

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED ON
DECEMBER 31, 2017**

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, 2017 will be considered by the General Assembly of Shareholders to be held in 2018, within the period specified in the Bylaws and Article 1079 of the Civil Code.

The financial statements of the Bank at December 31, 2017 were approved by the Ordinary Shareholders' Meeting held on April 28, 2017.

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, 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, valuation and risk classification criteria and presentation rules disposed by the Central Bank of Paraguay, which constitute the legal accounting standards in force in Paraguay for the presentation of the financial statements of financial entities regulated by the Central Bank of Paraguay.

As a result of the change in the accounting standards framework used in the preparation of the financial statements of the Bank as of and for the year ended December 31, 2017, with respect of the one used in the preparation of the financial statements of previous years, no differences were identified that require adjustment to or disclosure in the Bank's financial statements for the current year nor for the previous years, considering that the valuation, measurement, presentation and disclosure criteria, as applicable to the Bank, are the same than those applied in the prior years

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. Had a full monetary correction of the financial statements been applied, differences could have arisen in the presentation of the financial and patrimonial situation, in the results of operations and in the cash flows of the entity as of December 31, 2017 and 2016. According to the Consumer Price Index published by the Central Bank of Paraguay, inflation for the year ended on December 31, 2017 and 2016 was 4.5% and 3.9% 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 and eventual legal litigation initiated against the Entity.

In this context, and given the economic sector to which the bank's main credit facilities are provided, the Management has been observing certain specific cases on which has drawn up actions and plans that are expected to be completed in the first half of 2018. In line with said plans, it have been established allowances according to the results that is estimated to obtain from each negotiation.

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, 2017 and 2016 is as follows:

December 31, 2017					
Bancard S.A. - Paraguay	Affiliate	Gs.	9,675,000,000	6.67%	10,482,846,968
VISA INC - USA	Non-Affiliate	US\$	1	Minority	6,150
SWIFT	Non-Affiliate	EUR	19,800	Minority	111,035,560
Total					10,593,888,678
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

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, 2017 and 2016, by type of share, is as follows:

December 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	4,507,578	1	450,757,800,000
Multiple Class "B" common shares	90,539	5	9,053,900,000
Common Class "B" common shares	2,780,154	1	278,015,400,000
Preferred shares	2,500,000	-	250,000,000,000
10,014,080			1,001,408,000,000

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

The shareholder structure is as follows:

As of December 31, 2017

Shareholders	Shares PYG	% Share	% Of votes	Country
Other resident minority shareholders	539,478,700,000	53.86%	51.43%	Paraguay
Raatz Group	74,860,000,000	7.49%	10.17%	Paraguay
Rabo Development (*)	387,069,300,000	38.65%	38.40%	Holanda
Total	1,001,408,000,000	100%	100%	

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

As of December 31, 2016

Shareholders	Shares PYG	% Share	% Of votes	Country
Other resident minority shareholders	556,292,500,000	61.26%	61.53%	Paraguay
Rabo Development B.V. (*)	351,736,200,000	38.74%	38.47%	Netherlands
Total	908,028,700,000	100%	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, 2017, 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
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
		Operational Risk 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 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, 2017 and 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:

Currency	Exchange Rate at December 31, 2017	Exchange Rate at December 31, 2016
	PYG per foreign currency unit	
1 US Dollar	5,590.47	5,766.93
1 Euro	6,680.05	6,033.94
1 Yen	49.54	49.41
1 Real	1,692.08	1,768.78
1 Argentine Peso	299.36	366.54
1 Pound Sterling	7,518.62	7,055.84
1 Swiss Franc	5,712.14	5,626.82
1 Swedish Krona	678.70	631.99
1 Chinese Yuan	855.66	829.20
1 Australian Dollar	4,358.33	4,149.88
1 Canadian Dollar	4,437.59	4,259.18

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, 2017 and 2016 is as follows:

Concept	December 31, 2017		December 31, 2016	
	Arbitrated amount to USD	Equivalent amount to PYG	Arbitrated amount to USD	Equivalent amount to PYG
Total assets in foreign currency	1,545,992,368	8,642,823,952,368	1,564,605,929	9,022,972,872,239
Total liabilities in foreign currency	(1,539,515,177)	(8,606,613,412,359)	(1,557,710,509)	(8,983,207,464,850)
Net position in foreign currency	6,477,191	36,210,540,009	6,895,421	39,765,407,389

At December 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 December 31, 2017 and 2016 are as follows:

Item	December 31, 2017 PYG	December 31, 2016 PYG
Minimum cash requirement in PYG	411,297,381,697	410,206,331,375
Minimum cash requirements in USD	802,687,162,481	921,755,200,812
Minimum cash requirement in EUR	6,205,209,000	10,226,306,729
Special cash requirement in PYG	67,792,078	743,992,078
Special cash requirement in USD	-	847,738,710
Monetary Transactions Operations	336,798,000,000	372,505,000,000
Current accounts in PYG	127,212	622,498
Current accounts in USD	150,342,557,909	157,553,445,292
Current accounts EUR	5,322,173,057	4,753,493,039
Total	1,712,720,403,434	1,878,592,130,533

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 and Monetary Policy Instruments. The Paraguayan Treasury Bonds at face value plus accrued income at December 31, 2017 and 2016 and the Monetary Policy Instruments at face value plus total incomes minus incomes to be accrued as of December 31, 2017 and 2016.

As of December 31, 2017

Government and private securities	Issuance currency	Amount in issuance currency	Amount in Paraguayan Guaranes	
			Face value	Book value
Paraguayan Treasury Bonds (a)	PYG	80.442.744.521	80.442.744.521	70.398.611.695
Monetary Policy instruments	PYG	663.800.000.000	663.800.000.000	639.563.033.951
Accrued interest				19.012.980.021
Total			744.242.744.521	728.974.625.667

As of December 31, 2016

Government and private securities	Issuance currency	Amount in issuance currency	Amount in Paraguayan Guaranes	
			Face value	Book value
Paraguayan Treasury Bonds (a) and (b)	PYG	271.706.749.744	271.706.749.744	240.022.764.393
Monetary Policy 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

(a) As December 31, 2017 and December 31, 2016, the Bank has granted Paraguayan Treasury Bonds for a total amount of PYG 13,15,712,906 PYG 15,070,361,325 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, 2017 and 2016 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, 2017

Risk Category	Book balance before allowances (a)	Guaranties computable	Allowances		Book balance after allowances
			Minimum % (b)	Booked (c)	
1	508,783,513,524	151,680,609,916	0%	-	508,783,513,524
1a	218,783,574	217,000,012	0.5%	(550,051)	218,233,523
2	1,877,265,860	1,336,662,007	5%	(59,367,035)	1,817,898,825
Total	510,879,562,958	153,234,271,935		(59,917,086)	510,819,645,872

As of December 31, 2016

Risk Category	Book balance before allowances (a)	Guaranties computable	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

References:

- (a) Includes capital and interest and forward contracts (net of valuation earnings not accrued);
- (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, 2017	December 31, 2016
Fixed terms loans, not subject to adjustment	3,206,268,001,098	3,247,847,463,005
Installment loans, not subject to adjustment	5,878,597,922,242	5,524,965,052,216
Checks acquired in Paraguay	373,486,645	976,248,966
Loans for overdraft	84,056,016,523	90,697,782,556
Receivables from deferred credit documents	151,039,186,814	129,057,260,831
Receivables from use of credit cards	162,770,714,890	149,429,682,055
Loans with managed funds	521,956,256,757	463,367,765,501
Bills discounted	110,922,240,031	74,965,710,046
Deferred checks discounted	227,656,099,098	191,860,860,195
Portfolio purchase	80,274,920,636	236,157,035,538
Transactions pending settlement	14,558,048,816	41,446,866,640
Loans to the public sector	19,416,086,539	19,736,800,859
Receivables from accrued financial products	169,867,942,560	200,558,816,697
(-) Valuation gains recognition suspended	(878,680,247)	(7,371,657,027)
(-) Allowances	(154,881,735,630)	(177,913,081,221)
Total	10,471,996,506,772	10,185,782,606,857

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, 2017

Risks Category	Book balance before allowances (a)	Guaranties computable	Allowances		Book balance after allowances	
			Minimum % (b)	Booked (d)		
1	9,538,190,355,063	4,754,484,860,349	0%	(2,283,124,425)	9,535,907,230,638	
1a	195,711,138,008	107,840,825,389	0.5%	(735,882,704)	194,975,255,304	
1b	66,213,654,171	42,285,833,724	1.5%	(677,753,123)	65,535,901,048	
2	617,391,340,151	312,030,040,873	5%	(22,843,258,670)	594,548,081,481	
3	166,689,873,586	75,710,328,429	25%	(30,187,866,715)	136,502,006,871	
4	19,735,265,197	4,836,548,945	50%	(8,888,450,302)	10,846,814,895	
5	17,730,266,695	5,796,332,952	75%	(9,341,485,688)	8,388,781,007	
6	5,216,349,531	1,385,125,228	100%	(3,935,267,297)	1,281,082,234	
Generic allowances (c)					(75,988,646,706)	(75,988,646,706)
Total	10,626,878,242,402	5,304,369,895,889		(154,881,735,630)	10,471,996,506,772	

As of December 31, 2016

Risks Category	Book balance before allowances (a)	Guaranties computable	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	

References:

- (a) Includes capital and interest and forward contracts (net of valuation earnings not accrued);
- (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, 2017	December 31, 2016
Nonperforming loans - Status: past due - nonfinancial sector	10,982,112,066	24,976,395,234
Nonperforming loans - Status: undergoing proceedings	40,628,149,656	38,915,541,704
Nonperforming loans - Status: delinquent	182,341,089,867	130,159,759,037
Nonperforming loans - Status: past due - financial sector	-	32,238,564,112
Accrued interests	9,698,059,513	11,319,026,332
(-) Unrealized valuation earnings	(2,260,883,653)	(3,891,500,844)
(-) Allowances	(139,207,298,774)	(100,391,975,349)
Total	102,181,228,675	133,325,810,226

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, 2017

Risk Category	Book balance before allowances (a)	Guaranties computable	Allowances		Book balance after allowances
			Minimum % (b)	Booked (c)	
1b	1,894,466,797	1,417,600,462	2%	(133,092,803)	1,761,373,994
2	5,477,319,920	3,230,743,156	5%	(568,896,657)	4,908,423,263
3	16,775,998,699	893,096,458	25%	(4,484,575,610)	12,291,423,089
4	22,635,507,225	3,720,920,954	50%	(10,241,980,811)	12,393,526,414
5	28,295,128,694	10,850,750,473	75%	(14,867,129,283)	13,427,999,411
6	166,310,106,114	57,398,482,504	100%	(108,911,623,610)	57,398,482,504
Total	241,388,527,449	77,511,594,007		(139,207,298,774)	102,181,228,675

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

References:

- (a) Includes principal and interest and forward contracts (net of valuation earnings not accrued);
- (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, 2017 and 2016, are composed as follows:

Item	December 31, 2017	December 31, 2016
Prepaid expenses	3,754,630,395	2,077,192,281
Deferred changes related bound issuance abroad	6,997,588,823	13,024,748,659
Prepaid income tax (a)	25,348,311,190	20,700,868,320
Prepayment of goods and services purchases	3,953,761,023	4,066,998,759
Lawsuit expenses recoverable	8,866,985,135	6,002,028,960
Tax credit certificates	40,651,418,010	17,947,607,772
Value-added tax deductible	3,139,337,309	2,631,545,004
Uncollected accrued interest	5,601,716,041	2,511,060,127
Advanced to suppliers	2,936,885,268	2,183,329,482
Other	1,651,447,320	1,084,483,360
Receivables from sale of property	2,152,725,372	2,747,121,659
Expenses to be recovered	1,880,560,238	1,997,008,392
(Valuation gains to be realized)	(11,788,200)	(47,822,000)
Allowances (Note c.7)	(7,937,838,570)	(4,337,656,206)
Total	98,985,739,354	72,588,514,569

- a) The accrual for income tax liabilities included in the “Accruals” as of December 31, 2017 and 2016 was approximately PYG 18,198,704,353 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 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, Resolution No. 37, Act. No. 72, dated November 29, 2011 and Resolution No. 13, Act. No. 28, dated April 24, 2014.

The movement recorded during the years ended December 31, 2017, and 2016, in the allowance accounts is summarized as follows:

As of December 31, 2017

Concept	Balance at beginning of the year	Additions	Applications of allowances	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)	(314.831.916)	-	94.171.986	998.337	(222.744.471)
Performing Loans - Financial sector	(78.824.666)	(388.312.184)	-	407.327.461	(107.697)	(59.917.086)
Performing loans - Nonfinancial sector	(177.913.081.221)	(371.512.643.032)	12.995.682.883	378.209.081.039	3.339.224.701	(154.881.735.630)
Other receivables	(4.337.656.206)	(3.952.949.781)	142.182.619	151.326.347	59.258.451	(7.937.838.570)
Nonperforming loans	(100.391.975.349)	(314.549.549.850)	154.165.544.424	120.268.864.128	1.299.817.873	(139.207.298.774)
Investments	(10.130.439.984)	(2.766.197.261)	-	1.000.094.748	-	(11.896.542.497)
Total	(292.855.060.304)	(693.484.484.024)	167.303.409.926	500.130.865.709	4.699.191.665	(314.206.077.028)

As of December 31, 2016

Concept	Balance at beginning of the year	Additions	Applications of allowances	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)

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, 2017 and 2016 is comprised as follows:

As of December 31, 2017

Item	Book balance before allowances G	Allowances G	Book balance after allowances G
Assets			
Assets acquired in credit recovery	177.964.191.124	(11.896.542.497)	166.067.648.627
Other investments	3.633.806		3.633.806
Investments in securities issued by private sector	38.450.888.678		38.450.888.678
Permanent investments in corporate companies (a)	10.000.000.000	-	10.000.000.000
Investments income in the private sector	752.111.488	-	752.111.488
Total	227.170.825.096	(11.896.542.497)	215.274.282.599

As of December 31, 2016

Item	Book balance before allowances G	Allowances G	Book balance after allowances G
Assets			
Assets acquired in credit recovery	249.932.949.725	(10.130.439.984)	239.802.509.741
Other investments	3.748.504		3.748.504
Investments in securities issued by private sector	8.913.888.872		8.913.888.872
Permanent investments in corporate companies (a)	10.000.000.000	-	10.000.000.000
Investments income in the private sector	535.890.438	-	535.890.438
Total	269.386.477.539	(10.130.439.984)	259.256.037.555

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

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, 2017, and 2016, was 4.5% and 3.9%, 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, 2017, and 2016.

The composition of Property, plant and equipment as of December 31, 2017, and 2016 is as follows:

Concept	ORIGINAL VALUE				Balance at the end of the year
	Balance at the beginning of the year	Additions	Disposals	Revaluation	
Bank Owned:					
Real estate - Land	10,510,083,114	6,104,328,065	(2,905,565,412)	351,312,260	14,060,158,027
Real estate - Buildings	42,995,851,956	49,575,797,254	(16,183,927,899)	1,771,517,177	78,159,238,488
Furniture and office supplies	39,468,573,614	2,510,451,343	(2,556,554,720)	1,469,539,709	40,892,009,946
Computer hardware	59,185,005,881	6,007,961,934	(2,890,618,008)	1,557,065,183	63,859,414,990
Bank safe-deposit boxes	2,057,126,844	-	(82,385,353)	61,717,433	2,036,458,924
Transport materials	1,856,857,737	-	-	85,391,937	1,942,249,674
Taken leasing:					
Computer hardware	212,031,727	-	(212,031,727)	-	-
As of December 31, 2017	156,285,530,873	64,198,538,596	(24,831,083,119)	5,296,543,699	200,949,530,049
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

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%	-	-	-	-	-	14,060,158,027
Real estate- Buildings	2.50%	(17,591,886,889)	(1,025,697,473)	7,262,127,507	(715,006,298)	(12,070,463,153)	66,088,775,335
Furniture and office supplies	10%	(25,300,128,581)	(4,280,454,573)	1,781,738,379	(854,464,974)	(28,653,309,749)	12,238,700,197
Computer hardware	25%	(44,438,778,477)	(7,896,682,294)	2,874,548,418	(755,059,249)	(50,215,971,602)	13,643,443,388
Bank safe-deposit boxes	10%	(1,559,727,086)	(137,646,344)	81,522,403	(41,718,851)	(1,657,569,878)	378,889,046
Transport materials	20%	(185,685,765)	(380,335,315)	-	(16,653,780)	(582,674,860)	1,359,574,814
Taken leasing:							
Computer hardware	25%	(88,346,551)	(53,007,936)	141,354,487	-	-	-
As of December 31, 2017		(89,164,553,349)	(13,773,823,935)	12,141,291,194	(2,382,903,152)	(93,179,989,242)	107,769,540,807
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

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, 2017 is within such limit.

c.10 Deferred charges

As of December 31, 2017 and 2016, 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, 2017				
Improvements and facilities in leased real estate (*)	4,730,685,577	-	(2,031,034,217)	2,699,651,360
Office supplies and others	2,469,486,603	2,280,411,799	(2,947,741,342)	1,802,157,060
Total	7,200,172,180	2,280,411,799	(4,978,775,559)	4,501,808,420
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

(*) 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, 2017 and 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 December 31, 2017	Accounting balance at December 31, 2016
00196/2010	PYG	25,000,000,000	1463 days	25,000,000,000	-	-
00196/2010	PYG	25,000,000,000	1827 days	25,000,000,000	-	-
00196/2010	PYG	20,000,000,000	1827 days	20,000,000,000	-	-
00196/2010	PYG	20,000,000,000	1820 days	20,000,000,000	-	20,000,000,000
00196/2010	PYG	20,000,000,000	2002 days	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 days	1,550,000	-	8,938,741,500
00196/2010	USD	5,000,000.00	2184 days	428,000	2,392,721,160	2,468,246,040
00027/2016	USD	10,000,000.00	2555 days	10,000,000	55,904,700,000	57,669,300,000
00027/2016	USD	8,630,000.00	2555 days	8,630,000	48,245,756,100	49,768,605,900
Total USD	(b)	28,630,000.00		20,608,000		
PYG equivalent total					106,543,177,260	158,844,893,440

(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, 2017 and 2016, the capital was included in the chapter of "Outstanding Bonds", in the items "Bonds issued abroad - Financial Sector" for an amount of PYG 1,677,141,000,000 and PYG 1,730,079,000,000, respectively.

Additionally, the Bank is committed to comply with certain positive and negative covenants according to the offering memorandum, which are monitored by the Board and management of the Bank. As of December 31, 2017, 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, 2017 and 2016, the following restrictions are over Assets and Equity:

a) Minimum and special cash requirement

The Central Bank of Paraguay account as of December 31, 2017 and 2016, includes PYG 1,220,257,545,256 and PYG 1,343,779,569,704, 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, 2017 and 2016, the Bank has given Paraguayan treasury bonds for a total of PYG 13,915,712,906 and PYG 15,070,361,325, 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 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 December 31, 2017 and 2016, is PYG 1,001,408,000,000 and PYG 908,028,700,000 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 28, 2017 approved the distribution of earnings of 2016 fiscal year as follows:

Item	Currency	Amounts
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
Total		236,020,178,443

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 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, 2017 and 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.

c.13 Guarantees granted with respect to liabilities

As of December 31, 2017, 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 6,513,161 are guaranteed through customer promissory notes for a total value of USD 14,403,192.92

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 18,473,335.55

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, 2017 and 2016, classified according to remaining maturity:

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

As of December 31, 2017

Item	Terms remaining to maturity					Total
	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	
Performing loans financial sector	144,378,794,317	227,380,516,290	43,465,140,219	56,723,006,028	38,932,106,104	510,879,562,958
Performing loans nonfinancial sector	963,648,917,713	3,486,440,176,275	1,258,464,137,778	1,992,110,505,695	2,926,214,504,941	10,626,878,242,402
Total Performing loans	1,108,027,712,030	3,713,820,692,565	1,301,929,277,997	2,048,833,511,723	2,965,146,611,045	11,137,757,805,360
Obligations financial sector	426,614,516,388	788,349,610,418	189,786,776,683	2,164,554,931,787	386,437,728,304	3,955,743,563,580
Obligations nonfinancial sector	4,622,636,234,873	1,238,316,515,056	1,288,434,268,617	1,525,133,746,750	295,360,389,018	8,969,881,154,314
Total Obligations	5,049,250,751,261	2,026,666,125,474	1,478,221,045,300	3,689,688,678,537	681,798,117,322	12,925,624,717,894

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

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, 2017 and 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 (*)	%
As of December 31, 2017								
10 largest borrowers	385,986,692,453	76%	-	0%	905,234,810,922	9%	123,758,963,543	51%
50 next largest borrowers	124,892,870,505	24%	-	0%	2,405,917,324,327	23%	90,747,891,637	38%
100 next largest borrowers	-	0%	-	0%	2,158,131,608,878	20%	18,663,295,471	8%
Other largest borrowers	-	0%	-	0%	5,157,594,498,275	49%	8,218,376,798	3%
Total	510,879,562,958	100%	-	0%	10,626,878,242,402	100%	241,388,527,449	100%
As of December 31, 2016								
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%
Total	586,930,219,617	100%	33,847,114,520	100%	10,363,695,688,078	100%	199,870,671,055	100%

(*) Includes interest, valuation earnings not accrued and forward contracts/repo, before allowances.

a) Deposits portfolio

Number of customers	Amount and percentage of deposit portfolio					
	Financial Sector	%	Nonfinancial Sector			
			Private Sector	%	Public sector	%
PYG		PYG		PYG		
As of December 31, 2017						
10 largest depositors	291,507,070,185	54%	633,844,836,216	8%	950,100,534,731	97%
50 next largest depositors	214,818,659,762	40%	1,092,942,495,912	14%	25,998,328,530	3%
100 next largest depositors	31,518,761,585	6%	992,341,737,060	13%	-	0%
Other depositors	-	0%	5,044,108,176,916	65%	-	0%
TOTAL	537,844,491,532	100%	7,763,237,246,104	100%	976,098,863,261	100%
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%

(*). 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, 2017				
Residents in Paraguay	510,032,814,943	100%	10,626,878,242,402	100%
Nonresidents in Paraguay	846,748,015	0%	-	0%
Sub-Total	510,879,562,958	100%	10,626,878,242,402	100%
Allowances	(59,917,086)		(154,881,735,631)	
TOTAL	510,819,645,872		10,471,996,506,772	
In Local Currency	286,188,979,016	56%	3,550,707,203,282	33%
In Foreign Currency	224,690,583,942	44%	7,076,171,039,120	67%
Sub-Total	510,879,562,958	100%	10,626,878,242,402	100%
Allowances	(59,917,086)		(154,881,735,630)	
TOTAL	510,819,645,872		10,471,996,506,772	

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	

(*). Include accrued interest, valuation earnings not accrued and forward contracts/repo, before allowances.

b) Liabilities

As of December 31, 2017

Item	Financial Sector PYG	%	Nonfinancial Sector PYG	%
Residents in Paraguay	1,124,670,017,278	29%	8,751,326,394,674	98%
Nonresidents in Paraguay	2,731,699,590,649	71%	140,921,679,167	2%
Sub-Total (*)	3,856,369,607,927	100%	8,892,248,073,841	100%
Other liabilities(**)	99,373,955,653		77,633,080,473	
TOTAL	3,955,743,563,580		8,969,881,154,314	
In local currency	529,234,745,506	14%	3,775,171,992,503	42%
In foreign currency	3,327,134,862,421	86%	5,117,076,081,338	58%
Sub-Total (*)	3,856,369,607,927	100%	8,892,248,073,841	100%
Other liabilities(**)	99,373,955,653		77,633,080,473	
TOTAL	3,955,743,563,580		8,969,881,154,314	

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	

(*) 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 financial derivative.

c.15.3 Loan portfolio nonfinancial sector distributed by economic sector

Economic Sector	Loans to nonfinancial sector (*)	
	As of December 31, 2017	
	PYG	%
Agriculture	2,452,910,168,605	23%
Livestock activities	928,265,082,417	9%
Industry	942,296,559,531	9%
Retail trade	1,959,093,822,496	18%
Wholesale business	687,977,349,861	6%
Services	214,428,912,924	2%
Consumer	390,799,486,932	4%
Construction	119,885,584,025	1%
Consumption - housing	160,020,106,361	2%
Financial Intermediation	75,369,241,191	1%
Government sector	19,865,126,311	0%
Agribusiness	1,815,892,910,077	17%
Sale, Maintenance and Repair of Vehicles	272,231,213,461	3%
Personal services	422,044,675,641	4%
Others	165,798,002,569	2%
Total	10,626,878,242,402	100%

(*) Includes interest income, valuation earning not accrued and forward contracts/repo, before allowances.

(**)Corresponds to the new classification for the new CIU activities, modified by the Information Center in force this year 2017

Economic Sector	Loans to nonfinancial sector (*)	
	As of December 31, 2016	
	PYG	%
Agriculture	4,463,524,317,711	43%
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%
Export	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%
Total	10,363,695,688,078	100%

(*) Includes interest income, valuation earning not accrued 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, 2017

Item	Book balance before allowances (*)	Allowances	Book balance net of allowances
Assets			
Deposits in Financial Entities	6,057,377,488	-	6,057,377,488
Performing loans (a)	204,771,539,416	(28,618,736)	204,742,920,680
Credit-related contingencies	7,732,939,708	-	7,732,939,708
Total	218,561,856,612	(28,618,736)	218,533,237,876

Liabilities			
Deposits	53,852,893,091	-	53,852,893,091
Total	53,852,893,091	-	53,852,893,091

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

(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, 2017 and 2016 is as follows:

Item	December 31, 2017	December 31, 2016
Taxes payables	13,498,791,956	11,985,989,298
Social security payables	566,085,385	1,078,608,556
Dividends payable	520,684,140	188,490,857
Financial lease payables	-	124,382,876
Accounts payable	40,707,021,022	1,768,555,015
Cashier's check issued	47,471,371,244	20,029,724,223
Other liabilities	4,613,341,427	4,006,997,980
Uncollected Perceived Income	2,308,791,577	-
Total	109,686,086,751	39,182,748,805

c.18 Financial Derivative

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 "Financial Derivative" 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, 2017	December 31, 2016
Debtors for future sale of purchased securities	-	100,398,567,489
Creditors for future sale of securities	-	(107,497,360,949)

b) Forward Operations

Forward purchases of foreign currency - Financial Sector	December 31, 2017	December 31, 2016
Receivables from foreign currency forward transactions	8,088,258,830	6,037,688,301
Creditors for foreign currency forward transactions	(8,391,068,489)	(6,025,000,000)

Forward sales of foreign currency - Nonfinancial Sector	December 31, 2017	December 31, 2016
Receivables from sales transactions forward foreign currency	7,623,150,000	-
Creditors for operations through forward foreign currency	(7,379,420,400)	-

Total Forward contracts - Assets	15,711,408,830	106,436,255,790
Total Forward contracts - Liabilities	(15,770,488,889)	(113,522,360,949)

NONFINANCIAL SECTOR

b) Forward Operations

Forward purchases of foreign currency - Nonfinancial Sector	December 31, 2017	December 31, 2016
Debtors for purchase transactions forward foreign currency	3,370,048,816	3,479,866,640
Creditors for purchase transactions forward foreign currency	(3,443,700,000)	(3,420,450,000)

Forward sales of foreign currency - Nonfinancial Sector	December 31, 2017	December 31, 2016
Receivables from sales transactions forward foreign currency	11,188,000,000	37,967,000,000
Creditors for operations through forward foreign currency	(11,188,915,446)	(37,905,864,055)

Total Forward contracts - Assets	14,558,048,816	41,446,866,640
Total Forward contracts - Liabilities	(14,632,615,446)	(41,326,314,055)

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 Guaranes 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	4/25/2016	4/24/2023	2555 days
2	US\$	8,630,000	5/26/2016	5/25/2023	2555 days
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, 2017 and 2016, is PYG 1,606,129,000,000 and PYG 1,438,346,000,000, respectively.

Law 5787 dated December 19, 2016 establishes the composition of the principal capital (Level 1) and of the complementary capital (Level 2) of the financial entities, for the purpose of calculating their equity solvency. This Law also establishes the minimum proportion that must always exist between the principal capital and the amount of risk-weighted assets and contingents, in national or foreign currency, including its branches in the country and abroad, which do not may be less than 8% In the case of the minimum proportion between the principal capital (Level 1) and the complementary capital (Level 2) jointly and the total amount of the assets and contingencies of a financial institution weighted by their risk, in national or foreign currency, including its branches in the country and abroad, may not be less than 12% nor required greater than 14%.

As of December 31, 2017 and 2016, the Bank effective equity is as follows:

	<u>December 31,</u> <u>2017</u>	<u>December 31,</u> <u>2016</u>
Tier 1 - Main capital	14,63%	13,82%
Tier 2 - Main capital + Supplementary capital	17,70%	17,32%

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 50,000,000,000 as of December 31, 2017 and PYG 46,552,000,000 as of December 31, 2016. 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, 2017, and 2016, the Bank had a paid in capital in common and preferred shares of PYG 1,001,408,000,000 and PYG 908,028,700,000, 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, 2017, the net prior year adjustment is a profit of PYG. 3,843,791,219 included in the chapter "Prior year adjustments" (at December 31, 2016 profit of PYG. 527,424,229).

E. CONCERNING THE CONTINGENCIES AND MEMORANDUM ACCOUNTS

a) Contingency accounts

The balance of contingency accounts as of December 31, 2017 and 2016 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, 2017	December 31, 2016
Guarantees provided	220,331,893,493	159,046,344,789
Documentary letters of credit to be negotiated	139,396,169,326	111,178,079,997
Lines of credit to be used in current accounts	270,572,287,784	237,293,592,305
Lines of credit to be used through credit cards	294,928,774,947	269,762,375,368
Total	925,229,125,550	777,280,392,459

b) Memorandum accounts

The accounts are comprised as follows:

Items	December 31, 2017	December 31, 2016
Guarantees received	11,861,944,246,667	11,553,384,907,068
Administration of securities and deposits	876,886,644,838	1,206,112,236,436
Documentary collection	28,883,903,614	44,308,599,872
Sale and transfer of portfolio	540,266,487,258	375,309,639,817
Other memorandum accounts	616,325,933,654	558,167,173,426
Total	13,924,307,216,031	13,737,282,556,619

F. 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 valuation earnings not accrued;
- 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) valuation earnings not accrued 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) Valuation earnings not accrued 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, 2017	December 31, 2016
Income from valuation of financial assets and liabilities in foreign currency	4,407,229,100,116	5,976,102,393,434
Loss from valuation of financial assets and liabilities in foreign currency	(4,403,881,591,308)	(5,982,893,420,901)
Net foreign exchange differences on financial assets and liabilities in foreign currency	3,347,508,808	(6,791,027,467)
Income from valuation of other assets and liabilities in foreign currency	17,778,452,253	25,061,501,228
loss from valuation of other assets and liabilities in foreign currency	(15,389,721,153)	(21,984,879,127)
Net foreign exchange differences on other assets and liabilities in foreign currency - profit	2,388,731,100	3,076,622,101
Net foreign exchange differences on total assets and liabilities in foreign currency - profit (loss)	5,736,239,908	(3,714,405,366)

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, 2017 and 2016 amounted to PYG 48,004,132,710 and PYG 49,347,928,520, 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, 2017 and 2016, amounts to total PYG 18,198,704,353 and PYG 23,079,517,948, 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

On March 16, 2018, the Ordinary General Shareholders' Meeting approved the audited financial statements as of December 31, 2017. In addition, and in virtue of Note SB. SG. N ° 395/2018 dated 03/14/2018 issued by the Superintendency of Banks of the Central Bank of Paraguay, requesting certain accounting adjustments below the materiality thresholds established in its own technical standards, the Ordinary Shareholders' Assembly took notice and accepted the terms of the aforementioned Note SB.SG N ° 395/2018 with the respective accounting effects on the aforementioned approved financial statements.

In order to formalize the accounting effects derived from Note SB.SG N ° 395/2018, which were accepted by the Ordinary General Shareholders' Meeting on March 16, 2018, the Board of Directors of the Entity, voluntarily, resolved to proceed to the restatement of the financial statements as of December 31, 2017.

Francisco Furman S.
General Accountant

Roland Wolf
Syndic

Eugenio Oze de Morvil
General Manager

Raúl Vera Bogado
President