

**NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR
ENDED ON 31 DECEMBER 2019**

Presented in comparison with the financial year ended on 31 December 2018

(Figured expressed in Guarani)

A. CONSIDERATION BY THE SHAREHOLDERS MEETING

The financial statements of Banco Regional S.A.E.C.A. (hereinafter referred to indistinctly as Banco Regional S.A.E.C.A. or "the Entity" or "the Bank") as of December 31, 2019 will be considered for approval by the Ordinary General Shareholders' Meeting in 2020, within the term established in the Company's Bylaws and Article 1079 of the Civil Code.

The Bank's financial statements as of December 31, 2018 were approved by the Ordinary General Shareholders' Meeting held on April 26, 2019.

B. BASIC INFORMATION REGARDING THE BANK

b.1 Legal status

The Banco Regional Sociedad Anónima Emisora de Capital Abierto began its activities under the name of Banco Regional S.A. de Inversión y Fomento, authorized by Executive Decree No. 4321 dated January 8, 1990, and by the Central Bank of Paraguay (hereinafter referred to interchangeably as -the Central Bank of Paraguay or BCP) by Resolution No. 5, Minute No. 11 dated February 13, 1991.

By Resolution No. 3, Minute 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 resolved by the Extraordinary General Meeting of April 24, 1998, to change its name to Banco Regional S.A.

By Resolution No. 1, Minute No. 96 dated November 19, 2008, the Board of Directors of the Central Bank of Paraguay authorized Banco Regional S.A. to modify its Bylaws, as resolved by the Extraordinary General Shareholders' Meeting of September 30, 2008, to change its name to Banco Regional S.A.E.C.A. The modification was registered in the Public Registry on November 21, 2008 and in the National Securities Commission (CNV) on December 4, 2008 by Resolution No. 1156/08.

On April 22, 2009, the purchase of all the shares of Banco ABN AMRO Paraguay S.A. was finalized with the purpose of integrating this entity into Banco Regional S.A.E.C.A. On September 3, 2009, the final agreement for the merger by absorption of Banco ABN AMRO Paraguay S.A. was signed and the merger by absorption of these entities was approved. By virtue of this process, Banco Regional S.A.E.C.A., as the absorbing company, is universally responsible for all the rights and obligations of the absorbed company.

As of December 31, 2019 and 2018, the Bank had 38 branches.

b.2 Basis for the 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 Guaranies or G). See note b.7.

The financial statements have been prepared in accordance with the accounting standards, regulations and provisions established by the Central Bank of Paraguay, which comprise the legal accounting standards in effect in Paraguay for the presentation of the financial statements of financial entities regulated by the Central Bank of Paraguay.

The model is based on a conventional historical cost basis, except in the case of fixed assets that are presented at their updated values, as explained in note c.9, and for the handling of assets and liabilities in foreign currency, as explained in note c.1, and does not fully recognize the effects of inflation on the Institution's equity and financial position, or on the results of its operations. Had a comprehensive price-level restatement of the financial statements been applied, differences could have arisen in the presentation of the Institution's equity and financial position, results of operations and cash flows as of December 31, 2019 and 2018. According to the Consumer Price Index published by the Central Bank of Paraguay, inflation at December 31, 2019 and 2018 was 2.8% and 3.2%, respectively.

The preparation of these financial statements requires the Board of Directors and Management of the Bank make certain estimates and assumptions that affect the balances of assets and liabilities, the exposure to contingencies and the recognition of income and expenses. Assets and liabilities are recognized in the financial statements when it is probable that future economic benefits will flow to or from the Bank and that the various items will have a cost or value that can be reliably measured. If, in the future, these estimates and assumptions, which are based on the judgment of the Board of Directors and Management at the date of these financial statements, are changed from the current circumstances, the original estimates and assumptions will be appropriately modified on the date that such changes occur. The main estimates related to the financial statements refer to provisions for doubtful assets and credit risks, depreciation of fixed assets, amortization of deferred charges and provisions to cover other contingencies and possible legal proceedings initiated against the Bank.

b.3 Foreign branches

The Bank does not have any foreign branches.

b.4 Participation in other companies

The holdings in the capital of other companies at 31 December 2019 and 2018 are as follows:

Company Name	Condition	Currency	Nominal amount	% equity interest	Carrying amount in ¢
31 December 2019					
Bancard S.A. - Paraguay	Affiliate	¢	9.675.000.000	7,14%	10.482.846.968
Regional Casa de Bolsa S.A.	Affiliate	¢	4.999.000.000	99,98%	4.999.000.000
Regional SA Seguros	Affiliate	¢	30.399.782.883	99,99%	36.279.740.883
VISA INC – USA	Non-Affiliate	US\$	1	Minority	7.098
SWIFT	Non-Affiliate	EUR	19.800	Minority	111.035.560
Total					51.872.630.509

31 December 2018					
Bancard S.A. - Paraguay	Affiliate	¢	9.675.000.000	7,14%	10.482.846.968
Regional Casa de Bolsa S.A.	Affiliate	¢	4.999.000.000	99,98%	4.999.000.000
VISA INC – USA	No vinculada	US\$	1	Minority	6.557
SWIFT	No vinculada	EUR	19.800	Minority	111.035.560
Total					15.592.889.085

Said investments are recorded in the investments item, under the permanent investments private companies account. See note c.8.

b.5 Composition of capital and characteristics of shares

The composition of the integrated capital at 31 December 2019 and 2018, by type of share, is as follows:

As of December 31, 2019

Subscribed and integrated common shares		No. of votes granted	Guarani
Type	Amount		
Ordinary "Class A" Founder	135.809	5	13.580.900.000
Ordinary "Class A" Ordinary	5.429.941	1	542.994.100.000
Ordinary "Class B" Multiple	90.539	5	9.053.900.000
Ordinary "Class B" Ordinary	3.356.139	1	335.613.900.000
Preferred	2.500.000	-	250.000.000.000
Total	11.512.428		1.151.242.800.000

As of December 31, 2018

Subscribed and integrated common shares		No. of votes granted	Guarani
Type	Amount		
Ordinary "Class A" Founder	135.809	5	13.580.900.000
Ordinary "Class A" Ordinary	5.041.369	1	504.136.900.000
Ordinary "Class B" Multiple	90.539	5	9.053.900.000
Ordinary "Class B" Ordinary	3.110.161	1	311.016.100.000
Preferred	2.500.000	-	250.000.000.000
Total	10.877.878		1.087.787.800.000

The shareholding composition of the bank was structured as follows:

As of December 31, 2019

Shareholders	Shares ¢	% Share	% of votes	Country
Minority shareholders	618.477.700.000	53,72%	51,65%	-
Raatz Group	88.097.300.000	7,65%	9,95%	Paraguay
Rabo Partnerships B.V. (*)	444.667.800.000	38,63%	38,40%	Netherlands
Total	1.151.242.800.000	100%	100%	

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

As of December 31, 2018

Shareholders	Shares G	% Share	% Of votes	Country
Minority shareholders	585.164.200.000	53,79%	51,59%	-
Raatz Group	82.553.600.000	7,59%	10,03%	Paraguay
Rabo Partnerships B.V. (*)	420.070.000.000	38,62%	38,38%	Netherlands
Total	1.087.787.800.000	100%	100%	

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

Described in note c.12 d), “Monetary correction of capital”, the current level of the Bank’s integrated capital is above the legal minimum required by the Central Bank of Paraguay.

b.6 Board of Directors and Executive Staff

As of December 31, 2019 the Board of Directors and executive staff is made up 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 Raatz	Interim Correspondent and Foreign Trade Manager:	Rafaela Oleinik Rosa
	Erik Heyl	Internal Audit Manager:	Juan Carlos Meza
	Wolfgang Brönstrup	Compliance Manager:	Antonio Gimenez González
Alternate directors:	Irene Memmel de Matiauda	Risk Manager:	Daniel van Det
	Daniel van Det	Corporate Risk Manager and Business:	Jorge Sienkawiec Szostak
	Francisco Yanagida	Individuals and Small Business:	Ricardo Nowosad Gines
	Adrian Lorenzutti	Manager Risk Individual and SME's:	Mats Hernegard Per
	Miriam Raatz de Soley	Branch Manager:	Cynthia Sotelo Galeano
Syndic:	Roland Wolff	Private Banking Manager:	Anahi Heisecke Rivarola
Alternate Syndic:	Lourdes Müller	Treasury Manager:	Daniel Cibils Farres
		Human Resources Manager	Bettina Agüero Bradshaw
		Operations Manager:	Diana Lafeld Rieszotka
		Information Technology Manager:	Georgina Baumgarten Lavand
		Legal Affairs Manager:	Marcos Dalla Fontana
		Administrative Manager:	Fabio Sitzmann Hein
		Operational Risk Manager:	Erica Werner Schmidt
		General Accountant:	Esteban Rotela Maciel
		Regular Notary:	Leticia Pérez Domínguez

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 (Guaraníes) and presented in accordance with accounting standards, regulations and instructions established by the Central Bank of 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

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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 CONCERNING THE MAIN ASSETS AND LIABILITIES

c.1 Valuation of foreign currency

Assets and liabilities expressed in foreign currency are valued at the exchange rates in effect at December 31, 2019 and 2018, respectively, provided by the exchange desk of the International Operations Department of the Central Bank of Paraguay on those dates, and do not differ significantly from the exchange rates in effect on the free market:

Currency	December 31, 2019	December 31, 2018
	(G per foreign currency unit)	
US Dollar	6.453,14	5.960,54
Euro	7.228,81	6.831,97
Yen	59,22	54,06
Real	1.597,67	1.539,55
Argentine Peso	107,83	157,92
Pound Sterling	8.485,23	7.560,95
Swiss Franc	6.661,65	6.085,91
Swedish Krona	692,00	665,97
Chinese Yuan	923,80	867,18
Australian Dollar	4.517,20	4.200,99
Canadian Dollar	4.938,50	4.367,98

Exchange differences arising from fluctuations in exchange rates between the dates on which transactions are arranged and their settlement or valuation at the end of each financial year are recognized in profit or loss for each year, except as indicated in note f.1.

c.2 Foreign currency position

The exchange position as of December 31, 2019 and 2018, is as follows

Concept	December 31, 2019		December 31, 2018	
	Arbitrated amount to US\$	Equivalent amount to G	Arbitrated amount to US\$	Equivalent amount to G
Total assets in foreign currency	1.607.247.890,20	10.371.795.650.221	1.798.562.579,52	10.720.404.197.732
Total liabilities in foreign currency	(1.600.533.791,20)	(10.328.468.629.262)	(1.788.752.210,96)	(10.661.929.103.605)
Net position in foreign currency	6.714.099,00	43.327.020.959	9.810.368,56	58.475.094.112

As of December 31, 2019 and 2018, the foreign currency position did not exceed the position cap set by the Bank according to the note submitted to the Central Bank of Paraguay, on January 3, 2013, in compliance with Resolution No. 25 Act No. 77 dated December 28, 2011 which establishes the free choice of the position rank according to the category established in the aforementioned Resolution that financial institutions choose for their net position in each year.

Market risk management: Market risk is the risk that changes in market prices, for example, interest rates, foreign currency exchange rates, etc., will affect the equity and/or profits of the Bank depending on the positions taken in 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

Deposits in the Central Bank of Paraguay as of December 31, 2019 and 2018 are as follows:

Denominación	December 31, 2019 G	December 31, 2018 G
Minimum cash requirements in guaraníes	483.118.872.933	416.455.223.978
Minimum cash requirements in dollar	752.042.887.330	843.782.373.745
Minimum cash requirements in euro	6.002.734.427	8.146.047.507
Special cash requirements in guaraníes	-	94.539.342
Special cash requirements in dollar	-	2.351.552.241
Others reservals in dollar	59.257.091.028	-
Monetary Transactions Operations	112.728.720.798	424.820.000.000
Current accounts in guaraníes	-	824.883
Current accounts in dollar	273.086.624.178	417.782.593.714
Current accounts in euro	2.999.647.408	2.744.341.886
Total	1.689.236.578.102	2.116.177.497.296

See also note c.12(a).

c.4 Public and private securities

The public and private securities acquired by Banco Regional S.A.E.C.A. correspond to national treasury bonds and monetary regulation bills. In the case of national treasury bonds, the book value at December 31, 2019 and 2018 is expressed at the nominal value of capital plus accrued income, and for monetary regulation bills, the book value at that date is expressed at the nominal value which includes total income minus accrued income.

As of December 31, 2019

Public and private securities	Issuance currency	Amount in issuance currency	Amount in Paraguayan Guaranies	
			Nominal amount	Book value
Paraguayan Treasury Bonds	G	71.202.931.507	71.202.931.507	69.555.225.745
Monetary Policy instruments	G	514.000.000.000	514.000.000.000	502.656.628.166
Accrued interest			-	5.384.795.492
Total			585.202.931.507	577.596.649.403

As of December 31, 2018

Public and private securities	Issuance currency	Amount in issuance currency	Amount in Paraguayan Guaranies	
			Face value	Book value
Paraguayan Treasury Bonds (a)	₡	90.677.794.521	90.677.794.521	88.913.479.107
Monetary Policy instruments	₡	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

(a) As of December 31, 2019 and 2018, the Bank has granted Monetary Regulation Letters for ₡ 46.430.000.000 and ₡ 49.900.000.000, respectively, as minimum guarantees required by the Central Bank of Paraguay, under the general regulations of the Paraguayan payment system SIPAP (see note c.12.b).

c.5 Assets and liabilities with readjustment clauses

With the exception of the loans obtained (liabilities) from the Financial Agency for Development (in Spanish “Agencia Financiera de Desarrollo” or “AFD”), and the loans granted (assets) with the resources of the AFD and certain loans granted with its own resources, which have contractual clauses for possible readjustments of the annual interest rates, there were no other assets or liabilities with readjustment clauses as of December 31, 2019 and 2018.

c.6 Loan portfolio

Credit Risk Management:

Credit risk is controlled by the Board of Directors and Management of the Bank, mainly through the evaluation and analysis of individual transactions, for which certain factors clearly-defined in the Bank’s credit policies are considered, such as: the demonstrated payment capacity and debt level of the debtor, the credit concentration of economic groups, individual credit-granting limits, evaluation of economic sectors, preferred guarantees and working capital requirements, in accordance with market risks.

Classification and valuation criteria:

The loan portfolio has been valued at its nominal value plus accrued interest at the end of the financial year, net of allowances, which have been calculated in accordance with the allowances of Board Resolution No. 1, Minute No. 60 of the Central Bank of Paraguay dated September 28, 2007, and its subsequent amendments and additions, to which effect:

- a) The Debtors were segmented according to the following types: i) Large Debtors; ii) Medium and Small Debtors; iii) Individual Consumer Debtors or household 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 a group of debtors composed of related debtors, in respect of all their obligations. An amending regulation to

Resolution No. 1/2007 requires that Category 1 be broken down into three sub-categories for the purposes of calculating allowances (1, 1.a and 1.b);

- c) Accrued interest on performing loans classified as category 1 and category 2 on a subjective basis has been recognized as revenue. The interest accrued and not collected at the closing date on nonperforming loans and/or performing loans classified in category "2" and above, which has been recognized as revenue until they enter into arrears, have allowances that cover the total amount;
- d) The accrual of interest and recognition of valuation gains on non-performing loans and performing loans classified in risk category "2" or higher is suspended as soon as they enter into arrears, and they are recognized as income upon collection, as mentioned in note f.1;
- e) Instalment loans are considered nonperforming after 61 days of default on any of their instalments, and fixed-term or single-maturity loans, are deemed to be overdue on the day following their maturity;
- f) The specific allowances required to cover possible losses that may arise from the non-recovery of the portfolio have been established in accordance with the criteria and parameters established by Central Bank of Paraguay Board Resolution No. 1, Minute No. 60 dated September 28, 2007, including its amendments;
- g) Generic allowances have been set over the loan portfolio in accordance with the criteria and parameters established by Central Bank of Paraguay Board Resolution No. 1, Minute No. 60 dated September 28, 2007; and
- h) Uncollectible loans that are removed from the assets, under the conditions laid down in the relevant BCP regulations, are recorded and disclosed in memorandum accounts.

In addition to the criteria mentioned above, the Entity has considered the inclusion of certain customer operations under transitional measures to support the productive sector, according to the conditions established in Resolution No. 21, Minute No. 65 dated September 18, 2019 of the Board of Directors of the Central Bank of Paraguay.

The aforementioned resolution considers in an exceptional manner the impact on the micro, small and medium agricultural producers who suffered verifiable losses derived from adverse effects of nature, as well as in particular those agricultural producers who suffered losses due to the fall in the prices of their products. In this sense, it allows the deferral of the charges generated by the provisions calculated on the balance of the portfolio that benefited from these transitional measures. These provisions will be gradually recognized in the statement of income within a period not exceeding 36 months

c.6.1 Performing loans to the financial sector

In accordance with the rules for the valuation of assets and credit risks, established by the Superintendence of Banks of the Central Bank of Paraguay, the performing loan portfolio of the financial sector of the Bank is classified by risk as follows:

As of December 31, 2019

Risk Category	Book balance before allowances (a)	Guaranties computable	Allowances		Book balance after allowances
			Minimum % (b)	Booked (c)	
1	381.894.019.172	170.023.946.729	0%	-	381.894.019.172
Total	381.894.019.172	170.023.946.729		-	381.894.019.172

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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

References:

- (a) Includes capital and interest accrued;
- (b) Allowances percentages and risk categories defined for the classification and the allowances of the loan portfolio, are based on the criteria established for this purpose in Resolution No. 1, Minute No. 60 of the Board of Directors of the Central Bank of Paraguay dated September 28, 2007 and its subsequent amendments; and
- (c) Allowances are constituted by also considering the contingent balances. For those debtors that do not have computable guarantees, allowance is calculated on the total risk (monetary debt plus contingent liabilities). For the rest of the debtors, allowance is calculated in two tranches, with the guarantees being calculated in the second tranche.

c.6.2 Performing loans of the non-financial sector

The performing loans portfolio of the non-financial sector is composed as follows:

Concept	December 31, 2019 G	December 31, 2018 G
Fixed terms loans, not subject to adjustment	3.424.489.985.341	3.534.993.788.733
Installment loans, not subject to adjustment	6.846.027.172.260	6.578.554.163.883
Loans under transitional exceptions issue by Central Bank of Paraguay	699.144.388.408	-
Checks acquired in Paraguay	18.734.111	135.273.006
Loans for overdraft	134.188.623.057	94.472.958.390
Receivables from deferred credit documents	244.255.136.952	227.110.436.444
Receivables from use of credit cards	216.447.027.995	181.242.047.912
Loans with managed funds (AFD)	972.176.673.641	985.651.856.408
Bills discounted	93.118.123.267	105.022.356.491
Deferred checks discounted	273.007.342.840	307.830.755.133
Portfolio purchase	113.779.889.645	91.368.051.273
Financial derivatives	20.492.065	8.158.869.744
Loans to the public sector	10.541.036.060	18.568.473.695
Receivables from accrued financial products	195.171.657.097	194.701.830.227
(-) Valuation gains recognition suspended	(8.746.937.982)	(9.176.270.226)
(-) Allowances	(620.690.700.368)	(194.911.077.192)
Total	12.592.948.644.389	12.123.723.513.921

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At 31 December 2019 and 2018, the Entity had delivered the following guarantees from its loan portfolio:

- a) Customer promissory notes amounting to US\$ 4.160.603,18 and US\$ 7.270.471,00 respectively, in favor of GOVCO LLC.
- b) The credit card portfolio "MasterCard Classic brand Affinity" amounting to G. 17.579.935.763 in favor of Bancard S.A. in order to guarantee the operations resulting from users' transactions at ATMs or points of sale (POS's) of the Infonet Network. See note c.12.h

In accordance with the rules for the valuation of assets and credit risks, established by the Superintendence of Banks of the Central Bank of Paraguay, the Bank's performing loan portfolio of the non-financial sector of the Bank is classified by risk as follows:

As of December 31, 2019

Risk Category	Book Balance Before Allowance (a) (e) G	Guaranties G	Allowances		Book balance after allowances G
			Minimum (b) %	Booked (d) (f) G	
1	10.752.145.859.764	5.163.839.049.569	0%	(2.243.707.394)	10.749.902.152.370
1a	667.471.419.716	310.668.426.357	0,5%	(3.126.063.239)	664.345.356.477
1b	169.351.858.290	68.862.856.252	1,5%	(2.073.289.857)	167.278.568.433
2	534.622.546.769	155.431.087.664	5%	(22.785.278.158)	511.837.268.611
3	292.070.140.476	127.554.580.163	25%	(55.008.232.200)	237.061.908.276
4	173.866.601.864	68.963.336.008	50%	(64.203.162.394)	109.663.439.470
5	213.749.993.283	97.861.742.083	75%	(100.231.472.739)	113.518.520.544
6	410.360.924.595	127.328.894.880	100%	(283.689.391.573)	126.671.533.022
Generic allowances ^(c)				(87.330.102.814)	(87.330.102.814)
Total	13.213.639.344.757	6.120.509.972.976		(620.690.700.368)	12.592.948.644.389

As of December 31, 2018

Risk Category	Book Balance Before Allowance (a) G	Guaranties G	Allowances		Book balance after allowances G
			Minimum (b) %	Booked (d) G	
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

References:

- (a) Includes capital and interest accrued (net of valuation gains to be realized);
- (b) The allowances percentages and risk categories defined for the classification and allowances of the loan portfolio are based on the criteria established for this purpose in Resolution No. 1, Minute No.

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60 of the Board of Directors of Central Bank of Paraguay dated September 28, 2007 and its subsequent amendments;

- (c) Generic allowances established by the Bank in accordance with the requirements of Central Bank of Paraguay Resolution No.1/2007;
- (d) Allowances are constituted by also considering the contingent balances. For those debtors that do not have computable guarantees, allowance is calculated on the total risk (monetary debt plus contingent liabilities). For the rest of the debtors, allowance is calculated in two tranches, computing guarantees in the second tranche.
- (e) Includes loans amounting to Gs. 699.144.388.408 considered under the scope of transitional measures established by the Central Bank of Paraguay's Board of Directors Resolution No. 21, Minute No. 65 of 18 September 2019.
- (f) It contains portfolio provisions under transitional measures amounting to Gs. 376.692.237.512. See note c.10.

c.6.3 Non-performing loans

The non-performing loans portfolio was composed as follows:

Concep	Diciembre 31, 2019 G	Diciembre 31, 2018 G
Past due	26.471.831.650	14.060.126.587
Undergoing proceedings	28.266.304.825	63.640.804.950
Delinquent	149.169.261.290	106.178.647.833
Past due - financial sector	1.719.000.000	-
Accrued interests	6.498.451.622	5.289.868.849
(-)Suspended Valuation Gains	(3.941.713.547)	(3.457.490.186)
(-) Allowances	(100.121.558.959)	(81.299.164.222)
Total	108.061.576.881	104.412.793.811

In accordance with the standards for the valuation of assets and credit risks, established by the Superintendence of Banks of the Central Bank of Paraguay, the Bank's portfolio of non-performing loan is classified by risk as follows:

As of December 31, 2019

Risk Category	Book balance before allowances (a)	Guaranties computable	Allowances		Book balance after allowances G
			Minimum ^(b) %	Booked ^(c) G	
1b	3.434.468.348	483.100.826	1,5%	(196.990.109)	3.237.478.239
2	15.070.215.431	5.818.866.652	5%	(1.604.420.229)	13.465.795.202
3	17.370.662.714	7.798.815.347	25%	(3.561.349.412)	13.809.313.302
4	17.456.530.644	3.855.684.930	50%	(7.603.606.482)	9.852.924.162
5	71.664.705.499	24.082.605.317	75%	(39.169.791.477)	32.494.914.022
6	83.186.553.204	35.201.151.954	100%	(47.985.401.250)	35.201.151.954
Total	208.183.135.840	77.240.225.026		(100.121.558.959)	108.061.576.881

As of December 31, 2018

Risk Category	Book balance before allowances (a)	Guaranties computable	Allowances		Book balance after allowances G
			Minimum ^(b) %	Booked ^(c) G	
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

References:

- (a) Includes capital and interest accrued (net of valuation gains to be realized);
- (b) Allowances percentages and risk categories defined for the classification and allowances of the loan portfolio are based on the criteria established for this purpose in Resolution No. 1, Minute No. 60 of the Board of Directors of the Central Bank of Paraguay dated September 28, 2007 and its subsequent amendments; and
- (c) Allowances are constituted by also considering the contingent balances. For those debtors that do not have computable guarantees, allowance is calculated on the total risk (monetary debt plus contingent liabilities). For the rest of the debtors, the allowance is calculated in two tranches, with the guarantees being calculated in the second tranche.

c.6.4 Other receivables

Its composition as of December 31, 2019 and 2018 is as follows:

Item	December 31, 2019 G	December 31, 2018 G
Prepaid expenses	3.836.703.099	2.934.399.726
Deferred changes related bound issuance abroad	-	439.135.123
Charges for loans taken abroad	21.148.899.219	8.629.299.473
Prepaid income tax (*)	18.832.783.585	20.457.447.355
Prepayment of goods and services purchases	21.769.238.774	9.717.382.194
Lawsuit expenses recoverable	10.142.480.298	9.465.216.256
Tax credit certificates	17.706.800.000	30.538.854.387
Value-added tax deductible	5.550.939.961	2.692.642.435
Compensation claimed for incidents	25.401.818	64.235.981
Advance to Staff	-	3.000.000
Uncollected accrued interest	528.692.381	3.114.622.761
Advanced to suppliers	2.904.171.780	3.777.346.672
Others	2.836.258.090	3.590.972.345
Assets acquired in credit recovery	246.037.465.191	112.944.980.998
Earned unearned income	(16.068.603.129)	-
Expenses to be recovered	2.080.637.133	1.962.624.003

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(Valuation gains to be realized)	(12.158.069.691)	(1.430.197.694)
Allowances (Note c.7)	(13.037.486.901)	(8.928.829.392)
Total	312.136.311.608	199.973.132.623

(*) The provision for income tax included on the liabilities side under “Accruals”, at December 31, 2019 and 2018 amounts to ₡ 16.684.997.445 and ₡ 16.584.098.397 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 financial year based on the study of the portfolio carried out to determine the non-recoverable portion thereof and considering the rules, for each type of credit risk, in Central Bank of Paraguay Board Resolution No. 1, Minute No. 60 dated September 28, 2007, and its subsequent amendments and/or extensions.

Periodically, the Bank’s Board of Directors and management review and analyze the loan portfolio to adjust the allowances for doubtful accounts, in accordance with the loan valuation standards established by the Superintendence of Banks of the Central Bank of Paraguay and with the Entity’s own criteria and policies. All the necessary allowances have been made to cover possible losses on direct and contingent risks, in accordance with the criteria of the Board of Directors and Management of the Bank and with the requirements of Central Bank of Paraguay Board of Directors’ Resolution No. 1, Minute No. 60, dated September 28, 2007, Resolution No. 37, Minute No. 72, dated November 29, 2011 and Resolution No. 13, Minute No. 28, dated April 24, 2014.

The movement recorded during the year ended on 31 December 2019 and during the year ended on 31 December 2018 in the allowance accounts is summarized as follows:

As of December 31, 2019

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	(61.977.088)	(879.710.965)	-	921.348.516	(3.971.359)	(24.310.896)
Performing Loans - Financial sector	-	(511.559.280)	-	512.271.322	(712.042)	-
Performing loans – Non-financial sector	(194.911.077.192)	(795.250.612.884)	21.962.961.349	356.762.636.615	(9.254.608.256)	(620.690.700.368)
Other receivables	(8.928.829.392)	(7.367.090.136)	296.001.350	3.183.573.816	(221.142.539)	(13.037.486.901)
Non-performing loans	(81.299.164.222)	(281.255.415.909)	111.338.349.386	153.758.615.658	(2.663.943.872)	(100.121.558.959)
Investments	(12.974.407.513)	(35.254.174.581)	2.322.082.006	11.023.375.316	-	(34.883.124.772)
Total	(298.175.455.407)	(1.120.518.563.755)	135.919.394.091	526.161.821.243	(12.144.378.013)	(768.757.181.896)

(*) At December 31, 2019 the Bank has reclassified ₡. 376.962.237.512 corresponding to the allowances for operations under transitional measures. See note c.10.

As of December 31, 2018

Concept	Balance at beginning of the year G	Additions (*) G	Applications of allowances G	Reversal of allowances for the year G	Changes from valuation in foreign currency G	Balance at the end of the year G
Cash	(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 Non-financial 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)
Non-performing 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)

c.8 Investments

The investments item includes:

Assets acquired in credit recovery:

These assets are valued at the lower of the following three values: appraisal value, adjudication value and balance of the receivable immediately prior to adjudication, in accordance with the rules of the Central Bank of Paraguay.

In addition, for assets that exceed the period established by the Central Bank of Paraguay for their possession, the allowances are made in accordance with Resolution No. 1, Minute No. 60 dated September 28, 2007, of the Board of Directors of the Central Bank of Paraguay, and subsequent amendments thereto. After three years of possession, the assets are 100% allowance, except for the assets of the agricultural sector, which reach 100% of allowance at four years of possession, in accordance with the Resolution No. 7 Minute No. 4 dated January 18, 2018 of the Board of Directors of the Central Bank of Paraguay.

Permanent investments:

Permanent investments for holdings in private companies, which have been valued at their acquisition value. This value is not higher than their market value, or their proportional equity value.

Private fixed income securities:

These are valued at the lower of either the cost plus accrued interest receivable or their estimated realizable value, taking into consideration the criteria for the valuation of short, medium and long-term financial investments established in Resolution No. 1, Minute 60 dated September 28, 2007 of the Board of Directors of the Central Bank of Paraguay and its subsequent amendments.

Other investments:

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

The composition of investments as of December 31, 2019 and 2018 is as follows:

As of December 31, 2019

Concepto	Book balance before allowances G	Allowances G	Book balance after allowances G
Assets			
Assets acquired in credit recovery	226.951.361.713	(34.883.124.772)	192.068.236.941
Other investments	4.194.542	-	4.194.542
Permanent investments in private companies (note b.4)	51.872.630.509	-	51.872.630.509
Investments in securities issued by private sector	22.341.000.000	-	22.341.000.000
Permanent investments in corporate companies ^(a)	9.500.000.000	-	9.500.000.000
Permanent investments in corporate companies ^(b)	64.927.571.426	-	64.927.571.426
Investments income in the private sector	1.035.725.573	-	1.035.725.573
Total	376.632.483.763	(34.883.124.772)	341.749.358.991

As of December 31, 2018

Concepto	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 (note b.4)	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

(a) As of December 31, 2019, the Bank held in its portfolio subordinated bonds issued by local financial entities, acquired through the stock exchange for a total of G 9.500.000.000 (G 14.500.000.000 and USD 420.000 at December 31, 2018).

c.9 Fixed Assets

The original values of the fixed assets and their accumulated depreciation are revalued at the end of each period or financial year, in accordance with the variation in the Consumer Price Index published by the Central Bank of Paraguay. According to this index, the accumulated inflation for the year ended on December 31, 2019 was 2.8% and for the year ended on December 31, 2018 was 3.2%. The net increase in the revaluation reserve at the end of each accounting period or financial year is shown in the "Adjustments to Equity" account of the Bank's Equity.

The cost of improvements or additions are capitalized, while maintenance and repair expenses that do not increase the value of the assets or their service life are charged to income in the year in which they are incurred.

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Depreciations are calculated starting from the month following the incorporation into the Bank's Assets, through monthly charges to results based on the linear system, in the estimated years of service life. The residual value of revalued assets, considered as a whole, does not exceed their recoverable value as of December 31, 2019, and 2018.

The composition of the fixed assets as of December 31, 2019 and 2018 is as follows:

Concept	ORIGINAL VALUE				Balance at the end of the year G
	Balance at the beginning of the year G	Additions G	Disposals G	Revaluation G	
Bank Owned:					
Real estate - Land	14.317.886.677	-	-	610.156.433	14.928.043.110
Real estate - Buildings	80.691.202.486	4.084.146.984	-	2.390.296.423	87.165.645.893
Furniture and office supplies	42.658.432.331	5.411.588.184	(792.267.288)	822.333.598	48.100.086.825
Computer hardware	92.955.736.900	4.212.473.306	(132.237.078)	647.794.847	97.683.767.975
Bank safe-deposit boxes	2.167.230.088	113.275.889	(126.626.962)	31.525.996	2.185.405.011
Transport materials	2.005.168.738	-	-	56.969.304	2.062.138.042
As of December 31, 2019	234.795.657.220	13.821.484.363	(1.051.131.328)	4.559.076.601	252.125.086.856
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

Concept	Percentage of annual depreciation	ACCRUED DEPRECIATION					Net amount at the end of the year G
		Balance at the beginning of the year G	Additions G	Disposals G	Revaluation G	Balance at the end of the year G	
Bank owned:							
Real estate - Land	0%	-	-	-	-	-	14.928.043.110
Real estate- Buildings	2,50%	(14.478.765.137)	(2.127.488.940)	-	(438.263.814)	(17.044.517.892)	70.121.128.001
Furniture and office supplies	10%	(31.148.688.718)	(3.037.557.125)	746.339.743	(366.688.112)	(33.806.594.212)	14.293.492.613
Computer hardware	25%	(61.171.459.968)	(12.071.222.099)	132.237.078	(544.980.383)	(73.655.425.372)	24.028.342.603
Bank safe-deposit boxes	10%	(1.789.402.742)	(107.188.056)	126.626.942	(19.105.656)	(1.789.069.512)	396.335.499
Transport materials	20%	(1.002.584.302)	(406.748.199)	-	(34.164.047)	(1.443.496.548)	618.641.494
As of December 31, 2019		(109.590.900.867)	(17.750.204.419)	1.005.203.763	(1.403.202.012)	(127.739.103.536)	124.385.983.320
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

According to banking legislation, financial institutions operating in Paraguay are prohibited from pledging fixed assets as security, except for those affected in support of financial leasing operations and to the Central Bank of Paraguay.

Banking legislation sets a limit for investment in fixed assets of 50% of effective equity. The accounting balance of the Bank's fixed assets at December 31, 2019 is within the established limit.

c.10 Deferred charges

The composition of the item as of December 31, 2019 and 2018 is as follows:

Concept	Balance at the beginning of the year	Increases	Amortization for the year	Balance at the end of the year
December 31, 2019				
Improvements and facilities in leased real estate ^(a)	5.485.818.417	927.360.238	(1.485.553.904)	4.927.624.751
Office supplies and others	1.836.913.925	3.131.263.147	(2.686.529.594)	2.281.647.478
Intangible assets	972.036.587	-	(655.659.400)	316.377.187
Deferred charges for portfolio allowances under the 2019 transitional exceptions ^(b)	-	376.962.237.512	-	376.962.237.512
Total	8.294.768.929	381.020.860.897	(4.827.742.898)	384.487.886.928
December 31, 2018				
Improvements and facilities in leased real estate ^(a)	2.699.651.360	4.353.055.827	(1.566.888.770)	5.485.818.417
Office supplies and others	1.802.157.060	2.761.364.366	(2.726.607.501)	1.836.913.925
Intangibles assets	-	972.036.587	-	972.036.587
Total	4.501.808.420	8.086.456.780	(4.293.496.271)	8.294.768.929

(a) The Bank amortizes improvements and installations in leased properties on a linear basis, considering a service life of 5 years.

(b) The Bank has considered the inclusion of certain customer operations under transitional measures to support the productive sector, according to the conditions established in Central Bank of Paraguay Board Resolution No. 21, Minute No. 65 dated September 18, 2019.

The aforementioned resolution considers in an exceptional manner the impact on the micro, small and medium agricultural producers who suffered verifiable losses derived from adverse effects of nature, as well as in particular those agricultural producers who suffered losses due to the fall in the prices of their products. In this sense, it allows the deferral of the charges generated by the provisions calculated on the balance of the portfolio that benefited from these transitional measures. These provisions will be gradually recognized in the statement of income within a period not exceeding 36 months.

c.11 Debentures and bonds issued in circulation

Issued in the local market

The item "Debentures and bonds issued in circulation" included in the items "Liabilities from financial transactions - nonfinancial sector" of the balance sheet, includes subordinated bonds, financial bonds whose balance and detail of issuances as of December 31, 2019 and 2018 are as follows:

a) Subordinated bonds

Autorization resolution issued by the Central Bank of Paraguay	Issuance currency	Issuance amount ^(*)	Maturity	Amount in issuance currency	Accounting balance at December 31, 2019	Accounting balance at December 31, 2018
00027/2016	US\$	10.000.000	2555 días	10.000.000	64.531.400.000	59.605.400.000
00027/2016	US\$	8.630.000	2555 días	8.630.000	55.690.598.200	51.439.460.200
USD Total	^(*)	18.630.000		18.630.000		
G Equivalent Total					120.221.998.200	111.044.860.200

(*) By means of Resolution SB. SG. No. 00027/2016, the Central Bank of Paraguay has authorized, and the Bank has issued subordinated bonds in foreign currency amounting to US\$ 18.630.000. In said Resolution, the Central Bank of Paraguay also authorized the issuance of subordinated bonds in local currency up to an amount of G 50.000.000.000. At the end of the year ended on December 31, 2019, the Bank had not finalized the issuance of the bonds in Guarani.

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The subordinated bonds are convertible into shares, in case the minimum capital required by law is reached or capital losses are replaced (Law 861/96). Subordinated bonds do not carry the deposit guarantee established in Law No. 2334/03.

b) Financial Bonds

Authorization resolution issued by the Central Bank of Paraguay	Issuance currency	Issuance amount (*)	Maturity	Amount in issuance currency	Accounting balance at December 31, 2019	Accounting balance at December 31, 2018
00176/2018	US\$	11.000.000	1827 días	11.000.000	70.984.540.000	-
00176/2018	US\$	15.000.000	1827 días	15.000.000	96.797.100.000	-
00176/2018	US\$	7.000.000	1827 días	7.000.000	45.171.980.000	-
00176/2018	US\$	12.000.000	1827 días	12.000.000	77.437.680.000	-
US\$ Total	(*)	45.000.000		45.000.000		
€ Equivalent Total					290.391.300.000	-

(*) The Central Bank of Paraguay has authorized, through Resolution SB. SG. N° 00176/2018, the issue of Financial Bonds in foreign currency up to the amount of USD 75,000,000.00 and the Bank has issued US\$ 45,000,000 (see Note c.19).

The financial bonds issued are not covered by Law 2334/03 and consequently are not insured by the Deposit Guarantee Fund.

c) Foreign placements

The Ordinary General Meeting No. 39 dated April 26, 2013 approved the issuance of bonds abroad up to the amount of US\$ 300 million (three hundred million US dollars). On January 16, 2014, Banco Regional S.A.E.C.A. issued bonds for the amount of US\$ 300 million. The securities were listed in Luxembourg and have a term of 5 years and an annual interest rate of 8.125% (interest payable semiannually).

As of December 31, 2018, the capital has been recorded under the item -Bonds issued in circulation- included in the items "Bonds issued abroad - Financial Sector" for € 1.788.162.000.000.

On January 24, 2019, Banco Regional SAECA proceeded to cancel US\$ 300 million, thus demonstrating compliance with its obligations within the deadlines negotiated.

c.12 Limitations on the free availability of assets or equity and any other restrictions on the rights of ownership

As of December 31, 2019 and 2018, the following limitations exist:

a) Legal and special reserves

The Central Bank of Paraguay account as of December 31, 2019 and 2018, includes the sum of € 1.300.421.585.718 and € 1.270.829.736.813 respectively, which correspond to restricted availability accounts held with this institution for legal and special reserve purpose. (See note c.3)

b) Public Securities

As of December 31, 2019 and 2018, the Bank has delivered Monetary Regulation Bills for ₡ 46.430.000.000 and ₡ 49.900.000.000 respectively, as minimum guarantees required by the Central Bank of Paraguay, under the general regulations of the Paraguayan Payment System (see Note c.4)

c) Legal reserve

In accordance with Article 27 of Law 861/96, financial institutions must have a reserve of no less than the equivalent of one hundred percent (100%) of their capital, which shall be constituted by transferring annually no less than twenty percent (20%) of the net profits of each financial year.

Article 28 of the aforementioned Law, establishes that the resources of the legal reserve shall be automatically 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 is reached again, or the highest amount obtained in the process of its constitution.

At any time, the amount of the reserve may be additionally increased by cash contributions.

d) Monetary correction of Capital:

Under Article 11 of Law No. 861/96, as amended by Law No. 5787/2016, financial institutions must update their capital annually on the basis of the Consumer Price Index (CPI) calculated by the Central Bank of Paraguay. The updated value for the minimum capital requirement for 2019 and 2018 is ₡ 53.930 million and ₡ 52.257 million respectively, in accordance with Circular SB. SG. No. 007/2019 and Circular SB. SG. No. 005/2018 respectively.

The Bank's integrated capital (common and preferred shares) at December 31, 2019 and 2018, amount to ₡ 1.151.242.800.000 and ₡ 1.087.787.800.000 respectively; (see note b.5), which exceeds the aforementioned minimum capital.

e) Profit distribution:

According to the provisions of Law No. 861/96 "General Law on Banks, Financial Institutions and Other Credit Institutions, financial entities may distribute their profits after approval by the Superintendence of Banks (SIB) of their respective annual audited financial statements, provided that such approval is issued within one hundred and twenty days of the closing of the financial year. Upon expiration of the aforementioned period and without a pronouncement by Superintendence of Banks, the profits may be distributed.

The Ordinary Shareholders' Meeting held on April 26, 2019 approved the distribution of profits for the 2018 fiscal year, which was performed as follows:

Items	Currency	Amount
Constitution of legal reserves	₡	30.935.302.533
Capitalization of profits	₡	47.010.000.000
Cash dividends distributions - preferred shares	₡	40.000.000.000
Cash dividends distributions - common shares	₡	20.147.111.737
Total		138.092.414.270

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The Ordinary Shareholders' Meeting held on March 16, 2018 approved the distribution of profits for the year 2017 and the accumulated results corresponding to the year 2016 according to the SB. SG. Note No. 470/2017; which was performed as follows:

Items	Currency	Amount
Constitution of legal reserves	₡	42.379.884.382
Capitalization of profits	₡	86.379.800.000
Cash dividends distributions - preferred shares	₡	40.000.000.000
Cash dividends distributions - common shares	₡	37.019.898.307
Total		205.779.582.689

f) Preferred share dividends

In accordance with the original terms of the preferred share issuance, the shareholders' meeting granted the holders a preferred dividend of 18% on the preferred capital. On December 18, 2018, exercising its authority, the Ordinary Shareholders' Meeting resolved to modify the original rate, setting the new preferred dividend rate at 12% for the period of 2019 to 2023.

g) Additional income tax on profit distribution:

In accordance with the provisions of Law 125/91, as amended by Law 2421/04, until December 31, 2019 and 2018, profit distribution was subject to an additional income tax rate of 5%.

Furthermore, according to the same rule, profits sent to foreign shareholders were subject to a 15% income tax withholding as of December 31, 2019 and 2018. See also note c.19.b).

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

As of December 31, 2019 and 2018, the Bank has provided Bancard S.A. with a portfolio of credit cards of the Affinity MasterCard Classic line as collateral up to the amount of ₡ 17.579.935.763 which guarantee transactions resulting from users' transactions at ATMs or points of sale (POS) in the Infonet network, as well as obligations that may arise as a result of credit card transactions under the MasterCard, VISA and Bancard Check brands.

c.13 Guarantees granted regarding liabilities

As of December 31, 2019, loans obtained from GOVCO LLC, in agreement with Citibank N.A. New York, and guaranteed by the Overseas Private Investment Corporation (OPIC), with a principal balance of US\$ 1.184.220,00 are guaranteed by promissory notes from clients in guarantee for US\$ 4.160.603,18

At December 31, 2018, loans obtained from GOVCO LLC under an agreement with Citibank N.A. New York, and guaranteed by the Overseas Private Investment Corporation (OPIC), with a principal balance of US\$ 3.552.640,00 are secured by promissory notes from clients in guarantee for US\$ 7.270.461,00

Additionally, the Bank is committed to comply with certain financial covenants, positive and negative in accordance with the contracts and agreements signed with multilateral credit institutions, which are monitored by the Board of Directors and Management of the Bank.

As of December 31, 2019, the financial covenants that are outside the range have the approved waivers of the borrowers that support the validity of the terms originally agreed for such operations.

There are no other limitations to the free availability of assets or equity or any other restriction to the right of ownership.

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

The placements and deposits as of December 31, 2019 and 2018, are shown below, grouped according to their remaining maturity:

Balances include accrued interest, transactions to be settled/reported and loans before allowances.

As of December 31, 2019

Item	Terms remaining to maturity					Total
	Up to 30 days	From 31 days up to 180 days	From 181 days up to 1 year	Over 1 year up to 3 years	Over 3 years	
Performing loans financial sector	78.425.419.937	170.719.266.265	51.962.159.662	55.166.334.746	25.620.838.562	381.894.019.172
Performing loans non-financial sector	1.247.365.641.521	4.086.223.880.732	1.343.471.145.005	2.526.769.723.889	4.009.808.953.610	13.213.639.344.757
Total performing loans	1.325.791.061.458	4.256.943.146.997	1.395.433.304.667	2.581.936.058.635	4.035.429.792.172	13.595.533.363.929
Liabilities - financial sector	577.241.369.364	570.314.370.364	407.349.396.318	1.462.531.516.717	1.605.212.754.634	4.622.649.407.397
Liabilities - Non-financial sector	5.137.616.157.325	1.040.309.585.371	1.277.058.994.090	2.018.475.939.489	1.404.545.832.454	10.878.006.508.729
Total Liabilities	5.714.857.526.689	1.610.623.955.735	1.684.408.390.408	3.481.007.456.206	3.009.758.587.088	15.500.655.916.126

As of December 31, 2018

Item	Terms remaining to maturity					Total
	Up to 30 days	From 31 days up to 180 days	From 181 days up to 1 year	Over 1 year up to 3 years	Over 3 years	
Performing loans financial sector	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 non-financial 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
Liabilities - 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
Liabilities - Non-financial 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 Liabilities	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

Liquidity risk management:

Liquidity risk, is the risk that an entity will encounter difficulty in meeting obligations associated with financial commitments that are settled by delivering cash or another financial asset. The Board of Directors and Management of the Bank control its liquidity mainly by matching the maturities of its

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assets and liabilities, in accordance with the short, medium and long term strategies defined and permanently monitored, both for assets and liabilities.

Additionally, the Bank has defined contingency plans for cases of transitory liquidity needs. The liquidity position is monitored and liquidity stress tests are carried out regularly under a variety of scenarios that cover both normal market conditions and more severe ones. All liquidity policies and procedures are subject to review and approval by the Assets and Liabilities Committee.

c.15 Concentration of the loan and deposit portfolio

c.15.1 Concentration of the portfolio by financial intermediation by number of clients

Below is the concentration of the portfolio held by the Bank as of December 31, 2019 and 2018 with the financial (SF) and non-financial (SNF) sectors, both in the portfolio of performing loans and non-performing loans, as on its liabilities from financial intermediation.

a. Loan portfolio

Number of customers	Amount and percentage of the Financial Sector loan portfolio				Amount and percentage of the Non-financial Sector loan portfolio			
	Performing G (*)	%	Nonperforming G (*)	%	Performing G (*)	%	Nonperforming G (*)	%
As of December 31, 2019								
10 largest borrowers	292.447.848.696	77%	1.866.551.425	100%	1.006.834.261.154	8%	72.536.023.173	35%
50 next largest borrowers	89.446.170.476	23%	-	0%	2.880.387.020.663	22%	79.238.831.686	38%
100 next largest borrowers	-	0%	-	0%	2.747.911.739.465	21%	32.884.271.821	16%
Other largest borrowers	-	0%	-	0%	6.578.506.323.475	49%	21.657.457.735	11%
Total	381.894.019.172	100%	1.866.551.425	100%	13.213.639.344.757	100%	206.316.584.415	100%
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%

(*) Includes borrowers for accrued financial products, suspended valuation gains outstanding and operations to be settled/reported, before allowances.

b. Deposits portfolio

Number of customers	Amount and percentage of deposit portfolio					
	Financial Sector G (*)	%	Non-financial Sector			
			Private Sector G (*)	%	Public sector G (*)	%
As of December 31, 2019						
10 largest depositors	422.284.781.173	60%	905.549.088.063	10%	1.043.621.767.408	98%
50 next largest depositors	241.736.387.450	35%	1.396.837.885.877	15%	26.029.114.987	2%
100 next largest depositors	35.943.670.525	5%	1.229.352.222.799	13%	-	0%
Other depositors	-	0%	5.771.893.935.364	62%	-	0%
TOTAL	699.964.839.148	100%	9.302.620.425.400	100%	1.069.650.882.395	100%

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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%

(*) Includes amounts for demand and term deposits, excluding accrued financial charges payable at the end of the financial year.

c.15.2 Concentration by geographical area and currency

a) Loans portfolio

Item	Loans to Financial Sector G ^(*)	%	Loans to Non-financial Sector G ^(*)	%
December 31, 2019				
Residents	378.142.182.291	99%	13.213.639.344.757	100%
Nonresidents	3.751.836.881	1%	-	0%
Sub-Total	381.894.019.172	100%	13.213.639.344.757	100%
Allowances	-		(620.690.700.368)	
TOTAL	381.894.019.172		12.592.948.644.389	
In Local Currency	214.055.859.992	56%	4.891.881.689.812	37%
In Foreign Currency	167.838.159.180	44%	8.321.757.654.945	63%
Sub-Total	381.894.019.172	100%	13.213.639.344.757	100%
Allowances	-		(620.690.700.368)	
TOTAL	381.894.019.172		12.592.948.644.389	

Item	Loans to Financial Sector G ^(*)	%	Loans to Non-financial Sector G ^(*)	%
December 31, 2018				
Residents	320.506.298.204	84%	12.318.634.591.113	100%
Nonresidents	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	

(*) Includes loan amounts, debtors for accrued financial products, suspended valuation gains and transactions to be settled (forward contracts).

b) Liabilities

As of December 31, 2019

Item	Financial Sector G	%	Non Financial Sector G	%
Residents	1.668.301.622.558	37%	10.758.669.048.673	99,68%
Non-residents	2.869.718.937.106	63%	34.428.824.068	0,32%
Sub-Total^(*)	4.538.020.559.664	100%	10.793.097.872.741	100%
Other Liabilities ^(**)	84.628.847.733		84.908.635.988	
TOTAL	4.622.649.407.397		10.878.006.508.729	

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In Local Currency	904.807.304.633	20%	4.238.754.335.721	39%
In Foreign Currency	3.633.213.255.031	80%	6.554.343.537.020	61%
Sub-Total (*)	4.538.020.559.664	100%	10.793.097.872.741	100%
Other Liabilities (**)	84.628.847.733		84.908.635.988	
TOTAL	4.622.649.407.397		10.878.006.508.729	

As of December 31, 2018

Item	Financial Sector		Non Financial Sector	
	G	%	G	%
Residents	1.630.838.645.304	31%	10.177.820.580.264	100%
Non-residents	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	

(*) Includes amounts of demand and term deposits, direct loans from financial institutions, bonds issued in circulation and deferred documentary credits without considering accrued interest at the closing date.

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

c.15.3 Loan portfolio to the non-financial sector distributed by economic sector

As of December 31, 2019 and 2018

Economic Sector	Loans to Non-Financial Sector as of December 31, 2019 (*)		Loans to Non-Financial Sector as of December 31, 2018 (*)	
	G	%	G	%
Agriculture	2.339.573.479.410	18%	2.464.683.605.809	20%
Livestock activities	1.681.402.412.192	13%	1.425.159.005.960	12%
Industry	1.075.094.025.350	8%	1.195.904.162.839	10%
Wholesale business	2.264.294.940.023	17%	2.069.426.073.975	17%
Retail trade	850.349.680.917	6%	783.890.865.124	6%
Services	257.731.446.835	2%	251.915.512.294	2%
Consumer	507.950.201.019	4%	429.908.027.548	3%
Construction	253.387.362.599	2%	270.857.950.944	2%
Consumption – housing	184.120.514.091	1%	171.381.387.752	1%
Financial Intermediation	88.529.855.439	1%	84.603.413.194	1%
Agribusiness	2.548.608.258.446	19%	2.067.671.344.876	17%
Sale, Maintenance and Repair of Vehicles	398.165.739.988	3%	376.908.646.641	3%
Personal services	371.696.661.828	3%	404.267.841.256	3%
Others non specified	392.734.766.620	3%	322.056.752.901	3%
Total	13.213.639.344.757	100%	12.318.634.591.113	100%

(*) Includes accrued interest, gains to be realized and transactions to be settled/reported, before allowances.

c.16 Credits and contingencies with related parties

The balances with related parties at December 31, 2019 and 2018 are as follows:

As of December 31, 2019

Item	Book balance before allowances (*) G	Allowances G	Book balance net of allowances G
Assets			
Performing loans (*)	234.097.638.250	-	234.097.638.250
Credit-related contingencies	18.397.607.621	-	18.397.607.621
Total	252.495.245.871	-	252.495.245.871
Liabilities			
Deposits	106.727.250.618	-	106.727.250.618
Total	106.727.250.618	-	106.727.250.618

As of December 31, 2018

Item	Book balance before allowances (*) G	Allowances G	Book balance net of allowances G
Assets			
Performing loans (*)	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

(*) Performing loans do not include accrued interest.

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

c.17 Other liabilities

Its composition as of December 31, 2019 and 2018 is as follows:

Item	December 31, 2019 G	December 31, 2018 G
Taxes payables	14.964.341.963	12.499.635.827
Social security payables	241.557.781	39.807.010
Dividends payable	1.447.629.936	900.014.545
Accounts payable	598.711.423	2.025.712.427
Cashier's check issued	33.351.429.610	65.082.486.531
Other liabilities	10.625.545.758	6.580.980.793
Uncollected Perceived Income	-	6.017.667.795
Total	61.229.216.471	93.146.304.928

c.18 Operations to be settled

This section records the balances of the following transactions:

a) Forward Operations

These are contracts for the obligatory exchange of currencies at a rate previously agreed between the parties (Currency "Forward") which are initially recorded at their agreed value. Subsequently, any change in such amount is charged to income, valued at its nominal value translated at initial spot

prices; and all contracts expressed in foreign currencies are restated at the spot exchange rate of each financial statement date.

FINANCIAL SECTOR

a) Forward Operations

Forward purchases of foreign currency - Financial Sector	December 31, 2019 G	December 31, 2018 G
Debtors from purchases transactions forward foreign currency	-	-
Creditors from purchases transactions forward foreign currency	-	(2.452.820)

Forward sales of foreign currency - Financial Sector	December 31, 2019 G	December 31, 2018 G
Debtors from sales transactions forward foreign currency	-	1.736.250.000
Creditors from sales transactions forward foreign currency	-	(1.788.162.000)

NON-FINANCIAL SECTOR

a) Forward operations

Forward purchases of foreign currency – Non - financial Sector	December 31, 2019 G	December 31, 2018 G
Debtors from purchases transactions forward foreign currency	18.637.267	2.763.669.744
Creditors from purchases transactions forward foreign currency	-	(2.622.000.000)

Forward sales of foreign currency – Non - financial Sector	December 31, 2019 G	December 31, 2018 G
Debtors from sales transactions forward foreign currency	1.854.798	5.395.200.000
Creditors from sales transactions forward foreign currency	(13.402.619)	(5.535.455.229)

Total Forward Operations (Debtors) – Assets	20.492.065	8.158.869.744
Total Forward Operations (Creditors) - Liabilities	(13.402.619)	(8.157.455.229)

c.19 Relevant information regarding the financial year

a) Issuance of Financial Bonds:

On March 16, 2018 the Extraordinary General Meeting of Shareholders approved the issuance financials bonds up to an amount of US\$ 75.000.000 (seventy five million dollars).

In exercising this authority, the Board of Directors approved in Minutes No. 002/2019 dated February 20, 2019, No. 004/2019 dated April 26, 2019, No. 005/2019 dated May 21, 2019 and No. 006/2019 dated June 21, 2019, the issuance of financial bonds within the Global Issuance Program entitled USD3, for the amounts of US\$ 11.000.000; US\$ 15.000.000; US\$ 7.000.000; US\$ 12.000.000 respectively.

By means of Resolution SB. SG. No. 00176/2018 dated December 6, 2018, the Superintendence of Banks has authorized the issuance of Financial Bonds in foreign currency to a maximum amount of US\$ 75.000.000.

Below are the details of the issuances made:

Serie	Issue currency	Issue amount	Date of issue	Due Date	Expiry Date
1	USD	11.000.000	2019/04/04	2024/04/04	1827 days
2	USD	15.000.000	2019/05/10	2024/05/10	1827 days
3	USD	7.000.000	2019/05/30	2024/05/30	1827 days
4	USD	12.000.000	2019/06/27	2024/06/27	1827 days
Total		45.000.000			

b) Changes in tax legislation:

On September 25, 2019, Law No. 6380/19 "On the Modernization and Simplification of the National Tax System" was enacted, effective as of January 1, 2020, which basically sets forth the following taxation scheme:

Corporate Income Tax (IRE), successor to the Income Tax on Commercial, Industrial and Service Activities (IRACIS), Income Tax on Agricultural Activities (IRAGRO), and Tax on Small Income Taxpayers (IRPC), with the same rates of taxation of 10%.

Tax on Dividends and Earnings (IDU), which taxes the profits, dividends or income received as a shareholder of a company incorporated in the country. The profits destined to the legal reserve account, to optional reserves or to capitalization will not be covered by the IDU, except in the case of a capital redemption, in which case, the profits destined to some of the mentioned destinations will be taxed by the IDU. This tax is applied by way of withholding, the designated agent being the entities paying the profits and dividends.

The rates to be applied will be the following: 8% if the recipient of the dividends, profits or returns is an individual, legal entity or other type of entity residing in the country; and 15% if the recipient is an entity, individual or legal entity not residing in the country, including those obtained by the parent company abroad, that is, the parent company of the branches established in the country. Law No. 6380/19 establishes special provisions regarding profits accumulated before the law came into effect that have not been capitalized.

Tax on Non-Residents (INR), Law No. 6380/19 puts into effect a tax to be applied to Non-Residents in the country, and which will tax all income, profits or benefits obtained by individuals, legal entities and other types of entities. The condition is that they do not have residence in Paraguay. An important point is that the case of determining whether the income is of Paraguayan origin is established for each type of service. In general, the INR rate is set at 15%, which will be applied to the value of the net income established.

Value Added Tax (IVA), as regards IVA, no significant changes are expected in the operations carried out by the Bank. There are no changes in the rates for operations. Financial interest and the provision of services will be taxed at the rate of 10%. The tax settlement system will remain unchanged; the rule of offsetting IVA Debit with IVA Tax Credit is maintained.

On the other hand, the possibility of recovering the IVA tax credit linked to export operations of agricultural producers and their derivatives from the first processing or industrialization processes is eliminated, a situation that directly affects the costs of the agricultural sector.

Additionally, new transfer-pricing regulations are established, which will be in effect as of 2021.

D. EQUITY

d.1. Effective equity

The effective equity constitutes the basis for the determination of certain operational limits and restrictions established by the Superintendence of Banks of the Central Bank of Paraguay, for financial entities operating in Paraguay.

The Bank effective equity at 31 December 2019 and 2018, amounts to ₡ 1.423.050.000.000 and ₡ 1.707.817.000.000 respectively.

Law 5787 dated December 19, 2016 establishes the composition of the principal level capital (Tier 1) and supplementary capital (Tier 2) of financial entities, for the purpose of calculating their equity solvency. This Law also establishes the minimum ratio that must exist at all times between the principal capital and the amount of risk-weighted assets and contingencies, in national or foreign currency, including their branches, in the country and abroad, which may not be less than 8%. In the case of the minimum ratio between the principal (Tier 1) and supplementary (Tier 2), capital combined and the total amount of risk-weighted assets and contingencies of a financial institution weighted by their risk, in domestic or foreign currency, including its branches in the country and abroad, shall not be less than 12% or exceed 14%.

As of December 31, 2019 and December 31, 2018, the Bank maintains the following ratio:

	31/12/2019 (*)	31/12/2018
Level 1- Principal capital	12,70%	13,64%
Level 2 – Principal capital plus complementary capital	12,11%	15,99%

(*) Corresponds to the determination of the effective equity by computing the figures of the rectified information (See note G).

d.2. Minimum Capital

The minimum inflation indexed capital for 2018 which, by virtue of the provisions of the Central Bank of Paraguay, banks operating in the national financial system must have as integrated capital by December 31, 2019 is ₡ 53.930 million (₡ 52.257 million for December 31, 2018). Any shortfall in an Bank's capital in relation to the minimum capital required annually from financial institutions must be covered before the end of the first half of each year.

At December 31, 2019, and 2018, the Bank had an integrated capital of ₡ 1.151.242.800.000 and ₡ 1.087.787.800.000 respectively, which was higher than the minimum required by the regulations of the Central Bank of Paraguay on those dates.

d.3. Adjustments of accumulated results

The Chart of Accounts and Guidelines of the Central Bank of Paraguay sets that the adjustments to prior year's earnings must be record in the income statement, without affecting the Bank's equity

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balances. At December 31, 2019 the net adjustment results are a loss of ₡ 7.329.251.206 included under the heading “Adjustment of previous financial years' results” (profit of ₡ 6.303.958.828 as of December 31, 2018).

E. INFORMATION REGARDING CONTINGENCY AND MEMORANDUM ACCOUNTS

a) Contingency accounts

The balance of the contingency accounts at 31 December 2019 and 2018 relates mainly to credit lines granted to debtors for credit card operations, loans agreed on current accounts, and other agreed lines pending use. Together, these lines of credit do not exceed 10% of total assets.

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

Items	31/12/2019 ₡	31/12/2018 ₡
Guarantees issued	572.217.928.035	356.355.327.373
Documentary letters of credit to be negotiated	173.226.944.376	112.521.840.133
Lines of credits to be used in current accounts	326.663.702.560	302.657.349.043
Lines of credits to be used through credit cards	341.446.724.748	320.042.011.008
Total	1.413.555.299.719	1.091.576.527.557

b) Memorandum accounts

The memorandum accounts are composed as follows:

Items	31/12/2019 ₡	31/12/2018 ₡
Guarantees received	14.870.716.867.056	13.637.830.795.274
Securities and Deposit Management	1.413.888.661.900	1.449.872.028.782
Foreign business and collections	25.676.849.874	83.214.157.383
Sale and transfer of portfolio	1.043.371.933.930	790.855.157.732
Forward Operation – Buyer	967.971.000	-
Forward Operation - Seller	1.935.942.000	-
Other memorandum accounts	1.159.355.811.679	1.136.633.421.355
Total	18.515.914.037.439	17.098.405.560.526

F. INFORMATION CONCERNING RESULTS

f.1 Recognition of income and loss

The Entity applied the accrual principle for the purposes of recognizing income and allocating expenses or costs incurred, with the following exceptions, in which income is recognized as profit upon receipt or collection, as established by Resolution No. 1, Minute No. 60 of the Central Bank of Paraguay, dated September 28, 2007, and its subsequent amendments:

- a) Financial products accrued and uncollected from debtors with non-performing loans, and their valuation earnings;
- b) Financial products accrued and uncollected related from debtors and credits classified in categories 2 (other than by subjective criteria), 3, 4, 5 and 6, which are recognized as profit upon collection.

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- c) Valuation earnings of debtors with non-performing and performing loans classified in categories 2 (other than 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 Exchange rate differences in foreign currency

The net 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, 2019 G	December 31, 2018 G
Income from valuation of financial assets and liabilities in foreign currency	5.936.957.919.428	3.716.506.996.435
Loss from valuation of financial assets and liabilities in foreign currency	(5.942.285.727.742)	(3.721.196.458.899)
Net foreign exchange differences on financial assets and liabilities in foreign currency	(5.327.808.314)	(4.689.462.464)
Income from valuation of other assets and liabilities in foreign currency	23.611.261.943	20.091.907.611
loss from valuation of other assets and liabilities in foreign currency	(29.585.249.398)	(26.534.319.646)
Net foreign exchange differences on other assets and liabilities in foreign currency - profit	(5.973.987.455)	(6.442.412.035)
Net foreign exchange differences on total assets and liabilities in foreign currency - profit (loss)	(11.301.795.769)	(11.131.874.499)

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, since entering category 3 is suspended.

Net foreign exchange differences from foreign exchange and arbitrage operations 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 are required to contribute 0.12% of the average quarterly balances of their deposits portfolio in local and foreign currency to the FGD administrated by BCP. The amount contributed by the Bank to the FGD for the years ended December 31, 2019 and 2018 amounts to ₡ 52.906.225.818 and ₡ 49.496.101.269 respectively. The amounts contributed by the Bank to the FGD, constitute not-recoverable expenses and are included in the "General Expenses" item of the "Other operating expenses" item of the statement of income.

f.4 Income tax

The income tax charged to the results of the year at the rate of 10% is based on the accounting profit before this concept, adjusted by the items that the law (Law No 125/91 as amended by Law No 2421/04) and its regulations include or exclude for the determination of the net taxable income.

The income tax charge for the years ended on December 31, 2019 and 2018, amounts to ₡ 16.635.357.357 y ₡ 16.584.098.397 respectively.

f.5 Inflationary effects

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

G. SUBSEQUENT EVENTS AFTER THE END OF THE FINANCIAL YEAR

After the end of the year, the Entity proceeded to adjust the value of the portfolio provisions as of December 31, 2019, considering the guidelines of BCP Board Resolution No. 21, Minute 65, dated 09/18/2019, which establishes transitional measures to support the productive sector and allows deferring for up to 36 months, the charges for provisions constituted on those credit operations included under the aforementioned transitional measures scheme. In this regard, the Entity proceeded to rectify the financial information presented to the regulatory bodies as of said date and is in the process of updating the information presented for the months of January and February 2020.

In addition, on February 27, 2020 the Entity proceeded to issue and place subordinated bonds for an amount equivalent to USD 10 million, according to the global issuance program of USD 4 subordinated bonds through the Asuncion Stock Exchange (BVPASA).

After December 31, 2019, there have been no other events or transactions that, due to their nature, would warrant disclosure or have an impact on the financial statements for 2019.