

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED ON DECEMBER 31, 2018

Presented for comparative purposes with prior year's financial statements

(Figures stated in Paraguayan Guarani)

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, 2018 will be considered by the Ordinary General Shareholders' Meeting to be held in 2019, within the period specified in the Corporate Bylaws and Article 1079 of the Civil Code.

The Ordinary Shareholders' Meeting held on March 16, 2018 approved the Bank's financial statements as of December 31, 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 indistinctly 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 recorded on the Public Registries on November 21, 2008, and with the CNV (Paraguayan securities commission) on December 4, 2008, through CNV Resolution No. 1156/08.

On April 22, 2009, the acquisition of 100% of the shares of Banco ABN AMRO Paraguay S.A. was completed, with the purpose of integrating such bank into Banco Regional SAECA, by merge. 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. Through 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, 2018 the Bank had 38 branches. (36 branches as of December 31, 2017)

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 (Paraguayan Guarani or PYG).

The financial statements have been prepared in accordance with accounting standards, risk-based valuation and 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.

The accounting model is based on a conventional basis of historical cost; except for property, plant and equipment, which are exposed in their revalued amounts, as explained in note c.9, and for the treatment assigned to monetary assets and liabilities in foreign currency, as explained in note c.1, which does not recognize the overall effect of inflation on the patrimonial and financial position of the institution, or the results of its operations. If a full monetary correction of the financial statements had been applied, differences could have arisen in the presentation of the entity's financial and patrimonial situation, in the results of its operations and in its cash flows as of December 31, 2018 and 2017. According to the Consumer Price Index published by the Central Bank of Paraguay, inflation for the year ended on December 31, 2018 and 2017 was 3.2% and 4.5%, respectively.

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, contingencies disclosure and income and expenses recognition. 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, deviate from the current circumstances, the original estimates and assumptions will be appropriately amended on the date on which those changes occur. 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, Management has noticed certain specific cases for which has drawn up actions and plans that are expected to be completed in the first half of 2019. In line with said plans, Management has established allowances according to the estimated results to be obtained from each negotiation.

b.3 Foreign branches

The Bank has no foreign branches.

b.4 Investment in other companies

Holding of capital stock issued by other companies at December 31, 2018 and 2017 is as follows:

Company Name	Condition	Currency	Face value	% equity interest	Carrying value in PYG
December 31, 2018					
Bancard S.A. - Paraguay	Affiliate	Gs.	9,675,000,000	6.67%	10,482,846,968
Regional Casa de Bolsa S.A.	Affiliate	Gs.	4,999,000,000	99.98%	4,999,000,000
VISA INC - USA	Non-Affiliate	US\$	1	Minority	6,557
SWIFT	Non-Affiliate	EUR	19,800	Minority	111,035,560
Total					15,592,889,085
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

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

b.5 Capital structure and shares characteristics

The composition of the paid-in capital, by type of share as of December 31, 2018 and 2017, is as follows:

December 31, 2018

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	5,041,369	1	504,136,900,000
Multiple Class "B" common shares	90,539	5	9,053,900,000
Common Class "B" common shares	3,110,161	1	311,016,100,000
Preferred shares	2,500,000	-	250,000,000,000
	10,877,878		1,087,787,800,000

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

The Bank's shareholding structure is as follows:

As of December 31, 2018

Shareholders	Shares PYG	% Share	% Of votes	Country
Other resident minority shareholders	585,164,200,000	53.79%	51.59%	Paraguay
Raatz Group	82,553,600,000	7.59%	10.03%	Paraguay
Rabo Development (*)	420,070,000,000	38.62%	38.38%	Holanda
Total	1,087,787,800,000	100%	100%	

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

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 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, 2018, the Bank’s Board of Directors and Executive Officers are as follows:

BOARD OF DIRECTORS		EXECUTIVE OFFICERS	
President	Raúl Vera Bogado	General Manager	Eugenio Oze de Morvil
Vice-president	Cornelis J. Beijer	Corporate Banking Acting Manager	Walter Duarte Kallus
		Finance Manager	Oscar Godoy Silvero
Directors	Alfredo Ricardo Raatz	Internal Audit Manager	Juan Carlos Meza
	Petrus van Jaarsveld	Compliance Manager	Antonio Gimenez González
	Wolfgang Brönstrup	Corporate Risk Manager and Business	Jorge Sienkawiec Szostak
Alternate directors	Irene Memmel de Matiauda	Manager Risk Individuals and SMEs	Mats Hernegard Per
	Erik Heyl	Branch Manager	Cynthia Sotelo Galeano
	Francisco Yanagida	Private Banking Manager	Anahi Heisecke Rivarola
	Adrian Lorenzutti	Treasury Manager	Daniel Cibils Farres
	Mirian Raatz de Soley	Correspondent and Foreign Trade Manager	María Fernanda Carrón
Syndic	Roland Wolff	Human Resources Manager	Katya Spiridonoff Benitez
Alternate Syndic	Lourdes Müller	Operations Manager	Diana Lafeld Rieszotka
		Information Technology Manager	Georgina Baumgarten Lavand
		Legal Affairs Manager	Marcos Dalla Fontana
		Individuals and Small Businesses	Ricardo Nowosad Gines
		Administrative Manager	Fabio Sitzmann Hein
		Operational Risk Manager	Erica Werner Schmidt
		Regular Notary	Leticia Perez Dominguez
		General Accountant	Oscar Godoy Silvero

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 (Paraguayan Guarani) 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 as of December 31, 2018 and 2017 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 force on the free foreign exchange market:

Currency	Exchange Rate at December 31, 2018	Exchange Rate at December 31, 2017
	PYG per foreign currency unit	
1 US Dollar	5,960.54	5,590.47
1 Euro	6,831.97	6,680.05
1 Yen	54.06	49.54
1 Real	1,539.55	1,692.08
1 Argentine Peso	157.92	299.36
1 Pound Sterling	7,560.95	7,518.62
1 Swiss Franc	6,085.91	5,712.14
1 Swedish Krona	665.97	678.70
1 Chinese Yuan	867.18	855.66
1 Australian Dollar	4,200.99	4,358.33
1 Canadian Dollar	4,367.98	4,437.59

The foreign exchange differences resulting from fluctuations in 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 Statement for the period, with the exceptions indicated in note f.1.

c.2 Position in foreign currency

The foreign exchange position at December 31, 2018 and 2017 is as follows:

Concept	December 31, 2018		December 31, 2017	
	Arbitrated amount to USD	Equivalent amount to PYG	Arbitrated amount to USD	Equivalent amount to PYG
Total assets in foreign currency	1,798,562,579.52	10,720,404,197,732	1,545,992,368.00	8,642,823,952,368
Total liabilities in foreign currency	(1,788,752,210.96)	(10,661,929,103,605)	(1,539,515,177.00)	(8,606,613,412,359)
Net position in foreign currency	9,810,368.56	58,475,094,112	6,477,191.00	36,210,540,009

At December 31, 2018 and December 31, 2017, the foreign currency position did not exceed the limit set by the Bank, through note 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 chose for their net position each year.

Market risk management: Market risk is the risk that changes in market prices, for instance, interest rates, changes in foreign currency, etc., 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 at the Central Bank of Paraguay

The deposits at the Central Bank of Paraguay at December 31, 2018 and 2017 are as follows:

Item	December 31, 2017	December 31, 2017
	PYG	PYG
Minimum cash requirements in PYG	416,455,223,978	411,297,381,697
Minimum cash requirements in USD	843,782,373,745	802,687,162,481
Minimum cash requirements in EUR	8,146,047,507	6,205,209,000
Special cash requirements in PYG	94,539,342	67,792,078
Special cash requirements in USD	2,351,552,241	-
Monetary Transactions Operations	424,820,000,000	336,798,000,000
Current accounts in PYG	824,883	127,212
Current accounts in USD	417,782,593,714	150,342,557,909
Current accounts EUR	2,744,341,886	5,322,173,057
Total	2,116,177,497,296	1,712,720,403,434

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. As of December 31, 2018 and 2017, the Paraguayan Treasury Bonds are valued at face value plus accrued income, and the Monetary Policy Instruments as of December 31, 2018 and 2017 are valued at face value plus total incomes minus incomes to be accrued.

As of December 31, 2018

Government and private securities	Issuance currency	Amount in issuance currency	Amount in Paraguayan Guaranes	
			Face value	Book value
Paraguayan Treasury Bonds (a)	PYG	90,677,794,521	90,677,794,521	88,913,479,107
Monetary Policy instruments	PYG	649,900,000,000	649,900,000,000	624,242,541,165
Accrued interest				16,935,350,265
Total			740,577,794,521	730,091,370,537

As of December 31, 2017

Government and private securities	Issuance currency	Amount in issuance currency	Amount in Paraguayan Guaranies	
			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

(a) As of December 31, 2018 and 2017, the Bank has granted Monetary Regulation Letters for a total of PYG 49,900,000,000 and PYG 13,915,712,906, respectively, as guarantees required by the Central Bank of Paraguay, under general regulations of the Paraguayan payment system SIPAP. (See note c.12.b).

c.5 Assets and liabilities with adjustment clauses

Except for the loans obtained (liabilities) from the Financial Agency for Development (in Spanish “Agencia Financiera de Desarrollo” or “AFD”), as well as the loans granted (assets) with funds obtained from AFD 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, 2018 and 2017, there were no other assets or liabilities with adjustment clauses.

c.6 Loan portfolio

Credit risk management:

Credit risk is controlled by the Bank’s Board of Directors and Management, mainly through evaluation and analysis of individual transactions, taking into consideration certain aspects, which are clearly defined in the Bank’s credit policies, such as: proven ability to pay and indebtedness of the debtor, credit concentration of economic groups, individual credit-granting limits, evaluation of economic sectors, preferred securities and the working capital requirement, in accordance to the market risks.

Criteria for classification and valuation:

The loan portfolio has been stated at face value plus accrued interest at year end, net of allowances, which were calculated in accordance to the allowances set forth by the Central Bank of Paraguay Board of Directors’ Resolution No. 1, Act No. 60 dated September 28, 2007, and its subsequent amendments; for which:

- a) Debtors have been classified into the following groups: i) Large debtors; ii) Medium and small debtors; iii) Individual consumer debtors or housing loans and iv) Microcredits;
- b) Debtors have been classified into 6 risk categories, based on the number of days past due and/or 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 to disintegrate into three sub-categories for the purpose of allowance calculation (1, 1.a y 1.b);
- c) Accrued interest on performing loans ranked on category "1" and category "2" according to subjective analysis, have been fully 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 allowances that cover the total amount;

- d) The accrual of interest and the recognition of gains from valuation of nonperforming loans and performing loans classified in risk categories "2" or higher are suspended as of its entry into arrears, and are recognized as revenue when collected, as mentioned in note f.1;
- e) Installment 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 the Board of Directors of the Central Bank of Paraguay in Resolution No. 1, Act No. 60 dated September 28, 2007, considering its amendments and supplemental documents;
- g) Generic allowances have been set over the loan portfolio according to the criteria and parameters established by Resolution of the Board of Directors of the Central Bank of Paraguay No. 1, Act No. 60 dated September 28, 2007; and
- h) Uncollectable loans that are written off, under the conditions established in BCP's applicable regulation, 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 Superintendency of Banks 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, 2018

Risk Category	Book balance before allowances (a)	Guaranties computable	Allowances		Book balance after allowances
			Minimum % (b)	Booked (c)	
1	380,129,083,013	129,106,053,547	0%	-	380,129,083,013
Total	380,129,083,013	129,106,053,547		-	380,129,083,013

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

References:

- (a) Includes capital and accrued interest, as well as unsettled operations;
- (b) Allowances percentages and risk categories defined for classification and constitution of allowances of the loan portfolio, are based on the criteria established for this purpose by Resolution

of the Board of Directors of the Central Bank of Paraguay No. 1, Act No. 60 dated September 28, 2007 and its subsequent amendments; and

- (c) Allowances are set considering in addition the contingent balances. For those borrowers who do not have computable guarantees, allowance is calculated over the total risk (monetary debt plus contingent). For the rest of debtors, allowance is calculated in two stages, computing guarantees in 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, 2018	December 31, 2017
Fixed terms loans, not subject to adjustment	3,534,993,788,733	3,206,268,001,098
Installment loans, not subject to adjustment	6,578,554,163,883	5,878,597,922,242
Checks acquired in Paraguay	135,273,006	373,486,645
Loans for overdraft	94,472,958,390	84,056,016,523
Receivables from deferred credit documents	227,110,436,444	151,039,186,814
Receivables from use of credit cards	181,242,047,912	162,770,714,890
Loans with managed funds	985,651,856,408	521,956,256,757
Bills discounted	105,022,356,491	110,922,240,031
Deferred checks discounted	307,830,755,133	227,656,099,098
Portfolio purchase	91,368,051,273	80,274,920,636
Transactions pending settlement	8,158,869,744	14,558,048,816
Loans to the public sector	18,568,473,695	19,416,086,539
Receivables from accrued financial products	194,701,830,227	169,867,942,560
(-) Valuation gains recognition suspended	(9,176,270,226)	(878,680,247)
(-) Allowances	(194,911,077,192)	(154,881,735,630)
Total	12,123,723,513,921	10,471,996,506,772

As of December 31, 2018 and 2017, the Entity has provided the following accounts of its loans portfolio as collateral for loan agreements.

a) Client promissory notes for USD 7,270,471.00 and USD 14,403,192.92 respectively, in favor of GOVCO LLC.

b) The credit card portfolio "Affinity of the Classic MasterCard brand" up to the amount of PYG 17,579,935,763 in favor of Bancard S.A.; in order to guarantee the operations that result from the transactions of users in ATMs or points of sale (POS's) of the Infonet Network.

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

As of December 31, 2018

Risks Category	Book balance before allowances (a)	Guaranties computable	Allowances		Book balance after allowances
			Minimum % (b)	Booked (d)	
1	11,017,443,769,969	5,296,540,995,068	0%	(3,183,582,156)	11,014,260,187,813
1a	382,268,353,257	144,354,712,837	0.5%	(3,020,822,346)	379,247,530,911
1b	120,338,213,997	69,357,501,117	1.5%	(1,282,716,489)	119,055,497,508
2	367,649,452,371	191,059,027,465	5%	(13,462,652,835)	354,186,799,536
3	282,913,071,455	113,935,956,952	25%	(54,387,272,354)	228,525,799,101
4	142,727,183,859	71,752,079,953	50%	(47,101,864,010)	95,625,319,849
5	642,663,440	73,268,991	75%	(483,415,666)	159,247,774
6	4,651,882,321	2,256,108,319	100%	(2,496,784,232)	2,155,098,089
Generic allowances (c)				(69,491,966,660)	(69,491,966,660)
Total	12,318,634,590,669	5,889,329,650,702		(194,911,076,748)	12,123,723,513,921

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

References:

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

c.6.3 Nonperforming loans

The nonperforming loans portfolio was comprised as follows:

Concept	December 31, 2018	December 31, 2017
Nonperforming loans - Status: past due - nonfinancial sector	14,060,126,587	10,982,112,066
Nonperforming loans - Status: undergoing proceedings	63,640,804,950	40,628,149,656
Nonperforming loans - Status: delinquent	106,178,647,833	182,341,089,867
Accrued interests	5,289,868,849	9,698,059,513
(-) Unrealized valuation earnings	(3,457,490,186)	(2,260,883,653)
(-) Allowances	(81,299,164,222)	(139,207,298,774)
Total	104,412,793,811	102,181,228,675

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

As of December 31, 2018

Risk Category	Book balance before allowances (a)	Guaranties computable	Allowances		Book balance after allowances
			Minimum % (b)	Booked (c)	
1b	897,704,430	4,301,134	1,5%	(18,128,598)	879,575,832
2	9,007,082,990	4,508,326,617	5%	(1,050,490,212)	7,956,592,778
3	27,499,793,934	13,995,174,246	25%	(5,885,296,097)	21,614,497,837
4	39,529,060,790	25,743,276,061	50%	(11,399,879,943)	28,129,180,847
5	34,689,617,325	6,596,234,757	75%	(21,644,599,660)	13,045,017,665
6	74,088,698,564	32,787,928,852	100%	(41,300,769,712)	32,787,928,852
Total	185,711,958,033	83,635,241,667		(81,299,164,222)	104,412,793,811

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

References:

- (a) Includes capital and accrued interest, as well as unsettled operations (net of unrealized valuation earnings);
- (b) Allowances percentages and risk categories defined for classification and constitution of allowances of the loan portfolio, are based on the criteria established for this purpose by Resolution

of the Board of Directors of the Central Bank of Paraguay No. 1, Act No. 60 dated September 28, 2007 and its subsequent amendments; and

- (c) Allowances are set considering in addition the contingent balances. For those borrowers who do not have computable guarantees, allowance is calculated over the total risk (monetary debt plus contingent). For the rest of debtors, allowance is calculated in two stages, computing guarantees in the second one.

c.6.4 Other receivables

Are composed as of December 31, 2018 and 2017, as follows:

Item	December 31, 2018	December 31, 2017
Prepaid expenses	2,934,399,726	3,754,630,395
Deferred changes related bound issuance abroad	439,135,123	6,997,588,823
Charges for loans taken abroad	8,629,299,473	-
Prepaid income tax (a)	20,457,447,355	25,348,311,190
Prepayment of goods and services purchases	9,717,382,194	3,953,761,023
Lawsuit expenses recoverable	9,465,216,256	8,866,985,135
Tax credit certificates	30,538,854,387	40,651,418,010
Value-added tax deductible	2,692,642,435	3,139,337,309
Compensation claimed for incidents	64,235,981	-
Advance to Staff	3,000,000	-
Uncollected accrued interest	3,114,622,761	5,601,716,041
Advanced to suppliers	3,777,346,672	2,936,885,268
Other	3,590,972,345	1,651,447,320
Receivables from sale of property	112,944,980,998	2,152,725,372
Expenses to be recovered	1,962,624,003	1,880,560,238
(Valuation gains to be realized)	(1,430,197,694)	(11,788,200)
Allowances (Note c.7)	(8,928,829,392)	(7,937,838,570)
Total	199,973,132,623	98,985,739,354

- a) The Income tax provision included as Liability under “Accruals”, as of December 31, 2018 and 2017 was PYG 16.584.098.397 and PYG 18.198.704.353, respectively.

c.7 Allowances for direct and contingent risks

Allowances for doubtful loans and other assets are determined at the end of each period or fiscal year, based on the loan portfolio examination to determine its non-recoverable portion and considering the established, for each type of credit risk, by the Resolution of the Board of Directors of the Central Bank of Paraguay No. 1, Act. No. 60 dated September 28, 2007, and its subsequent amendments and/or extensions.

On a regular basis, the Bank’s Board of Directors and Management reviews and analyzes the loan portfolio pursuant to credit valuation standards established by the Superintendency of Banks of the Central Bank of Paraguay and in accordance to the Entity’s own policies and criteria, so as to adjust the allowances for doubtful accounts. All allowances necessary to cover potential losses on direct and contingent risks have been set, in accordance to the criteria of the Bank’s Board of Directors and 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, 2018, and 2017, in the allowance accounts, is summarized as follows:

As of December 31, 2018

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	(222,744,471)	(255,514,045)	-	419,216,679	(2,935,251)	(61,977,088)
Performing Loans - Financial sector	(59,917,086)	(382,921,734)	-	443,201,851	(363,031)	-
Performing loans - Nonfinancial sector	(154,881,735,630)	(371,365,771,176)	19,111,077,607	320,118,821,146	(7,893,469,080)	(194,911,077,192)
Other receivables	(7,937,838,570)	(3,091,269,657)	392,580,702	1,872,490,592	(164,792,459)	(8,928,829,392)
Nonperforming loans	(139,207,298,774)	(246,053,493,946)	165,984,574,964	140,926,895,817	(2,949,842,283)	(81,299,164,222)
Investments	(11,896,542,497)	(24,625,694,219)	15,145,453,950	8,402,375,253	-	(12,974,407,513)
Total	(314,206,077,028)	(645,774,664,777)	200,633,687,223	472,183,001,338	(11,011,402,104)	(298,175,455,407)

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)

c.8 Investments

The investments account includes:

Assets received in credit recovery:

In accordance to regulations of the Central Bank of Paraguay, these assets are valued at the lowest of the three following values: Appraisal value, allocation value and balance of the receivable immediately before allocation.

Additionally, for assets exceeding the period established by the Central Bank of Paraguay for their possession, allowances are set forth as stipulated in Resolution No. 1, Act. No. 60 dated September 28, 2007, issued by the Board of Directors of the Central Bank of Paraguay, and its subsequent amendments. After three years of possession, an allowance is set for 100% of these assets, with the exception of assets from the agricultural sector, which reaches 100% of allowance at four years of possession, in accordance to Resolution No. 7 Act No. 4 dated January 18, 2018 of the Board of Directors of the Central Bank of Paraguay.

Private securities:

Long-term investments in interests in companies, have been valued at acquisition cost as they represent a minority interest. This value does not exceed its market value, or its proportional equity value.

Permanent investments - subordinated bonds:

They are valued at the lower amount between its cost price plus accrued interest receivable and its estimated realizable value, taking into consideration the valuation criteria of short, medium and long term financial investments established in Resolution No. 1, Act 60 dated September 28, 2007 of the Board of the Central Bank of Paraguay and its subsequent amendments.

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, 2018 and 2017 is comprised as follows:

As of December 31, 2018

Item	Book balance before allowances G	Allowances G	Book balance after allowances G
Assets			
Assets acquired in credit recovery	141,848,948,920	(12,974,407,513)	128,874,541,407
Other investments	3,874,352	-	3,874,352
Permanent investments in private companies	15,592,889,085	-	15,592,889,085
Investments in securities issued by private sector	17,003,426,800	-	17,003,426,800
Permanent investments in corporate companies (a)	65,000,000,000	-	65,000,000,000
Investments income in the private sector	1,057,833,408	-	1,057,833,408
Total	240,506,972,565	(12,974,407,513)	227,532,565,052

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

(a) Subordinated bonds issued by local financial entities, acquired through the stock exchange at 12% rate 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 variation in the Consumer Price Index published by the Central Bank of Paraguay. According to this index, accumulated inflation of the years ended at December, 2018, and 2017, was 3.2% and 4.5%, respectively. The net increase of the revaluation reserve at the end of each the year is disclosed in the account “Revaluation reserve” of the Bank’s Equity.

Costs related to improvements or additions are recorded as assets, whereas maintenance and repairs costs 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. The residual value of revalued assets, taken as a whole, does not exceed the recoverable value thereof as of December 31, 2018, and 2017.

The composition of Property, plant and equipment as of December 31, 2018, and 2017 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	14,060,158,027	-	-	257,728,650	14,317,886,677
Real estate - Buildings	78,159,238,488	-	-	2,531,963,998	80,691,202,486
Furniture and office supplies	40,892,009,946	2,309,428,716	(1,504,195,215)	961,188,884	42,658,432,331
Computer hardware	63,859,414,990	28,284,232,838	(137,460,656)	949,549,728	92,955,736,900
Bank safe-deposit boxes	2,036,458,924	94,793,234	-	35,977,930	2,167,230,088
Transport materials	1,942,249,674	-	-	62,919,064	2,005,168,738
As of December 31, 2018	200,949,530,049	30,688,454,788	(1,641,655,871)	4,799,328,254	234,795,657,220
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

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%	-	-	-	-	-	14,317,886,677
Real estate- Buildings	2.50%	(12,070,463,153)	(1,990,493,311)	-	(417,808,673)	(14,478,765,137)	66,212,437,349
Furniture and office supplies	10%	(28,653,309,749)	(3,389,957,360)	1,410,410,191	(515,831,800)	(31,148,688,718)	11,509,743,613
Computer hardware	25%	(50,215,971,602)	(10,556,891,869)	137,460,656	(536,057,153)	(61,171,459,968)	31,784,276,932
Bank safe-deposit boxes	10%	(1,657,569,878)	(109,842,721)	-	(21,990,143)	(1,789,402,742)	377,827,346
Transport materials	20%	(582,674,860)	(395,708,560)	-	(24,200,882)	(1,002,584,302)	1,002,584,436
As of December 31, 2018		(93,179,989,242)	(16,442,893,821)	1,547,870,847	(1,515,888,651)	(109,590,900,867)	125,204,756,353
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

According to banking legislation, financial entities operating in Paraguay are forbidden to pledge their fixed assets, except for those affected in support of financial leasing operations and to the Central Bank of Paraguay.

Banking law sets a limit of 50% of effective equity for investment in PP&E. The book balance of the Bank's Property, plant and equipment as of December 31, 2018 is within such limit.

c.10 Deferred charges

As of December 31, 2018 and 2017, 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, 2018				
Improvements and facilities in leased real estate (*)	2,699,651,360	4,353,055,826	(1,566,888,770)	5,485,818,416
Office supplies and others	1,802,157,060	2,761,364,366	(2,726,607,501)	1,836,913,925
Intangible goods	-	972,036,587	-	972,036,587
Total	4,501,808,420	8,086,456,779	(4,293,496,271)	8,294,768,928
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

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

c.11 Debentures and bonds issued in circulation

a) Issued in local market

Account "Debentures and bonds issued in circulation" under chapter "Liabilities from financial transactions - nonfinancial sector" of the balance sheet, includes subordinated bonds whose balance and detail of emissions as of December 31, 2018 and 2017 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, 2018	Accounting balance at December 31, 2017
00196/2010	USD	5,000,000.00	2184 days	428,000	-	2,392,721,160
00027/2016	USD	10,000,000.00	2555 days	10,000,000	59,605,400,000	55,904,700,000
00027/2016	USD	8,630,000.00	2555 days	8,630,000	51,439,460,200	48,245,756,100
Total USD	(a)	23,630,000.00		19,058,000		
PYG equivalent total					111,044,860,200	106,543,177,260

(a) Through Resolution SB. SG. N° 00027/2016, the Central Bank of Paraguay has authorized, and the Bank has issued subordinated bonds in foreign currency up to an amount of USD 18,630,000. In such 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 year ended December 31, 2018, the Bank had not executed the issuance of the bonds in local currency.

Also, through Resolution SB. SG. No. 00196/2010, the Central Bank of Paraguay has authorized, and the Bank has issued, subordinated bonds in local currency up to an amount of PYG 110,000,000,000, which to date are canceled; in addition, subordinated bonds in foreign currency were issued up to an amount of US \$ 10,000,000.

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 guarantee on deposits prescribed in Law No. 2334/03.

b) Bonds issued abroad

The Extraordinary General Assembly N° 39 dated April 26, 2013 approved the issuance 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 annual interest rate of 8.125% (interest payable semiannually).

As of December 31, 2018 and 2017, the capital was included in the account "Outstanding Bonds", under "Bonds issued abroad - Financial Sector" for PYG 1,788,162,000,000 and PYG 1,677,141,000,000, respectively.

Additionally, the Bank is committed to comply with certain positive and negative covenants according to the offering memorandum, which are monitored by the Bank's Board and Management. As of December 31, 2018, there are no breaches of these clauses.

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

As of December 31, 2018 and 2017, the following restrictions exist:

a) Minimum and special cash requirement

The Central Bank of Paraguay account as of December 31, 2018 and 2017, includes PYG 1,270,829,736,813 and PYG 1,220,257,545,256, 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, 2018 and 2017, the Bank has granted Monetary Regulation Letters for a total of PYG 49,900,000,000 and PYG 13,915,712,906, respectively, as guarantees required by the Central Bank of Paraguay, under general regulations of the Payment System of Paraguay. (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 constituted by annually transferring not less than twenty percent (20%) of net profits of each financial year.

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

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

d) Monetary correction of Capital stock:

According to Article 11 of Law 861/96, financial institutions must update their capital annually in function of the Consumer Price Index (IPC) calculated by the Central Bank of Paraguay. The updated value of the minimum capital requirement for the years 2018 and 2017 is PYG 52,257,000,000 and PYG 50,000,000,000, respectively, according to Circular SB. SG. No. 005/2018 and Circular SB. SG. No. 005/2017.

The integrated capital (common and preferred shares) of the Bank as of December 31, 2018 and 2017, is PYG 1,087,787,800,000 and PYG 1,001,408,000,000 respectively; (see note b.5), which exceeds the referred minimum capital.

e) Distribution of earnings:

According to provisions of Law No. 861/96 “General Law on Banks, Finance Companies and Other Credit Institutions”, financial entities can distribute their earnings after the approval of their audited annual financial statements by the Superintendency of Banks (SIB), provided the SIB pronounces itself within the term of one hundred twenty days after the closing of the fiscal year. After this term has elapsed without a pronouncement by Superintendency of Banks, earnings may be distributed.

The Ordinary Shareholders’ Assembly held on March 16, 2018 approved the distribution of earnings of 2017 period and the accumulated results of 2016, according to Note SB. SG. No. 470/2017; which was performed as follows:

Item	Currency	Amounts
Booking of legal reserve	PYG	42,379,884,382
Capitalization of earnings	PYG	86,379,800,000
Cash dividends - preferred shares	PYG	40,000,000,000
Cash dividends - common shares	PYG	37,019,898,307
Total		205,779,582,689

The Ordinary Shareholders' Assembly held on April 28, 2017 approved the distribution of earnings of 2016 fiscal year, which was performed 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

f) Preferred share dividends

According with the original terms of the issuance of preferred shares, the shareholders' assembly granted the holders a preferred dividend of 18% on preferred capital. The Ordinary Shareholders' Assembly held on October 18, 2013 resolved to modify the preferred dividend rate to 16%, for the period 2014 to 2018.

g) Additional income tax for dividend distribution:

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

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

h) Guarantees provided in favor of Bancard S.A.:

As of December 31, 2018 and 2017, the Bank has given to Bancard S.A. its credit card portfolio of the affinity Classical MasterCard up to the total of PYG 17,579,935,763 as collateral, for 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 MasterCard, VISA and Bancard Check brands.

c.13 Guarantees granted regarding liabilities

As of December 31, 2018, the loans borrowed from GOVCO LLC, under an agreement with Citibank N.A. New York, and secured by the Overseas Private Investment Corporation (OPIC), with a balance of USD 3,552,640.00 are guaranteed through clients' promissory notes for a total value of USD 7,270,461.00.

As of December 31, 2017, the loans borrowed from GOVCO LLC, under an agreement with Citibank N.A. New York, and secured by the Overseas Private Investment Corporation (OPIC), with a balance of USD 6,513,161.00 are guaranteed through clients' promissory notes for a total value of USD 14,403,192.92.

Additionally, the Bank is committed to comply with certain financial covenants, positive and negative according to the contracts and agreements signed with multilateral credit institutions, and according to the prospect of issuance of securities abroad, which are monitored by the Board and Management of the Bank. As of December 31, 2018 the financial covenants that are out of range have approved waivers from the borrowers, which support the validity of the terms originally agreed upon said operations.

There are no other limitations for 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, 2018 and 2017, classified according to their remaining maturity:

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

As of December 31, 2018

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	121,068,030,319	139,729,341,277	19,541,670,371	68,590,959,829	31,199,081,217	380,129,083,013
Performing loans nonfinancial sector	1,083,522,050,220	4,091,229,456,180	1,296,006,524,484	2,348,785,217,314	3,499,091,342,915	12,318,634,591,113
Total Performing loans	1,204,590,080,539	4,230,958,797,457	1,315,548,194,855	2,417,376,177,143	3,530,290,424,132	12,698,763,674,126
Obligations financial sector	2,460,616,890,947	742,552,627,383	292,943,486,478	1,043,163,734,043	883,657,860,209	5,422,934,599,060
Obligations nonfinancial sector	5,566,276,100,023	1,059,309,911,581	1,061,577,502,385	1,840,569,860,610	738,836,382,148	10,266,569,756,747
Total Obligations	8,026,892,990,970	1,801,862,538,964	1,354,520,988,863	2,883,733,594,653	1,622,494,242,357	15,689,504,355,807

As of December 31, 2017

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	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

Liquidity risk management:

Liquidity risk, is the risk that an institution may encounter difficulties in meeting its obligations related to financial commitments that are settled with 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 permanently, for both assets and liabilities.

Additionally, the Bank has contingency plans defined for situations requiring temporary liquidity. Liquidity position is monitored and 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 review and approval of the Assets and Liabilities Committee.

c.15 Concentration of loan portfolio and deposits

c.15.1 Concentration of loan portfolio from financial intermediation by number of clients

The concentration of portfolio held by the Bank as of December 31, 2018 and 2017, with the financial sector (SF) and nonfinancial (SNF), is exposed both in its portfolio of performing loans and nonperforming loans, as on its liabilities from financial intermediation.

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, 2018								
10 largest borrowers	289,144,700,742	76%	-	0%	991,952,246,883	8%	75,054,631,445	40%
50 next largest borrowers	90,984,382,271	24%	-	0%	2,682,387,633,502	22%	82,913,141,949	45%
100 next largest borrowers	-	0%	-	0%	2,603,610,950,562	21%	18,892,643,186	10%
Other largest borrowers	-	0%	-	0%	6,040,683,760,166	49%	8,851,541,453	5%
Total	380,129,083,013	100%	-	0%	12,318,634,591,113	100%	185,711,958,033	100%
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%

(*) Includes debtors for accrued financial products, valuation gains on hold and forward contracts/repo, before allowances.

b. 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, 2018						
10 largest depositors	436,675,342,636	61%	773,546,160,623	9%	1,336,594,002,077	98%
50 next largest depositors	255,079,606,601	35%	1,300,580,777,002	15%	23,200,823,705	2%
100 next largest depositors	28,709,165,725	4%	1,151,400,712,809	13%	-	0%
Other depositors	-	0%	5,457,104,207,446	63%	-	0%
TOTAL	720,464,114,962	100%	8,682,631,857,880	100%	1,359,794,825,782	100%
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%

(*) Includes amounts from demand and term deposits, without considering accrued financial charges to be paid, as of the end of the fiscal year.

c.15.2 Concentration by geographic areas and currency

a) Loans portfolio

Item	Loans to Financial Sector PYG (*)	%	Loans to Nonfinancial Sector PYG (*)	%
As of December 31, 2018				
Residents in Paraguay	320,506,298,204	84%	12,318,634,591,113	100%
Nonresidents in Paraguay	59,622,784,809	16%	-	0%
Sub-Total	380,129,083,013	100%	12,318,634,591,113	100%
Allowances	-		(194,911,077,192)	
TOTAL	380,129,083,013		12,123,723,513,921	
In Local Currency	149,133,176,377	39%	4,359,934,451,243	35%
In Foreign Currency	230,995,906,636	61%	7,958,700,139,870	65%
Sub-Total	380,129,083,013	100%	12,318,634,591,113	100%
Allowances	-		(194,911,077,192)	
TOTAL	380,129,083,013		12,123,723,513,921	

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	

(*) Includes the amount of loans, debtors for accrued financial products, valuation earnings in suspense and forward contracts.

b) Liabilities

As of December 31, 2018

Item	Financial Sector PYG	%	Nonfinancial Sector PYG	%
Residents in Paraguay	1,630,838,645,304	31%	10,177,820,580,264	100%
Nonresidents in Paraguay	3,684,570,993,947	69%	14,320,835,789	0%
Sub-Total (*)	5,315,409,639,251	100%	10,192,141,416,053	100%
Other liabilities(**)	107,524,959,809		74,428,340,694	
TOTAL	5,422,934,599,060		10,266,569,756,747	
In local currency	773,127,926,462	15%	4,274,399,476,721	42%
In foreign currency	4,542,281,712,789	85%	5,917,741,939,332	58%
Sub-Total (*)	5,315,409,639,251	100%	10,192,141,416,053	100%
Other liabilities(**)	107,524,959,809		74,428,340,694	
TOTAL	5,422,934,599,060		10,266,569,756,747	

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	

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

(**) Other liabilities include accrued interest not considered as deposits, pending ATM transactions and unsettled operations.

c.15.3 Loan portfolio nonfinancial sector distributed by economic sector

As of December 31, 2018

Economic Sector	Loans to nonfinancial sector (*)	
	As of December 31, 2018	
	PYG	%
Agriculture	2,464,683,605,809	20%
Livestock activities	1,425,159,005,960	12%
Industry	1,195,904,162,839	10%
Wholesale business	2,069,426,073,975	17%
Retail trade	783,890,865,124	6%
Services	251,915,512,294	2%
Consumer	429,908,027,548	3%
Construction	270,857,950,944	2%
Consumption - housing	171,381,387,752	1%
Financial Intermediation	84,603,413,194	1%
Government sector	-	0%
Agribusiness	2,067,671,344,876	17%
Sale, Maintenance and Repair of Vehicles	376,908,646,641	3%
Personal services	404,267,841,256	3%
Others	322,056,752,457	3%
Total	12,318,634,590,669	100%

(*) Includes accrued interest, future earnings and forward contracts/repo, before allowances.

As of December 31, 2017

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%
Wholesale business	687,977,349,861	6%
Retail trade	1,959,093,822,496	18%
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 accrued interest, future earnings and forward contracts/repo, before allowances.

c.16 Credits and contingencies involving related parties

The balances involving related parties as of December 31, 2018 and 2017, are as follows:

As of December 31, 2018

Item	Book balance before allowances (*)	Allowances	Book balance net of allowances
Assets			
Performing loans (a)	238,206,340,132	(3,034,521)	238,203,305,611
Credit-related contingencies	7,230,175,418		7,230,175,418
Total	245,436,515,550	(3,034,521)	245,433,481,029
Liabilities			
Deposits	89,945,660,592	-	89,945,660,592
Total	89,945,660,592	-	89,945,660,592

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

(a) Performing credits do not include accrued interest.

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

c.17 Other liabilities

This account's composition as of December 31, 2018 and 2017 is as follows:

Item	December 31, 2018	December 31, 2017
Taxes payables	12,499,635,827	13,498,791,956
Social security payables	39,807,010	566,085,385
Dividends payable	900,014,545	520,684,140
Accounts payable	2,025,712,427	40,707,021,022
Cashier's check issued	65,082,486,531	47,471,371,244
Other liabilities	6,580,980,793	4,613,341,427
Uncollected Perceived Income	6,017,667,795	2,308,791,577
Total	93,146,304,928	109,686,086,751

c.18 Financial Derivatives

This chapter records the balance of the following transactions:

a) Forward Operations

Contracts for future exchange of currencies at a compulsory rate previously agreed between the parties (Foreign currency forwards) which are initially recognized at their value as of the moment of agreement. Thereafter, any change in the amount is credited to income, valuing at nominal value converted at starting spot prices; and all contracts denominated in foreign currency are updated at spot rate of each closing date of the financial statements.

FINANCIAL SECTOR

a) Forward Operations

Forward purchases of foreign currency - Financial Sector	December 31, 2018	December 31, 2017
Receivables from foreign currency forward transactions	-	8,088,258,830
Creditors for foreign currency forward transactions	(2,452,820)	(8,391,068,489)

Forward sales of foreign currency - Nonfinancial Sector	December 31, 2018	December 31, 2017
Receivables from sales transactions forward foreign currency	1,736,250,000	7,623,150,000
Creditors for operations through forward foreign currency	(1,788,162,000)	(7,379,420,400)

Total Forward contracts - Assets	1,736,250,000	15,711,408,830
Total Forward contracts - Liabilities	(1,790,614,820)	(15,770,488,889)

NONFINANCIAL SECTOR

b) Forward Operations

Forward purchases of foreign currency - Nonfinancial Sector	December 31, 2017	December 31, 2017
Debtors for purchase transactions forward foreign currency	2,763,669,744	3,370,048,816
Creditors for purchase transactions forward foreign currency	(2,622,000,000)	(3,443,700,000)

Forward sales of foreign currency - Nonfinancial Sector	December 31, 2018	December 31, 2017
Receivables from sales transactions forward foreign currency	5,395,200,000	11,188,000,000
Creditors for operations through forward foreign currency	(5,535,455,229)	(11,188,915,446)

Total Forward contracts - Assets	8,158,869,744	14,558,048,816
Total Forward contracts - Liabilities	(8,157,455,229)	(14,632,615,446)

c.19 Relevant information for the year

a) Issuance of subordinated bonds:

Given the need to strengthen the Bank's effective equity and as a result of the constant and gradual increase in assets, on April 26, 2013, the Extraordinary General Assembly granted the Board of Directors the authority to issue subordinated bonds in Paraguayan Guarani and USD, up to a maximum equivalent of PYG 150,000,000,000 (Paraguayan Guarani one hundred and fifty billions).

The Board of Directors approve, in Acts No. 008/2015 dated August 18, 2015 and No. 010/2015 dated November 25, 2015, the issuance of subordinated bonds under the schemes of the Global Issuance Program denominated G2 and USD2, to the amount of PYG 50,000,000,000 (Paraguayan Guarani fifty billions) and USD 18,630,000 (American Dollars eighteen million six hundred thirty thousand) respectively.

According to Resolution SB. SG. No. 00027/2016 dated February 26, 2016, the Superintendency 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.

Data for effectuated issuances is displayed bellow:

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 Paraguayan Guarani, as of the date of issuance of these financial statements, the Bank has not yet offered them in the market.

b) Banking Law:

On December 19, 2016, the Executive Power put in force Law No. 5.787/16 of Modernization and Strengthening of Standards that Regulate the Functioning of the Financial System. This Law modifies several articles of the Law 861/96 “General Law on Banks, Finance Companies and Other Credit Institutions”. The new Law in force allows greater powers to the Central Bank of Paraguay to arrange, through resolutions, modifications on the required minimum capital, calculation of the effective equity and risks weightings, among others.

It also applies greater requirements in the provision of information on shareholders, regardless of their percentage of participation in the regulated entities, and communication on changes 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 constitutes the basis for determining limits and operational restrictions established by the Superintendency of Banks of the Central Bank of Paraguay, for financial entities operating in Paraguay.

The Bank’s effective equity as of December 31, 2018 and 2017, is PYG 1,707,817,000,000 and PYG 1,606,129,000,000, respectively.

Law 5787 dated December 19, 2016 establishes the composition of the core capital (Tier 1) and of the supplementary capital (Tier 2) for financial entities, with the purpose of calculating their equity solvency. This Law also establishes the minimum ratio that must exist at all times between the core capital and the amount of risk-weighted assets and contingents, in national or foreign currency, including local and abroad branches; which may not be less than 8%. In the case of the minimum ratio between both the core capital (Tier 1) and the supplementary capital (Tier 2) jointly, and the total amount of assets and contingents of a financial institution weighted by their risk, in national or foreign currency, including its local and abroad branches; it may not be less than 12% nor required greater than 14%.

As of December 31, 2018 and 2017, the Bank maintained the following ratios:

	<u>December 31,</u> <u>2018</u>	<u>December 31,</u> <u>2017</u>
Tier 1 - Main capital	13.64%	14.63%
Tier 2 - Main capital + Supplementary capital	15.99%	17.70%

d.2. Minimum Capital

The minimum capital indexed for inflation in 2017 that, according to dispositions of the Central Bank of Paraguay, is mandatory to hold as paid in capital, for banks operating in the Paraguayan financial system, an amount of at least PYG 52,257,000,000 as of December 31, 2018 (PYG 50,000,000,000 as of December 31, 2017). The eventual deficit of capital with regard to the annually required minimum capital must be covered prior to the end of the first semester of each year.

As of December 31, 2018, and 2017, the Bank had a paid in capital in common and preferred shares of PYG 1,087,787,800,000 and PYG 1,001,408,000,000, respectively, which exceeded the minimum amount required by Central Bank of Paraguay's regulations as of such dates.

d.3. Accumulated results adjustments

The Chart of Accounts and Guidelines of the Central Bank of Paraguay sets that adjustments to prior years' earnings must be record in the income statement, without affecting the Bank's equity balances. At December 31, 2018, the net adjustment results in a profit of PYG. 6,303,958,828 included in the chapter "Adjustment to prior years' earnings" (profit of PYG. 3,843,791,219 at December 31, 2016).

E. INFORMATION REGARDING CONTINGENCIES AND MEMORANDUM ACCOUNTS

a) Contingency accounts

The balance of contingency accounts as of December 31, 2018 and 2017 mainly corresponds to approved credit lines to debtors for credit card transactions, credits granted on 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 the following balances recorded in contingency accounts, related to commitments or to responsibilities inherent to the line of business:

Items	December 31, 2018	December 31, 2017
Guarantees provided	356,355,327,373	220,331,893,493
Documentary letters of credit to be negotiated	112,521,840,133	139,396,169,326
Lines of credit to be used in current accounts	302,657,349,043	270,572,287,784
Lines of credit to be used through credit cards	320,042,011,008	294,928,774,947
Total	1,091,576,527,557	925,229,125,550

b) Memorandum accounts

The memorandum accounts are comprised as follows:

Items	December 31, 2018	December 31, 2017
Guarantees received	13,637,830,795,274	11,861,944,246,667
Administration of securities and deposits	1,449,872,028,782	876,886,644,838
Documentary collection	83,214,157,383	28,883,903,614
Sale and transfer of portfolio	790,855,157,732	540,266,487,258
Other memorandum accounts	1,136,633,421,355	616,325,933,654
Total	17,098,405,560,526	13,924,307,216,031

F. INFORMATION REGARDING RESULTS

f.1 Recognition of income and loss

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

- a) Financial products accrued and not collected, from borrowers with nonperforming loans, and its valuation earnings;
- b) Financial products, accrued and not collected related to borrowers and credits classified in categories 2 (not by subjective criteria), 3, 4, 5 and 6; which are recognized as profit upon collection.
- c) Valuation earnings related to debtors with nonperforming and performing loans classified in categories 2 (not by subjective criteria), 3, 4, 5 and 6; which are recognized as profit upon collection.
- d) Deferred income from credit sale of assets, which are recognized as revenue as credits are collected;
- e) Valuation earnings from credit sale of assets; and
- f) Certain fees for banking services.

f.2 Foreign Exchange differences

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

Item	December 31, 2018	December 31, 2017
Income from valuation of financial assets and liabilities in foreign currency	3,716,506,996,435	4,407,229,100,116
Loss from valuation of financial assets and liabilities in foreign currency	(3,721,196,458,899)	(4,403,881,591,308)
Net foreign exchange differences on financial assets and liabilities in foreign currency	(4,689,462,464)	3,347,508,808
Income from valuation of other assets and liabilities in foreign currency	20,091,907,611	17,778,452,253
loss from valuation of other assets and liabilities in foreign currency	(26,534,319,646)	(15,389,721,153)
Net foreign exchange differences on other assets and liabilities in foreign currency - profit	(6,442,412,035)	2,388,731,100
Net foreign exchange differences on total assets and liabilities in foreign currency - profit (loss)	(11,131,874,499)	5,736,239,908

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

The net foreign exchange differences from foreign exchange and arbitrage transactions are disclosed in the lines of the statement of income entitled “Other operating income – Net 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 on a quarterly basis, mandatory funds to the FGD administered by the Central Bank of Paraguay, equivalent to the 0.12% of the quarterly average balances of its portfolio of deposits in local and foreign currency. The amount contributed by the Bank to the FGD for the years ended December 31, 2018 and 2017 is PYG 49,496,101,269 and PYG 48,004,132,710, respectively. The amounts contributed by the Bank to the FGD, are not recoverable expenses and are included in the line "General Expenses" of the chapter "Other operating expenses" of the Income Statement.

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 (Law N° 125/91 modified by Law N° 2421/04) and its regulations include or exclude for the determination of net taxable income.

The income tax charged to results of the years ended December 31, 2018 and 2017, is PYG 16,584,098,397 and PYG 18,198,704,353, respectively. These amounts do not include the provision of the additional 5% rate related to the distribution of earnings mentioned in note c.12.g), since the Bank records this additional income tax charge in the year in which the Shareholders' Meeting resolves the distribution. The charge is recorded in the chapter "Other operating expenses" of the Statement of Income.

f.5 Inflation effects

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

G. EVENTS SUBSEQUENT TO YEAR END

On January 24, 2019, Banco Regional SAECA proceeded to cancel the balance of USD 300,000,000 of Bonds issued abroad in the year 2014, which had been placed at a 5-year term and at a rate of 8.125%, thus demonstrating excellent compliance with its obligations to investors and correspondent banks.

Through negotiations carried out during the year 2018, the bank accessed other sources of funding with top-tier Multilateral Entities in the international market, obtaining very advantageous interest rates and maturity dates, which will permit significant financial savings for the Entity as of the year 2019 and following.

There are no other events after December 31, 2018 that imply significant changes in the equity structure and in the results of the year ended on that date.