government consumption	2,317.3	2,531.2	2,970.2	3,427.7	3,748.8
Private consumption	23,977.7	26,540.2	29,942.5	33,950.4	31,694.8
Gross investment	**5,001.2**	**6,080.8**	**6,719.9**	**6,819.5**	**5,524.4**
Construction	2,265.7	2,831.7	3.268.3	3,655.1	3,044.7
Machinery & Equipment	2,735.5	3,249.1	3,451.6	3,164.4	2,479.7
Change in inventories	**393.1**	**216.6**	**426.5**	**-581.9**	**-772.6**
Exports of goods and services	**6,848.1**	**7,539.8**	**8,770.6**	**9,400.3**	**8,852.9**
Imports of goods and services	**11,204.7**	**12,667.1**	**14,523.1**	**14,986.3**	**12.215.7**
GDP	**27,332.7**	**30,241.5**	**34,306.7**	**38,029.7**	**36,832.6**

Source: Guatemala Central Bank 2009, estimate.

Gross Domestic Product by Expenditure
(as a percentage of total GDP, at current prices)

	For the year ended December 31,				
	2005	2006	2007	2008	2009
Final Expenditure	96.2	96.1	95.9	98.3	96.2
Government consumption	87.7	87.8	87.3	89.3	86.1
Private consumption	8.5	8.4	8.7	9.0	10.2
Gross investment	18.3	20.1	19.6	17.9	15.0
Construction	8.3	9.4	9.5	9.6	8.3
Machinery & Equipment	10.0	10.7	10.1	8.3	6.7
Change in inventories	1.4	0.7	1.2	(1.5)	(2.1)
Exports of goods and services	25.1	24.9	25.6	24.7	24.0
Imports of goods and services	41.0	41.9	42.3	39.4	33.2
Total GDP	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

Source: Guatemala Central Bank 2009, estimate.

Per Capita GDP
(in US dollars, at current prices)

	For the year ended December 31,				
	2006	2007	2008	2009	2010
Per capita GDP	2,322.1	2,556.1	2,861.8	2,687.3	2,868.7

Source. Banco de Guatemala 2006 to 2009 2010, estimate.

Main Economic Sectors

The following table sets forth the distribution of GDP in the Guatemala economy, indicating for each sector its growth rate for the period indicated.

Gross Domestic Product by Sector
(percentage change from previous year)

	For the year ended December 31,				
	2006	**2007**	**2008**	**2009**	**2010 Estimate**
Agriculture, Fishing and livestock	1.3	5.9.	0.9	3.8	1.1
Mining & Quarries	17.6	13.9	-4.3	4.2	-1.0
Manufacturing	3.8	3.0	2.0	-0.9	2.4
Construction	13.1	8.8	-0.5	-10.9	-11.2
Electricity and Water	3.0	6.3	1.6	0.7	0.5
Wholesale & Retail Trade	3.9	4.1	2.0	-2.1	3.7
Transport, Warehouse & Communication	18.6	22.8	14.6	2.5	4.2
Financial Intermediation, Insurance & Other	16.1	9.9	7.8	4.1	2.6
Other services	13.5	15.10	14.30	17.0	13.5
Total GDP	**5.4**	**6.3**	**3.3**	**0.5**	**2.6**

Source: Banco de Guatemala 2006 to 2009, 2010, estimate.

Gross Domestic Product by Sector
(percentage of GDP)

	For the year ended December 31,				
	2006	**2007**	**2008**	**2009**	**2010 Estimate**
Agriculture, Fishing and livestock	14.1%	14.0%	13.6%	13.9%	13.6%
Mining & Quarries	0.7%	0.7%	0.7%	0.7%	0.7%
Manufacturing	19.9%	19.2%	18.8%	18.3%	18.4%
Construction	2.7%	2.7%	2.6%	2.6%	2.5%
Electricity and water	4.1%	4.2%	4.0%	3.5%	3.0%
Wholesale & retail trade	12.9%	12.5%	12.3%	11.8%	12.0%
Transport, Warehouse & Communication	8.4%	9.7%	10.6%	10.7%	10.7%
Financial Intermediation, Insurance & Other	4.0%	4.1%	4.3%	4.4%	4.4%
Rent (housing)	10.6%	10.3%	10.3%	10.4%	10.5%
Private services	15.9%	15.9%	16.3%	16.2%	16.3%
Public administration and defense	6.7%	6.6%	6.6%	7.3%	7.8%
Total	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**

Source: Banco de Guatemala 2006 to 2009, 2010, estimate.

Balance of Payments and Foreign Trade

Balance of Payments

The following table provides information, based on period-end exchange rates, regarding Guatemala's balance of payments for the periods shown.

Balance of Payments
(in millions of U.S. dollars,)

	For the year ended December 31,					
	2006	**2007**	**2008**	**2009**	**2010**	**2011**
Current account:						
Trade balance:[1]						
Exports (FOB)	5,014	6,030	7,847	7,330	7,793	8,063
Imports (FOB)	(9,866)	(11,516)	(13,421)	(10,632)	(11,996)	(13,266)
Trade balance	**(4,852)**	**(5,486)**	**(5,574)**	**(3,302)**	**(4,203)**	**(5,203)**
Real Services (net)	(260)	(293)	(276)	(370)	(449)	(374)
Rent (net)	(680)	(843)	(927)	(948)	(1,178)	(1,368)
Current transfers (net)	4,268	4,854	5,004	4,402	4,557	5,296
Of which , remittances	*3,645*	*4,200*	*4,403*	*4*	*4,120*	*4,797*
Current account balance	**(1,524)**	**(1,768)**	**(1,773)**	**(218)**	**(1,273)**	**(1,649)**
Capital and financial account						
Capital account	**142**	**-**	**-**	**-**	**-**	**-**
Financial account	**1,213**	**2**	**1,222**	**(91)**	**1,191**	**1,704**
Central Bank	**10**	**20**	**(3)**	**272**	**-**	**-**
Public Sector	***(326)***	***233***	***121***	***521***	***559***	***618***
Bonds (net)	*(30)*	*(160)*	*(1)*	*(12)*	*(59)*	*90*
Loans	*356*	*393*	*122*	*534*	*618*	*528*
Private Sector	***877***	***1,358***	***1,104***	***(885)***	***632***	***1,086***
FDI	*552*	*719*	*737*	*543*	*565*	*627*
Portfolio Investment	*(53)*	*(24)*	*(32)*	*20*	*6*	*13*
Other Investments	*378*	*663*	*398*	*(1,448)*	*61*	*446*
Capital and financial account balance	**1,355**	**2**	**1,222**	**(91)**	**1,191**	**1,704**
Errors and Omissions	421	374	884	782	211	219
Overall balance	**252**	**216**	**333**	**473**	**130**	**273**
Current account balance (% of GDP)	***(5)***	***(5)***	***(5)***	***(1)***	***(3)***	***(4)***

Source: IMF & FITCH

Trade Balance

In 2010, Guatemala´s current account registered a deficit of US$1.3 billion, largely due to Guatemala´s trade balance deficit of US$4.2 billion, an increase of US$3.3 billion during 2009.

In 2010 Guatemala´s exports consisted primarily of:

- Traditional products, such as sugar, bananas, coffee, cardamom and petroleum, which amounted to US$2.3 billion, representing a 27.4% of the total exports. The main traditional products are sugar, with US$726 million, 8.6% and coffee with US$705.6 million, 8.3% as of the year 2010, mainly due to favorable international prices of these products.

- Manufacturing exports which amounted to US$5.2 billion, representing 61.8% of the total exports. The main manufactured products are: clothing and garments, valued at US$1.2 billion; plastic products, valued at US$223.5 million; cooking oil and edible fat, valued at $201.3 million and textiles, valued at $182.9 million.

- Mining and quarries exports which amounted to US$1.1 billion, representing 12.6% of the total exports. The main mining and quarries exports are: metallic minerals and precious stones, valued at US$523.7 million; propane gas, valued at US$71.0 million and iron and steel, valued at $65.9 million.

- Other relevant agricultural export products are: rubber, which amounted to US$237.4 million; fruits, which amounted to US$166.0 million and vegetables, valued at $123.7 million.

Exports
(in millions of US dollars)

	For the year ended December 31,				
	2006	**2007**	**2008**	**2009**	**2010**
Traditional:					
Sugar	298.5	358.1	378.1	507.7	726.0
Banana	215.5	298.8	314.9	411.5	349.5
Coffee	463.6	577.3	646.2	579.5	705.6
Cardamom	83.4	137.1	208.0	304.1	308.1
Petroleum	233.2	249.1	373.7	191.7	227.8
Total traditional	1,294.2	1,620.4	1,920.9	1,994.5	2,316.9
Non-traditional:	4.718.6	5,277.3	5,816.5	5,219.2	6,149.3
Total exports	6012.8	6.897.7	7.737.4	7.213.7	8.466.2

Source: Banco de Guatemala 2009, 2010 estimate

Exports
(as a percentage of total exports,)

	For the year ended December 31,				
	2006	**2007**	**2008**	**2009**	**2010**
Traditional:					
Sugar	4.96	5.19	4.89	7.04	8.58
Banana	3.58	4.33	4.07	5.70	4.13
Coffee	7.71	8.37	8.35	8.03	8.33
Cardamom	1.39	1.99	2.69	4.22	3.64
Petroleum	3.88	3.61	4.83	2.66	2.69
Total traditional	**21.52**	**23.49**	**24.83**	**27.65**	**27.37**
Non-traditional:	**78.48**	**76.51**	**75.17**	**72.35**	**72.63**
Total exports	**100.00**	**100.00**	**100.00**	**100.00**	**100.00**

Source : Banco de Guatemala 2006 to 2009, 2010 estimate

In 2010, Guatemala's imports consisted primarily of:

- intermediate goods, such as raw materials for agricultural and manufacturing production, valued at US$4,862 billion, and representing 35.14% of the total imports for 2010;

- consumer goods, valued at US$3,852 billion, and representing 27.85% of the total imports for 2010

- petroleum products & lubricants, valued at US$2,475 billion, and representing 17.89% of the total imports for 2010,

- capital goods, such as agriculture, manufacturing construction and telecommunication equipment, valued at US$2,327 billion, and representing 16.82% of the total imports for 2010; and

- construction materials, valued at US$319 million, and representing 2.30% of the total imports for 2010.

- The following tables provide further information regarding imports for the periods shown.

Imports
(in millions of US dollars)

	For the year ended December 31,				
	2006	**2007**	**2008**	**2009**	**2010**
Consumer goods:					
Durable goods	733.0	862.6	784.7	537.3	686.0
Semi durable goods	881.8	917.0	886.4	785.7	924.8
Non-durable goods	1,552.9	1,836.9	2,067.2	1,966.5	2,242.1
Total consumer goods	**3,167.7**	**3,616.5**	**3.738.3**	**3,289.5**	**3,852.9**
Intermediate goods:					
Raw materials for agriculture	275.1	333.3	459.5	322.2	454.4
Raw materials for manufacturing	4,041.5	4,430.8	4,802.8	3,604.	4,407.1
Total intermediate goods	**4,316.6**	**4,764.1**	**5,262.3**	**3,926.2**	**4,861.5**
Petroleum Products ,Lubricants	**1,876.6**	**2,418.9**	**2,822.4**	**2,206.9**	**2,475.4**
Construction Materials	**259.8**	**325.7**	**370.2**	**272.1**	**318.8**
Capital goods:					
For agriculture	65.9	69.3	66.7	50.6	63.8
For manufacturing, Construction & Telecommunication	1,777.0	1,960.2	1,891.5	1,520.8	1,898.2
For transportation	450.4	420.2	394.4	264.9	365.2
Total capital goods	**2,293.3**	**2,449.7**	**2,352.6**	**2,836.3**	**2,327.2**
Other	0.5	0.8	0.7	0.3	0.5
Total imports	**11,914.5**	**13,575.7**	**14,546.5**	**11,531.3**	**13,836.3**

Source: Banco de Guatemala 2009, 2010 estimate

Imports
(as a percentage of total imports)

	For the year ended December 31,				
	2006	2007	2008	2009	2010
Consumer goods:					
Durable goods	6.15	6.35	5.39	4.66	4.96
Semi durable goods	7.40	6.75	6.09	6.81	6.68
Non-durable goods	13.03	13.53	14.21	17.05	16.20
Total consumer goods	**26.59**	**26.64**	**25.70**	**28.53**	**27.85**
Intermediate goods:					
Raw materials for agriculture	2.31	2.46	3.16	2.79	3.28
Raw materials for manufacturing	33.92	32.64	33.02	31.25	31.85
Total intermediate goods	**36.23**	**35.09**	**36.18**	**34.05**	**35.14**
Petroleum Products ,Lubricants	**15.75**	**17.82**	**19.40**	**19.14**	**17.89**
Construction Materials	**2.18**	**2.40**	**2.54**	**2.36**	**2.30**
Capital goods:					
For agriculture	0.55	0.51	0.46	0.44	0.46
For manufacturing, Construction & Tele	14.91	14.44	13.00	13.19	13.72
For transportation	3.78	3.10	2.71	2.30	2.64
Total capital goods	**19.25**	**18.04**	**16.17**	**15.92**	**16.82**
Other					
Total imports	**100.00**	**100.00**	**100.00**	**100.00**	**100.00**

Source: Banco de Guatemala 2009 2010 estimate

Geographic Distribution of Exports
(in millions of US dollars)

	For the year ended December 31,				
	2006	2007	2008	2009	2010
United States	2,783.2	2,903.8	3,014.4	2,924.4	3,258.6
El Salvador	699.6	842.1	973.3	817.5	994.17
Honduras	481.6	593.4	737.1	606.5	700.2
México	354.4	464.1	509.2	425.7	448.5
Costa Rica	227.8	257.8	318.9	283.7	347.1
Nicaragua	235.3	267.6	327.6	281.8	352.7
Panamá	98.2	119.5	161.6	183.9	222.0
Canada	99.6	111.4	110.8	110.2	136.0
Netherlands	87.3	71.9	107.3	115.7	106.2
Japan	45.0	59.1	113.3	107.9	146.8
Dominican Republic	78.5	92.1	113.8	107.2	134.0
Other	822.3	1,114.9	1,250.1	1,249.2	1,619.4
Total exports	**6,012.8**	**6,897.7**	**7,737.4**	**7,213.7**	**8,466.2**

Source: Banco de Guatemala 2009 2010 estimate

Geographic Distribution of Imports
(in millions of US dollars)

	For the year ended December 31,				
	2006	2007	2008	2009	2010
United States	4,115.10	4,642.7	5,242.3	4,211.9	5,124.0
México	950.8	1,184.3	1,411.6	1,185.6	1,542.6
China	594.3	776.2	839.4	607.5	983.6
El Salvador	544.8	620.8	692.1	590.0	676.1
Costa Rica	372.0	405.9	422.7	394.2	427.7
Panamá	401.15	400.3	412.5	366.9	440.4
Colombia	196.2	214.8	289.2	325.7	394.0
South Korea	579.5	444.00	365.0	317.8	387.5
Netherlands	220.00	448.6	460.8	300.0	159.0
Honduras	183.3	279.8	353.4	262.3	307.0
Brazil	391.0	308.7	268.1	233.3	232.9
Other	3,366.0	3,849.6	3,789.4	2,736.1	3,161.5
Total exports	**11,914.5**	**13,575.7**	**14,546.5**	**11,531.3**	**13,836.3**

Source: Banco de Guatemala 2009 2010 estimate

Public Sector Debt

Despite the implementation of fiscal stimulus measures and below-budgeted revenue, Guatemala´s ratios of gross and net public debt to GDP remain low thanks to a history of maintaining a sustainable fiscal position. As a result of Guatemala´s lower debt burden and favorable maturity structure, the government´s debt maturities as a proportion of GDP are low.

Public Sector Debt
(in millions of US dollars, except for percentages)

	As of December 31,				
	2006	2007	2008	2009	2010
Public sector external debt	3,958.3	4,226.0	4,382.4	4,927.6	5,562.0
Public sector external debt as % of GDP	13.1%	12.3%	11.5%	13.4%	13.4%
Public sector domestic debt	2,657.7	3,170.1	3,368.2	3,662.5	4,588.4
Public sector domestic debt as % of GDP	8.8%	9.2%	8.9%	9.9%	11.1%
Total public sector debt	6,616.0	7,396.1	7,750.6	8,590.1	10,150.4
Total public sector debt as % of GDP	21.9%	21.6%	20.4%	23.3%	24.5%

Source: Banco de Guatemala

Evolution of Credit Rating Republic of Guatemala

AGENCY NAME	DATE	RATING
Standard & Poor's	07/17/2006	BB
Standard & Poor's	05/09/2003	BB-
Standard & Poor's	10/18/2001	BB
Moody's	08/01/1997	Ba2
Moody's	06/01/2010	Ba1
Fitch Ratings	09/02/2006	BB+
Fitch Ratings	20/07/2007	BB+
Fitch Ratings	30/07/2008	BB+
Fitch Ratings	28/07/2009	BB+
Fitch Ratings	10/08/2010	BB+

Source: Bloomberg and Firch Ratings Central America

Government

Guatemala is a constitutional democratic republic under civilian government. Guatemala's current Constitution was adopted by a constitutional assembly in 1986, after the 1965 constitution had been suspended in 1982 following a military coup. In 1993, President Jorge Serrano suspended the constitution but it was reinstated after 11 days following the ouster of the president. The Constitution was amended through a referendum in January 1994, among other things, reduced the legislative and presidential terms of office from five to four years and set a presidential term limit of one term. Guatemala follows the civil law system.

The Government is divided into three branches: Executive, Legislative and Judicial. A separate Supreme Electoral Tribunal has independent authority to call and administer elections. There is also a separate Human Rights Ombudsman.

Executive

The President and Vice President are elected directly through universal suffrage and each of these executive officials is limited to a single four-year term without the possibility of reelection in consecutive terms. The President proposes legislation to Congress and appoints all 13 cabinet ministers. The President also is the commander-in-chief of the armed forces and has the power to veto legislation approved by the Legislative branch.

The Legislative branch can override any Presidential veto and enact the legislation by affirmative vote of two-thirds of Congress.

Presidential and congressional elections were held in September 2007. Neither of the presidential candidates obtained the majority of the votes as required by law and a second round was held on November 4, 2007. In the second round elections, Alvaro Colom, a social democrat, defeated the conservative Otto Perez by 52.8% to 47.2% and was elected President. Colom took over the presidency from conservative incumbent Oscar Berger on January 14, 2008 for a term ending in January 2012.

Territorially, Guatemala is divided into 22 departments, which in turn are subdivided into provinces. There are currently 333 provinces, which are governed by popularly elected mayors and councils who serve 4 year terms. The Executive branch is represented locally in each department by a governor appointed by the President.

Legislative

The Legislative branch consists of a unicameral Congress of 158 congressmen and congresswomen, each of whom has a four-year term. Congressional sessions run each year from January 14 through May 15 and from August 1 through November 30. Either the permanent commission of the Congress or the Executive branch can call extraordinary sessions. Members of Congress can propose bills to the Congress and acts of Congress are passed by an affirmative vote of an absolute majority of members, except in certain specified cases. Congress also decides, by two-thirds majority vote, whether to bring charges against Cabinet-level officials.

Congress has the exclusive power to levy taxes. In order for any Government entity to borrow money, it must follow certain legal procedures and receive prior approval from the Congress.

The following table shows the composition of Congress 2008-2012 by political party or affiliation:

	Congress	
	Seats	%
Unidad Nacional de la Esperanza (UNE)	40	25%
Gran Alianza Nacional (GANA)	15	9%
Partido Patriota (PP)	31	20%
Frente Republicano Guatemalteco (FRG)	07	4%
Partido Unionista (PU)	06	4%
Independiente	07	4%
Bloque Independiente Bancada Guatemala	14	9%
Centro de Acción Social (CASA)	03	2%
Libertad Democrática Renovada LIDER	27	17%
Others	8	5%
Total	158	100.0%

Source: Tribunal Supremo Electoral.

Judiciary

The Constitutional Court is Guatemala's highest court for constitutional and related matters. Five justices are elected for concurrent five-year terms. The Supreme Court of Justice has 13 justices that hold office for five-year terms and elect a president of the Court each year from among their number; the president of the Supreme Court of Justice also supervises trial judges around the country, who are also named to five-year terms. There are also 24 appellate courts and 175 courts of first instance. In addition, there are small claims courts.

Supreme Court justices are appointed by Congress from a list of 26 candidates submitted by a commission consisting of representatives from the General Assembly of the Guatemalan Bar Association, law school deans, university rectors and appellate judges. Appellate court judges also are appointed by Congress. Judges of first instance courts are appointed by the Supreme Court.

The Public Ministry, an auxiliary institution of public administration and the courts, has as its principal function ensuring and monitoring compliance with the laws of the country. The Solicitor General of the Republic heads the Public Ministry and serves as chief prosecutor. The Solicitor General is named by the President for a term of four years, and can be removed by the President for cause.

The Attorney General represents the Republic in legal matters and provides legal advice to the various State entities.

The Constitutional Court hears cases regarding the Constitution and is responsible for the enforcement of human rights laws. Five justices and five alternates appointed for five-year terms comprise the Constitutional Court. Each of the following institutions designates one regular and one alternate justices: the Supreme Court; the Congress; the President; the Superior Board of the University of San Carlos; and the General Assembly of the Guatemalan Bar Association.

Recent Political History

In 1996, the Government reached a peace agreement (the "Peace Accord") with the country's internal revolutionary movement after 36 years of armed conflict. The Government's obligations under the Peace Accord form the foundation of the Programa de Paz (the "Peace Program"), which requires significant investments in human, economic and infrastructure development and significantly higher levels of public expenditures. In 1997, 25 countries and 22 international financial institutions, including, among others, the World Bank, the Inter-American Development Bank ("IDB") and the International Monetary Fund ("IMF"), commonly referred to as the Guatemala Consulting Group, met in Brussels and in Guatemala to discuss financial assistance to Guatemala. The participants pledged an aggregate of US$2,300.0 million in direct aid and loans. Peace Program expenditures from 1998 through June 2004 of US$7,029.2 million have been financed by foreign aid and loans from the Guatemala Consulting Group of US$2,427.4 million and from tax revenues of US$4,601.8 million. On May 31, 2004, US$791.4 million of foreign loans and approximately US$459.0 million of foreign aid from the Guatemala Consulting Group was available to be used to fund programs in accordance with the Peace Program. Although the Government completed a majority of the projects required by the Peace Program, the Government plans to further its commitment by incorporating the Peace Program's strategic objectives into its domestic policy, including strengthening the rule of law and promoting a stable social and political framework for peace and rural development.

The Peace Program contemplates significant investment in human, economic and infrastructure development. The initial period for the Peace Program was from 1997 through 2000. This period was extended to provide for additional investments through 2006.

Pursuant to Governmental Accord No. 86-2004, an independent commission, the *Comisión Nacional de los Acuerdos de Paz* (National Commission for the Peace Accords), was created to promote knowledge, social responsibility and accountability in all social sectors as well as to promote, develop, analyze and propose legal reforms, policies, programs and derivative projects that contribute to the goals of the Peace Program.

Prior to the presidential, congressional and municipal elections of 2003 violent protests and riots plagued parts of Guatemala City due to political and constitutional challenges to the presidential candidacy of General Efraín Ríos Montt who had previously assumed the position of president of Guatemala in a 1982 military coup. The 1986 Guatemalan Constitution provides that any person formerly elected president or that assumes the presidency through a military coup is not eligible to run again for such office. However, on July 14, 2003 the Constitutional Court, the highest court in Guatemala ruling on constitutional matters, held that the 1986 amendment to the Constitution could not be applied retroactively to events before that date, based on a constitutional provision that bars retroactive application of laws.

President Alvaro Colom took office in 2008. The economy grew during his predecessor, Oscar Berger's presidency (2004-08). Like Berger, Colom broadly favours market-friendly policies to attract foreign investment and trade, but there are profound socio-economic disparities. Colom's key goals include cutting high levels of violent crime and restoring public confidence.

President Alvaro Colom entered into office with the promise to increase education, healthcare, and rural development, and in April 2008 he inaugurated a conditional cash transfer program, modeled after programs in Brazil and Mexico, that provide financial incentives for poor families to keep their children in school and get regular health check-ups.

President, Alvaro Colom, of the center-left Unidad Nacional de la Esperanza (UNE) political party has tried to implement policies that would boost his former wife's prospects of winning the September 2011 election, but he is ending his term as a mediocre president. The election will intensify polarization in Congress and legislative paralysis. Owing to the fragmented nature of the political system, the incoming government, regardless of who wins is likely to have a weak congressional position and will require the support of other parties to pass legislation, hampering effectiveness and reducing the likelihood that major reforms will be passed.

The next presidential, legislative and municipal elections will be held on September 11, 2011, with a run-off in November if no candidate wins more than one-half of the votes. Otto Perez Molina, of the right-wing Partido Patriota (PP) political party, who narrowly lost to Mr. Colom in the 2007 election, remains the front-runner, with 47% of voting intentions in March 2011. Ms. Sandra Torres is expected to run on behalf of the UNE, but a ruling party has not secured re-election in recent history, and this will reduce her chances of winning. Ms. Torres, who recently divorced Mr. Colom in order to avoid a constitutional impediment that would have invalidated her candidacy, has only garnered 13.7% of voting intentions. Ms. Torres's popularity is higher among rural low income voters who tend to be not well represented in the polls, but this is unlikely to be enough to offset low support in urban areas. Although the full range of presidential candidates will only become clear by July 2011, the Economist Intelligence Unit expects Mr. Perez Molina's anti-crime platform to appeal to the majority of voters in the context of deteriorating public security, leading him to election victory. Despite Ms. Torres's divorce, opposition parties are likely to seek to challenge her candidacy in the courts, a scenario that would facilitate a first-round win by Mr. Perez Molina.

Recent Prosecutorial Actions

In January 2010 reports stated that the US government was accusing former President Alfonso Portillo in relation to money laundering charges. On January 26, 2010, Portillo was apprehended by local authorities in Guatemala near Punta de Palma. His capture was made possible through information gathered by CICIG and a New York District attorney. Former President Alfonso Portillo, former Minister Manuel Maza and Eduardo Arevalo Lacs, former Defense Minister, were indicted for the embezzlement of Q.120 million from the Ministry of Defense. The Public Ministry requested 10 years imprisonment for the crime of embezzlement and a lifetime prohibition of holding any public office after serving his sentence.

On May 9, 2010, former President Alfonso Portillo was cleared of the embezzlement charges. The charges were also dismissed against former Defense Minister Eduardo Arevalo and former Finance Minister Manuel Maza. Portillo remains in prison facing an extradition request from the United States, on charges of embezzling US$1.5 million in foreign donations. Attorney General (MP) Claudia Paz said she would appeal the ruling, which also drew protest from the CICIG.

In April 2010, one of the country's most wanted drug dealers, Waldemar Lorenzana Lima, was arrested. Waldemar is believed to be one of the leaders of the Lorenzana drug cartel, one of the largest in the country, with strong ties to the Mexican Sinaloa drug cartel. Lorenzana's arrest is a significant achievement for President Alvaro Colom and the UNE political party as the September presidential elections are close by. The government has been widely criticized for its failure to improve the security environment. Lorenzana's capture, coming after the arrest in March of another drug kingpin, Juan Ortiz Lopez (alias ‘El Chamale'), will help to counteract such criticism.

Nevertheless, the majority of drug-related violence is between rival organized crime groups and gangs and is unlikely to directly affect foreign businesses operating in the country.

As President Alvaro Colom’s administration enters its final year in office, it does not appear that there will be a renewed push for substantive reform. As such, his administration is likely to fall short on meeting its social spending priorities. The government will maintain close relations with the US and Mexico, given the importance of trade ties and cooperation to combat the illegal drug trade.

Fiscal and Monetary Policy

In May 2000, 130 organizations and the executive, legislative and judicial branches of government entered into the *Pacto Fiscal* (the “*Fiscal Pact*”). The Fiscal Pact requires that the Government strive to achieve certain financial targets, including increasing tax revenues to 12% of GDP and decreasing the average annual fiscal deficit. Some of the Fiscal Pact targets have not been achieved.

Although Guatemala has from time to time restructured multilateral and bilateral debt with supranational and foreign government lenders, it has never defaulted on any debt owed to any private sector creditors, including foreign commercial banks and other external creditors.

The Disability, Old Age and Life Insurance program of the Guatemalan Social Security Institute or IGSS (*Instituto Guatemalteco de Seguridad Social*) is expected to face a shortfall. To date, the amount of this shortfall has not been determined.

The Constitution provides for the Monetary Board, which was established in 1946, to determine the monetary, foreign exchange and credit policies of the Republic. The Monetary Board also oversees the liquidity and solvency of the national banking system, seeks to ensure the stability and strength of national savings and pursues monetary stability through the Bank of Guatemala. The Guatemalan Central Bank operates as an autonomous institution governed by the Monetary Board. The Constitution prohibits the Guatemalan Central Bank from directly or indirectly financing Government, public or private entities other than regulated financial institutions.

The Colom administration in 2011 and a new government in 2012 are expected to continue to implement generally cautious fiscal and monetary policies that will help to preserve macroeconomic stability. However, the risk of imbalances in 2011 is rising, as the September elections increase the risk of expansionary fiscal policies. This would add to inflationary pressures, which are already rising on the back of elevated oil prices. Despite only a moderate economic recovery, the Banco de Guatemala (Banguat, the central bank) is likely to tighten monetary policy throughout 2011 in order to keep medium-term inflation anchored within its target. An appreciating currency will help to contain inflation but will undermine exporters' competitiveness. Legislative paralysis will intensify in the remainder of 2011, impeding the passage of reforms to elevate the tax take or improve the business environment. Assuming that Mr. Otto Perez, from the PP, wins the presidency, it is likely to strengthen productive sectors by encouraging more foreign direct investment (FDI), but corruption, bureaucracy and an underperforming education system will continue to hamper the business environment.

Developments with the IMF

Guatemala joined the IMF on December 28, 1945. Guatemala and the IMF entered into two stand-by arrangements in 2002 and 2003. Guatemala met all of the 2002 and a significant number of the 2003 fiscal and macroeconomic targets required by the stand-by arrangements. In 2003, Guatemala met IMF targets for deficits, tax revenue, inflation and reserves, among others, and also implemented economic liberalization measures. In 2003, Guatemala’s inflation rate of 5.85% complied with the target of between 4% and 6%. However, during the following two years inflation was over 6%. The increase in its international reserves of US$271.0 million surpassed the target of US$250.0 million. In addition, Guatemala met the consolidated public sector deficit target of 1.7% of GDP and the social spending target of 5.3% of GDP. However, in 2003, Guatemala's tax revenues of 10.3% of GDP did not meet the target tax ratio of 12% of GDP established in the stand-by arrangement.

The IMF opened a permanent office in Guatemala City in 2003. On December 2004 Guatemala began participating in the IMF's General Data Dissemination System (GDDS), a major step forward in the development of the country's statistical system. Guatemala and the IMF met in February 2005, and following a two week visit, decided on an economic monitoring program and technical assistance rather than renewing the stand-by agreement, which was considered unnecessary given the strength of Guatemala's international reserves.

On February 14, 2007, the Executive Board of the IMF concluded the IV Annual Consultation with Guatemala. The Directors congratulated the Guatemalan authorities for the sound fiscal framework, improvements in tax administration, increase in transparency of fiscal and monetary policies, and structural reforms to promote growth and regional economic integration. Key priorities pointed out are to strengthen the financial system, address social needs by raising tax revenue, consolidate the decline in inflation, and gradually allow for more flexibility in the exchange rate. Downside risks to the outlook arise from tensions in the financial system and slowing growth in trading partner countries.

In the fourth and final reviews by the IMF, all quantitative performance criteria for June 2010 were met and inflation remained within the agreed band of 4.5-6.5%. While monetary and banking supervision policies were implemented as recommended by the IMF, a return to a more neutral fiscal stance after a small stimulus in 2009 was made impossible by the cost of the relief and reconstruction activity related to the natural disasters that hit Guatemala throughout 2010. This has impeded the reduction of the fiscal deficit, which is on track to exceed 3.4% of GDP in 2010, higher than the 3.1% target established by the IMF; the Congress approved a domestic bond issuance worth US$200million to finance reconstruction.

The 2011 budget contemplates a fiscal deficit of 2.7% of GDP, slightly wider than the 2.5% target recommended by the IMF. The weakness of the public finances has led the Fund to emphasize once again the need to implement a comprehensive tax reform that would raise government revenue and allow the public debt to GDP ratio to stabilize, thereby avoiding a fiscal consolidation, which would disproportionately reduce the comparatively low levels of social and infrastructure spending.

However, the main obstacle in the negotiations with the IMF is the agreement on measures to limit the accumulation of domestic payment delays (floating debt) on public works not included in the budget and executed by government entities. Although an audit will be necessary to quantify the exact amount of debt owed, according to officials from the Ministry of Communications and Infrastructure, the outstanding amount of the floating debt could amount to at least Q.2billion (US$25million, or 0.5% of GDP). For the IMF to move forward on a new agreement, the Finance Ministry will have to demonstrate its ability to cover future unauthorized spending and design a credible mechanism to pay creditors. The IMF has recommended this should be done through the issuance of domestic bonds, to which the government is likely to agree.

Assuming that the stalled budget negotiations move forward in Congress and that the IMF accepts a slower pace of fiscal consolidation in 2011, the Guatemalan government put together a credible plan to deal with its floating debt so that a new stand-by agreement is signed during the first quarter of 2011. A new IMF program, even if still considered precautionary by the government, would boost domestic and foreign business confidence in an uncertain election year.

Privatization and Role of the State in the Economy

The Government's economic policy seeks to adhere to free market principles, and the Government traditionally has refrained from intervening in the economy. Prior to 1996, the Government was involved primarily in the electricity and telecommunications sectors. In 1996, the Government created a Presidential Commission for the Modernization of the Executive Branch and Privatization (now called the Presidential Commission for the Reform of the State, Decentralization and Citizen Participation, or the "Modernization Commission").

Since 1999, the Modernization Commission shifted its focus from privatizing state-owned agencies to decentralizing and modernizing governmental agencies, social services and pensions, deregulating, increasing efficiency of governmental action and the privatizating of certain state-owned entities. As an initial step towards privatization the Government enacted the General Telecommunications Law (*Ley General de Telecomunicaciones*), and the General Electricity Law (*Ley General de Electricidad*), in 1996. These laws established a new legal and regulatory framework for these industries and aimed to increase competition in a de-monopolized, liberalized environment.

Exchange Rate Policy and Foreign Exchange Rates

Since 1994, the Monetary Board has allowed the exchange rate for the Quetzal to be determined predominantly by market forces. The Bank of Guatemala has seldom intervened in the foreign exchange market by buying or selling US dollars in order to counter temporary imbalances of supply and demand or drastic fluctuations in the exchange rate caused by speculative, cyclical or seasonal factors that affect the balance of payments.

Since 1996, the Bank of Guatemala has intervened in the foreign exchange market through the *Sistema Electrónico de Negociación de Divisas*, an electronic system for buying and selling foreign exchange which improves the Bank of Guatemala's ability to gain information about the exchange market. No current restrictions exist on the conversion of quetzales into other currencies.

On May 1, 2001, the Law of Free Negotiation of Foreign Currency came into effect permitting both domestic and foreign banks in Guatemala to freely enter into foreign currency denominated contracts and accept monetary deposits and offer bank accounts in foreign currency.

Following a year-on-year nominal appreciation of 4.6% in 2010, the Quetzal has continued to appreciate in the first few months of 2011 (by 4.4% by mid-April), due to high prices for commodity exports and a boost in remittances, trends that are expected to continue throughout the year. Reflecting monetary tightening, the exchange rate forecast for yearend 2011 is Q.7.57:US$1, and the widening of the current-account deficit leads to a mild depreciation bringing the exchange rate to an expected Q7.66:US$1 for yearend 2012. Banguat will continue to make discretionary interventions to smooth sharp exchange-rate fluctuations. A comfortable cushion of reserves (US$6.1billion in mid-April) will help Banguat to intervene as necessary.

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Banco Industrial, S.A. and Subsidiaries

Consolidated Financial Statements

December 31, 2010, 2009 and 2008

(With Independent Auditors' Report Thereon)

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Independent Auditors' Report

To the Shareholders of
Banco Industrial, S.A. and Subsidiaries:

We have audited the accompanying consolidated financial statements of Banco Industrial, S.A. and Subsidiaries (hereinafter referred to as the "Group"), which comprise the consolidated balance sheets as of December 31, 2010, 2009 and 2008 and the consolidated statements of income, changes in shareholders' equity and cash flows for each of the years then ended; and a summary of significant accounting policies and other explanatory notes. These consolidated financial statements have been prepared by the Group's management based on the requirements of financial information contained in the accounting standards established by the Superintendency of Banks of Guatemala.

Group's Management's Responsibility for the Consolidated Financial Statements
The Group's management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with the accounting standards established by the Superintendency of Banks of Guatemala and for the internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements whether due to fraud or error.

Independent Auditor's Responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with International Standards on Auditing. 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 of material misstatements.

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 risk assessments, we considered 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. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management of the Group, 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 opinion.

Independent Auditor's Opinion
In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Banco Industrial, S.A. and Subsidiaries as of December 31, 2010, 2009 and 2008, their consolidated financial performance, changes in shareholders' equity and cash flows for each of the years then ended, in conformity with the accounting standards established by the Superintendency of Banks of Guatemala which are described in notes 2 and 3 to the accompanying consolidated financial statements.

Basis of Accounting
Without modifying our opinion, we draw attention to the notes 2 and 3 to the consolidated financial statements. The accompanying consolidated financial statements were prepared in accordance with the accounting standards established by the Superintendency of Banks of Guatemala, which is a comprehensive basis of accounting used in Guatemala by the banking industry. The accompanying consolidated financial statements have been prepared to meet the information requirements of the Group's management. As a result, these consolidated financial statements may not be suitable for another purpose.

Hugo Rodríguez A.
CPA – 637

May 25, 2011

Consolidated Balance Sheets

As of December 31, 2010, 2009 and 2008
(Amounts expressed in thousands of quetzales or thousands of U.S. dollars, as applicable)

	2010 (U.S. dollars)	2010 Q	2009 Q	2008 Q
Assets				
Cash and due from banks(note 4)	842,860	6,480,209	6,568,929	4,992,488
Investment securities held-to-maturity (note 5)	2,285,018	17,568,039	13,871,083	12,034,911
Loan portfolio, net (note 6)	3,014,912	23,179,727	22,670,936	23,305,043
Accounts receivable from accrued financial products (note 7)	43,448	334,046	286,777	265,316
Other accounts receivable, net (note 8)	34,600	266,014	247,403	411,041
Foreclosed assets, net (note 9)	1,549	11,913	7,689	6,281
Investments in equity securities (note 10)	1,599	12,294	11,103	9,630
Other investments (note 11)	45,070	346,517	148,205	139,591
Property and equipment, net (note 12)	163,291	1,255,441	1,318,292	1,099,129
Deferred charges, net (note 13)	79,424	610,641	630,590	685,528
Total assets	6,511,771	50,064,841	45,761,007	42,948,958
Liabilities, Other Credit Balances, Non-Controlling Interest and Shareholders' Equity				
Deposits (note 14)	4,935,417	37,945,261	34,783,788	30,786,948
Loans with other financial institutions (note 15)	617,090	4,744,407	3,833,297	5,478,801
Financial obligations (note 16)	221,495	1,702,933	1,835,393	1,754,124
Accounts payable from accrued financial expenses (note 17)	25,416	195,411	188,166	144,200
Other accounts payable (note 18)	93,955	722,357	663,127	584,648
Provisions (note 19)	2,582	19,855	20,279	18,764
Other liabilities (note 20)	36,480	280,475	292,404	272,356
Deferred income (note 21)	2,812	21,619	20,537	26,853
Total liabilities	5,935,247	45,632,318	41,636,991	39,066,694
Other credit balances (note 22)	3,960	30,449	31,837	59,315
Non-controlling interest (note 40)	3,037	23,347	5,563	8,058
Total liabilities, other credit balances and non-controlling interest	5,942,244	45,686,114	41,674,391	39,134,067
Shareholders' equity (notes 1, 12, 23, 24, 25, 26, 27 and 28)	569,527	4,378,727	4,086,616	3,814,891
Commitments and contingencies (note 39)				
	6,511,771	50,064,841	45,761,007	42,948,958
Memorandum and register accounts (note 36)	11,264,396	86,604,731	77,070,785	67,316,841

See accompanying notes to the consolidated financial statements.

Consolidated Statements of Income

For the years ended December 31, 2010, 2009 and 2008
(Amounts expressed in thousands of quetzales or thousands of U.S. dollars, as applicable)

	2010 (U.S. dollars)	**2010 Q**	**2009 Q**	**2008 Q**
Financial income (note 29)	427,713	3,288,414	3,333,981	3,019,574
Financial expenses (note 29)	(217,673)	(1,673,552)	(1,762,260)	(1,533,858)
Net financial income	210,040	1,614,862	1,571,721	1,485,716
Income from services (note 30)	61,068	469,516	427,331	430,165
Expenses from services (note 30)	(1,574)	(12,105)	(6,567)	(8,684)
Net income from services	59,494	457,411	420,764	421,481
Other operating income and expenses (note 31):				
Operating income	18,100	139,160	202,806	147,456
Loan, accounts receivable and securities loss provisions (note 6)	(22,251)	(171,072)	(244,644)	(191,134)
Operating expenses	(503)	(3,866)	(458)	(2,251)
Other operating income and expenses, net	(4,654)	(35,778)	(42,296)	(45,929)
Income net of other operating income and expenses	264,880	2,036,495	1,950,188	1,861,267
Administrative expenses (note 32)	(157,769)	(1,212,987)	(1,279,115)	(1,159,477)
Income net of operating income and expenses	107,111	823,508	671,073	701,790
Extraordinary income and expenses, net (note 33)	14,354	110,360	35,769	38,040
Prior period’s income and expenses, net (note 34)	719	5,528	5,414	3,000
Income before tax expense	122,184	939,396	712,256	742,830
Income tax expense (note 35)	(22,354)	(171,867)	(118,285)	(139,906)
Income net of tax expense	99,830	767,529	593,971	602,924
Non-controlling interest (note 40)	(555)	(4,269)	(2,693)	(168)
Net consolidated income	99,275	763,260	591,278	602,756

See accompanying notes to the consolidated financial statements.

Consolidated Statements of Changes in Shareholders' Equity

For the years ended December 31, 2010, 2009 and 2008
(Amounts expressed in thousands of quetzales or thousands of U.S. dollars, as applicable)

	2010 (U.S. dollars)	**2010 Q**	**2009 Q**	**2008 Q**
Primary capital:				
Paid-in capital (note 23):				
Balance at beginning of year	179,099	1,376,978	1,376,978	1,124,449
Increase of paid-in capital	-	-	-	124,952
Increase from take-over merger	-	-	-	127,577
Balance at end of year	179,099	1,376,978	1,376,978	1,376,978
Shareholders' contributions (note 24):				
Balance at beginning of year	48,805	375,229	375,229	338,334
Cash contributions from shareholders	-	-	-	161,846
Contributions capitalized	-	-	-	(124,951)
Balance at end of year	48,805	375,229	375,229	375,229
Legal reserve (note 25):				
Balance at beginning of year	21,046	161,806	128,268	92,545
Transfer from retained earnings	4,425	34,020	34,121	25,904
Transfer to non-controlling interest	-	-	(583)	-
Increase from take-over merger	-	-	-	9,819
Balance at end of year	25,470	195,826	161,806	128,268
Total primary capital	253,374	1,948,033	1,914,013	1,880,475
Complementary capital:				
Other capital reserves (note 26):				
Balance at beginning of year	50,608	389,092	238,935	161,434
Transfer from retained earnings	70,938	545,398	536,860	386,627
Increase from take-over merger	-	-	-	11,072
Less:				
Dividends paid	(48,357)	(371,784)	(341,491)	(287,825)
Compensation to members of the Board of Directors	(5,779)	(44,432)	(45,209)	(32,373)
Decrease by liquidation of ICB	-	-	(3)	-
Balance at end of year	67,410	518,274	389,092	238,935
Revaluation of assets (note 12):				
Balance at beginning of year	7,621	58,593	58,861	59,129
Depreciation of the year	(35)	(268)	(268)	(268)
Balance at end of year	7,586	58,325	58,593	58,861

(Continues)

Consolidated Statements of Changes in Shareholders' Equity

	2010 (U.S. dollars)	2010 Q	2009 Q	2008 Q
Subordinated obligations (note 28):				
Balance at beginning of year	76,064	584,807	544,711	419,705
New obligations contracted	-	-	-	115,711
Exchange differential	(3,103)	(23,857)	40,096	9,295
Balance at end of year	72,961	560,950	584,807	544,711
Valuation of foreclosed assets:				
Balance at beginning of year	-	-	(15,287)	(23,657)
Increase from valuation	-	-	-	(273)
Increase from take-over merger	-	-	-	(94)
Decreases from sale	-	-	-	8,737
Transfer to earnings from prior years	-	-	15,287	-
Balance at end of year	-	-	-	(15,287)
Valuation of loan portfolio:				
Balance at beginning of year	-	-	(8,000)	(8,000)
Transfer to retained earnings	-	-	8,000	-
Balance at end of year	-	-	-	(8,000)
Retained earnings:				
Balance at beginning of year	148,290	1,140,110	1,115,195	899,713
Net consolidated income	99,275	763,260	591,278	602,755
Increase from take-over merger	-	-	-	22,437
	247,565	1,903,370	1,706,473	1,524,905
Less:				
Transfer to capital reserves	(70,938)	(545,398)	(536,861)	(386,627)
Transfer to legal reserve	(4,425)	(34,020)	(34,122)	(25,904)
Prior years adjustment (note 27)	(524)	(4,027)	-	-
Application of the valuation of foreclosed assets balance	-	-	(15,288)	-
Application of the valuation of loan portfolio balance	-	-	(8,000)	-
Dividends paid to non-controlling interest	-	-	(2,265)	-
Decrease by liquidation of ICB	-	-	(359)	-
	(75,887)	(583,445)	(596,895)	(412,531)
Less / Plus:				
Translation effect	(3,482)	(26,780)	30,533	2,822
Balance at end of year	168,196	1,293,145	1,140,110	1,115,196
Total complementary capital	316,153	2,430,694	2,172,603	1,934,415
Total shareholders' equity	569,527	4,378,727	4,086,616	3,814,891

See accompanying notes to the consolidated financial statements.

Consolidated Statements of Cash Flows

For the years ended December 31, 2010, 2009 and 2008
(Amounts expressed in thousands of quetzales or thousands of U.S. dollars, as applicable)

	2010 (U.S. dollars)	2010 Q	2009 Q	2008 Q
Cash flows from operating activities:				
Interests collected	414,069	3,183,510	3,231,051	2,968,264
Commissions collected	29,814	229,222	215,345	207,894
Services collected	33,858	260,314	237,538	255,339
Interests paid	(187,072)	(1,438,274)	(1,516,864)	(1,376,535
Commissions paid	(258)	(1,982)	(1,864)	(10,622
Services paid	(1,572)	(12,088)	(6,567)	(1,151
Administrative expenses paid	(129,550)	(996,030)	(1,123,980)	(1,014,953
(Loss) gain from securities trading (net)	-	(1)	10,653	10,466
Gain from exchange rate differential (net)	11,275	86,686	104,211	94,736
Loss from holding or maintaining foreclosed assets	(162)	(1,244)	(655)	3,768
Investment securities held-to-maturity:				
Proceeds from disposal of investments	10,774,578	82,838,832	90,705,891	61,334,522
Acquisitions of investments	(11,461,623)	(88,121,080)	(92,171,434)	(59,489,167
Loan portfolio:				
Proceeds from amortization of loans	1,091,026	8,388,199	12,134,764	12,298,568
Disbursements for loans	(1,199,589)	(9,222,873)	(11,434,083)	(15,095,369
Other investments:				
Proceeds from disposal of other investments	5,716	43,950	28,320	96,311
Acquisitions of other investments	(5,716)	(43,950)	(28,320)	(325,284
Deposits:				
Proceeds from funds received from depositors	76,438,161	587,684,102	544,623,773	520,124,619
Disbursements for deposit withdrawals	(76,009,654)	(584,389,587)	(541,000,146)	(517,165,193
Loans with other financial institutions:				
Proceeds from loans	424,968	3,267,310	2,261,776	7,501,457
Loans paid	(298,054)	(2,291,549)	(3,903,507)	(8,297,539
Financial obligations:				
Proceeds from placements	3,626,111	27,878,850	24,973,280	20,020,114
Disbursements for redemption or reacquisition	(3,642,125)	(28,001,971)	(24,905,134)	(20,339,313
Proceeds from sale of foreclosed assets	587	4,513	1,749	19,643
Income tax paid	(9,484)	(72,913)	(156,162)	(58,375
Carried forward	(94,696)	(728,054)	2,279,635	1,762,200

(Continues)

Consolidated Statements of Cash Flows

	2010 (U.S. dollars)	2010 Q	2009 Q	2008 Q
Brought forward	(94,696)	(728,054)	2,279,635	1,762,200
Other income and expenses (net):				
Other operating income	16,412	126,185	591,423	229,290
Other operating expenses	(40,600)	(312,150)	(348,882)	(487,507
Net cash flows from operating activities	(118,884)	(914,019)	2,522,176	1,503,983
Cash flows from investment activities:				
Investments in equity securities:				
Proceeds from investments	198	1,523	15,468	13
Disbursements for investments	(354)	(2,723)	(1,458)	(3,599
Dividends received	2,381	18,302	37	43
Proceeds from sale of property and equipment	410	3,154	917	3,275
Disbursements for purchase of property and equipment	(27,634)	(212,461)	(300,406)	(183,056
Other income from investments	76	583	97	341,789
Other expenses for investments	(47)	(358)	-	-
Net cash flows (used in) provided by investment activities	(24,970)	(191,980)	(285,345)	158,465
Cash flows from financing activities:				
Dividends paid	(48,650)	(374,038)	(344,977)	(289,765
Other liabilities:				
Funds received	-	-	-	377,547
Equity:				
Cash contributions received from shareholders	-	-	-	163,053
Compensations paid to board’s members	(5,779)	(44,432)	(45,209)	(32,373
Other disbursements	-	-	-	(535
Net cash flows (used in) provided by financing activities	(54,429)	(418,470)	(390,186)	217,927
Net (decrease) increase in cash and due from banks and cash equivalents	(198,283)	(1,524,469)	1,846,645	1,880,375
Cash and due from banks and cash equivalents at beginning of year	1,355,672	10,422,892	8,576,247	6,695,872
Cash increase from acquisition of Banco Industrial El Salvador, S.A.	20,846	160,274	-	-
Cash and due from banks and cash equivalents at end of year	1,178,235	9,058,697	10,422,892	8,576,247

(Continues)

Consolidated Statements of Cash Flows

Supplementary Information
The summary of the cash and due from banks and cash equivalents is as follows:

	2010 (U.S. dollars)	2010 Q	2009 Q	2008 Q
Cash and due from banks	842,860	6,480,209	6,568,929	4,992,488
Deposits and cash recorded in other investments:				
Local currency	1,808	13,902	13,393	12,274
Foreign currency	28,865	221,927	8,555	34,646
Cash equivalents	304,702	2,342,659	3,832,015	3,536,839
	1,178,235	9,058,697	10,422,892	8,576,247

Non-Monetary Transactions
As a result of the merger with Banco del Quetzal, S.A. (note 1) during the year ended December 31, 2008 the Group recorded:

	Thousand of Q
Net assets	1,393,554
Liabilities	1,231,191
Equity	162,362

See accompanying notes to the consolidated financial statements.

Notes to the Consolidated Financial Statements

December 31, 2010, 2009 and 2008
(Amounts expressed in thousands of quetzales or thousands of U.S. dollars, as applicable)

1 Operations

Banco Industrial, S.A. (the "Bank") and its subsidiaries Financiera Industrial, S.A. (the "Financing Entity"), Westrust Bank (International) Limited (the "Off-shore Bank"), Contecnica, S.A. (the "Credit Card Company"), Banco Industrial El Salvador, S.A. ("Biesa") and Investment & Commerce Bank Ltd. ("ICB") (hereinafter referred to as the "Group") are consolidated following the regulations established by the Superintendency of Banks of Guatemala, in order to prepare the accompanying consolidated financial statements under the figure of controlling entity. The ultimate parent of the Group is Bicapital Corporation (entity incorporated and established in the Republic of Panama).

The Monetary Board in its resolution JM-165-2007 authorized the take-over-merger of Banco del Quetzal, S.A. The merger process was concluded on February 15, 2008, incorporating in to Banco Industrial, S.A. net assets amounting to Q1,393,554, liabilities and other credit accounts amounting to Q1,231,191 and equity amounting to Q162,362.

Description of Operations

The companies included in the consolidated financial statements were incorporated under laws of the Republic of Guatemala, except for the Off-shore Bank which was incorporated in Bahamas; Biesa which was incorporated in El Salvador and ICB, which was incorporated in Belize, all to operate for an indefinite time.

- The Bank was created through Decree Law No. 429 dated February 18, 1966, incorporated as a corporation through Public Deed No. 495 dated June 15, 1967, which was amended when the Bank incorporated the social agreements of the present Guatemalan Commercial Code in Public Deed No. 227 dated May 25, 1983. Its operations are those corresponding to banking activities and are governed by the Guatemalan Banks and Financial Groups Law, and if applicable, by the Organic Law of the Guatemalan Central Bank, the Monetary Law, the Financial Supervision Law, the Money or Other Assets Laundering Law and the Law to Prevent and Suppress Financing to Terrorism.

- The Financing Entity was incorporated through Public Deed No. 407 dated November 20, 1980 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 97.5% in the Financing Entity.

- The Credit Card Company was incorporated on March 16, 1981. 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 98.04% in the Credit Card Company.

Notes to the Consolidated Financial Statements

- The Off-shore Bank was incorporated on October 21, 1991 and it is authorized and licensed to perform businesses related to banking activities, additionally is authorized to execute banking activities in Guatemala. The Bank holds an equity interest of 100% in the Off-shore Bank.

- Biesa was incorporated on January 12, 2010 to perform businesses related to banking activities in the Republic of El Salvador. As of December 31, 2010 the Superintendency of Banks of El Salvador had not concluded the certification process of Biesa; therefore, Biesa had not begun operations as of that date. The Bank holds an equity interest of 90% in Biesa.

- ICB was incorporated in Belize on June 23, 2000 and it is authorized and licensed to perform businesses related to banking activities. The Bank held an equity interest of 66.66% in ICB. This investment was liquidated in February 2009.

With exception of Biesa, which was incorporated during the year ended December 31, 2010, and ICB, which was liquidated during the year ended December 31, 2009; all the companies previously detailed were maintained under common control during the years ended December 31, 2010, 2009 and 2008. The incorporation of Biesa and the liquidation of ICB did not have any significant effect in the consolidated financial statements at the reporting dates.

2 Basis of Preparation

a Statement of Compliance

The accompanying consolidated financial statements of the Group have been prepared, in all material respects, in accordance with the accounting standards established by Superintendency of Banks of Guatemala, comprised in the Manual of Accounting Instructions for Entities Subject to the Surveillance and Inspection of the Superintendency of Banks of Guatemala (“the manual”), approved by Resolution JM-150-2006 of the Monetary Board.

The objective of the manual is to standardize the accounting framework of all the financial activities of the entities subject to supervision of the Superintendency of Banks of Guatemala.

In addition, the Group is subject to the following regulations: the Law of Banks and Financial Groups, the Monetary Law, the Financial Supervision Law, the Money or Other Assets Laundry Law, the Law to Prevent and Suppress Financing to Terrorism, and other laws applicable to banking activity, as well as the dispositions of the Monetary Board and of the Superintendency of Banks of Guatemala.

Notes to the Consolidated Financial Statements

b Consolidation and Translation Principles

The consolidation and translation policies used for the preparation of the accompanying consolidated financial statements of the Group are in accordance with the definitions and regulations established by the Law of Banks and Financial Groups, the resolutions issued by the Monetary Board and 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 Superintendency of Banks of Guatemala.

i. Consolidation

The consolidated financial statements of the Group include the assets, liabilities, shareholders’ equity, results of operations, cash flows and accompanying notes, of the entities that comprise the Group, which are described in note 1. All major balances and transactions among the Group have been eliminated in the preparation of the accompanying consolidated financial statements.

ii. Translation

The Off-shore Bank, Biesa and ICB (entities not domiciled in Guatemala) maintain its accounting records in United States Dollars (“US$”). For consolidation purposes the financial statements of these subsidiaries were translated to Guatemalan quetzales, using the following exchange rates:

- At year end for assets, liabilities and shareholders’ equity, as exposed:

  December 31, 2010 = Q8.01358 per US$1.00
  December 31, 2009 = Q8.35439 per US$1.00
  December 31, 2008 = Q7.78159 per US$1.00

- Average for income and expenses of the year ended December 31, 2010: Q8.05933 per US$1.00.

- At year end for income and expenses of the years ended December 31, 2009 and 2008. Resolution No. 06-2008 issued by the Superintendency of Banks of Guatemala establishes the application of an average exchange rate for the translation of income and expenses; nevertheless the effect of not using average exchange rates for the translation of income and expenses for the year ended December 31, 2009 and 2008 is not material in relation to the overall consolidated financial statements.

The difference resulting from the translation process is classified as a component of the consolidated shareholder’s equity under the caption “translation effect”.

Notes to the Consolidated Financial Statements

c Presentation Currency

The consolidated financial statements are stated in thousands of Guatemalan quetzales (“Q”), the legal currency of the country in which the Group is incorporated and operates. As of December 31, 2010, 2009 and 2008 the reference exchange rates of the Bank of Guatemala (the Central Bank) was Q8.01 = US$1.00; Q8.35 = US$1.00 and Q7.78 = US$1.00, respectively.

d 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 figures reported in assets, liabilities, results of operations and the disclosure of contingent liabilities. The actual results may differ from these estimates. The estimates that are particularly susceptible to significant changes are related to the determination of the estimate for valuation of the loan portfolio, the valuation of investments in securities, the valuation of foreclosed assets and the recovery of accounts receivable.

e Convenience Translation

Amounts as of December 31, 2010 and for the year then ended, translated into U.S. dollars, are included solely for the convenience of readers. Translation has been made at the exchange rate of Q7.68836 per one U.S. dollar, as published by “Banco de Guatemala” (the Guatemalan Central Bank) on March 31, 2011.

3 Summary of Significant Accounting Policies

A description of the most significant accounting policies applied in the preparation and presentation of the accompanying consolidated financial statements is as follows:

a Financial Instruments

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 and due from banks, the loan portfolio, investments in securities, accounts receivable for financial products, accounts receivable, deposits, liabilities with other financial institutions, financial obligations, other liabilities, financial expenses payable and accounts payable.

i. Allowance for losses on Loan Portfolio and Other Accounts Receivable

In accordance with the Regulation for Credit Risk Management, Resolution JM-93-2005 dated May 23, 2005, a reserve based on the valuation of the loan portfolio must be recorded against results of the year.

Notes to the Consolidated Financial Statements

In the event that this allowance exceeds the maximum allowed by law as a deductible expense for tax purposes, it must be recorded directly against other capital reserves, as part of the shareholders' equity.

On December 30, 2008 the Monetary Board issued Resolution JM-167-2008, effective from January 5, 2009, modifying some of the articles of the Credit Risk Management Regulation established in Resolution JM-93-2005. According to Resolution JM-167-2008, financial institutions are required to constitute and maintain generic and specific reserves or provisions that allow them to undertake their loan losses. In this regard, the total sum of the generic and specific reserves or provisions recorded by the Group must, in no event, be less than 1.25% of the total loan portfolio; and the past due loan portfolio must be completely reserved.

Resolution JM-167-2008 allows to gradually constitute the required generic reserves, during the period initiating in March 2009 and finalizing in June 2011, as follows:

- 40% as of December 31, 2009
- 80% as of December 31, 2010
- 100% as of June 30, 2011

ii. Investments

The investment portfolio contains investment securities held-to-maturity and investments in equity securities.

- **Investment Securities Held-to-Maturity**
  Held-to-maturity investments are non-derivative assets with fixed or determinable payments and fixed maturity that the Group has the positive intent and ability to hold to maturity. Investment securities held-to-maturity are initially recognized at their acquisition cost, without considering commissions and other similar charges incurred in the acquisition; and subsequently, are carried at amortized cost. Amortizations and maturities are recorded at the transaction date.

- **Investments in Equity Securities**
  Represent investments made with the purpose of maintaining participation in the equity of the issuer. These investments are recognized at their acquisition cost, irrespective of the equity percentage held in these entities. The income obtained from these investments is only recognized as the accumulated earnings of the participated entity are distributed, and originated after acquisition date.

Notes to the Consolidated Financial Statements

Investments in equity securities, made in a foreign currency, are recorded at its equivalent in quetzales, using the exchange rate prevailing at the acquisition date; and are carried at the historic exchange rate in accordance with the requirements of the Manual.

b Property and Equipment

i. Acquired Assets

Except for revaluated fixed assets, property and equipment are measured at acquisition cost less accumulated depreciation.

ii. Revaluated Assets

Revaluated assets are recorded at the value established by an independent appraisal.

iii. Revaluation Surplus

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

iv. Subsequent Cost

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

v. Depreciation

Property and equipment (except land) and revaluated assets are depreciated by the straight-line method based on the required statutory rates. Depreciation on property and equipment (except land) recorded at cost is charged to expenses of the year. Depreciation on the revaluated assets is charged to the revaluation of assets account which forms part of the shareholders' equity.

Depreciation percentages used are as follows:

	%
Buildings at cost and buildings revaluated	2 – 5
Furniture and equipment	5 – 20
Computer equipment	10 – 25
Tools	25
Vehicles	20
Other	10

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

Notes to the Consolidated Financial Statements

c Amortization

Goodwill is amortized by the straight-line method at an annual rate of 6.67% and the leasehold improvements are amortized by the straight-line-method at an annual rate of 5%, if a lease agreement is finished before the leasehold improvements are fully amortized, the remaining balance is written-off in the year the lease is discontinued.

d Foreclosed Assets

These correspond to property and equipment foreclosed in payment of credits in favor of the Group. Initially these assets are recorded at the outstanding principal amount plus interest and expenses incurred in its foreclosure. Subsequently, the value of these assets is updated through an independent appraisal, in a term not exceeding three months after the foreclosure of the property by the Group. If the appraisal is less than the recorded amount, for accounting purposes 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 will be directly recorded in the results of 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.

The profit, if any, from foreclosed assets is recorded when collected.

e Accounts Receivable from Cardholders

For collection purposes, balances of accounts receivable from credit cards are divided in 20 cycles, with cut-off dates ranging from the 6th to the 25th of each month, and for corporate cards, the cut-off date is the last day of each month. The amounts related to the cardholders' purchases in the establishments are recorded in the account receivable when the transaction is executed by the cardholder. For monthly accounting closing purposes, balances are accrued until the last day of the month.

Notes to the Consolidated Financial Statements

f Severance

Under the labor laws of the countries in which the Bank and its subsidiaries operate, the Bank and its subsidiaries are liable for the respective severance to employees dismissed without fair cause or to their beneficiaries in case of death. The accounting policy of the Group is in accordance to the Labor Laws of each country.

g Subordinated Obligations

Obligations from subordinated debt contracted before January 1, 2008 with a maturity term greater than five years are recorded as part of equity. When the maturity of the subordinated obligations is less than, five years, the corresponding amount is reclassified to liabilities in the other liabilities account.

The subordinated obligations contracted on or after January 1, 2008 are recorded as other liabilities, regardless of their maturity.

h Provisions

A provision is recognized if, as a result of past events, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

i Provision for Loyalty Program

A provision is recorded to cover the expenses of the loyalty program. The calculation of this provision is based on the points accumulated by the credit cardholders in their consumptions, which according to management estimates represent a liability for the Group. The accumulated points are recorded as an expense in the consolidated statements of results as redeemed.

j Revenue Recognition

With exception of income from the concepts indicated in numerals 1 to 4 below, revenue obtained from banking operations is not recognized until it is effectively collected, even though it has been accrued. Accrued income that has not been effectively collected is recorded as a liability under the caption “other credit balances”, and is recognized through profit or loss as collected.

Income obtained from the following concepts is recognized through profit or loss using the accrual basis of accounting:

1. Interests accrued not yet collected on bonds or documents issued by the Bank of Guatemala and securities of other issuers whose amortization funds are controlled by the Bank of Guatemala;

Notes to the Consolidated Financial Statements

2. Interests accrued not yet collected on securities issued by foreign governments or foreign central banks, having a minimum risk qualification of A-3 for short term or BBB- for long term, granted by Standard & Poor's, or equivalent qualification granted by an international well-known credit rating agency; and

3. Interests, commissions, rents, and other income on the banks' credit card portfolio, factoring and financial leasing.

4. Credit card transactions accrue and recognize income as follows:

   i. Interests and Service Charges
   The interests and service charges accrued are recorded as income at the cut-off dates indicated in note 3 numeral e before, established by the Credit Card Company, and are calculated on the outstanding balance of each cardholder at the cut-off date of the previous month, except for the accounts that present more than three months overdue, which interests are recorded when collected.

   The Credit Card Company demands the payment of surcharges for delayed-payment over the required minimum payment amount not repaid, said surcharges are calculated from the next day of the established due date and accrued up to three months of delay. Starting the fourth month of delay the revenue recognition for these surcharges is suspended if the Credit Card Company has not received the payment from the cardholder.

   The Credit Card Company records interest income on the outstanding balances of accounts receivable from related companies and other income from services as accrued.

   ii. Accounts' Management
   The Credit Card Company collects, from the cardholders, a fee for the accounts' management which covers the right for the services and additional benefits granted by the possession of the credit card. The fee for the accounts' management is recorded in the consolidated statement of income when accrued.

   iii. Commissions in Exchange Operations
   The Credit Card Company collects commissions on the consumptions that the cardholders execute with local and foreign affiliated establishments. These commissions are recorded as income when the outstanding balances are collected, since they are considered as accrued until that moment.

Notes to the Consolidated Financial Statements

5. The recording of income accrued not yet collected, as part of the "other credit balances" account, is suspended when a thirty-day and a ninety-day delay in payment has elapsed for investments in debt securities, and for the rest of its operations and services respectively. When the aforementioned suspension occurs, income accrued not yet collected is reversed in the affected balance accounts.

   In relation to credit card operations, revenue recognition is suspended when a delay in payment of ninety-day has been incurred, starting as of the next day of when the agreed or pledged payments should have been received. When the mentioned suspension occurs, the income registered in the accounts that have not been effectively collected, is reversed against the receivable account in which such amounts are initially recognized; except for charges capitalized in credit card accounts, which are not reversed.

   Those balances that have been suspended, recorded in the balance and earnings accounts, as well as those accrued as of the suspension date, will be recorded in memorandum accounts.

6. The Off-shore Bank records its revenue under the accrual basis; however, the effect between this basis and the regulatory basis is considered not material in relation to the overall consolidated financial statements.

k Extraordinary Income and Expenses

Gains or losses from the recovery of past due loans that had been previously written-off, and gains or losses as a result of the sale of foreclosed assets, are recorded as extraordinary income or expense in the accounting period in which such income or expense is realized.

l Prior Periods Income and Expenses

Income and expenses recorded in prior periods, not collected or paid as expected, are reversed in the period during which it is determined that such amounts will not be collected or paid.

m Income Tax

Income tax is the estimated tax payable on the year's taxable income, using the rates in force at the date of the consolidated balance sheet and any other adjustment on the tax payable related with prior years.

n Dividends Declared

Dividends for shareholders are declared based on the economic benefits generated by the Group, and applied in accordance with the applicable legal provisions. In addition to the net income of each year, accumulated profits accrued in the accounts for capital reserves and retained earnings, can also be distributed.

Notes to the Consolidated Financial Statements

Dividends may be declared with the authorization of the General Shareholders' Assembly, charging the retained earnings account and recording an account payable. Dividends payment is made in cash during the year in which they are declared.

o Compensation to Members of the Board of Directors

In accordance with the thirtieth eighth clause of the social deed of the Bank, the General Shareholders' Assembly approves annually the payment of compensation to members of the Board of Directors, which total amount is equivalent to 8% of the net income for the previous year. The compensation approved is charged to retained earnings and the payment is made in cash during the year in which it is declared.

p Assets and Liabilities in Foreign Currency

Assets and liabilities in foreign currency are shown at their equivalent in quetzales using the exchange rate applicable at the exchange banking market as of the year end (note 2c).

q Foreign Currency Transactions

Transactions in foreign currency are carried at their equivalent in quetzales using the exchange rate in effect when the operation is carried out. If any exchange rate differential results from the moment in which the operation is recorded and the date of its completion, or the accounting closing date, such exchange rate differential is recorded against the results of the year.

r Cash Equivalents

Investments easily convertible into cash with maturities within the next three months of the consolidated financial statement accounting closing date, are considered as cash equivalents.

s New Regulations

On October 13, 2010 the Monetary Board approved Resolution JM-1080-2010 "Regulation of measures and minimum requirements for the receipt of cash in foreign currency" which purpose is to regulate the measures and the minimum requirements to be observed by banks, finance entities, offshore entities, and companies specialized in financial services which are part of the financial groups and the exchange companies, in order to mitigate risks associated with the receipt of cash in foreign currency. This regulation will be effective since January 1, 2011.

Notes to the Consolidated Financial Statements

4 Cash and Due from Banks

As of December 31, 2010, 2009 and 2008, cash and due from banks consisted of the following:

	December 31		
	2010	**2009**	**2008**
	Q	**Q**	**Q**
In local currency:			
Cash	619,244	631,105	491,144
Central Bank Legal Deposit	2,753,659	2,523,779	2,367,145
Central Bank Special Deposits	165,657	156,557	154,691
Local banks	8,568	11,975	4,460
Checks from other local banks	681,328	648,384	632,432
	4,228,456	3,971,800	3,649,872
In foreign currency:			
Cash	124,097	125,131	165,104
Central Bank Legal Deposit	972,344	687,838	378,572
Central Bank Special Deposits	38,566	31,771	26,352
Local banks	31,386	13,031	28,874
Foreign banks	941,013	1,641,543	632,030
Checks and money orders from other local and foreign banks	144,347	97,815	111,684
	2,251,753	2,597,129	1,342,616
	6,480,209	6,568,929	4,992,488

In accordance with the Guatemalan Central Bank’s Regulation on the Minimum Reserve Requirement, the percentage of minimum reserve requirement in local and foreign currency is 14.6%, and is recorded under the accounts “Central Bank Legal Deposits” and “Central Bank Special Deposits”; therefore, these funds are considered restricted.

Notes to the Consolidated Financial Statements

5 Investment Securities Held-to-Maturity

As of December 31, 2010, 2009 and 2008, investment securities held-to-maturity were as follows:

	December 31		
	2010	**2009**	**2008**
	Q	**Q**	**Q**
Local currency:			
Time deposit certificates issued by the Bank of Guatemala, with annual interest fluctuating between 4.25% and 8.40% in 2010 (4.50% - 8.40% in 2009; 6.98% - 8.40% in 2008)	5,119,468	3,833,958	4,451,130
Treasury Bonds Certificates of the Republic of Guatemala, with annual interest fluctuating between 7.10% and 10.99% in 2010 (7.70% - 10.99% in 2009; 7.70% - 13.99% in 2008)	6,440,510	5,388,776	4,339,041
F.H.A. Mortgage Certificates, with annual interest fluctuating between 6.75% and 20.00% in 2010 (7.00% - 24.00% in 2009 and 2008)	1,609,482	1,414,091	1,251,264
Banco de Ahorro y Préstamo para la Vivienda, S.A. (Vivibanco) Mortgage Certificates, with annual interest of 9.50% for 2009 and 2008	-	12,352	12,352
From financial institutions:			
Banco Centroamericano de Integración Económica Bonds with a 1104 days term and with annual interest of 6.75%	100,000	-	-
Credomatic de Guatemala, S.A. Promissory notes with a 365 days renewable term and with annual interest fluctuating between 8.50% and 9.50% in 2010 (9.50% in 2009; 8.50% in 2008)	27,000	25,000	5,897
Carried forward	13,296,460	10,674,177	10,059,684

Notes to the Consolidated Financial Statements

5 Investment Securities Held-to-Maturity (continued)

	December 31		
	2010	**2009**	**2008**
	Q	**Q**	**Q**
Brought forward	13,296,460	10,674,177	10,059,684
Financiera de Occidente, S.A. Promissory notes placed as repo operation with annual interest of 4.85%	26,600	-	-
Financiera San Miguel, S.A. Promissory notes placed as repo operation with annual interest of 4.85%	10,000	-	-
Interests paid in title-securities purchase	3,364	3,603	925
Share certificates:			
Share Certificates in the Trust for Administration and Realization of the Excluded Assets of Banco de Comercio, S.A. (a)	206,172	221,172	225,172
Total local currency investments	13,542,596	10,898,952	10,285,781
Foreign currency:			
Eurobonds of the Republic of Guatemala for US$155,150 placed as repo operations with annual interest between 5.00% and 6.19%	1,243,307	-	-
Eurobonds of the Republic of Guatemala for US$143,837 (US$271,127 in 2009 and US$176,253 in 2008) with annual interest between 8.125% and 10.25% for all years	1,152,648	2,265,099	1,371,529
Treasury Bonds Certificates of the Republic of Guatemala for US$119,400 placed as repo operations with annual interest between 4.50% and 6.19%	956,821	-	-
Carried forward	3,352,776	2,265,099	1,371,529

Notes to the Consolidated Financial Statements

5 Investment Securities Held-to-Maturity (continued)

	December 31		
	2010 **Q**	**2009** **Q**	**2008** **Q**
Brought forward	3,352,776	2,265,099	1,371,529
F.H.A. Mortgage Certificates for US$12,669 (US$6,912 in 2009 and US$2,226 in 2008) with annual interest fluctuating between 6.00% and 8.50% in 2010 (6.00% - 8.00% in 2009 and 2008)	101,527	57,747	17,318
Treasury Bonds Certificates of the Republic of Guatemala for US$50 (US$32,237 in 2009 and US$22,162 in 2008) with annual interest of 8.30% in 2010 (fluctuating between 5.94% - 8.00% in 2009 and 2008)	401	269,320	172,456
Eurobonds of the Republic of El Salvador for US$4,500 with annual interest of 8.25%	-	-	35,874
Eurobonds of the Republic of Costa Rica for US$2,000 with annual interest of 9.33%	-	-	15,684
From financial institutions:			
Banco Centroamericano de Integración Económica Bonds for US$31,531 placed as repo operations with annual interest between 5.00% and 6.19%	252,677	-	-
Eurobonds Telemovil Finance Co. Ltd. for US$10,088 with annual interest rate of 8.00%	80,844	-	-
Banco Centroamericano de Integración Económica Bonds for US$7,078 (US$30,941 in 2009) with annual interest of 5.37% in 2010 (fluctuating between 4.88% - 6.75% in 2009)	56,721	258,493	-
Carried Forward	3,844,946	2,850,659	1,612,861

Notes to the Consolidated Financial Statements

5 Investment Securities Held-to-Maturity (continued)

	December 31 2010 Q	2009 Q	2008 Q
Brought forward	3,844,946	2,850,659	1,612,861
Banco del País, S.A. – time deposit certificate for US$10,000 with annual interest of 3.04%	80,136	-	-
Eurobonds of Cervecería Nacional Dominicana, S.A. for US$7,130 (US$7,170 in 2009 and US$7,000 in 2008) with annual interest rate of 8.00% for all years	57,134	59,899	54,471
Banco del Istmo, S.A. Bonds for US$5,000 with annual interest rate of 3.5% for all years	40,068	41,772	38,908
Financiera Consolidada, S.A. Promissory Notes for US$2,000 with a 180 days renewable term and annual interest rate of 7.50% in 2009 (8.89% in 2008)	-	16,709	15,563
Eurobond of Banco Continental de Panamá, S.A. for US$3,000 with annual interest rate of 6.625%	-	-	23,345
Interests paid in title-securities purchase	3,159	3,092	3,982
Total foreign currency investments	4,025,443	2,972,131	1,749,130
Plus:			
Total local currency investments	13,542,596	10,898,952	10,285,781
Total (b)	17,568,039	13,871,083	12,034,911

Notes to the Consolidated Financial Statements

5 Investment Securities Held-to-Maturity (continued)

(a) The Monetary Board, based on the article seventy-five of the Banking and Financial Groups Law, issued the resolution number JM-13-2007 on January 12, 2007, which suspended operations of Banco de Comercio, S.A. and appointed a Board for the Exclusion of Assets and Liabilities of such bank. The Board authorized the exclusion of assets of this entity and the transfer of such assets to a trust.

The Trust for the Administration and Realization of the Excluded Assets of Banco de Comercio, S.A. was incorporated on January 16, 2007 with a term of twenty five (25) years, to manage and sell the excluded assets which constitute the trust equity for the amortization of the share certificates issued. Financiera Industrial, S.A. was appointed as trustee for that effect.

The accounting movements of the share certificates in force are as follows:

		Years ended December 31	
	2010	**2009**	**2008**
	Q	**Q**	**Q**
Balance at beginning of year	221,172	225,172	291,935
Amortizations of the year	(15,000)	(4,000)	(66,763)
Balance at end of year	206,172	221,172	225,172

The share certificates earned interest at the rates of 2% to 5% for 2010, 5% to 6% for 2009 and 6% for 2008.

(b) The investments as of December 31, 2010 have maturities from 2011 to 2036. The following table sets forth a maturity schedule for the next five years and thereafter:

	Q
2011	5,274,018
2012	957,428
2013	1,202,120
2014	930,492
2015	648,093
Thereafter	8,555,888
	17,568,039

Notes to the Consolidated Financial Statements

6 Loan Portfolio, net

As of December 31, 2010, 2009 and 2008, loan portfolio was as follows:

	December 31		
	2010	**2009**	**2008**
	Q	**Q**	**Q**
Local currency:			
Fiduciary	6,853,160	7,006,577	6,000,315
Fiduciary-pledged	509,260	571,865	655,553
Pledged	168,274	169,423	180,955
Fiduciary-mortgaged	547,735	464,706	350,268
Mortgaged	1,567,478	1,492,569	1,070,718
With pledge bonds	39,340	37,471	49,681
Fiduciary-mortgaged-pledged	85,904	16,993	22,709
With own obligations guaranty	116,173	99,535	146,987
Discounted documents	372,209	358,806	265,049
Credit cards	1,033,933	994,159	993,820
Payments of stand-by letters	500	500	500
Factoring	1,848	5,790	13,043
Debtors from assets sold	-	-	31
	11,295,814	11,218,394	9,749,629
Foreign currency:			
Fiduciary	6,802,510	6,087,869	7,618,593
Fiduciary-pledged	168,947	280,634	266,688
Pledged	22,547	4,784	39,889
Fiduciary-mortgaged	1,571,560	1,275,453	1,249,053
Mortgaged-pledged	61,460	132,800	136,902
Mortgaged	2,349,634	2,343,510	2,503,511
With pledge bonds	116,418	32,023	10,836
Fiduciary-mortgaged-pledged	289,825	383,614	437,496
With own obligations guaranty	463,119	461,143	515,431
Discounted documents	112,092	146,003	141,756
Credit cards	162,169	161,629	726,961
In checking accounts	1,321	12,670	-
Factoring	99,453	425,090	142,832
	12,221,055	11,747,222	13,789,948
Total loan portfolio	23,516,869	22,965,616	23,539,577
Less:			
Allowance for loan losses	(337,142)	(294,680)	(234,534)
Loan portfolio, net	23,179,727	22,670,936	23,305,043

Notes to the Consolidated Financial Statements

6 Loan Portfolio, net (continued)

Loan operations earn annual interest rates fluctuating between the percentages summarized below:

	December 31 2010 %	2009 %	2008 %
Loans in local currency	4.00 and 37.00	4.00 and 39.00	4.00 and 39.00
Loans in foreign currency	2.25 and 13.00	1.98 and 13.00	2.94 and 12.00

As of December 31, 2010, 2009 and 2008, the current and past due loan portfolio was composed as follows:

	December 31 2010 Q	2009 Q	2008 Q
Local currency:			
Current	11,194,064	11,117,591	9,642,601
Past due:			
In renewal process	9,490	2,873	1,789
In administrative collection	51,208	64,188	64,962
In legal collection	41,053	33,742	40,277
	101,751	100,803	107,028
Total local currency	11,295,815	11,218,394	9,749,629
Foreign currency:			
Current	12,154,554	11,700,733	13,747,776
Past due:			
In renewal process	1,968	5,994	3,478
In administrative collection	20,957	11,475	20,605
In legal collection	43,575	29,020	18,089
	66,500	46,489	42,172
Total foreign currency	12,221,054	11,747,222	13,789,948
Total loan portfolio	23,516,869	22,965,616	23,539,577
Less:			
Allowance for loan losses	(337,142)	(294,680)	(234,534)
Loan portfolio, net	23,179,727	22,670,936	23,305,043

Notes to the Consolidated Financial Statements

6 Loan Portfolio, net (continued)

The accounting movements of the allowance for loan losses for the years set forth below are detailed as follows:

	Years ended December 31 2010 Q	2009 Q	2008 Q
Balance at beginning of year	294,680	234,534	181,118
Plus increase due to:			
Allowance for generic and specific valuation	166,660	242,557	415,450
Increase related to credit card recoveries	1,321	12,202	-
Transfer from allowance for foreclosed assets losses	-	1,157	-
Transfer from allowance for accounts receivable losses	239	14	-
Net foreign exchange	-	4,126	-
Increase resulting from merger (note 1)	-	-	11,186
	168,220	260,056	426,636
Less charges for:			
Write-offs	(115,029)	(193,726)	(127,703)
Transfer to allowance for accounts receivable losses	(1,262)	(1,927)	-
Application of unrecovered balances	(3,940)	(4,257)	-
Reversals of the allowance for generic valuation	-	-	(180,411)
Reversals of favorable evolutions	-	-	(65,106)
Net foreign exchange	(5,527)	-	-
	(125,758)	(199,910)	(373,220)
Balance at the end of the year	337,142	294,680	234,534

Notes to the Consolidated Financial Statements

The reconciliation of charges to results for the loan portfolio, accounts receivable and securities loss provisions for the years set forth below is summarized as follows:

	2010	Years ended December 31 2009	2008
	Q	Q	Q
Allowance for loan losses	166,660	242,557	191,134
Allowance for accounts receivable losses	2,506	1,634	-
Loss from written-off accounts receivable	1,507	-	-
Other charges	399	454	-
	171,072	244,645	191,134

7 Accounts Receivable from Accrued Financial Products

This account comprises the interest income accrued, not yet collected.

As of December 31, 2010, 2009 and 2008, the accounts receivable from financial products were as follows:

	2010	December 31 2009	2008
	Q	Q	Q
Local currency:			
Investments	251,942	194,113	196,448
Loan portfolio	6,117	11,128	10,717
Other	-	-	146
	258,059	205,241	207,311
Foreign currency:			
Investments	66,534	69,616	43,354
Loan portfolio	9,081	11,607	12,842
Repos	-	-	1,169
Other	372	313	640
	75,987	81,536	58,005
	334,046	286,777	265,316

Notes to the Consolidated Financial Statements

8 Other Accounts Receivable, net

As of December 31, 2010, 2009 and 2008, other accounts receivable were as follows:

	December 31 2010 Q	2009 Q	2008 Q
Local currency:			
Insurance premiums	71,102	76,584	69,009
Related companies (a)	67,344	73,544	74,064
Payments of behalf of third parties	37,115	17,198	20,543
Overdrafts in checking accounts	35,573	39,038	19,678
Taxes, duties and contributions	6,821	5,959	4,499
Legal expenses	3,720	3,913	3,682
Accounts pending liquidation (b)	2,305	549	14,515
Cash and securities missing	1,196	838	1,003
Rights from services	1,225	1,820	1,635
Other (c)	20,024	23,525	15,949
	246,425	242,967	224,577
Foreign currency:			
Overdrafts in checking accounts	20,290	4,827	25,554
Insurance premiums	2,203	1,875	2,494
Accounts pending liquidation (b)	1,090	1,218	162,101
Other	4,342	2,175	467
	27,925	10,095	190,616
	274,350	253,062	415,193
Less: Allowance for accounts receivable losses	(8,336)	(5,659)	(4,152)
	266,014	247,403	411,041

(a) As of December 31, 2010, 2009 and 2008 the receivable balance from related companies includes balances which correspond to the sale of shares of the entities Corporación B, S.A., Centro de Negocios, S.A. and Centro Corporativo de Inversiones, S.A., which is summarized as follows:

	December 31 2010 Q	2009 Q	2008 Q
Centro de Inversiones Cinfin, S.A.	22,869	25,007	25,007
Negociaciones Guatemaltecas de Valores, S.A.	22,386	24,400	24,920
Corporación X, S.A.	22,062	24,137	24,137
	67,317	73,544	74,064

Notes to the Consolidated Financial Statements

8 Other Accounts Receivable, net (continued)

a. These accounts earn an annual interest of 3% on outstanding balances.

b. The schedule for the collections of the amounts due from related companies is as follows: from 2011 to 2019 annual payments of Q7,380 and a final payment of Q897 in 2020.

The payment schedule shows the standing agreement with the related companies as of December 31, 2010; although such agreement is in process of formalization, it can be modified according to the negotiations executed by the parties.

(b) These accounts include mainly the difference between the par value of securities under repurchase agreements and the cash received from the repo operations.

(c) As of December 31, 2010, this balance includes Q2,132 corresponding to a deposit made by Contecnica, S.A. in the Treasury of the Judicial System. This deposit is retained as part of a judicial process interposed by a third party against Banco Industrial, S.A. The Group's management is executing the legal actions to obtain its recovery. As of December 31, 2009 and 2008 this deposit was presented in the property and equipment account as an advance for assets acquisition.

The reconciliation from the beginning balances to the ending balances of the allowance for accounts receivable losses is as follows:

	Years ended December 31		
	2010 **Q**	**2009** **Q**	**2008** **Q**
Balance at beginning of the year	5,659	4,152	4,977
Plus increase due to:			
Provision for the year	2,506	1,634	12,716
Transfer from allowance for loan losses	1,262	1,927	-
Net foreign exchange	-	9	-
Other	-	-	6
	3,768	3,570	12,722
Less charges for:			
Transfer to allowance for loan losses	(238)	(14)	-
Regularizations against the allowance	(845)	(2,049)	(5,737)
Reversals of favorable performance	-	-	(7,803)
Net foreign exchange	(8)	-	(7)
	(1,091)	(2,063)	(13,547)
Balance at the end of the year	8,336	5,659	4,152

Notes to the Consolidated Financial Statements

9 Foreclosed Assets, net

As of December 31, 2010, 2009 and 2008, foreclosed assets were as follows:

	December, 31		
	2010	**2009**	**2008**
	Q	**Q**	**Q**
Property	28,748	25,998	26,530
Less: Allowance for losses	(16,835)	(18,309)	(20,249)
	11,913	7,689	6,281

The reconciliation from the beginning balances to the ending balances of the allowance for foreclosed assets losses for the years set forth below are summarized as follows:

	Years ended December, 31		
	2010	**2009**	**2008**
	Q	**Q**	**Q**
Balance at beginning of year	18,309	20,249	23,657
Plus:			
Gains from sales of foreclosed assets	76	101	-
Provision for the year	-	-	5,056
Charge to equity	-	-	273
	76	101	5,329
Less:			
Losses from sales of foreclosed assets	(1,550)	(884)	(8,737)
Transfer to allowance for loans losses	-	(1,157)	-
	(1,550)	(2,041)	(8,737)
Balance at end of year	16,835	18,309	20,249

Notes to the Consolidated Financial Statements

10 Investments in Equity Securities

As of December 31, 2010, investments in equity securities were as follows:

	Equity percentage	No. of shares	Inves
			US$
Shares:			
Local currency:			
Prefiero, S.A.	25.00	1,530,680	-
Imágenes Computarizadas de Guatemala, S.A.	5.74	763	-
Other associations and institutions:			
Asociación Bancaria de Guatemala	7.20	144	-
Altavista Golf Tenis Club	-	1	-
Club Hércules	-	4	-
Club Industrial	-	2	-
Mayan Golf Club	-	2	-
Country Club	-	1	-
Foreign currency:			
Compañía de Procesamiento de Medios de Pago de Guatemala (Bahamas) S.A.	26.31	3,210	1,08
Other associations and institutions:			
Club Campestre San Isidro	-	2	5
			1,13
Total			

Notes to the Consolidated Financial Statements

10 Investments in Equity Securities (continued)

As of December 31, 2009, investments in equity securities were as follows:

	Equity percentage	No. of Shares	Inv US$
Shares:			
Local currency:			
Prefiero, S.A.	25.00	1,530,680	-
Imágenes Computarizadas de Guatemala, S.A.	5.74	763	-
Other associations and institutions:			
Asociación Bancaria de Guatemala	7.20	144	-
Altavista Golf Tenis Club	-	1	-
Club Hércules	-	4	-
Club Industrial	-	2	-
Mayan Golf Club	-	2	-
Country Club	-	1	-
Foreign currency:			
Compañía de Procesamiento de Medios de Pago de Guatemala (Bahamas) S.A.	25.12	3,065	8
Other associations and institutions:			
Club Campestre San Isidro	-	2	
Total			9

Notes to the Consolidated Financial Statements

10 Investments in Equity Securities (continued)

As of December 31, 2008, investments in equity securities were as follows:

	Equity Percentage	No. of shares	Inv	
			US$	
Shares:				
Local currency:				
Prefiero, S. A.	25.00	1,530,680	-	
Imágenes Computarizadas de Guatemala, S.A.	5.74	763	-	
Other associations and institutions:				
Asociación Bancaria de Guatemala	7.20	144	-	
Altavista Golf Tenis Club	-	1	-	
Club Hércules	-	4	-	
Club Industrial	-	2	-	
Mayan Golf Club	-	2	-	
Country Club	-	1	-	
Foreign currency:				
Compañía de Procesamiento de Medios de Pago de Guatemala (Bahamas) S.A.	23.68	2,889		7
Other associations and institutions:				
Club Campestre San Isidro	-	2		
Total				7

Notes to the Consolidated Financial Statements

Prefiero, S.A. commenced its liquidation process during 2010, which as of December 31, 2010 had not been completed. Management of the Credit Card Company estimates that an amount of Q450 approximately will not be recovered in relation to the cost recorded for this investment.

The dividends received from the investments in equity securities for the years set forth below are as follows:

		Years ended December 31	
	2010	**2009**	**2008**
	Q	**Q**	**Q**
Compañía de Procesamiento de Medios de Pago de Guatemala (Bahamas) S.A. (i)	18,144	-	-
Visa Inc. (ii)	127	-	-
Banco Latinoamericano de Exportación, S.A. (iii)	31	34	41
Other	-	3	2
	18,302	37	43

i. The dividends received from Compañía de Procesamiento de Medios de Pago de Guatemala (Bahamas) S.A. equal to US$2,255.

ii. These dividends equal to US$16 and were obtained from Visa Inc. shares class "C".

iii. These dividends were originated by common shares class "B", without nominal value, received in previous years as dividend payments in shares.

11 Other Investments

This account represents the restricted assets segregated for the debt payments of the authorized issuance of mortgage bonds, banking bonds and financial promissory notes, and for the debt service of a bank loan with Citibank N.A. New York.

The debt payments for the mortgage bonds, banking bonds and financial promissory notes are constituted in conformity with the corresponding programs and regulations authorized by the Monetary Board (see note 16).

Notes to the Consolidated Financial Statements

11 Other Investments (continued)

As of December 31, 2010, 2009 and 2008, other investments were as follows:

	December 31		
	2010	**2009**	**2008**
	Q	**Q**	**Q**
Local currency:			
Treasury Bonds of the Republic of Guatemala with annual interest fluctuating between 8.55% and 10.00% in 2010 (10.99% in 2009 and 2008).	82,700	96,601	72,316
Cash	13,902	13,393	12,274
Time Deposit Certificates issued by the Bank of Guatemala with annual interest of 8.40% in 2010 (fluctuating between 8.25% - 8.40% in 2009 and between 8.00% - 8.40% in 2008).	2,000	6,322	3,322
Interest paid in securities acquisition	-	-	1,985
	98,602	116,316	89,897
Foreign currency:			
Deposits in financial institutions for US$27,653 (US$985 in 2009 and US$4,414 in 2008) (a)	221,598	8,227	34,349
Eurobonds of the Republic of Guatemala for US$3,163 in 2010 (US$2,675 in 2009 and US$1,820 in 2008) with annual interest fluctuating between 8.125% and 10.25% in 2010 (between 9.20% - 10.25% in 2009 and 2008)	25,347	22,348	13,883
Carried forward	246,945	30,575	48,232

Notes to the Consolidated Financial Statements

11 Other Investments (continued)

	December 31 2010 Q	2009 Q	2008 Q
Brought forward	246,945	30,575	48,232
Treasury Bonds of the Republic of Guatemala for US$80 in 2010 (US$118 in 2009 and 2008) with annual interest of 8.00% in 2010 (fluctuating between 5.94% - 8.00% in 2009 and 5.94% in 2008)	641	985	918
Cash for US$41 in 2010 (US$39 in 2009 and US$38 in 2008)	329	329	297
Interest paid in securities acquisition for US$31,730	-	-	247
	247,915	31,889	49,694
	346,517	148,205	139,591

(a) The deposits in financial institutions correspond to a special fund constituted in Bank of New York Mellon to guarantee the amortizations of the loan amounting to US$300,000 that the Bank obtained from Citibank N.A. New York (see note 15 c).

(b) The other investments as of December 31, 2010 have maturities between the years 2011 to 2034. The following table sets forth a maturity schedule for the next five years and thereafter:

	Q
On demand	235,828
2011	9,070
2012	4,000
2013	1,947
2015	300
2016	49,000
Thereafter	46,370
	346,515

Notes to the Consolidated Financial Statements

12 Property and Equipment, net

Reconciliation from the beginning balances to the ending balances of property and equipmen
December 31, 2010, is as follows:

	Initial balance Q	Additions Q	Foreign exchange Q	Transfers Q
Cost:				
Land	111,129	736	-	623
Buildings	400,141	44	-	7,870
Furniture and equipment	911,795	20,209	(312)	99,298
Vehicles	7,562	2,283	(31)	-
Other	46,751	86	(1,636)	997
Advances for assets acquisition	190,795	190,353	(964)	(283,828)
	1,668,173	213,711	(2,943)	(175,040)
Accumulated depreciation	(408,474)	(95,822)	233	-
	1,259,699	117,889	(2,710)	(175,040)
Fixed assets revaluated:				
Land	51,299	-	-	-
Buildings	13,415	-	-	-
	64,714	-	-	-
Accumulated depreciation of revaluated buildings	(6,121)	(268)	-	-
	58,593	(268)	-	-
Total	1,318,292	117,621	(2,710)	(175,040)

Notes to the Consolidated Financial Statements

12 Property and Equipment, net (continued)

Reconciliation from the beginning balances to the ending balances of property and equipmen December 31, 2009, is as follows:

	Initial balance Q	Additions Q	Foreign exchange Q	Transfers Q
Cost:				
Land	110,880	-	-	249
Buildings	390,577	182	-	9,481
Furniture and equipment	734,573	11,933	472	198,058
Vehicles	6,726	757	48	1,463
Other	43,718	92	2,749	206
Advances for asset acquisition	109,761	304,164	6	(221,170)
	1,396,235	317,128	3,275	(11,713)
Accumulated depreciation	(355,967)	(84,564)	(225)	-
	1,040,268	232,564	3,050	(11,713)
Fixed assets revaluated:				
Land	51,299	-	-	-
Buildings	13,415	-	-	-
	64,714	-	-	-
Accumulated depreciation of revaluated buildings	(5,853)	(268)	-	-
	58,861	(268)	-	-
Total	1,099,129	232,296	3,050	(11,713)

Notes to the Consolidated Financial Statements

12 Property and Equipment, net (continued)

Reconciliation from the beginning balances to the ending balances of property and equipmen
December 31, 2008, is as follows:

	Initial balance Q	Additions Q	Additions from merger (note 1) Q	Transfers Q
Cost:				
Land	96,697	14,322	-	735
Buildings	342,802	33,418	-	16,628
Furniture and equipment	641,763	118,571	17,118	499
Vehicles	5,983	1,752	894	-
Other	4,876	1,409	95	37,351
Advances for asset acquisition	156,513	8,670	-	(55,213)
	1,248,634	178,142	18,107	-
Accumulated depreciation	(316,096)	(75,205)	(9,973)	-
	932,538	102,937	8,134	-
Fixed assets revaluated:				
Land	51,299	-	-	-
Buildings	13,415	-	-	-
	64,714	-	-	-
Accumulated depreciation of revaluated buildings	(5,585)	(268)	-	-
	59,129	(268)	-	-
Total	991,667	102,669	8,134	-

Notes to the Consolidated Financial Statements

12 Property and Equipment, net (continued)

(a) During the years ended December 31, 2010, 2009 and 2008 the Bank wrote-off fully depreciated fixed assets for Q24,079, Q23,690 and Q37,709 respectively.

(b) The account advances for asset acquisitions primarily includes development projects and implementation of information technology and improvement to branches.

The balance of 2010 additionally includes an advance for acquisition of property for US$8,232 recorded in the amount of Q63,625.

The balance of 2009 additionally includes:

i) An advance for acquisition of shares for US$18,000 recorded in the amount of Q149,745.

ii) An advance for acquisition of property for US$1,860 recorded in the amount of Q15,539.

13 Deferred Charges, net

As of December 31, 2010, 2009 and 2008, deferred charges were as follows:

	December 31		
	2010	**2009**	**2008**
	Q	**Q**	**Q**
Goodwill	721,282	721,282	721,282
Improvements to leasehold properties	64,390	50,285	40,157
Other	7,890	1,410	776
	793,562	772,977	762,215
Less: Accumulated amortization	(245,059)	(194,945)	(146,198)
	548,503	578,032	616,017
Carried Forward	548,503	578,032	616,017

Notes to the Consolidated Financial Statements

13 Deferred Charges, net (continued)

	December 31 2010 Q	2009 Q	2008 Q
Brought forward	548,503	578,032	616,017
Prepaid expenses:			
Taxes and contributions	24,931	22,999	23,652
Materials and office supplies	7,412	10,525	10,137
Other	29,795	19,034	35,722
	62,138	52,558	69,511
	610,641	630,590	685,528

The goodwill stems from the difference between the purchase price and the carrying value of the net assets of Banco de Occidente, S.A.

The reconciliation from the beginning balance to the ending balance of the accumulated amortization during the year ended December 31, 2010 is as follows:

	Goodwill amortization Q	Improvements to leasehold properties amortization Q	Total Q
Initial balance	184,189	10,756	194,945
Plus:			
Amortization expense for the year	48,098	2,955	51,053
Less:			
Write-offs of fully amortized assets	(110)	(793)	(903)
Foreign exchange	-	(36)	(36)
	(110)	(829)	(939)
Total	232,177	12,882	245,059

Notes to the Consolidated Financial Statements

13 Deferred Charges, net (continued)

The reconciliation from the beginning balance to the ending balance of the accumulated amortization during the year ended December 31, 2009 is as follows:

	Goodwill amortization Q	Improvements to leasehold properties amortization Q	Total Q
Initial balance	136,074	10,124	146,198
Plus:			
Amortization expense for the year	48,115	2,786	50,901
Less:			
Write-offs of fully amortized assets	-	(2,154)	(2,154)
Total	184,189	10,756	194,945

The reconciliation from the beginning balance to the ending balance of the accumulated amortization during the year ended December 31, 2008 is as follows:

	Goodwill amortization Q	Improvements to leasehold properties amortization Q	Total Q
Initial balance	87,993	4,717	92,710
Plus:			
Amortization expense for the year	48,082	2,012	50,094
Additions from merger (note 1)	-	5,362	5,362
	48,082	7,374	55,456
Less:			
Decrease from closed branches	-	(1,968)	(1,968)
Total	136,074	10,123	146,198

Notes to the Consolidated Financial Statements

14 Deposits

As of December 31, 2010, 2009 and 2008, deposits were as follows:

	December 31		
	2010	**2009**	**2008**
	Q	**Q**	**Q**
Local currency:			
Demand deposits	11,165,214	10,225,833	9,762,614
Savings deposits	5,305,283	4,708,965	4,247,268
Time deposits	9,278,142	8,546,663	7,535,474
Other deposits	23,450	22,832	22,224
Deposits with restrictions	89,505	75,903	62,525
	25,861,594	23,580,196	21,630,105
Foreign currency:			
Demand deposits	4,564,315	4,123,391	3,322,869
Savings deposits	1,067,837	1,101,421	741,319
Time deposits	6,424,403	5,956,131	5,083,770
Other deposits	17,373	14,330	5,045
Deposits with restrictions	9,739	8,319	3,840
	12,083,667	11,203,592	9,156,843
	37,945,261	34,783,788	30,786,948

- On May 1, 2001 Decree 94-2000 of the Congress of the Republic of Guatemala came into effect, “Law of Free Foreign Currency Trade”, allowing financial institutions to receive deposits denominated in any currency.

- As of December 31, 2010, 2009 and 2008, the deposit bear annual interest rates fluctuating between the percentages detailed bellow:

	December 31		
	2010	**2009**	**2008**
Local currency:			
Demand deposits	0.00 and 7.00	0.00 and 7.00	0.00 and 7.00
Saving deposits	0.00 and 7.00	0.00 and 6.50	0.00 and 7.50
Time deposits	1.00 and 10.05	1.00 and 10.05	1.00 and 10.05
Foreign currency:			
Demand deposits	0.00 and 6.00	0.00 and 6.00	0.00 and 5.83
Saving deposits	0.00 and 2.50	0.00 and 2.50	0.00 and 5.00
Time deposits	0.25 and 8.50	0.25 and 7.00	0.50 and 6.50

Notes to the Consolidated Financial Statements

- As of June 1, 2002 the Law of Banks and Financial Groups, Decree No. 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 or its equivalent in foreign currency. The Bank's obligation to carry out contributions to the Savings Protection Fund will cease when the amount of contributions reaches five percent (5%) of the local banking system's total of the deposit obligations.

  During the year ended December 31, 2010 the Bank made contributions to the FOPA for Q36,553 and US$1,151 (Q34,090 and US$914 in 2009 and Q29,682 and US$822 in 2008) recording them against the results of the year.

  In addition, on April 20, 2007 the Bank entered into an "Agreement for the Strengthening of the Savings Protection Fund" (the "fund") with the Bank of Guatemala. The purpose of this agreement is to require that all banks that are part of the national banking system provide additional funds to the Savings Protection Fund in order for the Fund to meet its obligations. Pursuant to this agreement, the Bank lent to the Bank of Guatemala an aggregate principal amount of Q131,450, bearing an annual interest rate of 5%. Amounts due by the Bank of Guatemala are repaid through the set-off of future mandatory Bank contributions due to the Savings Protection Fund (as indicated in the following paragraph).

  The Bank of Guatemala repaid through set-offs the following amounts:

	Q
Initial balance	131,450
Set-off in 2007	(21,084)
Set-off in 2008	(29,304)
Set-off in 2009	(41,196)
Set-off in 2010	(39,866)
Balance as of December 31, 2010	-

- The resolution of the Monetary Board JM-178-2002 provides that certain banking deposits by governmental entities be transferred gradually to the Bank of Guatemala. As of December 31, 2010 the Bank had deposit accounts with governmental entities in the amount of Q11,431 (Q28,825 in 2009 and Q44,394 in 2008).

- As of December 31, 2010, deposits in local and foreign currency amounting to Q89,505 and US$661 respectively (Q75,903 and US$442 in 2009 and Q84,523 in 2008) were blocked by judicial order.

Notes to the Consolidated Financial Statements

15 Loans with Other Financial Institutions

Loans with other financial institutions consist of inter-bank loans. The Bank has uncommitte foreign banks to finance advances for pre-export activities, letters of credit, and loans to the sm businesses.

As of December 31, 2010 the loans with other financial institutions were as follows:

Loans in foreign currency:	**Authorized US$**	**Available US$**
Citibank N.A. New York	40,000	2,000
The Bank of New York Mellon	30,000	30,000
The Bank of Tokyo-Mitsubishi UFJ	7,500	7,500
Bank of Nova Scotia	15,000	15,000
Commerzbank Ag.	53,119	53,119
Banco Internacional de Costa Rica	10,000	10,000
Banco Centroamericano de Integración Económica	60,000	58,393
Mercantil Banco Universal	25,000	-
The Bank of Miami	10,000	10,000
Banco Do Brasil	1,000	1,000
Wells Fargo Bank N.A.	75,222	9,000
Banco Latinoamericano de Exportaciones	40,000	30,000
Bac Florida Bank	7,000	-
Bank of América N.A.	62,806	19,806
Standard Chartered Bank	18,000	2,000
CoBank	11,098	2,098
CoBank	63,946	-
Carried forward	529,691	249,916

Notes to the Consolidated Financial Statements

15 Loans with Other Financial Institutions (continued)

Loans in foreign currency:	Authorized US$	Available US$
Brought forward	529,691	249,916
Banco del Bajio	4,000	4,000
Unicredit	7,000	7,000
Natixis	22,000	22,000
Credit Suisse	10,000	10,000
HSBC Bank	19,000	19,000
IDB of New York	5,000	5,000
Banco de Crédito del Perú BPC	10,000	10,000
National City Bank	15,000	15,000
Societe Generale	13,000	13,000
BMO Financial Group	6,000	4,000
Banco de Comercio Exterior de Colombia, S.A.	5,000	5,000
Dresdner Bank Ag	28,330	28,330
Banco Sabadell, S.A.	708	708
JP Morgan Chase	7,000	7,000
The Export-Import Bank of Korea	10,000	10,000
Banco Aliado, S.A.	5,000	5,000
Sumitomo Mitsui Banking Corporation	10,000	10,000
Banesto	2,833	2,833
Fifth Third Bank	5,000	5,000
US Century Bank	5,000	5,000
Deutsche Bank	8,517	-
Bac Bank Inc.	4,800	4,800
Carried forward	732,879	442,587

Notes to the Consolidated Financial Statements

15 Loans with Other Financial Institutions (continued)

Loans in foreign currency:	**Authorized US$**	**Available US$**
Brought forward	732,879	442,587
Citibank N.A. New York	273,870	-
Banco de América Central, S.A.	5,013	-
KBC Bank	11,500	11,500
Nordea Bank	15,000	15,000
BPD Bank	4,500	4,500
Caja de Ahorros y Pensiones Barcelona	4,827	-
Intesa San Paolo	4,266	-
Balance in US dollars	1,051,855	473,587
Balance in quetzales	8,429,124	3,795,128

Loans in local currency:	**Authorized Q**	**Available Q**
Banco Agromercantil de Guatemala, S.A.	60,000	-
Banco G&T Continental, S.A.	20,000	-
Banco G&T Continental, S.A.	20,000	-
Financiera de Occidente, S.A.	11,500	1,500
Other	411	-
Balance in quetzales	111,911	1,500
Total	8,541,035	3,796,628

Notes to the Consolidated Financial Statements

15 Loans with Other Financial Institutions (continued)

As of December 31, 2009 the loans with other financial institutions were as follows:

Loans in foreign currency:	**Authorized US$**	**Available US$**
Citibank N.A. New York	46,554	36,554
The Bank of New York Mellon	30,000	30,000
The Bank of Tokyo-Mitsubishi UFJ	7,500	7,500
Bank of Nova Scotia	15,000	15,000
Commerzbank Ag.	53,119	48,119
Banco Internacional de Costa Rica	10,000	10,000
Banco Centroamericano de Integración Económica	60,000	56,523
Mercantil Banco Universal	20,000	15,000
The Bank of Miami	10,000	10,000
Wachovia Bank	80,000	75,000
Banco Do Brasil	1,000	1,000
Wells Fargo Bank N.A.	10,500	10,500
Banco Latinoamericano de Exportaciones	40,000	35,000
Bac Florida Bank	7,000	2,000
Bank of América N.A.	60,000	60,000
Standard Chartered Bank	18,000	13,000
CoBank	13,000	13,000
CoBank	70,262	-
Carried forward	551,935	438,196

Notes to the Consolidated Financial Statements

15 Loans with Other Financial Institutions (continued)

Loans in foreign currency:	**Authorized US$**	**Available US$**
Brought forward	551,935	438,196
Banco del Bajio	4,000	4,000
Unicredit	7,000	7,000
Natixis	22,000	22,000
Credit Suisse	10,000	10,000
HSBC Bank	19,000	19,000
IDB of New York	5,000	5,000
Banco de Crédito del Perú BPC	10,000	10,000
National City Bank	15,000	15,000
Societe Generale	13,000	13,000
BMO Financial Group	6,000	6,000
Banco de Comercio Exterior de Colombia, S.A.	5,000	5,000
Dresdner Bank Ag	28,330	28,330
Banco Sabadell, S.A.	708	708
JP Morgan Chase	7,000	7,000
The Export-Import Bank of Korea	10,000	10,000
Banco Aliado, S.A.	5,000	5,000
Sumitomo Mitsui Banking Corporation	10,000	10,000
Mizuho Bank Ltd.	5,000	5,000
Banesto	2,833	2,833
Fifth Third Bank	5,000	5,000
US Century Bank	10,000	10,000
Deutsche Bank	14,143	-
Cuscatlan Bank and Trust, Ltd.	3,500	1,750
Bac Bank Inc.	2,000	-
Carried forward	771,449	639,817

Notes to the Consolidated Financial Statements

15 Loans with Other Financial Institutions (continued)

Loans in foreign currency:	Authorized US$	Available US$
Brought forward	771,449	639,817
Citibank N.A. New York	300,000	-
Banco de América Central, S.A.	4,000	-
Wachovia Bank	10,000	-
Balance in US dollars	1,085,449	639,817
Balance in quetzales	9,068,264	5,345,282

Loans in local currency:	Authorized Q	Available Q
Banco Agromercantil de Guatemala, S.A.	60,000	-
Banco G&T Continental, S.A.	20,000	-
Banco G&T Continental, S.A.	20,000	-
Financiera de Occidente, S.A.	11,500	1,500
Other	315	-
Balance in quetzales	111,815	1,500
Total	9,180,079	5,346,782

Notes to the Consolidated Financial Statements

15 Loans with Other Financial Institutions (continued)

As of December 31, 2008 the loans with other financial institutions were as follows:

Loans in foreign currency:	Authorized US$	Available US$
Citibank	44,456	27,456
Citibank N.A. New York	300,000	-
The Bank of New York Mellon	30,000	23,000
The Bank of Tokyo-Mitsubishi UFJ	7,500	7,500
The Bank of Nova Scotia	5,000	5,000
Commerzbank	53,119	31,119
The Bank of Miami	10,000	10,000
Banco Internacional de Costa Rica	6,000	6,000
Banco Centroamericano de Integración Económica	73,227	65,914
Bank of America N.A.	60,000	15,000
Wachovia Bank	80,288	38,500
American Express Bank Limited	19,000	6,000
Wells Fargo Bank N.A.	11,013	513
Banco Latinoamericano de Exportación	40,000	40,000
Mercantil Banco Universal	25,000	4,000
BAC Florida Bank	8,000	5,000
CoBank	90,938	6,000
Unicredit	7,000	7,000
Natixis	22,000	22,000
Credit Suisse	12,000	5,000
Carried forward	904,541	325,002

Notes to the Consolidated Financial Statements

15 Loans with Other Financial Institutions (continued)

Loans in foreign currency:	**Authorized US$**	**Available US$**
Brought forward	904,541	325,002
HSBC Bank	9,000	9,000
Banco de Crédito del Perú	10,000	10,000
National City Bank	15,000	2,600
Societe Generale	13,000	13,000
BNP Paribas	7,082	7,082
BMO Financial Group	6,000	1,000
Banco de Comercio Exterior de Colombia, S.A.	5,000	5,000
Dresdner Bank AG	28,330	2,430
Banco Sabadell, S.A.	708	708
ING Financial Markets	7,082	7,082
BPD Bank	4,500	4,500
Banco del Bajío	4,000	4,000
Banco Aliado, S.A.	5,000	5,000
UBS AG	2,350	2,350
Sumitomo Mitsui Banking Corp.	10,000	10,000
Mizuho Corporate Bank Ltd.	5,000	5,000
IDB of New York	10,000	10,000
Banesto	2,833	2,833
Fifth Third Bank	5,000	-
US Century Bank	15,000	15,000
Deutsche Bank	40,000	-
Svenska Handelsbanken	10,000	-
Carried forward	1,119,426	441,587

Notes to the Consolidated Financial Statements

15 Loans with Other Financial Institutions (continued)

Loans in foreign currency:	**Authorized US$**	**Available US$**
Brought forward	1,119,426	441,587
Bancolombia Panamá, S.A.	4,000	-
Cuscatlan Bank and Trust, Ltd.	3,500	-
Banco de América Central, S.A.	4,100	-
Balance in US dollars	1,131,026	441,587
Balance in quetzales	8,801,194	3,436,262

Loans in local currency:	**Authorized Q**	**Available Q**
Banco Agromercantil de Guatemala, S.A.	60,000	-
Banco G&T Continental, S.A.	20,000	-
Banco G&T Continental, S.A.	20,000	-
Financiera de Occidente, S.A.	13,869	-
Balance in quetzales	113,869	-
Total	8,915,063	3,436,262

Notes to the Consolidated Financial Statements

15 Loans with Other Financial Institutions (continued)

(a) As of December 31, 2010 the loans obtained accrue annual interest at rates fluctuating between 1.29% and 8.75% (1.28% and 8.75% in 2009 and 3.47% and 9.00% in 2008) and are unsecured.

(b) The credit lines with callable maturity are non-committed revolving lines.

(c) In April and October 2007 the Bank obtained financing in the international capital markets through two lines of credit amounting to US$300,000; which are guaranteed with the cash flows from the payment rights that the Bank has related to remittances in foreign currency.

As of December 31, 2010, 2009 and 2008 the Bank has interest rate swaps with Citibank N.A. New York for these two lines of credit. The option was executed in September 2009. The rates settled for the execution of the option are 4% on US$160,000 and 3.79% on US$140,000 (see note 42). During the years ended December 31, 2010, 2009 and 2008 the Bank paid the owed interests on capital balances of the loan received, based in the interest rates negotiated. Additionally, a special fund was constituted to guarantee the capital and interest amortizations according to the contract conditions (see note 11).

16 Financial Obligations

As of December 31, 2010, 2009 and 2008, financial obligations were as follows:

	December 31		
	2010 **Q**	**2009** **Q**	**2008** **Q**
Banco Industrial, S.A. (a)			
Mortgage bonds	151,395	203,862	258,176
Banking bonds	196,133	201,163	337,655
Total bonds	347,528	405,025	595,831
Financiera Industrial, S.A. (b)			
Financial promissory notes Series VIII	297,713	409,515	364,245
Financial promissory notes Series IX	16,767	14,224	15,457
Financial promissory notes Series X	564,797	564,135	401,286
Financial promissory notes Series I	119,206	124,639	116,192
Financial promissory notes Series II	144,897	125,164	45,928
Total Financiera Industrial, S.A. financial promissory notes	1,143,380	1,237,677	943,108
Contecnica, S.A. (c)			
Financial promissory notes	212,025	192,691	215,185
	1,702,933	1,835,393	1,754,124

Notes to the Consolidated Financial Statements

(a) Banco Industrial, S.A.

The authorization to issue the bonds is contained in the corresponding resolutions of the Monetary Board. The total amounts authorized was Q500 million for mortgage bonds, was Q1,500 million for banking bonds denominated in quetzales and was US$200 million for banking bonds denominated in U.S. dollars. Proceeds will be used to finance operations authorized by the Law of Banks and Financial Groups.

Mortgage bonds are guaranteed with the assets of the Bank and with mortgage certificates issued by the F.H.A. system, up to a term of twenty five years for mortgage bonds with general guaranty and up to a term of twenty years for mortgage bonds with specific guaranty. The mortgage bonds accrue a variable annual interest at a rate fluctuating between 2.00% and 9.50%.

Banking bonds have a general guaranty of the loans, investments and the remaining assets of the Bank with a term up to twenty five years. The banking bonds accrue a variable annual interest at a rate fluctuating between 2.00% and 9.50% for the bonds denominated in quetzales and of 5.00% for the bonds denominated in U.S. dollars.

The bonds will be amortized through annual payments according to the amortization plans established for each series. Assets have been segregated as restricted assets for debt services, and are recognized under the caption of "other investments" indicated in note 11.

(b) Financiera Industrial, S.A.

The authorizations for the issuance of the promissory notes are contained in the corresponding resolutions of the Monetary Board. The total amount authorized to issue was Q2,100 million and US$70 million. The resources obtained have been allocated to finance operations authorized by the Law of Banks and Financial Groups.

The financial promissory notes for series VIII and X in local currency and the financial promissory notes for series I and II in foreign currency are used to handle the product "Plan Dorado de Inversión" ("Fondo Dorado de Pensión" in 2009 and 2008).

As of December 31, 2010 the promissory notes accrue a variable annual interest rate fluctuating between 0.25% and 8.87% (0.50% and 8.87% in 2009 and 2.50% and 8.00% in 2008) with maturity from 2011 to 2019 (from 2010 to 2016 for the promissory notes in force as of December 31, 2009 and from 2009 to 2014 for the promissory notes in force as of December 31, 2008) and are guaranteed with the assets of the Financial Entity.

Notes to the Consolidated Financial Statements

The promissory notes will be amortized according to the conditions stated therein through monthly, quarterly or maturity payments. Assets equivalent to 10% of the outstanding debt have been segregated as restricted assets for debt payments, and are recognized under the caption of "other investments" indicated in note 11.

On June 24, 2009, the Superintendency of Banks notified the Financial Entity on resolution No.482-2009 dated June 19, 2009, which confirms the observation mentioned in the report number 298-2009, informing that during the term that expired December 31, 2009, the operations related to the "Fondo Dorado de Pensión" strictly comply with the provisions stated in the respective regulations for its issuance, negotiation, amortization and debt service of the financial promissory notes that the Monetary Board had approved to it.

In relation to this, during 2010 the Financial Entity proceeded as follows:

i. On July 1, 2010 individual accounts which as of June 30, 2010 had an outstanding balance equal or lower than Q20 and whose transfer had been approved by the investor were transferred to Banco Industrial, S.A. The balances transferred amounted to Q231,000 for local currency promissory notes and US$823 for foreign currency promissory notes.

ii. The accounts that as of June 30, 2010 had an outstanding balance higher than Q20 and the accounts with balances equal or lower to Q20 whose transfer was not approved by the investor, were maintained in the Financial Entity through materialized and un-materialized promissory notes as an investment instrument, constituting the product "Plan Dorado de Inversión".

(c) Contecnica, S.A.

The Credit Card Company authorization to issue "BI-Credit Promissory Notes" is contained in the corresponding resolution of the "Bolsa de Valores Nacional, S.A."

The total amount authorized for the issuance is up to Q300 millions of which as of December 31, 2010 the outstanding balance amounts to Q212,025 (Q192,691 in 2009 and Q215,185 in 2008). The resources obtained have been allocated to finance operations authorized by the Law of Banks and Financial Groups.

As of December 31, 2010 the outstanding balance is comprised by seventy one series of promissory notes which accrue fixed annual interest at rates fluctuating between 5.25% and 8.00% with terms of six and fourteen months maturing between January 2011 and February 2012.

Notes to the Consolidated Financial Statements

As of December 31, 2009 the outstanding balance is comprised by sixty eight series of promissory notes which accrue fixed annual interest at rates fluctuating between 5.75% and 8.25% with terms of six and fourteen months maturing between January 2010 and February 2011.

As of December 31, 2008 the outstanding balance is comprised by sixty two series of promissory notes which accrue fixed annual interest at rates fluctuating between 7.25% and 8.50% with terms of six and fourteen months maturing between January 2009 and February 2010.

17 Accounts Payable from Accrued Financial Expenses

This account comprises interest expenses and benefits accrued from deposits, not yet paid. As of December 31, 2010, 2009 and 2008, accounts payable from accrued financial expenses were as follows:

	December 31		
	2010	**2009**	**2008**
	Q	**Q**	**Q**
Local currency:			
Deposits	91,027	79,622	44,694
Financial obligations	2,704	3,088	4,450
	93,731	82,710	49,144
Foreign currency:			
Deposits	71,840	87,155	61,612
Liabilities with other financial institutions	25,215	13,705	29,139
Financial obligations	4,625	4,596	4,305
	101,680	105,456	95,056
	195,411	188,166	144,200

18 Other Accounts Payable

As of December 31, 2010, 2009 and 2008, other accounts payable were as follows:

	December 31		
	2010	**2009**	**2008**
	Q	**Q**	**Q**
Local currency:			
Obligations for administration	247,038	254,205	89,966
Demand obligations	149,050	124,183	136,036
Obligations from issuance of documents	91,739	118,946	152,256
Income tax payable (note 35)	70,871	2,582	71,751
Deferred income	18,677	13,813	14,771
Other obligations	9,619	6,832	4,721
Loyalty Project	7,463	7,990	4,700
Accrued expenses	3,989	4,178	2,753
Other credit card obligations	2,992	2,768	2,330
Carried forward	601,438	535,497	479,284

Notes to the Consolidated Financial Statements

	December 31 2010 Q	2009 Q	2008 Q
Brought forward	601,438	535,497	479,284
Value added tax	2,784	2,228	3,176
Affiliated establishments	2,480	1,342	1,340
Deposits as guaranty	749	814	1,218
Other taxes	444	1,098	1,819
Promissory notes payable	-	4,489	-
Other	1,662	2,009	1,726
	609,557	547,477	488,563
Foreign currency:			
Obligations derived from issuance of documents	67,844	59,955	47,764
Immediate obligations	16,106	20,327	7,087
Deferred income	17,484	19,913	16,882
Obligations for administration	9,010	14,691	5,525
Deposits as guaranty	566	683	2,697
Other	1,789	81	16,130
	112,799	115,650	96,085
	722,357	663,127	584,648

19 Provisions

As of December 31, 2010, 2009 and 2008, provisions were as follows:

	December 31 2010 Q	2009 Q	2008 Q
Bonuses	11,628	11,161	10,366
Vacations	3,335	3,641	3,692
Severance provision	1,616	3,002	2,434
Christmas bonus	3,276	2,475	2,272
	19,855	20,279	18,764

20 Other Liabilities

As of December 31, 2010, 2009 and 2008 the balance of this account corresponds to the private placement of US$35,000 admissible bonds in the international capital markets on April 30, 2008, with a fixed annual interest rate of 9.00% and payment at maturity in April 30, 2068 callable since April 30, 2018. The Quetzal equivalent to said dollar amount is Q280,475, Q292,404 and Q272,356 at December 31, 2010, 2009 and 2008, respectively, translated at the closing bank exchange rate (note 2c).

Notes to the Consolidated Financial Statements

The issuance and placement of such bonds by the Bank was authorized through resolution 1047-2007 of the Board of Directors, and ratified in Minute No. 53 of the Ordinary Shareholders Assembly, both of December 28, 2007, and from the Monetary Board through the Resolution JM-14-2008 of January 23, 2008 in compliance with the respective regulations.

21 Deferred Income

Balance of this account comprises revenue that the Group has collected but has not been accrued. As of December 31, 2010, 2009 and 2008, deferred income was as follows:

	December 31		
	2010	**2009**	**2008**
	Q	**Q**	**Q**
Loan portfolio	20,722	19,822	26,223
Income from services	398	352	383
Other	499	363	247
	21,619	20,537	26,853

22 Other Credit Balances

As of December 31, 2010, 2009 and 2008, other credit balances were as follows:

	December 31		
	2010	**2009**	**2008**
	Q	**Q**	**Q**
Local currency:			
Investments	9,484	8,710	34,565
Loan portfolio	6,319	8,908	10,663
Capitalized income	2,859	2,749	3,299
Income from services	375	456	400
Commissions	141	174	1,404
	19,178	20,997	50,331
Foreign currency:			
Loan portfolio	6,493	7,754	8,707
Investments	4,650	2,985	246
Capitalized income	124	97	-
Other	4	4	31
	11,271	10,840	8,984
	30,449	31,837	59,315

Notes to the Consolidated Financial Statements

23 Paid-in Capital

The authorized capital of the Bank amounts to four billion of quetzales, formed by 160,000 common nominative shares with a nominal value of Q25 each. As of December 31, 2010, 2009 and 2008 the capital subscribed and paid amounts to Q1,376,978 formed by 55,079 shares.

During the year ended December 31, 2008 the changes of the subscribed and paid capital were as follows:

	Number of nominative common shares	Amount of paid-in capital Q	Nominal share's value Q
Balance at January 1, 2008	47,604	1,124,449	23.62
Contributions received by the shareholders (see note 24)	4,998	124,952	25.00
Increase from take-over merger (note 1)	2,477	127,577	50.45
	7,475	252,529	
Balance at December 31, 2008	55,079	1,376,978	25.00

During the years ended December 31, 2010 and 2009 there were any changes in the subscribed and paid capital.

24 Shareholders' Contributions

As of December 31, 2010 and 2009 the shareholders' contributions balance corresponds to premiums on shares received by the shareholders for payments in excess of the nominal value of the shares issued by the Bank.

In conformity with the Resolution of the Board of Directors of the Bank No. 971-2007, Minute 3994 dated November 27, 2007; a capital call was approved, which resulted in a contribution of the shareholders during the year 2008 amounting to Q161,846.

On January 4 and February 29, 2008, contributions received for Q73,077 and Q51,875 (Q124,952 in total) were capitalized. As a result of these contributions 4,998 shares of the Bank were issued to the shareholders (see note 23).

25 Legal Reserve

In accordance with sections 36 and 37 of the Commerce Code of Guatemala, every entity must contribute on an annual basis five percent (5%) of its net earnings to form the legal reserve, which cannot be distributed until the entity is liquidated.

Notes to the Consolidated Financial Statements

However, when this reserve exceeds 15% of the shareholders' equity of the entity at the previous year-end, the reserve can be capitalized, and the annual contribution of 5% must continue as stated above.

26 Capital Reserves

i. Dividends declared:

The following summary shows dividends paid during the years set forth below according to the Shareholders Assembly Minutes of each company:

		Years ended December 31	
	2010	**2009**	**2008**
	Q	**Q**	**Q**
Banco Industrial, S.A.	371,784	341,491	285,625
Financiera Industrial, S.A.	31,500	20,020	21,000
Westrust Bank (International) Limited	48,081	50,126	59,686
Contecnica, S.A.	88,021	90,015	85,425
	539,386	501,652	451,736
Less:			
Eliminations for consolidation (dividends of subsidiaries collected by the Bank and paid to the non-controlling interest)	(167,602)	(160,161)	(163,911)
	371,784	341,491	287,825

ii. Compensation to members of the Board of Directors:

Compensation to members of the Board of Directors of the Bank corresponds to 8% on the Bank's net income for the year, according to the clause thirty-eight of its Constitutive Act.

27 Adjustment from Prior Years

During the year ended December 31, 2010 an adjustment to prior years amounting to Q4,027 was recorded and corresponds to income tax expense, fines and interests paid by the Bank as a result of adjustments claiming additional taxes, by the fiscal authorities on the income tax return filed for the year ended December 31, 2008.

Notes to the Consolidated Financial Statements

28 Subordinated Obligations

On March 7, 2006 the Bank subscribed two subordinated loan agreements. As of December 31, 2010, 2009 and 2008, subordinated obligations were as follows:

	December 31 2010 Q	2009 Q	2008 Q
Banco Centroamericano de Integración Económica (BCIE)			
Loan for US$40,000 with a LIBOR interest rate plus a percentage as of the first quarter of 225 basis points, increasing quarterly by 25 basis points up to the fifth quarter as of which it will be 325 basis points. The term of the loan is ten years with a grace period of five years and will amortize through five annually, consecutive and equal payments of US$8,000, beginning in 2012.	320,543	334,176	311,263
International Finance Corporation (IFC)			
Loan up to US$30,000 with a LIBOR interest rate plus 4% and a term of ten years with a grace period of five years and will amortize through ten consecutive and equal semi-annual payments (June 15 and December 15 of each year) of US$3,000 beginning in 2011. The US$30,000 was borrowed as follows: US$15,000 on March 7, 2006 and US$15,000 on December 22, 2008.	240,407	250,632	233,448
	560,950	584,808	544,711

The following table sets forth a maturity schedule for the next years:

	US$	Q
2011	6,000	48,081
2012	14,000	112,190
2013	14,000	112,190
2014	14,000	112,190
2015	14,000	112,190
2016	8,000	64,109
	70,000	560,950

Notes to the Consolidated Financial Statements

As part of the agreements with IFC and BCIE several restrictions are imposed on the Bank, unless authorized by IFC and BCIE. The most significant restrictions, among others, are summarized as follows:

a) Maintain at all times the required financial ratios within the parameters established in the agreements.

b) Provide financial information or access to any of the facilities upon request.

c) Provide an annual compliance report prepared and signed by the Compliance Officer regarding the prevention of money and other assets laundering and financing to terrorism.

d) Maintain insurance with regards to the Bank's assets and business against all insurable losses.

e) Refrain from declaring or paying any dividend or distribution of earnings unless the proposed payment or distribution stems from retained earnings.

29 Net Financial Income

Income and expenses generated from finance operations for the years ended December 31, 2010, 2009 and 2008 were as follows:

		Years ended December 31	
	2010	**2009**	**2008**
	Q	**Q**	**Q**
Financial income:			
Income from interests:			
Loan portfolio	2,017,155	2,155,810	1,893,148
Investments	1,243,471	1,079,108	1,053,725
Cash	8,645	8,176	18,902
Other	2,146	2,218	2,222
	3,271,418	3,245,312	2,967,997
Commissions:			
Loan portfolio	10,558	12,182	15,782
Securities negotiation	-	12,171	15,061
Other	3,821	4,005	3,202
	14,379	28,358	34,045
Other financial income:			
Difference in price of repo operations	2,617	60,311	17,532
Total financial income	3,288,414	3,333,981	3,019,574
Carried forward	3,288,414	3,333,981	3,019,574

Notes to the Consolidated Financial Statements

29 Net Financial Income (continued)

	2010 Q	Years ended December 31 2009 Q	2008 Q
Brought forward	3,288,414	3,333,981	3,019,574
Financial expenses:			
Expenses for interests:			
Deposits	1,170,015	1,183,697	923,076
Loans obtained	211,781	232,956	334,915
Financial liabilities	122,487	124,357	136,563
Other liabilities	28,210	28,638	17,662
	1,532,493	1,569,648	1,412,216
Other financial expenses:			
Additional benefits	37,363	28,640	20,065
Securities negotiation	44,165	32,037	25,653
FOPA formation quote	45,778	41,588	35,906
Difference in price of repo operations	10,652	86,446	34,064
Other	3,101	3,901	5,954
Total financial expenses	1,673,552	1,762,260	1,533,858
Net financial income	1,614,862	1,571,721	1,485,716

Income and expenses for interests by currency for the years ended December 31, 2010, 2009 and 2008 were as follows:

	2010 Q	Years ended December 31 2009 Q	2008 Q
Income from interests:			
Local currency	2,150,688	1,996,540	1,795,533
Foreign currency	1,120,730	1,248,772	1,172,464
	3,271,418	3,245,312	2,967,997
Expenses for interests:			
Local currency	951,880	936,612	774,789
Foreign currency	580,613	633,036	637,427
	1,532,493	1,569,648	1,412,216

Notes to the Consolidated Financial Statements

30 Net Income from Services

Income and expenses from services for the years ended December 31, 2010, 2009 and 2008 were as follows:

	2010	Years ended December 31 2009	2008
	Q	Q	Q
Income:			
Commissions	328,965	313,117	297,679
Account management	54,702	48,000	43,029
Trust funds	5,162	4,613	5,216
Leases	1,131	964	1,219
Other	79,556	60,637	83,022
	469,516	427,331	430,165
Expenses:			
Commissions	12,105	6,567	7,751
Other	-	-	933
	12,105	6,567	8,684
Net income from services	457,411	420,764	421,481

31 Other Operating Income and Expenses

Other operating income and expenses for the years ended December 31, 2010, 2009 and 2008 were as follows:

	2010	Years ended December 31 2009	2008
	Q	Q	Q
Other operating income:			
Foreign exchange gains	120,857	202,768	141,265
Dividends (note 10)	18,302	38	43
Other	-	-	6,148
	139,160	202,806	147,456
Other operating expenses:			
Doubtful recovery accounts (note 6)	171,072	244,644	191,134
Foreign exchange losses	3,866	458	2,251
	174,938	245,102	193,385
Other operating income and expenses, net	(35,778)	(42,296)	(45,929)

Notes to the Consolidated Financial Statements

32 Administrative Expenses

The administrative expenses for the years ended December 31, 2010, 2009 and 2008 were as follows:

	2010 Q	Years ended December 31 2009 Q	2008 Q
Officers and employees	464,826	440,670	415,597
Maintenance and other services	163,971	195,380	152,596
Depreciation and amortizations	146,865	135,388	127,604
Taxes, import duties and contributions	57,003	54,166	50,391
Leases (note 39)	54,251	54,460	51,922
Professional fees	42,053	66,493	45,134
Repairs and maintenance	37,103	52,160	28,217
Marketing and advertising (*)	32,331	38,487	48,397
Electric energy	26,904	20,187	22,315
Security and surveillance	22,760	25,045	23,660
Stationery and office supplies	21,559	24,050	22,650
Telephone	14,895	17,160	17,525
Messenger	9,493	8,298	8,403
Loyalty Project	9,330	9,300	9,123
Board of Directors	8,096	9,838	17,146
Insurance premiums and guarantees	5,626	5,421	5,281
Donations	3,922	4,442	3,518
Interchange discount	1,890	1,797	3,535
Freight	914	1,025	1,510
Other	89,195	115,348	104,953
	1,212,987	1,279,115	1,159,477

(*) In 2008, the balance of the account marketing and publicity includes Q1,250 of donation to Ramiro Castillo Love Foundation.

Notes to the Consolidated Financial Statements

33 Extraordinary Income and Expenses, net

Extraordinary income and expenses for the years ended December 31, 2010, 2009 and 2008 were as follows:

	2010 Q	Years ended December 31 2009 Q	2008 Q
Income:			
Recoveries (i)	65,160	33,908	30,223
Gain on sale of securities (ii)	41,141	-	-
Surplus of cash and securities	1,065	902	-
Gain on sale of foreclosed assets	198	-	4,980
Other	4,532	1,614	4,235
	112,096	36,424	39,438
Expenses:			
Loss from holding and exploiting of foreclosed assets	355	362	1,212
Loss on sale of foreclosed assets	277	-	186
Other	1,104	293	-
	1,736	655	1,398
	110,360	35,769	38,040

i. This income corresponds mainly to recoveries during the year of the loan portfolio balances that had been previously written-off.

ii. This gain equals to US$5,103 obtained by the sale of 55,349 shares class "C" of Visa Inc.

34 Income and Expenses from Prior Years, net

Income and expenses from prior periods for the years ended December 31, 2010, 2009 and 2008 were as follows:

	2010 Q	Years ended December 31 2009 Q	2008 Q
Income:			
Reversal of provisions	3,280	2,734	8,269
Checks and money orders expired	300	1,077	-
Carried forward	3,580	3,811	8,269

Notes to the Consolidated Financial Statements

	2010 Q	Years ended December 31 2009 Q	2008 Q
Brought forward	3,580	3,811	8,269
Margins in repo operations	-	1,007	-
Other	3,185	1,803	1,572
	6,765	6,621	9,841
Expenses:			
Regularizations of taxes and contributions	484	59	3,875
Costs of branches projects	-	406	-
Regularizations of contributions to the “Asociación Solidarista de Trabajadores de Banco del Quetzal, S.A.”	-	-	1,567
Other	753	742	1,399
	1,237	1,207	6,841
	5,528	5,414	3,000

35 Income Tax

a. Guatemalan Entities:

The income tax expense for the companies incorporated in Guatemala for the year ended December 31, 2010 amounted to Q171,867 (Q118,285 in 2009 and Q139,906 in 2008), which represented an effective tax rate of 18.30% (16.61% in 2009 and 18.83% in 2008).

The income tax returns filed by the Bank for the years ended December 31, 2006, 2007, 2009 and 2010 are pending for review by the fiscal authorities. The income tax return filed for the fiscal periods ended on December 31, 2008, 2004 and 2003 were reviewed and the fiscal authorities had issued the respective resolutions and the defense process is in the administrative litigation phase (note 39).

The income tax returns filed by the Financing Entity and the Credit Card Company for the years ended December 31, 2006 to 2010 are pending for review by the fiscal authorities.

The right of the Government to perform review prescribes in the course of four years.

Notes to the Consolidated Financial Statements

According to the Income Tax Law, the Financing Entity and the Credit Card Company elected the General Tax Regime, which consists in a monthly payment of 5% on taxable income as final payment. The Bank elected the Optional Tax Regime, which consists in an annual payment of 31% on taxable net income.

b. The Off-shore Bank is not subject to income taxes, neither in accordance with Guatemalan laws nor in accordance with the laws of the Commonwealth of the Bahamas.

c. The entity incorporated in the Republic of El Salvador is subject to income tax payment in relation to the income obtained in that country according to the Income Tax Law contained in the Legislative Decree No. 134 dated December 18, 1991; in force since January 1, 1992.

For the years ended December 31, 2010, 2009 and 2008, the income tax expense and the effective tax rate differ from the amount and rate resulting from applying the enacted rates to earnings before income tax, according to the following detail:

		Years ended December 31	
	2010	**2009**	**2008**
	Q	**Q**	**Q**
Income before tax expense	939,396	712,256	742,830
Less:			
Income from the Off-shore Bank	(398,917)	(434,610)	(397,658)
Income from the companies of the Group under the general regime of 5% as final income tax payment	(506,283)	(412,821)	(372,551)
Income from Biesa	(57)	-	-
Subtotal	(905,257)	(847,431)	(770,209)
Plus:			
Expenses from the Off-shore Bank	309,561	367,066	313,382
Expenses from the companies of the Group under the general regime of 5% as final income tax payment	273,014	265,541	237,674
Expenses from Biesa	513	-	-
Eliminations for consolidation	165,348	156,675	163,791
Sub-total	748,436	789,282	714,847
Carried forward	782,575	654,107	687,468

Notes to the Consolidated Financial Statements

	2010 Q	Years ended December 31 2009 Q	2008 Q
Brought forward	782,575	654,107	687,468
Taxable income	782,575	654,107	687,468
Applicable tax	242,598	202,773	213,114
Taxable effect of:			
Non deductible expenses	83,263	71,534	70,839
Exempt income and non-taxable income	(175,352)	(175,596)	(161,602)
Income tax expense for the Optional Tax Regime of 31%	150,509	98,711	122,351
Income tax expense for the General Tax Regime of 5%	21,358	19,574	17,555
Total income tax expense	171,867	118,285	139,906
Less advanced payments	(100,996)	(115,703)	(68,155)
Income tax payable (note 18)	70,871	2,582	71,751

36 Memorandum and Register Accounts

As of December 31, 2010, 2009 and 2008, memorandum and register accounts were as follows:

	2010 Q	December 31 2009 Q	2008 Q
Commitments and contingencies	7,095,796	4,268,635	4,174,505
Loan portfolio guarantees	22,856,547	22,035,397	16,467,408
Loans granted to be withdrawn	3,932,129	5,422,354	3,616,399
Investments and loan portfolio classification	24,103,918	20,545,418	20,397,534
Third parties' administration	10,678,362	7,781,039	6,996,770
Financial obligations	7,244,821	7,365,808	7,392,464
Owned documents and securities remitted	899	4,381,989	5,920,547
Authorized issuances of financial obligations	7,244,821	2,984,807	300,000
Amortized financial obligations	-	-	230,000
Repo operations	2,622,449	1,696,944	1,009,272
Other memorandum accounts	810,229	560,410	781,536
Register accounts	14,760	27,984	30,406
	86,604,731	77,070,785	67,316,841

Notes to the Consolidated Financial Statements

- **Commitments and Contingencies**
  In this account are recorded, if any, for control purposes: guarantees granted in order to secure third party obligations, loans formalized pending delivery and obligations of the institutions.

- **Loan Portfolio Guarantees**
  In this account are recorded, if any, for control purposes: title-securities that guarantee loans granted by the institution, mortgaged goods in favor of the institution, pledged goods in favor of the institution and the guarantees that the institution receives on its favor.

- **Investments and Loan Portfolio Classification**
  In this account are recorded, for control purposes: credit assets in local and foreign currency, classified in categories according the dispositions determined in the corresponding regulations.

- **Third Parties' Administration**
  In this account are recorded, if any, for control purposes: documents and securities that the institution received, mortgage certificates that the institution manages on behalf of third parties, title-securities that the institution manages on behalf of third parties, portfolio that the institution manages on behalf of third parties and individually the withdrawing equity of each of the trusts in management.

- **Loans Granted to be Withdrawn**
  In this account are recorded, if any, for control purposes: margins for withdrawing 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.

- **Owned Documents and Securities Remitted**
  In this account are recorded, if any, for control purposes: documents and securities that the institution grants or transfers to the legal department or third parties and the documents and securities that the institution grants on consignment.

- **Authorized Issuances of Financial Obligations**
  In this account are recorded, if any, for control purposes: the authorized issuances of bonds and promissory notes authorized by the Monetary Board.

- **Financial Obligations**
  In this account are recorded, if any, for control purposes: issuances of bonds and promissory notes pending placement, provisional certificates granted, interest coupons of the title-securities issued by the institution and the issuances of other title-securities.

Notes to the Consolidated Financial Statements

- **Amortized Financial Obligations**
  In this account are recorded, if any, for control purposes: the bonds and promissory notes that have been redeemed as part of the program for service of the obligations issued.

- **Repo Operations**
  This account records, if any, the value consigned in the contracts for repo operations.

- **Other Memorandum Accounts**
  In this account are recorded, if any, for control purposes: those entries, applied to earnings accounts, which the specific law allows to differ in a greater number of taxable periods, all those balances of the loans portfolio after have practiced all the corresponding collection actions, the interest not collected from the portfolio in judicial collection and the loans approved pending formalization.

- **Register Accounts**
  This account records for control purpose, if any: documents and securities in custody, assets which have been fully depreciated or amortized, existence of blank forma and uncut plastic cards.

37 Concentration of Investments and Contingencies

On June 1, 2002 became effective the Law of Banks and Financial Groups, Decree 19-2002. According to this regulation, banks and financial partnerships are not able to carry direct or indirect financing operations; neither accepts guarantees of endorsements that in the aggregate exceed the percentages included as set forth:

- 15% of the statutory equity for financing operations with individuals or juridical persons of private nature or with a sole company or entity of the Government or otherwise, an autonomous one.

- 30% of the statutory equity for financing operations with two or more wholly related or bounded parties forming part of a risk unit.

Notes to the Consolidated Financial Statements

38 Related Party Transactions

The transactions made with related parties for the years ended December 31, 2010, 2009 and 2008 were as follows:

		Years ended December 31	
	2010	2009	2008
	Q	Q	Q
Income:			
Interests	48,113	24,316	27,429
Services	-	-	8,358
Other	-	37	8
	48,113	24,353	35,795
Expenses:			
Services	207,461	258,164	90,043
Interests	6,613	10,619	162
Professional fees	-	4,550	4,916
Commissions	-	77	56
Other	-	1	9
	214,074	273,411	95,186

As of December 31, 2010, 2009 and 2008, the balances of operations with related parties were as follows:

		December, 31	
	2010	2009	2008
	Q	Q	Q
Assets:			
Cash and due from banks	65,401	-	-
Investment securities held-to-maturity	80,136	-	-
Loan portfolio	481,738	478,133	155,751
Other accounts receivable	67,344	73,544	74,064
Advances for assets acquisition	63,625	15,539	-
Investments in equity securities	8,460	7,260	5,802
	766,704	574,476	235,617
Liabilities:			
Deposits	98,359	99,970	53,754
Other accounts payable	798	4,489	-
	99,157	104,459	53,754

Notes to the Consolidated Financial Statements

39 Commitments and Contingencies

For the Bank

- **Letters of Credit**
  As of December 31, 2010 the Bank has contingent liabilities from letters of credit issued in the amount of Q41,534 and US$139,089 equivalent to Q1,114,597 (Q38,075 and US$104,774 equivalent to Q875,321 in 2009; US$37,750 and US$96,831 equivalent to Q753,501 in 2008).

- **Trusts**
  As of December 31, 2010 the Bank manages as trustee seventy-six (76) trust contracts (72 in 2009 and 71 in 2008). In accordance with the Code of Commerce of Guatemala, the trustee is responsible to third parties for compliance with the obligations contained in the subscribed trust contracts, including compliance with the fiscal obligations of the trusts. These trusts are not audited by Aldana González Gómez y Asociados. Only nine (9) are audited by the National General Comptrollership (3 in 2009 and 7 in 2008) and seven (7) are audited by other independent auditors (14 in 2009 and 10 in 2008). According to the opinion of the lawyers, fiscal advisors and management of the Bank, there is no known or potential litigation derived from the performance of the Bank as trustee.

- **Lease Contracts**
  The Bank entered into operating lease contracts for the use of some branches, furniture and equipment and other assets, according to the conditions established in the contracts. The expense amount estimated for 2011 by this concept amounts to Q28,700.

- **Repurchase Agreements**
  As of December 31, 2010 the Bank has repurchase agreements pending for liquidation amounting to Q2,579,580 (Q1,696,944 in 2009 and Q1,009,272 in 2008).

- **Pending Litigations**
  As of December 31, 2010 the Bank has pending of resolution the following adjustments resulting from reviews made by the Superintendency of Banks of Guatemala and the Superintendency for Tax Administration where additional taxes are claimed:

	Additional taxes claimed Q	
Judicial phase:		
Income tax for fiscal period 2004	5,631	a.
Income tax for fiscal period 2003	3,181	b.
Carried forward	8,812	

Notes to the Consolidated Financial Statements

39 Commitments and Contingencies (continued)

	Additional taxes claimed Q	
Judicial phase:		
Brought forward	8,812	
Income tax for fiscal period 2001	5,508	c.
Income tax for fiscal periods 1999 and 2000	2,632	d.
Income tax for fiscal period 1998	430	e.
Tax on Financial Income for fiscal period 1998	291	f.
Income tax with-holdings 1993 – 1994	16	g.
	17,689	
Administrative phase:		
Income tax for fiscal period 2008	424	h.
Income tax for fiscal period 1994	5,165	i.
	5,589	
	23,278	

a. Process 2006-21-01-44-0000213, Third Officer, Fourth Contentious Courtroom, for the period comprised from January 1 to December 31, 2004. The additional tax claimed by the tax authorities amounts to Q5,631 plus a fine of Q5,631 and compensation interests. Based on the experience of the tax advisor of the Bank in previous cases, there are minimum possibilities to fade out these adjustments during the administrative phase; however, at the moment of discussing this file in a judicial phase, the possibilities increase.

b. Contentious Administrative Process for the period comprised from January 1 to December 31, 2003. The additional tax claimed by the tax authorities amounts to Q3,181 plus a fine of Q3,181 and compensation interests.

c. Process SCA-432-2006, Second Officer and Notifying Officer, Third Contentious Courtroom, for the period comprised from January 1 to December 31, 2001. The additional tax claimed by the tax authorities amounts to Q5,508 plus a fine of Q5,508 and compensation interests.

d. Process 247-2003, Third Officer and Second Notifying Officer, Second Contentious Courtroom, for the period comprised from January 1 to December 31, 1999 and 2000. The additional tax claimed by the tax authorities amounts to Q2,632 plus a fine of Q2,632 plus compensation interests.

Notes to the Consolidated Financial Statements

e. Process 152-2003, Third Officer, Second Contentious Courtroom, for the period comprised from January 1 to December 31, 1998. The additional tax claimed by the tax authorities amounts to Q431 plus a fine of Q431 and compensation interests.

f. Process 291-2002, Third Officer, Second Contentious Courtroom, for the period comprised from January 1 to December 31, 1996. The additional tax claimed by the tax authorities amounts to Q291 plus a fine of Q291 and compensation interests.

g. Process 105-99, Second Officer and Notifying Officer, Second Contentious Courtroom, by income tax not with-held as a retention agent for the period comprised from July 1, 1993 to June 30, 1994. The additional tax claimed by the tax authorities amounts to Q16 plus a fine of Q16 and compensation interests.

h. Process 2009-21-01-44-0000304 for the period comprised from January 1 to December 31, 2008. The additional tax claimed by the tax authorities amounts to Q424 plus a fine of Q424 and compensation interests.

i. Process 96014037, Contentious Administrative No. 316-2000, for the period comprised from January 1 to December 31, 1994. The additional tax claimed by the tax authorities amounts to Q5,165 plus a fine of Q1,033 and compensation interests.

j. For the year 2009, the Contentious Administrative Process No. 661-2000 was in force, for the period comprised from January 1 to December 31, 1995. The additional tax claimed by the tax authorities amounted to Q222 plus a fine of Q222 and compensation interests, which were paid by the Bank during 2010.

According to the opinion of the lawyers, fiscal advisors and management, except for the previous “a” item, there are probabilities of a favorable resolution of these litigations for the Bank.

- **Contingencies of Banco de Occidente, S.A.:**

  As a result of the merger of Banco de Occidente, S.A. in 2006, the Bank assumed the responsibility for certain fiscal contingencies which both management and the legal advisors of the Bank consider remote. According to the negotiations of the acquisition, the previous shareholders of Banco de Occidente, S.A. will assume the responsibility for these fiscal contingencies covering any loss that could be generated in their respective resolution processes.

Notes to the Consolidated Financial Statements

39 Commitments and Contingencies (continued)

For the Off-shore Bank

- **Letters of Credit**
  As of December 31, 2010 the Off-shore Bank has contingent liabilities from letters of credit issued in the amount of US$5,265 equivalent to Q42,188 (2009: US$6,141 equivalent to Q51,301 and 2008: US$5,285 equivalent to Q41,129).

- **Repurchase Agreements**
  As of December 31, 2010 the Off-shore Bank has repurchase agreements pending for liquidation amounting to US$5,100 equivalent to Q40,869.

For the Credit Card Company

- **Commitments**
  As of December 31, 2010, a maximum withdrawing limit have been authorized for the credit cardholders in the amount of Q2,350,119 (2009: Q2,144,874 and 2008: Q1,850,151) and an available margin in the amount of Q1,679,840 (2009: Q1,545,926 and 2008: Q1,304,914).

For the Financing Entity:

- **Trusts**
  As of December 31, 2010 the Financing Entity manages as trustee two hundred nine (209) trust contracts (161 in 2009 and 112 in 2008). In accordance with the Code of Commerce of Guatemala the trustee is responsible to third parties for compliance with the obligations contained in the subscribed trust contracts, including compliance with the fiscal obligations of the trusts. Except by the Trust for the Realization and Exclusion of the Assets of Banco de Comercio, S.A. the remaining trusts are not audited by Aldana González Gómez y Asociados. Only two (2) are audited by other independent auditor (one (1) in 2009 and 2008). According to the opinion of the lawyers, fiscal advisors and management of the Financing Entity, there is no known or potential litigation derived from the performance of the Financing Entity as trustee.

- **Investment Plans**
  As of December 31, 2010, the Financing Entity has investment plan obligations in the amount of Q1,126,613, which are supported by the 100% issuance of the Financial Promissory Notes Series VIII and X in local currency and of the Financial Promissory Notes Series I and II in foreign currency (see note 16). This plan stated during 2010.

Notes to the Consolidated Financial Statements

39 Commitments and Contingencies (continued)

- **Pension Funds**
  As of December 31, 2009 and 2008, the Financing Entity has pension fund obligations in the amount of Q1,223,454 and Q927,651 respectively, which are supported by the 100% issuance of the Financial Promissory Notes Series VIII and X in local currency and of the Financial Promissory Notes Series I and II in foreign currency (see note 16).

- **Repurchase Agreements**
  As of December 31, 2010 the Financial Entity has repurchase agreements pending for liquidation amounting to Q2,000.

- **Pending Litigations**
  As of December 31, 2010 the Financial Entity has pending of resolution the following adjustments resulting from reviews made by the Superintendency for Tax Administration where additional taxes are claimed:

	Additional taxes claimed Q	
Judicial phase:		
Income tax for fiscal period 1982	58	a.
Income tax for fiscal period 1985	6	b.
Income tax for fiscal periods 1998 and 1999	2,000	c.
Income tax for fiscal period 2001	145	d.
Tax on Financial Income for fiscal period 1998	184	e.
	2,393	
Administrative phase:		
Income tax for fiscal period 1987	2	f.
	2,395	

a. Process 1858-2007, First Officer and Notifying Officer, Third Economic Force Courtroom, for the period comprised from January 1 to December 31, 1982. The additional tax claimed by the fiscal authorities amounts to Q58 plus a fine of Q6 and compensation interests.

b. Process 1346-2003, Second Officer and Notifying Officer, Second Economic Force Courtroom, for the period comprised from January 1 to December 31, 1985. The additional tax claimed by the fiscal authorities amounts to Q5 plus a fine of Q0.5 and compensation interests.

c. Process 275-02, Contentious Administrative, for the period comprised from January 1, 1998 to December 31, 1999. The additional tax claimed by the fiscal authorities amounts to Q2,000 plus a fine of Q2,000 and compensation interests.

Notes to the Consolidated Financial Statements

d. Process 194-2005, Contentious Administrative, for the period comprised from January 1 to December 31, 2001. The additional tax claimed by the fiscal authorities amounts to Q146 plus a fine of Q146 and compensation interests.

e. Process 79-03, Second Officer and Notifying Officer, Second Contentious Courtroom, for the period comprised from January 1 to December 31, 1998. The additional income tax claimed by the fiscal authorities amounts to Q184 plus a fine of Q184 and compensation interests.

f. Administrative process, expedient 92008521, for the period comprised from January 1 to September 30, 1987. The additional tax claimed by the fiscal authorities amounts to Q2 plus a fine of Q0.2 and compensation interests.

According to the opinion of the lawyers, fiscal advisors and management, there are probabilities of a favorable resolution of these litigations for the Financing Entity.

40 Non-Controlling Interest

As of December 31, 2010, 2009 and 2008, the non-controlling interest on the equity was as follows:

		December 31	
	2010	**2009**	**2008**
	Q	**Q**	**Q**
Financiera Industrial, S.A.	2,331	2,376	-
Contecnica, S.A.	5,034	3,187	-
Banco Industrial El Salvador, S.A.	15,982	-	-
Investment & Commerce Bank Ltd.	-	-	8,058
	23,347	5,563	8,058

The non-controlling interest in the results of the years ended December 31, 2010, 2009 and 2008 was as follows:

		Years ended December 31	
	2010	**2009**	**2008**
	Q	**Q**	**Q**
Financiera Industrial, S.A.	742	876	-
Contecnica, S.A.	3,573	1,817	-
Banco Industrial El Salvador, S.A.	(46)	-	-
Investment & Commerce Bank Ltd.	-	-	168
	4,269	2,693	168

Notes to the Consolidated Financial Statements

41 Net Position in Foreign Currency

As of December 31, 2010, 2009 and 2008 the net position in foreign currency was as follows:

	December 31		
	2010	**2009**	**2008**
	US$	**US$**	**US$**
Assets:			
Cash and due from banks	280,992	328,474	172,537
Investment securities held-to-maturity	502,328	355,757	224,778
Loan portfolio	1,508,985	1,492,097	1,766,904
Accounts receivable from accrued financial products	9,482	9,714	7,454
Foreclosed assets	107	273	24,458
Other accounts receivable	3,796	2,202	403
Investments in equity securities	1,360	917	796
Other investments	30,937	4,052	6,386
Property and equipment	15,121	7,073	5,328
Deferred charges	1,376	314	244
	2,354,484	2,200,873	2,209,288
Liabilities:			
Deposits	1,507,898	1,350,284	1,176,731
Loans with other financial institutions	578,268	544,818	689,439
Financial obligations	33,557	30,501	21,384
Accounts payable from accrued financial expenses	12,688	12,623	12,215
Other accounts payable	14,112	18,695	12,348
Provisions	340	479	446
Other liabilities	35,000	35,000	35,000
Deferred income	1,765	1,630	2,435
Other credit balances	1,407	1,286	1,155
	2,185,035	1,995,316	1,951,153
Net position	169,449	205,557	258,135

42 Risk Management

- **Credit Exposure**

  It relates to the risk that the debtor or issuer of a financial asset owned by the Group does not comply fully and timely with any kind of payment that should be made to the Group under the terms and conditions agreed when the Group acquired the corresponding financial asset.

Notes to the Consolidated Financial Statements

To mitigate the credit exposure, the risk management policies provide limits of credit concentration per debtor. Additionally, the Credit Committee evaluates and approves previously every commitment involving a credit risk for the Group and monitors periodically the financial position of the respective debtors and issuers.

Although the Group is exposed to losses related to credits in the event that the counterpart does not use financial instruments, it is not expected that the said counterpart fail to comply with its obligations due to its credit rating.

- **Counterpart's Risk**
  It relates to the risk associated with the noncompliance of a counterpart with the liquidation of the transactions of purchase or selling of securities or other instruments from other stakeholders in the securities market.

  Risk management policies point out to counterpart's limits, which constantly determine the maximum amount of net exposure to transactions pending liquidation that the Group may have with a counterpart.

  The Group's management is responsible for identifying all those acceptable counterparts, taking into account the background of each of them with regard to the compliance with its obligations, as well as the indicators on their credit solvency and their willingness to fully comply in the future.

- **Market Exposure**
  It relates to the risk that evolves when the value of a financial asset is reduced due to changes in the interest rates, exchange rates, stock prices, and other financial variables, as well as the reaction of the stakeholders in the securities market facing political and economic events.

  Risk management policies set out compliance with financial instruments limits; limits related to the maximum loss amount for the closing of positions and capital protection through risk management of interest rates through the financial and risk management officer and mechanisms of capital protection facing the exchange risk.

- **Risk of Liquidity and Financing**
  It relates to the risk involved when the Group fails to comply with all of its obligations because of, among others, an unexpected withdrawal of funds contributed by creditors or customers (deposits, lines of credit, etc.), impairment of the quality of the loans portfolio, reduction in the investments value, excessive concentration of liabilities in a particular source, unmatched assets and liabilities, lack of liquidity of assets, or financing of long-term assets with short-term liabilities.

Notes to the Consolidated Financial Statements

42 Risk Management (continued)

Additionally to the statutory minimum reserve requirement, risk management policies establish a liquidity limit determining the portion of the Group's assets that must be maintained in high-liquidity instruments, financing composition limits, gearing limits, and term limits.

- **Risk of Assets Laundering and Terrorism Financing**

  It consists of the risk involved when the Group's services and products are used to cover up financial assets so that they may be used without detecting the illegal activity producing them. This may have penalizing implications or admonitions for noncompliance with the law in force against the assets laundering and the law to prevent and repress financing to terrorism, resulting in a bad reputation for the Group.

  The Group minimizes this risk through the functions performed by the Compliance Officer, who verifies the adequate application of the policies called "Be acquainted with your customer and your employee", which comprise the establishment of procedures, policies, and controls for the detection of suspicious or illegal acts, using software acquired for that purpose to guarantee an effective support.

- **Interest Rate Risk**

  Is the risk that the value of a financial instrument can significantly fluctuate as a result of changes in the interest rates of the market. In order to reduce the exposure to the interest rate risk, the Group makes sure that transactions of assets and liabilities are contracted under similar conditions and with margin providing the Group a proper return. The details referring the applicable interest rates to the financial instruments are disclosed in the corresponding notes to the consolidated financial statements.

  As part of the interest rate risk management policies on long-term loans obtained from foreign banks, the Bank has made diverse hedge operations through the subscription of interest rate derivative contracts.

  As of December 31, 2010 the Bank has two contracts subscribed with Citibank N.A. New York, which purpose is to mitigate possible increases in the international interest rates levels through the translation of variable rates to fixed rates (interest rate swap contracts). These contracts have maturity between January 15, 2015 and July 15, 2015; the interest rates fixed in the contracts are in the rank of 3.97% and 4.00% annually and the notional values totalize an amount of US$287,033. According to the interest rates conditions in the international markets as of December 31, 2010, the contracts have a fair value of non-realized loss, not recorded in the consolidated financial statements of US$19,346.

Notes to the Consolidated Financial Statements

Likewise, the Bank performs hedge operations with foreign banks through the subscription of interest rate swap contracts for the protection of credit operations with its local clients. As of December 31, 2010, the Bank has subscribed eleven of these contracts with foreign banks (Citibank N.A. New York and Standard Bank London Limited), maturing between May 1, 2011 and August 14, 2022, the rates fixed in these contracts are in the rank of 3.47% and 5.87% annually and the notional value totalize an amount of US$92,232. According to the interest rates conditions in the international markets as of December 31, 2010, these contracts have a fair value of non-realized loss, not recorded in the consolidated financial statements, of US$7,271.

The Bank will recognize monthly the interest expenses for these contracts as accrued, based on the behavior of the market interest rates. These expenses will be covered in the net result by the income earned from its funds placing operations.

- **Operational Risk**
  Is the risk of direct or indirect loss resulting from the processes, persons and inadequate or deficient internal systems, or by external factors.

- **Regulatory Risk**
  Is the risk of loss originated by not complying with regulatory and legal requirements in the relevant jurisdictions in which the Group is incorporated and operates. Also includes any loss that could appear by changes in regulatory requirements.

- **Solvency Risk**
  Is the risk of loss originated by the possibility that the Group do not have enough funds to comply with their obligations or the lack of capacity of the Group to access capital markets to raise the required financing.

43 Reclassifications in the Consolidated Financial Statements

For a better comparison with the consolidated statement of cash flows as of December 31, 2010, the balances related with cash equivalents for the years ended December 31, 2009 and 2008 were reclassified.

Banco Industrial, S.A. and Subsidiaries

Interim Unaudited Consolidated Financial Statements

March 31, 2011

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Notes to the Interim Unaudited Consolidated Financial Statements

Interim Unaudited Consolidated Balance Sheet

As of March 31, 2011 and December 31, 2010
(Amounts expressed in thousands of quetzales or thousands of U.S. dollars, as applicable)

	March 31, 2011 (U.S. dollars)	**March 31 2011 Q**	**December 31 2010 Q**
Assets			
Cash and due from banks (note 4)	1,011,858	7,779,532	6,480,209
Investment securities held-to-maturity (note 5)	2,342,524	18,010,165	17,568,039
Loan portfolio, net (note 6)	2,942,606	22,623,813	23,179,727
Accounts receivable from accrued financial products (note 7)	42,209	324,516	334,046
Other accounts receivable, net (note 8)	34,730	267,017	266,014
Foreclosed assets, net (note 9)	1,747	13,433	11,913
Investments in equity securities (note 10)	1,598	12,286	12,294
Other investments (note 11)	44,675	343,480	346,517
Property and equipment, net (note 12)	165,621	1,273,357	1,255,441
Deferred charges, net (note 13)	74,926	576,055	610,641
Total assets	6,662,494	51,223,654	50,064,841
Liabilities, Other Credit Balances, Non-Controlling Interest and Shareholders' Equity			
Deposits (note 14)	5,079,941	39,056,415	37,945,261
Loans with other financial institutions (note 15)	625,217	4,806,891	4,744,407
Financial obligations (note 16)	216,582	1,665,161	1,702,933
Accounts payable from accrued financial expenses (note 17)	26,010	199,971	195,411
Other accounts payable (note 18)	133,593	1,027,113	722,357
Provisions (note 19)	4,258	32,740	19,855
Other liabilities (note 20)	105,000	807,278	280,475
Deferred income (note 21)	2,414	18,560	21,619
Total liabilities	6,193,015	47,614,129	45,632,318
Other credit balances (note 22)	4,260	32,751	30,449
Non-controlling interest (note 40)	2,912	22,392	23,347
Total liabilities, other credit balances and non controlling interest	6,200,187	47,669,271	45,686,114
Shareholders' equity (notes 12, 23, 24, 25, 26, 27 and 28)	462,307	3,554,382	4,378,727
Commitments and contingencies (note 39)			
	6,662,494	51,223,654	50,064,841
Memorandum and register accounts (note 36)	11,154,496	85,759,784	86,604,731

See accompanying notes to the interim unaudited consolidated financial statements.

Interim Unaudited Consolidated Statements of Income

For the three-month periods ended March 31, 2011 and 2010
(Amounts expressed in thousands of quetzales or thousands of U.S. dollars, as applicable)

	March 2011 (U.S. dollars)	**March 31 2011 Q**	**March 31 2010 Q**
Financial income (note 29)	108,169	831,642	815,314
Financial expenses (note 29)	(54,033)	(415,428)	(415,667)
Net financial income	54,136	416,214	399,647
Income from services (note 30)	16,016	123,137	108,273
Expenses from services (note 30)	(439)	(3,375)	(1,686)
Net income from services	15,577	119,762	106,587
Other operating income and expenses (note 31):			
Operating income	6,075	46,704	35,754
Loan, accounts receivable and securities loss provisions (note 6)	(4,398)	(33,813)	(28,751)
Operating expenses	(465)	(3,570)	(5,890)
Other operating income and expenses, net	1,212	9,321	1,113
Income net of other operating income and expenses	70,925	545,297	507,347
Administrative expenses (note 32)	(45,349)	(348,660)	(325,467)
Income net of operating income and expenses	25,576	196,637	181,880
Extraordinary income and expenses, net (note 33)	2,220	17,065	60,038
Prior period's income and expenses, net (note 34)	483	3,718	4,783
Income before tax expense	28,280	217,420	246,701
Income tax expense (note 35)	(710)	(5,456)	(5,163)
Income net of tax expense	27,569	211,964	241,538
Non-controlling interest (note 40)	(90)	(695)	(1,858)
Net consolidated income	27,479	211,269	239,680

See accompanying notes to the interim unaudited consolidated financial statements.

Interim Unaudited Consolidated Statements of Changes in Equity

For the three-month periods ended March 31, 2011 and 2010
(Amounts expressed in thousands of quetzales or thousands of U.S. dollars, as applicable)

	March 2011 (U.S. dollars)	**March 31 2011 Q**	**March 31 2010 Q**
Primary capital:			
Paid-in capital (note 23):			
Balance at beginning and at end of the period	179,099	1,376,978	1,376,978
Shareholders' contributions (note 24):			
Balance at beginning and at end of the period	48,805	375,229	375,229
Legal reserve (note 25):			
Balance at beginning of the period	25,471	195,827	161,807
Transfer from retained earnings	5,461	41,983	34,020
Balance at end of the period	30,932	237,810	195,827
Total primary capital	258,836	1,990,017	1,948,034
Complementary capital:			
Other capital reserves (note 26):			
Balance at beginning of the period	67,410	518,274	389,092
Transfer from retained earnings	78,124	600,645	545,398
Less:			
Dividends paid	(51,581)	(396,570)	(371,784)
Compensation to members of the Board of Directors	(6,576)	(50,565)	(44,431)
Balance at end of the period	87,377	671,784	518,275
Subordinated obligations (note 28):			
Balance at beginning of the period	72,961	560,951	584,807
Transfer to other liabilities	(72,961)	(560,951)	-
Exchange differential	-	-	(25,784)
Balance at end of the period		-	559,023
Carried forward	87,377	671,784	1,077,298

(Continues)

Interim Unaudited Consolidated Statements of Changes in Equity

	2011 (U.S. dollars)	March 31 2011 Q	March 31 2010 Q
Brought forward	87,377	671,784	1,077,298
Revaluation of assets (note 12):			
Balance at beginning of the period	7,586	58,326	58,593
Depreciation of the period	(9)	(67)	(67)
Balance at end of period	7,577	58,259	58,526
Retained earnings:			
Balance at beginning of period	168,195	1,293,143	1,140,110
Net consolidated income	27,479	211,269	239,680
	195,674	1,504,412	1,379,790
Less:			
Transfer to capital reserves	(78,125)	(600,645)	(545,398)
Transfer to legal reserve	(5,460)	(41,983)	(34,020)
Prior years adjustments (note 27)	7	57	(4,027)
	(83,578)	(642,571)	(583,445)
Less:			
Translation effect	(3,579)	(27,519)	(22,847)
Balance at end of the period	108,517	834,322	773,498
Total complementary capital	203,471	1,564,365	1,909,322
Total shareholders’ equity	462,307	3,554,382	3,857,356

See accompanying notes to the interim unaudited consolidated financial statements.

Interim Unaudited Consolidated Statements of Cash Flows

For the three-month periods ended March 31, 2011 and 2010
(Amounts expressed in thousands of quetzales or thousands of U.S. dollars, as applicable)

	March 2011 (U.S. dollars)	March 31 2011 Q	March 31 2010 Q
Cash flows from operating activities:			
Interests collected	106,752	820,747	813,816
Commissions collected	7,637	58,719	54,536
Services collected	8,671	66,665	60,262
Interests paid	(42,683)	(328,163)	(332,371)
Commissions paid	(46)	(354)	(319)
Services paid	(395)	(3,035)	(1,678)
Administrative expenses paid	(34,559)	(265,704)	(269,516)
Loss from exchange rate differential (net)	(720)	(5,532)	(76,795)
Loss from holding or maintaining foreclosed assets	(42)	(321)	(136)
Investment securities held-to-maturity:			
Proceeds from disposal of investments	2,240,511	17,225,853	22,799,146
Acquisitions of investments	(2,297,350)	(17,662,854)	(23,436,203)
Loan portfolio:			
Proceeds from amortization of loans	538,979	4,143,863	2,347,273
Disbursements for loans	(483,156)	(3,714,681)	(1,865,224)
Other investments:			
Proceeds from disposal of other investments	1,778	13,669	6,745
Acquisitions of other investments	(1,773)	(13,631)	(6,745)
Deposits:			
Proceeds from funds received from depositors	20,180,136	155,152,152	139,204,810
Disbursements for deposit withdrawals	(20,007,524)	(153,825,049)	(138,823,241)
Loans with other financial institutions:			
Proceeds from loans	122,939	945,203	702,235
Loans paid	(114,759)	(882,309)	(676,049)
Financial obligations:			
Proceeds from placements	860,385	6,614,948	7,399,136
Disbursements for redemption or reacquisition	(863,870)	(6,641,740)	(7,330,618)
Proceeds from sale of foreclosed assets	-	-	1,487
Income tax paid	(6,438)	(49,498)	(5,968)
Other income and expenses (net):			
Other operating income	85,782	659,520	31,197
Other operating expenses	(45,802)	(352,142)	(168,581)
Net cash flows from operating activities	254,453	1,956,328	427,199

(Continues)

Interim Unaudited Consolidated Statements of Cash Flows

	March 2011 (U.S. dollars)	March 31 2011 Q	March 31 2010 Q
Cash flows from investment activities:			
Investments in equity securities:			
Disbursements for investments	-	-	(2,723)
Dividends received	4	34	17,179
Proceeds from sale of property and equipment	5	37	168
Disbursements for purchase of property and equipment	(6,357)	(48,880)	(18,573)
Net cash flows used in investment activities	(6,348)	(48,809)	(3,949)
Cash flows from financing activities:			
Dividends paid	(51,638)	(397,015)	(372,405)
Equity:			
Compensations paid to board's member	(6,570)	(50,511)	(44,431)
Net cash flows used in financing activities	(58,208)	(447,526)	(416,836)
Net increase in cash and due from banks and cash equivalents	189,897	1,459,993	6,414
Cash and due from banks and cash equivalents at beginning of the period	1,178,235	9,058,698	10,422,892
Cash and due from banks and cash equivalents at end of the period	1,368,132	10,518,691	10,429,306

Supplementary Information

The summary of the cash and due from banks and cash equivalents is as follows:

	Marzo 2011 (U.S. dollars)	March 31 2011 Q	March 31 2010 Q
Cash and due from banks	1,011,858	7,779,532	6,951,628
Deposit and cash recorded in other investments:			
Local currency	1,899	14,601	14,116
Foreign currency	27,986	215,169	7,820
Cash equivalents	326,388	2,509,389	3,455,742
	1,368,132	10,518,691	10,429,306

See accompanying notes to the interim unaudited consolidated financial statements.

Notes to the Interim Unaudited Consolidated Financial Statements

For the three-month periods ended March 31, 2011 and 2010 (Unaudited) and as of December 31, 2010

(Amounts expressed in thousands of quetzales or thousands of U.S. dollars, as applicable)

1 Operations

Banco Industrial, S.A. (the "Bank") and its subsidiaries Financiera Industrial, S.A. (the "Financing Entity"), Westrust Bank (International) Limited (the "Off-shore Bank"), Contecnica, S.A. (the "Credit Card Company") and Banco Industrial El Salvador, S.A. ("Biesa") (hereinafter referred to as the "Group") are consolidated following the regulations established by the Superintendency of Banks of Guatemala, in order to prepare the accompanying consolidated financial statements under the figure of controlling entity. The ultimate parent of the Group is Bicapital Corporation (entity incorporated and established 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, except for the Off-shore Bank which was incorporated in Bahamas and Biesa which was incorporated in El Salvador, all to operate for an indefinite time.

- The Bank was created through Decree Law No. 429 dated February 18, 1966, incorporated as a corporation through Public Deed No.495 dated June 15, 1967, which was amended when the Bank incorporated the social agreements of the present Guatemalan Commercial Code in Public Deed No.227 dated May 25, 1983. Its operations are those corresponding to banking activities and are governed by the Guatemalan Banks and Financial Groups Law, and if applicable, by the Organic Law of the Guatemalan Central Bank, the Monetary Law, the Financial Supervision Law, the Money or Other Assets Laundering Law and the Law to Prevent and Suppress Financing to Terrorism.

- The Financing Entity was incorporated through Public Deed No.407 dated November 20, 1980 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 97.5% in the Financing Entity.

- The Credit Card Company was incorporated on March 16, 1981. 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 98.04% in the Credit Card Company.

Notes to the Interim Unaudited Consolidated Financial Statements

- The Off-shore Bank was incorporated on October 21, 1991 and it is authorized and licensed to perform businesses related to banking activities, additionally is authorized to execute banking activities in Guatemala. The Bank holds an equity interest of 100% in the Off-shore Bank.

- Biesa was incorporated on January 12, 2010 to perform businesses related to banking activities in the Republic of El Salvador. As of December 31, 2010 the Superintendency of Banks of El Salvador had no concluded the certification process of Biesa, therefore, Biesa had not begun operations as of that date. The bank holds an equity interest of 90% in Biesa.

2 Basis of Preparation

a Statement of Compliance

The accompanying consolidated financial statements of the Group have been prepared, in all material respects, in accordance with the accounting standards established by Superintendency of Banks of Guatemala, comprised in the Manual of Accounting Instructions for Entities Subject to the Surveillance and Inspection of the Superintendency of Banks of Guatemala ("the manual"), approved by Resolution JM-150-2006 of the Monetary Board.

The objective of the manual is to standardize the accounting framework of all the financial activities of the entities subject to supervision of the Superintendency of Banks of Guatemala.

In addition, the Group is subject to the following regulations: the Law of Banks and Financial Groups, the Monetary Law, the Financial Supervision Law, the Money or Other Assets Laundry Law, the Law to Prevent and Suppress Financing to Terrorism, and other laws applicable to banking activity, as well as the dispositions of the Monetary Board and of the Superintendency of Banks of Guatemala.

b Consolidation and Translation Principles

The consolidation and translation policies used for the preparation of the accompanying consolidated financial statements of the Group are in accordance with the definitions and regulations established by the Law of Banks and Financial Groups, the resolutions issued by the Monetary Board and 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 Superintendency of Banks of Guatemala.

Notes to the Interim Unaudited Consolidated Financial Statements

i. Consolidation

The consolidated financial statements of the Group include the assets, liabilities, shareholders' equity, results of operations, cash flows and accompanying notes, of the entities that comprise the Group, which are described in note 1. All major balances and transactions among the Group have been eliminated in the preparation of the accompanying consolidated financial statements.

ii. Translation

The Off-shore Bank and Biesa (entities not domiciled in Guatemala) maintain its accounting records in United States Dollars ("US$"). For consolidation purposes the financial statements of these subsidiaries were translated to Guatemalan quetzales, using the following exchange rates:

- For assets, liabilities and shareholders' equity, as exposed:

  As of March 31, 2011 = Q7.68836 per US$1.00
  As of December 31, 2010 = Q8.01358 per US$1.00
  As of March 31, 2010 = Q7.98605 per US$1.00

- Average for income and expenses, as exposed:

  For the three-month period ended March 31, 2011 = Q8.05933 per US$1.00

  For the three-month period ended March 31, 2010 = 8.18636 per US$1.00

- The difference resulting from the translation process is classified as a component of the consolidated shareholder's equity under the caption "translation effect".

c Presentation Currency

The consolidated financial statements are stated in thousands of Guatemalan quetzales ("Q"), the legal currency of the country in which the Group is incorporated and operates. As of March 31 2011, December 31, 2010 and March 31 2010 the reference exchange rates of the Bank of Guatemala (the Central Bank) was Q7.68 = US$1.00, Q8.01 = US$1.00 and Q7.98 = US$1.00, respectively.

Notes to the Interim Unaudited Consolidated Financial Statements

d 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 figures reported in assets, liabilities, results of operations and the disclosure of contingent liabilities. The actual results may differ from these estimates. The estimates that are particularly susceptible to significant changes are related to the determination of the estimate for valuation of the loan portfolio, the valuation of investments in securities, the valuation of foreclosed assets and the recovery of accounts receivable.

e Convenience Translation

Amounts as of March 31, 2011 and for the three-month period then ended, translated into U.S. dollars, are included solely for the convenience of readers. Translation has been made at the exchange rate of Q7.68836 per one U.S. dollar, as published by "Banco de Guatemala" (the Guatemalan Central Bank) on March 31, 2011.

3 Summary of Significant Accounting Policies

A description of the most significant accounting policies applied in the preparation and presentation of the accompanying consolidated financial statements is as follows.

a Financial Instruments

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 and due from banks, the loan portfolio, investments in securities, accounts receivable for financial products, accounts receivable, deposits, liabilities with other financial institutions, financial obligations, other liabilities, financial expenses payable and accounts payable.

i. Allowance for losses on Loan Portfolio and Other Accounts Receivable

In accordance with the Regulation for Credit Risk Management, Resolution JM-93-2005 dated May 23, 2005, a reserve based on the valuation of the loan portfolio must be recorded against results of the year. In the event that this allowance exceeds the maximum allowed by law as a deductible expense for tax purposes, it must be recorded directly against other capital reserves, as part of the shareholders' equity.

Notes to the Interim Unaudited Consolidated Financial Statements

On December 30, 2008 the Monetary Board issued Resolution JM-167-2008, effective from January 5, 2009, modifying some of the articles of the Credit Risk Management Regulation established in Resolution JM-93-2005. According to Resolution JM-167-2008, financial institutions are required to constitute and maintain generic and specific reserves or provisions that allow them to undertake their loan losses. In this regard, the total sum of the generic and specific reserves or provisions recorded by the Group must, in no event, be less than 1.25% of the total loan portfolio; and the past due loan portfolio must be completely reserved.

Resolution JM-167-2008 allows to gradually constitute the required generic reserves, during the period initiating in March 2009 and finalizing in June 2011, as follows:

- 40% as of December 31, 2009
- 80% as of December 31, 2010
- 100% as of June 30, 2011

ii. Investments

The investment portfolio contains investment securities held-to-maturity and investments in equity securities.

- **Investment Securities Held-to-Maturity**
  Held-to-maturity investments are non-derivative assets with fixed or determinable payments and fixed maturity that the Group has the positive intent and ability to hold to maturity. Investment securities held-to-maturity are initially recognized at their acquisition cost, without considering commissions and other similar charges incurred in the acquisition; and subsequently, are carried at amortized cost. Amortizations and maturities are recorded at the transaction date.

- **Investments in Equity Securities**
  Represent investments made with the purpose of maintaining participation in the equity of the issuer. These investments are recognized at their acquisition cost, irrespective of the equity percentage held in these entities. The income obtained from these investments is only recognized as the accumulated earnings of the participated entity are distributed, and originated after acquisition date.

  Investments in equity securities, made in a foreign currency, are recorded at its equivalent in quetzales, using the exchange rate prevailing at the acquisition date; and are carried at the historic exchange rate in accordance with the requirements of the Manual.

Notes to the Interim Unaudited Consolidated Financial Statements

b Property and Equipment

i. Acquired Assets

Except for revaluated fixed assets, property and equipment are measured at acquisition cost less accumulated depreciation.

ii. Revaluated Assets

Revaluated assets are recorded at the value established by an independent appraisal.

iii. Revaluation Surplus

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

iv. Subsequent Cost

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

v. Depreciation

Property and equipment (except land) and revaluated assets are depreciated by the straight-line method based on the required statutory rates. Depreciation on property and equipment (except land) recorded at cost is charged to expenses of the year. Depreciation on the revaluated assets is charged to the revaluation of assets account which forms part of the shareholders' equity.

Depreciation percentages used are as follows:

	%
Buildings at cost and buildings revaluated	2 – 5
Furniture and equipment	5 – 20
Computer equipment	10 – 25
Tools	25
Vehicles	20
Other	10

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

c Amortization

Goodwill is amortized by the straight-line method at an annual rate of 6.67% and the leasehold improvements are amortized by the straight-line-method at an annual rate of 5%, if a lease agreement is finished before the leasehold improvements are fully amortized, the remaining balance is written-off in the year the lease is discontinued.

Notes to the Interim Unaudited Consolidated Financial Statements

d Foreclosed Assets

These correspond to property and equipment foreclosed in payment of credits in favor of the Group. Initially these assets are recorded at the outstanding principal amount plus interest and expenses incurred in its foreclosure. Subsequently, the value of these assets is updated through an independent appraisal, in a term not exceeding three months after the foreclosure of the property by the Group. If the appraisal is less than the recorded amount, for accounting purposes 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 will be directly recorded in the results of 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.

The profit, if any, from foreclosed assets is recorded when collected.

e Accounts Receivable from Cardholders

For collection purposes, balances of accounts receivable from credit cards are divided in 20 cycles, with cut-off dates ranging from the 6th to the 25th of each month, and for corporate cards, the cut-off date is the last day of each month. The amounts related to the cardholders' purchases in the establishments are recorded in the account receivable when the transaction is executed by the cardholder. For monthly accounting closing purposes, balances are accrued until the last day of the month.

f Severance

Under the labor laws of the countries in which the Bank and its subsidiaries operate, the Bank and its subsidiaries are liable for the respective severance to employees dismissed without fair cause or to their beneficiaries in case of death. The accounting policy of the Group is in accordance to the Labor Laws of each country.

Notes to the Interim Unaudited Consolidated Financial Statements

g Subordinated Obligations

Obligations from subordinated debt contracted before January 1, 2008 with a maturity term greater than five years are recorded as part of equity. When the maturity of the subordinated obligations is less than five years, the corresponding amount is reclassified to liabilities in the other liabilities account.

The subordinated obligations contracted on or after January 1, 2008 are recorded as other liabilities, regardless of their maturity.

h Provisions

A provision is recognized if, as a result of past events, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

i Provision for Loyalty Program

A provision is recorded to cover the expenses of the loyalty program. The calculation of this provision is based on the points accumulated by the credit cardholders in their consumptions, which according to management estimates represent a liability for the Group. The accumulated points are recorded as an expense in the consolidated statements of results as redeemed.

j Revenue Recognition

With exception of income from the concepts indicated in numerals 1 to 4 below, revenue obtained from banking operations is not recognized until it is effectively collected, even though it has been accrued. Accrued income that has not been effectively collected is recorded as a liability under the caption "other credit balances", and is recognized through profit or loss as collected.

Income obtained from the following concepts is recognized through profit or loss using the accrual basis of accounting:

1. Interests accrued not yet collected on bonds or documents issued by the Bank of Guatemala and securities of other issuers whose amortization funds are controlled by the Bank of Guatemala;

2. Interests accrued not yet collected on securities issued by foreign governments or foreign central banks, having a minimum risk qualification of A-3 for short term or BBB- for long term, granted by Standard & Poor's, or equivalent qualification granted by an international well-known credit rating agency; and

3. Interests, commissions, rents, and other income on the banks' credit card portfolio, factoring and financial leasing.

Notes to the Interim Unaudited Consolidated Financial Statements

4. Credit card transactions accrue and recognize income as follows:

   i. Interests and Service Charges
   The interests and service charges accrued are recorded as income at the cut-off dates indicated in note 3 numeral e before, established by the Credit Card Company, and are calculated on the outstanding balance of each cardholder at the cut-off date of the previous month, except for the accounts that present more than three months overdue, which interests are recorded when collected.

   The Credit Card Company demands the payment of surcharges for delayed-payment over the required minimum payment amount not repaid, said surcharges are calculated from the next day of the established due date and accrued up to three months of delay. Starting the fourth month of delay the revenue recognition for these surcharges is suspended if the Credit Card Company has not received the payment from the cardholder.

   The Credit Card Company records interest income on the outstanding balances of accounts receivable from related companies and other income from services as accrued.

   ii. Accounts' Management
   The Credit Card Company collects, from the cardholders, a fee for the accounts' management which covers the right for the services and additional benefits granted by the possession of the credit card. The fee for the accounts' management is recorded in the consolidated statement of income when accrued.

   iii. Commissions in Exchange Operations
   The Credit Card Company collects commissions on the consumptions that the cardholders execute with local and foreign affiliated establishments. These commissions are recorded as income when the outstanding balances are collected, since they are considered as accrued until that moment.

5. The recording of income accrued not yet collected, as part of the "other credit balances" account, is suspended when a thirty-day and a ninety-day delay in payment has elapsed for investments in debt securities, and for the rest of its operations and services respectively. When the aforementioned suspension occurs, income accrued not yet collected is reversed in the affected balance accounts.

Notes to the Interim Unaudited Consolidated Financial Statements

In relation to credit card operations, revenue recognition is suspended when a delay in payment of ninety-day has been incurred, starting as of the next day of when the agreed or pledged payments should have been received. When the mentioned suspension occurs, the income registered in the accounts that have not been effectively collected, is reversed against the receivable account in which such amounts are initially recognized; except for charges capitalized in credit card accounts, which are not reversed.

Those balances that have been suspended, recorded in the balance and earnings accounts, as well as those accrued as of the suspension date, will be recorded in memorandum accounts.

6. The Off-shore Bank records its revenue under the accrual basis; however, the effect between this basis and the regulatory basis is considered not material in relation to the overall consolidated financial statements.

k Extraordinary Income and Expenses

Gains or losses from the recovery of past due loans that had been previously written-off, and gains or losses as a result of the sale of foreclosed assets, are recorded as extraordinary income or expense in the accounting period in which such income or expense is realized.

l Prior Periods Income and Expenses

Income and expenses recorded in prior periods, not collected or paid as expected, are reversed in the period during which it is determined that such amounts will not be collected or paid.

m Income Tax

Income tax is the estimated tax payable on the year's taxable income, using the rates in force at the date of the consolidated balance sheet and any other adjustment on the tax payable related with prior years.

n Dividends Declared

Dividends for shareholders are declared based on the economic benefits generated by the Group, and applied in accordance with the applicable legal provisions. In addition to the net income of each year, accumulated profits accrued in the accounts for capital reserves and retained earnings, can also be distributed. Dividends may be declared with the authorization of the General Shareholders' Assembly, charging the retained earnings account and recording an account payable. Dividends payment is made in cash during the year in which they are declared.

Notes to the Interim Unaudited Consolidated Financial Statements

o Compensation to Members of the Board of Directors

In accordance with the thirtieth eighth clause of the social deed of the Bank, the General Shareholders' Assembly approves annually the payment of compensation to members of the Board of Directors, which total amount is equivalent to 8% of the net income for the previous year. The compensation approved is charged to retained earnings and the payment is made in cash during the year in which it is declared.

p Assets and Liabilities in Foreign Currency

Assets and liabilities in foreign currency are shown at their equivalent in quetzales using the exchange rate applicable at the exchange banking market as of the year end (note 2c).

q Foreign Currency Transactions

Transactions in foreign currency are carried at their equivalent in quetzales using the exchange rate in effect when the operation is carried out. If any exchange rate differential results from the moment in which the operation is recorded and the date of its completion, or the accounting closing date, such exchange rate differential is recorded against the results of the year.

r Cash Equivalents

Investments easily convertible into cash with maturities within the next three months of the consolidated financial statement accounting closing date, are considered as cash equivalents.

s New Regulations

On October 13, 2010 the Monetary Board approved Resolution JM-1080-2010 "Regulation of measures and minimum requirements for the receipt of cash in foreign currency" which purpose is to regulate the measures and the minimum requirements to be observed by banks, finance entities, offshore entities, and companies specialized in financial services which are part of the financial groups and the exchange companies, in order to mitigate risks associated with the receipt of cash in foreign currency. This regulation will be effective since January 1, 2011.

Notes to the Interim Unaudited Consolidated Financial Statements

4 Cash and Due from Banks

As of March 31, 2011 and December 31, 2010, cash and due from banks consisted of the following:

	March 31 2011 Q	December 31 2010 Q
In local currency:		
Cash	547,328	619,244
Central Bank Legal Deposit	3,323,539	2,753,659
Central Bank Special Deposits	155,651	165,657
Local banks	8,416	8,568
Checks from other local banks	452,748	681,328
	4,487,682	4,228,456
In foreign currency:		
Cash	86,323	124,097
Central Bank Legal Deposit	1,449,197	972,344
Central Bank Special Deposits	43,898	38,566
Local banks	236	31,386
Foreign banks	1,540,766	941,013
Checks and money orders from other local and foreign banks	171,430	144,347
	3,291,850	2,251,753
	7,779,532	6,480,209

In accordance with the Guatemalan Central Bank's Regulation on the Minimum Reserve Requirement, the percentage of minimum reserve requirement in local and foreign currency is 14.6%, and is recorded under the accounts "Central Bank Legal Deposits" and "Central Bank Special Deposits"; therefore, these funds are considered restricted.

Notes to the Interim Unaudited Consolidated Financial Statements

5 Investment Securities Held-to-Maturity

As of March 31, 2011 and December 31, 2010, investment securities held–to-maturity were as follows:

	March 31 2011 Q	December 31 2010 Q
Local currency:		
Time deposit certificates issued by the Bank of Guatemala, with annual interest fluctuating between 4.25% and 8.40% for both periods	5,423,361	5,119,468
Treasury Bonds Certificates of the Republic of Guatemala, with annual interest fluctuating between 7.10% and 10.99% for both periods	6,419,258	6,440,510
F.H.A. Mortgage Certificates, with annual interest fluctuating between 6.50% and 24.00% in 2011 (6.75% and 20.00% in 2010)	1,660,425	1,609,482
From financial institutions:		
Banco Centroamericano de Integración Económica Bonds with a 1104 days term and with annual interest of 6.75% for both periods	100,000	100,000
Credomatic de Guatemala, S.A. Promissory notes with a 365 days renewable term and with annual interest fluctuating between 8.50% and 9.00% in 2011 (8.50% and 9.50% in 2010)	21,000	27,000
Financiera de Occidente, S.A. Promissory notes placed as repo operation with annual interest of 4.45% in 2011 (4.85% in 2010)	12,500	26,600
Financiera San Miguel, S.A. Promissory notes placed as repo operation with annual interest of 4.85% for both periods	10,000	10,000
Interests paid in title-securities purchase	-	3,364
Carried forward	13,646,544	13,336,424

Notes to the Interim Unaudited Consolidated Financial Statements

5 Investment Securities Held-to-Maturity (continued)

	March 31 2011 Q	December 31 2010 Q
Brought forward	13,646,544	13,336,424
Share certificates:		
Share Certificates in the Trust for Administration and Realization of the Excluded Assets of Banco de Comercio, S.A. (a)	206,172	206,172
Total local currency investments	13,852,716	13,542,596
Foreign currency:		
Eurobonds of the Republic of Guatemala for US$154,790 (US$155,150 in 2010) placed as repo operations with annual interest between 5.00% and 6.12% in 2011 (4.50% and 6.19% in 2010)	1,190,081	1,243,307
Eurobonds of the Republic of Guatemala for US$150,195 (US$143,837 in 2010) with annual interest between 8.125% and 10.25% for both periods	1,166,736	1,152,648
Treasury Bonds Certificates of the Republic of Guatemala for US$131,900 (US$119,400 in 2010) placed as repo operations with annual interest between 4.50% and 6.12% in 2011 (4.50% and 6.19% in 2010)	1,014,095	956,821
Treasury Bonds Certificates of the Republic of Guatemala for US$16,277 (US$50 in 2010) with annual interest of 4.99% and 8.30% in 2011 (8.30% in 2010)	125,141	401
Carried forward	3,496,053	3,353,177

Notes to the Interim Unaudited Consolidated Financial Statements

5 Investment Securities Held-to-Maturity (continued)

	March 31 2011 Q	December 31 2010 Q
Brought forward	3,496,053	3,353,177
F.H.A. Mortgage Certificates for US$14,814 (US$12,669 in 2010) with annual interest fluctuating between 6.00% and 13.50% in 2011 (6.00% and 8.50% in 2010)	113,894	101,527
From financial institutions:		
Banco Centroamericano de Integración Económica Bonds for US$25,591 (US$31,531 in 2010) placed as repo operations with annual interest of 5.00% in 2011 (between 5.00% and 6.19% in 2010)	196,753	252,677
Banco Centroamericano de Integración Económica Bonds for US$13,299 (S$7,078 in 2010) with annual interest fluctuating between 5.37% and 6.80% in 2011 (5.37% in 2010)	102,244	56,721
Eurobonds Telemovil Finance Co. Ltd. for US$10,085 (US$10,088 in 2010) with annual interest rate of 8.00% for both periods	77,539	80,844
Banco del País, S.A. - time deposit certificate for US$10,000 with annual interest of 3.04% for both periods	76,884	80,136
Eurobonds of Cervecería Nacional Dominicana, S.A. for US$7,120 (US$7,130 in 2010) with annual interest rate of 8.00% for both periods	54,740	57,134
Banco del Istmo, S.A. Bonds for US$5,000 with annual interest rate of 1.54% in 2011 (3.5% in 2010)	38,442	40,068
Carried forward	4,156,549	4,022,284

Notes to the Interim Unaudited Consolidated Financial Statements

5 Investment Securities Held-to-Maturity (continued)

	March 31 2011 Q	December 31 2010 Q
Brought forward	4,156,549	4,022,284
Interests paid in title-securities purchase	1,168	3,159
Total foreign currency investments	4,157,717	4,025,443
Plus:		
Total local currency investments	13,852,716	13,542,596
Total investments	18,010,433	17,568,039
Less: Allowance for investments losses	(268)	-
	18,010,165	17,568,039

(a) The Monetary Board, based on the article seventy-five of the Banking and Financial Groups Law, issued the resolution number JM-13-2007 on January 12, 2007, which suspended operations of Banco de Comercio, S.A. and appointed a Board for the Exclusion of Assets and Liabilities of such bank. The Board authorized the exclusion of assets of this entity and the transfer of such assets to a trust.

The Trust for the Administration and Realization of the Excluded Assets of Banco de Comercio, S.A. was incorporated on January 16, 2007 with a term of twenty five (25) years, to manage and sell the excluded assets which constitute the trust equity for the amortization of the share certificates issued. Financiera Industrial, S.A. was appointed as trustee for that effect.

The accounting movements of the share certificates in force are as follows:

	Three-month period ended March 31	
	2011 Q	2010 Q
Balance at beginning of the period	206,172	221,172
Amortizations of the period	-	(15,000)
Balance at end of the period	206,172	206,172

The share certificates earned interest at the rates of 2% to 5% for both periods.

Notes to the Interim Unaudited Consolidated Financial Statements

(b) The investments as of March 31, 2011 have maturities from 2011 to 2036. The following table sets forth a maturity schedule for the next five years and thereafter:

	Q
2011	4,743,956
2012	1,341,076
2013	1,420,189
2014	921,335
2015	641,339
Thereafter	8,942,538
	18,010,433

6 Loan Portfolio, net

As of March 31, 2011 and December 31, 2010, loan portfolio was as follows:

	March 31 2011 Q	December 31 2010 Q
Local currency:		
Fiduciary	6,479,965	6,853,160
Fiduciary-pledged	504,769	509,260
Pledged	182,551	168,274
Fiduciary-mortgaged	546,541	547,735
Mortgaged	1,561,922	1,567,478
With pledge bonds	35,059	39,340
Fiduciary-mortgaged-pledged	85,469	85,904
With own obligations guaranty	98,629	116,173
Discounted documents	373,696	372,209
Credit cards	988,936	1,033,933
Payments of stand-by letters	500	500
Factoring	58,257	1,848
	10,916,294	11,295,814
Foreign currency:		
Fiduciary	6,735,235	6,802,510
Fiduciary-pledged	152,813	168,947
Pledged	23,677	22,547
Fiduciary-mortgaged	1,596,077	1,571,560
Mortgaged-pledged	57,270	61,460
Mortgaged	1,979,903	2,349,634
With pledge bonds	158,326	116,418
Carried forward	10,703,301	11,093,076

Notes to the Interim Unaudited Consolidated Financial Statements

6 Loan Portfolio, net (continued)

	March 31 2011 Q	December 31 2010 Q
Brought forward	10,703,301	11,093,076
Fiduciary-mortgaged-pledged	517,748	289,825
With own obligations guaranty	512,508	463,119
Discount documents	102,650	112,092
Credit cards	141,349	162,169
In checking accounts	20,183	1,321
Factoring	52,129	99,453
	12,049,868	12,221,055
Total loan portfolio	22,966,162	23,516,869
Less:		
Allowance for loan losses	(342,349)	(337,142)
Loan portfolio, net	22,623,813	23,179,727

Loan operations earn annual interest rates fluctuating between the percentages summarized below:

	March 31 2011 %	December 31 2010 %
Loans in local currency	5.00 and 42.00	4.00 and 37.00
Loans in foreign currency	1.95 and 13.00	2.25 and 13.00

Notes to the Interim Unaudited Consolidated Financial Statements

6 Loan Portfolio, net (continued)

As of March 31, 2011 and December 31, 2010, the current and past due loan portfolio was composed as follows:

	March 31 2011 Q	December 31 2010 Q
Local currency:		
Current	10,846,094	11,194,064
Past due:		
In renewal process	5,257	9,490
In administrative collection	27,642	51,208
In legal collection	37,301	41,053
	70,200	101,751
Total local currency	10,916,294	11,295,815
Foreign currency:		
Current	11,981,328	12,154,554
Past due:		
In renewal process	12,778	1,968
In administrative collection	5,501	20,957
In legal collection	50,261	43,575
	68,540	66,500
Total foreign currency	12,049,868	12,221,054
Total loan portfolio	22,966,162	23,516,869
Less:		
Allowance for loan losses	(342,349)	(337,142)
Loan portfolio, net	22,623,813	23,179,727

Notes to the Interim Unaudited Consolidated Financial Statements

6 Loan Portfolio, net (continued)

The accounting movements of the allowance for loan losses for the periods set forth below are detailed as follows:

	Three-month period ended March 31 2011 Q	**Year ended December 31 2010 Q**
Balance at beginning of the period	337,142	294,680
Plus increase due to:		
Allowance for generic and specific valuation	33,545	166,661
Increase related to credit card recoveries	-	1,321
Transfer from allowance for accounts receivables losses	-	239
	33,545	168,220
Less charges for:		
Write-offs	(23,045)	(115,029)
Net foreign exchange	(5,205)	(5,527)
Transfer to allowance for accounts receivable losses	(88)	(1,262)
Application of unrecovered balances	-	(3,940)
	(28,338)	(125,758)
Balance at the end of the period	342,349	337,142

The reconciliation of charges to results for the loan portfolio, accounts receivable and securities loss provisions for the three-month periods set forth below is summarized as follows:

	Three-month periods ended March 31	
	2011 Q	**2010 Q**
Allowance for loan losses	33,545	28,752
Allowance for investment losses	268	-
	33,813	28,752

Notes to the Interim Unaudited Consolidated Financial Statements

7 Accounts Receivable from Accrued Financial Products

As of March 31, 2011 and December 31, 2010, accounts receivable from accrued financial products were as follows:

	March 31 2011 Q	December 31 2010 Q
Local currency:		
Investments	201,191	251,942
Loan portfolio	7,948	6,117
	209,139	258,059
Foreign currency:		
Investments	106,230	66,534
Loan portfolio	8,742	9,081
Other	405	372
	115,377	75,987
	324,516	334,046

8 Other Accounts Receivable, net

As of March 31, 2011 and December 31, 2010, other accounts receivable were as follows:

	March 31 2011 Q	December 31 2010 Q
Local currency:		
Insurance premiums	68,562	71,102
Related companies (a)	65,344	67,344
Overdrafts in checking accounts	45,029	35,573
Payments of behalf of third parties	25,556	37,115
Taxes, duties and contributions	6,170	6,821
Accounts pending liquidation (b)	4,450	2,305
Legal expenses	4,034	3,720
Rights from services	1,254	1,225
Cash and securities missing	883	1,196
Other (c)	24,242	20,024
	245,524	246,425
Foreign currency:		
Overdrafts in checking accounts	22,311	20,290
Insurance premiums	2,319	2,203
Accounts pending liquidation (b)	1,399	1,090
Other	3,502	4,342
	29,531	27,925
	275,055	274,350
Less: Allowance for accounts receivable losses	(8,038)	(8,336)
	267,017	266,014

Notes to the Interim Unaudited Consolidated Financial Statements

(a) As of March 31 2011 and December 31, 2010 the receivable balance from related companies includes balances which correspond to the sale of shares of the entities Corporación B, S.A., Centro de Negocios, S.A. and Centro Corporativo de Inversiones, S.A.; which is summarized as follows:

	March 31 2011 Q	**December 31 2010 Q**
Centro de Inversiones Cinfin, S.A.	22,300	22,869
Negociaciones Guatemaltecas de Valores, S.A.	21,706	22,386
Corporación X, S.A.	21,338	22,062
	65,344	67,317

i. These accounts earn an annual interest of 3% outstanding balances.

ii. The schedule for the collections of the amounts due from related companies is as follows: from 2012 to 2020 annual payments of Q6,785 and a final payment of Q4,281 in 2021.

The payment schedule shows the standing agreement with the related companies as of March 2011, by a restructuring payment process; nevertheless it can be modified according to the negotiations executed by the parties.

(b) These accounts include mainly the difference between the par value of securities under repurchase agreements and the cash received from the repo operations.

(c) As of March 31, 2011 and as of December 31, 2010 this balance includes Q2,132 corresponding to a deposit made by Contecnica, S.A. in the Treasury of the Judicial System. This deposit is retained as part of a judicial process interposed by a third party against Banco Industrial, S.A. The Group’s management is executing the legal actions to obtain its recovery.

Notes to the Interim Unaudited Consolidated Financial Statements

The reconciliation from the beginning balances to the ending balances of the allowance for accounts receivable losses is as follows:

	Three-month period ended March 31 2011 Q	Year ended December 31 2010 Q
Balance at beginning of the period	8,336	5,659
Plus increase due to:		
Transfer from allowance for loan losses	88	1,262
Provision for the period	-	2,506
	88	3,768
Less charges for:		
Transfer to allowance for loan losses	-	(238)
Regularizations against the allowance	(375)	(845)
Net foreign exchange	(11)	(8)
	(386)	(1,091)
Balance at the end of the period	8,038	8,336

9 Foreclosed Assets, net

As of March 31, 2011 and December 31, 2010, foreclosed assets were as follows:

	March 31 2011 Q	December 31 2010 Q
Property	30,219	28,748
Less: Allowance for losses	(16,786)	(16,835)
	13,433	11,913

Notes to the Interim Unaudited Consolidated Financial Statements

9 Foreclosed Assets, net (continued)

The reconciliation from the beginning balances to the ending balances of the allowance for foreclosed assets losses is as follows:

	Three-month period ended March 31 2011 Q	Year ended December 31 2010 Q
Balance at beginning of the period	16,835	18,309
Plus:		
Gains from sales of foreclosed assets	-	76
Less:		
Losses from sales of foreclosed assets	(50)	(1,550)
Balance at end of the period	16,785	16,835

Notes to the Interim Unaudited Consolidated Financial Statements

10 Investments in Equity Securities

As of March 31, 2011 investments in equity securities were as follows:

	Equity Percentage	**No. of Shares**	**Inves** **US$**
Shares:			
Local currency:			
Prefiero, S.A.	25.00	1,530,680	-
Imágenes Computarizadas de Guatemala, S.A.	5.74	763	-
Other associations and institutions:			
Asociación Bancaria de Guatemala	7.20	144	-
Altavista Golf Tenis Club	-	1	-
Club Hércules	-	4	-
Club Industrial	-	2	-
Mayan Golf Club	-	2	-
Country Club	-	1	-
Foreign currency:			
Compañía de Procesamiento de Medios de Pago de Guatemala (Bahamas) S.A.	26.31	3,210	1,08
Other associations and institutions:			
Club Campestre San Isidro	-	2	5
			1,13
Total			

Notes to the Interim Unaudited Consolidated Financial Statements

10 Investments in Equity Securities (continued)

As of December 31, 2010 investments in equity securities were as follows:

	Equity Percentage	**No. of Shares**	**Inves** **US$**
Shares:			
Local currency:			
Prefiero, S.A.	25.00	1,530,680	-
Imágenes Computarizadas de Guatemala, S.A.	5.74	763	-
Other associations and institutions:			
Asociación Bancaria de Guatemala	7.20	144	-
Altavista Golf Tenis Club	-	1	-
Club Hércules	-	4	-
Club Industrial	-	2	-
Mayan Golf Club	-	2	-
Country Club	-	1	-
Foreign currency:			
Compañía de Procesamiento de Medios de Pago de Guatemala (Bahamas) S.A.	26.31	3,210	1,08
Other associations and institutions:			
Club Campestre San Isidro	-	2	5
			1,13
Total			

Notes to the Interim Unaudited Consolidated Financial Statements

Prefiero, S.A. commenced its liquidation process during 2010, which as of March 31, 2011 had not been completed. Management of the Credit Card Company estimates that an amount of Q450 approximately will not be recovered in relation to the cost recorded for this investment.

The dividends received from the investments in equity securities for the three-month periods ended March 31, 2011 and 2010 were as follows:

	Three-month periods ended	
	March 31 2011 Q	**March 31 2010 Q**
Compañía de Procesamiento de Medios de Pago de Guatemala (Bahamas) S.A. (i)	-	17,110
Visa Inc. (ii)	24	60
Banco Latinoamericano de Exportación, S.A. (iii)	10	8
	34	17,178

i. The dividends received from Compañía de Procesamiento de Medios de Pago de Guatemala (Bahamas) S.A. equal to US$2,132.

ii. These dividends equal to US$3 (US$7 in 2010) and were obtained from Visa Inc. shares class "C".

iii. These dividends were originated by common shares class "B", without nominal value, received in previous years as dividend payments in shares.

11 Other Investments

This account represents the restricted assets segregated for the debt payments of the authorized issuance of mortgage bonds, banking bonds and financial promissory notes, and for the debt service of a bank loan with Citibank N.A. New York.

The debt payments for the mortgage bonds, banking bonds and financial promissory notes are constituted in conformity with the corresponding programs and regulations authorized by the Monetary Board (see note 16).

Notes to the Interim Unaudited Consolidated Financial Statements

11 Other Investments (continued)

As of March 31, 2011 and December 31, 2010, other investments were as follows:

	March 31 2011 Q	December 31 2010 Q
Local currency:		
Treasury Bonds of the Republic of Guatemala with annual interest fluctuating between 8.10% and 9.99% in 2011 (8.55% and 10.00% in 2010)	87,300	82,700
Cash	14,601	13,902
Time Deposit Certificates issued by the Bank of Guatemala with annual interest of 8.40% for both periods	2,000	2,000
	103,901	98,602
Foreign currency:		
Deposits in financial institutions for US$27,944 (US$27,653 in 2010) (a)	214,842	221,598
Eurobonds of the Republic of Guatemala for US$3,095 (US$3,163 in 2010) with annual interest fluctuating between 8.125% and 10.25% for both periods	23,795	25,3476
Treasury Bonds of the Republic of Guatemala for US$80 with annual interest of 8.00% for both periods	615	641
Cash for US$42 (US$41 in 2010)	327	329
	239,579	247,915
	343,480	346,517

(a) The deposits in financial institutions correspond to a special fund constituted in Bank of New York Mellon to guarantee the amortizations of the loan amounting to US$300,000 that the Bank obtained from Citibank N.A. New York (see note 15 c).

Notes to the Interim Unaudited Consolidated Financial Statements

11 Other Investments (continued)

(b) The other investments as of March 31, 2011 have maturities between the years 2011 and 2034. The following table sets forth a maturity schedule for the next five years are and thereafter:

	Q
On demand	235,459
2012	4,000
2013	1,576
2014	1,000
2015	300
2016	52,000
Thereafter	49,145
	343,480

Notes to the Interim Unaudited Consolidated Financial Statements

12 Property and Equipment, net

Reconciliation from the beginning balances to the ending balances of property and equipment for t ended March 31, 2011 were as follows:

	Initial balance Q	Additions Q	Foreign exchange Q	Transfers Q
Cost:				
Land	112,258	-	-	-
Buildings	406,672	-	-	216
Furniture and equipment	1,000,327	9,072	(694	1,166
Vehicles	7,050	-	(31)	581
Other	46,184	139	(1,561)	-
Advances for asset acquisition	96,356	40,378	(3,112)	(2,833)
	1,668,847	49,589	(5,398)	(870)
Accumulated depreciation	(471,731)	(25,591)	263	-
	1,197,116	23,996	(5,135)	(870)
Fixed assets revaluated:				
Land	51,299	-	-	-
Buildings	13,415	-	-	-
	64,714	-	-	-
Accumulated depreciation of revaluated buildings	(6,389)	(67)	-	-
	58,325	(67)	-	-
Total	1,255,441	23,929	(5,135)	(870)

Notes to the Interim Unaudited Consolidated Financial Statements

12 Property and Equipment, net (continued)

Reconciliation from the beginning balances to the ending balances of property and equipmen
December 31, 2010 were as follows:

	Initial balance Q	Additions Q	Foreign exchange Q	Transfers Q
Cost:				
Land	111,129	736	-	623
Buildings	400,141	44	-	7,870
Furniture and equipment	911,795	20,209	(312)	99,298
Vehicles	7,562	2,283	(31)	-
Other	46,751	86	(1,636)	997
Advances for asset acquisition	190,795	190,353	(964)	(283,828)
	1,668,173	213,711	(2,943)	(175,040)
Accumulated depreciation	(408,474)	(95,822)	233	-
	1,259,699	117,889	(2,710)	(175,040)
Fixed assets revaluated:				
Land	51,299	-	-	-
Buildings	13,415	-	-	-
	64,714	-	-	-
Accumulated depreciation of revaluated buildings	(6,121)	(268)	-	-
	58,593	(268)	-	-
Total	1,318,292	117,621	(2,710)	(175,040)

Notes to the Interim Unaudited Consolidated Financial Statements

12 Property and Equipment, net (continued)

(a) During the three-month period ended as of March 31, 2011 and during the year ended December 31, 2010 the Bank wrote-off fully depreciated fixed assets for Q2,871 and Q24,079 respectively.

(b) The account advances for asset acquisitions primarily includes development projects and implementation of information technology and improvement to branches. The balance as of March 31, 2011 additionally includes an advance for acquisition of property for US$10,8256 recorded in the amount of Q83,234 (for US$8,233 recorded in the amount of Q63,625 in 2010).

13 Deferred Charges, net

As of March 31, 2011 and December 31, 2010, deferred charges were as follows:

	March 31 2011 Q	**December 31 2010 Q**
Goodwill	721,282	721,282
Improvements to leasehold properties	63,929	64,390
Other	1,627	7,890
	786,838	793,562
Less: Accumulated amortization	(257,542)	(245,059)
	529,296	548,503
Prepaid expenses:		
Taxes and contributions	8,317	24,931
Materials and office supplies	8,345	7,412
Other	30,097	29,795
	46,759	62,138
	576,055	610,641

The goodwill stems from the difference between the purchase price and the carrying value of the net assets of Banco de Occidente, S.A.

Notes to the Interim Unaudited Consolidated Financial Statements

13 Deferred Charges, net

The reconciliation from the beginning balance to the ending balance of the accumulated amortization during the three-month period ended March 31, 2011 were as follows:

	Goodwill amortization Q	Improvements to leasehold properties amortization Q	Total Q
Initial balance	232,177	12,882	245,059
Plus:			
Amortization expense for the period	12,026	906	12,932
Less:			
Write-offs of fully amortized assets	(6)	(387)	(393)
Foreign exchange	-	(56)	(56)
	(6)	(443)	(449)
Total	244,197	13,345	257,542

The reconciliation from the beginning balance to the ending balance of the accumulated amortization during the year ended December 31, 2010 is as follows:

	Goodwill amortization Q	Improvements to leasehold properties amortization Q	Total Q
Initial balance	184,189	10,756	194,945
Plus:			
Amortization expense for the period	48,098	2,955	51,053
Less:			
Write-offs of fully amortized assets	(110)	(793)	(903)
Foreign exchange	-	(36)	(36)
	(110)	(829)	(939)
Total	232,177	12,882	245,059

Notes to the Interim Unaudited Consolidated Financial Statements

14 Deposits

As of March 31, 2011 and December 2010, deposits were as follows:

	March 31 2011 Q	December 31 2010 Q
Local currency:		
Demand deposits	11,220,810	11,165,214
Savings deposits	5,382,139	5,305,283
Time deposits	9,297,087	9,278,142
Other deposits	22,979	23,450
Deposits with restrictions	85,319	89,505
	26,008,334	25,861,594
Foreign currency:		
Demand deposits	5,724,009	4,564,315
Savings deposits	1,127,580	1,067,837
Time deposits	6,156,627	6,424,403
Other deposits	29,946	17,373
Deposits with restrictions	9,919	9,739
	13,048,081	12,083,667
	39,056,415	37,945,261

- On May 1, 2001 Decree 94-2000 of the Congress of the Republic came into effect, “Law of Free Foreign Currency Trade”, allowing financial institutions to receive deposits denominated in any currency.

- The deposit operations bear annual interest rates fluctuating between the percentages detailed as follows:

	March 31 2011	December 31 2010
Local currency:		
Demand deposits	0.00 and 7.00	0.00 and 7.00
Saving deposits	0.00 and 8.18	0.00 and 7.00
Time deposits	1.00 and 10.05	1.00 and 10.05
Foreign currency:		
Demand deposits	0.00 and 6.00	0.00 and 6.00
Saving deposits	0.00 and 3.45	0.00 and 2.50
Time deposits	0.25 and 7.00	0.25 and 8.50

Notes to the Interim Unaudited Consolidated Financial Statements

- As of June 1, 2002 the Law of Banks and Financial Groups, Decree No. 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 or its equivalent in foreign currency. The Bank's obligation to carry out contributions to the Savings Protection Fund will cease when the amount of contributions reaches five percent (5%) of the local banking system's total of the deposit obligations.

  During the three-month period ended as of March 31, 2011 the Bank made contributions to the FOPA for Q9,662 and US$342 (Q36,553 and US$1,151 for the year ended December 31, 2010) recording them against the results of the period.

  In addition, on April 20, 2007 the Bank entered into an "Agreement for the Strengthening of the Savings Protection Fund" (the "fund") with the Bank of Guatemala. The purpose of this agreement is to require that all banks that are part of the national banking system provide additional funds to the Savings Protection Fund in order for the Fund to meet its obligations. Pursuant to this agreement, the Bank lent to the Bank of Guatemala an aggregate principal amount of Q131,450, bearing an annual interest rate of 5%.

  Amounts due by the Bank of Guatemala are repaid through the set-off of future mandatory Bank contributions due to the Savings Protection Fund (as indicated in the following paragraph).

  The Bank of Guatemala repaid through set-offs the following amounts:

	Q
Initial balance	131,450
Set-off in 2007	(21,084)
Set-off in 2008	(29,304)
Set-off in 2009	(41,196)
Set-off in 2010	(39,866)
Balance as of March 31, 2011	-

- The resolution of the Monetary Board JM-178-2002 provides that certain banking deposits by governmental entities be transferred gradually to the Bank of Guatemala. As of March 31, 2011 the Bank had deposit accounts with government entities amounting to Q17,056 (Q11,431 as of December 31, 2010).

- As of March 31, 2011, deposits in local and foreign currency amounting to Q85,319 and US$736 (Q89,505 and US$661 as of December 31, 2010) were blocked by judicial order.

Notes to the Interim Unaudited Consolidated Financial Statements

15 Loans with Other Financial Institutions

Loans with other financial institutions consist of inter-bank loans. The Bank has uncommitte foreign banks to finance advances for pre-export activities, letters of credit, and loans to the sm businesses.

As of March 31, 2011 the loans with other financial institutions were as follows:

Loans in foreign currency:	**Authorized US$**	**Available US$**
Citibank N.A. New York	67,000	35,000
The Bank of New York Mellon	30,000	10,000
Bank of Nova Scotia	15,000	15,000
Commerzbank Ag.	64,148	64,148
Banco Sabadell, S.A.	708	708
Banco Latinoamericano de Exportaciones	40,000	30,000
Banco Internacional de Costa Rica	10,000	-
Banco Centroamericano de Integración Económica	60,000	58,714
Mercantil Commercebank N.A.	25,000	-
Bac Florida Bank	7,000	3,000
Bank of América N.A.	61,937	18,937
Standard Chartered Bank	18,000	7,000
CoBank	18,200	9,200
Banco del Bajio	1,200	1,200
Unicredit	7,000	7,000
Natixis	22,000	22,000
Carried forward	447,193	281,907

Notes to the Interim Unaudited Consolidated Financial Statements

15 Loans with Other Financial Institutions (continued)

Loans in foreign currency:	Authorized US$	Available US$
Brought forward	447,193	281,907
Banco Aliado, S.A.	5,080	80
Credit Suisse First Boston	10,000	10,000
HSBC Bank USA	19,000	19,000
Israel Discount Bank of New York	5,000	5,000
Banco de Crédito del Perú BCP	10,000	10,000
National City Bank Cleveland	15,000	15,000
Societe Generale	13,000	13,000
The Bank of Tokyo-Mitsubishi UFJ	7,500	7,500
Wells Fargo Bank N.A.	70,000	9,000
Bank of Montreal	6,000	4,000
Banco de Comercio Exterior de Colombia, S.A.	5,000	5,000
Sumitomo Mitsui Banking Corporation	10,000	-
Banesto	2,833	2,833
Fifth Third Bank	5,000	5,000
US Century Bank	5,000	5,000
JP Morgan Chase	7,000	7,000
Korea Eximbank	10,000	10,000
Banco Do Brasil	1,000	1,000
KBC Bank NV	11,500	11,500
Carried forward	665,106	421,820

Notes to the Interim Unaudited Consolidated Financial Statements

15 Loans with Other Financial Institutions (continued)

Loans in foreign currency:	**Authorized US$**	**Available US$**
Brought forward	665,106	421,820
Nordea Bank	15,000	15,000
BPD Bank	4,500	4,500
Cobank	73,096	-
Citibank N.A.	260,509	-
Deutsche Bank	19,517	-
Intesa San Paolo SPA	4,266	-
Bank of América	5,013	-
Wells Fargo Bank	5,222	-
Banco de America Central	4,800	4,800
Balance in US dollars	1,057,029	446,120
Balance in quetzales	8,126,825	3,429,934

Loans in local currency	**Authorized Q**	**Available Q**
Banco G&T Continental, S.A.	20,000	-
Banco G&T Continental, S.A.	20,000	-
Financiera de Occidente,S.A.	11,500	1,500
Banco Agromercantil de Guatemala S.A.	60,000	-
Balance in quetzales	111,500	1,500
Total	8,238,325	3,431,434

Notes to the Interim Unaudited Consolidated Financial Statements

15 Loans with Other Financial Institutions (continued)

As of December 31, 2010, the loans with other financial institutions were as follows:

Loans in foreign currency:	**Authorized US$**	**Available US$**
Citibank N.A. New York	40,000	2,000
The Bank of New York Mellon	30,000	30,000
The Bank of Tokyo-Mitsubishi UFJ	7,500	7,500
Bank of Nova Scotia	15,000	15,000
Commerzbank Ag.	53,119	53,119
Banco Internacional de Costa Rica	10,000	10,000
Banco Centroamericano de Integración Económica	60,000	58,393
Mercantil Banco Universal	25,000	-
The Bank of Miami	10,000	10,000
Banco Do Brasil	1,000	1,000
Wells Fargo Bank N.A.	75,222	9,000
Banco Latinoamericano de Exportaciones	40,000	30,000
Bac Florida Bank	7,000	-
Bank of América N.A.	62,806	19,806
Standard Chartered Bank	18,000	2,000
CoBank	11,098	2,098
CoBank	63,946	-
Carried forward	529,691	249,916

Notes to the Interim Unaudited Consolidated Financial Statements

15 Loans with Other Financial Institutions (continued)

Loans in foreign currency:	**Authorized US$**	**Available US$**
Brought forward	529,691	249,916
Banco del Bajio	4,000	4,000
Unicredit	7,000	7,000
Natixis	22,000	22,000
Credit Suisse	10,000	10,000
HSBC Bank	19,000	19,000
IDB of New York	5,000	5,000
Banco de Crédito del Perú BPC	10,000	10,000
National City Bank	15,000	15,000
Societe Generale	13,000	13,000
BMO Financial Group	6,000	4,000
Banco de Comercio Exterior de Colombia, S.A.	5,000	5,000
Dresdner Bank Ag	28,330	28,330
Banco Sabadell, S.A.	708	708
JP Morgan Chase	7,000	7,000
The Export-Import Bank of Korea	10,000	10,000
Banco Aliado, S.A.	5,000	5,000
Sumitomo Mitsui Banking Corporation	10,000	10,000
Banesto	2,833	2,833
Fifth Third Bank	5,000	5,000
US Century Bank	5,000	5,000
Deutsche Bank	8,517	-
Bac Bank Inc.	4,800	4,800
Carried forward	732,879	442,587

Notes to the Interim Unaudited Consolidated Financial Statements

15 Loans with Other Financial Institutions (continued)

Loans in foreign currency:	Authorized US$	Available US$
Brought forward	732,879	442,587
Citibank N.A. New York	273,870	-
Banco de América Central, S.A.	5,013	-
KBC Bank	11,500	11,500
Nordea Bank	15,000	15,000
BPD Bank	4,500	4,500
Caja de ahorros y pensiones Barcelona	4,827	-
Intesa San Paolo	4,266	-
Balance in US dollars	1,051,855	473,587
Balance in quetzals	8,429,124	3,795,128

Loans in local currency:	Authorized Q	Available Q
Banco Agromercantil de Guatemala, S.A.	60,000	-
Banco G&T Continental, S.A.	20,000	-
Banco G&T Continental, S.A.	20,000	-
Financiera de Occidente, S.A.	11,500	1,500
Other	411	-
Balance in quetzals	111,911	1,500,000
Total	8,541,035	3,796,628

Notes to the Interim Unaudited Consolidated Financial Statements

15 Loans with Other Financial Institutions (continued)

(a) As of March 31, 2011 and as of December 31, 2010 the loans obtained accrue annual interest at rates fluctuating between 1.29% and 8.75% and are unsecured.

(b) The credit lines with callable maturity are non-committed revolving lines.

(c) In April and October 2007 the Bank obtained financing in the international capital markets through two lines of credit amounting to US$300,000; which are guaranteed with the cash flows from the payment rights that the Bank has related to remittances in foreign currency. As of March 31, 2011 and as of December 31, 2010 the Bank interest rate swaps with Citibank N.A. New York for these two lines of credit. The option was executed in September 2009. The rates settled for the execution of the option are 4% on US$160,000 and 3.79% on US$140,000 (see note 42). During the three-month period ended as of March 31, 2011 and during the year ended as of December 31, 2010 the Bank paid the owed interests on capital balances of the loan received, based in the interest rates negotiated. Additionally, a special fund was constituted to guarantee the capital and interest amortizations according to the contract conditions (see note 11).

16 Financial Obligations

As of March 31, 2011 and December 31, 2010, financial obligations were as follows:

	March 31 2011 Q	December 31 2010 Q
Banco Industrial, S.A. (a)		
Mortgage bonds	90,274	151,395
Banking bonds	188,563	196,133
Total bonds	278,837	347,528
Financiera Industrial, S.A. (b)		
Financial promissory notes Series VIII	307,211	297,713
Financial promissory notes Series IX	14,716	16,767
Financial promissory notes Series X	596,630	564,797
Financial promissory notes Series I	114,852	119,206
Financial promissory notes Series II	143,671	144,897
Total Financiera Industrial, S.A. financial promissory notes	1,177,080	1,143,380
Contecnica, S.A. (c)		
Financial promissory notes	209,244	212,025
	1,665,161	1,702,933

Notes to the Interim Unaudited Consolidated Financial Statements

16 Financial Obligations (continued)

(a) Banco Industrial, S.A.

The authorization to issue the bonds is contained in the corresponding resolutions of the Monetary Board. The total amounts authorized was Q500 million for mortgage bonds, was Q1,500 million for banking bonds denominated in quetzales and was US$200 million for banking bonds denominated in U.S. dollars. Proceeds will be used to finance operations authorized by the Law of Banks and Financial Groups.

Mortgage bonds are guaranteed with the assets of the Bank and with mortgage certificates issued by the F.H.A. system, up to a term of twenty five years for mortgage bonds with general guaranty and up to a term of twenty years for mortgage bonds with specific guaranty. The mortgage bonds accrue a variable annual interest at a rate fluctuating between 2.00% and 9.50%.

Banking bonds have a general guaranty of the loans, investments and the remaining assets of the Bank with a term up to twenty five years. The banking bonds accrue a variable annual interest at a rate fluctuating between 2.00% and 9.50% for the bonds denominated in quetzales and of 5% for the bonds denominated in U.S. dollars.

The bonds will be amortized through annual payments according to the amortization plans established for each series. Assets have been segregated as restricted assets for debt services, and are recognized under the caption of “other investments” indicated in note 11.

(b) Financiera Industrial, S.A.

The authorizations for the issuance of the promissory notes are contained in the corresponding resolutions of the Monetary Board. The total amount authorized to issue was Q2,100 million and US$70 million. The resources obtained have been allocated to finance operations authorized by the Law of Banks and Financial Groups.

The financial promissory notes for series VIII and X in local currency and the financial promissory notes for series I and II in foreign currency are used to handle the product “Plan Dorado de Inversión”.

As of March 31, 2011 and as of December 31, 2010 the promissory notes accrue a variable annual interest rate fluctuating between 0.25% and 8.87% with maturity from 2011 to 2019 and are guaranteed with the assets of the Financial Entity.

Notes to the Interim Unaudited Consolidated Financial Statements

16 Financial Obligations (continued)

The promissory notes will be amortized according to the conditions stated therein through monthly, quarterly or maturity payments. Assets equivalent to 10% of the outstanding debt have been segregated as restricted assets for debt payments, and are recognized under the caption of "other investments" indicated in note 11.

On June 24, 2009, the Superintendency of Banks notified the Financial Entity on resolution No.482-2009 dated June 19, 2009, which confirms the observation mentioned in the report number 298-2009, informing that during the term that expired December 31, 2009, the operations related to the "Fondo Dorado de Pensión" strictly comply with the provisions stated in the respective regulations for its issuance, negotiation, amortization and debt service of the financial promissory notes that the Monetary Board had approved to it.

In relation to this, during 2010 the Financial Entity proceeded as follows:

i. On July 1, 2010 individual accounts which as of June 30, 2010 had an outstanding balance equal or lower than Q20 and whose transfer had been approved by the investor were transferred to Banco Industrial, S.A. The balances transferred amounted to Q231,000 for local currency promissory notes and US$823 for foreign currency promissory notes.

ii. The accounts that as of June 30, 2010 had an outstanding balance higher than Q20 and the accounts with balances equal or lower to Q20 whose transfer was not approved by the investor, were maintained in the Financial Entity through materialized and un-materialized promissory notes as an investment instrument, constituting the product "Plan Dorado de Inversión".

(c) Contecnica, S.A.

The Credit Card Company authorization to issue "BI-Credit Promissory Notes" is contained in the corresponding resolution of the "Bolsa de Valores Nacional, S.A."

The total amount authorized for the issuance is up to Q300 millions of which as of March 31, 2011 the outstanding balance amounts to Q209,244 (Q212,025 as of December 31, 2010) The resources obtained have been allocated to finance operations authorized by the Law of Banks and Financial Groups.

Notes to the Interim Unaudited Consolidated Financial Statements

As of March 31, 2011 the outstanding balance is comprised by seventy one series of promissory notes which accrue fixed annual interest at rates fluctuating between 5.75% and 8.00% with terms of six and fourteen months maturing between April 2011 and May 2012.

As of December 31, 2010 the outstanding balance is comprised by seventy one series of promissory notes which accrue fixed annual interest rates fluctuating between 5.25% and 8.00% with terms of six and fourteen months maturing between January 2011 and February 2012.

17 Accounts Payable from Accrued Financial Expenses

This account comprises interest expenses and benefits accrued from deposits, not yet paid. As of March 31 and December 31, 2010, accounts payable from accrued financial expenses were as follows:

	March 31 2011 Q	**December 31 2010 Q**
Local currency:		
Deposits	95,763	91,027
Financial obligations	2,127	2,704
	97,890	93,731
Foreign currency:		
Deposits	64,756	71,840
Liabilities with other financial institutions	28,600	25,215
Financial obligations	8,725	4,625
	102,081	101,680
	199,971	195,411

18 Other Accounts Payable

As of March 31, 2011 and December 31, 2010, accounts payable were as follows:

	March 31 2011 Q	**December 31 2010 Q**
Local currency:		
Obligations for administration	475,759	247,038
Obligations from issuance of documents	184,330	91,739
Demand obligations	148,530	149,050
Deferred income	23,470	18,677
Accrued expenses	9,874	3,989
Other obligations	6,917	9,619
Loyalty project	5,483	7,463
Other credit card obligations	2,992	2,992
Value added tax	2,368	2,784
Income tax payable (note 34)	1,898	70,871
Carried forward	861,621	604,222

Notes to the Interim Unaudited Consolidated Financial Statements

	March 31 2011 Q	December 31 2010 Q
Brought forward	861,621	604,222
Affiliated establishments	1,271	2,480
Deposits as guaranty	738	749
Other taxes	494	444
Other	1,249	1,662
	865,373	609,557
Foreign currency:		
Obligations derived from issuance of documents	104,178	67,844
Deferred income	26,049	17,484
Obligations for administration	13,887	9,010
Immediate obligations	13,390	16,106
Deposits as guaranty	539	566
Other	3,697	1,789
	161,740	112,799
	1,027,113	722,357

19 Provisions

As of March 31, 2011 and December 31, 2010, provisions were as follows:

	March 31 2011 Q	December 31 2010 Q
Bonuses	17,269	11,628
Vacations	3,243	3,335
Severance provision	1,638	1,616
Christmas bonus	10,407	3,276
Other	183	-
	32,740	19,855

20 Other Liabilities

As of March 31, 2011 and December 31, 2010, other liabilities were as follows:

	March 31 2011 Q	December 31 2010 Q
Subordinated obligations (a)	538,185	-
Admissible bonds (b)	269,093	280,475
	807,278	280,475

Notes to the Interim Unaudited Consolidated Financial Statements

20 Other Liabilities (continued)

(a) Subordinated Obligations

The balance of this account corresponds to two subordinated loan agreements subscribed by the Bank on March 7, 2006. During the three-month period ended as of March 31, 2011 this balance was reclassified from equity to the other liabilities account due that according to the Manual of Accounting Instructions for Entities Subject to the Surveillance and Inspection of the Superintendency of Banks of Guatemala, when the maturity of the subordinated loans is lesser than five years, the corresponding amount should be reclassified to liabilities in the other obligations account.

As of March 31, 2011 the summary of this account is as follows:

	Q
Banco Centroamericano de Integración Económica (BCIE):	
Loan for US$40,000 with a LIBOR interest rate plus a percentage as of the first quarter of 225 basis points, increasing quarterly by 25 basis points up to the fifth quarter as of which it will be 325 basis points. The term of the loan is ten years with a grace period of five years and will amortize through five annually, consecutive and equal payments of US$8,000, beginning in 2012.	307,534
International Finance Corporation (IFC)	
Loan up to US$30,000 with a LIBOR interest rate plus 4% and a term of ten years with a grace period of five years and will amortize through ten consecutive and equal semi-annual payments (June 15 and December 15 of each year) of US$3,000 beginning in 2011. The US$30,000 was borrowed as follows: US$15,000 on March 7, 2006 and US$15,000 on December 22, 2008.	230,651
	538,185

The following table sets forth a maturity schedule for the next years:

	US$	**Q**
2011	6,000	46,130
2012	14,000	107,637
2013	14,000	107,637
2014	14,000	107,637
2015	14,000	107,637
2016	8,000	61,507
	70,000	538,185

Notes to the Interim Unaudited Consolidated Financial Statements

As part of the agreements with IFC and BCIE several restrictions are imposed on the Bank, unless authorized by IFC and BCIE. The most significant restrictions, among others, are summarized as follows:

a) Maintain at all times the required financial ratios within the parameters established in the agreements.

b) Provide financial information or access to any of the facilities upon request.

c) Provide an annual compliance report prepared and signed by the Compliance Officer regarding the prevention of money and other assets laundering and financing of terrorism.

d) Maintain insurance with regards to the Bank's assets and business against all insurable losses.

e) Refrain from declaring or paying any dividend or distribution of earnings unless the proposed payment or distribution stems from retained earnings.

(b) Admissible Bonds
As of March 31, 2011 and December 31, 2010 the balance of this account corresponds to the private placement of US$35,000 admissible bonds in the international capital markets on April 30, 2008, with a fixed annual interest rate of 9.00% and payment at maturity in April 30, 2068 callable since April 30, 2018. The Quetzal equivalent to said dollar amount is Q269,093 and Q280,475 at March 31, 2011 and December 31, 2010, respectively, translated at the closing bank exchange rate (note 2c).

The issuance and placement of such bonds by the Bank was authorized through resolution 1047-2007 of the Board of Directors, and ratified in Minute No. 53 of the Ordinary Shareholders Assembly, both of December 28, 2007, and from the Monetary Board through the Resolution JM-14-2008 of January 23, 2008 in compliance with the respective regulations.

Notes to the Interim Unaudited Consolidated Financial Statements

21 Deferred Income

Balance of this account comprises revenue that the Group has collected but has not been accrued. As of March 31, 2011 and December 31, 2010, deferred income was as follows:

	March 31 2011 Q	December 31 2010 Q
Loan portfolio	17,598	20,722
Income from services	423	398
Other	539	499
	18,560	21,619

22 Other Credit Balances

As of March 31, 2011 and December 31, 2010, other credit balances were as follows:

	March 31 2011 Q	December 31 2010 Q
Local currency:		
Investments	11,709	9,484
Loan portfolio	8,209	6,319
Capitalized income	3,023	2,859
Income from services	1,153	375
Commissions	145	141
	24,240	19,178
Foreign currency:		
Loan portfolio	5,099	6,493
Investments	3,290	4,650
Capitalized income	119	124
Other	3	4
	8,511	11,271
	32,751	30,449

23 Paid-in Capital

The authorized capital of the Bank amounts to four billion of quetzales, formed by 160,000 common nominative shares with a nominal value of Q25 each. The capital subscribed and paid amounts to Q1,376,978 formed by 55,079 shares.

24 Shareholders’ Contributions

As of March 31 and December 31, 2010 the shareholders’ contributions balance corresponds to premiums on shares received by the shareholders for payments in excess of the nominal value of the shares issued by the Bank.

Notes to the Interim Unaudited Consolidated Financial Statements

25 Legal Reserve

In accordance with sections 36 and 37 of the Commerce Code of Guatemala, every entity must contribute on an annual basis five percent (5%) of its net earnings to form the legal reserve, which cannot be distributed until the entity is liquidated. However, when this reserve exceeds 15% of the shareholders' equity of the entity at the previous year-end, the reserve can be capitalized, and the annual contribution of 5% must continue as stated above.

26 Capital Reserves

i. Dividends declared:

The following summary shows dividends paid during the three-month periods set forth below according to the Shareholders Assembly Minutes of each company:

	Three-month periods March 31	
	2011	**2010**
	Q	**Q**
Banco Industrial, S.A.	396,570	371,784
Financiera Industrial, S.A.	7,000	31,500
Westrust Bank (International) Limited	28,447	48,081
Contecnica, S.A.	42,381	88,021
	474,398	539,386
Less:		
Eliminations for consolidation (dividends of subsidiaries collected by the Bank and paid to the non-controlling interest)	(77,828)	(167,602)
	396,570	371,784

ii. Compensation to members of the Board of Directors:

Compensation to members of the Board of Directors of the Bank corresponds to 8% on the Bank's net income for the year, according to the clause thirty-eight of its Constitutive Act.

27 Prior Years Adjustments

During the three-month period ended as of March 31, 2011 an adjustment to prior years amounting to Q57 was recorded by Biesa for the reversal of provisions for expenses recorded in excess during the year ended as of December 31, 2010.

During the year ended as of December 31, 2010 an adjustment to prior years amounting to Q4,027 was recorded and corresponds to income tax expense, fines and interests paid by the Bank as a result of adjustments claiming additional taxes, by the fiscal authorities on the income tax return filed for the year ended December 31, 2008.

Notes to the Interim Unaudited Consolidated Financial Statements

28 Subordinated Obligations

As of December 31, 2010, subordinated obligations were as follows:

	Q
Banco Centroamericano de Integración Económica (BCIE):	
Loan for US$40,000 with a LIBOR interest rate plus a percentage as of the first quarter of 225 basis points, increasing quarterly by 25 basis points up to the fifth quarter as of which it will be 325 basis points. The term of the loan is ten years with a grace period of five years and will amortize through five annually, consecutive and equal payments of US$8,000, beginning in 2012.	319,442
International Finance Corporation (IFC)	
Loan up to US$30,000 with a LIBOR interest rate plus 4% and a term of ten years with a grace period of five years and will amortize through ten consecutive and equal semi-annual payments (June 15 and December 15 of each year) of US$3,000 beginning in 2011. The US$30,000 was borrowed as follows: US$15,000 on March 7, 2006 and US$15,000 on December 22, 2008.	239,581
	559,023

During the three-month period ended as of March 31, 2011 these balances were reclassified to the other liabilities account (see note 20).

29 Net Financial Income

Income and expenses generated from finance operations for the three-month periods ended March 31, 2011 and 2010 were as follows:

	Three-month periods ended March 31	
	2011	**2010**
	Q	**Q**
Financial income:		
Income from interests:		
Loan portfolio	477,826	518,050
Investments	347,983	290,243
Cash	2,512	1,580
Other	491	543
	828,812	810,416
Carried forward	828,812	810,416

Notes to the Interim Unaudited Consolidated Financial Statements

	Three-month periods ended March 31	
	2011	**2010**
	Q	**Q**
Brought forward	828,812	810,416
Commissions:		
Loan portfolio	1,874	2,960
Other	531	1,535
	2,405	4,495
Other financial income:		
Difference in price of repo operations	425	403
Total financial income	831,642	815,314
Financial expenses:		
Expenses for interests:		
Deposits	285,653	289,105
Loans obtained	48,509	53,720
Financial liabilities	27,734	31,561
Other liabilities	10,603	7,134
	372,499	381,520
Other financial expenses:		
Additional benefits	15,885	8,449
Securities negotiation	11,891	9,716
FOPA formation quote	12,292	11,049
Difference in price of repo operations	2,114	4,077
Other	747	856
Total financial expenses	415,428	415,667
Net financial income	416,214	399,647

Income and expenses for interests by currency for the three-month periods ended March 31, 2011 and 2010 were as follows:

	Three-month periods ended March 31	
	2011	**2010**
	Q	**Q**
Income from interests:		
Local currency	541,046	519,859
Foreign currency	287,766	290,557
	828,812	810,416

Notes to the Interim Unaudited Consolidated Financial Statements

	Three-month periods ended March 31	
	2011	**2010**
	Q	**Q**
Expenses for interests:		
Local currency	237,282	229,507
Foreign currency	135,217	152,012
	372,499	381,519

30 Net Income from Services

Income and expenses from services for the three-month periods ended March 31, 2011 and 2010 were as follows:

	Three-month periods ended March 31	
	2011	**2010**
	Q	**Q**
Income:		
Commissions	83,520	77,551
Account management	15,213	11,392
Trust funds	1,108	1,149
Leases	216	254
Other	23,080	17,926
	123,137	108,272
Expenses:		
Commissions	3,375	1,686
	3,375	1,686
Net income from services	119,762	106,586

31 Other Operating Income and Expenses

Other operating income and expenses for the three-month periods ended March 31, 2011 and 2010 were as follows:

	Three-month periods ended March 31	
	2011	**2010**
	Q	**Q**
Other operating income:		
Foreign exchange gains	46,670	18,576
Dividends (note 10)	34	17,179
Carried forward	46,704	35,755

Notes to the Interim Unaudited Consolidated Financial Statements

	Three-month periods ended March 31	
	2011	2010
	Q	Q
Brought forward	46,704	35,755
Other operating expenses:		
Doubtful recovery accounts (note 6)	33,813	28,751
Foreign exchange losses	3,570	5,891
	37,383	34,642
Other operating income and expenses, net	9,321	1,113

32 Administrative Expenses

The administrative expenses for the three-month periods ended March 31, 2011 and 2010 were as follows:

	Three-month periods ended March 31	
	2011	2010
	Q	Q
Officers and employees	124,137	115,642
Maintenance and other services	53,120	54,037
Depreciation and amortizations	38,535	37,030
Taxes, import duties and contributions	26,112	23,969
Professional fees	14,508	15,101
Leases (note 39)	12,663	10,578
Repairs and maintenance	12,522	13,042
Marketing and advertising	9,677	7,060
Electric energy	8,064	5,541
Security and surveillance	6,127	7,195
Telephone	3,918	4,071
Insurance premiums and guarantees	3,768	1,411
Loyalty Project	3,647	2,475
Electronic data processing	3,551	2,576
Stationery and office supplies	3,100	5,635
Expenses with foreign banks	3,092	4,310
King Express commissions	3,045	2,443
Messenger	2,639	2,449
Donations	951	1,145
Board of Directors	768	770
Carried forward	333,944	316,480

Notes to the Interim Unaudited Consolidated Financial Statements

	Three-month periods ended March 31	
	2011	**2010**
	Q	**Q**
Brought forward	333,945	316,480
Interchange discount	494	450
Freight	309	262
Other	13,912	8,275
	348,660	325,467

33 Extraordinary Income and Expenses, net

Extraordinary income and expenses for the three-month periods ended March 31, 2011 and 2010 were as follows:

	Three-month periods ended March 31	
	2011	**2010**
	Q	**Q**
Income:		
Recoveries (i)	16,297	18,562
Surplus of cash and securities	209	140
Gain on sale of foreclosed assets	37	105
Gain on sale of securities (ii)	-	41,140
Other	859	430
	17,402	60,377
Expenses:		
Loss on sale of foreclosed assets	77	205
Other	260	134
	337	339
	17,065	60,038

i. This income corresponds mainly to recoveries during the period of the loan portfolio balances that had been previously written-off.

ii. This gain equal to US$5,103 obtained by the sale of 55,349 shares class “C” of Visa Inc.

Notes to the Interim Unaudited Consolidated Financial Statements

34 Income and Expenses from Prior Years, net

Income and expenses from prior periods for the three-month periods ended March 31, 2011 and 2010 were as follows:

	Three-month periods ended March 31	
	2011	**2010**
	Q	**Q**
Income:		
Reversal of provisions	2,837	4,865
Checks and money orders expired	1,137	210
Other	32	229
	4,006	5,304
Expenses:		
Regularizations of taxes and contributions	30	-
Other	258	521
	288	521
	3,718	4,783

35 Income Tax

a. Guatemalan Entities:

The income tax expense for the companies incorporated in Guatemala for the three-month period ended March 31, 2011 amounted to Q5,456 (Q5,164 for the three-month period ended March 31, 2010), which represented an effective tax rate of 2.5% (2.1% in 2010).

The income tax returns filed by the Bank for the years ended December 31, 2006, 2007, 2009 and 2010 are pending for review by the fiscal authorities. The income tax return filed for the fiscal periods ended on December 31, 2008, 2004 and 2003 were reviewed and the fiscal authorities had issued the respective resolutions and the defense process is in the administrative litigation phase (note 39).

The income tax returns filed by the Financing Entity and the Credit Card Company for the years ended December 31, 2006 to 2010 are pending for review by the fiscal authorities.

The right of the Government to perform review prescribes in the course of four years.

Notes to the Interim Unaudited Consolidated Financial Statements

According to the Income Tax Law, the Financing Entity and the Credit Card Company elected the General Tax Regime which consists in a monthly payment of 5% on taxable income as final payment. The Bank elected for the Optional Tax Regime, which consists in an annual payment of 31% on taxable net income.

b. The Off-shore Bank is not subject to income taxes, neither in accordance with Guatemalan laws nor in accordance with the laws of the Commonwealth of the Bahamas.

c. The entity incorporated in the Republic of El Salvador is subject to income tax payment in relation to the income obtained in that country according to the Income Tax Law contained in the Legislative Decree No. 134 dated December 18, 1991; in force since January 1, 1992.

The income tax expense for the three-month periods ended March 31, 2011 and 2010 is composed as follows:

	Three-month periods ended March 31	
	2011	**2010**
	Q	**Q**
Income tax expense from the Credit Card Company	4,284	3,814
Income tax expense from the Financing Entity	1,172	1,349
Total income tax expense	5,456	5,163
Less payments on account	(3,558)	(3,285)
Income tax payable (note 18)	1,898	1,878

As to the Bank income tax, the income tax expense for the three-month periods ended as of March 31, 2011 and 2010 amounts to US$37,801 and US$37,920 respectively. These income tax expenses are not recorded in the accompanying interim unaudited consolidated statements of income since it is a common practice in the Guatemalan banking sector, for the entities under the “Optional Tax Regime of 31%”, to record the total expense for the fiscal year during the month of December and not during the interim periods presented.

Notes to the Interim Unaudited Consolidated Financial Statements

36 Memorandum and Register Accounts

As of March 31, 2011 and December 2010, memorandum and register accounts were as follows:

	March 31 2011 Q	December 31 2010 Q
Commitments and contingencies	6,985,535	7,095,796
Loan portfolio guarantees	22,475,333	22,856,547
Loans granted to be withdrawn	3,560,083	3,932,129
Investments and loan portfolio classification	24,254,741	24,103,918
Third parties' administration	10,726,017	10,678,362
Financial obligations	7,129,368	7,244,821
Owned documents and securities remitted	1,741	899
Authorized issuances of financial obligations	7,129,368	7,244,821
Repo operations	2,565,269	2,622,449
Other memorandum accounts	915,810	810,229
Register accounts	16,519	14,760
	85,759,784	86,604,731

- **Commitments and Contingencies**
  In this account are recorded, if any, for control purposes: guarantees granted in order to secure third party obligations, loans formalized pending delivery and obligations of the institutions.

- **Loan Portfolio Guarantees**
  In this account are recorded, if any, for control purposes: title-securities that guarantee loans granted by the institution, mortgaged goods in favor of the institution, pledged goods in favor of the institution and the guarantees that the institution receives on its favor.

- **Investments and Loan Portfolio Classification**
  In this account are recorded, for control purposes: credit assets in local and foreign currency, classified in categories according the dispositions determined in the corresponding regulations.

- **Loans Granted to be Withdrawn**
  In this account are recorded, if any, for control purposes: margins for withdrawing 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 Interim Unaudited Consolidated Financial Statements

- **Third Parties' Administration**
  In this account are recorded, if any, for control purposes: documents and securities that the institution received, mortgage certificates that the institution manages on behalf of third parties, title-securities that the institution manages on behalf of third parties, portfolio that the institution manages on behalf of third parties and individually the withdrawing equity of each of the trusts in management.

- **Owned Documents and Securities Remitted**
  In this account are recorded, if any, for control purposes: documents and securities that the institution grants or transfers to the legal department or third parties and the documents and securities that the institution grants on consignment.

- **Authorized Issuances of Financial Obligations**
  In this account are recorded, if any, for control purposes: the authorized issuances of bonds and promissory notes authorized by the Monetary Board.

- **Financial Obligations**
  In this account are recorded, if any, for control purposes: issuances of bonds and promissory notes pending placement, provisional certificates granted, interest coupons of the title-securities issued by the institution and the issuances of other title-securities.

- **Amortized Financial Obligations**
  In this account are recorded, if any, for control purposes: the bonds and promissory notes that have been redeemed as part of the program for service of the obligations issued.

- **Repo Operations**
  This account records, if any, the value consigned in the contracts for repo operations.

- **Other Memorandum Accounts**
  In this account are recorded, if any, for control purposes: those entries, applied to earnings accounts, which the specific law allows to differ in a greater number of taxable periods, all those balances of the loans portfolio after have practiced all the corresponding collection actions, the interest not collected from the portfolio in judicial collection and the loans approved pending formalization.

- **Register Accounts**
  This account records for control purpose, if any: documents and securities in custody, assets which have been fully depreciated or amortized, existence of blank forma and uncut plastic cards.

Notes to the Interim Unaudited Consolidated Financial Statements

37 Concentration of Investments and Contingencies

On June 1, 2002 became effective the Law of Banks and Financial Groups, Decree 19-2002. According to this regulation, banks and financial partnerships are not able to carry direct or indirect financing operations; neither accepts guarantees of endorsements that in the aggregate exceed the percentages included as set forth:

- 15% of the statutory equity for financing operations with individuals or juridical persons of private nature or with a sole company or entity of the Government or otherwise, an autonomous one.
- 30% of the statutory equity for financing operations with two or more wholly related or bounded parties forming part of a risk unit.

38 Related Party Transactions

The transactions made with related parties for the three-month periods ended March 31, 2011 and 2010 were as follows:

	Three-month periods ended March 31	
	2011	**2010**
	Q	**Q**
Income:		
Interests	10,715,525	12,400
Other	15,852	16
	10,731,376	12,416
Expenses:		
Services	59,914,013	42,893
Interests	7,395,365	5,879
Professional fees	4,955,885	7,503
	72,265,263	56,275

As of March 31, 2011 and December 31, 2010 the balances of operations with related parties were as follows:

	March 31 2011	**December 31 2010**
	Q	**Q**
Assets:		
Cash and due from banks	108,861	65,401
Investment securities held-to-maturity	76,884	80,136
Loan portfolio	498,196	481,738
Other accounts receivable	65,344	67,344
Advances for assets acquisition	76,819	63,625
Investments in equity securities	8,459	8,460
	834,563	766,704

Notes to the Interim Unaudited Consolidated Financial Statements

	March 31 2011 Q	December 31 2010 Q
Liabilities:		
Deposits	558,923	98,359
Other accounts payable	4,056	798
	562,979	99,157

39 Commitments and Contingencies

For the Bank

- **Letters of Credit**
  As of March 31, 2011 the Bank has contingent liabilities from letters of credit issued in the amount of Q22,199 and US$89,132 equivalent to Q707,478 (Q41,534 and US$139,089 equivalent to Q1,114,597 as of December 31, 2010).

- **Trusts**
  As of March 31, 2011 the Bank manages as trustee seventy-five (75) trust contracts (76 as of December 31, 2010). In accordance with the Code of Commerce of Guatemala, the trustee is responsible to third parties for compliance with the obligations contained in the subscribed trust contracts, including compliance with the fiscal obligations of the trusts. These trusts are not audited by Aldana González Gómez y Asociados. Only nine (9) are audited by the National General Comptrollership for both periods and eight (8) are audited by other independent auditors (7 as of December 31, 2010). According to the opinion of the lawyers, fiscal advisors and management of the Bank, there is no known or potential litigation derived from the performance of the Bank as trustee.

- **Lease Contracts**
  The Bank entered into operating lease contracts for the use of some branches, furniture and equipment and other assets, according to the conditions established in the contracts. The expense amount estimated for 2011 by this concept amounts to Q28,700.

- **Repurchase Agreements**
  As of March 31, 2011 the Bank has repurchase agreements pending for liquidation amounting to Q2,565,269 (Q2,579,580 as of December 31, 2010).

Notes to the Interim Unaudited Consolidated Financial Statements

39 Commitments and Contingencies (continued)

- **Pending Litigations**

As of March 31, 2011 the Bank has pending of resolution the following adjustments resulting from reviews made by the Superintendency of Banks of Guatemala and the Superintendency for Tax Administration:

	Additional taxes claimed Q	
Judicial phase:		
Income tax for fiscal period 2004	5,631	a.
Income tax for fiscal period 2003	3,181	b.
Income tax for fiscal period 2001	5,508	c.
Income tax for fiscal periods 1999 and 2000	2,632	d.
Income tax for fiscal period 1998	430	e.
Tax on Financial Income for fiscal period 1998	291	f.
Income tax with-holdings 1993 – 1994	16	g.
	17,689	
Administrative phase:		
Income tax for fiscal period 2008	424	h.
Income tax for fiscal period 1994	5,164	i.
	5,588	
	23,278	

a. Process 2006-21-01-44-0000213, Third Officer, Fourth Contentious Courtroom, for the period comprised from January 1 to December 31, 2004. The additional tax claimed by the tax authorities amounts to Q5,631 plus a fine of Q5,631 and compensation interests. Based on the experience of the tax advisor of the Bank in previous cases, there are minimum possibilities to fade out these adjustments during the administrative phase; however, at the moment of discussing this file in a judicial phase, the possibilities increase.

b. Contentious Administrative Process for the period comprised from January 1 to December 31, 2003. The additional tax claimed by the tax authorities amounts to Q3,181 plus a fine of Q3,181 and compensation interests.

c. Process SCA-432-2006, Second Officer and Notifying Officer, Third Contentious Courtroom, for the period comprised from January 1 to December 31, 2001. The tax additional claimed by the tax authorities amounts to Q5,508 plus a fine of Q5,508 and compensation interests.

Notes to the Interim Unaudited Consolidated Financial Statements

39 Commitments and Contingencies (continued)

d. Process 247-2003, Third Officer and Second Notifying Officer, Second Contentious Courtroom, for the period comprised from January 1 to December 31, 1999 and 2000. The additional tax claimed by the tax authorities amounts to Q2,632 plus a fine of Q2,632 plus compensation interests.

e. Process 152-2003, Third Officer, Second Contentious Courtroom, for the period comprised from January 1 to December 31, 1998. The additional tax claimed by the tax authorities amounts to Q431 plus a fine of Q431 and compensation interests.

f. Process 291-2002, Third Officer, Second Contentious Courtroom, for the period comprised from January 1 to December 31, 1996. The additional tax claimed by the tax authorities amounts to Q291 plus a fine of Q291 and compensation interests.

g. Process 105-99, Second Officer and Notifying Officer, Second Contentious Courtroom, by income tax not with-held as a retention agent for the period comprised from July 1, 1993 to June 30, 1994. The additional tax claimed by the tax authorities amounts to Q16 plus a fine of Q16 and compensation interests.

h. Process 2009-21-01-44-0000304 for the period comprised from January 1 to December 31, 2008. The additional tax claimed by the tax authorities amounts to Q424 plus a fine of Q424 and compensation interests.

i. Process 96014037, Contentious Administrative No. 316-2000, for the period comprised from January 1 to December 31, 1994. The additional tax claimed by the tax authorities amounts to Q5,165 plus a fine of Q1,033 and compensation interests.

According to the opinion of the lawyers, fiscal advisors and management, except for the previous “a” item, there are probabilities of a favorable resolution of these litigations for the Bank.

Notes to the Interim Unaudited Consolidated Financial Statements

39 Commitments and Contingencies (continued)

- **Contingencies of Banco de Occidente, S.A.:**

  As a result of the merger of Banco de Occidente, S.A. in 2006, the Bank assumed the responsibility for certain fiscal contingencies which both management and the legal advisors of the Bank consider remote. According to the negotiations of the acquisition, the previous shareholders of Banco de Occidente, S.A. will assume the responsibility for these fiscal contingencies covering any loss that could be generated in their respective resolution processes.

<u>For the Off-shore Bank</u>

- **Letters of Credit**

  As of March 31, 2011 the Off-shore Bank has contingent liabilities from letters of credit issued in the amount of US$2,784 equivalent to Q21,402 (US$5,265 equivalent to Q42,188 as of December 31, 2010).

- **Repurchase Agreements**

  As of December 31, 2010 the Off-shore Bank has repurchase agreements pending for liquidation amounting to Q40,869.

<u>For the Credit Card</u>

- **Commitments**

  As of March 31, 2011, a maximum withdrawing limit had been authorized for the credit cardholders in the amount of Q2,325,978 (Q2,350,119 in 2010) and an available margin in the amount of Q1,661,950 (Q1,679,840 as of December 31, 2010).

<u>For the Financing Entity:</u>

- **Investment Plans**

  As of March 31, 2011, the Financing Entity has investment plan obligations in the amount of Q1,162,364 (Q1,126,613 as of December 31, 2010), which are supported by the 100% issuance of the Financial Promissory Notes Series VIII and X in local currency and of the Financial Promissory Notes Series I and II in foreign currency (see note 16). This plan stated during 2010.

- **Trusts**

  As of March 31, 2011 the Financing Entity manages as two hundred thirteen (213) trust contracts (209 as of December 31, 2010). In accordance with the Code of Commerce of Guatemala, the trustee is responsible to third parties for compliance with the obligations contained in the subscribed trust contracts, including compliance with the fiscal obligations of the trusts. Except by the Trust for the Realization and Exclusion of the Assets of Banco de Comercio, S.A. the remaining trusts are not audited by Aldana González Gómez y Asociados.

Notes to the Interim Unaudited Consolidated Financial Statements

39 Commitments and Contingencies (continued)

Only two (2) are audited by other independent auditor. According to the opinion of the lawyers, fiscal advisors and management of the Financing Entity, there is no known or potential litigation derived from the performance of the Financing Entity as trustee.

- **Repurchase Agreements**
  As of December 31, 2010 the Financial Entity has repurchase agreements pending for liquidation amounting to Q2,000.

- **Pending Litigations**
  As of March 31, 2011 the Financial Entity has pending of resolution the following adjustments resulting from reviews made by the Superintendency for Tax Administration:

	Additional taxes claimed Q	
Judicial phase:		
Income tax for fiscal period 1982	58	a.
Income tax for fiscal period 1985	5	b.
Income tax for fiscal periods 1998 and 1999	2,000	c.
Income tax for fiscal period 2001	146	d.
Tax on Financial Income for fiscal period 1998	184	e.
	2,393	
Administrative phase:		
Income tax for fiscal period 1987	2	f.
	2	
	2,395	

a. Process 1858-2007, First Officer and Notifying Officer, Third Economic Force Courtroom, for the period comprised from January 1 to December 31, 1982. The additional tax claimed by the fiscal authorities amounts to Q58 plus a fine of Q6 and compensation interests.

b. Process 1346-2003, Second Officer and Notifying Officer, Second Economic Force Courtroom, for the period comprised from January 1 to December 31, 1985. The additional tax claimed by the fiscal authorities amounts to Q5 plus a fine of Q0.5 and compensation interests.

Notes to the Interim Unaudited Consolidated Financial Statements

39 Commitments and Contingencies (continued)

c. Process 275-02, Contentious Administrative, for the period comprised from January 1, 1998 to December 31, 1999. The additional tax claimed by the fiscal authorities amounts to Q2,000 plus a fine of Q2,000 and compensation interests.

d. Process 194-2005, Contentious Administrative, for the period comprised from January 1 to December 31, 2001. The additional tax claimed by the fiscal authorities amounts to Q146 plus a fine of Q146 and compensation interests.

e. Process 79-03, Second Officer and Notifying Officer, Second Contentious Courtroom, for the period comprised from January 1 to December 31, 1998. The additional income tax claimed by the fiscal authorities amounts to Q184 plus a fine of Q184 and compensation interests.

f. Administrative process, expedient 92008521, for the period comprised from January 1 to September 30, 1987. The additional tax claimed by the fiscal authorities amounts to Q2 plus a fine of Q0.2 and compensation interests.

According to the opinion of the lawyers, fiscal advisors and management, there are probabilities of a favorable resolution of these litigations for the Financing Entity.

40 Non-Controlling Interest

As of March 31, 2011 and December 31, 2010 the non-controlling interest on the equity was as follows:

	March 31 2011 Q	**December 31 2010 Q**
Financiera Industrial, S.A.	2,197	2,331
Contecnica, S.A.	4,845	5,034
Banco Industrial El Salvador, S.A.	15,350	15,982
	22,392	23,347

Notes to the Interim Unaudited Consolidated Financial Statements

The non-controlling interest in the results for the three-month periods ended March 31, 2011 and 2010 was as follows:

	Three-month periods ended March 31	
	2011	**2010**
	Q	**Q**
Financiera Industrial, S.A.	42	167
Contecnica, S.A.	642	1,691
Banco Industrial El Salvador, S.A.	11	-
	695	1,858

41 Net Position in Foreign Currency

As of March 31, 2011 and December 31, 2010, the net position in foreign currency was as follows:

	March 31 2011 US$	**December 31 2010 US$**
Assets:		
Cash and due from banks	428,160	280,992
Investment securities held-to-maturity	540,781	502,328
Loan portfolio	1,551,426	1,508,985
Accounts receivable from accrued financial products	15,007	9,482
Foreclosed assets	107	107
Other accounts receivable	4,258	3,796
Investments in equity securities	1,151	1,360
Other investments	31,161	30,937
Property and equipment	17,536	15,121
Deferred charges	1,832	1,376
	2,591,419	2,354,484
Liabilities:		
Deposits	1,697,122	1,507,898
Loans with other financial institutions	610,909	578,268
Financial obligations	34,225	33,557
Accounts payable from accrued financial expenses	13,277	12,688
Other accounts payable	21,037	14,112
Provisions	341	340
Other liabilities	105,000	35,000
Deferred income	1,449	1,765
Other credit balances	1,107	1,407
	2,484,467	2,185,035
Net position	106,952	169,449

Notes to the Interim Unaudited Consolidated Financial Statements

42 Risk Management

- **Credit Exposure**

  It relates to the risk that the debtor or issuer of a financial asset owned by the Group does not comply fully and timely with any kind of payment that should be made to the Group under the terms and conditions agreed when the Group acquired the corresponding financial asset.

  To mitigate the credit exposure, the risk management policies provide limits of credit concentration per debtor. Additionally, the Credit Committee evaluates and approves previously every commitment involving a credit risk for the Group and monitors periodically the financial position of the respective debtors and issuers.

  Although the Group is exposed to losses related to credits in the event that the counterpart does not use the financial instruments, it is not expected that the said counterpart fail to comply with its obligations due to its credit rating.

- **Counterpart's Risk**

  It relates to the risk associated with the noncompliance of a counterpart with the liquidation of the transactions of purchase or selling of securities or other instruments from other stakeholders in the securities market.

  Risk management policies point out to counterpart's limits, which constantly determine the maximum amount of net exposure to transactions pending liquidation that the Group may have with a counterpart.

  The Group's management is responsible for identifying all those acceptable counterparts, taking into account the background of each of them with regard to the compliance with its obligations, as well as the indicators on their credit solvency and their willingness to fully comply in the future.

- **Market Exposure**

  It relates to the risk that evolves when the value of a Group's financial asset is reduced due to changes in the interest rates, exchange rates, stock prices, and other financial variables, as well as the reaction of the stakeholders in the securities market facing political and economic events.

  Risk management policies set out compliance with financial instruments limits; limits related to the maximum loss amount for the closing of positions and capital protection through risk management of interest rates through the financial and risk management officer and mechanisms of capital protection facing the exchange risk.

Notes to the Interim Unaudited Consolidated Financial Statements

42 Risk Management (continued)

- **Risk of Liquidity and Financing**
  It relates to the risk involved when the Group fails to comply with all of its obligations because of, among others, an unexpected withdrawal of funds contributed by creditors or customers (deposits, lines of credit, etc.), impairment of the quality of the loans portfolio, reduction in the investments value, excessive concentration of liabilities in a particular source, unmatched assets and liabilities, lack of liquidity of assets, or financing of long-term assets with short-term liabilities.

  Additionally to the statutory minimum reserve requirement, risk management policies establish a liquidity limit determining the portion of the Group's assets that must be maintained in high-liquidity instruments, financing composition limits, gearing limits, and term limits.

- **Risk of Assets Laundering and Terrorism Financing**
  It consists of the risk involved when the Group's services and products are used to cover up financial assets so that they may be used without detecting the illegal activity producing them. This may have penalizing implications or admonitions for noncompliance with the law in force against the assets laundering and the law to prevent and repress financing to terrorism, resulting in a bad reputation for the Group.

  The Group minimizes this risk through the functions performed by the Compliance Officer, who verifies the adequate application of the policies called "Be acquainted with your customer and your employee", which comprise the establishment of procedures, policies, and controls for the detection of suspicious or illegal acts, using software acquired for that purpose to guarantee an effective support.

- **Interest Rate Risk**
  Is the risk that the value of a financial instrument can significantly fluctuate as a result of changes in the interest rates of the market. In order to reduce the exposure to the interest rate risk, the Group makes sure that transactions of assets and liabilities are contracted under similar conditions and with margin providing the Group a proper return. The details referring the applicable interest rates to the financial instruments are disclosed in the corresponding notes to the consolidated financial statements.

  As part of the interest rate risk management policies on long-term loans obtained from foreign banks, the Bank has made diverse hedge operations through the subscription of interest rate derivative contracts.

Notes to the Interim Unaudited Consolidated Financial Statements

42 Risk Management (continued)

As of March 31, 2011 and as of December 31, 2010 the Bank has two contracts subscribed with Citibank N.A. New York, which purpose is to mitigate possible increases in the international interest rates levels through the translation of variable rates to fixed rates (interest rate swap contracts). These contracts have maturity between January 15, 2015 and July 15, 2015; the interest rates fixed in the contracts are in the rank of 3.97% and 4.00% annually and the notional values totalize an amount of US$273,870 (US$287,033 as of December 31, 2010). According to the interest rates conditions in the international markets as of March 31, 2011, the contracts have a fair value of non-realized loss, not recorded in the consolidated financial statements of US$16,810 (US$19,346 as of December 31, 2010).

Likewise, the Bank performs hedge operations with foreign banks through the subscription of interest rate swap contracts for the protection of credit operations with its local clients. As of March 31, 2011 and as of December 31, 2010, the Bank has subscribed eleven of these contracts with foreign banks (Citibank N.A. New York and Standard Bank London Limited), maturing between May 1, 2011 and August 14, 2022, the rates fixed in these contracts are in the rank of 3.47% and 5.87% annually and the notional value totalize an amount of US$91,512 in March 2011 and US$92,232 in December 2010. According to the interest rates conditions in the international markets as of March 31, 2011, these contracts have a fair value of non-realized loss, not recorded in the consolidated financial statements, of US$6,756 (US$7,271 as of December 31, 2010).

The Bank will recognize monthly the interest expenses for these contracts as accrued, based on the behavior of the market interest rates. These expenses will be covered in the net result by the income earned from its funds placing operations.

- **Operational Risk**
  Is the risk of direct or indirect loss resulting from the processes, persons and inadequate or deficient internal systems, or by external factors.

- **Regulatory Risk**
  Is the risk of loss originated by not complying with regulatory and legal requirements in the relevant jurisdiction in which the Group is incorporated and operates. Also includes any loss that could appear by changes in regulatory requirements.

Notes to the Interim Unaudited Consolidated Financial Statements

- **Solvency Risk**
  Is the risk of loss originated by the possibility that the Group do not have enough funds to comply with their obligations or the lack of capacity of the Group to access capital markets to collect the required financing.

ISSUER AND THE BANK

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US$150,000,000

Industrial Subordinated Trust

(a Cayman Islands Trust)

8.25% Notes due 2021

supported by unsecured subordinated obligations of

Banco Industrial, S.A.

OFFERING MEMORANDUM

BofA Merrill Lynch

July 20, 2011