

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED ON
DECEMBER 31, 2016**

Presented for comparative purposes with the financial prior year

(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 of Shareholders to be held in 2017, within the period specified in the Bylaws and Article 1079 of the Civil Code.

The financial statements of the Bank at December 31, 2015 were approved by the Ordinary Shareholders' Meeting held on April 29, 2016.

B. BASIC INFORMATION ABOUT THE BANK

b.1 Legal status

Banco Regional Sociedad Anónima Emisora de Capital Abierto began under the name of Banco Regional S.A. de Inversión y Fomento, authorized by Decree of the Executive Power 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 such bank 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 integrate by merging such bank into Banco Regional SAECA. On September 3, 2009, the final merger agreement involving Banco ABN AMRO Paraguay S.A. was performed. 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.

At December 31, 2016 and 2015, the Bank had 37 branches.

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 accounting model is based on a conventional basis of historical cost, except for property, plant and equipment that are exposed 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, and do not recognize the overall effects of inflation on the financial position of the institution, or the results of its operations. According to the Consumer Price Index published by the Central Bank of Paraguay, inflation for the year ended on December 31, 2016 and 2015 was 3.9% and 3.1% respectively.

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 net 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 and,
- m. 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.

b.3 Foreign branches

The Bank has no foreign branches.

b.4 Shareholdings in other companies

Interest in capital stock in other companies at December 31, 2016 and 2015 is as follows:

Company Name	Condition	Currency	Face value	% equity interest	Carrying value in PYG
December 31, 2016					
Bancard S.A. - Paraguay	Affiliate	Gs.	7.995.000.000	6,67%	8.802.846.968
VISA INC - USA	Non-Affiliate	US\$	1	Minority	6.344
SWIFT	Non-Affiliate	EUR	19.800	Minority	111.035.560
Total					8.913.888.872
December 31, 2015					
Bancard S.A. - Paraguay	Affiliate	Gs.	5.775.000.000	6,67%	6.582.846.968
VISA INC - USA	Non-Affiliate	US\$	1	Minority	6.388
SWIFT	Non-Affiliate	EUR	19.800	Minority	111.035.560
Total					6.693.888.916

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 December 31, 2016 and 2015, by type of share, is as follows:

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	3.927.116	1	392.711.600.000
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 shares	2.500.000	-	250.000.000.000
9.080.287			908.028.700.000

December 31, 2015

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	3.174.585	1	317.458.500.000
Multiple Class "B" common shares	90.539	5	9.053.900.000
Common Class "B" common shares	1.948.531	1	194.853.100.000
Preferred	2.500.000	-	250.000.000.000
7.849.464			784.946.400.000

The shareholder structure is as follows:

As of December 31, 2016

Shareholders	Shares PYG	% Share	% Of votes	Country
Rabo Development B.V. (*)	351.736.200.000	38,74%	38,47%	Netherlands
Other resident minority shareholders	556.292.500.000	61,26%	61,53%	Paraguay
Total	908.028.700.000	100%	100%	

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

As of December 31, 2015

Shareholders	Shares PYG	% Share	% Of votes	Country
Rabo Development B.V. (*)	303.907.000.000	38,72%	38%	Netherlands
Other resident minority shareholders	481.039.400.000	61,28%	62%	Paraguay
Total	784.946.400.000	100,00%	100%	

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

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 December 31, 2016, the Board of Directors and Executive Officers are as follows:

BOARD OF DIRECTORS		Plana Ejecutiva	
President	Raúl Vera Bogado	General Manager	Eugenio Oze de Morvil
Vice-president	Cornelis J. Beijer	C.O.O.	Matheus den Exter
		Branch and Bussines Intelligence Manager	Justin Van Der Sluis
Directors	Alfredo Ricardo Raatz	Corporative Banking 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 Bussines	Jorge Sienkawiec
	Francisco Yanagida	Manager Risk Individual and SME's	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 Foreing Trade Manager	María Fernanda Carrón
		Human Resources Manager	Katya Spiridonoff
		Operations Manager	Isabel Galiano
		Legal Affairs Manager	Marcos Dalla Fontana
		Information Technology Manager	Mirtha González
		Administrative Manager	Fabio Sitzmann Hein
		Data Quality Manager	Erica Werner
		Notarized	Leticia Pérez Domínguez
		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 accounting rules, regulations and instructions 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 December 31, 2016 and 2015 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:

Currency	Exchange Rate at December 31, 2016	Exchange Rate at December 31, 2015
	PYG per foreign currency unit	
1 US Dollar	5.766,93	5.806,91
1 Euro	6.033,94	6.337,08
1 Yen	49,41	48,16
1 Real	1.768,78	1.456,10
1 Argentine Peso	366,54	447,34
1 Pound Sterling	7.055,84	8.619,20
1 Swiss Franc	5.626,82	5.869,12
1 Swedish Krona	631,99	688,97
1 Chinese Yuan	829,20	894,79
1 Australian Dollar	4.149,88	4.230,91
1 Canadian Dollar	4.259,18	4.180,04

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 December 31, 2016 and 2015 is as follows:

Concept	December 31, 2016		December 31, 2015	
	Arbitrated amount to USD	Equivalent amount to PYG	Arbitrated amount to USD	Equivalent amount to PYG
Total assets in foreign currency	1.564.605.929	9.022.972.872.239	1.647.337.952	9.565.943.228.808
Total liabilities in foreign currency	(1.557.710.509)	(8.983.207.464.850)	(1.647.933.306)	(9.569.400.396.274)
Net position in foreign currency	6.895.421	39.765.407.389	(595.354)	(3.457.167.467)

At December 31, 2016 and December 31, 2015, 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 December 31, 2016 and 2015 are as follows:

Item	December 31, 2016 PYG	December 31, 2015 PYG
Minimum cash requirement in PYG	410.206.331.375	411.333.165.036
Minimum cash requirements in USD	921.755.200.812	1.004.850.705.538
Minimum cash requirement in EUR	10.226.306.729	16.727.059.539
Special cash requirement in PYG	743.992.078	825.800.000
Special cash requirement in USD	847.738.710	3.804.149.248
Monetary Transactions Operations	372.505.000.000	177.251.000.000
Current accounts in PYG	622.498	44.705
Current accounts in USD	157.553.445.292	217.065.021.157
Current accounts EUR	4.753.493.039	5.038.310.473
Total	1.878.592.130.533	1.836.895.255.696

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. comprise Paraguayan Treasury Bonds and Monetary Regulations Instruments. The government and private securities at cost value plus accrued interest to be collected at December 31, 2016 and 2015 respectively, which does not exceed their estimated realizable value.

As of December 31, 2016

Government and private securities	Issuance currency	Amount in issuance currency	Amount in Paraguayan Guaranies	
			Face value	Book value
Paraguayan Treasury Bonds (a) and (b)	PYG	271.706.749.744	271.706.749.744	240.022.764.393
Monetary Regulations Instruments (b)	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
Total			978.706.749.744	951.701.160.424

As of December 31, 2015

Government and private securities	Issuance currency	Amount in issuance currency	Amount in Paraguayan Guaranies	
			Face value	Book value
Paraguayan Treasury Bonds (a) and (b)	PYG	386.853.335.994	386.853.335.994	315.024.407.102
Monetary Regulations Instruments (b)	PYG	451.280.000.000	451.280.000.000	418.992.098.760
Accrued interest			-	42.039.871.960
Total			838.133.335.994	776.056.377.822

a) As December 31, 2016 and December 31, 2015, the Bank has granted as guarantee Paraguayan Treasury Bonds held in its portafolio at those dates, for a total amount of PYG 2.498.143.073 and PYG 39.650.418.934, respectively, therefore its availability is restricted, as mentioned in note c.12b.

(b) As December 31, 2016 and December 31, 2015, the Bank has granted Paraguayan Treasury Bonds for a total amount of PYG 15.070.361.325 and Monetary Regulations Instruments for a total amount of

13.934.411.578, respectively, as minimum guarantees required by the BCP, under general regulations of the SIPAP (See also note c.12.b).

c.5 Assets and liabilities with adjustment clauses

Except for the loans obtained (liabilities) from the “Agencia Financiera de Desarrollo” and the loans granted (assets) with funds obtained from “Agencia Financiera de Desarrollo” and certain loans granted using the Bank’s own funds which involve contractual clauses for potential adjustments to the annual interest rates at December 31, 2016 and 2015 respectively, 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 segments: 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" according to subjective analysis, are recognized as revenue. 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 revenue 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 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 September 28, 2007, and
- 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 December 31, 2016

Risk Category	Book balance before allowances (a)	Guarantees computable for allowances	Allowances		Book balance 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
Total	586.930.219.617	150.594.174.291		(78.824.666)	586.851.394.951

As of December 31, 2015

Risk Category	Book balance before allowances (a)	Guarantees computable for allowances	Allowances		Book balance before allowances
			Minimum % (b)	Booked (c)	
1	547.940.878.393	123.706.921.429	0%	-	547.940.878.393
2	33.705.953.505	30.563.124.382	5%	(902.883.770)	32.803.069.735
Total	581.646.831.898	154.270.045.811		(902.883.770)	580.743.948.128

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 of the Central Bank of Paraguay No. 1, Act No. 60 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:

Concept	December 31, 2016	December 31, 2015
Fixed terms loans, not subject to adjustment	3.247.847.463.005	982.297.804.359
Installment loans, not subject to adjustment	5.524.965.052.216	7.928.373.007.624
Checks acquired in Paraguay	976.248.966	792.523.180
Loans for overdraft	90.697.782.556	143.327.854.224
Receivables from deferred credit documents	129.057.260.831	118.282.475.861
Receivables from use of credit cards	149.429.682.055	130.643.072.662
Loans with managed funds	463.367.765.501	683.365.267.088
Bills discounted	74.965.710.046	184.848.951.891
Deferred checks discounted	191.860.860.195	352.195.105.579
Portfolio purchase	236.157.035.538	335.270.161.927
Transactions pending settlement	41.446.866.640	52.072.144.854
Loans to the public sector	19.736.800.859	10.127.381.717
Receivables from accrued financial products	200.558.816.697	231.178.401.734
(-) Valuation gains recognition suspended	(7.371.657.027)	(4.042.402.700)
(-) Allowances	(177.913.081.221)	(180.192.370.436)
Total	10.185.782.606.857	10.968.539.379.564

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

As of December 31, 2016

Risks Category	Book balance before allowances (a)	Guaranties computable for allowances	Allowances		Book balance 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)
Total	10.363.695.688.078	5.537.587.017.816		(177.913.081.221)	10.185.782.606.857

As of December 31, 2015

Risk Category	Book balance before allowance (a)	Guarantees computable for allowances	Allowances		Book balance after allowances
			Minimum % (b)	Booked (d)	
1	9.268.880.621.612	4.644.258.928.264	0%	-	9.268.880.621.612
1a	593.731.269.823	354.404.064.684	0,5%	(2.792.807.764)	590.938.462.059
1b	195.160.243.460	124.865.276.100	1,5%	(1.980.207.501)	193.180.035.959
2	793.844.929.123	467.414.746.003	5%	(27.524.685.508)	766.320.243.615
3	175.526.251.429	77.474.224.225	25%	(34.403.260.878)	141.122.990.551
4	104.897.065.478	30.742.464.857	50%	(42.014.862.085)	62.882.203.393
5	9.969.326.788	5.351.040.714	75%	(4.400.031.278)	5.569.295.510
6	6.722.042.287	2.228.598.532	100%	(4.568.182.469)	2.153.859.818
Generic allowances (c)				(62.508.332.953)	(62.508.332.953)
Total	11.148.731.750.000	5.706.739.343.379		(180.192.370.436)	10.968.539.379.564

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 of the Central Bank of Paraguay No. 1, Act No. 60 dated September 28, 2007 and subsequent amendments;
- (c) Generic allowances established by the Bank in accordance with the requirements of Resolution of the Central Bank of Paraguay N° 1, Act No. 60 dated September 28, 2007 and subsequent amendments; 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:

Concept	December 31, 2016	December 31, 2015
Nonperforming loans - Status: past due - nonfinancial sector	24.976.395.234	14.887.318.422
Nonperforming loans - Status: undergoing proceedings	38.915.541.704	59.779.657.492
Nonperforming loans - Status: delinquent	130.159.759.037	188.105.760.706
Nonperforming loans - Status: past due - financial sector	32.238.564.112	1.672.119.884
Accrued interests	11.319.026.332	13.210.407.955
(-) Unrealized valuation earnings	(3.891.500.844)	(6.322.268.830)
(-) Allowances	(100.391.975.349)	(158.612.502.451)
Total	133.325.810.226	112.720.493.178

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

As of December 31, 2016

Risk Category	Book balance before allowances (a)	Guarantees computable for allowances	Allowances		Book balance 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
Total	233.717.785.575	116.816.907.895		(100.391.975.349)	133.325.810.226

As of December 31, 2015

Risk Category	Book balance before allowances (a)	Guarantees computable for allowances	Allowances		Book balance after allowances
			Minimum % (b)	Booked (c)	
1b	1.793.794.991	397.796.393	1,5%	(85.752.480)	1.708.042.511
2	8.191.652.387	2.029.462.725	5%	(1.270.092.797)	6.921.559.590
3	24.340.569.421	7.681.838.831	25%	(5.929.025.509)	18.411.543.912
4	40.634.266.861	16.108.495.359	50%	(15.807.105.206)	24.827.161.655
5	47.324.983.232	10.604.192.300	75%	(29.577.491.512)	17.747.491.720
6	149.047.728.737	43.675.375.390	100%	(105.943.034.947)	43.104.693.790
Total	271.332.995.629	80.497.160.998		(158.612.502.451)	112.720.493.178

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 of the Central Bank of Paraguay No. 1, Act No. 60 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 December 31, 2016 and 2015, are composed as follows:

Item	December 31, 2016	December 31, 2015
Prepaid expenses	2.077.192.281	2.290.241.215
Deferred changes related bound issuance abroad	13.024.748.659	18.563.658.352
Prepaid income tax (a)	20.700.868.320	17.371.809.512
Prepayment of goods and services purchases	4.066.998.759	2.952.456.014
Lawsuit expenses recoverable	6.002.028.960	3.012.181.548
Tax credit certificates	17.947.607.772	15.857.636.229
Value-added tax deductible	2.631.545.004	1.767.745.787
Uncollected accrued interest	2.511.060.127	1.035.565.868
Advanced to suppliers	2.183.329.482	1.933.465.668
Other	1.084.483.360	553.800.841
Receivables from sale of property	2.747.121.659	1.943.528.784
Expenses to be recovered	1.997.008.392	1.421.373.403
Compensation Claimed for losses	-	2.264.694.900
Valuation gains to be realized	(47.822.000)	-
Allowances (Note c.7)	(4.337.656.206)	(2.653.420.957)
Total	72.588.514.569	68.314.737.164

- a) The accrual for income tax liabilities included in the “Accruals” as of December 31, 2016 and 2015 was approximately PYG 23.079.517.948 and PYG 18.421.622.748, 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 to determine the portion of those portfolios that are not recoverable and considering the established, for each type of credit risk, laid down in the Resolution of the Central Bank of Paraguay No. 1, Act. No. 60 dated September 28, 2007, and its amendments and/or further extensions.

On a regular basis, Bank Management reviews and analyzes the loan portfolio pursuant to credit valuation standards established by 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, Act. No. 60, dated September 28, 2007, and Resolution No. 37, Act. No. 72, dated November 29, 2011.

The movement recorded during the years ended December 31, 2015, and 2014, in the allowance accounts is summarized as follows:

As of December 31, 2016

Concept	Balance at beginning of the year	Additions	Reclassification 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)
Total	(351.133.168.359)	(873.696.717.545)	254.152.552.252	676.551.501.024	1.270.772.324	(292.855.060.304)

As of December 31, 2015

Concept	Balance at the beginning of the year	Additions	Reclassification and adjustments to allowances for the	Reversal of allowances for the year	Changes from valuation in foreign currency	Balance at the end of the year
Cash and Bank	(2.223.073)	(593.546.220)	-	600.486.437	(7.467.497)	(2.750.353)
Performing loans - Financial sector	(663.257.870)	(1.943.593.581)	-	1.873.785.904	(169.818.223)	(902.883.770)
Performing loans - Nonfinancial sector	(82.322.978.224)	(435.586.365.848)	85.762.065	353.354.458.875	(15.723.247.304)	(180.192.370.436)
Other receivables	(2.727.641.002)	(1.705.103.357)	662.696.421	1.297.164.489	(180.537.508)	(2.653.420.957)
Nonperforming loans	(130.582.961.979)	(231.364.821.729)	63.226.171.937	145.426.345.613	(5.317.236.293)	(158.612.502.451)
Investments	(10.127.753.563)	(8.769.240.392)	10.064.202.986	300.844.232	(237.293.655)	(8.769.240.392)
Total	(226.426.815.711)	(679.962.671.127)	74.038.833.409	502.853.085.550	(21.635.600.480)	(351.133.168.359)

c.8 Investments

The investments accounts includes:

Assets received 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, Act. 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:

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 December 31, 2016 and 2015 is comprised as follows:

Description		<u>December 31, 2016</u>	<u>December 31, 2015</u>
Corporate securities			
Investments in securities issued by private sector	Note b.4	8.913.888.872	6.693.888.916
Permanent investments - subordinated bonds (a)		<u>10.000.000.000</u>	-
Subtotal		18.913.888.872	6.693.888.916
Assets acquired in credit recovery			
Real estate		225.064.137.166	149.480.777.719
Movable property		<u>24.868.812.559</u>	-
Subtotal		249.932.949.725	149.480.777.719
Other investments		3.748.504	3.774.492
Investments income in the private sector		535.890.438	-
Allowances	Note c.7	<u>(10.130.439.984)</u>	<u>(8.769.240.392)</u>
Total		<u>259.256.037.555</u>	<u>147.409.200.735</u>

(a) Subordinated bonds acquired through the stock exchange at the rate of 12% and a five-year term.

(b) During the year, the performance of guarantees has increased over previous years due to the economic conjunctures of the agricultural sector mentioned in note c.19 b). The Bank's Board establishes the policies and guidelines for the realization of the assets.

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 of the years ended at December, 2016, and 2015, was 3,9% and 3,1%, respectively. 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 recorded as assets, while maintenance and repairs that do not increase the value of the assets 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 December 31, 2016, and 2015.

The composition of Property, plant and equipment as of December 31, 2016, and 2015 is as follows:

Concept	ORIGINAL VALUE				
	Balance at the beginning of the year	Additions	Disposals	Revaluation	Balance at the end of the year
Bank Owned:					
Real estate - Land	10.218.599.137	-	-	291.483.977	10.510.083.114
Real estate - Buildings	41.378.708.549	-	-	1.617.143.407	42.995.851.956
Furniture and office supplies	37.956.438.223	1.431.313.662	(1.165.416.131)	1.246.237.860	39.468.573.614
Computer hardware	53.384.428.592	4.867.323.162	(200.156.454)	1.133.410.581	59.185.005.881
Bank safe-deposit boxes	1.992.983.642	-	-	64.143.202	2.057.126.844
Transport materials	1.983.210.003	3.269.639.397	(3.450.009.708)	54.018.045	1.856.857.737
Taken leasing:					
Computer hardware	2.090.400.327	-	(1.878.368.600)	-	212.031.727
As of December 31, 2016	149.004.768.473	9.568.276.221	(6.693.950.893)	4.406.437.072	156.285.530.873
As of December 31, 2015	145.799.108.044	9.821.932.321	(10.292.391.801)	3.676.119.909	149.004.768.473

Concept	Percentage of annual depreciation %	ACCRUED DEPRECIATION					Net amount at the end of the year
		Balance at the beginning of the year	Additions	Disposals	Revaluation	Balance at the end of the year	
Bank owned:							
Real estate - Land	0%	-	-	-	-	-	10.510.083.114
Real estate- Buildings	2,50%	(15.911.229.564)	(1.058.003.920)	-	(622.653.405)	(17.591.886.889)	25.403.965.067
Furniture and office supplies	10%	(21.031.467.647)	(4.269.993.981)	604.009.451	(602.676.404)	(25.300.128.581)	14.168.445.033
Computer hardware	25%	(36.699.767.972)	(7.418.208.542)	157.821.206	(478.623.169)	(44.438.778.477)	14.746.227.404
Bank safe-deposit boxes	10%	(1.364.243.559)	(160.039.359)	-	(35.444.168)	(1.559.727.086)	497.399.758
Transport materials	20%	(1.614.735.167)	(290.465.447)	1.748.070.857	(28.556.008)	(185.685.765)	1.671.171.972
Taken leasing:							
Computer hardware	25%	(1.494.663.166)	(472.051.985)	1.878.368.600	-	(88.346.551)	123.685.176
As of December 31, 2016		(78.116.107.075)	(13.668.763.234)	4.388.270.114	(1.767.953.154)	(89.164.553.349)	67.120.977.524
As of December 31, 2015		(72.214.025.422)	(13.870.672.641)	9.386.101.971	(1.417.510.983)	(78.116.107.075)	70.888.661.398

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 Bank at December 31, 2016 is within such limit.

c.10 Deferred charges

As of December 31, 2016 and 2015, this account is comprised as follows:

Concept	Balance at the beginning of the year	Increases	Amortization for the year	Balance at the end of the year
As of December 31, 2016				
Improvements and facilities in leased real estate (*)	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
Total	8.763.048.641	4.463.760.075	(6.026.636.536)	7.200.172.180
As of December 31, 2015				
Improvements and facilities in leased real estate (*)	9.467.415.650	1.554.150.891	(4.560.476.909)	6.461.089.632
Office supplies and others	2.274.686.907	3.452.622.296	(3.425.350.194)	2.301.959.009
Total	11.742.102.557	5.006.773.187	(7.985.827.103)	8.763.048.641

(*) 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 December 31, 2016 and 2015 is as follows:

Autorization resolution issued by the Central Bank of Paraguay	Issuance currency	Issuance amount (*)	Maturity	Amount in issuance currency	Accounting balance at December 31, 2016	Accounting balance at December 31, 2015
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	-	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
Total PYG	(a)	110.000.000.000		110.000.000.000		
00196/2010	USD	5.000.000,00	1820 días	1.550.000	8.938.741.500	9.000.710.500
00196/2010	USD	5.000.000,00	2184 días	428.000	2.468.246.040	2.485.357.480
00027/2016	USD	10.000.000,00	2184 días	10.000.000	57.669.300.000	-
00027/2016	USD	8.630.000,00	2184 días	8.630.000	49.768.605.900	-
Total USD	(b)	28.630.000,00		20.608.000		
PYG equivalent total					158.844.893.440	71.486.067.980

(a) The Central Bank of Paraguay has authorized, and the Bank has issued subordinated bonds in foreign currency up to an amount of USD 10.000.000, and in local currency up to an amount of PYG 110.000.000.000 according to Resolution SB. SG. N° 00196/2010.

(b) Through Resolution SB. SG. N° 00027/2016, the Central Bank of Paraguay has authorized and the Bank has issued subordinated bond in foreign currency up to an amount of USD 18.630.000. In the resolution, The Central Bank of Paraguay also authorized the issue of subordinated bonds in local currency up to an amount of PYG 50.000.000.000. At the end of the year, the Bank has not performed the issue of bonds in local currency.

Subordinated bonds will be convertible into shares, in the event the Bank needs to cover the minimum capital requirements set forth by law or to replace capital losses (Law 861/96). The subordinated bonds do not have the deposit guarantee protection provided in Law No. 2334/03.

b) Bonds 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. On January 16, 2014, the Bank 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).

As of December 31, 2016 and 2015, the capital was included in the chapter of “Outstanding Bonds”, in the items "Bonds issued abroad - Financial Sector" for an amount of PYG 1.730.079.000.000 and PYG 1.742.073.000.000, respectively.

Additionally, the Bank is committed to comply with certain positive and negative covenants according to the offering memorandum, which are monitored by the Board and management of the Bank. As of December 31, 2016, there were no breaches of these clauses.

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

As of December 31, 2016 and 2015, the following restrictions are over Assets and Equity:

a) Minimum and special cash requirement

The Central Bank of Paraguay account as of December 31, 2016 and 2015, includes PYG 1.343.779.569.704 and PYG 1.437.540.879.361, respectively, which are restricted accounts held by the Bank as the minimum and special cash requirement. (See note c.3)

b) Government Securities

As of December 31, 2016 and 2015, the balance in “Government and Private Securities” included Paraguayan Treasury Bonds for a total of PYG 2.498.143.073 and PYG 39.650.418.934 respectively, which grants Repo transactions (See note c.4).

As of December 31, 2016 and 2015, the Bank has given Paraguayan treasury bonds for a total of PYG 15.070.361.325 and Monetary Regulations Instruments for a total of PYG 13.934.411.578, respectively, as guarantees required by the Central Bank of Paraguay, under general regulations of the SIPAP. (See note c.4)

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 net profits of each financial year.

Also Article 28 of the Law 861/96 sets 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) Indexation of capital stock:

According to Article 11 of the Law 861/96, financial institutions must update their capital annually according to Consume Prince Index (IPC) calculated by the Central Bank of Paraguay. The present value of the minimum capital requirement of the year 2016 and 2015 is PYG 46.552.000.000 and PYG 43.296.000.000, respectively, according to Circular SB. SG. No. 006/2016 and Circular SB. SG. No. 001/2015 respectively.

The integrated capital (common and preferred shares) of the Bank as of December 31, 2016 and 2015, is PYG 908.028.700.000 and PYG 784.946.400.000 respectively; (See note b.5), which exceeds the minimum capital requirement.

e) Distribution of earnings:

According to provisions of Law No. 861/96 “General Law on Banks, Financial and Other Credit Institutions”, financial institutions can distribute their earnings after the approval of their 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 can be distributed.

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

Item	Currency	Amounts
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
Total		211.454.136.306

f) Preferred share dividends

According with 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 December 31, 2016, the Bank has provided Bancard S.A. portfolio of credit card affinity Classical Mastercard up to the total of PYG 17.579.935.763 which guarantee the operations that result from the transactions of users in ATMs or points of sale (POS's) of the Infonet Network, as well as the obligations that may arise as a result of the operations of credit cards of the MasterCard, VISA and Bancard Check brands.

As of December 31, 2015, the Bank granted in favor of Bancard S.A. a stand by guarantee in the amount of USD 2.265.000, 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.

c.13 Guarantees granted with respect to liabilities

As of December 31, 2016, the loans borrowed from GOVCO LLC, under an agreement with Citibank N.A. New York, and secured by Overseas Private Investment Corporation (OPIC), with a balance of USD 10.065.792 are guaranteed through customer promissory notes for a total value of USD 18.473.335.

As of December 31, 2015, the loans borrowed from GOVCO LLC, under and agreement with Citibank N.A. New York, and secured by Overseas Private Investment Corporation (OPIC), with a balance of USD 33.750.000 are guaranteed through customer promissory notes for a total value of USD 36.637.170.

Additionally, the Bank is committed to comply certain financial, positive and negative covenants according to the contracts and agreements with multilateral credit institutions, and according to the offering memorandum, which are monitored by the Board and Management of the Bank. As of December 31, 2016 the 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 December 31, 2016 and 2015, classified according to remaining maturity:

The balances includes interest accrued, forward contracts/repo and loan before allowances.

As of December 31, 2016

Item	Terms remaining to maturity					
	Up to 30 days	From to 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
Total Performing loans	1.275.358.789.117	4.012.705.894.702	1.293.941.848.907	1.921.458.751.938	2.447.160.623.031	10.950.625.907.695
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
Total Obligations	5.391.458.780.645	1.629.738.394.759	1.849.784.207.316	3.887.264.335.400	747.910.565.008	13.506.156.283.128

As of December 31, 2015

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	206.404.015.341	262.121.949.633	21.987.762.358	46.044.030.419	45.089.074.147	581.646.831.898
Performing loans nonfinancial sector	1.251.437.190.869	4.101.475.063.248	1.656.504.016.087	1.902.279.611.256	2.237.035.868.540	11.148.731.750.000
Total Performing loans	1.457.841.206.210	4.363.597.012.881	1.678.491.778.445	1.948.323.641.675	2.282.124.942.687	11.730.378.581.898
Liabilities financial sector	476.058.099.722	235.406.965.280	359.297.835.266	534.366.496.407	2.337.074.286.889	3.942.203.683.564
Liabilities nonfinancial sector	5.079.502.010.136	1.521.855.236.717	1.265.405.479.542	1.686.311.912.633	482.936.901.926	10.036.011.540.954
Total Obligations	5.555.560.109.858	1.757.262.201.997	1.624.703.314.808	2.220.678.409.040	2.820.011.188.815	13.978.215.224.518

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 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.15.1 Concentration of the portfolio by numbers of costumers

The concentration of portfolio held by the Bank as of December 31, 2016 and 2015, 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 (*)	%
As of December 31, 2016								
10 largest borrowers	354.790.372.520	60%	33.847.114.520	0%	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%
Total	586.930.219.617	100%	33.847.114.520	0%	10.363.695.688.078	100%	199.870.671.055	100%
As of December 31, 2015								
10 largest borrowers	440.149.527.536	76%	1.672.119.884	100%	925.482.119.330	8%	119.630.742.840	44%
50 next largest borrowers	141.497.304.362	24%	-	0%	2.403.465.114.116	22%	83.981.402.617	31%
100 next largest borrowers	-	0%	-	0%	1.923.727.374.511	17%	42.892.184.080	16%
Other largest borrowers	-	0%	-	0%	5.896.057.142.043	53%	23.156.546.208	9%
Total	581.646.831.898	100%	1.672.119.884	100%	11.148.731.750.000	100%	269.660.875.745	100%

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

a) Deposits portfolio

Number of customers	Amount and percentage of deposit portfolio					
	Financial Sector		Nonfinancial Sector			
	PYG	%	Private Sector	%	Public sector	%
			PYG		PYG	
As of December 31, 2016						
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%
Other depositors	-	0%	5.192.501.196.112	63%	-	0%
TOTAL	501.632.615.407	100%	8.192.626.539.516	100%	1.322.043.861.101	100%
As of December 31, 2015						
10 largest depositors	265.783.295.502	59%	743.003.409.401	9%	1.391.066.870.883	98%
50 next largest depositors	165.362.265.198	37%	1.270.504.895.906	15%	26.398.549.518	2%
100 next largest depositors	16.958.088.792	4%	1.018.761.607.701	12%	-	0%
Other depositors	-	0%	5.313.880.925.958	64%	-	0%
TOTAL	448.103.649.492	100%	8.346.150.838.966	100%	1.417.465.420.401	100%

(*) 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 (*)	%
As of December 31, 2016				
Residents in Paraguay	586.930.219.617	100%	10.363.695.688.078	100%
Nonresidents in Paraguay	-	0%	-	0%
Sub-Total	586.930.219.617	100%	10.363.695.688.078	100%
Allowances	(78.824.666)		(177.913.081.221)	
TOTAL	586.851.394.951		10.185.782.606.857	
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%
Sub-Total	586.930.219.617	100%	10.363.695.688.078	100%
Allowances	(78.824.666)		(177.913.081.221)	
TOTAL	586.851.394.951		10.185.782.606.857	

As of December 31, 2015				
Residents in Paraguay	581.646.831.898	100%	11.148.731.750.000	100%
Nonresidents in Paraguay	-	0%	-	0%
Sub-Total	581.646.831.898	100%	11.148.731.750.000	100%
Allowances	(902.883.770)		(180.192.370.436)	
TOTAL	580.743.948.128		10.968.539.379.564	
In local currency	287.865.023.978	49%	3.600.859.516.108	32%
In foreign currency	293.781.807.920	51%	7.547.872.233.892	68%
Sub-Total	581.646.831.898	100%	11.148.731.750.000	100%
Allowances	(902.883.770)		(180.192.370.436)	
TOTAL	580.743.948.128		10.968.539.379.564	

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

b) Liabilities

As of December 31, 2016

Item	Financial Sector PYG	%	Nonfinancial Sector PYG	%
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%
Sub-Total (*)	3.471.552.531.203	100%	9.721.116.537.481	100%
Other liabilities(**)	195.214.495.374		118.272.719.070	
TOTAL	3.666.767.026.577		9.839.389.256.551	
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%
Sub-Total (*)	3.471.552.531.203	100%	9.721.116.537.481	100%
Other liabilities(**)	195.214.495.374		118.272.719.070	
TOTAL	3.666.767.026.577		9.839.389.256.551	

As of December 31, 2015

Item	Financial Sector PYG	%	Nonfinancial Sector PYG	%
Residents in Paraguay	936.944.067.430	24%	9.771.506.470.219	99%
Nonresidents in Paraguay	2.906.232.393.069	76%	116.138.200.000	1%
Sub-Total (*)	3.843.176.460.499	100%	9.887.644.670.219	100%
Other Liabilities (**)	99.027.223.065		148.366.870.735	
TOTAL	3.942.203.683.564		10.036.011.540.954	
In local currency	478.711.819.864	12%	3.861.643.728.230	39%
In foreign currency	3.364.464.640.635	88%	6.026.000.941.989	61%
Sub-Total (*)	3.843.176.460.499	100%	9.887.644.670.219	100%
Other Liabilities (**)	99.027.223.065		148.366.870.735	
TOTAL	3.942.203.683.564		10.036.011.540.954	

(*) 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 nonfinancial sector distributed by economic sector

Economic Sector	Loans to nonfinancial sector (*)			
	As of December 31, 2016		As of December 31, 2015	
	PYG	%	PYG	%
Agriculture	4.463.524.317.711	43%	4.631.966.475.482	42%
Livestock activities	797.190.143.057	8%	789.248.881.706	7%
Industry	923.167.263.131	9%	1.191.268.621.178	11%
Retail trade	1.183.898.645.674	11%	935.540.298.030	8%
Wholesale business	776.596.721.727	7%	1.305.331.504.545	12%
Services	970.089.268.388	9%	994.744.637.649	9%
Consumer	412.365.264.739	4%	420.759.333.907	4%
Export	623.843.705.492	6%	662.496.217.256	6%
Consumption - housing	159.781.413.157	2%	158.245.877.909	1%
Government sector	19.781.400.144	0%	10.481.969.028	0%
Others	33.457.544.858	0%	48.647.933.310	0%
Total	10.363.695.688.078	100%	11.148.731.750.000	100%

(*) 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 December 31, 2016

Item	Book balance before allowances (*)	Allowances	Book balance net of allowances
Assets			
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
Total	206.710.138.748	-	206.710.138.748
Liabilities			
Deposits	44.502.378.031	-	44.502.378.031
Total	44.502.378.031	-	44.502.378.031

As of December 31, 2015

Item	Book balance before allowances (b)	Allowances	Book balance net of allowances
Assets			
Deposits of Financial Entities	69.959.568.762	-	69.959.568.762
Performing loans (a)	191.036.378.547	(178.943.698)	190.857.434.849
Credit-related contingencies	3.663.307.044	-	3.663.307.044
Total	264.659.254.353	(178.943.698)	264.480.310.655
Liabilities			
Deposits	37.880.423.100	-	37.880.423.100
Total	37.880.423.100	-	37.880.423.100

(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 December 31, 2016 and 2015 is as follows:

Item	December 31, 2016	December 31, 2015
Taxes payables	11.985.989.298	11.487.015.226
Social security payables	1.078.608.556	682.943.205
Dividends payable	188.490.857	105.967.042
Financial lease payables	124.382.876	852.249.056
Accounts payable	1.768.555.015	2.109.790.769
Cashier's check issued	20.029.724.223	26.583.502.254
Other liabilities	4.006.997.980	1.881.153.450
Total	39.182.748.805	43.702.621.002

c.18 Transactions to be settled

This chapter records the balance of the following transactions:

a) Forward Operations

Contracts are compulsory exchange of currencies in the future at a rate previously agreed between the parties (Foreing currency forwards) 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

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 a 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 chapter Performing loans and financial liabilities.

The amounts recorded in the interbank liquidity (Operations VLI) - Offer transactions are comprised of the amounts granted to BCP plus the agreed premiums. Also, the VLI - Demand Transactions refer to the irrevocable commitment to sell securities obtained by virtue of the transaction, which are in custody in BCP, at the nominal value of the securities to be transferred.

FINANCIAL SECTOR

a) Repo Operations

Through VLI	December 31, 2016	December 31, 2016
Debtors for future sale of purchased securities	100.398.567.489	-
Creditors for future sale of securities	(107.497.360.949)	(5)

b) Forward Operations

Forward purchases of foreign currency - Financial Sector	December 31, 2016	December 31, 2016
Receivables from foreign currency forward transactions	6.037.688.301	
Creditors for foreign currency forward transactions	(6.025.000.000)	

Total Forward contracts - Assets	106.436.255.790	-
Total Forward contracts - Liabilities	(113.522.360.949)	(5)

NONFINANCIAL SECTOR

a) Repo Operations

Forward purchases of securities sold - Nonfinancial Sector:	December 31, 2016	December 31, 2015
Debtors for future sales transactions of sold securities	-	39.650.418.934
Creditors for future purchase transactions of sold securities	-	(39.650.418.934)

b) Forward Operations

Forward sales of foreign currency - Nonfinancial Sector	December 31, 2016	December 31, 2015
Receivables from sales transactions forward foreign currency	37.967.000.000	9.808.616.420
Creditors for operations through forward foreign currency	(37.905.864.055)	(10.323.557.948)

Forward purchases of foreign currency - Nonfinancial Sector	December 31, 2016	December 31, 2015
Debtors for purchase transactions forward foreign currency	3.479.866.640	2.613.109.500
Creditors for purchase transactions forward foreign currency	(3.420.450.000)	(2.585.250.000)

Total Forward contracts - Assets	41.446.866.640	52.072.144.854
Total Forward contracts - Liabilities	(41.326.314.055)	(52.559.226.882)

c.19 Relevant information for the year

a) Issued subordinated bonds:

Given the need to strengthen the Bank's effective assets and as a result of the constant and gradual increase in assets, on April 26, 2013, the Extraordinary General Assembly granted the Board the

authority to issue subordinated bonds in Paraguayan Guaranies and USD, up to a Maximum equivalent to PYG 150.000.000.000.

The Board of Directors approve, in Acts No. 008/2015 dated August 18, 2015 and No. 010/2015 dated November 25, 2015, the issue of subordinated bonds under the schedules of the Global Issuance denominated G2 and USD2, by PYG 50.000.000.000 and USD 18.630.000 respectively.

According the resolution SB. SG. No. 00027/2016 of February 26, 2016, the Superintendence of Banks has authorized the issuance of Subordinated Bonds in local and foreign currency up to a maximum equivalent amount of PYG 150.000.000.000.

Below the emission, data are displayed:

Serie	Issue currency	Issue amount	Date of issue	Due Date	Expiry date
1	US\$	10.000.000	25/4/2016	24/4/2023	2555 días
2	US\$	8.630.000	26/5/2016	25/5/2023	2555 días
Total		18.630.000			

With respect to subordinated bonds in Guaranies, as of the date of issuance of these financial statements, the Bank has not yet offered in the market.

b) Agricultural Sector Situation:

During the years 2014 and 2015 the international prices of cereals have suffered a significant decrease that has affected the agricultural producers of the region and that could extend to the whole chain production and commercialization of these products. The fall in the price of commodities had a direct and indirect impact on the income of a large number of national producers and collectors, generating during the current year an increase in arrears throughout the system and, consequently, in the allowances. The measures taken by the Bank, since mid-2015, have made it possible to correct the situation and mitigate the impact, with the year closed with a controlled level of arrears. The increase in expenditure on allowances confirms that the Bank have the ability to successfully cope with a slowdown economic cycle, and even maintain positive growth rates in the portfolio and profits. Some of these measures have been based on refinancing or restructurings of the portfolio, and constitution of generic and specific allowances, application of guarantees and adjudication of guarantees in certain cases.

c) Bank Law:

On December 19, 2016, the Executive Power put in force Law No. 5.787/16. This Law modifies several articles of the Law 861/96 of Banks, Financial and Other Credit Entities. The new Law in force allows greater powers to the Central Bank of Paraguay to provide, through resolutions, modifications on the required minimum capital, calculation of the 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.

A. 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 effective equity as of December 31, 2016 and 2015, is PYG 1.438.346.000.000 and PYG 1.216.216.000.000, 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 December 31, 2016 and 2015, the Bank effective equity is as follows:

	<u>December</u> <u>31, 2016</u>	<u>December</u> <u>31, 2015</u>
Tier 1 - Main capital	13,82%	11,00%
Tier 2 - Main capital + Supplementary capital	17,32%	13,19%

d.2. Minimum Capital

The minimum capital indexed for inflation in 2016, 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 46.552.000.000 as of December 31, 2016 and PYG 43.296.000.000 as of December 31, 2015. The eventual deficit of capital with regard to the minimum capital required annually must be canceled prior to the end of the first six months of each year.

As of December 31, 2016, and 2015, the Bank had a paid in capital in common and preferred shares of PYG 908.028.700.000 and PYG 784.946.400.000, respectively, which exceeded the minimum amount required by Central Bank of Paraguay regulations as of such dates.

d.3. Prior year adjustments

The Plan and Manual of Accounts of Central Bank of Paraguay sets that prior year's adjustments must be record in the income statement. At December 31, 2016, the net prior year adjustment is a profit of PYG. 527.424.229 included in the chapter "Prior year adjustments" (at December 31, 2015 loss of PYG. 410.274.552).

B. CONCERNING THE CONTINGENCIES AND MEMORANDUM ACCOUNTS

a) Contingency accounts

The balance of contingency accounts as of December 31, 2016 and 2015 corresponds to credit lines approved to debtors for credit card transactions, loans granted in current accounts, and other approved credit lines pending of utilization. These credit 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:

Items	December 31, 2016	December 31, 2015
Guarantees provided	159.046.344.789	251.625.073.334
Documentary letters of credit to be negotiated	111.178.079.997	93.741.887.387
Lines of credit to be used in current accounts	237.293.592.305	298.239.194.286
Lines of credit to be used through credit cards	269.762.375.368	292.700.540.559
Total	777.280.392.459	936.306.695.566

b) Memorandum accounts

The accounts are comprised as follows:

Items	December 31, 2016	December 31, 2015
Guarantees received	11.553.384.907.068	12.491.342.528.948
Administration of securities and deposits	1.206.112.236.436	832.317.995.926
Documentary collection	44.308.599.872	66.368.863.455
Sale and transfer of portfolio	375.309.639.817	132.499.816.526
Other memorandum accounts	558.167.173.426	694.739.443.747
Total	13.737.282.556.619	14.217.268.648.602

C. INFORMATION REGARDING INCOME STATEMENT

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) Interest accrued and not collected related to borrowers and credits classified in categories 2 (not by subjective criteria), 3, 4, 5 and 6. Which are recognized as profit upon collection.
- c) Unrealized valuation earnings of performing and nonperforming loans in foreign currency, which are classified in categories 2 (not by subjective criteria), 3, 4, 5 and 6. Which are recognized as profit upon collection.
- d) Deferred income from sale of assets in installments, which are recognized as revenue when the loans are collected;
- e) Unrealized valuation earnings from sale of assets in installments.
- f) Certain fees for banking 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:

Item	December 31, 2016	December 31, 2015
Income from valuation of financial assets and liabilities in foreign currency	5.976.102.393.434	7.155.436.897.318
Loss from valuation of financial assets and liabilities in foreign currency	(5.982.893.420.901)	(7.157.844.936.545)
Net foreign exchange differences on financial assets and liabilities in foreign currency	(6.791.027.467)	(2.408.039.227)
Income from valuation of other assets and liabilities in foreign currency	25.061.501.228	25.975.939.282
loss from valuation of other assets and liabilities in foreign currency	(21.984.879.127)	(40.409.267.946)
Net foreign exchange differences on other assets and liabilities in foreign currency	3.076.622.101	(14.433.328.664)
Net foreign exchange differences on total assets and liabilities in foreign currency	(3.714.405.366)	(16.841.367.891)

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 when 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 quarterly average balances of its portfolio of deposits in local and foreign currency, on a quarterly basis.

The amount contributed by the company to FGD for the years ended December 31, 2016 and 2015 amounted to PYG 49.347.928.520 and PYG 48.186.020.911, 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 December 31, 2016 and 2015, amounts to total PYG 23.079.517.948 and PYG 18.421.622.748, 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). 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 Recognition of the effects of inflation

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

G. SUBSEQUENT EVENTS

There are no events that took place after December 31, 2016, that involved significant changes in equity and results of the Bank for the year ended as of such date.

Encarnación, February 23, 2017