

**NOTES TO THE FINANCIAL STATEMENTS FOR THE THREE-MONTH PERIOD ENDED  
MARCH 31, 2017**

**Presented on a comparative basis, as applicable, with the information for the year ended December 31, 2016 and  
the corresponding information for the three months ended March 31, 2016**

(Figures stated in Paraguayan guaranies)

**A. CONSIDERATION BY THE SHAREHOLDERS' MEETING AND PURPOSE OF PREPARATION OF THESE FINANCIAL STATEMENTS**

The financial statements of Banco Regional S.A.E.C.A. (hereinafter referred as Banco Regional S.A.E.C.A. or "the Entity" or "the Bank") at December 31, 2016 will be considered by the General Assembly to be held in 2017, within the period specified in the Bylaws and Article 1079 of the Civil Code.

These financial statements are for a three-month interim period ended March 31, 2017 that do not require the approval of the Shareholders.

**B. BASIC INFORMATION ABOUT THE BANK**

**b.1 Legal status**

Banco Regional Sociedad Anónima Emisora de Capital Abierto began doing business under the name of Banco Regional S.A. de Inversión y Fomento, authorized by Presidential Decree No. 4321 dated January 8, 1990, and by the Central Bank of Paraguay (hereinafter referred as "Central Bank of Paraguay" or "BCP") through Resolution No. 5, Record No. 11 dated February 13, 1991.

Through Resolution No. 3, Record No. 214, dated December 1, 1998, the Board of Directors of the Central Bank of Paraguay authorized Banco Regional S.A. de Inversión y Fomento to amend its Bylaws, as decided by Special Shareholders' Meeting held on April 24, 1998, to change its original name to Banco Regional S.A.

Through Resolution No. 1, Record No. 96, dated November 19, 2008, the Board of Directors of the Central Bank of Paraguay authorized Banco Regional S.A. to amend its Bylaws, as decided by Special Shareholders' Meeting held on September 30, 2008, to change its previous business name to Banco Regional S.A.E.C.A. The amendment was registered with the Public Registries on November 21, 2008, and with the CNV (Paraguayan securities commission) on December 4, 2008, through CNV Resolution No. 1156/08.

On April 22, 2009, the acquisition of 100% of the shares of Banco ABN AMRO Paraguay S.A. was completed, with the purpose of merging the latter with and into Banco Regional S.A.E.C.A. On September 3, 2009, the final merger agreement involving Banco ABN AMRO Paraguay S.A. was executed. On September 4, 2009, the Special Shareholders' Meeting of Banco Regional S.A.E.C.A. was held, during which the merger agreement between both banks was officially approved. In view of this process, Banco Regional S.A.E.C.A., as the controlling Entity, assumes all rights and obligations of the acquired entity.

As of March 31, 2017, the Bank had 36 branches (37 branches as of December 31, 2016).

**b.2 Basis of preparation of the financial statements**

The financial statements are a free translation into English of those originally prepared in Spanish, expressed in local currency (Guaranies or PYG).

The financial statements have been prepared in accordance with accounting standards and specific instructions issued by the Central Bank of Paraguay and, on aspects not covered by them, in accordance with applicable financial reporting standards in the country, issued by the Public Accountants Council of Paraguay.

The model is based on a conventional basis of historical cost, except for property, plant and equipment that are exposed

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to their revalued amounts, as explained in note c.9 and the treatment assigned to monetary assets and liabilities in foreign currency, as explained in note c.1, not recognized in the overall effects of inflation on the financial position of the institution, or results of operations. According to the Consumer Price Index published by the Central Bank of Paraguay, inflation for the three months ended March 31, 2017 and March 31, 2016 it was 1.5% and 2.6% respectively. Accumulated inflation for the year ended December 31, 2016 was 3.9%.

The accounting rules set by the Central Bank of Paraguay differ from the existing standards of financial reporting in Paraguay, mainly in the following aspects:

- a. They do not require the issuance of the statement of cash flows and the comparative financial statements.
- b. The adjustments to accumulated results are recorded as income (expense) for the year without affecting the Bank's equity accounts.
- c. The accounting record of the deferred tax is not contemplated
- d. Earnings per share do not need to be calculated or disclosed.
- e. There are specific criteria for the classification and valuation of the loan portfolio, the accrual recognition of interest and gains from valuation is suspended, as mentioned in note c.6.
- f. Banks are required to set allowances for loan losses, allowances for contingent risks and assets in general based on the parameters set forth in Resolution 1, Record No. 60, of the Board of Directors of the Central Bank of Paraguay dated September 28, 2007 and subsequent amendments.
- g. No disclosure is required of PP&E movements.
- h. No disclosure is required of the concentration of liabilities by numbers of depositors.
- i. No disclosure is required of the average interest rates or of the average assets and liabilities that have accrued interest.
- j. No opening movement of deferred charges is required.
- k. No disclosure of the base is required to identify the general risks of the banking industry and the accounting treatment of such risks, and
- l. Permanent investments in shares of other companies are valued at cost.
- m. It allows accounting treatments for specific situations or circumstances approved by the Superintendency of Banks.

Disclosure and / or quantification of these differences are not required by the Central Bank of Paraguay.

The preparation of these financial statements requires that the Board of Directors and Management of the Bank make certain estimates and assumptions that affect asset and liability balances, the disclosures of contingencies and the recognition of income and expenses. Assets and liabilities are recognized in the financial statements when it is likely that future economic benefits will flow to or from the Bank and the different items have a cost or value that can be reliably measured. If in the future these estimates and assumptions, which are based on Management's best judgment as of the date of these financial statements, change with regard to the current circumstances, the original estimates and assumptions will be appropriately amended on the date on which those changes take place. The main estimates related to the financial statements refer to the allowances for doubtful accounts, PP&E depreciations, the amortization of deferred charges and allowances to cover other contingencies.

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### b.3 Foreign branches

The Bank has no foreign branches.

### b.4 Shareholdings in other companies

Interest in capital stock in other companies at March 31, 2017 and December 31, 2016 is as follows:

Company name	Condition	Investment currency	Face value	% equity interest	Carrying value in PYG
<b>March 31, 2017</b>					
Bancard S.A. - Paraguay	Affiliate	PYG	7.995.000.000	6,67%	8.802.846.968
VISA INC - USA	Non-affiliate	USD	1	Minority	6.202
SWIFT	Non-affiliate	EUR	19.800	Minority	111.035.560
<b>Total</b>					<b>8.913.888.730</b>
<b>December 31, 2016</b>					
Bancard S.A. - Paraguay	Affiliate	PYG	7.995.000.000	6,67%	8.802.846.968
VISA INC - USA	Non-affiliate	USD	1	Minority	6.344
SWIFT	Non-affiliate	EUR	19.800	Minority	111.035.560
<b>Total</b>					<b>8.913.888.872</b>

The abovementioned investments are recorded in the "Investments in securities issued by the private sector". See note c.8.

### b.5 Capital structure and characteristics of the shares

The paid in capital at March 31, 2017, and December 31, 2016, by type of share, is as follows:

#### At March 31, 2017

Common, subscribed and paid in shares		Votes per share	PYG
Type	Number		
Founders Class "A" common shares	135.809	5	13.580.900.000
Common Class "A" common shares	3.936.056	1	393.605.900.000
Multiple Class "B" common shares	90.539	5	9.053.900.000
Common Class "B" common shares	2.426.823	1	242.682.300.000
Preferred	2.500.000	-	250.000.000.000
<b>9.089.227</b>			<b>908.923.000.000</b>

#### At December 31, 2016

Common, subscribed and paid in shares		Votes per share	PYG
Type	Number		
Founders Class "A" common shares	135.809	5	13.580.900.000
Common Class "A" common shares	3.936.056	1	393.605.900.000
Multiple Class "B" common shares	90.539	5	9.053.900.000
Common Class "B" common shares	2.426.823	1	242.682.300.000
Preferred	2.500.000	-	250.000.000.000
<b>9.089.227</b>			<b>908.923.000.000</b>

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The shareholder composition was structured as follows:

**At March 31, 2017**

Shareholders	Shares PYG	% Share	% Of votes	Country
Local Shareholders	557.186.800.000	61,30%	61%	Paraguay
Rabo Development B.V. (*)	351.736.200.000	38,70%	39%	Netherlands
<b>Total</b>	<b>908.923.000.000</b>	<b>100,00%</b>	<b>100%</b>	

(\*) 100% owned by Coöperatieve Rabobank U.A. from Holland.

**At December 31, 2016**

Shareholders	Shares PYG	% Share	% Of votes	Country
Local Shareholders	557.186.800.000	61,30%	61%	Paraguay
Rabo Development B.V. (*)	351.736.200.000	38,70%	39%	Netherlands
<b>Total</b>	<b>908.923.000.000</b>	<b>100,00%</b>	<b>100%</b>	

(\*) 100% owned by Coöperatieve Rabobank U.A. from Holland.

As mentioned in note c.12 d), “Monetary correction of capital stock”, the Bank’s current level of paid in capital is above the legal minimum required by the Central Bank of Paraguay for this fiscal year.

**b.6 Board of Directors and Executive Officers**

At March 31, 2017, the Board of Directors and the Executive Officers are as follows:

BOARD OF DIRECTORS		EXECUTIVE OFFICERS	
President	Raul Vera Bogado	General Manager	Eugenio Oze de Morvil
Vice-president	Cornelis J. Beijer	C.O.O.	Matheus den Exter
		Branch Manager and Business intelligence	Justin Van Der Sluis
Directors	Alfredo Ricardo Raatz	Corporate Banking Acting Manager	Walter Duarte Kallus
	Petrus van Jaarsveld	Finance Manager	Oscar Godoy Silvero
	Wolfgang Brönstrup	Internal Audit Manager	Juan Carlos Meza
Alternate Directors	Irene Memmel de Matiauda	Compliance Manager	Antonio Gimenez
	Erik Heyl	Corporate Risk Manager and Business	Jorge Sienkawiec
	Francisco Yanagida	Manager Risk Individuals and SMEs	Mats Hernegard
	Adrian Lorenzutti	Branch Manager	Cynthia Sotelo
	Mirian Raatz de Soley	Private Banking Manager	Anahi Heisecke
Syndic	Roland Wolff	Treasury Manager	Daniel Cibils
Alternate Syndic	Sandra Yshizuka	Correspondent and Foreign Trade Manager	María Fernanda Carrón
		Human Resources Manager	Katya Spiridonoff
		Operations Manager	Isabel Galiano de Ayala
		Legal Affairs Manager	Marcos Dalla Fontana
		Information Technology Manager	Mirta González
		Administrative Manager	Fabio Sitzmann Hein
		Data Quality Manager	Erica Werner
		Regular Notary	Leticia Perez Dominguez
		General Accountant	Francisco Furman S.

#### **b.7 English translation of statutory financial statements**

These financial statements have been translated into English for the convenience of English-speaking readers. The financial statements are the English translation of those originally prepared by the Entity in Spanish, expressed in local currency (Guaranies) and presented in accordance with financial standards established by the Central Bank of Paraguay and, in issues not covered by them, with the financial reporting standards in force in Paraguay. The effects of the differences between these standards and the accounting principles generally accepted in the countries in which the financial statements are to be used have not been quantified. Accordingly, the accompanying financial statements are not intended to present the financial position, results of operations, shareholders' equity or cash flows in accordance with accounting principles generally accepted in the countries of users of the financial statements, other than Paraguay.

### **C. INFORMATION REGARDING MAIN ASSETS AND LIABILITIES**

#### **c.1 Valuation of foreign currency**

The assets and liabilities stated in foreign currency are valued at the exchange rates prevailing at March 31, 2017, and December 31, 2016 respectively, provided by the Foreign Exchange Desk of the International Transactions Department at the Central Bank of Paraguay, and do not differ materially from the exchange rates in effect on the free foreign exchange market:

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Currency	Exchange rate at March 31, 2017 (PYG per foreign currency unit)	Exchange rate at December 31, 2016 (PYG per foreign currency unit)	Exchange rate at March 31, 2016 (PYG per foreign currency unit)
1 US Dollar	5.638,14	5.806,91	5.628,71
1 Euro	6.028,86	6.337,08	6.409,97
1 Yen	50,58	48,16	50,03
1 Real	1.792,85	1.456,10	1.577,46
1 Argentine Peso	366,78	447,34	384,26
1 Pound Sterling	7.064,59	8.619,20	8.096,90
1 Swiss Franc	5.636,45	5.869,12	5.871,19
1 Swedish Krona	630,78	688,97	694,31
1 Chinese Yuan	819,08	894,79	872,71
1 Australian Dollar	4.306,41	4.230,91	4.315,53
1 Canadian Dollar	4.233,16	4.180,04	4.334,11

The foreign exchange differences resulting from fluctuations in the exchange rates between the date on which a transaction is closed and the date on which it is settled or valued at the end of each period, are recognized in the income (loss) for the period, with the exceptions indicated in note f.1.

### c.2 Position in foreign currency

The foreign exchange position at March 31, 2017 and December 31, 2016 is as follows:

Item	March 31, 2017		December 31, 2016	
	Arbitrated amount to USD	Equivalent amount in PYG	Arbitrated amount to USD	Equivalent amount in PYG
Total assets in foreign currency	1.609.654.103,18	9.075.455.185.538	1.564.605.929,37	9.022.972.872.239
Total liabilities in foreign currency	(1.604.433.296,15)	(9.046.019.544.287)	(1.557.710.508,80)	(8.983.207.464.850)
<b>Long position in foreign currency</b>	<b>5.220.807</b>	<b>29.435.641.251</b>	<b>6.895.421</b>	<b>39.765.407.389</b>

At March 31, 2017 and December 31, 2016, the foreign currency position did not exceed the limit set by the Bank position paper presented to the Central Bank of Paraguay, on January 3, 2013, pursuant to Resolution No. 25 Act No. 77 dated December 28, 2011 which establishes the free choice of position range depending on the category established in the Resolution that financial institutions chosen for their net position for each year.

Market risk management: Market risk is the risk that the changes in market prices, for instance, interest rates, changes in foreign currency, etc., will affect the Bank's equity and/or results depending on the positions taken on the financial market. The Bank controls market risk by monitoring the limits established in the Market Risk Policies approved by the Assets and Liabilities Committee and the Board of Directors.

### c.3. Deposits in the Central Bank of Paraguay

The deposits in the Central Bank of Paraguay at March 31, 2017 and December 31, 2016 are as follows:

Item	March 31, 2017 PYG	December 31, 2016 PYG
Minimum cash requirement in PYG	423.978.182.655	410.206.331.375
Minimum cash requirements in USD	908.253.339.658	921.755.200.812
Minimum cash requirement in EUR	8.739.421.529	10.226.306.729
Special cash requirement in PYG	487.792.078	743.992.078
Special cash requirement in USD	828.806.580	847.738.710
Monetary Transactions Operations	762.210.333.333	372.505.000.000
Current accounts in PYG	379.570	622.498
Current accounts in USD	196.434.697.879	157.553.445.292
Current accounts EUR	6.884.729.264	4.753.493.039
<b>Total</b>	<b>2.307.817.682.546</b>	<b>1.878.592.130.533</b>

See additionally paragraph a), of note c.12

#### c.4 Government and private securities

The government and private securities acquired by Banco Regional S.A.E.C.A. involve Paraguayan Treasury Bonds, Bonds from the Development Finance Agency (AFD), Monetary Regulation Instruments and Private Bonds not listed on securities markets, and the securities of private companies in Paraguay listed on the stock exchange or secondary market. The government and private securities at cost value plus accrued interest to be collected at March 31, 2017 and December 31, 2016 respectively, which does not exceed their estimated realizable value.

##### As of March 31, 2017

Government and private securities	Issuance currency	Amount in issuance currency	Amount in Paraguayan guaranies	
			Face value	Carrying amount
Paraguayan Treasury Bonds (a) y (b)	PYG	158.458.159.879	158.458.159.879	147.765.061.422
Monetary Regulation Instruments (c)	PYG	799.800.000.000	799.800.000.000	758.511.412.821
Bonds in Private Companies	PYG	16.462.904.103	16.462.904.103	16.202.701.672
Accrued interest				24.125.707.304
<b>Total</b>			<b>974.721.063.982</b>	<b>946.604.883.219</b>

##### As of December 31, 2016

Government and private securities	Issuance currency	Amount in issuance currency	Amount in Paraguayan guaranies	
			Face value	Carrying amount
Paraguayan Treasury Bonds (a) y (b)	PYG	271.706.749.744	271.706.749.744	240.022.764.393
Monetary Regulation Instruments (c)	PYG	702.000.000.000	702.000.000.000	668.398.231.781
Bonds in Private Companies	PYG	5.000.000.000	5.000.000.000	5.243.709.867
Accrued interest				38.036.454.383
<b>Total</b>			<b>978.706.749.744</b>	<b>951.701.160.424</b>

- (a) As of March 31, 2017 and December 31, 2016, the Entity has pledged the National Treasury Bonds in the portfolio at such dates, for a total of Gs. 2.498.143.073, whose availability is restricted as mentioned in note c.12 b).
- (b) As of March 31, 2017 and December 31, 2016, the Bank has delivered National Treasury Bonds for Gs. 15.349.542.007 and Gs. 15.070.361.325, respectively, as minimum guarantees required by BCP under the general regulations of the Paraguayan Payments System (see note c.12.b).

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- (c) As of March 31, 2017, the Bank has received Monetary Regulation Bills of the BCP as collateral related to repurchase agreements for liquidity offer to other financial entities, through the BCP Interbank Liquidity Window (which are described in Note c.18), for a total value of Gs. 20.074.488.392 whose availability is restricted as explained in note c.12.

### **c.5 Assets and liabilities with adjustment clauses**

Except for the loans borrowed (liabilities) from the Development Finance Agency and the loans granted (assets) using the Development Finance Agency funds and certain loans granted using the Bank's own funds, which involve contractual clauses for potential adjustments to the annual interest rates, at March 31, 2017 and December 31, 2016, there were no other assets or liabilities with adjustment clauses.

### **c.6 Loan portfolio**

#### Management of credit risk:

Credit risk is controlled by the Bank's Board of Directors and Management, mainly through the evaluation and analysis of individual transactions, for which certain clearly-defined aspects in the Bank's credit policies are taken into consideration, such as: the proven payment ability and indebtedness of the debtors, the credit concentration of groups of companies, individual credit-granting limits, evaluation of economic sectors, preferred securities and the working capital requirement, depending on the market risks.

#### Criteria for classification and valuation:

The loan portfolio has been stated at face value plus accrued interest the end of the year, net of allowances, which were calculated according to the Bank's internal credit valuation policies and the allowances set forth by the Central Bank of Paraguay Board of Directors' in the Resolution No. 1, Record No. 60 dated September 28, 2007, and subsequent amendments; for which:

- a) Debtors have been classified into the following groups: i) Large debtors; ii) Medium and small debtors; iii) Personal debtors of consumer or mortgage loans and iv) Microcredits;
- b) The debtors have been classified into 6 categories of risk, based on the evaluation and qualification of the payment capacity of a debtor or group of related debtors, with respect to all of their obligations. A rule amending Resolution No. 1/2007 requires Category 1 disintegrates into three sub-categories for the purpose of determination of allowances (1, 1.a y 1.b);
- c) Accrued interest on performing loans ranked on category "1" and category "2" subjectively, are recognized as revenue in their entirety. Accrued interest receivable at the reporting date on nonperforming loans and/or performing loans ranked on category "2" and higher, which have been recognized as income until its entry into arrears, have an allowances that covers the total amount of such accrued interest;
- d) The accrual of interest and the recognition of gains from the valuation of nonperforming loans and performing loans classified in risk categories "2" or higher since its entry into arrears, have been suspended, and are recognized as revenue when are collected, as mentioned in note f.1;
- e) Amortized loans are considered nonperforming after 61 days of default on any of their installments, and fixed term loans or single maturity loans, on the day after maturity;
- f) Specific allowances have been set which are required to cover potential losses that may arise if the portfolio is not recovered according to the criteria and parameters established by Resolution of the Board of the Central Bank of Paraguay No. 1, Act No. 60 of September 28, 2007, amendments and all supplemental;
- g) Generic allowances have been made of net loan portfolio of specific allowances according to the criteria and parameters established by Resolution of the Board of the Central Bank of Paraguay No. 1, Act No. 60 of September 28, 2007. It has been also registered additional generic allowances, according to the Board of Directors determination; and

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- h) Bad debts that are written off, under the conditions established in the applicable regulation of the BCP, are recorded and reported in memorandum accounts.

### c.6.1 Performing loans to the financial sector

According to the valuation standards for credit risks and assets set forth by the Banks Regulatory Authority of the Central Bank of Paraguay, the Bank's performing loan portfolio for the financial sector is classified by risk as follows:

#### As of March 31, 2017

Risk category	Carrying amount before allowances (a)	Guarantees computable for allowances	Allowances		Carrying amount after allowances
			Minimum % (b)	Booked (c)	
1	501.527.789.563	144.722.951.189	0%	-	501.527.789.563
2	1.997.683.447	846.814.368	5%	(80.203.079)	1.917.480.368
<b>Total</b>	<b>503.525.473.010</b>	<b>145.569.765.557</b>		<b>(80.203.079)</b>	<b>503.445.269.931</b>

#### As of December 31, 2016

Risk category	Carrying amount before allowances (a)	Guarantees computable for allowances	Allowances		Carrying amount after allowances
			Minimum % (b)	Booked (c)	
1	584.914.171.240	149.747.349.334	0%	-	584.914.171.240
2	2.016.048.377	846.824.957	5%	(78.824.666)	1.937.223.711
<b>Total</b>	<b>586.930.219.617</b>	<b>150.594.174.291</b>		<b>(78.824.666)</b>	<b>586.851.394.951</b>

#### References:

- (a) Includes capital and interest and forward contracts (net of unrealized valuation earnings);
- (b) The percentages of allowances and risk categories defined for classification and constitution of allowances in the loan portfolio, are based on the criteria established for this purpose in Resolution No. 1, Act No. 60 BCP Board dated September 28, 2007 and subsequent amendments; and
- (c) Allowances are set considering additional risk contingent balances. For those borrowers who do not have computable guarantees, the allowance is calculated on the total risk (including contingent and monetary debt). For the rest of debtors, the allowance is calculated in two phases, computing guarantees for the second one.

### c.6.2 Performing loans to the nonfinancial sector

The performing loans portfolio of the nonfinancial sector is comprised as follows:

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Item	March 31, 2017 PYG	December 31, 2016 PYG
Term loans not subject to adjustment	3.162.200.690.132	3.247.847.463.005
Amortized loans not subject to adjustment	5.383.382.120.830	5.524.965.052.216
Checks acquired in Paraguay	348.159.180	976.248.966
Loans for overdrafts	122.217.776.020	90.697.782.556
Receivables from deferred credit documents	132.393.912.861	129.057.260.831
Receivables from use of credit cards	150.647.583.675	149.429.682.055
Loans with managed funds	526.236.618.894	463.367.765.501
Bills discounted	71.421.487.320	74.965.710.046
Deferred checks discounted	151.315.428.433	191.860.860.195
Portfolio Purchase	222.469.509.042	236.157.035.538
Transactions pending settlement	37.967.000.000	41.446.866.640
Loans to the government sector	20.728.091.782	19.736.800.859
Receivables from accrued financial products	230.477.485.917	200.558.816.697
(-) Valuation gains recognition suspended	(8.180.604.799)	(7.371.657.027)
(-) Allowances	(170.288.254.815)	(177.913.081.221)
<b>Total</b>	<b>10.033.337.004.472</b>	<b>10.185.782.606.857</b>

According to the valuation standards for credit risks and assets set forth by the Banks Regulatory Authority of the Central Bank of Paraguay, the Bank's performing loan portfolio to the nonfinancial sector is classified by risk as follows:

**As of March 31, 2017**

Risk Category	Carrying amount before allowances (a)	Guarantees computable for allowances	Allowances		Carrying amount after allowances
			Minimum % (b)	Booked (d)	
1	8.004.996.356.980	4.276.064.583.298	0%	-	8.004.996.356.980
1a	642.270.640.138	311.015.296.864	0,5%	(3.247.489.976)	639.023.150.162
1b	110.031.660.978	42.085.166.181	1,5%	(1.336.714.441)	108.694.946.537
2	1.081.960.781.037	663.479.655.178	5%	(37.394.225.786)	1.044.566.555.251
3	312.100.548.668	160.761.154.133	25%	(56.981.877.394)	255.118.671.274
4	44.461.538.436	17.625.320.503	50%	(16.674.885.603)	27.786.652.833
5	6.072.137.059	3.011.098.488	75%	(2.700.241.261)	3.371.895.798
6	1.731.595.293	764.899.544	100%	(1.017.272.759)	714.322.534
Generic allowances (c)				(50.935.546.897)	(50.935.546.897)
<b>Total</b>	<b>10.203.625.258.589</b>	<b>5.474.807.174.189</b>		<b>(170.288.254.117)</b>	<b>10.033.337.004.472</b>

**As of December 31, 2016**

Risk Category	Carrying amount before allowances (a)	Guarantees computable for allowances	Allowances		Carrying amount after allowances
			Minimum % (b)	Booked (d)	
1	8.636.339.200.156	4.546.203.860.634	0%	-	8.636.339.200.156
1a	280.509.063.427	142.629.307.131	0,5%	(1.292.625.601)	279.216.437.826
1b	69.555.863.475	36.339.665.175	1,5%	(770.388.799)	68.785.474.676
2	959.424.475.830	591.431.155.400	5%	(32.790.098.420)	926.634.377.410
3	326.756.537.153	175.763.325.463	25%	(58.934.697.747)	267.821.839.406
4	82.990.861.257	41.122.764.262	50%	(28.642.518.967)	54.348.342.290
5	6.666.019.982	3.512.717.287	75%	(2.902.372.569)	3.763.647.413
6	1.453.666.798	584.222.464	100%	(873.636.791)	580.030.007
Generic allowances (c)				(51.706.742.327)	(51.706.742.327)
<b>Total</b>	<b>10.363.695.688.078</b>	<b>5.537.587.017.816</b>		<b>(177.913.081.221)</b>	<b>10.185.782.606.857</b>

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References:

- (a) Includes capital and interest and forward contracts (net of unrealized valuation earnings);
- (b) The percentages of allowances and risk categories defined for classification and constitution of allowances in the loan portfolio, are based on the criteria established for this purpose in Resolution No. 1, Act No. 60 BCP Board dated September 28, 2007 and subsequent amendments;
- (c) Generic allowances established by the Bank in accordance with the requirements of Resolution 1/2007 of the Central Bank of Paraguay; and additional generic allowances defined by the Board of Directors of the Entity; and
- (d) Allowances are set considering additional risk contingent balances. For those borrowers who do not have computable guarantees, the allowance is calculated on the total risk (including contingent and monetary debt). For the rest of debtors, the allowance is calculated in two phases, computing guarantees for the second one.

**c.6.3 Nonperforming loans**

The nonperforming loans portfolio is comprised as follows:

Concepto	March 31, 2107	December 31, 2016
Nonperforming loans - Status: past due	11.965.100.310	24.976.395.234
Nonperforming loans - Status: undergoing proceedings	74.865.708.798	38.915.541.704
Nonperforming loans - Status: delinquent	149.644.197.223	130.159.759.037
Nonperforming loans - Financial sector	1.226.643	32.238.564.112
Accrued interests	11.819.366.877	11.319.026.332
(-) Unrealized valuation earnings	(2.922.457.397)	(3.891.500.844)
(-) Allowances	(116.826.396.139)	(100.391.975.349)
<b>Total</b>	<b>128.546.746.315</b>	<b>133.325.810.226</b>

According to the valuation standards for credit risks and assets set forth by the Banks Regulatory Authority of the Central Bank of Paraguay, the Bank's nonperforming loan portfolio is classified by risk as follows:

As of March 31, 2017

Risk category	Carrying amount before allowances (a)	Guarantees computable for allowances	Allowances		Carrying amount after allowances
			Minimum % (b)	Booked (c)	
1a	88.815.609	-	0%	-	88.815.609
1b	457.524.734	-	2%	(16.916.226)	440.608.508
2	4.303.141.708	2.112.093.141	5%	(698.921.091)	3.604.220.617
3	53.935.509.096	19.625.878.742	25%	(12.446.379.578)	41.489.129.518
4	27.480.018.668	14.403.345.675	50%	(9.406.491.117)	18.073.527.551
5	40.574.464.720	20.601.482.247	75%	(18.398.456.211)	22.176.008.509
6	118.533.667.919	42.965.158.655	100%	(75.859.231.916)	42.674.436.003
<b>Total</b>	<b>245.373.142.454</b>	<b>99.707.958.460</b>		<b>(116.826.396.139)</b>	<b>128.546.746.315</b>

As of December 31, 2016

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Risk category	Carrying amount before allowances (a)	Guarantees computable for allowances	Allowances		Carrying amount after allowances
			Minimum % (b)	Booked (c)	
1a	2.364.961	-	0,5%	(11.825)	2.353.136
1b	1.442.228.762	75.206.584	2%	(46.908.159)	1.395.320.603
2	9.326.340.352	6.683.520.221	5%	(883.612.949)	8.442.727.403
3	19.534.904.547	7.462.729.394	25%	(4.353.608.263)	15.181.296.284
4	74.232.106.153	48.401.935.339	50%	(23.040.464.007)	51.191.642.146
5	29.509.202.721	10.986.651.050	75%	(15.241.696.382)	14.267.506.339
6	99.670.638.079	43.206.865.307	100%	(56.825.673.764)	42.844.964.315
<b>Total</b>	<b>233.717.785.575</b>	<b>116.816.907.895</b>		<b>(100.391.975.349)</b>	<b>133.325.810.226</b>

References:

- (a) Includes principal and interest and forward contracts (net of unrealized valuation earnings);
- (b) The percentages of allowances and risk categories defined for classification and constitution of allowances in the loan portfolio, are based on the criteria established for this purpose in Resolution No. 1, Act No. 60 BCP Board dated September 28, 2007 and subsequent amendments; and
- (c) Allowances are set considering additional risk contingent balances. For those borrowers who do not have computable guarantees, the allowance is calculated on the total risk (including contingent and monetary debt). For the rest of debtors, the allowance is calculated in two phases, computing guarantees only for the second one.

**c.6.4 Other receivables**

As of March 31, 2017 and December 31, 2016, breaks down as follows:

Item	March 31, 2017	December 31, 2016
Prepaid expenses	23.075.250.363	2.077.192.281
Charges for issuing bonds abroad	11.572.381.992	13.024.748.659
Income Tax Advance (IRACIS) (a)	20.700.868.320	20.700.868.320
Advances for the purchase of goods and services	3.793.822.612	4.066.998.759
Legal expenses to be recovered	6.936.743.991	6.002.028.960
Tax Credit Certificates	29.856.027.020	17.947.607.772
Value Added Tax - Tax Credit	1.529.278.462	2.631.545.004
Advance to Staff	99.484.000	-
Accrued income not collected	2.544.739.508	2.511.060.127
Processor Advances	2.864.169.094	2.183.329.482
Miscellaneous	20.905.412.022	1.084.483.360
Debtors for the sale of fixed assets	2.700.853.962	2.747.121.659
Expenses to be recovered	1.878.142.221	1.997.008.392
Indemnities Claimed for Claims	-	-
(Earnings per valuation to be realized)	(42.742.000)	(47.822.000)
Provisions constituted (Note c.7)	(4.742.928.268)	(4.337.656.206)
<b>Total</b>	<b>123.671.503.299</b>	<b>72.588.514.569</b>

- a) The accrual for income tax liabilities included in the "Accruals" as of March 31, 2017 and December 31, 2016 was approximately PYG. 5.798.747.541 and PYG. 23.079.517.948, respectively.

**c.7 Allowances for direct and contingent risks**

Allowances for loan losses and other assets are determined at the end of each period based on the examination of the portfolio to determine the portion of those portfolios that are not recoverable and considering the a, for each type of credit risk, laid down in Central Bank of Paraguay Board of Directors' Resolution No. 1, Record No. 60 dated September 28, 2007, and its amendments and/or further extensions.

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On a regular basis, Bank Management reviews and analyzes the loan portfolio pursuant to credit valuation standards established by the Banks Regulatory Authority of the Central Bank of Paraguay, so as to adjust the allowances for loan losses. All allowances necessary to cover potential losses on direct and contingent risks have been set, pursuant to the criteria of Bank Management and the requirements of Central Bank of Paraguay Board of Directors' Resolution No. 1, Record No. 60, dated September 28, 2007, and Resolution No. 37, Record No. 72, dated November 29, 2011.

The movement recorded during the period ended March 31, 2017 and for the year ended December 31, 2016 in the accounts of forecasts is summarized as follows:

**As of March 31, 2017**

Item	Balance at beginning of the year	Additions	Reclassifications and adjustments to allowances for the year	Reversal of allowances for the year	Changes from valuation in foreign currency	Balance at the end of the year
Cash and Bank	(3.082.878)	(38.701.782)	-	38.420.040	-	(3.364.620)
Performing loans - financial sector	(78.824.666)	(74.195.644)	-	72.865.762	(48.531)	(80.203.079)
Performing loans - nonfinancial sector	(177.913.081.221)	(67.023.995.139)	-	72.206.015.409	2.442.806.136	(170.288.254.815)
Other receivables	(4.337.656.206)	(473.368.985)	686.741	25.906.121	41.504.061	(4.742.928.268)
Nonperforming loans	(100.391.975.349)	(60.526.268.284)	21.861.390.122	21.299.519.800	930.937.572	(116.826.396.139)
Investments	(10.130.439.984)	(94.213.925)	-	60.000.000	-	(10.164.653.909)
<b>Total</b>	<b>(292.855.060.304)</b>	<b>(128.230.743.759)</b>	<b>21.862.076.863</b>	<b>93.702.727.132</b>	<b>3.415.199.238</b>	<b>(302.105.800.830)</b>

**As of December 31, 2016**

Item	Balance at beginning of the year	Additions	Reclassifications and adjustments to allowances for the year	Reversal of allowances for the year	Changes from valuation in foreign currency	Balance at the end of the year
Cash and Bank	(2.750.353)	(708.307.265)	-	707.812.785	161.955	(3.082.878)
Performing loans - financial sector	(902.883.770)	(528.821.448)	6.270	1.311.976.210	40.898.072	(78.824.666)
Performing loans - nonfinancial sector	(180.192.370.436)	(412.245.224.022)	5.172.854.821	409.496.730.849	(145.072.433)	(177.913.081.221)
Other receivables	(2.653.420.957)	(1.869.822.327)	-	177.398.658	8.188.420	(4.337.656.206)
Nonperforming loans	(158.612.502.451)	(451.036.227.822)	248.979.691.161	258.910.467.453	1.366.596.310	(100.391.975.349)
Investments	(8.769.240.392)	(7.308.314.661)	-	5.947.115.069	-	(10.130.439.984)
<b>Total</b>	<b>(351.133.168.359)</b>	<b>(873.696.717.545)</b>	<b>254.152.552.252</b>	<b>676.551.501.024</b>	<b>1.270.772.324</b>	<b>(292.855.060.304)</b>

**c.8 Investments**

The investments account includes:

Assets acquired in credit recovery:

These assets are valued at the lowest of the following three values: Appraisal value, allocation value and balance of the receivable immediately before allocation, pursuant to the provisions of the Central Bank of Paraguay in this regard. Additionally, for assets exceeding the terms established by the Central Bank of Paraguay for their possession, allowances are set forth pursuant to the provisions in Resolution No. 1, Record No. 60 dated September 28, 2007, issued by the Board of Directors of the Central Bank of Paraguay. After three years of possession, an allowance is set for 100% of these assets.

Private securities:

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Long-term investments in interests in companies, which have been valued at acquisition value as they represent a minority interest of the Bank. This value does not exceed their market value, calculated based on the equity method value of those investments.

Other investments:

They are related to works of art that are valued at acquisition cost, which does not exceed their recoverable value.

The investments as of March 31, 2017 and December 31, 2016 is comprised as follows:

<b>Description</b>		<b>March 31, 2017</b>	<b>December 31, 2016</b>
<b>Corporate securities</b>			
Investments in securities issued by private sector	Note b.4	8.913.888.872	8.913.888.872
Permanent investments - subordinated bonds (a)		10.000.000.000	10.000.000.000
<b>Subtotal</b>		<b>18.913.888.872</b>	<b>18.913.888.872</b>
<b>Assets acquired in credit recovery</b>			
Property		233.516.262.210	225.064.137.166
Movable property		23.203.818.559	24.868.812.559
<b>Subtotal</b>		<b>256.720.080.769</b>	<b>249.932.949.725</b>
Other investments		3.664.792	3.748.504
Investment income in the private sector		233.424.730	535.890.438
Allowances	Nota c.7	(10.164.653.909)	(10.130.439.984)
<b>Total</b>		<b>265.706.405.254</b>	<b>259.256.037.555</b>

**c.9. Property, plant and equipment**

The original values of property, plant and equipment and their accumulated depreciations are revalued up to the end of each year, pursuant to the change in the Consumer Price Index published by the Central Bank of Paraguay. According to this index, accumulated inflation in the three months ended March 31, 2017 was 1.5% and for the year ended December 31, 2016 was 3.9%. The net increase of the revaluation reserve at the end of each the year is disclosed in the "Revaluation reserve" account of the Bank's shareholders' equity.

The cost of improvements or additions are capitalized, while maintenance and repairs that do not increase the value of the goods or their useful life are expensed in the year they occur.

Depreciations are computed as from the month after their addition to the Bank's assets, through monthly charges to the results based on a straight-line basis, in the estimated years of useful life, except for the assets acquired in the merger process of Banco ABN AMRO Paraguay S.A., which continue with their original method and are computed as from the year after their addition. The residual value of revalued assets, taken as a whole, does not exceed the recoverable value thereof as of March 31, 2017, and December 31, 2016.

The breakdown of property, plant and equipment as of March 31, 2017, and December 31, 2016 is as follows:

Item	ORIGINAL VALUE				
	Balance at the beginning of year	Additions	Disposals	Revaluation	Balance at the end of year
<b>Bank Owned:</b>					
Real property - Land	10.510.083.114			114.042.946	10.624.126.060
Real property - Buildings	42.995.851.956			625.642.692	43.621.494.648
Furniture and office supplies	39.468.573.614	59.373.783	(10.780.055)	476.873.816	39.994.041.158
Computer hardware	59.185.005.881	571.573.286	(339.126.734)	459.110.483	59.876.562.916
Bank safe-deposit boxes	2.057.126.844		-	20.089.644	2.077.216.488
Transport materials	1.856.857.737			27.580.039	1.884.437.776
<b>Taken leasing:</b>					
Computer hardware	212.031.727	-	-	-	212.031.727
<b>As of March 31, 2017</b>	<b>156.285.530.873</b>	<b>630.947.069</b>	<b>(349.906.789)</b>	<b>1.723.339.620</b>	<b>158.289.910.773</b>
<b>As of December 31, 2016</b>	<b>149.004.768.473</b>	<b>9.568.276.221</b>	<b>(6.693.950.893)</b>	<b>4.406.437.072</b>	<b>156.285.530.873</b>

Item	Percentage of annual depreciation %	DEPRECIATIONS					Net amount at the end of the year
		Balance at the beginning of year	Additions	Disposals	Revaluation	Balance at end of year	
<b>Bank Owned:</b>							
Real property - Land	0%	-	-	-	-	-	10.624.126.060
Real property - Buildings	2,50%	(17.591.886.889)	(271.721.856)		(248.682.484)	(18.112.291.229)	25.509.203.419
Furniture and office supplies	10%	(25.300.128.581)	(1.078.440.981)	10.780.055	(268.028.931)	(26.635.818.438)	13.358.222.720
Computer hardware	25%	(44.438.778.477)	(1.947.008.423)	335.682.039	(242.750.977)	(46.292.855.838)	13.583.707.078
Bank safe-deposit boxes	10%	(1.559.727.086)	(37.778.834)	-	(12.800.249)	(1.610.306.169)	466.910.319
Transport materials	20%	(185.685.765)	(82.543.705)		(3.028.883)	(271.258.353)	1.613.179.423
<b>Taken leasing:</b>							
Computer hardware	25%	(88.346.551)	(13.251.984)	-	-	(101.598.535)	110.433.192
<b>As of March 31, 2017</b>		<b>(89.164.553.349)</b>	<b>(3.430.745.783)</b>	<b>346.462.094</b>	<b>(775.291.524)</b>	<b>(93.024.128.562)</b>	<b>65.265.782.211</b>
<b>As of December 31, 2016</b>		<b>(78.116.107.075)</b>	<b>(13.668.763.234)</b>	<b>4.388.270.114</b>	<b>(1.767.953.154)</b>	<b>(89.164.553.349)</b>	<b>67.120.977.524</b>

According to banking legislation, financial institutions operating in Paraguay are forbidden to pledge of PP&E, except for those affected to support of financial leasing operations and to the Central Bank of Paraguay.

The banking law sets a limit for investment in PP&E, which is 50% of effective equity. The book value of fixed assets of the Company at March 31, 2017 is within such limit.

#### c.10. Deferred charges

As of March 31, 2017 and December 31, 2016, this account is as follows:

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Item	Net Amount at beginning of year	Increases	Amortization for the year	Net amount at end of year
<b>March 31, 2017</b>				
Improvements and facilities in leased real property (*)	4.730.685.577		(795.617.991)	3.935.067.586
Office supplies and others	2.469.486.603	321.446.237	(687.471.586)	2.103.461.254
<b>Total</b>	<b>7.200.172.180</b>	<b>321.446.237</b>	<b>(1.483.089.577)</b>	<b>6.038.528.840</b>
<b>December 31, 2016</b>				
Improvements and facilities in leased real property (*)	6.461.089.632	1.244.423.664	(2.974.827.719)	4.730.685.577
Office supplies and others	2.301.959.009	3.219.336.411	(3.051.808.817)	2.469.486.603
<b>Total</b>	<b>8.763.048.641</b>	<b>4.463.760.075</b>	<b>(6.026.636.536)</b>	<b>7.200.172.180</b>

(\*) The Bank amortizes improvements and facilities in leased real property on a straight-line basis considering a useful life of 5 years.

### c.11 Bonds, debentures and bonds in circulation

#### a) Issued in local market

The chapter "Bonds, debentures and bonds issued into circulation" included in the items "Liabilities from financial transactions - not financial sector" of the balance sheet include subordinated bonds whose balance and detail of emissions to March 31, 2017 and December 31, 2016 is as follows:

Authorization Resolution issued by the Central Bank of Paraguay	Issuance currency	Issuance amount (*)	Maturity	Amount in issuance currency	Accounting balance at March 31, 2017	Accounting balance at December 31, 2016
00196/2010	PYG	25.000.000.000	1463 días	25.000.000.000	-	-
00196/2010	PYG	25.000.000.000	1827 días	25.000.000.000	-	-
00196/2010	PYG	20.000.000.000	1827 días	20.000.000.000	-	-
00196/2010	PYG	20.000.000.000	1820 días	20.000.000.000	20.000.000.000	20.000.000.000
00196/2010	PYG	20.000.000.000	2002 días	20.000.000.000	20.000.000.000	20.000.000.000
<b>PYG TOTAL</b>		<b>110.000.000.000</b>		<b>110.000.000.000</b>		
00196/2010	USD	5.000.000,00	1820 días	1.550.000	8.739.117.000	8.938.741.500
00196/2010	USD	5.000.000,00	2184 días	428.000	2.413.123.920	2.468.246.040
00027/2016	USD	10.000.000,00	2184 días	10.000.000	56.381.400.000	57.669.300.000
00027/2016	USD	8.630.000,00	2184 días	8.630.000	48.657.148.200	49.768.605.900
<b>USD TOTAL</b>		<b>28.630.000,00</b>		<b>20.608.000</b>		
<b>PYG EQUIVALENT TOTAL</b>					<b>156.190.789.120</b>	<b>158.844.893.440</b>

(A) The Central Bank of Paraguay has authorized, and the Bank has issued subordinated bonds in foreign currency up to an amount of US \$ 10,000,000, and in national currency up to an amount of Gs. 110.000.000.000 according to Resolution SB. SG. No. 00196/2010

(B) Through Resolution SB. SG. N ° 00027/2016, the Central Bank of Paraguay has authorized, and the Bank has issued, subordinated bonds in foreign currency in the amount of US \$ 18,630,000. In this Resolution, the Central Bank of Paraguay also authorized the issuance of subordinated bonds in national currency up to an amount of Gs. 50.000.000.000. At the end of the period of March 31, 2017, the Entity had not finalized the issue of bonds in Guarani.

The subordinated bonds are convertible into shares, in case it is necessary to reach the minimum capital required by the Law or to restore capital losses (Law 861/96). Subordinated bonds do not enjoy the deposit guarantee established in Law 2334/03.

#### b) Issued abroad

The Extraordinary General Meeting N° 39 dated April 26, 2013 approved the issue of bonds abroad for up to USD 300.000.000 (three hundred million US dollars). On January 16, 2014, the Regional Bank SAECA issued bonds for an amount of USD 300 million. The titles were listed in Luxembourg and have a term of five years and an interest rate of 8.125% per annum (interest payable semiannually).

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As of March 31, 2017 and December 31, 2016, the capital was included in the chapter of "Outstanding Bonds", in the items "Bonds issued abroad - Financial Sector" for an amount of PYG 1.691.442.000.000 and PYG 1.730.079.000.000, respectively.

Additionally, the Bank is committed to comply with certain positive and negative covenants according to the prospectus, which are monitored by the Board and management of the Bank.

#### **c.12 Limitations on available Assets or Equity and any other restrictions on property rights**

As of March 31, 2017 and December 31, 2016, the limitations were as follows:

##### **a) Minimum and special cash requirement:**

The Central Bank of Paraguay account as of March 31, 2017 and December 31, 2016, includes PYG 1.342.287.542.500 and PYG 1.343.779.569.704, respectively, which are restricted accounts held by the Bank as the minimum and special cash requirements. (See note c.3)

##### **b) Government securities:**

As of March 31, 2017 and December 31, 2016, the balance of the "Public and Private Securities" account includes National Treasury Bonds held in these portfolios for a total of Gs. 2.498.143.073 which guarantee repo operations (see note c.4).

As of March 31, 2017 and December 31, 2016, the Bank has delivered National Treasury Bonds for Gs. 15.349.542.007 and Gs. 15.070.361.325, respectively, as minimum guarantees required by BCP under the general regulations of the Paraguayan Payment System (see note c.4).

As of March 31, 2017, the Bank has received Monetary Regulation Bills of the BCP as collateral related to repurchase agreements for liquidity offer to other financial entities, through the BCP Interbank Liquidity Window (which are described in Note c.18), for a total value of Gs. 20,074,488,392, whose availability is restricted as explained in note c.12.

##### **c) Legal reserve:**

According to Article 27 of Law 861/96, financial institutions must have a reserve of not less than the equivalent of one hundred percent (100%) of its capital, which will be transferred annually not less than twenty percent (20%) of the net profits of each financial year.

Article 28 of the said Law provides that the legal reserve resources are automatically applied to cover losses in the financial year. In the following years, the total profits must be allocated to the legal reserve until the minimum amount thereof, or the highest that has been obtained in the process of its formation is reached again.

At any time, the amount of the reserve could be further increased with cash contributions.

##### **d) Monetary correction of capital stock:**

According to Article 11 of Law No. 861/96, financial institutions must update their capital annually according to Consumer Price Index (CPI) calculated by the Central Bank of Paraguay. The present value of the minimum capital requirement for the year 2017 and 2016 is PYG 50.000.000.000 and PYG 46.552.000.000, respectively, according to Circular SB SG No. 005/2017 and Circular SB SG No. 006/2016, respectively.

The Integrated Capital (common and preferred shares) of the Bank as of March 31, 2017 and December 31, 2016 amounted to PYG 908.028.700.000 (see note b.5), which exceeds the minimum capital requirement.

##### **e) Distribution of earnings:**

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According to provisions of Law No. 861/96 “General Law on Banks, Financial and Other Credit Institutions”, financial institutions may distribute their earnings after first obtaining approval of their respective audited annual financial statements by the Banks Regulatory Authority, provided it grants its approval within a period of one hundred and twenty days after year-end. After this term has elapsed without any findings by the Banks Regulatory Authority, earnings may be distributed.

The Ordinary Shareholders’ Meeting held on April 28, 2017 approved the distribution of earnings of 2016 fiscal year as follows:

<b>Item</b>	<b>Currency</b>	<b>Amounts</b>
Booking of legal reserve	PYG	51.819.939.278
Capitalization of earnings	PYG	92.485.000.000
Reserve Accumulated Results	PYG	12.078.865.133
Cash dividends - preferred shares	PYG	40.000.000.000
Cash dividends - common shares	PYG	39.636.374.032
<b>Total</b>		<b>236.020.178.443</b>

The Ordinary Shareholders’ Meeting held on April 29, 2016 approved the distribution of earnings of 2015 fiscal year as follows:

<b>Item</b>	<b>Currency</b>	<b>Amounts</b>
Booking of legal reserve	PYG	45.975.151.811
Capitalization of earnings	PYG	123.082.300.000
Cash dividends - preferred shares	PYG	40.000.000.000
Cash dividends - common shares	PYG	2.396.684.495
<b>Total</b>		<b>211.454.136.306</b>

**f) Preferred share dividends**

According to the original terms of the issuance of preferred shares, the shareholders will grant them a preferred dividend of 18% of the net profits for the year. The rate of preference dividend was reviewed by the Ordinary Shareholders Meeting in the fifth year of the issuance (2013), enhancing the assembly to modify this percentage for the following five years, according to market conditions, with a minimum of at least 6 points above the average inflation of the previous 10 years. Elapsed the first 10 years, and in subsequent meetings every five years, the respective meetings must establish new conditions for the following periods of five years.

The Ordinary General Shareholders’ Meeting held on October 18, 2013 resolved to set the preferred dividend rate of 16% for the following five years (2014 to 2018).

**g) Additional income tax for dividend distribution:**

According to the provisions of Law 125/91, as amended by Law 2421/04, the distribution of cash earnings are taxed at the rate of 5%. The Entity records the additional charge of income tax in the year in which the Shareholders decides the distribution.

Moreover, according to the tax regime established by those laws, profits remitted to foreign shareholders are subject to a withholding tax of 15% for income tax.

**h) Guarantees given in favor of Bancard S.A.:**

As of March 31, 2017 and December 31, 2016, the Bank granted in favor of Bancard S.A. a stand by guarantee in the amount of Gs. 17.579.935.763, issued by the Rabobank Netherland to guarantee the balances resulting from user transactions at automatic teller machines (ATMs) or points of sale (POS) of the Infonet network, as well as obligations that may arise from MasterCard, VISA and BancardCheck credit card transactions.

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**c.13 Guarantees granted with respect to liabilities**

As of March 31, 2017, the loans obtained from GOVCO LLC in agreement with Citibank N.A. New York, and guaranteed by the Overseas Private Investment Corporation (OPIC), with a principal balance of US \$ 7,697,607.00, are guaranteed by means of promissory notes of US \$ 18,473,335.55.

As of December 31, 2016, the loans obtained from GOVCO LLC in agreement with Citibank N.A. New York and guaranteed by the Overseas Private Investment Corporation (OPIC), with a principal balance of US \$ 10,065,792.00, are guaranteed by means of promissory notes of US \$ 18,473,335.55.

Additionally, the Bank is committed to comply with certain financial, positive and negative covenants according to the contracts and agreements with multilateral credit institutions, and according to the prospectus of securities abroad, which are monitored by the Board and Management of the Bank. As of December 31, 2016 financial covenants that are out of range have the approved waivers of the borrowers that support the validity of the terms originally agreed upon by said operations.

There are no other limitations to the free disposal of assets or equity nor other restrictions on property rights.

**c.14 Distribution of performing loans and financial liabilities according to their maturity dates**

Below are the placements and deposits as of March 31, 2017 and December 31, 2016, classified according to remaining maturity.

Balances include interest accrued, forward contracts/repo and loans before allowances.

**As of March 31, 2017**

Item	Terms remaining to maturity					Total
	Up to 30 days	From 31 days up to 180 days	From 181 days up to 1 year	Over 1 year up to 3 years	Over 3 years	
Performing loans financial sector	136.680.054.609	224.581.177.337	58.177.611.955	40.573.207.227	43.513.421.882	503.525.473.010
Performing loans nonfinancial sector	1.855.200.177.741	2.962.519.164.572	1.213.981.503.216	1.803.762.925.946	2.368.161.487.812	10.203.625.259.287
<b>Total Performing loans</b>	<b>1.991.880.232.350</b>	<b>3.187.100.341.909</b>	<b>1.272.159.115.171</b>	<b>1.844.336.133.173</b>	<b>2.411.674.909.694</b>	<b>10.707.150.732.297</b>
Obligations financial sector	492.432.972.394	235.032.475.283	370.621.639.610	2.148.407.148.245	401.942.519.955	3.648.436.755.487
Obligations nonfinancial sector	5.544.301.933.159	1.008.181.661.976	1.510.038.450.902	1.710.018.616.484	327.175.636.534	10.099.716.299.055
<b>Total Obligations</b>	<b>6.036.734.905.553</b>	<b>1.243.214.137.259</b>	<b>1.880.660.090.512</b>	<b>3.858.425.764.729</b>	<b>729.118.156.489</b>	<b>13.748.153.054.542</b>

**As of December 31, 2016**

Item	Terms remaining to maturity					
	Up to 30 days	From 31 days up to 180 days	From 181 days up to 1 year	Over 1 year up to 3 years	Over 3 years	Total
Performing loans financial sector	149,156,853,714	304,183,353,177	45,667,649,362	41,443,897,081	46,478,466,283	586,930,219,617
Performing loans nonfinancial sector	1,126,201,935,403	3,708,522,541,525	1,248,274,199,545	1,880,014,854,857	2,400,682,156,748	10,363,695,688,078
<b>Total Performing loans</b>	<b>1,275,358,789,117</b>	<b>4,012,705,894,702</b>	<b>1,293,941,848,907</b>	<b>1,921,458,751,938</b>	<b>2,447,160,623,031</b>	<b>10,950,625,907,695</b>
Obligations financial sector	486,117,421,888	192,766,000,952	341,677,865,278	2,240,354,862,222	405,850,876,237	3,666,767,026,577
Obligations nonfinancial sector	4,905,341,358,757	1,436,972,393,807	1,508,106,342,038	1,646,909,473,178	342,059,688,771	9,839,389,256,551
<b>Total Obligations</b>	<b>5,391,458,780,645</b>	<b>1,629,738,394,759</b>	<b>1,849,784,207,316</b>	<b>3,887,264,335,400</b>	<b>747,910,565,008</b>	<b>13,506,156,283,128</b>

**Liquidity risk management:** Liquidity risk is the risk that a bank may encounter difficulties in meeting its obligations related to financial commitments that are settled with a delivery of cash or other financial asset. The Bank's Board of Directors and Management control its liquidity mainly by matching the maturities of its assets and liabilities, pursuant to the short, medium and long term strategies in place and monitored (Treasury, ALM and Market Risk) on ongoing basis, for both assets and liabilities.

Additionally, the Bank has defined contingency plans for situations requiring temporary liquidity. The liquidity position is monitored and the liquidity stress tests are conducted on a regular basis in a variety of different scenarios that cover both normal market conditions and more severe ones. All liquidity policies and procedures are subject to the review and approval of the Assets and liabilities Committee and Board of Directors.

## c. 15 Concentration of the loans and deposits portfolio

### c.15.1 Concentration of the portfolio by number of customers

The concentration of portfolio held by the Bank as of March 31, 2017 and December 31, 2016, respectively, with the financial sector (SF) and nonfinancial (SNF), is exposed both in its portfolio of performing loans and nonperforming loans as on its obligations intermediation financial.

#### a. Loans portfolio

Number of customers	Amount and percentage of the Financial Sector loan portfolio				Amount and percentage of the Nonfinancial Sector loan portfolio			
	Performing PYG (*)	%	Nonperforming PYG (*)	%	Performing PYG (*)	%	Nonperforming PYG (*)	%
<b>As of March 31, 2017</b>								
10 largest borrowers	359,958,343,831	71%	-	0%	910,889,719,546	9%	134,103,272,954	55%
50 next largest borrowers	143,567,129,179	29%	-	0%	2,417,713,419,575	24%	83,356,942,273	34%
100 next largest borrowers	-	0%	-	0%	1,911,591,556,481	19%	18,367,524,708	7%
Other largest borrowers	-	0%	-	0%	4,963,430,563,685	49%	9,545,402,519	4%
<b>Total</b>	<b>503,525,473,010</b>	<b>100%</b>	<b>-</b>	<b>0%</b>	<b>10,203,625,259,287</b>	<b>100%</b>	<b>245,373,142,454</b>	<b>100%</b>
<b>As of December 31, 2016</b>								
10 largest borrowers	354,790,372,520	60%	33,847,114,520	100%	924,181,085,312	9%	107,016,825,476	54%
50 next largest borrowers	232,139,847,097	40%	-	0%	2,341,185,210,406	23%	65,510,071,367	33%
100 next largest borrowers	-	0%	-	0%	1,900,673,594,802	18%	16,968,964,218	8%
Other largest borrowers	-	0%	-	0%	5,197,655,797,558	50%	10,374,809,994	5%
<b>Total</b>	<b>586,930,219,617</b>	<b>100%</b>	<b>33,847,114,520</b>	<b>100%</b>	<b>10,363,695,688,078</b>	<b>100%</b>	<b>199,870,671,055</b>	<b>100%</b>

(\*) Include accrued interest, unrealized valuation earnings and forward contracts/repo, before allowances.

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**b. Deposit portfolio**

Number of customers	Amount and percentage of deposit portfolio					
	Financial Sector	%	Non-Financial Sector	%	Government Sector	%
	PYG (*)		PYG (*)		PYG (*)	
<b>As of March 31, 2017</b>						
10 largest depositors	333.600.083.651	54%	647.075.497.118	8%	1.339.475.258.559	97%
50 next largest depositors	254.035.135.759	41%	1.169.049.920.930	14%	38.587.594.481	3%
100 next largest depositors	35.341.479.319	6%	1.065.927.918.120	13%	-	0%
Others depositors	-	0%	5.377.959.632.739	65%	-	0%
<b>Total</b>	<b>622.976.698.729</b>	<b>100%</b>	<b>8.260.012.968.907</b>	<b>100%</b>	<b>1.378.062.853.040</b>	<b>100%</b>

<b>As of December 31, 2016</b>						
10 largest depositors	298.042.137.737	59%	721.712.324.614	9%	1.288.633.682.719	97%
50 next largest depositors	175.662.745.710	35%	1.225.330.740.468	15%	33.410.178.382	3%
100 next largest depositors	27.927.731.960	6%	1.053.082.278.322	13%	-	0%
Others depositors	-	0%	5.192.501.196.112	63%	-	0%
<b>Total</b>	<b>501.632.615.407</b>	<b>100%</b>	<b>8.192.626.539.516</b>	<b>100%</b>	<b>1.322.043.861.101</b>	<b>100%</b>

(\*) Include amounts of current account and time deposits, without accrued interests at the end of the year.

**c.15.2 Concentration by geographic area and currency**

**a. Loans portfolio**

Item	Loans to Financial Sector PYG (*)	%	Loans to Nonfinancial Sector PYG (*)	%
<b>As of March 31, 2017</b>				
Residents in Paraguay	503.525.473.010	100%	10.203.625.259.287	100%
Nonresidents in Paraguay	-	0%	-	0%
<b>Sub-Total</b>	<b>503.525.473.010</b>	<b>100%</b>	<b>10.203.625.259.287</b>	<b>100%</b>
Allowances	(80.203.079)		(170.288.254.815)	
<b>TOTAL</b>	<b>503.445.269.931</b>		<b>10.033.337.004.472</b>	
In local currency	251.280.586.767	50%	3.170.779.472.031	31%
In foreign currency	252.244.886.243	50%	7.032.845.787.256	69%
<b>Sub-Total</b>	<b>503.525.473.010</b>	<b>100%</b>	<b>10.203.625.259.287</b>	<b>100%</b>
Allowances	(80.203.079)		(170.288.254.815)	
<b>TOTAL</b>	<b>503.445.269.931</b>		<b>10.033.337.004.472</b>	
<b>As of December 31, 2016</b>				
Residents in Paraguay	586.930.219.617	100%	10.363.695.688.078	100%
Nonresidents in Paraguay	-	0%	-	0%
<b>Sub-Total</b>	<b>586.930.219.617</b>	<b>100%</b>	<b>10.363.695.688.078</b>	<b>100%</b>
Allowances	(78.824.666)		(177.913.081.221)	
<b>TOTAL</b>	<b>586.851.394.951</b>		<b>10.185.782.606.857</b>	
In local currency	321.919.077.128	55%	3.324.960.250.666	32%
In foreign currency	265.011.142.489	45%	7.038.735.437.412	68%
<b>Sub-Total</b>	<b>586.930.219.617</b>	<b>100%</b>	<b>10.363.695.688.078</b>	<b>100%</b>
Allowances	(78.824.666)		(177.913.081.221)	
<b>TOTAL</b>	<b>586.851.394.951</b>		<b>10.185.782.606.857</b>	

(\*) Include accrued interest, unrealized valuation earnings and forward contracts/repo, before allowances.

**b. Deposits and mortgages portfolio**

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Item	Financial Sector PYG	%	Nonfinancial Sector PYG	%
<b>As of March 31, 2017</b>				
Residents in Paraguay	1.127.704.672.288	32%	9.961.367.871.657	100%
Nonresidents in Paraguay	2.403.047.171.633	68%	31.973.356.738	0%
<b>Sub-Total (*)</b>	<b>3.530.751.843.921</b>	<b>100%</b>	<b>9.993.341.228.395</b>	<b>100%</b>
Other liabilities (**)	117.684.911.566		106.375.070.660	
<b>TOTAL</b>	<b>3.648.436.755.487</b>		<b>10.099.716.299.055</b>	
In local currency	461.571.417.391	13%	4.166.090.452.985	42%
In foreign currency	3.069.180.426.530	87%	5.827.250.775.410	58%
<b>Sub-Total (*)</b>	<b>3.530.751.843.921</b>	<b>100%</b>	<b>9.993.341.228.395</b>	<b>100%</b>
Other liabilities (**)	117.684.911.566		106.375.070.660	
<b>TOTAL</b>	<b>3.648.436.755.487</b>		<b>10.099.716.299.055</b>	
<b>As of December 31, 2016</b>				
Residents in Paraguay	996.807.750.496	29%	9.573.929.270.398	98%
Nonresidents in Paraguay	2.474.744.780.707	71%	147.187.267.083	2%
<b>Sub-Total (*)</b>	<b>3.471.552.531.203</b>	<b>100%</b>	<b>9.721.116.537.481</b>	<b>100%</b>
Other liabilities (**)	195.214.495.374		118.272.719.070	
<b>TOTAL</b>	<b>3.666.767.026.577</b>		<b>9.839.389.256.551</b>	
In local currency	424.037.980.556	12%	3.959.526.290.276	41%
In foreign currency	3.047.514.550.647	88%	5.761.590.247.205	59%
<b>Sub-Total (*)</b>	<b>3.471.552.531.203</b>	<b>100%</b>	<b>9.721.116.537.481</b>	<b>100%</b>
Other liabilities (**)	195.214.495.374		118.272.719.070	
<b>TOTAL</b>	<b>3.666.767.026.577</b>		<b>9.839.389.256.551</b>	

(\*) Include amounts of demand deposits and time deposits without interest accrued to the closing date, direct loans from financial institutions, bonds outstanding and deferred documentary credits.

(\*\*) Other liabilities include accrued interest not considered deposits and ATM transactions pending transactions to be settled.

### C 15.3 Loan portfolio non-financial sector distributed by economic sector

#### As of March 31, 2017

Economic sector	Loans to Nonfinancial sector (*)	
	As of March 31, 2017	
	PYG	%
Agricultural Crops in Gral.- Agriculture	1.307.052.059.994	13%
Real Estate Management	1.249.124.214.201	12%
Wheat cultivation	18.870.211.588	0%
Animal Husbandry	790.956.244.455	8%
Manufacturing industries	782.916.075.954	8%
Wholesale Trade	1.761.618.295.911	17%
Retail trade	712.237.978.424	7%
Services	235.241.918.341	2%
Consumption	407.336.232.185	4%
Building	84.634.329.063	1%
living place	164.173.914.457	2%
Financial Intermediation	74.377.432.679	1%
Public sector	20.940.210.074	0%
Other Not specified	2.594.146.141.263	25%
<b>Total</b>	<b>10.203.625.258.589</b>	<b>100%</b>

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**As of December 31, 2016**

Economic sector	As of December 31, 2016	
	PYG	%
	Agriculture	4.463.524.317.711
Livestock activities	797.190.143.057	8%
Industry	923.167.263.131	9%
Retail trade	1.183.898.645.674	11%
Wholesale business	776.596.721.727	7%
Services	970.089.268.388	9%
Consumer	412.365.264.739	4%
Exports	623.843.705.492	6%
Consumption - housing	159.781.413.157	2%
Government sector	19.781.400.144	0%
Others	33.457.544.858	0%
<b>Total</b>	<b>10.363.695.688.078</b>	<b>100%</b>

(\*) Includes interest income, unrealized valuations earnings and forward contracts/repo, before allowances.

**c.16 Credits and contingencies involving related parties**

The balances with related parties each year end are as follows:

**As of March 31, 2017**

Item	Carrying amount before allowances (b)	Allowances	Carrying amount net of allowances
<b>Assets</b>			
Deposits in Financial Entities	45.067.217.476	-	45.067.217.476
Performing loans (a)	204.300.749.619	(89.458)	204.300.660.161
Credit-related contingencies	5.474.310.319	-	5.474.310.319
<b>Total</b>	<b>254.842.277.414</b>	<b>(89.458)</b>	<b>254.842.187.956</b>
<b>Liabilities</b>			
Deposits	59.197.988.841	-	59.197.988.841
<b>Total</b>	<b>59.197.988.841</b>	<b>-</b>	<b>59.197.988.841</b>

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**As of December 31, 2016**

<b>Item</b>	<b>Carrying amount before allowances (b)</b>	<b>Allowances</b>	<b>Carrying amount net of allowances</b>
<b>Assets</b>			
Deposits in Financial Entities	1.837.979.621	-	1.837.979.621
Performing loans (a)	200.408.269.296	-	200.408.269.296
Credit-related contingencies	4.463.889.831	-	4.463.889.831
<b>Total</b>	<b>206.710.138.748</b>	<b>-</b>	<b>206.710.138.748</b>
<b>Liabilities</b>			
Deposits	44.502.378.031	-	44.502.378.031
<b>Total</b>	<b>44.502.378.031</b>	<b>-</b>	<b>44.502.378.031</b>

(a) The performing credits do not include accrued interest.

(b) Law 861/96 establishes limits for lending to related parties, which may not exceed an amount equivalent to 20% of the effective equity of the Bank.

**c.17 Other liabilities**

This account as of March 31, 2017 and December 31, 2016 is as follows:

<b>Item</b>	<b>March 31, 2017 PYG</b>	<b>December 31, 2016 PYG</b>
Taxes payable	10.763.305.316	11.985.989.298
Social security payables	216.234.033	1.078.608.556
Dividends payable	188.490.857	188.490.857
Financial lease payables	107.012.799	124.382.876
Accounts payable	4.737.254.075	1.768.555.015
Cashier's check issued	27.863.062.496	20.029.724.223
Other liabilities	5.808.014.937	22.268.167.188
Revenue Perceived Not Accrued	432.491.810	4.006.997.980
<b>Total</b>	<b>50.115.866.323</b>	<b>61.450.915.993</b>

**c.18 Transactions to be settled**

This chapter records the balances of the following transactions:

a) Forward Operations:

Contracts are compulsory exchange of currencies in the future at a rate previously agreed between the parties ("Forwards" coin) that are initially recognized at fair value conclusion. Thereafter, any change in that amount is credited to income, valuing at nominal value converted at spot prices start; and all contracts denominated in foreign currency are updated at the spot rate on each closing date of the financial statements.

b) Repo operations

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A repo operation occurs when the Bank acquires or transfers securities in exchange for the delivery of an amount of cash, assuming in the act and time commitment to transfer or acquire back the property of such securities to its "counterpart" values of the same species and Features the same day or at a later date at a specified price.

Under regulations of the Central Bank of Paraguay repo transactions are recorded as part of "Transactions to be settled" in the areas Appropriations current financial brokerage and financial intermediation obligations.

The amounts recorded in the Operations window interbank liquidity (Operations VLI) - Offer consist of the amounts granted to BCP plus bonuses agreed. In turn, the VLI Operations - Demand refers to the irrevocable commitment to sell securities obtained under the operation, and that are in custody by the BCP, the nominal value of the securities transferred.

## FINANCIAL SECTOR

### Repurchase transactions through interbank liquidity window

<b>Future sales of securities purchased through the Interbank Liquidity Window</b>	<b>March 31, 2017 PYG</b>	<b>December 31, 2016 PYG</b>
Debtors for future sale of purchased securities	22.724.841.106	100.398.567.489
Creditors for future sale of securities	(25.363.452.530)	(107.497.360.949)

### Forward Operations

<b>Forward purchases of foreign currency - Financial Sector:</b>	<b>March 31, 2016 PYG</b>	<b>December 31, 2015 PYG</b>
Debtors for purchase transactions forward foreign currency	31.081.648.845	6.037.688.301
Payable for purchase transactions forward foreign currency	(31.828.400.000)	(6.025.000.000)
<b>Total Forward contracts - Assets</b>	<b>53.806.489.951</b>	<b>106.436.255.790</b>
<b>Total Forward contracts - Liabilities</b>	<b>(57.191.852.530)</b>	<b>(113.522.360.949)</b>

## NO FINANCIAL SECTOR

### Repo Operations

<b>Forward purchases of securities sold - Non-financial Sector:</b>	<b>March 31, 2017 PYG</b>	<b>December 31, 2016 PYG</b>
Debtors for future purchase transactions of sold securities (repo)	-	-
Creditors for future purchase transactions of sold securities (repo)	-	-

### Forward Operations

<b>Forward sales of foreign currency - Non-financial sector:</b>	<b>March 31, 2017 PYG</b>	<b>December 31, 2016 PYG</b>
Receivables from sales transactions forward foreign currency	37.967.000.000	37.967.000.000
Creditors for operations through forward foreign currency	(36.693.478.861)	(37.905.864.055)

<b>Forward purchases of foreign currency - Non-financial sector:</b>	<b>March 31, 2017 PYG</b>	<b>December 31, 2016 PYG</b>
Debtors for purchase transactions forward foreign currency	-	3.479.866.640
Payable for purchase transactions forward foreign currency	-	(3.420.450.000)

<b>Total Forward contracts - Assets</b>	<b>37.967.000.000</b>	<b>41.446.866.640</b>
<b>Total Forward contracts - Liabilities</b>	<b>(36.693.478.861)</b>	<b>(41.326.314.055)</b>

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**c.19 Relevant information for the period**

a) Issuance of subordinated bonds:

Given the need to strengthen the regulatory capital of the Bank as a result of steady and gradual increase in the Bank's assets as of April 26, 2013 the Extraordinary General Meeting grants the Board the authority to issue subordinated bonds in Guarani and US Dollars up to a maximum equivalent to Gs.150.000.000.000 (Guarani hundred and fifty billion).

In exercising that discretion, the Board determined in its Acts No. 008/2015 dated 18 August 2015 and No. 010/2015 dated November 25, 2015, the issuance of subordinated bonds under the schemes Programs Global emission called G2 and USD2, worth Gs. 50,000,000,000 (Guarani Fifty billion) and US \$ 18,630,000 (US Dollars Eighteen million six hundred thirty thousand) respectively.

By Resolution SB. SG. No. 00027/2016 dated February 26, 2016, the Superintendency of Banks has authorized the issuance of subordinated bonds in domestic and foreign currency up to a maximum equivalent of Gs. 150 billion.

The following data broadcasts made are as follows:

Series	Currency of issue	Issue amount (*)	Date of issue	Maturity
1	US\$	10.000.000	04/25/2016	2555 days
2	US\$	8.630.000	04/26/2016	
<b>Total</b>		<b>18.630.000</b>		

At the date of issuance of these financial statements, the Regional Bank S.A.E.C.A.It has not offered even on the market the Subordinated Notes in Guarani.

b) Banking Law:

On December 19, 2016, the Executive Branch enacted Law No. 5,787 / 16 on the Modernization and Strengthening of Rules Governing the Functioning of the Financial System. This Law modifies several articles of the General Law 861/96 of Banks, Financial and Other Credit Entities. The new Law grants greater powers to the Central Bank of Paraguay to provide, through resolutions, modifications on the required minimum capital, calculation of effective equity and risk weights, among others.

It also applies greater requirements in the provision of information on shareholders, regardless of the percentage of participation in regulated entities, and communication on change in the directive board of the regulated entity. The financial entities operating in Paraguay must comply with the new regulatory environment insofar as the Central Bank of Paraguay issues the regulations of the Law.

**D. EQUITY**

**d.1 Effective Equity**

The effective equity is used for determining limits and operational restrictions established by the Superintendence of Banks of the Central Bank of Paraguay, for financial entities operating in Paraguay.

The Bank's shareholders' equity as of March 31, 2017 and December 31, 2016, totaled PYG 1.549.880.000.000 and PYG 1.438.346.000.000, respectively.

According to the Resolution of the Board of the Central Bank of Paraguay No. 1, Act No. 44 dated July 21, 2011, as amended by Resolution No. 3, Act No. 4 dated February 2, 2012, the minimum percentage of effective equity should keep financial institutions of the country is a) Tier 1 - Main Capital 8%, b) Tier 2 - Main Capital plus supplementary capital of 12%.<

As of March 31, 2017 and December 31, 2016, the Bank maintained this relationship:

	<u>March 31, 2017</u>	<u>December 31, 2016</u>
Tier 1 - Principal Capital	13,85%	13,82%
Tier 2 – Principal Capital + Supplementary Capital	18,13%	17,32%

#### **d.2 Minimum capital**

The minimum capital adjusted for inflation in 2017, according to Central Bank of Paraguay provisions on this matter, is mandatory for banks operating in the Paraguayan financial system to hold as paid in capital at least an amount of PYG 50.000 million as of March 31, 2017, (PYG 46.552 million as of December 31, 2016). The potential capital deficit of a bank with regard to the minimum capital required annually to financial institutions must be covered prior to the end of the first six months of each year.

As of March 31, 2017, and December 31, 2016, the Bank had a paid in capital in common and preferred shares of PYG 908.923.000.000 and 908.028.700.000 respectively , which exceeded the minimum amount required by Central Bank of Paraguay regulations as of those dates.

#### **d.3 Prior year adjustments**

The Plan and Manual states that BCP accounts settings prior year's results are recorded in the income statement for the year without affecting the equity accounts of the Bank. At March 31, 2017, the net adjustment is an expense of PYG. 2.106.350.301 included in the chapter "Prior year adjustments" (expense PYG. 465.990.715 at March 31, 2016).

### **E. CONCERNING THE CONTINGENCIES AND MEMORANDUM ACCOUNTS**

The balance of contingency accounts as of March 31, 2017 and December 31, 2016 corresponds to credit lines granted to debtors for credit card transactions, loans granted in current accounts, and other agreed pending utilization lines. These lines as a whole do not exceed 10% of total assets.

The Bank has recorded in contingency accounts the following balances related to commitments or responsibilities:

#### **a) Contingency accounts**

<b>Conceptos</b>	<b>31/03/2017</b>	<b>31/12/2016</b>
Guarantees granted	129.492.094.036	159.046.344.789
Documentary credits to be negotiated	124.495.455.537	111.178.079.997
Credits to be used in current accounts	265.536.254.037	237.293.592.305
Credits to be used by using cards	269.054.504.980	269.762.375.368
<b>Total</b>	<b>788.578.308.590</b>	<b>777.280.392.459</b>

#### **a) Memorandum accounts**

The accounts are comprised as follows:

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<b>Concepto</b>	<b>31/03/2017</b>	<b>31/12/2016</b>
Guarantees received	11.258.441.811.067	11.553.384.907.068
Management of securities and deposits	1.302.268.333.667	1.206.112.236.436
Business abroad and collections	42.552.504.503	44.308.599.872
Sale and transfer of portfolio	381.539.482.101	375.309.639.817
Other order accounts	579.678.185.746	558.167.173.426
<b>Total</b>	<b>13.564.480.317.084</b>	<b>13.737.282.556.619</b>

## F. INFORMATION REGARDING INCOME (LOSS)

### f.1 Recognition of income and loss

The Bank applied the accrual method in recognizing income and allocating expenses and costs incurred, with the following exceptions referred to the fact that income is recognized as profit upon collection, as set forth by Resolution No. 1, Record No. 60 issued by the Central Bank of Paraguay on September 28, 2007, and its subsequent amendments and additions:

- a) Interest accrued and not collected from borrowers with nonperforming loans and unrealized valuation earnings;
- b) Financial products accrued and not collected related to borrowers and credits classified in categories 2 (not by subjective criteria), 3, 4, 5 and 6. The same are recognized as profit upon collection.
- c) Unrealized valuation earnings of borrowers with nonperforming loans, which are classified in categories 2 (not by subjective criteria), 3, 4, 5 and 6. The same are recognized as profit upon collection.
- d) Income to be realized through the sale of assets in installments, which are recognized as revenue as the loans are collected;
- e) Unrealized valuation of earnings of the above mentioned transactions.
- f) Certain fees for bank services.

### f.2 Foreign exchange difference

Foreign exchange differences related to assets and liabilities in foreign currency are shown as net amounts in the "Valuation of assets and liabilities in foreign currency" line of the statement of income, and their breakdown is as follows:

<b>Item</b>	<b>March, 31 2017 PYG</b>	<b>March, 31 2016 PYG</b>
Income from valuation of financial assets and liabilities in foreign currency	1.933.550.107.239	1.861.821.728.220
Loss from valuation of financial assets and liabilities in foreign currency	(1.935.562.954.281)	(1.859.828.665.357)
<b>Net foreign exchange differences on financial assets and liabilities in foreign currency</b>	<b>(2.012.847.042)</b>	<b>1.993.062.863</b>
Income from valuation of other assets and liabilities in foreign currency	7.097.220.915	8.460.865.509
Loss from valuation of other assets and liabilities in foreign currency	(5.847.104.252)	(5.965.111.067)
<b>Net foreign exchange differences on other assets and liabilities in foreign currency</b>	<b>1.250.116.663</b>	<b>2.495.754.442</b>
<b>Net foreign exchange differences on total assets and liabilities in foreign currency</b>	<b>(762.730.379)</b>	<b>4.488.817.305</b>

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As described in point (c) of note f.1 above, the foreign exchange differences related to loans in foreign currency that are nonperforming and/or performing and classified in categories “3”, “4”, “5” and “6”, are recognized as income as they are collected.

The net foreign exchange differences from foreign exchange and arbitrage transactions are disclosed in the lines of the statement of income called “Other operating income - Gains for exchange and arbitrage operations”.

### **f.3 Contributions to the Deposit Guarantee Fund (FGD)**

Under the provisions of Law No. 2334 dated December 12, 2003, financial institutions provide mandatory funds to the FGD administered by the Central Bank of Paraguay an amount equivalent to the 0.12% of the average quarterly balances of its portfolio of deposits domestic and foreign, on a quarterly basis.

The amount contributed by the company to FGD for the years ended March 31, 2017 and March 31, 2016 amounted to PYG 12.174.828.138 and PYG 12.342.250.666, respectively. The amounts contributed by the Bank to the DGF, are not recoverable and are included in the line "General Expenses" of the chapter "Other operating expenses" of the Statement of Income.

### **f.4 Income tax**

Income tax which is charged to the results for the year at a rate of 10% is based on book income before tax, adjusted by the items that the law and its regulations include or exclude for the determination of net taxable income.

The income tax charger to results of the years ended March 31, 2017 and March 31, 2016, amounts to total PYG 5.798.747.541 and PYG 4.980.818.578, respectively. This amount does not include the accrual of the additional 5% rate related to the distribution of earnings mentioned in note c.12.g), as the Bank books this additional income tax charge in the year in which the Shareholders' Meeting decides the distribution. The charge is recorded in the chapter "Other operating expenses" of the Statement of Income.

### **f.5 Effects of Inflation**

No adjustment for inflation procedures have been applied, except as mentioned in note c.9.

## **G. EVENTS SUBSEQUENT TO YEAR-END**

No other post-March 31, 2017 that involves significant changes in the financial structure and results for the three months ended on that date facts.