

2021 Annual Report and Financial Statements

Regional 

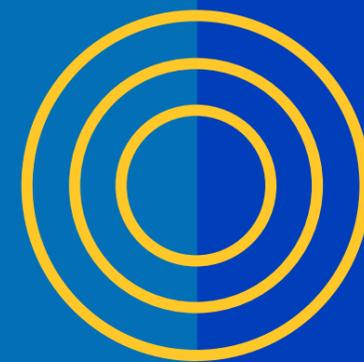


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About this report

The purpose of this report is to reflect the adaptation of the Bank to a context of post-pandemic economic reactivation, with a strong bet for digital transformation and the adoption of new technology which allows us to improve processes continuously without losing focus on supporting those who seek to connect with people and fulfil their ideas and dreams.

The support of this bank is agriculture, livestock, industry, trade, services, SMEs and people-oriented, through products and services adapted to a changing market. Promotions and benefits for clients are also part of this recovery through alliances that position the bank as a strategic partner.

With innovation as a basis for corporate management, the institution has incorporated the first Mobile Customer Service Center (CMA, for its Spanish initials), a fully equipped office that works from a truck and which brings several services closer to clients, thus reversing the traditional management model: “Regional now goes to you”.

A year of intense work is reflected in this report, a period of new strategy consolidation responding to current circumstances, and contributing to ongoing efforts to be a bank focused on strengthening the growth of the country, without losing sight of essential human warmth and the importance of sustainability in all aspects: social, environmental and economic.



Dear Shareholders,

2021 was a period of economic recovery with multiple challenges for executive strategies consolidation, which brought a return to positive dynamics after two consecutive years of Gross Domestic Product (GDP) contraction. A year in which we became stronger and provided more solutions to our clients in several segments. The progressive end of health restrictions allowed more dynamism in several sectors. Our Bank was there providing solutions for each type of activity: agriculture, livestock, industry, trade and services, with a special focus on supporting small and medium enterprises and individual banking.

In line with the objectives set, the client portfolio expanded and there was a positive variation on deposits. The Bank continues working to optimize its profitability indexes, an objective drafted as a priority.

Agricultural activity results, our main segment, dropped due to estimated lower production levels, mainly of soybean, affected by adverse weather conditions, while livestock had a favorable performance mainly due to a higher level of beef cattle production. Our institution continuously and dynamically supports the needs of these sectors. As proof of that is our permanent leadership in the agribusiness market, where we sustainably keep 20% of market share.

The sale of agricultural machinery was dynamic throughout the year. During the second semester of the year, we saw more investment on new projects in this sector, especially on the forestry sector, which is very attractive for foreign capital.

As for innovation in the agricultural and livestock sector, the launch of Regional Sustainable [Sustainable Regional] is highlighted. It is an innovative proposal of green products that seeks to support environmental and production sustainability. This proposal had the



assistance and collaboration of the Inter-American Development Bank (IDB). As a founding member of the Sustainable Finances Desk of Paraguay (MFS, for its Spanish initials), we are firmly committed to devising strategies that transform the country towards more sustainable economy.

The Corporate sector also played a leading role by launching a package of Digital Solutions for Companies, with features and solutions for Legal Entities. They have worked nonstop to strengthen the digital experience of this sector.

The Bank continues the accelerated evolution of dynamic, positive and efficient platforms for new ways to do business. For personal banking, the following was developed: automatic instant loans, cash advances and adjustments to credit card line facilities in an autonomous way, enquiries such as the generation of statements, data and forms for consumer products or loans, covering a large part of client requirements. Digital Regional's

continuous improvements allowed 48% of clients to use one of the features at least once and more than 84% of companies to perform their operations in different digital channels.

Other achievements were launching the Mobile Customer Service Center (CMA for its initials in Spanish), the first mobile office in the country; launching Exclusive Regional, a new customer service and segmentation model for high-level clients; repayments in consumer sectors highly valued by clients were made together with more than 40 strategic alliances for purchases made with credit cards with businesses in several parts of the country, thus promoting consumption and transactions.

With satisfaction, we have obtained the Great Place to Work Certification, a recognition granted by the consulting firm that bears the same name and which certifies the Bank as a great place to work. This recognition is

awarded to the Bank for being committed to people, promoting the participation of all of its members in business and organization development and growth.

In 2021, the Bank had a dynamic market performance with a client-centered approach.

On behalf of the entire Board, I thank each Shareholder, the Management Team and each of the collaborators of the Bank for their efforts and constant contribution for us to remain being the Bank for successful people who play a leading role in the development of the country.

Sincerely,

Francisco Yanagida
Acting President



chapter 1

The Bank, focused on evolving



1.1.

The Bank

Since its foundation in 1991, Banco Regional has been recognized for its commitment to the success of people and the growth of the communities where it operates.

An institution that stands out for its strong working conviction and its will to keep innovating in an ever more demanding world. The Bank understands the need to lead transformation processes, so it provides unwavering support for the economic recovery of the country.

Consolidated as the Bank that supports the growth of its people and enables the development of its community, today, Banco Regional is part of an important Economic Group

that actively provides and collaborates for the social and economic development of the country.

Regional Seguros, Regional Casa de Bolsa and Fundación Regional support the path towards becoming a stronger economic group, proving management capacity, sustainable development and growth in the midst of constant changes.

Banco Regional S.A.E.C.A.



Address

Carlos Antonio López N° 1348 e/ Arq. Tomás Romero Pereira y 14 de Mayo, Encarnación.

626
Collaborators

24
Customer Service Branches

6
Customer Service Centers

668
Common Shareholders

148
Preferred Shareholders

83
ATMs

48
SSTs





The Bank understands that in an ever more globalized and technological world, it must evolve as an institution. With that approach in mind, it has embarked in a path of constant development with close support to clients.

Throughout this time, the Bank has taken part in multiple refinement processes without forgetting its roots and the reason of its creation, such as facilitating producers from several parts of the country access to credits, or installing and positioning a competitive financial institution close to people.

Innovating and growing, Banco Regional undertakes the challenge of evolving and keeps adapting to the needs of clients who are the real protagonists of this ride.

The Correspondents department, adapting to the new reality, kept in touch with its international relations continuously through digital platforms, transferring information on the economic and financial situation of Banco Regional and Paraguay.

This constant communication brought forward the signature of a new agreement with OPEC Fund, our correspondent for over 10 years. The OPEC Fund for International Development (OPEC Fund) and Banco Regional signed a funding agreement for USD 30 million to grant loans to Small and Medium Companies (SMEs) of the agribusiness segment.

In November, the General Manager, Ms. Laura Borsato and the Transactional, Correspondents and Foreign Trade Banking Manager, Ms. Rafaela Olenik, participated in the LV Annual Felaban Meeting, which was held in Miami with the presence of more than 1500 professionals of the financial system from more than 54 countries.

During meetings, loans and services offers were received from the most renowned financial institutions of the world, showing the constant interest and trust of international markets in Banco Regional.

Network of correspondents and international market

Currently, the Bank maintains strategic alliances to comply with the commitment to support its clients with correspondent banks and multilateral organizations.

Correspondent Banks:

1. Bank of China, China
2. Citibank, USA
3. Commerzbank, Germany
4. JP Morgan Chase & Co., USA
5. Rabobank, The Netherlands
6. Wells Fargo, USA

Multilateral Cooperation Organizations:

1. IDB Invest, Inter-American Development Bank
2. BIO Invest
3. Bladex - Foreign Trade Bank of Latin America
4. BNDES, Banco Nacional de Desenvolvimento Economico e Social
5. DEG, Deutsche Investitions und Entwicklungsgesellschaft
6. CAF, Development Bank of Latin America
7. FMO, Nederlandse Financierings – Maatschappij
8. OPEC Fund for International Development
9. DFC - U.S. Development Finance Corporation
10. PROPARCO, Groupe Agence Francaise de Developpement



1.2.

Institutional statements

VISION

To permanently innovate to be the bank of successful people leading the development of the country.

MISSION

To be committed to the success of our clients.

VALUES

Integrity
Professionalism
Positive Attitude

1.3.

Main accomplishments in 2021

2021 was a year of launches, improvements and projects carried out.



The **Green Facilities Project – Sustainable Regional** was launched, developed with assistance from the Inter-American Development Bank (IDB) to offer differential conditions for financing sustainable products. This was an innovation in the financial market of the country.



Commercial campaigns were developed to strengthen **Rural Regional** through a mass approach model to place offers in the agribusiness sector.



The following campaigns were carried out: **Financing for Machinery without Pledges** under agreements, **SMEs Pre-approved Campaigns** for operating capital, **Fogapy Campaign, Consumption Loans Campaign:** Personal Loans, 0km Loans, Used cars, School and College Registration, Summer House Rent, among others.



Main accomplishments in 2021



The **Solutions for Companies– Digital Regional** package was launched with features and solutions for legal entities through digital channels. This Companies package launch provides transactions digitalization and the increase of digital clients:

- Token APP
- Companies APP for approvals
- Rural Regional
- API Connection for Companies
- Confirming



Continuous improvements to strengthen the experience of digital corporate clients were carried out with the incorporation of features in Regional Web, such as scheduling service payments, automatic debit agreements, payment to providers and transfers abroad with customization for corporate clients. 24-month extensions from web issuance of account statements and invoices, among others.



The **Digital Channels accession Campaign** was carried out, strengthening client self-management. By the end of 2021, a 49% Digital Client reach was achieved. The campaign raffled a smartphone, a smartwatch and a speaker every quarter for clients, and there were also monthly direct prizes for staffers with the most keys activated in the month.



The development of **continuous improvement actions for Digital Regional** was strengthened through adjustments on process experience in digital channels and strengthening client safety.



The Robotic Process Automation or **RPA** was adopted to reduce labor hours devoted to repetitive processes.



Improvements were made in **SIPAP Transfers – Central Bank of Paraguay** by incorporating co-operatives into the transfer systems.



Technological actions for the continuous improvement of processes and systems used by the Bank were developed seeking to speed up actions and reduce risks in the business' continuity process.



New tools for project evaluation and prioritization to be implemented by the Bank were added. Alignment of business initiatives with the bank's strategy.



Main Accomplishments in 2021



Through the **Open Innovation OpnX Project** (promoted by IDB Lab, executed by the Paraguayan Industrial Union with the advice of Wayra Innovations), we are one of the pioneering Paraguayan companies to bet on Open Innovation. Our participation enabled us to acquire startup relationship and negotiation knowledge, a key factor to offer innovative solutions in a speedy manner.



In an alliance with business incubator KOGA S.A., the **Innovation Competition STARTCAMP 2021, AGTECH EDITION** was carried out, with applications sent from teams with technological ideas to solve challenges of the agricultural and livestock sector. Supporting that event, in Hackathon format, allowed us to be innovation drivers, and gave us access to new development and innovation sources.



Internally, an **Innovation Space** was created seeking to share concepts, information and trends, with an “idea collector” where all collaborators of the bank can provide suggestions related to innovation and process improvement.



Activities related to **Sustainability** were promoted to raise awareness about environmental and business sustainability. Actions were carried out on the occasion of the “green month” as well as the digitalization of policies, deposit forms of checks from other banks, quarterly reports for shareholders, receipts for snacks, check payment confirmation e-mails, pending profiles, among others.



The Bank was the first banking institution to launch **Sustainable Housing**, a market innovation promoting and financing Sustainable Houses.



We actively participated in the **Anti-corruption Desk**, organized by Global Compact, and the first Progress Communication report was issued.



A new model of approach was opened with the launch of the **Mobile Customer Service Center** to provide a different experience in mass arrivals to events and approaching companies. Regional was the first Bank to have a mobile office with these characteristics.



Main accomplishments in 2021



Exclusive Banking was launched, a new model of customer service and segmentation of high-level clients, with exclusive benefits to make clients of this segment loyal and to improve their experience.



Continuous campaigns for credit card use motivation were carried out to improve transactions with this product and increase client loyalty. Among the campaigns carried out, we can mention credit card permanent benefits in several consumption sectors and allies in the entire country. These actions were: Regional Summer, 30 Year Anniversary, Automatic Debit Adhesion, Regional Experience, among others.



New products and services were launched, such as: **Programmed Savings** via Regional Web, automatic **Associated Account** linked to an active product.



There was a promotion of **Data Updating Campaigns** through Digital Channels to improve portfolio data quality, and **Loyalty Campaigns**, promoting self-management with offers and credit card line extension through the web.



Agreements with international organizations were strengthened: with **OFID** (OPEC Funds for International Development) a USD 30-million disbursement was agreed to fund loans of the Bank's client portfolio. **CCI** with O Banco Nacional de Desenvolvimento Econômico e Social, with an import letter of credit through BNDES, allowed the highest value transaction (USD 4,925,216) in the last 6 years. An increase in CCI transactions.



Banco Regional led the first **syndicated operations** of structured financing with the participation of 6 institutions. USD 62- million financing, with interest raising and **client loyalty assistance**.



The **Safety Monitoring Methodology** was innovated by incorporating cutting-edge technology with 24/7 assessment. A safe transaction scheme in real time was implemented through the Safety Operations Center.



Yammer, a new communication tool operating as an internal communication social network, was implemented. This aims at improving internal communication by providing information in real time, in a fluid and spontaneous manner, thus increasing collaboration and the sense of belonging for Bank collaborators.



The bank received the **Great Place to Work** Certification, a recognition that certifies it as a great place to work in, and highlights its commitment to people, promoting the participation of all of its members in business and organization development and growth..

Chapter 2

Economic and financial performance

Regional 

02

2.1.

Economic Analysis and Outlook

Prepared by the Economic Analysis Area – MF ECONOMÍA

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January 2022

Global Outlook

The United States

For the fourth quarter of 2021, according to the Bureau of Economic Analysis of the Department of Commerce of the United States (BEA), the real Gross Domestic Product (GDP) had a 5.5% interannual increase, which is a contrast to the 2.3% drop seen in the same quarter of 2020.

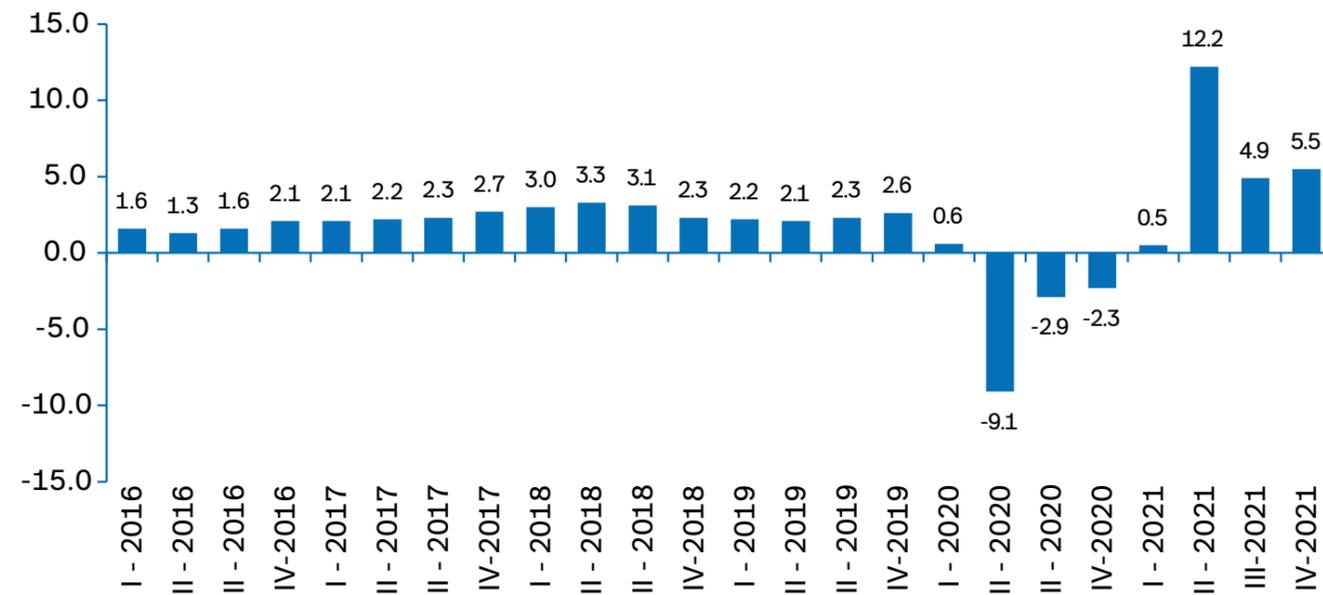
This result arose within the context of COVID-19 cases resurging, which led to restrictions and business operation interruptions in parts of the

country. Also, under an ongoing decrease of government assistance programs.

Internally, personal consumption expenses grew for the fourth consecutive quarter, to have a 7.1% interannual variation. Similarly, gross private investment rebounded by 8.6%, while expenses and gross government investment did not change (0.0%).

In the external balance, there was a 5.3% interannual increase in exports, while imports increased by 9.6%.

GDP Evolution in the U.S.



Source: MF Economía with data from BEA

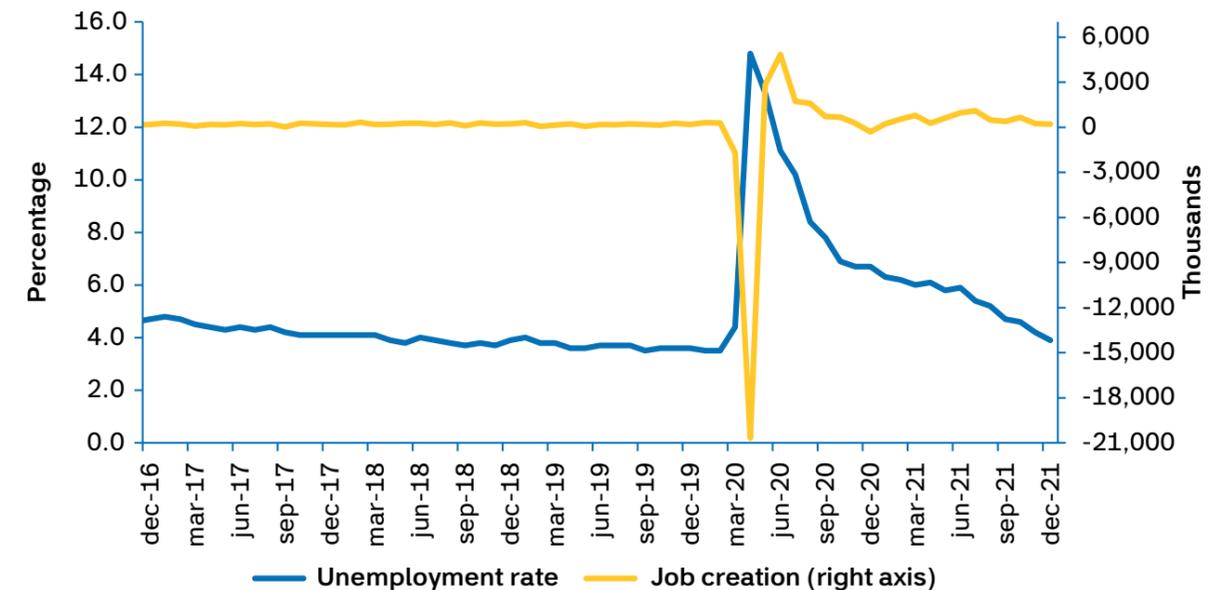
As for the U.S. dollar, measured through the DXY1 index in December 2021, it ended with an average of 96.20, which represents a 6.3% interannual variation. Such registry is highlighted as the highest of the year. For January 2022, the index average dropped slightly to 95.95.

As to the job market, by December 2021, the Department of Labor Statistics report showcased a 3.9% drop in unemployment rate, which equals 6.3 million people.

During December 2021, 199,000 jobs were created. It remarks that there was an upwards trend in the sectors of recreation and hospitality

(53,000); professional and business services (43,000); manufacturing (26,000); construction (22,000), and transport and storage (19,000). In addition, there were also positive variations in wholesale trade (14,000) and mining (7,000).

Unemployment and Job Creation



Source: MF Economía with data from BLS

In addition, in December 2021, inflation, measured through the Consumer Price Index, had a 0.5% month-to-month variation to end the year at 7.1% on a base adjusted seasonally. The sector that triggered this result was the energy sector mainly. It is also important to mention that this is the highest inflation since June 1982, when it was 7.2%.

¹ This index estimates the behavior of this currency in relation to a portfolio that contains the main currencies of the world (euro, yen, pound sterling, Canadian dollar, Swedish krona and Swiss franc).

As for monetary policy, in its meetings in November and December 2021, the United States Federal Reserve (Fed) started the withdrawal of monetary stimulus. On that regard, in November, it announced that it would reduce its net purchases of assets by US\$ 10 billion for Treasury securities, and by US\$ 5 billion for mortgage-backed securities. With the preceding, the holding of Treasury securities would increase by at least US\$ 70 billion, and the holding of mortgage-backed securities would increase by US\$ 35 billion.

Likewise, in its November statement, it announced that at the beginning of December 2021, its holding of Treasury securities would increase by at least US\$ 60 billion, and of mortgage-backed securities by at least US\$ 30 billion per month.

On the same line, in its December meeting, the Fed accelerated the withdrawal of monetary stimulus by pointing out that it would reduce the net purchase of assets by US\$ 20 billion for Treasury securities and by US\$ 10 billion for mortgage-backed securities. So, starting

in January 2022, the holding of Treasury securities would rebound by at least US\$ 40 billion, and of mortgage-backed securities, by at least US\$ 20 billion per month.

Also, with the publication of projections for 2022, three rises of 25 basic points are anticipated on interest rate of federal funds to place it in a 0.75% to 1.00% range.

Likewise, in its January meeting, the Fed stated that, based on the objectives of maximum employment and price stability, it decided to maintain the federal funds rate between 0.00% and 0.25%. However, they pointed out that it would be adjusted upwards soon.

For the net purchase of assets, the Fed decided that, starting in February 2022, it will increase its holding of Treasury securities by at least US\$ 20 billion, and of mortgage-backed securities, by at least US\$ 10 billion. This program will end in March.

Europe

On January 31, 2022, the office of statistics of the European Union (Eurostat) published the real GDP preliminary estimations based on the data available for a limited group of countries. Then, for the

fourth quarter of 2021, the Eurozone real GDP recorded a 4.6% interannual variation. From the information from other member countries of the area, the highest rebounds in economic growth rate were seen in Italy (6.4%); Portugal (5.8%); Belgium (5.6%); Austria (5.4%) and France (5.4%).

On the other hand, in November 2021, the high frequency index corresponding to industrial production showed a 1.5% interannual decrease. This behavior was due, fundamentally, to a 9.8% contraction recorded on the production of capital goods. Simultaneously, the manufacturing of intermediate goods slowed down to a 1.9% interannual growth. On the other hand, the remaining sectors had interannual increases: energy (3.7%); non-perishable consumer goods (4.4%) and perishable consumer goods (6.1%).

As for commercial activity, in November 2021, retail sales had a 7.8% interannual increase. The highest growth was in the fuel sector (19.5%), followed by non-food products (11.8%). As for the job market, by November 2021, the unemployment rate continued downwards at 7.2% compared to the previous month (7.3%). According to Eurostat, 11.8 million people are unemployed. It is remarked that, within Eurozone countries, the only ones with a double-digit unemployment rate are Spain (14.1%) and Greece (13.4%).

Likewise, the youth unemployment rate dropped to 15.5%. Again, Spain and Greece are notable due to higher unemployment records, in this case, for the segment of under-25-year-olds.

As for inflation, in December 2021, it was 5.0% in the Eurozone, compared to -0.3% at the end of 2020. The biggest contributing factor to this result came from energy groups (2.5 percentage points, pp) and services (1.0 pp). Among the member countries of the area, those with highest inflation rates were: Estonia (12.0%), Lithuania (10.7%), Latvia (7.9%), Belgium (6.6%) and Spain (6.6%).

In the area of monetary policy, on December 16, 2021, the Governing Council of the European Central Bank (ECB) pointed out that, for the first quarter of 2022, the rate of net asset purchases within the pandemic

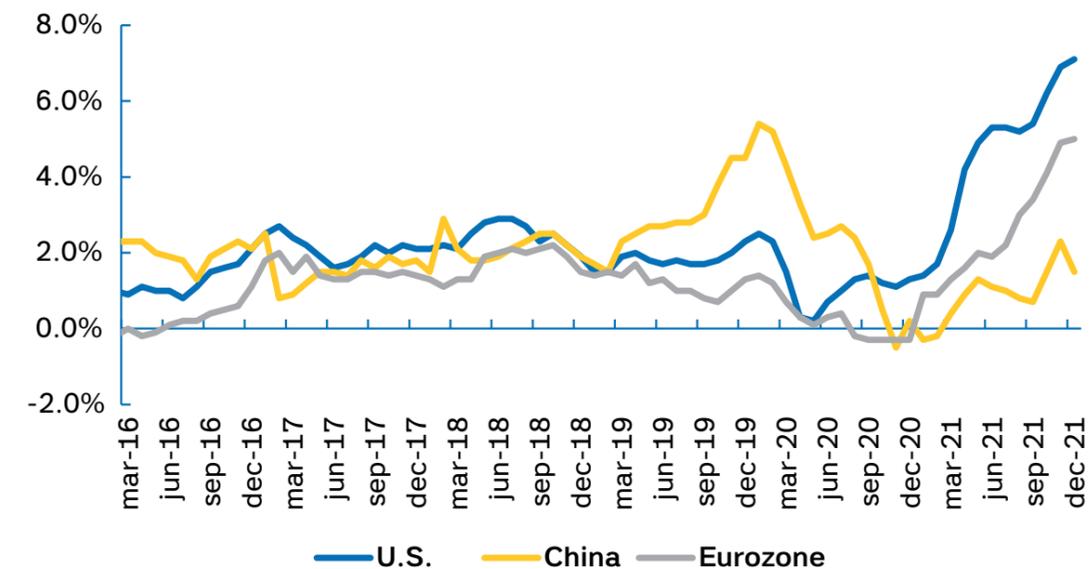
emergency purchases program (PEPP) framework would be lower than in the last quarter of 2021 to put an end to the program in March of 2022. It should be noted that the PEPP provision was for € 1,850 billion. Additionally, the ECB considers that the monetary policy orientation must be aligned with the stabilization of inflation as its mid-term goal.

So, it decided that the asset purchase program (APP) should have a € 40 billion rate of net monthly purchases in the second quarter of 2022, and of € 30 billion in the third quarter. From October 2022, the monthly rate of net asset purchases shall be € 20 billion, for as long as it is necessary to reinforce the accommodating impact of official interest rates.

This way, they maintained the interest rates of the main financing operations: credit marginal facility and deposit facility in 0.0%, 0.25% and -0.50%, respectively.

Finally, on January 21, 2022, in a press conference, Christine Lagarde, president of the ECB, ratified the measures adopted in December, as it considers that the monetary stimulus is still essential to preserve favorable financing conditions that contribute to reducing uncertainty, promote trust, support economic activity and safeguard price stability in the mid-term.

Interannual inflation



Source: MF Economia with data from the BLS, Eurostat, National Bureau of Statistics of China

China

In 2021, the growth of the real GDP was 8.1% despite the complex context of sporadic pandemic outbreaks. In that way, the statistics office statement says that measures were taken to safeguard employment, basic needs, the operation of financial institutions, food and energy, industry, supply chains and government functioning. For those purposes, macroeconomic policies were strengthened, and the real economy was supported.

On economic sectors, it was seen that both the secondary and tertiary sectors had 8.2%, interannual increases while the primary sector grew by 7.1%.

As for industrial production, in December 2021, it accelerated for the third consecutive month to close with a 4.3% interannual increase. It is important to mention the annualized rebounds seen in automobile production with new energy sources (113.5%), wind energy (30.1%), solar energy (18.8%), industrial robots

(15.1%), high-technology manufacture (12.1%) and computer, communication equipment and other electronic equipment manufacture (12.0%). For retail sales, in December 2021, a deceleration was seen for the third consecutive month showing a 1.7% interannual increase. Per geographical area, the sales in rural communities increased by 2.8% and in urban communities, by 1.5%.

Finally, by the end of 2021, the CPI recorded a 1.5% interannual variation, lower than the one recorded in the previous month (2.3%). Higher price increases were seen in transport and communication (5.0%), education, culture and recreation (3.1%) and housing (1.6%), which are contrasted to the retractions seen in the prices of other items and services (0.5%) and food, beverages and tobacco (0.1%).

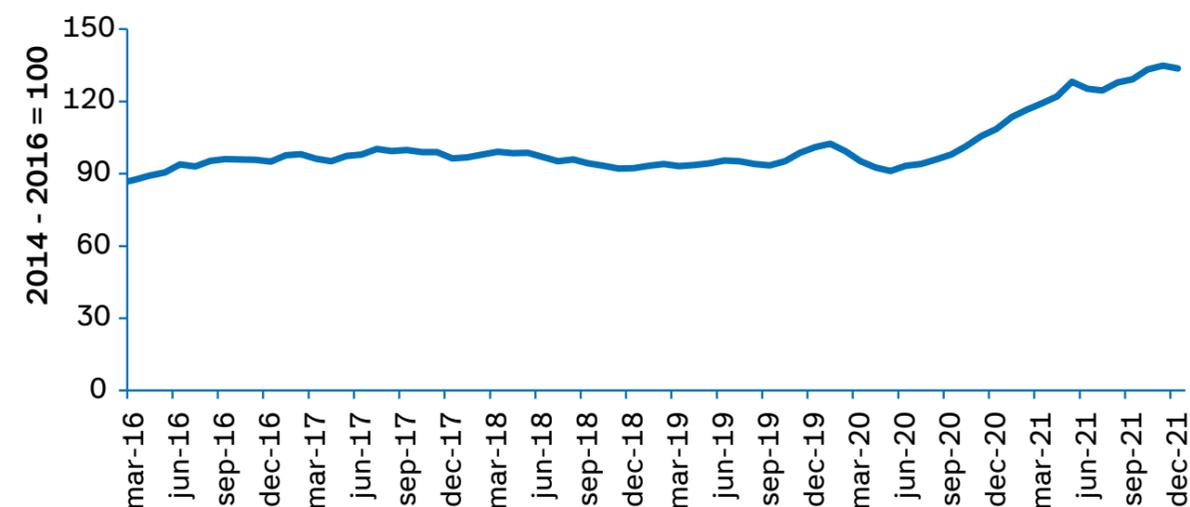
Main commodities

In 2021, the food price index²

published by the Food and Agriculture Organization of the United Nations (FAO) reached the highest level in the last ten years.

In fact, the index averaged 125.7 points, a figure that is below the one recorded in 2011 (131.9 points). On the other hand, the interannual rebound was 28.1%, with price surges in all index components.

FAO Index for food prices



Source: MF Economía with data from FAO

² The index measures monthly variations for a basketful of cereals, oleaginous products, dairy products, meat and sugar.

In fact, for FAO, the cereal price index reflected interannual price increases in the average corn price (44.1%) and wheat (31.3%), due to a strong demand and supply shortage, mainly, in the case of wheat.

On the other hand, rice was the only cereal that experienced an interannual drop on its price (4.0%) as a result of important availability that intensified competition among suppliers.

Likewise, the FAO report states that, in 2021, the price index of vegetable oils reached a historic high with a 65.8% interannual expansion. A firm worldwide demand, and the shortage of worldwide supply peaked prices.

For dairy products, the price index had a 16.9% interannual increase, associated to constant demand and

a shortage in supplies for export in the main producing regions.

As for the meat price index, the interannual increase was 12.7%. FAO states that sheep, beef and poultry had the highest price increase throughout the year, while pork slightly dropped due to the reduction of Chinese imports.

Finally, the sugar price index closed the year with a 37.5% interannual rebound. According to the report, concerns about a production reduction from the global leader (Brazil), together with an increase in global demand, supported the price increase.

In a detailed manner, the price of agricultural commodities had an upwards evolution for most of the year. Particularly, the price of soybean, although it did not reach the peak seen in August 2012 (645.4 dollars per ton), it traded at 562.6 dollars per ton in April 2021.

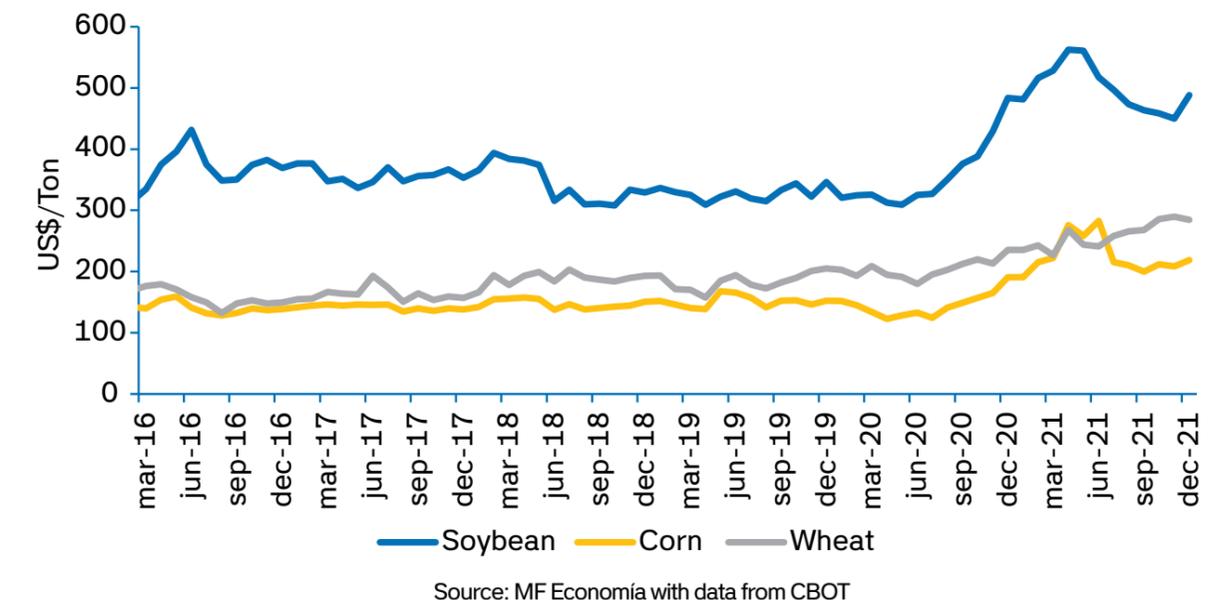
However, between May and November, it decreased as a consequence of restrictions

associated to COVID-19 upsurges, a significant production in the United States and the recovery of inventories, higher demand from China and estimations of record harvest in Brazil, among other elements. So, in December 2021, the average price of oleaginous products closed at 488.2 dollars per ton.

On the other hand, the prices of corn and wheat closed at 218.6 dollars per ton and 284.5 dollars per ton, respectively.

Evolution of the quotation of main commodities

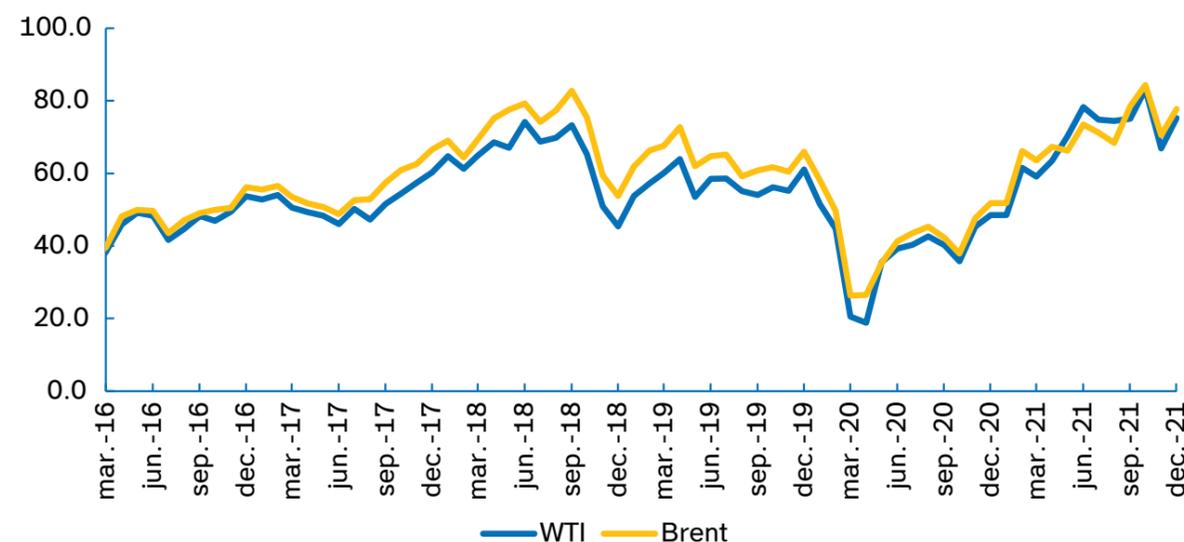
(monthly averages)



As for hydrocarbons, at the end of 2021, Brent oil traded at 77.8 dollars per barrel while U.S. oil (West Texas Intermediate, WTI) ended at 75.2 dollars per barrel.

Additionally, on January 4, 2022, a meeting of the Organization of Petroleum Exporting Countries and allies (OPEC+) reconfirmed the rise in general production to 400,000 barrels per day for February 2022 to revert production cuts approved in April 2020 after the COVID-19 outbreak.

Evolution of the price of Brent oil (US\$/barrel)



Source: MF Economía with data from Refinitiv

Source: MF Economía with data from Refinitiv

As for metals, the index³ prepared by the IMF for 2021 showed a 5.7% interannual increase. It should be noted that the index recorded its historic peak in July 2021.

For the IMF, the need for clean energy (zero net emissions scenario) may cause a long period of price increase for copper, nickel, cobalt and lithium. In fact, it estimates a persistent 10.0% rise in the price index of metals which will add 0.7 percentage points

to the rhythm of economic growth in countries exporting those metals.

It should be noted that the Democratic Republic of Congo is among the biggest producers, representing around 70% of the worldwide production of cobalt and half of the reserves. Australia is also highlighted for its lithium, cobalt and nickel; Chile, for its copper and lithium; together with Peru, Russia, Indonesia and South Africa.

Particularly, on January 28, 2022, the price of copper in the spot market was

Worldwide growth

In January 2022, the International Monetary Fund updated its economic outlook. It maintained the worldwide growth of 2021 in line with its projections published in October (5.9%). However, for 2022, a deceleration was seen going from 4.9%, as projected in the previous report, to 4.4%.

So, the current scenario contemplates that, during the first quarter of 2022, the impact of Omicron infections will be seen in the job market offer and

in intensive personal contact sectors, which will trigger the implementation of mobility restrictions with the consequent effects on economic growth.

In a detailed manner, for 2022, the IMF projects that advanced economies will grow 3.9%, 0.6 percentage points (pp) below the October 2021 forecast. It highlights that the growth of the United States and the Eurozone has been reduced.

On the other hand, emerging and developing economies will expand 4.8%, also below the forecast made in October 2021 (5.1%). Among them, Latin America and the Caribbean was the region that recorded the highest drop, to end at 2.4%.

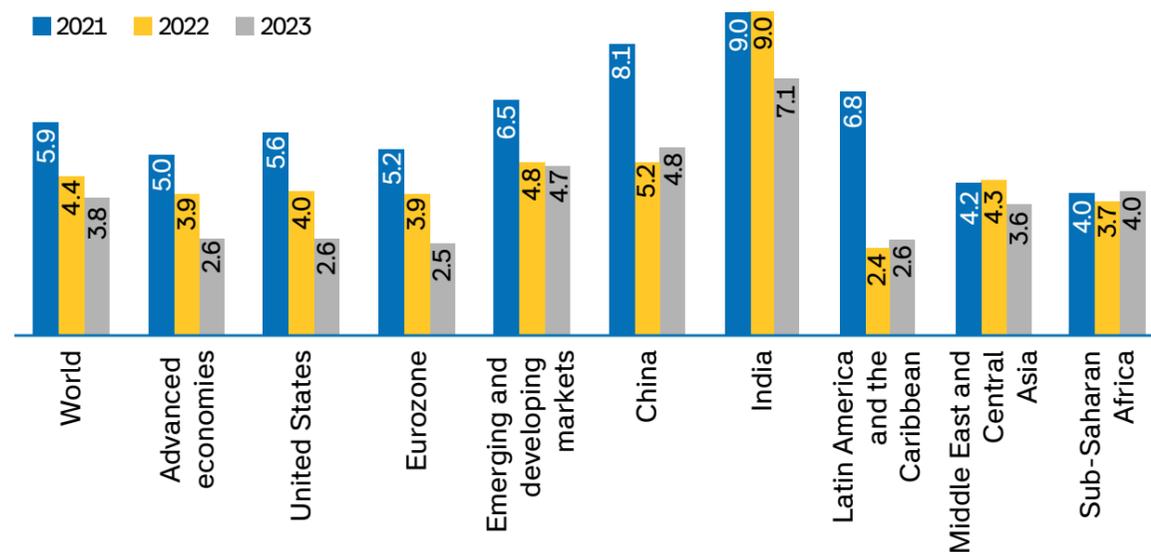
Particularly, in Brazil, the resounding response of monetary policy to inflation would affect internal demand. Simultaneously, the economic deceleration of the United

³ It includes cobalt, copper, iron, lead, molybdenum, nickel, tin, uranium and zinc.

States would impact the external demand in Mexico. On the other hand, among Asian countries, the expansion of China would be reduced due to the contraction experienced by the real estate sector and the mobility restrictions applied.

For 2023, the slowing down of worldwide economic growth will continue as the IMF estimates it at 3.8%. Latin America and the Caribbean is one of the few regions that will have a slight acceleration in its growth rate.

GDP Growth Projections (in %)



Source: MF Economía with data from the IMF

Finally, for the IMF, the end of the pandemic is within reach for the international community, but it requires access to vaccines; detection tests and treatments to mitigate the risk of new COVID-19 variants. Therefore, a larger production of supplies, better delivery systems and a more equal international distribution are fundamental.

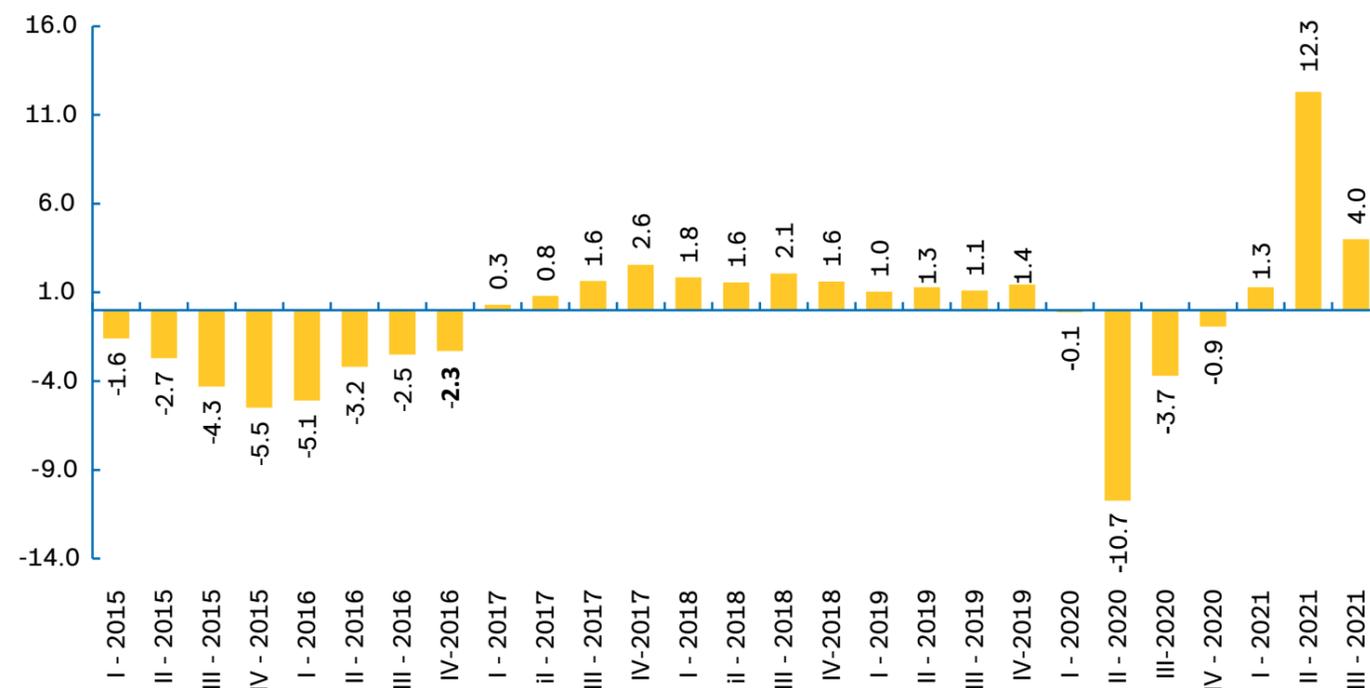
In a context where the monetary policy of many countries will continue to toughen up to contain inflationary pressures, the fiscal policy will, with a smaller space, prioritize expenses for the health sector and the most affected people.

Regional outlook

For the third quarter of 2021, the real GDP showed a 4.0% increase compared to the same period in 2020. With this result, the macroeconomic index completed three consecutive quarters in expansion. It is highlighted that some economic activities showed interannual double-digit rebounds, such as construction (10.9%), transport, storage and mail (13.1%), other service activities (13.5%) and information and communication (14.8%). On the

other hand, the real GDP on the side of expenses continued to have great dynamism in its component of fixed capital gross formation (18.8%) and home and government consumption recorded a 4.2% and 3.5%, interannual increase, respectively. For external sector, a considerable increase in imports (20.6%) was seen while exports increased 4.0%.

GDP Interannual growth



Source: MF Economia with data from IBGE

The Harmonized Index of Consumer prices (HICP) recorded a 10.1% interannual variation, although it decelerated in relation to records seen the three previous months.

It should be noted that figures of that magnitude were not seen since 2015, when it closed at 10.7%. Moreover, inflation was above the highest limit of the range of tolerance set by the monetary authority for

2021 (3.75% + 1.5 percentage points, pp). It is highlighted that the highest price rises were recorded in the groups of transport (21.0%), housing services (13.1%), household items (12.1%), clothing (10.3%) and food and beverages (7.9%).

As for monetary policy, the Committee of the Central Bank keeps moving towards a restrictive bias. In that way, in its December 2021 meeting, it

unanimously decided to increase the Selic rate by 1.50 percentage points for a 9.25% result. The decision was due mostly to persistent inflation and the uncertainty generated by the Omicron variant for the recovery of advanced economies.

The base scenario for the Selic Rate Committee states that it will be 11.7% in 2022. to close at 11.25% and then drop to 8.0% in 2023. However, the Committee considers that the evolution of the fiscal policy increases the risk of unpinning inflationary expectations and could generate inflation higher than that projected by the monetary authority.

Finally, in December 2021, the exchange rate average was R\$/US\$ 5.65 for a 9.8% cumulative depreciation. However, in January 2022, it ended at R\$/US\$ 5.54, which represented a 1.9% month-to-month increase.

In fact, according to the president of the Central Bank of Brazil, as

candidates for the presidential election of October 2022 make alliances with center parties, the volatility of the exchange market may be reduced.

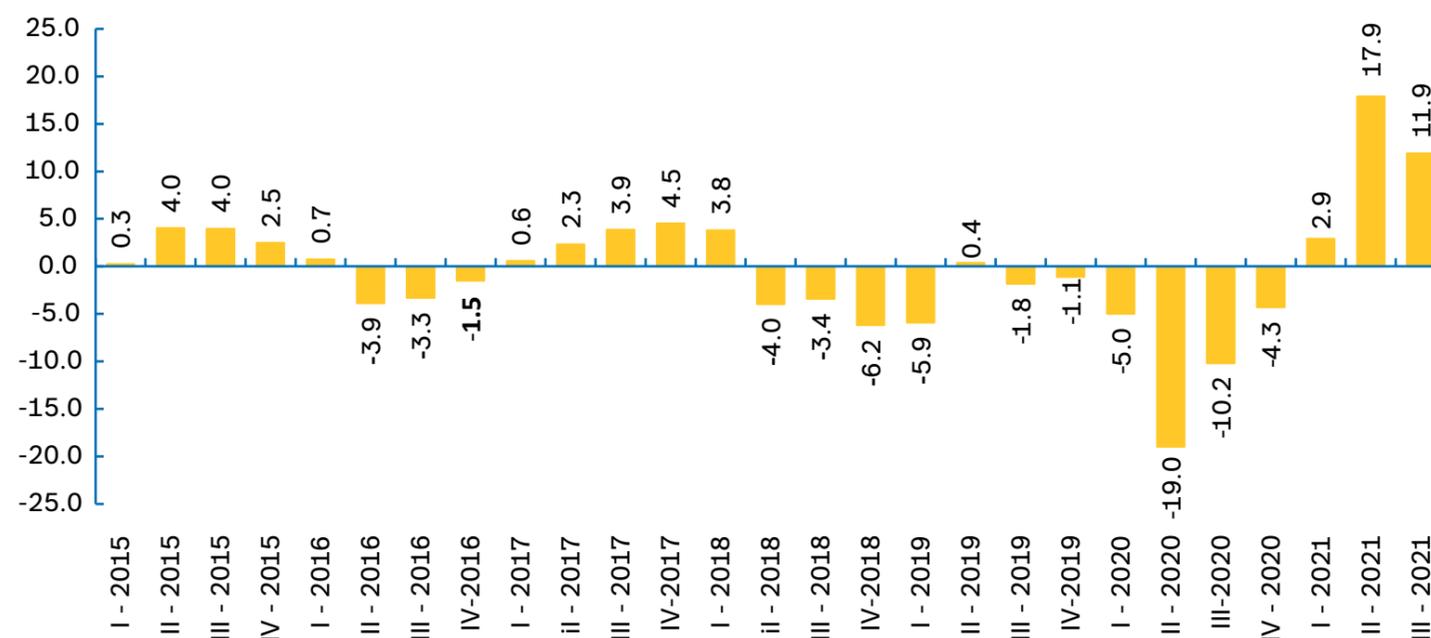
Argentina

For the third quarter of 2021, according to the progress report of economic activity level, the real GDP recorded an 11.9% interannual increase, which reverted the retraction seen during the same quarter of the previous year (10.2%). The sectors that effected the result the most had significant interannual rebounds. Among them, other community, social and personal service activities (81.0%), hotels and restaurants (59.8%), construction (25.2%), manufacturing (12.7%), transport and communications (11.7%) and wholesale, retail trade and repairs (11.1%).

As for global demand, it had a 14.5% interannual increase mainly due to an increase in the gross formation of fixed capital (21.2%).

On the other hand, private and public consumption had interannual increases of 12.1% and 11.5%, respectively, and FOB exports grew 18.8%. In addition, FOB imports had a 26.2% interannual expansion.

GDP Interannual growth



Source: MF Economía with data from the Central Bank of the Argentina

As for inflation, at the end of 2021, the Consumer Price Index interannual variation was 50.9% after a 3.8% month-to-month variation recorded in December.

The highest inflationary pressures were in the groups of restaurants and hotels (65.4%), clothing and

footwear (64.6%), transport (57.6%), education (56.1%), alcoholic beverages and tobacco (55.1%), health (51.8%) and food and non-alcoholic beverages (50.3%). The other groups recorded variations between 28.0% and 47.0%.

As for monetary policy, on January 6, 2022, the Board of the Central Bank of the Argentina Republic set out an increase of 2.0 percentage points on the interest rate

of Liquidity Letters to 28 days, which went from 38.0% to 40.0%. It should be noted that the rate had been at that level since November 2020. Also, they created new Liquidity Letters to 180-day terms with a 44.0% rate.

As for the exchange restrictions, on November 3, 2021, the mentioned Board approved the repatriation of investments of non-residents for the following cases: i) starting 2 years after the capital contribution has been entered and settled by the exchange market; ii) from the second year of investment in the natural gas production promotion Plan; iii) for exporters of industrialized and extractive goods that recorded an interannual increase of external sales in 2021.

Also, from the year of entering the contribution to the exchange market, exporting companies may use their export collections to complete the repatriation of investments if: i) exporters financed a project that increased the production

of goods for export and/or the capacity of transport and services through the construction of infrastructure works with the contribution; ii) the contribution was for a minimum value of US\$ 100 million in the sectors of activity under the Investment Promotion System for Exports.

Additionally, on December 9, 2021, the Board extended for six months the term of exchange provisions expiring at the end of the year in relation to payment of good imports and refinancing of debt securities in foreign currency and other financial liabilities. For more details, please refer to the Economic Report of April and October 2021.

For December 2021, the wholesale exchange rate average closed at AR\$/US\$ 101.89, with a 23.3% cumulative devaluation, way below inflation. This means that the official exchange rate was revalued in real terms. For January 2022, that average was AR\$/
US\$ 103.93 which equals a 2.0% month-to-month devaluation.

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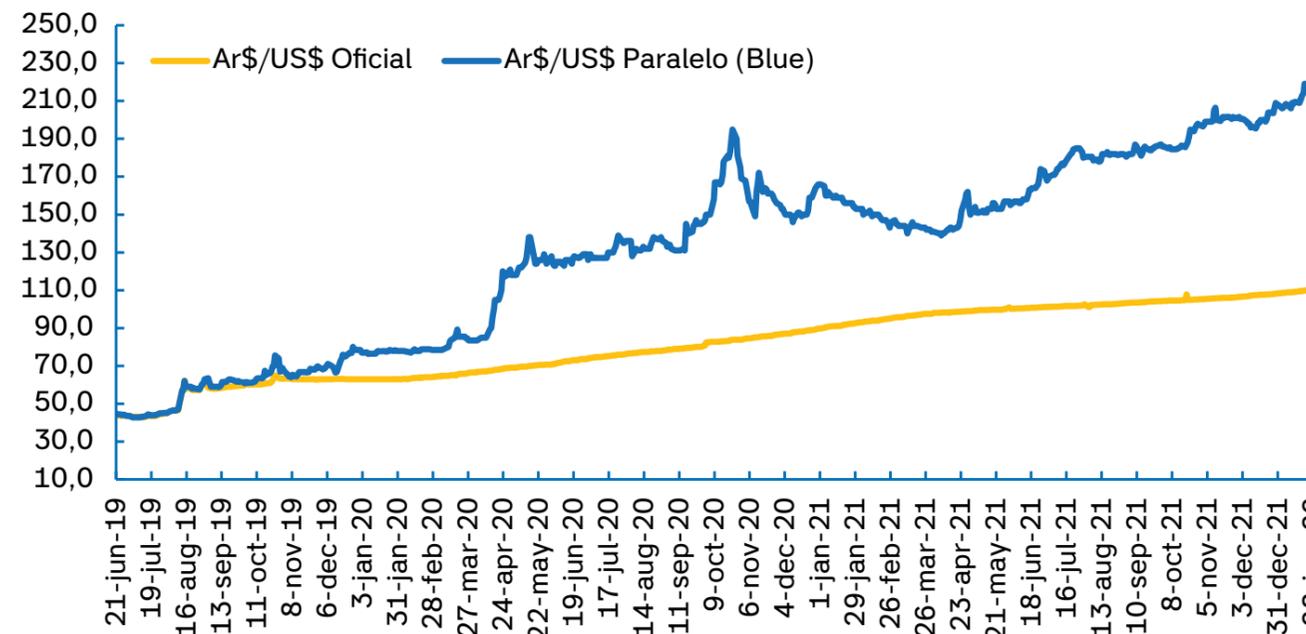
As of January 28, 2022, the wholesale exchange rate was AR\$/US\$ 104.83 and the blue dollar was AR\$/US\$ 212.50, so the exchange gap increased to 102.7%.

As for the program with the International Monetary Fund (IMF), on December 10, 2021, the multilateral organization stated that there was an understanding with the Argentinean government on the need to improve public finances gradually and sustainably.

Therefore, the IMF says, dealing with a persistent high inflation requires reducing the monetary financing of fiscal deficit, an adequate monetary policy with positive real interest rates and coordinating prices and salaries. There is also a need of policies to accumulate international reserves through direct foreign investment and exports.

Additionally, on December 22, the IMF published the ex-post evaluation of the Stand-by Agreement with Argentina, performed in 2018. In the report, the directors of the IMF lamented that the program did not fulfil the goals devised to restore trust:

Evolution of the official exchange rate and the blue dollar



Source: MF Economía with data from *Ámbito Financiero*

reducing external and fiscal unbalances, reducing inflation and protecting the most vulnerable segments of the population.

In other words, the program was not sufficient to deal with the structural problems of Argentina, which included fragile public finances, dollarization, high inflation, weak transmission of monetary policy, a small local financial sector and a reduced exporting base.

Finally, on January 28, 2022, the IMF and the Argentinean authorities agreed to set the path for fiscal consolidation to achieve the sustainability of public finances and reduce monetary financing. The former will allow them to increase expenses on infrastructure and science and technology, as well as the protection of focalized social programs.

Also, they agreed on a strategy to reduce subsidies to energy in a progressive manner and arrived to an understanding on the framework for the implementation of monetary policy to deal with the high and persistent inflation with positive real interest rates.

Local outlook

Real sector

For the third quarter of 2021, the national accounts report of the Central Bank of Paraguay (BCP, for its Spanish initials) provides that the real Gross Domestic Product (GDP) had a 3.8% interannual increase. So, for the first nine months of 2021, it accumulated an expansion of 5.8%.

The reactivation of the service sector, which had a 7.1% interannual increase, was a determining factor for the result of the quarter and was the reason of 3.5 percentage points (pp) of the rebound of real economic activity.

Also, the report states that:

- Manufacturing had a 5.0% interannual increase, mostly explained by the favorable performance in the production of meat; milling and bakery; chemical products; leather

and footwear; non-metallic minerals; metallic products; among others. The contribution of this activity on the real GDP growth rate was 1.0 pp.

- Construction had a 5.6% interannual variation, the lowest rate since the second quarter of 2020 (3.6%). As expected, the execution of public and private works has generated a significant demand of supplies associated to the sector such as cement, rods, bricks, among others, which has given dynamism to that activity since late 2019. Its effect on the GDP increase was 0.4 pp.

- Taxes, due to the economic reactivation, showed a 5.4% interannual increase, which exceeded the contraction recorded in the same period of 2020 (2.2%). Its effect on the GDP variation was 0.4 pp, too.

- Livestock and fishing; forestry and mining had interannual increases of 4.8%. Higher levels of production of beef and pork, production of eggs and the outstanding performance of mining influenced the result, in line with the evolution of construction. These groups contributed 0.2 pp to the interannual variation of the GDP.

- On the contrary, agricultural activities and electricity and water, for the fourth consecutive

quarter, recorded drops. Agriculture receded 8.1% year-to-year and electricity and water, 16.5%. The joint effect of these variables on the interannual result of the GDP was of -1.7 pp.

As for the GDP when it comes to expenses, it was seen that the components of internal demand had an 11.5% interannual increase, led by the gross formation of fixed capital (11.8%) and household consumption (7.7%) while public consumption grew by 2.4%.

Particularly, a higher level of constructions and investments on machinery and equipment helped a favorable evolution of the gross formation of fixed capital. On the other hand, household consumption had an increase in expenses for services for houses, restaurants and hotels; telecommunications; transport; perishable goods (food and beverages; personal items; fuel); and, in a lesser manner, non-perishable goods (automobiles; home equipment).

Finally, on an external demand level, exports had a 1.0% interannual contraction, mostly due to the retraction of electricity, vegetable oil and soybean by-products submission. Meanwhile, imports, according to the BCP, recorded a 22.1% interannual rebound, which focused on the acquisition of machinery and equipment (tourism system) and pharmaceutical and chemical products.

Now, when analyzing high-frequency data, it is seen that, in November 2021, the Paraguay Economic Activity Monthly Index (IMAEP, for its Spanish initials) recorded a 3.1% interannual increase.

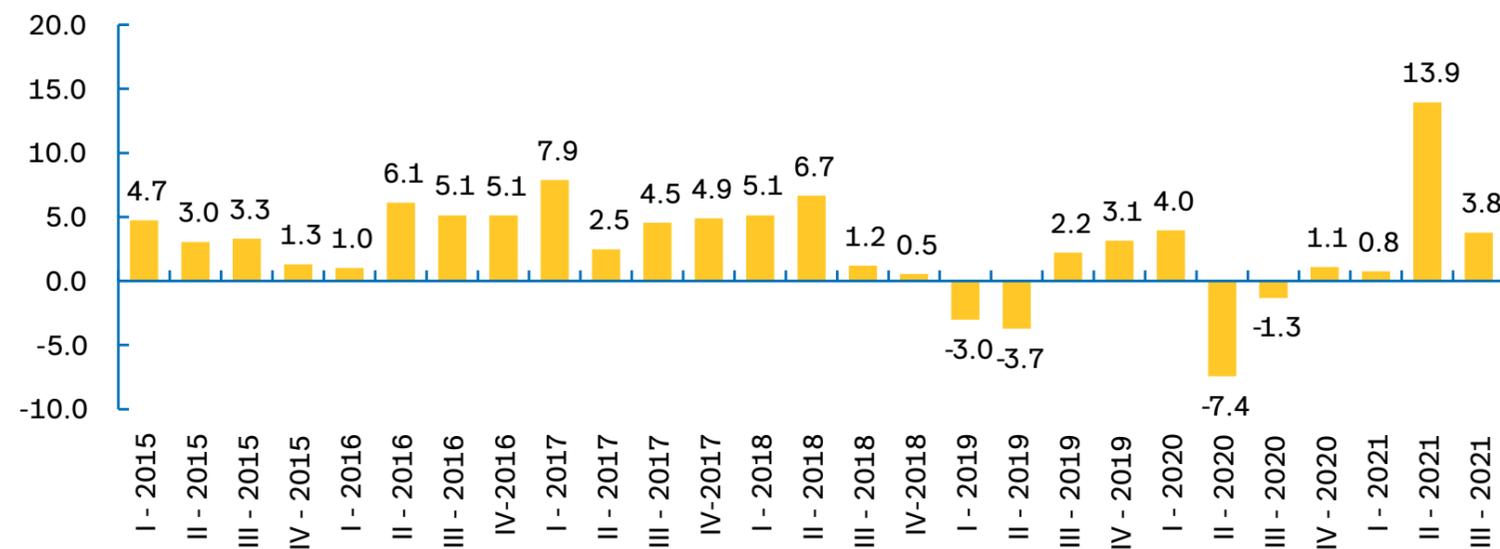
The BCP report points out that the figure is explained by the favorable performance of the service sector; manufacturing; and, to a lesser extent, construction. Particularly, among services, statistical effects associated to a smaller comparison base in commerce; restaurants and hotels; services to companies and houses, are still seen. There are also interannual increases in government services; transport; financial intermediation; telecommunications; and information services.

In manufacturing, among the sectors that showed a positive effect, there is the production of pharmaceutical chemical products; milling and bakery; textiles and clothing; logging; and paper products; among others.

In contrast, as economic growth mitigators, the BCP mentions that agricultural activity was affected negatively by adverse weather conditions and the generation of electricity is still contracted due to the reduced water flow of the Paraná River.

In line with the aforementioned, for the January-November 2021 period, the variation of the IMAEP was 4.8%. With that result, it

GDP Evolution in Paraguay (%)



Source: MF Economía with data from the Central Bank of Paraguay

reverted the 0.5% drop seen during the same period in 2020.

Agriculture

Although since last year the weather forecasts have stated that for the first quarter of 2022 the La Niña phenomenon would strike, its intensity was unknown.

So, the agricultural sector started the 2021/22 soybean campaign under a severe drought which, according to preliminary information provided by leaders of the sector, would make the average performance around 1,082 kg/ha for a total production of a little less than 4.0 million tons compared to the 10.0 million of the 2020/21 campaign.

The preceding would imply a 60.0% drop in soybean production with the consequent impact throughout its value chain (transport; industry; financial intermediation; trade). On this issue it should be mentioned that the forecast published by the BCP in December 2021 of 1.0% growth for the agricultural activity did not contemplate the

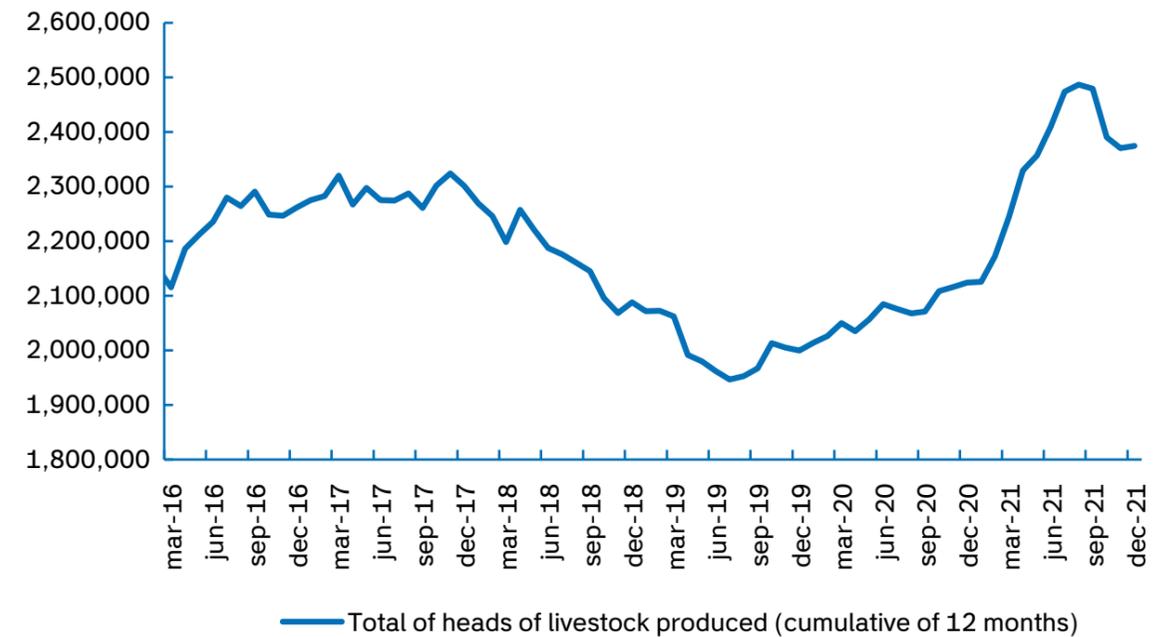
current outlook. So, an adjustment downwards is to be expected.

Livestock

For 2021, figures from the National Service for Animal Health (Senacsa, for its Spanish initials) point out that production exceeded 2.3 million heads representing an 11.8% annual increase. This record equals an average monthly production of 197 thousand heads compared to the 176 thousand heads in 2020.

BCP projections for 2022 point towards a deceleration in the sector so they estimate that this activity will only expand by 0.5%.

Evolution of total production



Source: MF Economía with data from the National Service for Animal Health.

Other sectors

The reactivation of the service sector, as stated above, has been crucial for the economic performance during the third quarter of 2021. In fact, with the interannual increase recorded (7.1%), it completed three consecutive quarters on the rise.

The report on national accounts of the BCP highlighted the positive effect on trade, household services (health; education; recreation); restaurants and hotels; corporate services (tourism; consulting; advertising); and transport. Also, it mentioned the favorable results recorded in telecommunications; financial intermediation; and real estate services.

It is important to mention that, by the end of the year, according to BCP forecasts, the service sector would grow 7.1% in 2021, which would revert the drop recorded in 2020.

However, internally in the group of services, there are still significant differences in terms of recovery. While commercial activity and household services would recover pre-pandemic levels and would even expand, restaurants and hotels would do so during 2022.

In fact, in 2021, household services would expand 21.3% (-12.2% in 2020); restaurants and hotels, 20.0% (-32.0% in the previous year); trade, 14.0% (-8.1% in the previous year); and corporate services, 8.8% (-11.3% in 2020).

As a consequence, for 2022, there would be a deceleration in growth rates and only restaurants and hotels would

rebound to a double-digit rate (13.3%) to consolidate their recovery.

Fiscal sector

In 2021, the report on the Financial Situation of the Central Administration (Situfin, for its Spanish initials) points out that the total cumulative income of the Administration was PYG 36.9 trillion, which recorded a 13.7% interannual increase. The economic reactivation was a determining factor to achieve the aforementioned result.

In income segments, tax income represented 71.3% of the total for PYG 26.3 trillion, representing a 15.8% interannual increase. The improvement in fiscal collection of the State Undersecretariat of Taxation (SET, for its Spanish initials) and the National Directorate of Customs (DNA, for its Spanish initials) explains this behavior.

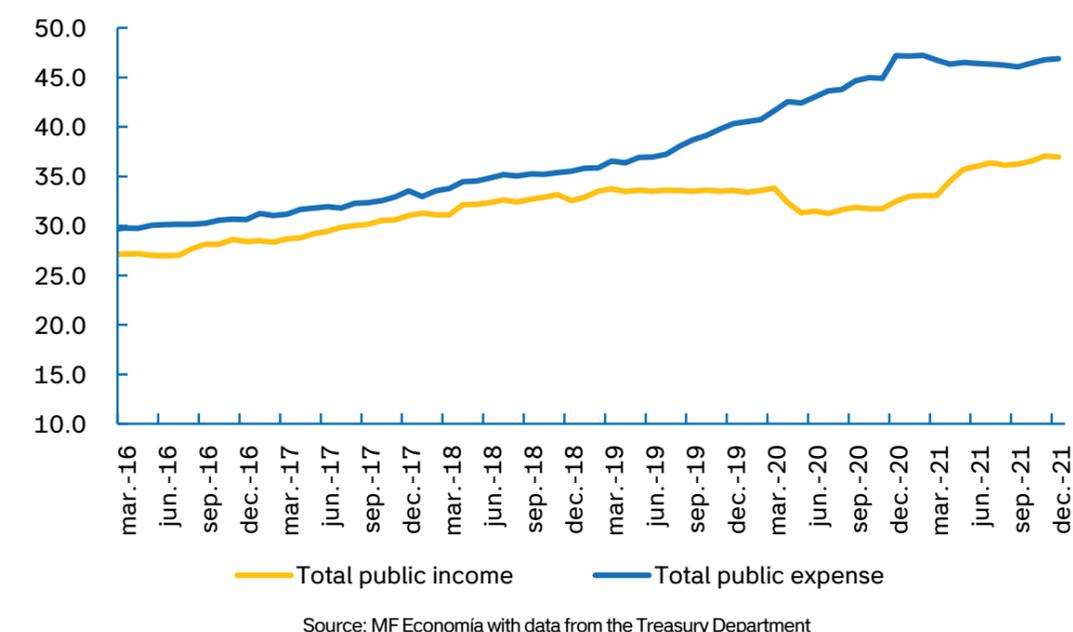
In fact, according to SET, the total cumulative collection (cash plus fiscal credits) was PYG 16.6 trillion, 15.7% more than the one recorded during the same period in 2020. Meanwhile, customs income increased 26.3% compared to 2020.

On the other hand, donations and social contributions had resounding rebounds by 26.9% and 13.4%, respectively. For other types of income, the interannual increase was 2.5% despite lower resources obtained from Itaipú and Yacyretá royalties and compensations.

As for expenses, they added up to PYG 46.9 trillion, 83.2% of which corresponded to current expenses and the remaining, to physical infrastructure. It should be noted that the execution of investment expenses was accelerated in December, when the highest level in the year was reported (PYG 1.8 trillion).

Public income and expense

Trillions of PYG (cumulative of 12 months)



In detail, current expenses had a slight 1.3% increase to add up to PYG 39.0 trillion. Expenses related to the COVID-19 pandemic had effects on this behavior.

In fact, the use of goods and services rebounded 55.3% due to the purchase of medicine and medical supplies. On the other hand, employee compensation had a slight 1.9% interannual increase, associated to the payment of medical staff hired by the Ministry of Public Health and Social Welfare and the pay rise set out for teachers, starting October.

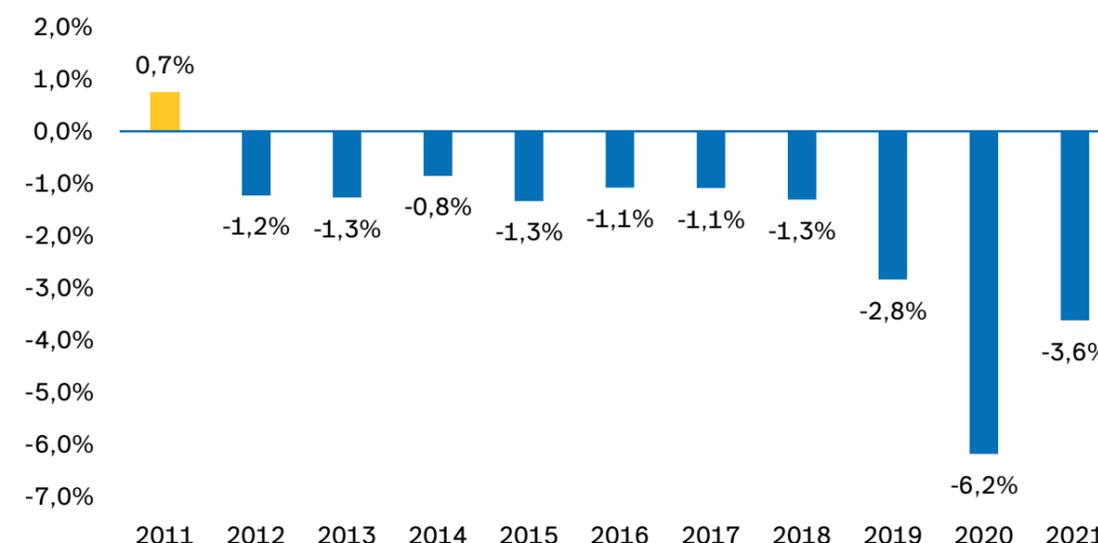
It is important to highlight that, in 2020, salaries represented 77.0% of tax income, a rate that was reduced to 67.8% for the year under analysis.

Besides, other expenses and donations presented interannual increases of 17.2% and 4.4%, respectively. Simultaneously, interests grew 16.0%. On the contrary, social provisions had a 28.5% interannual contraction due to the end of transitional programs implemented to support the vulnerable population during the COVID-19 pandemic.

As for physical investment, it was reduced by 9.7% to end at PYG 7.9 trillion. According to the Treasury Department, this drop is explained by comparison, as the second semester in 2019 was the beginning of the Economic Reactivation Plan reinforced by the Ñapu'a Plan during 2020 after the pandemic outbreak.

The preceding led the fiscal deficit of the Central Administration to be at PYG 9.9 trillion (US\$ 1,458.9 million), representing 3.6% of the estimated GDP for 2021.

Fiscal Result/GDP



Source: MF Economía with data from the Treasury Department

As for public debt balance, in November 2021, it had a month-to-month rise of US\$ 107 million to close at US\$ 13,523 million (33.7% of the estimated GDP). That balance is comprised by 86.1% of external debt (US\$ 11,645 million) and 13.9% of internal debt (US\$ 1,878 million).

For the Central Administration, the debt reached US\$ 11,983 million, representing 88.6% of the total public debt.

By the end of 2021, the Direction for Indebtedness Policy of the Treasury Department estimated preliminarily that the total public debt was 34.7% of the estimated GDP.

As for financing, on January 20, 2022, the Republic of Paraguay issued Global Bonds with amortization in 2031, 2032 and 2033. The amount issued was US\$ 500.6 million at a 3.849% interest rate. That rate is the second lowest in the history of the country.

Additionally, there were operations of liability management. In that sense, according to the Direction for Indebtedness Policy of the Treasury Department US\$ 131 million were bought back from Sovereign Bonds 2023, and US\$ 90 million were exchanged from Sovereign Bonds 2023 and US\$ 80 million were exchanged from Sovereign Bonds 2026 for bonds of the current issue. The preceding was done to reduce the impact of interests, extend debt average life and reduce refinancing risk.

Finally, considering the complex local economic environment associated to adverse weather conditions (drought) directly affecting agricultural and livestock sectors, the National Economic Team took measures to mitigate the situation. In the fiscal area, it decided to postpone advance payments of Simple Corporate Income Tax (IRE, for its Spanish initials) from April to June which, according to SET, mostly affected small agricultural

and livestock producers with annual turnover between PYG 80 million and PYG 2,000 million.

In addition, the final two advance payments of the IRE or the final four of the year were suspended, upon request and after an analysis of each taxpayer.

External sector

Balance of trade

At the end of 2021, recorded exports reached US\$ 10,547 million, representing a 23.8% interannual increase. On the other hand, recorded imports had a 31.6% interannual increase for a cumulative total of US\$ 12,477 million.

Based on the aforementioned results, the deficit of the balance of trade (recorded exports minus imports) was US\$ 1,930 million, almost doubling the record during the same period in 2020 (US\$ 967 million).

As for re-exports, they had a total of US\$ 2,762, a figure exceeding by

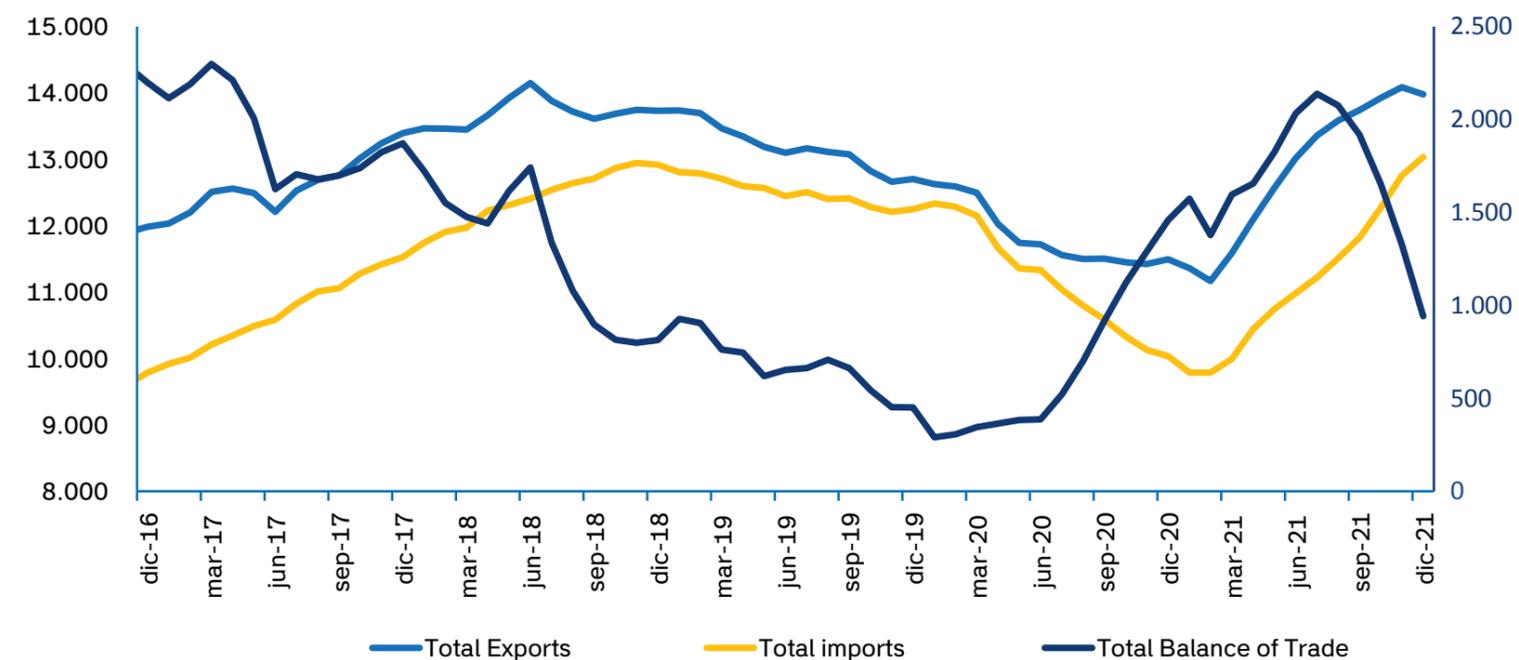
33.5% the one seen in 2020. Now, when they are added to the balance of trade, although they generate a total

surplus of US\$ 942 million, it is below the one registered in 2020 (US\$ 1,459).

retraction due to a production shortage recorded compared to the 2019/2020 campaign. However, a rise in the international price of agricultural raw materials caused that, in terms of value, exports of soybean and by-products rebounded by 34.3%.

As for the internal categories in exports of soybean and by-products, it is highlighted that shipments of grains of soybean represented 72.2% of the total volume of those products with a monetary value that rose up to US\$ 2,975 million. On the other hand, soybean oil had a 6.4% share of the total volume exported of these commodities for a value of US\$ 621 million. Likewise, the soybean

Millions of US\$
(Cumulative of 12 months)



Source: MF Economía with data from the Central Bank of Paraguay.

Exports

For 2021, as aforementioned, recorded exports added up to US\$ 10,547 million. Out of this amount, 41.3% corresponded to the exports of soybean and by-products

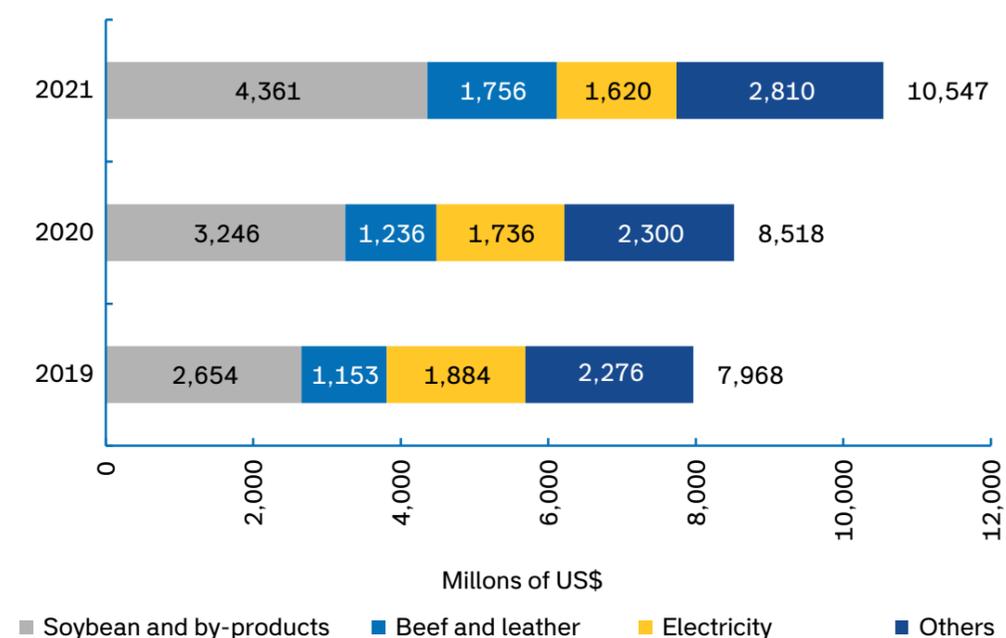
(grains, flour, oil), equal to US\$ 4,361 million, approximately 8,772 thousand tons.

It should be mentioned that those exports, in terms of volume, saw a 6.0% interannual

flour share was 21.4% of the volume of soybean and by-products sent, generating income for US\$ 764 million. In the same manner, corn exports, in terms of volume, had a 9.7% interannual drop but, in value, they had a 26.9% increase to close at US\$ 409 million.

On the other hand, wheat shipments had an interannual increase both in volume and value, of 19.3% and 46.3%, respectively.

Exports per product



Source: MF Economía with data from the Central Bank of Paraguay.

As for beef exports, they had a 16.4% interannual increase to go slightly over 355 thousand tons. In addition, their monetary value rebounded by 39.7% to close at US\$ 1,635 million. Specifically, when considering the type of meat, frozen meat had a 30.2% interannual increase to reach US\$ 770 million. In terms of volume, it reached approximately 175 thousand tons.

It is highlighted that said volume represented 49.2% of the total beef exported, with Russia as the main beneficiary of the shipments, considering its 43.2% share. Taiwan and Chile concentrated 15.6% and 11.1% of exports, respectively.

The average price of frozen meat export was 4,402 US\$/ton, 17.0% above the price in 2020.

For chilled meat, the rebound in terms of value and volume was 49.5% and 24.9% to end at US\$ 787 million and almost 144 thousand tons. It is highlighted that this type of meat represented 40.4% of beef exports.

The main destinations for chilled meat were Chile and Brazil, with 80.4% and 14.2%, respectively. As for the average export price, it reached 5,485 US\$/ton, representing a 19.7% interannual increase.

Finally, offals closed at US\$ 78 millions with 47.1% of interannual increase. In terms of volume, the increase was 10.8% to end at almost 37 thousand tons.

The main destination for the volume of exported offals was Russia, which received 41.3% of shipments, followed by Hong Kong (12.5%) and Brazil (11.3%). On the other hand, the average export price went from 1,598 US\$/ton to 2,121 US\$/ton.

Imports

By the end of 2021, recorded imports were US\$ 12,477 million with a 31.6% interannual variation. It is highlighted that, with that growth, the retraction from the previous year was counteracted and it also exceeded the level reached by the variable in 2019.

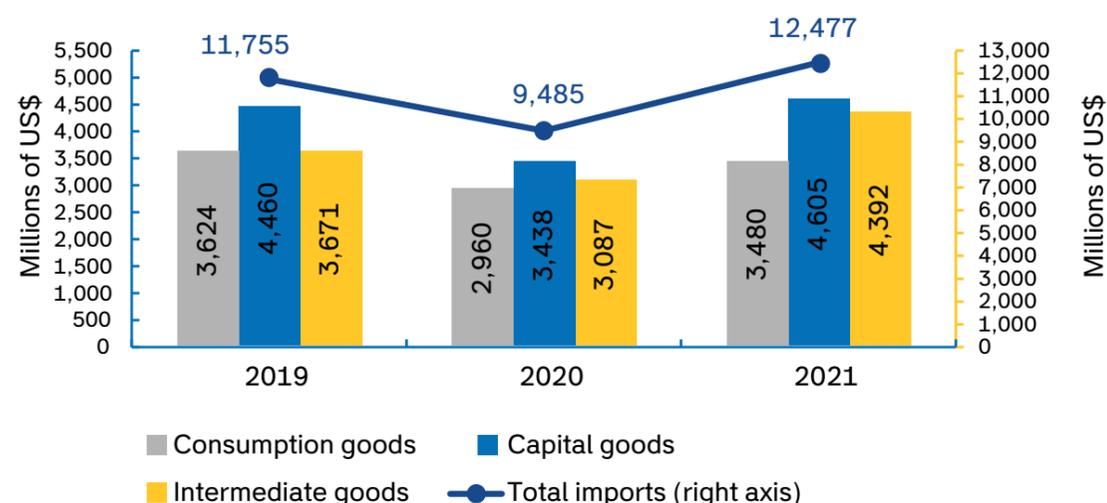
When considering the type of goods, imports of intermediate goods were the most dynamic ones with a 42.2% interannual rebound to close at US\$ 4,392 million. Within this group, the products with the highest purchase increases were: gas (92.8%); iron and by-products (73.6%); naphtha (69.4%); and regular metals and by-products (52.7%), among others.

For capital goods, imports recorded a 34.0% interannual rebound, closing at US\$ 4,605 million. The highest increases in purchases were in desktop machines (111.4%); agriculture equipment and machinery (89.8%); covers (60.0%); buses, trucks and pick-up trucks (58.5%); and tractors, bulldozers, levelers and drills (54.0%).

Finally, the acquisition of consumption goods had a 17.6% interannual increase to be at US\$ 3,480 million, 80.7% of which corresponded to perishable goods (US\$ 2,809 million) and the rest corresponded to non-perishable goods.

On the other hand, the products with considerable interannual increases in imports included wheat and by-products (58.5%); whisky (48.0%); wine (44.1%); and pharmaceutical products (41.9%).

Evolution of imports



Source: MF Economía with data from the Central Bank of Paraguay

Exchange rate and reserves

In December 2021, the exchange rate average in the retail market was 6,824 guaranies per dollar, which represented a 2.2% interannual appreciation. Throughout the year, the exchange rate only recorded month-to-month depreciations in May, July and August. Particularly, during May and July, the interventions of

the BCP were characterized by the purchase of dollars exceeding sale.

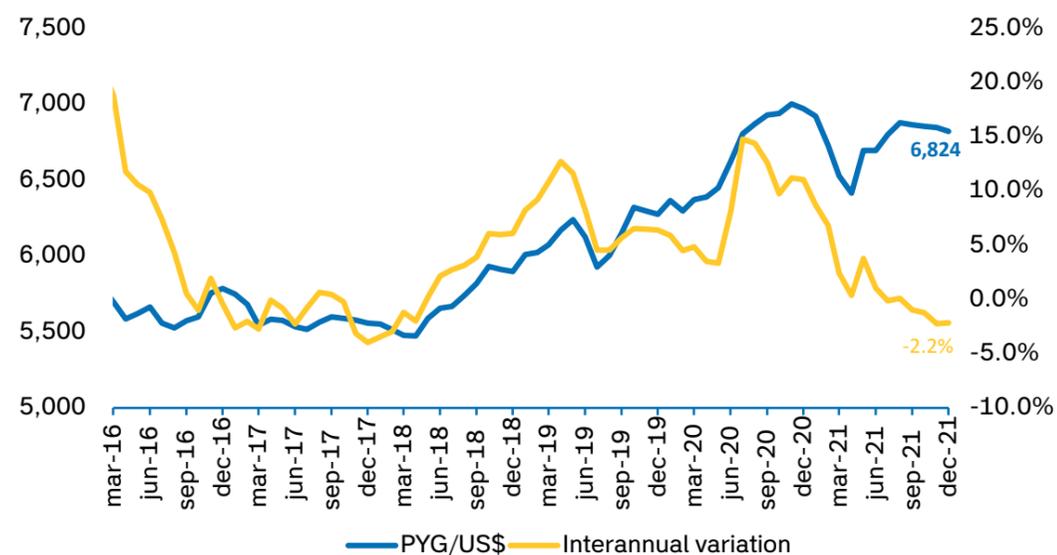
Also, it is highlighted that the months with the higher sales of foreign currency were October and November, with US\$ 233 million and US\$ 259 million, respectively. This was due, mostly, to the inflationary acceleration that led the monetary authority to increase their

interventions to moderate the exchange rate and, with that, to contain likely pressures from the component of imports from the Consumer Price Index.

On the contrary, the lowest sale of foreign currency was seen in April 2021 (US\$ 32 million), when a strong appreciation of the exchange rate that led from 6,926 guaranies per dollar (January 2021) to 6,531 guaranies per dollars (March 2021) caused the BCP to stop intervening or start limiting its interventions to a maximum of US\$ 5 million per day.

As for international reserves, in December 2021, its level in dollars was US\$ 8.967 billion with two consecutive months on the rise, although still below US\$ 9.000 billion recorded in March and August 2021. By January 28, 2022, reserves in dollars dropped to US\$ 8.796 billion.

(Average) Retail exchange rate



Source: MF Economía with data from the Central Bank of Paraguay

Monetary and financial sector

Monetary

For 2021, inflation measured as the variation of the Consumer Price Index (IPC, for its Spanish initials), closed at 6.8%, above the higher limit of the target range (4.0%+2.0 percentage points). However, it should be mentioned that in the last two months, it decelerated.

This result is aligned to what was seen worldwide, as inflationary pressures are concentrated in the groups of food and non-alcoholic beverages, which had a 12.3% interannual variation; and in transport, which had an 11.4% increase.

In fact, the mentioned groups explain 5.0 percentage points (pp) of inflation. In a detailed manner, the effect of food and non-alcoholic beverages was 3.3 pp, while the effect of transport was 1.7 pp.

Particularly, within the group of food and non-alcoholic beverages there were rebounds recorded by the items of meat (18.9%); fresh fruit (13.5%); dairy products (11.5%); and cereals and by-products (9.0%). In fact, the last one had an upswing performance aligned with the worldwide increase in the price of wheat and corn.

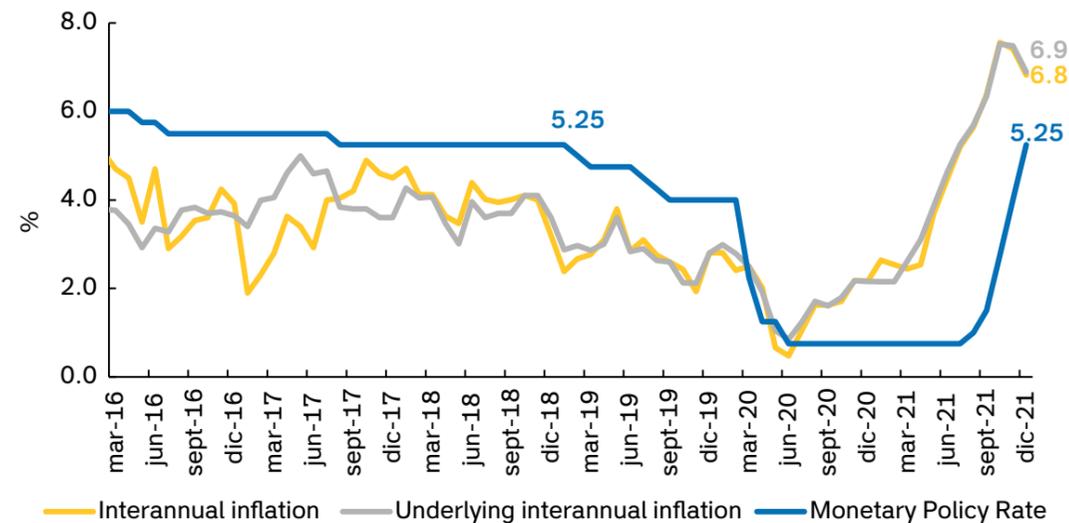
Among other elements, those affecting the price of meat were the rise in the international price of meat, the reduction of local supply due to higher levels of product exports and the move towards substitute products which led to an increase in their prices.

In addition, the price of dairy products recorded significant rises throughout the year, associated to the rise in supplies used for production.

On the other hand, within the group of transport, the sector of fuel and lubricants is highlighted as it had a 29.4% interannual variation, reflecting the upwards trajectory shown by the international price of crude oil during 2021.

Finally, the other groups that form the IPC had single-digit variations. The largest were seen in restaurants and hotels (5.8%); lodging, water, electricity, gas and others (4.1%); furniture and household items (3.9%); health expenses (3.8%); and recreation and culture (3.2%). Meanwhile, the lowest price variations were in education (0.7%); communication (1.3%); and clothing and footwear (1.3%).

Evolution of inflation



Source: MF Economía with data from the Central Bank of Paraguay

As for the BCP policy, during the last two meetings in 2021 (November and December), the Monetary Policy Committee (CPM, for its Spanish initials) continued with the process of policy normalization by increasing, in each occasion, the interest rate by 125 basic points to set it at 5.25%.

Likewise, on January 21, 2022, based on the information available, which included, among other elements, the progress of the Omicron variant, the external and internal inflationary pressures and the rise in international commodities prices, the CPM unanimously decided to increase the interest rate of the

monetary policy by 25 basic points to set it at 5.50%.

Maintaining inflationary expectations triggered a response from the monetary authority in a context where the weakening of local economic perspectives, linked to the drought and the pandemic, may counteract external inflationary pressures.

However, it is important to mention that, in real terms, the policy rate is still negative. In other words, the monetary policy still has an

accommodating bias as it provides incentives to consumers and companies to spend and/or invest, instead of saving money in a bank account where it loses value due to inflation.

As for political instruments, in December 2021, the balance of the Letters of Monetary Regulation was PYG 8.0 trillion, a figure that is highlighted not only because it is not the lowest amount in the year, but also because a balance that low had not been seen since January 2017, when it reached PYG 8.3 trillion. By December 2021, the placement of monetary regulation instruments reached PYG 2.2 trillion, below the one recorded in the previous month (PYG 3.0 trillion).

At this point, it should be mentioned that, once the normalization of the monetary policy started, the expectations of financial institutions about a continuously upward adjustment in the political rate caused 83.6% and 90.6% of placements within 7 to 53 day-terms to be concentrated, between October and November.

However, given that in December 2021, the political rate reached the level it had in January 2019, expectations for new rises in the magnitude recorded in the last months were moderated so that, in that month, 20.3% of the amount placed was in a 7 to 53 day-term; 22.7%, in a 54 to 105

day-term; 16.9%, in a 106 to 213 day-term; and 40.1% was concentrated in 214 to 455 day-term and 456 to 728 day-term. The latest figures have not been seen since May and June 2021.

As for monetary totals, in December 2021, the demand of money measured by the real M1 balance (bills and coins in circulation plus demand deposits) increased, in interannual terms, by 0.6% to be set at PYG 36.8 trillion.

It should be mentioned that, since May 2021, the real M1 has been growing at single-digit rates. Even more, in November, it recorded a 0.9% interannual drop. This real M1 trajectory is in line with the normalization process of the monetary policy towards a less accommodating trend.

Finally, considering the issue of the measures implemented by the National Economic Team after the drought, in the monetary-financial area are the following actions: i) debt refinancing in the agricultural and

livestock sector through the BCP, without affecting credit rating; ii) a PYG 500,000-million facility (US\$ 70 million) through the National Development Bank for operating capital at 12 to 24-month term with 8.0% and 9.0% interest rates in guaranies, and 6.0% and 7.5% in U.S. dollars; iii) a US\$ 100-million special facility for debt refinancing through the Financial Development Agency with a grace period of up to one year; and iv) up to 24-month refinancing for the Agricultural Loans Facility.

Particularly, this provisional measure implemented by the BCP will be in force until September 30, 2022. Resolution No. 14 dated January 6, 2022, sets out that capital renovations, refinancing or restructuring, including interests accrued and other charges, from

loans granted to the agricultural and livestock sectors, shall not be calculated during default terms.

In the same manner, renovations, refinancing and restructuring can be performed for operations with terms exceeding two years by applying to the new agreement the guarantees set out originally.

In addition, it was set that financial institutions must set out allowances on portfolio balance that benefits from the provisional measure for a percentage equal to the minimum allowance set in Resolution No. 1, Minutes No. 60 dated September 28, 2007, equal to 5%.

Additionally, for the purposes of debtor classification, loans balances benefitted by this provision shall not be weighted with other credit operations

granted to the client of the same or a different nature, and which have not benefitted from these provisional measures.

On the other hand, financial institutions shall stop considering losses arising from the current water deficit as provable losses, meaning that, when classifying the risk, they shall not be registered as provisional financial weaknesses or reasonable doubts on credit reimbursement. Finally, financial institutions must submit the list of clients benefitting from the Resolution provisional measures to the Superintendency of Banks every month.

Financial

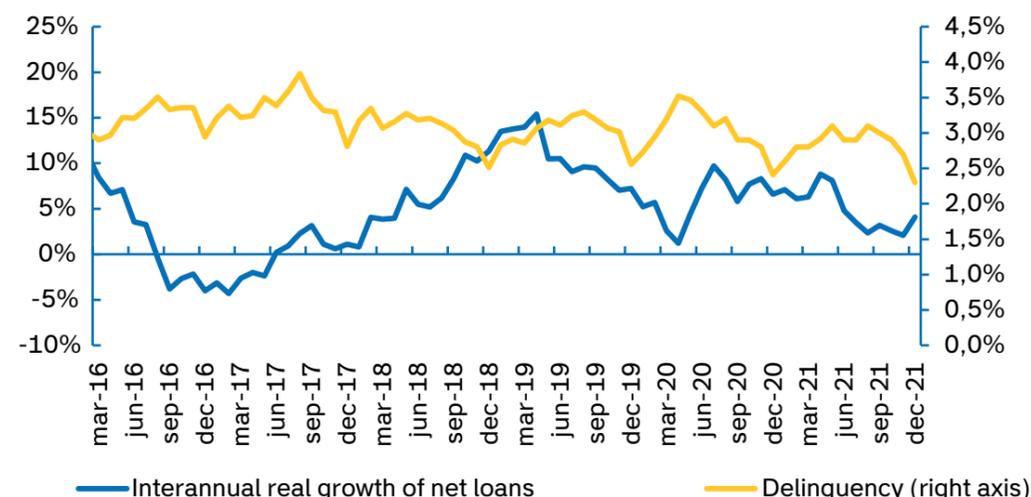
In December 2021, deposits in the financial system (banks and financial institutions) added up to PYG 132.8

trillion (approximately US\$ 19,473 million) with a 7.6% interannual increase.

It is highlighted that in the last three months, there was a single-digit growth rate, a situation that had not been seen since March 2020. In addition, the proportion of deposits in banks in relation to total deposits remained at 95.8%.

On the other hand, the net credit of allowances of the financial system had an 11.2% interannual increase, to be set at PYG 118.6 trillion (approximately US\$ 17,930 million). In real terms, the interannual increase was 4.1%.

Loans and delinquency



Source: MF Economía with data from the Central Bank of Paraguay

In terms of the average delinquency of the financial system, it was reduced for the fourth consecutive month to close at 2.3%. This record is outstanding as it is the lowest registered in the year and it is also slightly below the one in 2020 (2.4%).

In a detailed manner, delinquency from banks also had the lowest figure of the year (2.2%) which was slightly lower than the one in the same month in 2020 (2.3%).

For financial institutions, delinquency dropped compared to November, closing at 4.4%. However, this amount exceeds the one registered in December 2020 (4.0%).

As for interest rates, in November 2021, when considering the local currency, there was an increase in the weighted average of lending rates as they were set in 12.1%. This behavior was to be expected considering the rise in the monetary policy rate. In line with the preceding, the weighted average of borrowing rates increased for the fourth consecutive month to close at 3.2%.

Considering the figures presented above, the spread⁴ of interest rates in local currency reached 8.9 percentage points (pp). Although this record represents an increase compared to the one in the previous month (8.1 pp), it is below the one recorded in the same month of the previous year (9.3 pp).

On the other hand, in foreign currency, the weighted average of lending rates went from 5.8% (October) to 5.9% (November). Similarly, the one of borrowing rates went from 1.3% to 1.4% in the same period. With that, the spread⁵ was set at 4.4

pp as it reduced for the fourth consecutive month. In fact, in 2021, the lowest historical spreads for this type of currency were reported.

For December, in response to the normalization of the monetary policy, it is expected that interest rates will continue to increase, and spreads will continue to expand because of that.

Finally, as for the Guarantee Fund of Paraguay (FOGAPY, for its Spanish initials), between May 2020 and December 2021, 28,108 companies were benefitted.

Guaranteed loans added up to PYG 4.8 trillion, for which PYG 3.6 trillion in guarantees were issued, out of which 42.2% was allocated to micro-companies, 37.5% to small companies, 14.5% to medium companies, 5.1% to intermediate companies and the rest to big companies.

26 institutions took part in this process, 14 of which were banks and 6 were financial institutions.

⁴ and ⁵ The Spread can differ from the value obtained by subtracting the weighted average from lending and borrowing rates due to number rounding up.

Outlook

■ For 2022, the drought affected initial projections of economic growth which were around 3.0% and 3.6%. So, harvest loss which may be approximately 60.0% will have a strong impact on the economy producing a shortage of land and maritime freight, lower demand of supplies and machinery, difficulties to meet financial obligations, lower levels of industrial activity, among others.

■ In this scenario, the economic sectors that will be decisive to mitigate the drop that the GDP will record are those related to services (restaurants and hotels; household services; and corporate services). So, it is fundamental that the process of population vaccination continues.

■ The Central Bank, in a drought environment that will impact the economic growth of the country, will be at a crossroads.

■ On one hand, by letting the exchange parity slide, it contributes to the improvement of terms of exchange and with that, it increases income from exports which will also benefit from higher international prices.

■ But, on the other hand, the exchange rate depreciation has an impact on the component imported from the basketful of goods that form the

Consumer Price Index and it generates inflationary pressures.

■ So, the BCP must closely follow-up all available information to control inflation and keep intervention levels in the foreign currency market in accordance with the economic context that arises.

■ External risks will affect the trend of the main macroeconomic variables.

■ On January 26, 2022, the price of Brent crude oil reached 90 US\$/barrel, a level that had not been seen since 2014. The crude oil upwards trend will impact the local market considering that Paraguay is a full fuel importer. Moreso, in 2021, the months in which the increase in fuel price coincided with the exchange rate depreciation, monthly inflation exceeded 1.0%.

■ Although projections of the Fed, published in December 2021 point to 3 rises in federal fund rate, according to Bloomberg, the market anticipates up to five increases in 2022. This factor will generate pressure on the exchange rate when the income from Global Bonds will be US\$ 200 million and, as a result, the BCP may need to let go of international reserves to intervene in the foreign currency market.

■ External inflationary pressures, especially focused on energy and food.

■ As the monetary policy rate, in real terms, remains negative, new increases may be expected to maintain inflationary expectations at bay. However, we will have to wait for the response of the monetary authority in an downwards environment in economic activity due to drought.

■ Internal inflationary pressures are estimated to remain in the first semester of 2022, but it is projected that, for the second semester, inflation may converge towards the central value of the target range.

■ Based on the information available up to date, the following table presents the projections for the main macroeconomic variables:

	2021	2022
Gross Domestic Product	4,9%	-0,8% - 0,5%
Interannual inflation	6,8%	4,0% - 4,6%
TEExchange rate (PYG/US\$) (December Average)	6.824	7.000

* Projected data are based on a model of macroeconomic estimation from MF Economía. Projections are made based on a base scenario which implies the absence of supply and/or demand shocks or structural reforms in the economy.

2.2.

Main Management Indicators

Background

To take a trip down memory lane, set out the context and understand the situation, we must go back to 2019. In early April that year, the Central Bank of Paraguay (BCP, for its Spanish initials) issued a regulatory provision referring to the unfavorable weather situation represented by a severe water deficit, which caused a significant margin reduction for several agents of the agricultural chain, such as farmers, collectors, cooperatives, supply, machinery and financial services providers, among others. These facts arising from external factors to management were beyond the control of all economic agents involved.

The situation changed radically, as we went from a water deficit to flooding which once again forced the regulator to extend the same conditions of the resolution mentioned to the affected parties by this new weather event.

But even more so, in September, there was another adverse factor to take into consideration, which was producer losses generated by a commodity price drop which also required the intervention of the regulator.

So a period started in which, above all, institutions identified with financial assistance to the agricultural and livestock production sector, such as Banco Regional SAECA, where it represents more

than 45% of its portfolio, were heavily impacted by unfavorable situations which would have an impact on their performance.

Following up with the series of negative events, by the beginning of March 2020, a worldwide health emergency arises. The pandemic caused by COVID-19 started an even more complex and complicated stage, in this case, for all commercial, financial, industrial and productive activities, and the entire world turned to adopting measures aiming at mitigating its effects.

Government measures adopted locally underwent successive changes and extensions until the end of December 2021 considering the changing situations caused by lack of knowledge and uncertainty stemming from the fact that there was no way to foresee when it would end.

As if the preceding were not enough, when the economy was going back to normal, by the end of 2021, one of the most severe droughts in several years began, causing a sharp drop in production of the main products for export of our country.

This in turn caused the BCP to provide the entry into force of an exceptional and provisional measure in the first week of January 2022 (until the third quarter) that would allow the financial sector to support the parties affected by adverse weather conditions.

Our results in previous years are largely explained by this group of circumstances, in addition to others to be mentioned later, based on the market knowledge of our Bank.

Relevant events

Among those aspects that impacted the most our financial statements and the management in the first quarter of 2021, we must mention again, at the risk of repeating ourselves, the weather factor.

The situation of most of our debtors, who had to deal with the same drought-flooding cycle, is complex. In any way, Paraguayan producers are characterized by their level of resilience, and, in our case, there is a great Bank willing to support its clients through thick and thin.

We must not forget the health emergency either, which is something that no economy in the world could have foreseen and which escapes any risk management model regardless of its complexity. It affected the financial statements of the Bank, as a consequence of the issues our clients faced as a result of these unfavorable events.

For that reason, the current Administration had to start a series of operation renegotiations, some of which, due to involuntary mistakes or perhaps a misinterpretation of the regulations, were not adjusted correctly. This caused significant timely adjustments based on priority and need, which forced income from several years to be applied to provide for loans which were under regularization, and it concluded with a balance adjustment plan.

Although the events mentioned above concluded with the application of administrative proceedings against the Board and the Institution itself in early 2022, this ended with a single monetary penalty.

Even with the aforementioned impact, the Bank continues with a

dominant position in the Top 5 of the financial sector, with a lending portfolio (total loans) that makes us third (11.65% of the bank system) and total deposits that make us fourth (9.52% of the bank system).

Likewise, the Bank received the Great Place to Work certification which is something to be proud of.

AS OF DECEMBER 31		2017	2018	2019	2020	2021	% 21/20
Exchange Rate (PYG per USD)		5.590	5.961	6.453	6.900	6.886	
Balance (in millions of guaranies)	(A)						
Total Loans		11.212.125	12.854.962	13.955.271	12.750.796	13.172.221	3.31%
Financial Investments		847.856	767.476	899.417	626.646	561.625	-10.38%
Total Assets		14.631.624	17.442.398	17.334.680	17.556.750	17.641.888	0.48%
Total Deposits		9.352.481	10.853.035	11.202.599	11.503.395	12.315.841	7.06%
Paid-in Capital		1.001.408	1.087.788	1.151.243	1.151.243	1.081.243	-6.08%
Shareholders' Equity		1.572.702	1.637.058	1.736.966	1.802.998	1.563.541	-13.28%
Income Statement (in millions of guaranies)	(B)						
Financial Margin		629.391	595.905	644.100	545.466	469.788	-13.87%
Net Commissions		112.313	119.180	119.209	106.329	103.734	-2.44%
Administrative Expenses		397.021	409.754	388.667	382.936	399.600	4.35%
Net Income		193.701	138.092	156.900	72.396	4.278	-94.09%
Profitability and Efficiency (in %)	(C)						
Return on Equity (ROE)		15.37%	10.32%	10.99%	4.56%	0.70%	-
Return on Assets (ROA)		1.45%	0.89%	1.00%	0.45%	0.06%	-
Efficiency (costs/income)		51.53%	55.81%	49.01%	57.23%	64.30%	-
Capital Management (in %)	(D)						
Tier I		14.63%	13.64%	12.70%	16.26%	12.76%	-
Tier II		17.70%	15.99%	12.11%	18.92%	13.67%	-
Portfolio Quality	(E)						
Allowances (in millions of guaranies)		193.354	173.592	217.395	221.483	184.192	-16.84%
Defaulting 60 days (%)		2.17%	1.47%	1.52%	1.96%	2.74%	-
Coverage of Allowances on Past-due Portfolio (%)		120.73%	146.01%	339.81%	258.57%	160.68%	-
Liquidity Management	(F)						
Liquidity Coverage Funds (in millions of guaranies)		2.074.770	2.921.577	1.819.762	3.800.735	2.580.236	-32.11%
Credits on deposits (%)		119.88%	118.45%	124.57%	110.84%	106.95%	-
Structure and alternative channels	(G)						
Number of Branches ⁽¹⁾		38	38	37	32	33	3.13%
ATMs		89	83	90	84	83	-1.19%
Clients ⁽²⁾		103.515	99.900	100.792	98.441	101.301	2.91%
Number of Employees		649	653	654	605	626	3.47%
Facebook subscriptions		83.330	96.855	98.953	103.499	108.054	4.40%
Twitter subscriptions		9.727	9.685	9.650	10.162	10.161	-0.01%
Instagram subscriptions		3.040	3.810	5.157	8.962	13.664	52.47%
Regional Web/Regional Mobile subscriptions ⁽³⁾		27.744	36.723	41.393	48.065	55.261	14.97%
Number of credit cards (plastics)		38.985	41.151	44.996	44.203	44.652	1.02%

⁽¹⁾ The total includes administrative offices.

⁽²⁾ It includes clients with passive inactive accounts.

⁽³⁾ Regional Web: Homebanking; Regional Mobile: App and phone banking.

(A) The purpose of this group is to present the evolution of the main items of the consolidated balance sheet in a summarized manner, emphasizing portfolios.

(B) In this group, the main accounts with an impact on the income of the Institution are presented.

(C) The purpose of these ratios is to show profitability and efficiency in recent years.

(D) These ratios show the Bank's capital solvency and correct use in recent years.

(E) This group shows the main indicators related to credit portfolio risk management.

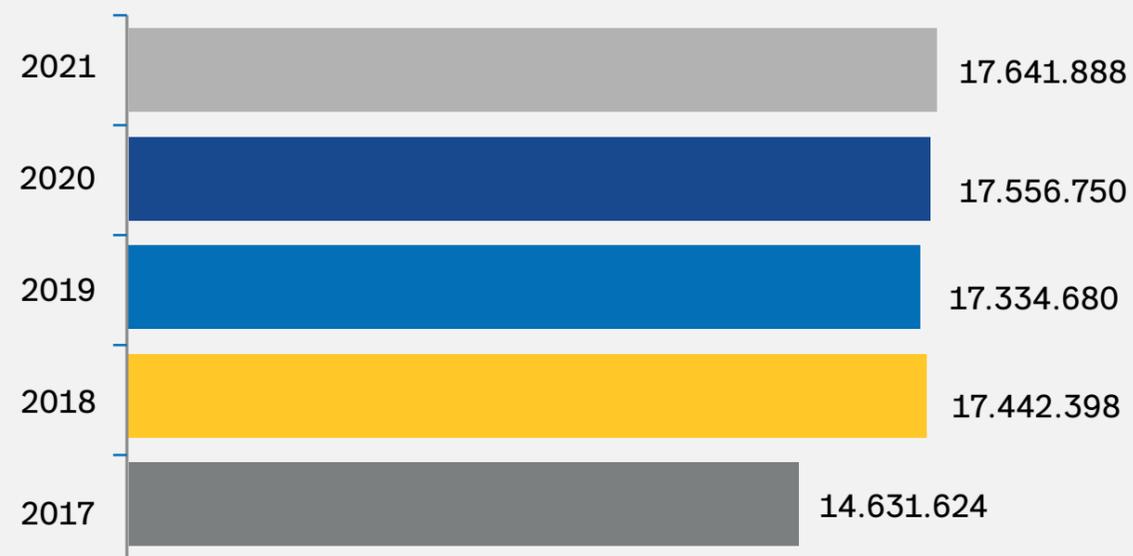
(F) The purpose of this group is to show liquidity evolution in recent years.

(G) This group shows the evolution of the Bank as to its structure and the increase of subscribers to alternative customer service channels.

Assets

Evolution of total assets

In millions of PYG



Financial Investments

December 2021

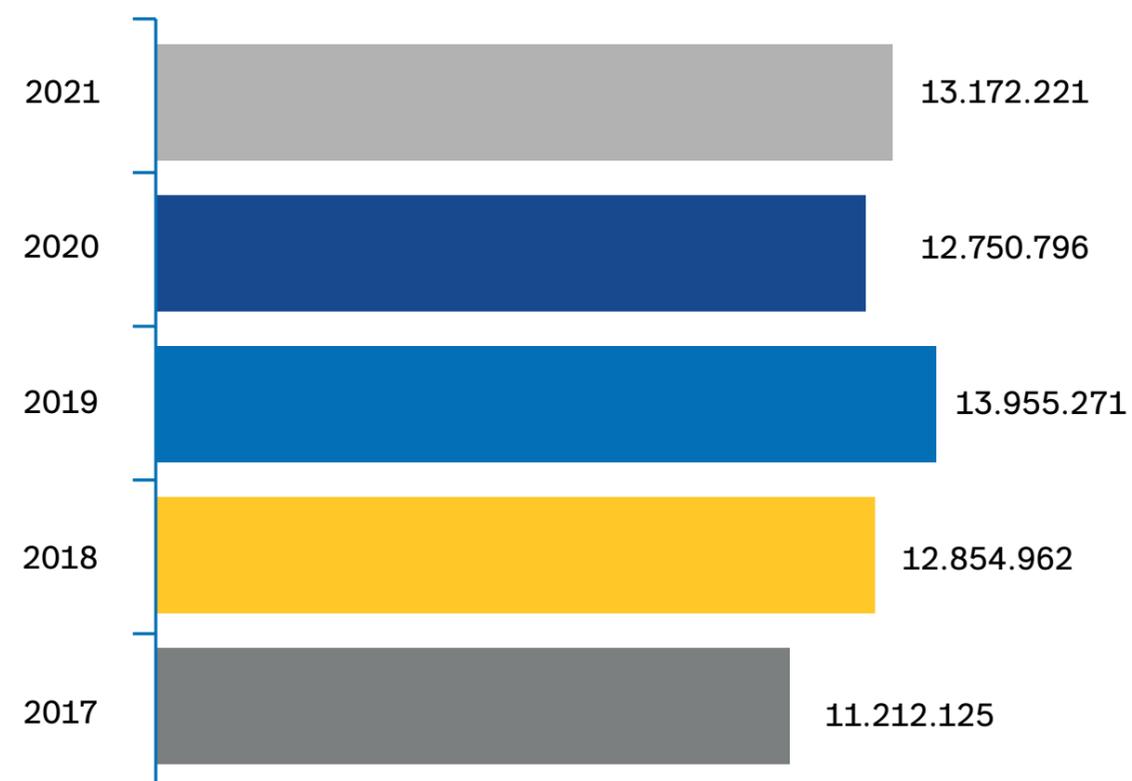
In millions of PYG and thousands of USD

INVESTMENTS IN GUARANIES		INVESTMENTS IN DOLLARS	
Securities	101,177	Securities	0
Letters of Monetary Regulation	179,593		
Treasury Bonds	139,150		
Private Bonds			
Total	419,920	Total	0
Consolidated Financial Investments In Guaranies		419,920	

Loans

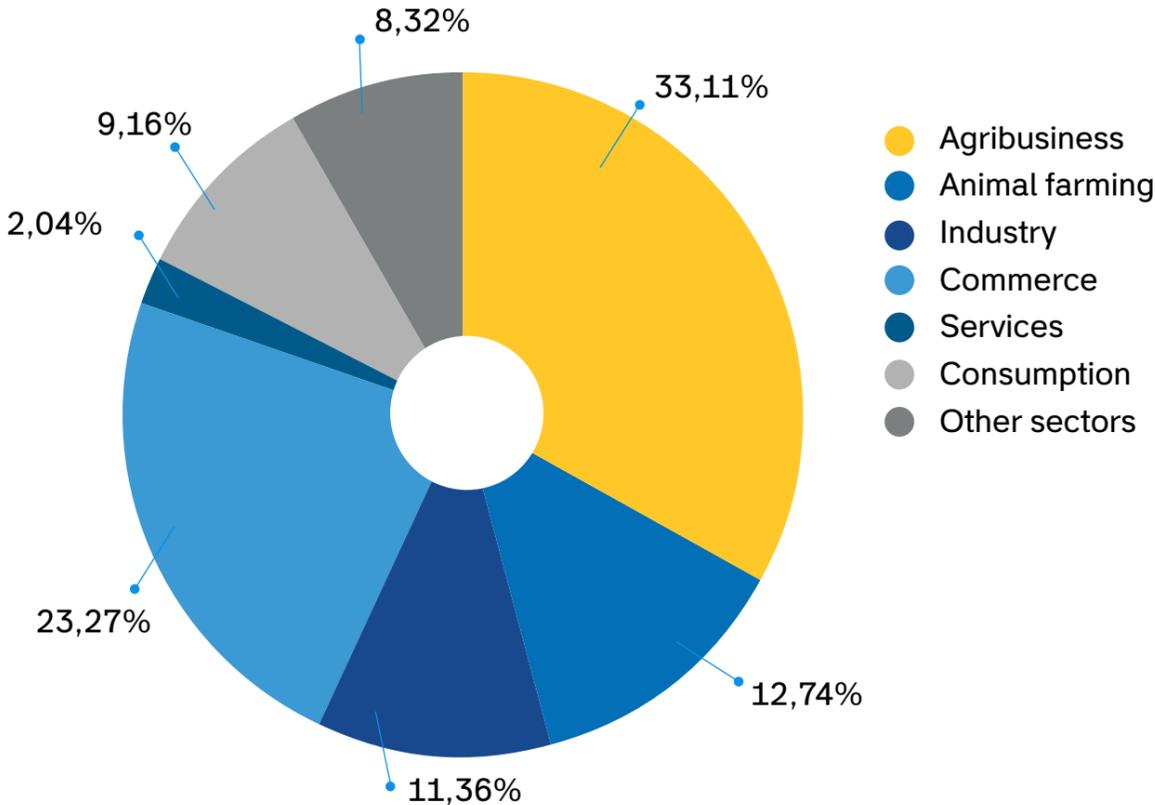
Evolution of the loan portfolio

In millions of PYG



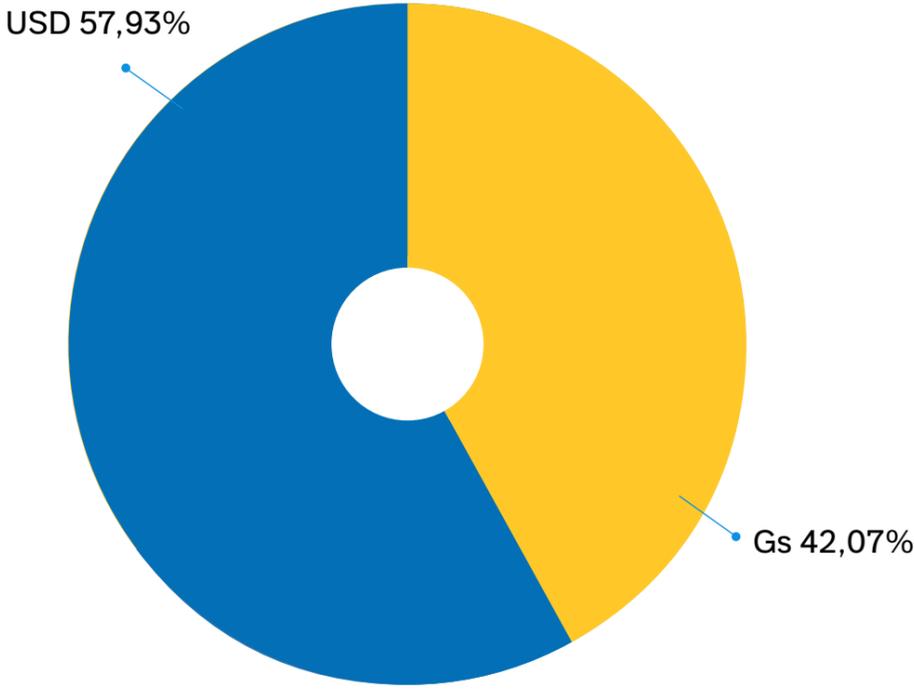
Loan Portfolio per Economic Activity

December - 2021

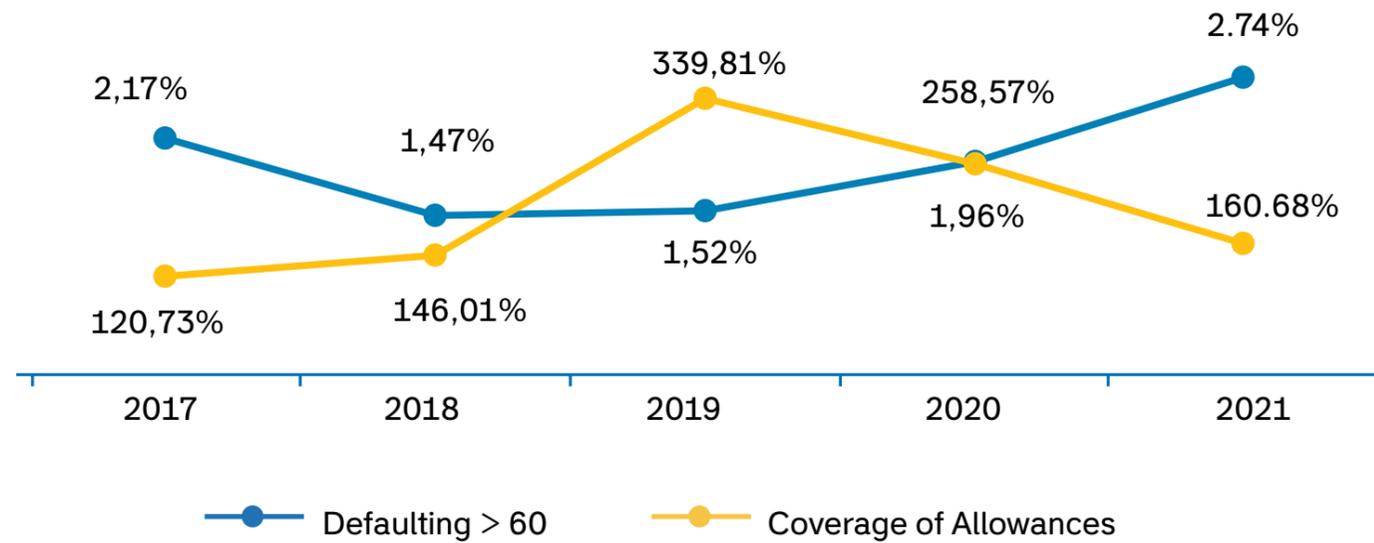


Loan Portfolio per Currency

December - 2021

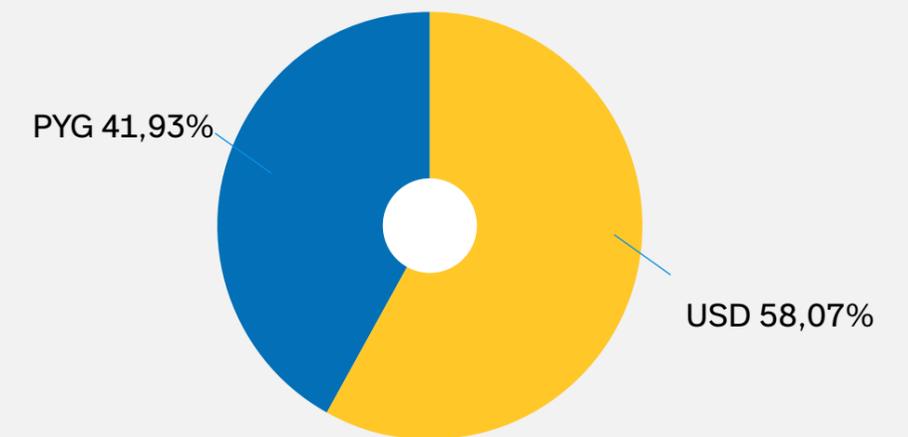


Defaulting > 60 days and coverage of allowances on past-due portfolio

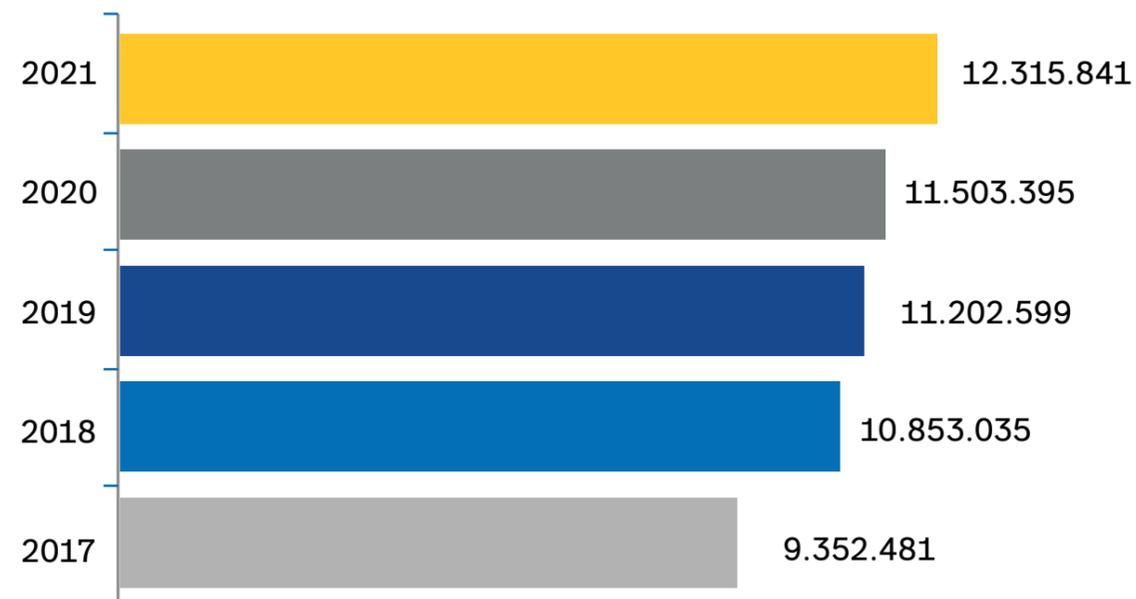


Deposits Portfolio per Currency

December – 2021

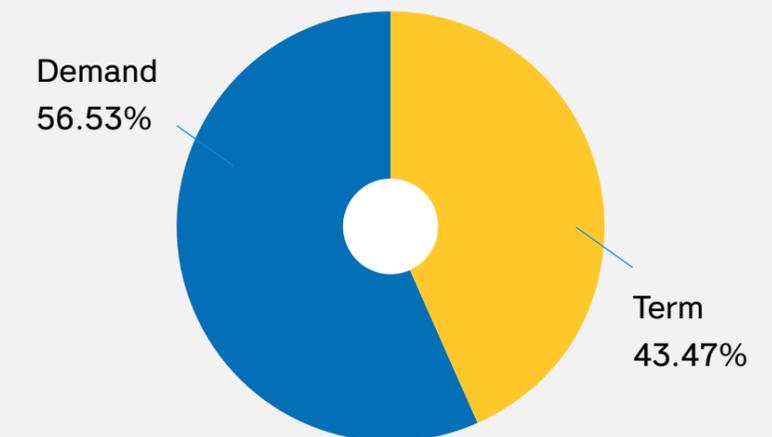


Deposits
Evolution of the deposits portfolio
In millions of PYG



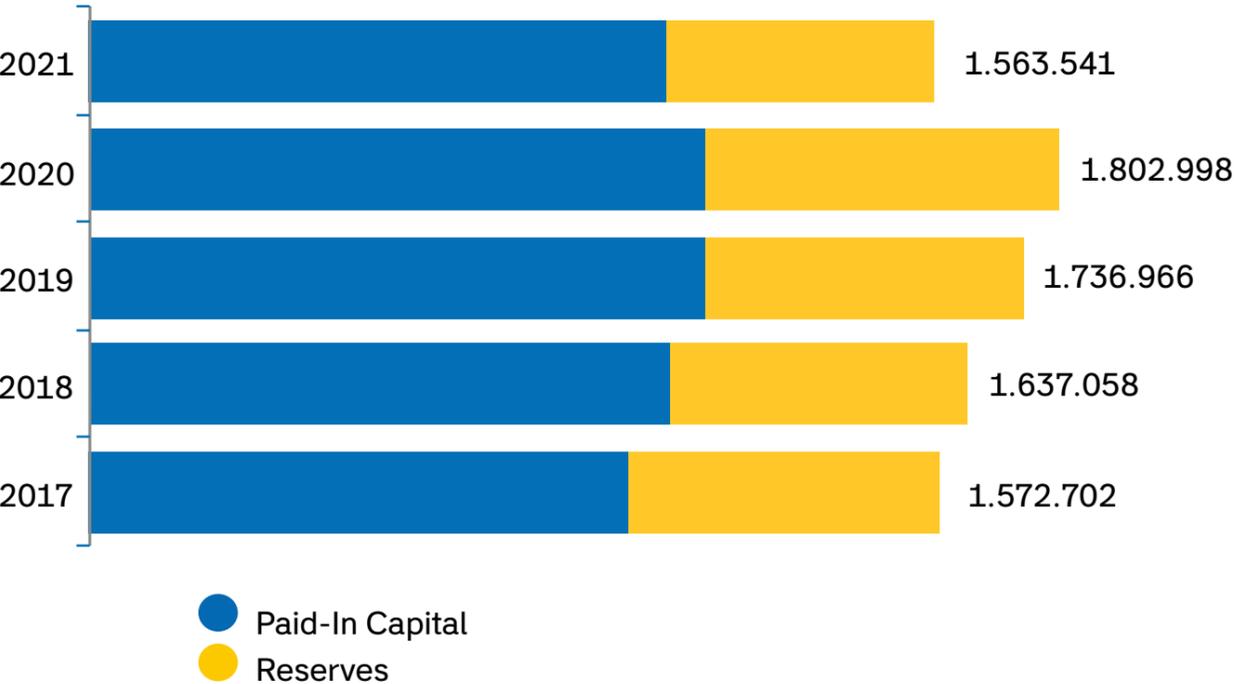
Deposits Portfolio per Modality

December – 2021



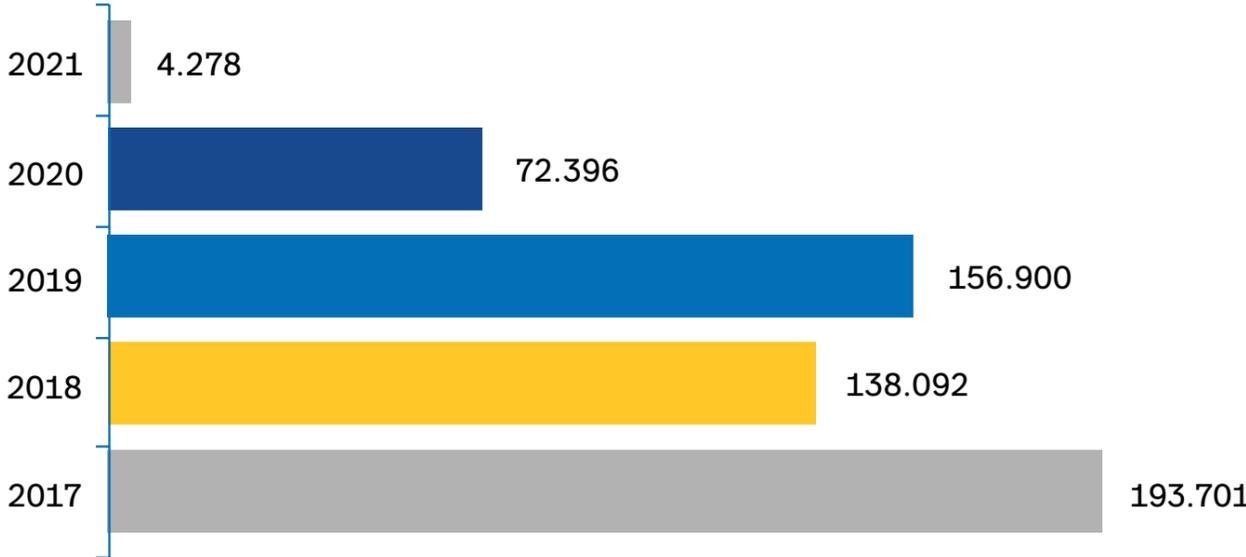
Shareholders' Equity

Evolution of shareholders' equity
In millions of PYG



Net Income

Evolution of net income
In millions of PYG



2.3.

Financial Statements

BALANCE SHEET AS OF DECEMBER 31, 2021

Presented in comparison with the year ended December 31, 2020 (Expressed in Guarani)

ASSETS	NOTE	31-12-2021	31-12-2020
AVAILABLE		3.799.196.219.471	4.025.095.227.622
Cash		406.404.450.111	666.820.736.478
Central Bank of Paraguay	c.3	2.476.039.317.836	2.512.641.018.185
Other financial institutions		863.203.325.644	819.283.468.446
Checks and other documents to be cleared		53.142.676.185	26.236.969.970
Accounts receivable for accrued financial income		407.943.708	461.446.437
Allowances	c.7	(1.494.013)	(348.411.894)
PUBLIC AND PRIVATE SECURITIES	C.4	320.010.615.787	478.473.283.013
PERFORMING LOANS - FINANCIAL SECTOR	C.6.1	359.994.492.099	266.289.318.257
Other financial institutions		351.225.165.098	260.417.054.137
Loans for overdrafts		24.035.745	-
Debtors for financial products accrued		8.745.291.256	6.879.315.545
Allowances	c.7	-	(1.007.051.425)
PERFORMING LOANS - NON-FINANCIAL SECTOR	C.6.2	11.784.271.673.450	11.538.096.579.629
Loans - Private Sector		11.494.716.966.765	11.317.822.589.108
Loans - Transitory measures issued by B.C.P.		184.297.735.893	342.084.712.409
Deferred documentary credits receivable		199.824.153.129	236.181.343.203
Operations to be settled		40.891.271	164.338.238
Loans - Public Sector		168.084.264.420	1.722.300.903
Suspended valuation gains		(16.772.691.749)	(16.767.800.570)
Debtors for financial products accrued		139.475.803.622	169.157.698.589
Allowances	c.7	(385.395.449.901)	(512.268.602.251)
OTHER RECEIVABLES	C.6.4	426.617.811.795	289.546.241.275
NON-PERFORMING LOANS FINANCIAL	C.6.3	154.380.287.214	111.939.570.866
Loans - Non-financial Sector		351.238.867.985	238.597.754.250
Loans - financial Sector		1.725.207.732	-
Loans - Public Sector		-	1.381.520.000
Suspended valuation gains		(11.707.418.762)	(6.049.719.379)
Accrued interest		8.433.226.461	9.303.396.576
Allowances	c.7	(195.309.596.202)	(131.293.380.581)
INVESTMENTS	C.8	586.577.786.717	483.783.341.603
Private Securities		231.630.688.124	144.146.231.004
Assets acquired in credit recovery		394.789.001.356	352.702.726.411
Other investments		4.475.763	4.485.071
Fiduciary rights		175.751.457.088	81.518.372.824
Suspended valuation gains		(7.835.814.695)	-
Income on investments in the private sector		3.757.715.306	836.961.371
Allowances	c.7	(211.519.736.225)	(95.425.435.078)
FIXED ASSETS	C.9	102.955.226.376	115.920.337.014
DEFERRED CHARGES	C.10	107.884.103.548	247.606.506.786
TOTAL ASSETS		17.641.888.216.457	17.556.750.406.065

The accompanying notes A to G form an integral part of these financial statements.

BALANCE SHEET AS OF DECEMBER 31, 2021

Presented in comparison with the year ended December 31, 2020 (Expressed in Guarani)

LIABILITIES	NOTE	31-12-2021	31-12-2020
FINANCIAL LIABILITIES FINANCIAL SECTOR	C.14, C.15.2B)	3.624.746.457.091	4.159.179.739.320
Deposits	c.15.1 b)	541.267.922.539	576.611.604.144
Deferred letters of credit correspondents		192.849.050.646	234.434.306.422
Loans from financial institutions		2.773.855.509.287	3.265.491.897.310
Pending operations for ATM compensations		91.374.674.723	45.863.322.972
Creditors for accrued finance charges		25.399.299.896	36.778.608.472
FINANCIAL LIABILITIES - NON - FINANCIAL SECTOR	C.14, C.15.2B)	12.375.613.926.773	11.520.113.956.760
Deposits - Private Sector	c.15.1 b)	10.221.315.923.471	9.927.609.789.569
Deposits - Public Sector	c.15.1 b)	1.461.841.286.544	883.538.743.309
Other financial intermediation obligations		15.961.640.213	18.456.921.603
Debentures and bonds issued in circulation	c.11	610.287.567.700	611.556.749.300
Transactions to be settled		191.222.621	95.226.584
Creditors for accrued finance charges		66.016.286.224	78.856.526.395
OTHER LIABILITIES	C.17	54.259.033.463	52.205.948.907
Tax creditors		11.175.820.242	9.427.438.384
Social creditors		5.737.018.587	245.209.566
Dividends payable		809.439.380	904.105.632
Other liabilities		36.536.755.254	41.629.195.325
ACCRUALS		23.728.007.949	22.253.185.745
TOTAL LIABILITIES		16.078.347.425.276	15.753.752.830.732
EQUITY	NOTE	31-12-2021	31-12-2020
Capital	b.5	1.081.242.800.000	1.151.242.800.000
Non-capitalized contributions		60.000	60.000
Equity adjustments		45.626.908.534	45.626.908.534
Legal reserve		432.392.983.652	417.913.691.019
Retained earnings	c.12 e)	-	115.817.652.614
Profit for the year - Gain		4.278.038.995	72.396.463.166
TOTAL EQUITY		1.563.540.791.181	1.802.997.575.333
TOTAL LIABILITIES AND EQUITY		17.641.888.216.457	17.556.750.406.065
CONTINGENCY AND MEMORANDUM ACCOUNTS	NOTE	31-12-2021	31-12-2020
TOTAL CONTINGENCY ACCOUNTS	E	1.516.002.869.874	1.314.768.057.007
TOTAL MEMORANDUM ACCOUNTS	E	19.227.752.742.616	17.401.382.783.985

The accompanying notes A to G form an integral part of these financial statements.

INCOME STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2021

Presented in comparison with the year ended December 31, 2020 (Expressed in Guarani)

	NOTE	31-12-2021	31-12-2020
FINANCIAL INCOME		963.877.694.592	1.121.940.959.074
From performing loans - Financial sector		31.375.818.213	39.540.977.483
From performing loans - Non-financial sector		868.877.638.792	1.021.576.722.708
From non-performing loans		20.016.124.447	12.647.949.405
For income and differences in the price of public securities		43.608.113.140	48.175.309.478
FINANCIAL EXPENSES		(495.081.939.928)	(593.668.813.906)
From financial liabilities - Financial sector		(162.241.141.311)	(201.876.503.571)
From financial liabilities - Non-financial sector		(331.843.119.730)	(374.598.203.398)
For valuation of financial assets and liabilities in foreign currency - Net	f.2	(997.678.887)	(17.194.106.937)
FINANCIAL INCOME BEFORE ALLOWANCES		468.795.754.664	528.272.145.168
ALLOWANCES		(184.192.455.442)	(221.483.350.458)
Additions	c.7	(907.359.934.869)	(1.601.721.789.989)
Reversals	c.7	723.167.479.427	1.380.238.439.531
FINANCIAL PROFIT AFTER ALLOWANCES		284.603.299.222	306.788.794.710
NET INCOME FROM SERVICES		103.733.682.228	106.329.181.071
Income from services		160.084.482.111	157.962.189.649
Expenses from services		(56.350.799.883)	(51.633.008.578)
GROSS PROFIT		388.336.981.450	413.117.975.781
OTHER OPERATING INCOME		55.387.322.035	44.298.840.532
Foreing exchange and arbitrage operations - net		35.856.305.181	32.634.979.443
Other income		19.531.016.854	11.663.861.089
OTHER OPERATING EXPENSES		(406.067.370.446)	(392.685.604.094)
Staff remuneration and social contributions		(210.267.638.271)	(203.522.095.521)
Overheads		(156.283.058.622)	(144.818.039.926)
Depreciation of fixed assets	c.9	(16.828.566.640)	(18.013.575.077)
Amortization of deferred charges		(1.221.172.759)	(1.479.751.692)
Others		(16.682.693.102)	(16.598.904.551)
For valuation of other liabilities and assets in foreign currency - Net	f.2	(4.784.241.052)	(8.253.237.327)
NET OPERATING RESULT - PROFIT		37.656.933.039	64.731.212.219
EXTRAORDINARY GAINS AND LOSSES		(23.504.895.386)	17.713.061.641
Extraordinary earnings		37.723.899.040	20.176.512.122
Extraordinary losses		(61.228.794.426)	(2.463.450.481)
PRIOR YEAR ADJUSTMENTS	D.3	(3.307.397.639)	(3.498.009.171)
Earnings		189.444.847	3.307.858.858
Loses		(3.496.842.486)	(6.805.868.029)
PROFIT FOR THE YEAR BEFORE INCOME TAX - PROFIT		10.844.640.014	78.946.264.689
Income tax	f.4	(6.566.601.019)	(6.549.801.523)
PROFIT FOR THE FINANCIAL YEAR		4.278.038.995	72.396.463.166

The accompanying notes A to G form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED DECEMBER 31, 2021

Presented in comparison with the year ended December 31, 2020 (Expressed in Guarani)

ITEM	CAPITAL		NON-CAPITALIZED CONTRIBUTIONS	EQUITY ADJUSTMENTS	LEGAL RESERVE	RETAINED EARNINGS	PROFIT FOR THE YEAR	TOTAL
	COMMON STOCK	PREFERRED STOCK						
Balances as of 31 december 2019	901.242.800.000	250.000.000.000	60.000	45.626.908.534	383.196.688.563	-	156.900.014.850	1.736.966.471.947
More (less):								
Transfer of profits for the previous financial year	-	-	-	-	-	156.900.014.850	(156.900.014.850)	-
Constitution of legal reserve	-	-	-	-	34.717.002.456	(34.717.002.456)	-	-
Establishment of specific allowances required by Note SB.SG. N° 00482/2020	-	-	-	-	-	(6.365.359.780)	-	(6.365.359.780)
Profit for the year - gain	-	-	-	-	-	-	72.396.463.166	72.396.463.166
Balances as of 31 December 2020	901.242.800.000	250.000.000.000	60.000	45.626.908.534	417.913.691.019	115.817.652.614	72.396.463.166	1.802.997.575.333
More (less):								
Transfer of profits for the previous financial year	-	-	-	-	-	72.396.463.166	(72.396.463.166)	-
Constitution of legal reserve	-	-	-	-	14.479.292.633	(14.479.292.633)	-	-
Redemption of preferred stock (Note d.4)	-	(70.000.000.000)	-	-	-	-	-	(70.000.000.000)
Establishment of specific allowances required by the SIB. (Note C.20)	-	-	-	-	-	(164.761.029.710)	-	(164.761.029.710)
Adjustments required by Resolution SB.SG N° 027/2020	-	-	-	-	-	(8.973.793.437)	-	(8.973.793.437)
Profit for the year - gain	-	-	-	-	-	-	4.278.038.995	4.278.038.995
Balances as of 31 December 2021	901.242.800.000	180.000.000.000	60.000	45.626.908.534	432.392.983.652	-	4.278.038.995	1.563.540.791.181

The accompanying notes A to G form an integral part of these financial statements.

STATEMENT OF CASH FLOW FOR THE YEAR ENDED DECEMBER 31, 2021

Presented in comparison with the year ended December 31, 2020 (Expressed in Guarani)

	NOTE	31-12-2021	31-12-2020
CASH FLOW FROM OPERATING ACTIVITIES			
PROFIT FOR THE YEAR		4.278.038.995	72.396.463.166
PLUS EXPENSES THAT DO NOT INVOLVE CASH APPLICATIONS			
Depreciation of fixed assets	c.9	16.828.566.640	18.013.575.077
Amortization of deferred charges		1.221.172.759	1.479.751.692
Allowances	c.7	907.359.934.869	1.601.721.789.989
Income tax provision	f.4	6.566.601.019	6.549.801.523
Accrued interests unpaid		91.415.586.120	115.635.134.867
Effect of the valuation of foreign currency accounts		5.781.919.939	25.447.344.264
Net value of disposal of fixed assets	c.9	118.463.498	294.379.650
		1.029.292.244.844	1.769.141.777.062
LESS INCOME NOT INVOLVING CASH RECEIPTS			
Capitalization of dividends from investments		(11.922.100.000)	(15.864.084.703)
Reversal of allowances	c.7	(723.167.479.427)	(1.380.238.439.531)
Uncollected accrued interests		(157.922.096.238)	(298.217.694.218)
		(893.011.675.665)	(1.694.320.218.452)
Net increase / (Decrease) in Loans		(422.276.034.182)	1.848.355.072.000
Net increase / (Decrease) in Other receivables		(165.375.494.987)	35.104.111.546
Net increase / (Decrease) in Financial liabilities		138.840.199.089	(671.998.998.826)
Net increase / (Decrease) in Other liabilities		(971.052.256)	(41.201.477.226)
Net increase / (Decrease) in Accruals		4.790.695.728	(13.568.841.586)
Income tax paid		-	(11.193.713.160)
		(444.991.686.608)	1.145.496.152.748
NET CASH FLOW (USED)/GENERATED BY OPERATING ACTIVITIES		(304.433.078.434)	1.292.714.174.524
CASH FLOW FROM INVESTMENT ACTIVITIES			
Net increase / (Decrease) in Public and Private Securities		159.730.442.125	212.000.649.898
Net increase / (Decrease) in investments		(76.905.498.916)	18.979.926.476
Acquisition of Fixed assets	c.9	(3.981.919.500)	(9.842.308.421)
Net increase / (Decrease) in Deferred charges		(308.953.426)	(176.618.886)
NET CASH FLOW APPLIED TO INVESTING ACTIVITIES		78.534.070.283	220.961.649.067
CASH FLOW FROM FINANCING ACTIVITIES			
Dividends paid in cash		-	-
NET CASH FLOWS PROVIDED BY (APPLIED TO) FINANCING ACTIVITIES		-	-
Net (Decrease)/increase in cash		(225.899.008.151)	1.513.675.823.591
Cash and cash equivalents at beginning of the year		4.025.095.227.622	2.511.419.404.031
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		3.799.196.219.471	4.025.095.227.622

The accompanying notes A to G form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED ON DECEMBER 31, 2021

Presented in comparison with the financial year ended December 31, 2020 (Figures 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, 2021, will be considered for approval by the Ordinary General Shareholders’ Meeting in 2022, 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, 2020, were approved by the Ordinary General Shareholders’ Meeting held on April 30, 2021.

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 institution into Banco Regional S.A.E.C.A. On September 3, 2009, the definitive merger agreement for the absorption of Banco ABN AMRO Paraguay S.A. was signed. On September 4, 2009, through the Extraordinary Shareholders’ Meeting of Banco Regional S.A.E.C.A., the merger agreement for the absorption of these institutions 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, 2021, the Bank had 34 branches (33 branches as of December 31, 2020) including the head office.

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 Gs).

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 for the treatment assigned to assets and liabilities in foreign currency, as explained in note c.1, and the balances of Fixed Assets existing at December 31, 2019 as explained in note c.9; and does not fully recognize the effects of inflation on the Entity's equity and financial position, nor on the results of its operations and cash flows. Had a comprehensive price-level restatement of the financial statements been applied, differences could have arisen in the presentation of the Entity's equity and financial position, results of operations and cash flows as of December 31, 2021 and 2020.

According to the Consumer Price Index published by the Central Bank of Paraguay, accumulated inflation as of December 31, 2021 and 2020 was 6.8% and 2.2%, respectively.

In addition to the requirements of the Central Bank of Paraguay, the following relevant accounting policies have been used:

- For the purpose of preparing the Statement of Cash Flows, Cash and Cash Equivalents net of the corresponding allowances are considered as cash;
- comparative figures are presented;
- the Statement of Changes in Shareholders' Equity is presented; and
- additional disclosures are included in the notes to the financial statements.

(i) Estimates:

The preparation of these financial statements requires the Board of Directors and Management of the Entity to 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 Entity 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 allowances to cover other contingencies, and possible legal proceedings initiated against the Entity.

(ii) Comparative information:

The financial statements as at December 31, 2021 and supporting information are presented in comparison with the corresponding statements and supporting information for the year ended December 31, 2020.

b.3 Foreign branches

The Entity does not have any foreign branches

b.4 Participation in other companies

The holdings in the capital of other companies at December 31, 2021 and 2020 are as follows:

Company name	Condition	Investment currency	Nominal value	% participation	Book value Gs.
DECEMBER 31 2021					
Bancard S. A. - Paraguay	Affiliate	Gs.	9.675.000.000	7,14%	10.482.846.968
Regional Casa de Bolsa S. A.	Affiliate	Gs.	27.559.000.000	99,99%	27.559.000.000
Regional SA de Seguros	Affiliate	Gs.	39.009.000.000	99,99%	55.408.940.883
VISA INC-USA	Not Affiliate	US\$	1	Minority	7.574
SWIFT	Not Affiliate	EUR	19.800	Minority	111.035.560
Total					93.561.830.985
DECEMBER 31 2020					
Bancard S. A. - Paraguay	Affiliate	Gs.	9.675.000.000	7,14%	10.482.846.968
Regional Casa de Bolsa S. A.	Affiliate	Gs.	10.614.000.000	99,99%	10.614.000.000
Regional SA de Seguros	Affiliate	Gs.	19.879.800.000	99,99%	45.431.840.883
VISA INC-USA	Not Affiliate	US\$	1	Minority	7.590
SWIFT	Not Affiliate	EUR	19.800	Minority	111.035.560
Total					66.639.731.001

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

b.5 Composition of capital and characteristics of shares

The composition of the integrated capital at December 31, 2021 by share types, is as follows:

Subscribed and integrated common shares		No. of votes for each	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	1.800.000	-	180.000.000.000
Total	10.812.428		1.081.242.800.000

The composition of the integrated capital at December 31, 2020 by share types, is as follows:

Subscribed and integrated common shares		No. of votes for each	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

The Bank's shareholder composition, as of December 31, 2021, was structured as follows:

Shareholder	Shares in Gs.	% Participation	% of votes	Country
Local minority shareholders	548.477.700.000	50,73%	51,65%	Paraguay
Raatz Group	88.097.300.000	8,15%	9,95%	Paraguay
Rabo Partnerships B.V. (*)	444.667.800.000	41,13%	38,40%	Netherlands
Total	1.081.242.800.000	100%	100%	

(*) Wholly owned by Cooperative Rabobank U.A. of the Netherlands.

The Bank's shareholder composition, as of December 31, 2020, was structured as follows:

Shareholder	Shares in Gs.	% Participation	% of votes	Country
Local minority shareholders	618.477.700.000	53,72%	51,65%	Paraguay
Ratz 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%	

(*) Wholly owned by Cooperative Rabobank U.A. of the Netherlands.

As described in note c.12 d), "Price-level restatement 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 Management and Executive Board

As of December 31, 2021 the Board of Directors and executive staff is made up as follows:

Board of Directors		Executive Board	
Interim President:	Francisco Yanagida	General Manager:	Laura Silvia Borsato
Vice-President:	Cornelis J. Beijer	Organizational Development Manager:	Bettina Agüero Bradshaw
Principal Directors:	Alfredo Raatz	IT Manager:	Georgina Baumgarten Lavand
	Erik Heyl	Treasury manager:	Daniel Cibils Farres
	Roland Wolff	Legal Counsel Manager:	Marcos Dalla Fontana
Alternate Directors:	Vacant	Corporate Banking Manager:	Walter Duarte Kallus
	Diego Castro	Financial Manager:	Óscar Godoy Silvero
	Jaime Busanello	Operations manager:	Diana Lafeld Rieszotka
	Adrián Lorenzutti	Internal Audit Manager:	Juan Carlos Meza
	Walter Duarte	Branch and Business Development Manager:	Evaristo Enrique Escobar
Titular Trustee:	Irene Memmel de Matiauda	Compliance Manager:	Carlos Vera Bogado
Alternate Trustee:	Lourdes Müller	Risk manager:	Daniel Van Det
		Risk Manager SME Banking and Personal Banking:	Richard Delvalle Medina
		Credit Risk Governance Manager:	Antonio Giménez González
		Manager of Regional Exclusive:	Anahí Heisecke
		MIS and Risk Models Manager:	Mats Hernegard
		Corporate Banking Risk Manager:	Ricardo Nowosad Gines
		Correspondent and Foreign Trade Transactional Banking Manager:	Rafaela Oleinik Rosa
		Recovery and Restructuring Manager:	Jorge Sienkawiec Szostak
		Administrative Manager:	Fabio Sitzmann Hein
		Operational Risk and Fraud Prevention Manager:	Érica Werner Schmidt
		General Accountant:	Esteban Rotela Maciel
		Titular Trustee:	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 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, 2021 and 2020, 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 2021	December 31 2020
	(Guarani for each unit of foreign currency)	
US dollar	6.885,79	6.900,11
Euro	7.805,73	8.476,10
Yen	59,83	66,93
Real	1.230,53	1.329,83
Argentine Peso	67,01	82,00
Pound sterling	9.305,46	9.378,63
Swiss franc	7.537,81	7.815,28
Swedish Krona	762,17	842,75
Chinese Yuan	1.080,55	1.057,55
Australian dollar	5.008,04	5.291,00
Canadian dollar	5.387,10	5.399,57

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 position of changes as of December 31, 2021 and 2020, is as follows:

Item	December 31 2021		December 31 2020	
	Amount arbitrated to US\$	Equivalent amount in Gs.	Amount arbitrated to US\$	Equivalent amount in Gs.
Total foreign currency assets	1.447.445.019,61	9.966.802.441.680	1.505.788.401,81	10.390.105.609.470
Total liabilities in foreign currency	(1.451.486.567,47)	(9.994.631.691.367)	(1.497.228.367,98)	(10.331.040.434.333)
Position (sold) purchased in foreign currency	(4.041.547,86)	(27.829.249.687)	8.560.033,83	59.065.175.137

As of December 31, 2021 and 2020, the foreign currency position did not exceed the position cap set by the Entity 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 probability that changes in market prices, for example, interest rates, foreign currency exchange rates, etc., will affect the equity and/or profits of the Entity 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, 2021 and 2020 are as follows

Designation	December 31, 2021 Gs.	December 31, 2020 Gs.
Legal reserve – Guarani	508.736.075.020	192.807.381.325
Legal reserve – Dollars	1.110.241.166.367	582.749.446.664
Legal reserve- Euros	-	6.596.064.573
Special reserve – Guarani	40.559.909	160.859.693
Legal reserve – Dollars	260.282.862	1.641.288.179
Deposits from monetary operations	-	556.619.487.646
Current accounts – Guarani	439.090.087.851	302.983.027.796
Current accounts – Dollars	413.118.751.671	865.474.680.007
Current accounts-Euro	4.552.394.156	3.608.782.302
Total	2.476.039.317.836	2.512.641.018.185

See also note c.12(a).

c.4 Public and private securities

Public and private securities are stated at cost plus accrued interest receivable at the end of each year, which does not exceed their probable realizable value.

As of December 31, 2021

Public and private securities	Currency of issue	Amount in currency of issue	Amount in Guarani	
			Nominal value	Book value
Treasury Bonds of the Republic of Paraguay (a)	Gs.	139.150.000.000	139.150.000.000	139.150.000.000
Monetary Regulation Bills	Gs	200.000.000.000	200.000.000.000	179.592.840.888
Accrued interest			-	1.267.774.899
TOTAL			405.146.000.000	320.010.615.787

As of December 31, 2020

Public and private securities	Currency of issue	Amount in currency of issue	Amount in Guarani	
			Nominal value	Book value
Treasury Bonds of the Republic of Paraguay (a)	Gs.	104.151.000.000	104.151.000.000	104.151.000.000
Monetary Regulation Bills	Gs	375.000.000.000	375.000.000.000	363.744.011.293
Bonds in Private Companies	Gs	1.987.000.000	1.987.000.000	1.777.760.952
Accrued interest			-	8.800.510.768
TOTAL			481.138.000.000	478.473.283.013

(a) As of December 31, 2021, the Bank has delivered Treasury Bonds for . 20.000.000.000 and as of December 31, 2020 Monetary Regulation Bills for . 25.000.000.000, in guarantees in favor of the BCP in compliance with the general regulations of the Paraguayan Payment System (SIPAP).

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), the loans granted (assets) with the resources of the AFD, certain loans granted with its own resources and loans from abroad, which have contractual clauses for readjustments of the interest rates, there were no other assets or liabilities with readjustment clauses as of December 31, 2021 and 2020. These loans granted provide for annual rate adjustments according to the specific conditions included in the loan agreements.

c.6 Loan portfolio

Credit Risk Management:

Credit risk is controlled by the Board of Directors and Management of the Entity, mainly through the evaluation and analysis of individual transactions, for which certain factors clearly defined in the Entity'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 default and/or the assessment and rating of the payment capacity of a debtor or a group of debtors composed of related persons, 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 (categories 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 income in full. The interest accrued and not collected at the closing date on Non-performing loans and/or Performing loans classified in category "2" and above, which has been recognized as an income until they enter into arrears, has been recognized fully allowances for;
- 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) Loans that are repayable are deemed to be overdue 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 on the Loan portfolio have been recognized 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 additional generic allowances defined by the Institution's Management and Board of Directors.

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.

Transitory and exceptional measures authorized by the BCP

In addition to the criteria mentioned above, the Central Bank of Paraguay exceptionally authorized the following measures:

a) In the 2019 financial year, 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 allowances calculated on the balance of the portfolio that benefited from these transitional measures. These allowances will be gradually recognized in the statement of income within a period not exceeding 36 months. The amounts are disclosed as "Loans - Transitional exceptions issued by BCP" in note c.6.2.

b) In 2020 and 2021, the Entity has considered carrying out certain operations and rescheduling of customers under exceptional measures to support sectors economically affected by the spread of the coronavirus (COVID-19), according to the conditions established in the following resolutions issued by the Board of Directors of the Central Bank of Paraguay:

- Resolution No. 4, Minute No. 18 dated March 18, 2020,
- Resolution N° 4, Minute N° 23 dated April 2, 2020 and,
- Resolution N° 1, Minute N° 17 dated March 25, 2021.

The amounts of loans benefiting from the measures are disclosed as "Loans - Exceptional support measures issued by BCP" in note c.6.2.

The aforementioned resolutions allow the deferral of the charges generated by the allowances calculated on the balance of the portfolio benefited by these exceptional measures, which will be gradually recognized in the statement of income as follows:

- For the portfolio benefited under Resolution 4, N° Act 18 dated March 18, 2020 in a term not to exceed 36 months. Allowances will be released gradually and appropriate to the categories immediately below, for each 20% of principal amortization of the portfolio benefiting from the exceptional measure.

- For the portfolio benefited under Resolution No. 4, Minute No. 23 dated April 2, 2020, exonerates from the obligation to recognized allowances for a period of 18 months after the disbursement date for new loans granted from March 16 to June 30, 2020, and that meet the conditions set forth in the aforementioned Resolution. At the end of the exoneration period, the losses arising from the allowance's recognition may be deferred and gradually recognized for up to 60 months.

- The portfolio benefited under Resolution No. 1, Minute No. 17 dated March 25, 2021, is exempted from the obligation to make allowances for a term not exceeding 24 months. Provisions will be released gradually and appropriate to the categories immediately below, for each 20% of principal amortization of the portfolio benefiting from the exceptional measure.

c.6.1 Performing loans - 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 from financial sector is classified by risk as follows:

As of December 31, 2021

Category of risk	Book balance before allowances (a) Gs.	Eligible guarantees for allowances Gs.	Allowances		Book balance after allowances Gs.
			Minimum % (b)	Established (c) Gs.	
1	359.994.492.099	258.742.535.283	0%	-	359.994.492.099
TOTAL	359.994.492.099	258.742.535.283		-	359.994.492.099

As of December 31, 2020

Category of risk	Book balance before allowances (a) Gs.	Eligible guarantees for allowances Gs.	Allowances		Book balance after allowances Gs.
			Minimum % (b)	Established (c) Gs.	
1	265.571.161.950	131.773.688.411	0%	-	265.571.161.950
6	1.725.207.732	755.488.200	100%	(1.007.051.425)	718.156.307
TOTAL	267.296.369.682	132.529.176.611		(1.007.051.425)	266.289.318.257

References:

(a) Includes capital and accrued interest

(b) the allowance percentages and risk categories defined for the classification and provisioning of the loan portfolio are based on the criteria established for this purpose in Resolution No. 1, Minute No. 60 of the BCP Board of Directors dated September 28, 2007 and its subsequent amendments;

(c) The allowances are recognized by also considering the contingent balances. For those debtors that do not have computable guarantees, the allowances is calculated on the total risk (monetary debt plus contingent liabilities).

For the rest of the debtors, the allowances is calculated in two tranches, with the guarantees being calculated in the second tranche.

c.6.2 Performing loans - Non-financial sector

The performing loan portfolio from non-financial sector is composed as follows:

Item	December 31, 2021 Gs.	December 31, 2020 Gs.
Non-adjustable fixed-term loans	2.719.218.731.432	983.087.943.332
Non-adjustable amortizing loans	6.024.637.214.902	4.920.778.606.061
Loans - Transitional exceptions issued by the BCP	184.297.735.893	342.084.712.409
Loans - Exceptional support measure issued by the BCP	1.390.308.151.262	4.202.054.919.063
Loans for overdrafts	48.213.316.011	50.477.224.111
Deferred documentary credits receivable	199.824.153.129	236.181.343.203
Credit card receivables	212.750.165.201	200.807.195.232
Loans with resources administered by AFD	817.825.304.741	698.701.609.673
Discounted documents	43.452.133.198	56.075.322.412
Discounted deferred checks	154.209.653.676	145.613.066.860
Purchase of portfolio	84.102.296.342	60.226.702.364
Operations to be settled	40.891.271	164.338.238
Loans - Public sector	168.084.264.420	1.722.300.903
Debtors for financial products accrued	139.475.803.622	169.157.698.589
(-) Suspended valuation gain	(16.772.691.749)	(16.767.800.570)
(-) Allowances	(385.395.449.901)	(512.268.602.251)
Total	11.784.271.673.450	11.538.096.579.629

As of December 31, 2021 and 2020, the Entity has pledged as collateral for loan agreements, credit card portfolio “Affinity of the Mastercard Classic brand” up to the amount of . 17.579.935.763 in favor of Bancard S.A.; in order to guarantee operations resulting from user transactions at ATM’s or POS’s of the Infonet Network. See note c.12.g.

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

As of December 31, 2021

Category of risk	Book balance before allowances ^(a) Gs.	Eligible guarantees for allowances Gs.	Allowances		Book balance after allowances Gs.
			Minimum % ^(b)	Established ^{(d)(e)} Gs.	
1	10.219.173.353.387	4.684.548.447.059	0%	(1.231.725.661)	10.217.941.627.726
1a	222.093.472.976	64.497.578.062	0,5%	(996.689.029)	221.096.783.947
1b	245.987.669.746	176.565.542.583	1,5%	(2.347.002.104)	243.640.667.642
2	760.475.819.083	301.842.904.610	5%	(27.717.327.594)	732.758.491.489
3	307.330.811.949	120.810.994.081	25%	(62.585.532.995)	244.745.278.954
4	170.151.265.763	52.694.963.094	50%	(64.430.200.420)	105.721.065.343
5	29.443.993.898	13.031.427.389	75%	(14.321.402.029)	15.122.591.869
6	215.010.736.549	57.226.035.128	100%	(134.016.727.107)	80.994.009.442
Generic Allowances ^(c)				(77.748.842.962)	(77.748.842.962)
Total	12.169.667.123.351	5.471.217.892.006		(385.395.449.901)	11.784.271.673.450

As of December 31, 2020

Category of risk	Book balance before allowances ^(a) Gs.	Eligible guarantees for allowances Gs.	Allowances		Book balance after allowances Gs.
			Minimum % ^(b)	Established ^{(d)(e)} Gs.	
1	9.667.975.191.158	4.997.683.842.550	0%	(161.970.246)	9.667.813.220.912
1a	213.796.491.981	104.988.000.812	0,5%	(804.773.846)	212.991.718.135
1b	165.237.917.169	117.425.425.845	1,5%	(1.896.057.261)	163.341.859.908
2	880.308.170.248	427.930.068.166	5%	(30.938.569.422)	849.369.600.826
3	578.095.161.772	187.759.063.415	25%	(110.399.807.300)	467.695.354.472
4	149.006.670.972	48.073.599.019	50%	(55.850.422.365)	93.156.248.607
5	74.249.058.237	28.009.566.005	75%	(40.118.757.568)	34.130.300.669
6	321.696.520.343	110.039.183.532	100%	(227.368.608.229)	94.327.912.114
Generic Allowances ^(c)				(44.729.636.014)	(44.729.636.014)
Total	12.050.365.181.880	6.021.908.749.344		(512.268.602.251)	11.538.096.579.629

References:

- (a) Includes capital and interest accrued (net of suspended valuation gains);
- (b) The allowance percentages and risk categories defined for the classification and the provisioning 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 BCP dated September 28, 2007 and its subsequent amendments;
- (c) generic allowances established by the Entity in accordance with the requirements of Resolution 1/2007 of the Central Bank of Paraguay, and additional generic allowances defined by Management and the Board of Directors of the Institution;
- (d) The allowances are recognized by also considering the contingent balances. For those debtors that do not have computable guarantees, the allowances is calculated on the total risk (monetary debt plus contingent liabilities). For the rest of the debtors, the allowances is calculated in two tranches, with the guarantees being calculated in the second tranche.
- (e) contains portfolio allowances under transitory measures and exceptional measures as of December 31, 2021 and 2020 in the amount of . 147.693.886.431 and . 241.383.990.176, respectively.

c.6.3 Non-performing loans

The non-performing loan portfolio was composed as follows:

Item	December 31, 2021 Gs.	December 31, 2020 Gs.
Overdue receivables	23.517.383.314	24.006.034.023
Undergoing proceeding	54.457.711.747	57.411.683.673
Non -performing loans	273.263.772.924	158.561.556.554
Loans for overdrafts - Financial sector	1.725.207.732	-
Accrued interest	8.433.226.461	9.303.396.576
(-) Suspended valuation gain	(11.707.418.762)	(6.049.719.379)
(-) Allowances	(195.309.596.202)	(131.293.380.581)
TOTAL	154.380.287.214	111.939.570.866

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 Entity's portfolio of overdue loans is classified by risk as follows.

As of December 31, 2021

Category of risk	Book balance before allowances (a) Gs.	Eligible guarantees for allowances Gs.	Allowances		Book balance after allowances Gs.
			Minimum % (b)	Established (c) Gs.	
1b	3.655.267.259	2.560.650.000	1,5%	(260.576.019)	3.394.691.240
2	1.285.263.726	4.391.882.873	5%	(897.286.805)	387.976.921
3	32.121.592.143	19.603.307.830	25%	(6.073.288.710)	26.048.303.433
4	29.947.914.490	14.607.687.023	50%	(10.182.990.769)	19.764.923.721
5	94.908.063.277	6.629.394.114	75%	(57.107.485.195)	37.800.578.082
6	187.771.782.521	58.096.434.691	100%	(120.787.968.704)	66.983.813.817
Total	349.689.883.416	105.889.356.531		(195.309.596.202)	154.380.287.214

As of December 31, 2020

Category of risk	Book balance before allowances (a) Gs.	Eligible guarantees for allowances Gs.	Allowances		Book balance after allowances Gs.
			Minimum % (b)	Established (c) Gs.	
1b	1.747.520.877	-	1,5%	(35.413.522)	1.712.107.355
2	26.619.021.362	6.740.284.019	5%	(2.811.947.386)	23.807.073.976
3	22.278.093.316	9.709.642.459	25%	(4.744.058.675)	17.534.034.641
4	32.194.956.136	11.352.492.741	50%	(12.877.729.925)	19.317.226.211
5	26.566.216.675	6.262.091.364	75%	(16.791.864.727)	9.774.351.948
6	133.827.143.081	39.794.776.735	100%	(94.032.366.346)	39.794.776.735
Total	243.232.951.447	73.859.287.318		(131.293.380.581)	111.939.570.866

References:

(a) Includes capital and interest accrued (net of suspended valuation gains);

(b) The allowance percentages and risk categories defined for the classification and provisioning 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) The allowances are constituted by also considering the contingent balances. For those debtors that do not have computable guarantees, the 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, 2021 and 2020 is as follows:

Item	December, 31, 2021 - Gs.	December, 31, 2020 - Gs.
Prepaid expenses	2.024.243.571	2.454.863.239
Charges for loans obtained abroad	10.161.848.256	14.587.694.288
Advance payment of income taxes (IRE) (*)	8.334.720.327	17.939.791.643
Advances for the purchase of goods and services	12.822.802.188	18.726.404.026
Legal expenses to be recovered	18.209.441.297	11.983.934.422
Tax credit certificates	186.020.321	-
Value Added Tax - Tax credit	4.764.304.548	2.947.213.840
Accrued income not received	3.904.614.517	1.561.818.744
Advances to credit card processing companies	3.010.000.000	3.016.727.514
Others	17.406.114.107	7.830.156.521
Receivables from sale of goods in installments	399.845.735.390	267.857.778.046
Non-accrued earnings	(23.291.105.543)	(15.473.589.096)
Expenses to be recovered	3.290.934.146	3.649.652.909
(Suspended valuation gains)	(17.753.375.721)	(27.200.051.900)
Allowances (Note c.7)	(16.298.485.609)	(20.336.152.921)
Total	426.617.811.795	289.546.241.275

(*) Provision for income taxes included in Liabilities under “Accruals” as of December 31, 2021 and 2020 amount to Gs. 6.566.601.019 and Gs. 6.549.801.523, respectively.

c.7 Allowances for direct and contingent risks

The allowances for doubtful loans and other assets are determined at the end of each financial year based on the study of the portfolio carried out to determine the non-recoverable portion thereof and considering the provisions 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 institution’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. Allowances have been made to sufficiently cover possible losses on direct and contingent risks, in accordance with the Board of Directors' and Management's criteria and with the requirements of Resolution No. 1 of the Board of Directors of the Central Bank of Paraguay, Minute No. 60 dated September 28, 2007 and its subsequent amendments and applications.

The movement recorded during the year ended December 31, 2021 and 2020 in the allowance accounts is summarized as follows:

As of December 31, 2021

Item	Balance at the beginning of the financial year Gs.	Additions(*) Gs.	Application of allowances Gs.	Withdrawal of allowances Gs.	Reclassifications /Adjustments (**) Gs.	Valuation variation in foreign currencies Gs.	Balances at year-end Gs.
Available	(348.411.894)	(426.817.003)	-	774.962.101	-	(1.227.217)	(1.494.013)
Performing loans							
- Financial sector	(1.007.051.425)	(587.426.072)	-	1.596.043.149	-	(1.565.652)	-
Performing loans							
- Non-financial sector	(512.268.602.251)	(429.660.999.886)	5.560.140.379	572.731.657.958	(22.841.731.911)	1.084.085.810	(385.395.449.901)
Other receivables	(20.336.152.921)	(19.150.873.170)	4.748.478.839	18.662.788.028	-	(222.726.385)	(16.298.485.609)
Non-performing Loans	(131.293.380.581)	(474.718.213.082)	163.829.282.363	55.288.764.450	194.495.913.172	(2.911.962.524)	(195.309.596.202)
Investments	(95.425.435.078)	(82.931.972.356)	8.299.180.774	74.113.263.741	(115.765.319.736)	190.546.430	(211.519.736.225)
Total	(760.679.034.150)	(1.007.476.301.569)	182.437.082.355	723.167.479.427	55.888.861.525	(1.862.849.538)	(808.524.761.950)

(*) As of December 31, 2021, the Bank has amortized Gs 100.116.366.700 of allowances corresponding to operations under Transitional exceptions and Exceptional support measure. See note c.10.

(**) As of December 31, 2021, the Bank has made the following transactions in the allowance accounts:

- recognition of specific allowances to Gs 164.761.029.710 charged to retained earnings. See note C.20
- recognition of specific allowances to Gs 139.550.424.973 on operations benefiting from the Exceptional support measure authorized by the Central Bank of Paraguay, to be recognized gradually in results over a period not exceeding 24 months. See note c.10.
- reclassification of specific allowances for Gs 115.765.319.736 corresponding to the establishment of a trust. See note c. 8.d.

As of December 31, 2020

Item	Balance at the beginning of the financial year Gs.	Additions (*) Gs.	Application of allowances Gs.	Withdrawal of allowances Gs.	Reclassifications (**)	Valuation variation in foreign currencies Gs.	Balances at year-end Gs.
Available	(24.310.896)	(459.190.756)	-	135.573.104	-	(483.346)	(348.411.894)
Performing loans - Financial sector	-	(2.189.829.920)	-	1.183.325.706	-	(547.211)	(1.007.051.425)
Performing loans - Non-financial sector	(620.690.700.368)	(996.106.343.976)	17.723.084.151	1.176.084.769.579	(55.837.387.405)	(33.442.024.232)	(512.268.602.251)
Other receivables	(13.037.486.901)	(19.581.763.338)	21.130.974	12.552.795.899	-	(290.829.555)	(20.336.152.921)
Non-performing Loans	(100.121.558.959)	(343.262.800.695)	91.706.466.935	176.853.465.950	47.880.241.136	(4.349.194.948)	(131.293.380.581)
Investments	(34.883.124.772)	(28.482.795.963)	9.999.850.101	13.428.509.293	(55.487.873.737)	-	(95.425.435.078)
Total	(768.757.181.896)	(1.390.082.724.648)	119.450.532.161	1.380.238.439.531	(63.445.020.006)	(38.083.079.292)	(760.679.034.150)

(*) As of December 31, 2020, the Bank has amortized Gs. 211.639.065.341 of allowances corresponding to operations under Transitional exceptions and Exceptional support measure. See note c.10.

(**) As of December 31, 2020, the Bank recognized specific allowances of Gs. 6.365.359.780 charged to retained earnings as required by the BCP through Note SB.SG. No. 00482/2020; has reclassified Gs. 55.487.873.737 of provisions corresponding to the establishment of a trust. See note c. 8.d. and has reclassified allowances for Gs. 57.079.660.226. corresponding to allowances under exceptional measures, which has no impact on the statement of income. See note c.10.

c.8 Investments

The investments item includes:

a. 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 debt immediately prior to adjudication, in accordance with the provisions of the Central Bank of Paraguay.

Additionally, for assets that exceed the terms established by the Central Bank of Paraguay for their holding, allowances are made in accordance with the terms of Resolution No. 1, Minute No. 60 dated September 28, 2007 of the Board of Directors of the Central Bank of Paraguay and its subsequent amendments, after three years of holding the assets are covered at 100%, with the exception of assets in the agricultural sector and movable and immovable assets awarded or received in payment within the period between January 1, 2018 and December 31, 2020 included, reach 100% allowance coverage after four years of holding, as established in Resolution No. 7, Minute No. 4 dated January 18, 2018 and Resolution No. 10, Minute No. 17 dated March 16, 2020 of the Board of Directors of the Central Bank of Paraguay, respectively.

b. Permanent investments:

Permanent investments in equity investments in private companies (non listed), which have been valued at cost plus capitalized dividends, which does not exceed their estimated realizable value.

c. 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.

d. Fiduciary Rights:

The trust is one of the fiduciary business modalities regulated by Law No. 921/96, by virtue of which a person called “Settlor” delivers to another person called “Trustee”, one or more specified assets, transferring the ownership of such assets to the latter for the purpose of managing or disposing of them and using them for a specific purpose, either for the benefit of the former or of a third party, called “Beneficiary”. Any kind of property or right, the delivery of which is not prohibited by law, may be the subject of a trust. In the trust, the transfer of the ownership of the trust property gives rise to the formation of an “Autonomous Estate”, which is assigned to the fulfillment of the purpose indicated by the “Settlor” in the constitutive act. Article 48 sub. b) of Resolution No. 12, Minute No. 9 of the Central Bank of Paraguay of February 15, 2011, regulates the possibility of setting up trusts for the administration of portfolios belonging to financial entities that hold portfolios of categories 4, 5 and 6, provided that the Trustee has the necessary capacity to follow the process of rating the debtors’ assets, in accordance with the rules of the Central Bank of Paraguay on the classification of asset risks. The Autonomous Estate of the Portfolio Management Trust was constituted with the transfer

of ownership of a Category 6 Loan Portfolio owned by Banco Regional SAECA, which is instrumented through binding documents according to the nature or type of banking operation, to the trustee entity Visión Banco SAECA.

e. 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, 2021 and 2020 is as follows:

As of December 31, 2021

Item	Book balance before allowances Gs.	Allowances Gs. (note c.7)	Book balance net of allowances Gs.
Assets received in recovery of receivables	394.789.001.356	(77.581.376.908)	317.207.624.448
Fiduciary rights	170.889.684.729	(133.938.359.317)	36.951.325.412
Permanent investments in private companies (note b.4)	93.561.830.985	-	93.561.830.985
Permanent investments - Bonds of Tape Pora SA	68.272.857.139	-	68.272.857.139
Permanent investments - Subordinated bonds	2.250.000.000	-	2.250.000.000
Investments in fixed-income securities issued by the private sector	67.546.000.000	-	67.546.000.000
Income on investments in the private sector	783.672.970	-	783.672.970
Other investments	4.475.763	-	4.475.763
Total	798.097.522.942	(211.519.736.225)	586.577.786.717

As of December 31, 2020

Item	Book balance before allowances Gs.	Allowances Gs. (note c.7)	Book balance net of allowances Gs.
Assets received in recovery of receivables	352.702.726.411	(39.937.561.341)	312.765.165.070
Fiduciary rights	81.518.372.824	(55.487.873.737)	26.030.499.087
Permanent investments in private companies (note b.4)	66.639.731.001	-	66.639.731.001
Permanent investments - Bonds of Tape Pora SA	64.356.500.003	-	64.356.500.003
Permanent investments - Subordinated bonds	8.375.000.000	-	8.375.000.000
Investments in fixed-income securities issued by the private sector	4.775.000.000	-	4.775.000.000
Income on investments in the private sector	836.961.371	-	836.961.371
Other investments	4.485.071	-	4.485.071
Total	579.208.776.681	(95.425.435.078)	483.783.341.603

c.9 Fixed Assets

The initial recognition of these assets corresponds to the acquisition cost. Subsequent valuation of these assets is presented net of accumulated depreciation and, if applicable, impairment.

Until December 31, 2019 Fixed Assets are valued at revalued cost, in accordance with the CPI variation, minus accumulated depreciation. The net amount of the revaluation offsetting entry is shown in the “Adjustments to equity” account in shareholders’ equity. As of financial year 2020, the revaluation of Fixed Assets will only be mandatory when the CPI variation exceeds 20% accumulated since the financial year in which the last revaluation was made.

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. Depreciations are calculated starting from the month following the incorporation into the Institution’s Assets, through monthly charges to results based on the linear system, in the estimated years of service life. The residual value of property, plant and equipment is determined based on Decree No. 3182/2019, which as a whole does not exceed its recoverable value at year-end.

The composition of the fixed assets as of December 31, 2021 and 2020 is as follows:

Item	ORIGINAL VALUE			
	Balance at the beginning of the financial year Gs.	Additions Gs.	Withdrawals Gs.	Balance at year-end Gs.
Bank Owned				
Properties - Land	14.928.043.110	-	-	14.928.043.110
Properties - Buildings	87.168.301.594	-	-	87.168.301.594
Furniture and office supplies	46.591.373.674	394.349.700	(883.186.205)	46.102.537.169
Computer equipment	106.930.815.919	3.180.104.749	(1.111.186.960)	108.999.733.708
Safe deposit boxes and treasury	2.146.766.948	-	-	2.146.766.948
Transport equipment	2.062.138.042	407.465.051	-	2.469.603.093
Total as of December 31, 2021	259.827.439.287	3.981.919.500	(1.994.373.165)	261.814.985.622
Total as of December 31, 2020	252.125.086.856	9.842.308.421	(2.139.955.990)	259.827.439.287

Item	DEPRECIATIONS				Net income for the year Gs.
	Balance at the beginning of the financial year Gs.	Additions Gs.	Withdrawals Gs.	Accumulated at year-end Gs.	
Bank Owned					
Properties – Land	-	-	-	-	14.928.043.110
Properties - Buildings	(18.790.839.971)	(1.743.666.383)	-	(20.534.506.354)	66.633.795.240
Furniture and office supplies	(35.055.121.730)	(2.521.147.377)	769.386.685	(36.806.882.422)	9.295.654.747
Computer equipment	(86.435.513.418)	(12.285.957.826)	1.106.522.982	(97.614.948.262)	11.384.785.446
Safe deposit boxes and treasury	(1.852.188.480)	(76.927.290)	-	(1.929.115.770)	217.651.178
Transport equipment	(1.773.438.674)	(200.867.764)	-	(1.974.306.438)	495.296.655
Total as of December 31, 2021	(143.907.102.273)	(16.828.566.640)	1.875.909.667	(158.859.759.246)	102.955.226.376
Total as of December 31, 2020	(127.739.103.536)	(18.013.575.077)	1.845.576.340	(143.907.102.273)	115.920.337.014

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, 2021 is within the established limit.

c.10 Deferred charges

The composition of the item as of December 31, 2021 and 2020 is as follows:

Item	Net balance at the beginning of the financial year Gs.	Increases/ (decreases) Gs.	Amortization for the year Gs.	Variation in Valuation in foreign currencies	Net balance at end of financial year Gs.
As of December 31, 2021					
Leasehold improvements and installations (a)	3.447.873.059	-	(1.221.172.739)	-	2.226.700.320
Office supplies and others	2.676.422.128	2.559.683.113	(2.250.729.707)	-	2.985.375.534
Intangible assets	98.221.423	-	-	-	98.221.423
Transitional measures for the agricultural sector (2019) and exceptional measures (2020 and 2021) for Covid'19 issued by the BCP (b)	241.383.990.176	(136.128.952.753)	-	(2.681.231.152)	102.573.806.271
Total	247.606.506.786	(133.569.269.640)	(3.471.902.446)	(2.681.231.152)	107.884.103.548
As of December 31, 2020					
Leasehold improvements and installations (a)	4.927.624.751	-	(1.479.751.692)	-	3.447.873.059
Office supplies and others	2.281.647.478	2.612.130.398	(2.217.355.748)	-	2.676.422.128
Intangible assets	316.377.187	-	(218.155.764)	-	98.221.423
Transitional measures for the agricultural sector (2019) and exceptional measures (2020) for Covid'19 issued by the BCP (b)	376.962.237.512	57.331.086.600	(211.639.065.341)	18.729.731.405	241.383.990.176
Total	384.487.886.928	59.943.216.998	(215.554.328.545)	18.729.731.405	247.606.506.786

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

(b) See note c.6 (Transitory and exceptional measures authorized by the BCP).

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 "Financial Liabilities - Non-financial sector" of the statement of financial position includes subordinated bonds, financial bonds whose balance and detail of issuances as of December 31, 2021 and 2020 are as follows:

a) Subordinated bonds

BCP authorization resolution number	Currency of issue	Amount of issue	Maturity date	Currency of origin	Balance due as of 12/31/2021	Balance due as of 12/31/2020
00027/2016	US\$	10.000.000,00	2555 days	10.000.000,00	68.857.900.000	69.001.100.000
00027/2016	US\$	8.630.000,00	2555 days	8.630.000,00	59.424.367.700	59.547.949.300
00112/2019	US\$	10.000.000,00	1827 days	10.000.000,00	68.857.900.000	69.001.100.000
00112/2019	US\$	5.000.000,00	1826 days	5.000.000,00	34.428.950.000	34.500.550.000
00112/2019	US\$	8.000.000,00	2191 days	8.000.000,00	55.086.320.000	55.200.880.000
00112/2019	US\$	2.000.000,00	2191 days	2.000.000,00	13.771.580.000	13.800.220.000
Total US\$	(*)	43.630.000,00		43.630.000,00		
Total equivalent in Gs.					300.427.017.700	301.051.799.300

(*) By Resolutions SB. SG. No. 00027/2016 and 00112/2019, the Central Bank of Paraguay authorized, and the Entity has issued, subordinated bonds in foreign currency amounting to US\$ 18.630.000,00 and US\$ 25.000.000,00 respectively. In Resolution SB. SG. No. 00111/2019 the Central Bank of Paraguay also authorized the issuance of subordinated bonds in local currency up to an amount of Gs. 325.492.000.000. At December 31, 2021, the Entity had not finalized the issuance of the bonds in Guarani.

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 2334/03.

b) Financial Bonds

BCP authorization resolution number	Currency of issue	Amount of issue (*)	Maturity date	Currency of origin	Balance due as of December 31, 2021	Balance due as of December 31, 2020
00176/2018	US\$	11.000.000,00	1827 days	11.000.000,00	75.743.690.000	75.901.210.000
00176/2018	US\$	15.000.000,00	1827 days	15.000.000,00	103.286.850.000	103.501.650.000
00176/2018	US\$	7.000.000,00	1827 days	7.000.000,00	48.200.530.000	48.300.770.000
00176/2018	US\$	12.000.000,00	1827 days	12.000.000,00	82.629.480.000	82.801.320.000
Total US\$	(*)	45.000.000,00		45.000.000,00		
Total equivalent in Gs.					309.860.550.000	310.504.950.000

(*) By means of Resolution SB. SG. No. 00176/2018, the Central Bank of Paraguay authorized the issuance of Financial Bonds in foreign currency up to US\$ 75.000.000,00, and the Entity has issued US\$ 45.000.000,00 (see note C.19).

The financial bonds issued are not covered by Law 2334/03, therefore, they are not guaranteed by the Deposit Guarantee Fund.

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

As of December 31, 2021, and 2020, the following limitations exist:

a) Legal and special reserves

The Central Bank of Paraguay account as of December 31, 2021, and 2020 includes the sum of Gs. 1.619.278.084.158 and Gs. 783.955.040.434 respectively, which correspond to restricted availability accounts, held in the said institution as legal and special reserve requirements (see note c.3).

b) Public securities

As of December 31, 2021 the Entity has delivered Treasury Bonds amounting to . 20.000.000.000 as of December 31, 2020 it has delivered Monetary Regulation Bills amounting to . 25.000.000.000 as minimum guarantees required by the BCP under the general regulations of the Paraguayan Payment System (see note c.4).

c) Legal reserve

In accordance with Article 27 of Law No. 861/96 as amended by Law No. 5.787/2016, 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 present value of the minimum capital for financial year 2021 and 2020 is Gs. 56.647.000.000 and Gs. 55.445.000.000 respectively, in accordance with Circulars SB. SG. No. 1/2021 and 13/2020 respectively.

The Entity's integrated capital (common and preferred shares) at December 31, 2021, and 2020 amount to Gs. 1.081.242.800.000 y Gs.1.151.242.800.000 respectively; (see note b.5), which exceeds the aforementioned minimum capital.

e) Profit distribution

According to the provisions of Law No. 861/96, modified by Law No. 5.787/2016, financial institutions 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 the SIB, the earnings may be distributed.

By means of Note SB. SG. No. 00163/2021 dated April 29, 2021, the Superintendency of Banks notified the Entity to refrain from distributing retained earnings, in the context of the economic and financial situations generated by Covid-19.

By means of Note SB SG No. 433/2020 dated September 24, 2020, the Superintendency of Banks communicates that the Entity must continue to refrain from disposing of the Retained Earnings corresponding to financial year 2019.

See additionally Note C.19.a

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) Guarantees granted in favor of Bancard S.A.

As of December 31, 2021 and 2020, 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 provided regarding liabilities

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

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

The placements and collections as of December 31, 2021 and 2020 are shown below, grouped according to their remaining terms.

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

As of December 31, 2021

Item	Remaining terms to maturity					Total Gs.
	Up to 30 days	From 31 to 180 days	From 181 to 1 year	More than 1 year and up to 3 years	More than 3 years	
Performing loans - Financial sector	68.546.955.102	93.874.780.937	132.683.990.100	52.601.852.510	12.286.913.450	359.994.492.099
Performing loans - Non-financial sector	767.981.168.206	3.132.687.224.791	1.685.558.905.034	2.785.368.228.077	3.798.071.597.243	12.169.667.123.351
Total - Performing Loans	836.528.123.308	3.226.562.005.728	1.818.242.895.134	2.837.970.080.587	3.810.358.510.693	12.529.661.615.450
Liabilities - Financial sector	597.082.548.903	320.629.481.506	348.838.147.650	1.106.904.851.234	1.251.291.427.798	3.624.746.457.091
Liabilities - Non-financial sector	6.880.588.034.839	787.548.983.014	1.161.207.623.158	2.816.357.809.135	729.911.476.627	12.375.613.926.773
Total – Liabilities	7.477.670.583.742	1.108.178.464.520	1.510.045.770.808	3.923.262.660.369	1.981.202.904.425	16.000.360.383.864

As of December 31, 2020

Item	Remaining terms to maturity					Total Gs.
	Up to 30 days	From 31 to 180 days	From 181 to 1 year	More than 1 year and up to 3 years	More than 3 years	
Performing loans - Financial sector	100.918.880.627	18.754.544.535	37.720.134.591	84.541.753.618	25.361.056.311	267.296.369.682
Performing loans - Non-financial sector	813.495.771.587	3.265.791.458.582	1.420.105.221.437	2.625.943.267.492	3.925.029.462.782	12.050.365.181.880
Total - Performing Loans	914.414.652.214	3.284.546.003.117	1.457.825.356.028	2.710.485.021.110	3.950.390.519.093	12.317.661.551.562
Liabilities - Financial sector	552.379.088.856	603.152.451.513	503.752.552.574	1.202.947.045.352	1.296.948.601.025	4.159.179.739.320
Liabilities - Non-financial sector	6.233.086.994.242	866.257.491.010	1.247.589.867.370	1.913.722.493.974	1.259.457.110.164	11.520.113.956.760
Total – Liabilities	6.785.466.083.098	1.469.409.942.523	1.751.342.419.944	3.116.669.539.326	2.556.405.711.189	15.679.293.696.080

Liquidity risk management:

Liquidity risk is the risk that an institution 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 Entity control its liquidity mainly by matching the maturities of its assets and liabilities, in accordance with the short, medium and long term strategies defined and permanently monitored, both for assets and liabilities.

Additionally, the Entity 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 Entity as of December 31, 2021, and 2020 with the financial (SF) and non-financial (SNF) sectors, both in the portfolio of performing and non-performing loans and in the liabilities through financial intermediation.

a) Loans

Number of customers	Amount and percentage of loan portfolio Financial Sector				Amount and percentage of loan portfolio Non-Financial Sector			
	Outstanding Gs. (*)	%	Past due Gs. (*)	%	Outstanding Gs. (*)	%	Past due Gs. (*)	%
As of December 31, 2021								
10 largest debtors	300.865.263.960	84%	1.725.207.732	100%	1.137.912.374.259	9%	210.192.957.172	60%
50 subsequent largest debtors	59.129.228.139	16%	-	0%	2.942.647.147.582	24%	90.792.493.270	26%
100 subsequent largest debtors	-	0%	-	0%	2.507.525.922.639	21%	23.772.382.028	7%
Other subsequent debtors	-	0%	-	0%	5.581.581.678.871	46%	23.206.843.214	7%
Total loan portfolio	359.994.492.099	100%	1.725.207.732	100%	12.169.667.123.351	100%	347.964.675.684	100%
As of December 31, 2020								
10 largest debtors	239.169.882.034	89%	-	0%	1.047.246.877.359	9%	68.871.900.795	28%
50 subsequent largest debtors	28.126.487.648	11%	-	0%	2.807.593.510.963	23%	97.568.519.189	40%
100 subsequent largest debtors	-	0%	-	0%	2.636.373.721.400	22%	45.519.523.828	19%
Other subsequent debtors	-	0%	-	0%	5.559.151.072.158	46%	31.273.007.635	13%
Total loan portfolio	267.296.369.682	100%	-	0%	12.050.365.181.880	100%	243.232.951.447	100%

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

b) Deposits

Number of customers	Amount and percentage of deposit portfolio					
	Financial Sector	%	Non-financial Sector			
			Private Sector	%	Public Sector	%
Gs (*)		Gs (*)		Gs (*)		
As of December 31, 2021						
10 largest depositors	305.509.423.628	56%	831.031.448.259	8%	1.452.217.991.873	99%
50 subsequent largest depositors	213.533.259.892	39%	1.342.963.118.552	13%	9.623.294.671	1%
100 subsequent largest depositors	22.225.239.019	4%	1.193.293.083.660	12%	-	0%
Other subsequent depositors	-	0%	6.854.028.273.000	67%	-	0%
TOTAL	541.267.922.539	100%	10.221.315.923.471	100%	1.461.841.286.544	100%
As of December 31, 2020						
10 largest depositors	296.482.581.952	51%	802.987.610.418	8%	864.253.813.992	98%
50 subsequent largest depositors	247.609.124.644	43%	1.415.228.308.265	14%	19.284.929.317	2%
100 subsequent largest depositors	32.519.897.548	6%	1.271.431.624.499	13%	-	0%
Other subsequent depositors	-	0%	6.437.962.246.387	65%	-	0%
TOTAL	576.611.604.144	100%	9.927.609.789.569	100%	883.538.743.309	100%

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

c.15.2 Concentration by geographical area and currency

a) Loans

As of December 31, 2021

Item	Credit Sector Financial Gs. (*)	%	Credit Sector non-financial Gs. (*)	%
Local residents	358.559.045.887	99,60%	12.169.667.123.351	100%
Non residents	1.435.446.212	0,40%	-	0%
Sub-Total	359.994.492.099	100%	12.169.667.123.351	100%
Allowances	-		(385.395.449.901)	
TOTAL	359.994.492.099		11.784.271.673.450	
In local currency	234.517.361.387	65%	5.136.258.145.292	42%
In foreign currency	125.477.130.712	35%	7.033.408.978.059	58%
Sub-Total	359.994.492.099	100%	12.169.667.123.351	100%
Allowances	-		(385.395.449.901)	
TOTAL	359.994.492.099		11.784.271.673.450	

As of December 31, 2020

Item	Credit Sector Financial Gs. (*)	%	Credit Sector non-financial Gs. (*)	%
Local residents	266.110.682.242	99,56%	12.050.365.181.880	100%
Non-residents	1.185.687.440	0,44%	-	0%
Sub-Total	267.296.369.682	100%	12.050.365.181.880	100%
Allowances	(1.007.051.425)		(512.268.602.251)	
TOTAL	266.289.318.257		11.538.096.579.629	
In local currency	219.203.984.107	82%	4.690.720.040.466	39%
In foreign currency	48.092.385.575	18%	7.359.645.141.414	61%
Sub-Total	267.296.369.682	100%	12.050.365.181.880	100%
Allowances	(1.007.051.425)		(512.268.602.251)	
TOTAL	266.289.318.257		11.538.096.579.629	

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

b) Liabilities

As of December 31, 2021

Item	Financial Sector Obligations Gs.	%	Non-Financial Sector Obligations Gs.	%
Local residents	1.592.885.966.798	45%	12.273.583.275.682	99,73%
Non-residents	1.915.086.515.674	55%	33.028.140.650	0,27%
Sub-Total (*)	3.507.972.482.472	100%	12.306.611.416.332	100%
Other Liabilities (**)	116.773.974.619		69.002.510.441	
TOTAL	3.624.746.457.091		12.375.613.926.773	
In local currency	1.079.671.800.657	31%	4.874.458.732.536	40%
In foreign currency	2.428.300.681.815	69%	7.432.152.683.796	60%
Sub-Total (*)	3.507.972.482.472	100%	12.306.611.416.332	100%
Other Liabilities (**)	116.773.974.619		69.002.510.441	
TOTAL	3.624.746.457.091		12.375.613.926.773	

As of December 31, 2020

Item	Financial Sector Obligations Gs.	%	Non-Financial Sector Obligations Gs.	%
Local residents	1.563.453.797.723	38%	11.406.440.486.122	99,71%
Non residents	2.513.084.010.153	62%	33.139.590.963	0,29%
Sub-Total (*)	4.076.537.807.876	100%	11.439.580.077.085	100%
Other liabilities (**)	82.641.931.444		80.533.879.675	
TOTAL	4.159.179.739.320		11.520.113.956.760	
In local currency	1.028.176.336.812	25%	4.285.296.596.062	37%
In foreign currency	3.048.361.471.064	75%	7.154.283.481.023	63%
Sub-Total (*)	4.076.537.807.876	100%	11.439.580.077.085	100%
Other liabilities (**)	82.641.931.444		80.533.879.675	
TOTAL	4.159.179.739.320		11.520.113.956.760	

(*) Includes amounts of demand and term deposits, loans from financial institutions, bonds issued in circulation, deferred letters of credit correspondents, without considering accrued finance charges at the cut-off date.

(**) Other liabilities includes accrued interest not considered as deposits, transactions pending for ATM compensation and transactions to be settled.

c.15.3 Performing Loans to the non-financial sector distributed by economic sector

Its composition as of December 31, 2021 and 2020 is as follows:

Economic Sector	Loans to the non-financial sector As of December 31, 2021 (*)		Loans to the non-financial sector as of December 31, 2020 (*)	
	Gs.	%	Gs.	%
Agribusiness	2.296.881.739.854	19%	2.636.847.233.833	22%
Wholesale trade	2.021.418.117.049	17%	1.858.537.428.362	15%
General agricultural crops - agriculture	1.698.454.223.057	14%	2.166.574.325.218	18%
Animal husbandry-livestock	1.610.791.241.913	13%	1.558.016.529.647	13%
Manufacturing industries	1.101.917.345.932	9%	877.577.353.611	7%
Retail trade	795.556.917.301	6%	653.031.964.243	5%
Consumer	506.475.388.522	4%	453.445.411.135	4%
Other unspecified	462.592.096.112	4%	338.783.182.181	3%
Personal services	395.491.812.704	3%	347.163.200.325	3%
Sale, maintenance and repair of vehicles	368.515.140.335	3%	350.565.040.654	3%
Construction	351.278.059.320	3%	319.997.277.694	3%
Services	252.860.016.198	2%	248.537.987.234	2%
Housing	244.931.615.082	2%	192.184.854.604	1,59%
Financial intermediation	62.503.409.972	0,50%	49.103.393.139	0,41%
Total	12.169.667.123.351	100%	12.050.365.181.880	100%

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

c.16 Loans and contingencies with related parties

Asset and liability balances with related parties as of December 31, 2021, and 2020 are as follows:

As of December 31, 2021

Item	Book balance before allowances (**) Gs.	Allowances Gs.	Book balance net of allowances Gs.
Assets			
Performing Loans (*)	250.623.643.407	-	250.623.643.407
Contingencies	38.061.417.042	-	38.061.417.042
Total	288.685.060.449	-	288.685.060.449
Liabilities			
Deposits	98.600.055.828	-	98.600.055.828
Total	98.600.055.828	-	98.600.055.828

As of December 31, 2020

Item	Book balance before allowances (**) Gs.	Allowances Gs.	Book balance net of allowances Gs.
Assets			
Performing Loans (*)	190.552.274.698	-	190.552.274.698
Credit contingencies	40.203.069.321	-	40.203.069.321
Total	230.755.344.019	-	230.755.344.019
Liabilities			
Deposits	100.239.865.461	-	100.239.865.461
Total	100.239.865.461	-	100.239.865.461

(*) 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 Institution's effective equity.

c.17 Other Liabilities

Its composition as of December 31, 2021 and 2020 is as follows

Item	December 31, 2021 Gs.	December 31, 2020 Gs.
Management checks issued	25.981.470.696	33.505.685.481
Tax creditors	11.175.820.242	9.427.438.384
Other	9.410.038.381	7.061.331.764
Social creditors	5.737.018.587	245.209.566
Accounts payable	1.145.246.177	1.062.178.080
Dividends payable	809.439.380	904.105.632
Total	54.259.033.463	52.205.948.907

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 this amount is charged to income, calculating the present value of the settlement or the theoretical closing, which corresponds to the amount for which it could be delivered or settled, respectively, under market conditions. In terms of Economic Valuation, the Forward Market Quote to be taken into account will be the sum of the Reference Exchange Rate on the date on which each forward contract in effect is being valued plus the forward points according to the residual term.

b) Repurchase or repo operations

A repo operation occurs when the Bank acquires or transfers securities, in exchange for the delivery of a sum of money, assuming in such act and moment the commitment to transfer or acquire again the property to its “counterparty” securities of the same species and characteristics on the same day or on a later date and at a determined price.

In accordance with the provisions of the Central Bank of Paraguay, repurchase/resell agreements are recorded as part of “Transactions to be settled” under the headings Loans outstanding for financial intermediation and Obligations for financial intermediation.

The amounts recorded in the Interbank liquidity window operations (VLI Operations) - Offering is composed of the amounts granted to BCP plus the agreed premiums. In turn, the VLI - Demand Transactions refer to the irrevocable commitment to sell securities obtained under the transaction and held in custody by BCP, at the par value of the securities to be transferred.

a) Forward Operations

NON-FINANCIAL SECTOR

Forward purchases of foreign currency - Non-financial sector:	December 31, 2021 - Gs.	December 31, 2020 - Gs.
Accounts receivable for forward foreign currency purchase transactions	20.555.871	164.338.238
Accounts payable for forward foreign currency purchase transactions	-	-
Forward sales of foreign currency - Non-financial sector:	December 31, 2021 - Gs.	December 31, 2020 - Gs.
Accounts receivable from forward sales of foreign currencies	20.335.400	-
Accounts payable for forward sales of foreign currencies	(191.222.621)	(95.226.584)
Total transactions to be settled (accounts receivable) – Assets	40.891.271	164.338.238
Total operations to be settled (accounts payable) – Liabilities	(191.222.621)	(95.226.584)

b) Repurchase transactions through the interbank liquidity window

As of December 31, 2021, and 2020, there are no repurchase/resell agreements through the interbank liquidity window.

c.19 Contingencies and commitments

a. Litigation and lawsuits

As of December 31, 2021 and 2020 there are lawsuits and trials initiated by third parties against the Bank for alleged damages, labor claims and actions for nullity and repetition of what has been paid. As of December 31, 2021, based on the opinion and estimates of the Bank’s legal advisors, allowances have been recorded for possible liabilities that may arise from such situations for a total of Gs. 2.112.528.924 (Gs. 1.479.069.340 as of December 31, 2020, which are shown for accounting purposes under “Accruals”. Management believes that these allowances are sufficient to cover the aforementioned contingencies.

b. Compliance with financial covenants (Covenants)

The Bank is committed to comply with certain financial clauses, 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, 2021, the financial covenants of operations with which the Bank has outstanding debt balances that are out of compliance are in the process of waiver negotiation.

c.20 Important information regarding the financial year

Adjustments to allowances charged to retained earnings and income for the year

Banco Regional SAECA was inspected by the Superintendency of Banks (SIB) of the Central Bank of Paraguay according to Resolution SB. SG. N° 020/2019 dated March 18, 2019.

As part of this inspection, in the second quarterly of financial year 2021, the Superintendence of Banks reported the result of the inspection on certain debtors and ordered to the Bank to make adjustments to retained earnings. The total adjustment was of Gs. 176.532.211.557 of which Gs. 164.761.029.710 were charged to retained earnings and Gs. 11.771.181.847 were charged to results for the financial year 2021. These adjustments were formally reported by management to the SIB inspectors by means of notes, attaching the supporting documentation of the calculation and the accounting entries made.

Finally, by means of Resolution No. 22, Minute No. 4 of January 20, 2022, the Bank acknowledged the conclusions reached by the Board of Directors of the Central Bank of Paraguay, thus concluding the inspection by the Superintendency of Banks.

D. EQUITY

d.1. Effective equity

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

The Entity's effective shareholders' equity as of December 31, 2021 and 2020 amounts to Gs. 1.532.178.000.000 and Gs. 1.720.535.000.000 respectively.

Law No. 5787 dated December 19, 2016 establishes the composition of the principal (Level 1) and supplementary (Level 2) capital of financial institutions for the purpose of calculating their solvency. This Law also establishes the minimum proportion 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, in domestic or foreign currency, including its branches in the country and abroad, shall not be less than 12% or exceed 14%.

As at December 31, 2021 and 2020, the Entity has the following relationship:

	DECEMBER 31, 2021	DECEMBER 31, 2020
Tier 1- Principal capital	12,76%	16,26%
Tier 2 - Principal capital plus complementary capital	13,67%	18,92%

d.2. Minimum Capital

The minimum inflation-indexed capital for 2021 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, 2021, is Gs. 56.647 million (Gs. 55.445 million for December 31, 2020). Any eventual capital shortfall of an institution with respect to the minimum capital required annually from financial institutions must be covered before the end of the first half of each year.

As at December 31, 2021 and 2020, the Bank had an integrated capital of Gs. 1.081.242.800.000 and Gs. 1.151.242.800.000 respectively which was higher than the minimum required by the regulations of the Central Bank of Paraguay as at those dates.

d.3. Adjustments from previous financial years

The BCP's Plan and Accounts Manual establishes that the adjustments of results from previous years are recorded in the income statement without affecting the Bank's equity accounts. As at December 31, 2021, the net adjustment is a loss of Gs. 3.307.397.639 included in "Adjustment of prior years' results" (Loss of . 3.498.009.171 as of December 31, 2020).

d.4. Redemption of preferred stock

The Extraordinary General Shareholders' Meeting held on July 30, 2021, according to Minute No. 56, unanimously approved the redemption of preferred shares for a total amount of Gs. 70.000.000.000.

E. INFORMATION REGARDING CONTINGENCY AND MEMORANDUM ACCOUNTS

a) Contingency accounts

The balance of the contingency accounts at December 31, 2021 and 2020 relates 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 composition of the balance is as follows:

Items	December 31, 2021 - Gs.	December 31, 2020 - Gs.
Guarantees issued	575.116.122.763	474.037.445.939
Credits to be used through the use of cards	357.157.053.269	350.684.300.457
Documentary credits to be negotiated	204.036.470.754	233.408.380.477
Credits to be used in current accounts	379.693.223.088	256.637.930.134
Total	1.516.002.869.874	1.314.768.057.007

b) Memorandum accounts

The balance of memorandum accounts as of December 31, 2021 and 2020 corresponds to guarantees received in favor of the Bank for loans or other obligations arising from financial intermediation, securities and documents deposited with the Bank for safekeeping, securities corresponding to bills of exchange and remittances received in the process of acceptance or collection for import operations. The composition of the balance is as follows:

Items	December 31, 2021 - Gs.	December 31, 2020 - Gs.
Guarantees received	14.433.659.274.961	13.758.053.825.363
Securities and deposit management	2.458.791.742.315	1.531.198.623.940
Sale and transfer of portfolio	1.174.759.442.330	1.173.626.941.104
Other memorandum accounts	1.091.341.663.473	870.349.012.044
Forward Operation – Seller	20.106.506.800	4.140.066.000
Forward Operation – Buyer	5.852.921.500	21.735.346.500
Foreign business and collections	26.494.522.309	16.835.487.791
Allowances to be made for exceptional measures	16.746.668.928	25.443.481.243
Total	19.227.752.742.616	17.401.382.783.985

F. INFORMATION CONCERNING RESULTS

f.1 Profit and loss recognition

The Bank 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, Act No. 60 of the Central Bank of Paraguay, dated September 28, 2007, and its subsequent amendments:

- a) financial products accrued and not received from debtors with overdue receivables and their valuation gains;
- b) accrued and uncollected financial products relating to non-performing loans classified in categories 2 (other than by subjective criteria), 3, 4, 5 and 6, which are recognized as income upon collection;
- c) valuation gains of performing loans and non-performing loans classified in categories 2 (other than by subjective criteria), 3, 4, 5 and 6, which are recognized as gains upon collection;
- d) gains to be realized on the sale of term assets, which are recognized as income as the credits are collected;
- e) gains from the valuation of term sale transactions; and
- f) certain fees for banking services.

f.2 Exchange rate differences in foreign currency

The net exchange differences corresponding to the holding of assets and liabilities in foreign currency are shown in the income statement lines “Valuation of Assets and Liabilities in Foreign Currency”, and their opening is explained below:

Items	December 31, 2021 - Gs.	December 31, 2020 - Gs.
Income on valuation of financial assets and liabilities in foreign currencies	7.777.103.772.332	5.417.063.825.685
Valuation loss on foreign currency financial assets and liabilities	(7.778.101.451.219)	(5.434.257.932.622)
Net foreign exchange difference on foreign currency financial assets and liabilities gains - (loss)	(997.678.887)	(17.194.106.937)
Valuation income on other foreign currency assets and liabilities	38.428.194.040	49.015.201.937
Valuation losses on other foreign currency assets and liabilities	(43.212.435.092)	(57.268.439.264)
Net exchange difference on other foreign currency assets and liabilities gain - (loss)	(4.784.241.052)	(8.253.237.327)
Net exchange difference on total assets and liabilities in foreign currencies gain - (loss)	(5.781.919.939)	(25.447.344.264)

As described in point c) of note f.1 above, exchange differences relating to the maintenance of foreign currency performing and/or non-performing loans classified in categories “3”, “4”, “5” and “6” are recognized as income on a performance basis, since category 3 status is suspended.

Net exchange differences from foreign exchange and arbitrage operations are shown in the statement of income lines “Other operating income - Exchange and arbitrage operations - net”.

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

Under the provisions of Law No. 2.334 dated December 12, 2003, financial institutions are required to contribute 0.12% of the average quarterly balances of their deposit portfolios in domestic and foreign currency to the FGD administered by the BCP. The amount contributed by the Bank to the DGF for the years ended December 31, 2021 and December 31, 2020, amounts to Gs. 56.934.723.689 y Gs. 55.312.458.943 respectively. The amounts contributed by the Bank to the FGD constitute non-recoverable expenses and are included in the “Operating expenses” item of the “Other operating expenses” item of the statement of income.

f.4 Income tax

The income tax charged to profit for the year at the rate of 10% is based on the accounting profit before income tax, adjusted by the items included or excluded by Law No. 6.380/19 and its regulations for the determination of the net taxable income.

The income tax charge to income for the years ended December 31, 2021 and 2020 amounts to Gs. 6.566.601.019 y Gs. 6.549.801.523 respectively.

F.5 Inflationary effects

No inflation adjustment procedures have been applied. See note b.2.

G. SUBSEQUENT EVENTS AFTER THE END OF THE FINANCIAL YEAR

Except as mentioned in note C.20, regarding the conclusion of the inspection by the Superintendency of Banks, between the closing date of the 2021 financial year and the date of issuance of these financial statements, no significant events of a financial or other nature have occurred that would imply significant alterations to the equity or financial structure or results of the Bank as of December 31, 2021.



LAURA SILVIA BORSATO
General Manager



FRANCISCO YANAGIDA
Interim President



ESTEBAN A. ROTELA MACIEL
General Accountant



IRENE MEMMEL DE MATIAUDA
Titular Trustee

Initialized for the sole purpose of its identification
with our report dated February 28, 2022
Deloitte Paraguay S.R.L

2.4.

Opinions and Risk Rating



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INDEPENDENT AUDITORS' REPORT

To the President and Board of Directors of
Banco Regional Sociedad Anónima de Capital Abierto
Encarnación, Paraguay

1. Identification of the audited financial statements

We have audited the accompanying financial statements of **Banco Regional Sociedad Anónima de Capital Abierto** (hereinafter also "the Entity" or "Banco Regional Sociedad Anónima Emisora de Capital Abierto"), which comprise the balance sheet as of December 31, 2021, and the related statements of income, changes in equity and cash flow for the year then ended, with a summary of significant accounting policies and other explanatory information included in the notes A to G (notes B, C, D and F present a summary of significant accounting policies used in the preparation of the attached financial statements).

Amounts and other disclosures for the year ended December 31, 2020 are included as an integral part of the above-mentioned financial statements, and are intended to be read only in relation to the amounts and other disclosures relating to the current year.

2. Board of Directors' responsibility for the financial statements

The Entity's Board of Directors is responsible for the preparation and fair presentation of the accompanying financial statements in accordance with the accounting rules, regulations and dispositions established by the Central Bank of Paraguay, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

1. Auditors' responsibility

Our responsibility is to express an opinion on the attached financial statements based on our audit. We have conducted our audit in accordance with Auditing Standards in force in Paraguay issued by the Council of Public Accountants of Paraguay, auditing standards established by the Superintendence of Banks in Resolution SB SG No. 313/01 dated November 30, 2001, and the basic standards for external audit of financial statements established by the National Securities Commission. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures, substantially on a test basis, to obtain audit evidence about the amounts and disclosures in the financial statements. The selected procedures depend on the auditor's judgment, including the assessment of the risks of material misstatement in the financial statements. In making those risk assessments, the auditor considers relevant internal controls for the Entity's preparation and fair presentation of the financial statements, in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting



estimates made by the Entity's Board of Directors and Management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

2. Opinion

In our opinion, the financial statements referred to in section 1 of this report present fairly, in all material respects, the financial position of **Banco Regional Sociedad Anónima de Capital Abierto** as of December 31, 2021, and the results of its operations, the changes in its shareholders' equity and the cash flow for the year then ended, in accordance with accounting rules, regulations and dispositions established by the Central Bank of Paraguay.

3. Emphasis of matter

As discussed in Note C.20 to the financial statements, in the second quarterly of 2021 the Entity made adjustments to retained earnings and the Profit for the year, that have been required by the Superintendence of Banks. Our opinion is not modified with respect to this matter.

4. English translation of statutory financial statements

This report and the financial statements referred to in section 1 have been translated into English for the convenience of English-speaking readers. As further explained in note b.2. to the accompanying financial statements, the financial statements are the English translation of those originally prepared by the Entity in Spanish and presented in accordance with rules, regulations and dispositions established by the Central Bank of Paraguay. The effects of the differences between these standards and the financial reporting standards in force 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 financial reporting standards in force in the countries of users of the financial statements, other than Paraguay.

Asunción, February 28, 2022

Deloitte Paraguay S.R.L.


Edgar Martinez
Partner

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TRUSTEE'S REPORT

Encarnación, April 25, 2022

Messrs.

SHAREHOLDERS of BANCO REGIONAL S.A.E.C.A.

In compliance with provisions in Article No. 1124, paragraph e) of the Paraguayan Civil Code, I hereby present to the Ordinary General Meeting of Shareholders of Banco Regional S.A.E.C.A., summoned for April 28 of this year, my written report and opinion on the Annual Report, Inventory, Balance Sheet and Profit & Loss Account for 2021.

I have taken notice of the opinion of independent auditors Deloitte Paraguay S.R.L. on the financial statements of Banco Regional S.A.E.C.A. corresponding to the year ended on December 31, 2021, which was favorable without objections dated February 28, 2022; likewise, I have received the information needed on the operations of the Company and I have complied with all applicable aspects according to Article No. 1117 et seq. of the Paraguayan Civil Code.

In my opinion, based on the analysis of these documents, I consider that the economic and financial situation exposed in them reasonably reflect the legal and financial standing of Banco Regional S.A.E.C.A. in all important regards.

Therefore, I advise the Ordinary General Meeting of Shareholders to approve the Annual Report of the Board, the Inventory, the Balance Sheet and the corresponding Profit & Loss Account of Banco Regional S.A.E.C.A., presented as of December 31, 2021.

It is my opinion.



Irene Memmel de Matiauda

Regular Trustee

RISK RATING

International ratings

Banco Regional is a financial institution that proves its solvency through evaluations granted by internationally renowned risk rating agencies such as Standard & Poor’s (S&P). These evaluations are the result of efficient and trustworthy management that ensures the capacity of the Bank to comply with obligations and commitments despite market volatility and complexity.

S&P: (January 2021)

BB/Stable

National ratings (1)

The Board of Banco Regional has appointed the company FixScr, affiliated to Fitch Ratings, to rate the solvency of the company locally, i.e., its capacity and intention to comply with its obligations.

FixScr (Oct-2021)

AA+py/Stable

Chapter 3

Corporate Governance

03

3.1.

Governance Structure

Banco Regional allows and promotes the participation of all of its members in the development and growth of the business and the organization.

Currently immerse in a more technological and digital world as part of an innovation process, Regional seeks to get each human talent actively involved in the goal so they can understand and serve arising needs.

Following the hierarchical line, Banco Regional's Governance structure is set up as follows: The General Meeting of Shareholders, which meets annually to analyze, assess and discuss financial statements and the way to use dividends; and the Board of Directors, which is responsible for

the direction and supervision of the Bank functioning following defined strategic objectives.

The Board has Managerial Staff in charge of managing the many areas that comprise the organization. On their side, managers are supported by several Committees as a specialized technical support unit.

Directors and Trustees

As to the Board of Directors, its structure by the end of 2021 is as follows:

Members of the Board

Acting President
Francisco Yanagida

Vice-President
Cornelis J. Beijer

Regular Directors
Alfredo Raatz
Erik Heyl
Roland Wolff

Alternate Directors
Vacante
Diego Castro
Jaime Busanello
Adrián Lorenzutti
Walter Duarte

Regular Trustee
Irene Memmel de Matiauda

Alternate Trustee
Lourdes Müller

Management

General Manager

Laura Silvia Borsato

Financial Manager

Óscar Elieser Godoy Silvero

Corporate Banking Manager

Walter Javier Duarte Kallus

Branches and Business Development Manager

Evaristo Enrique Eladio Escobar Masi

Internal Audit Manager

Juan Carlos Meza Castro

Compliance Manager

Carlos Luis Vera Bogado

Legal Counsel Manager

Marcos Dalla Fontana Cortessi

Risks Manager

Daniel Frederic Van Det

Organizational Development Manager

Bettina Mercedes Aguero Bradshaw

Operations Manager

Diana Carolina Lafeld Rieszotka

I.T. Manager

Georgina Beatriz Baumgarten Lavand

Treasury Manager

Nelson Daniel Cibils Farres

Corporate Banking Risks Manager

Ricardo Nowosad Gines

Recoveries and Restructuring Manager

Jorge Leonardo Sienkawiec Szostak

SMEs and Personal Banking Risks Manager

Richard Gustavo Delvalle Medina

Administrative Manager

Fabio Sitzmann Hein

Regional Exclusive Manager

Anahí del Rocío Heisecke Rivarola

Operational Risk and Fraud Prevention Manager

Erica Bettina Werner Schmidt

Transactional Banking, Correspondents and Foreign Trade Manager

Rafaela María Oleinik Rosa

Credit Risk Governance Manager

Antonio Alejandro Giménez González

MIS and Risk Models Manager

Mats Hernegard



COMMITTEES

Internal Audit Committee

It is an executive body with the purpose of supervising processes for risk management, control and governance, especially those involved in generating and issuing financial information, internal control system, monitoring processes, compliance with legal requirements from regulators and the Code of Conduct of the Bank.

Anti-Money Laundering and Terrorism Funding Committee

It is responsible for approving the Anti-Money Laundering (AML) and Terrorism Funding (TF) Manual. It has the purpose of verifying compliance with internal policies and procedures in force in the institution, analyzing those issues related to the area that may have regulatory or reputational implications for the Bank. In addition, and based on local standards and best international practices, it is in charge of examining cases presented by the Compliance Area, approving the submission of the Report on Suspicious Operations to the Secretariat for the Prevention of Money Laundering (SEPRELAD, for its initials in Spanish), if applicable.

ALCO Committee

It is responsible for making decisions regarding the administration of transactions of assets and liabilities, receiving the support of duties performed by Treasury and other departments in terms of exposure report and analysis. It is also the strategic body to ensure the normal development and sustainability of the institution in the long term.

Assets and liabilities management is a process that involves all areas of the Bank. The general purpose of Assets and Liabilities Management refers to the integral process that allows maintaining an adequate liquidity, maintaining sufficient capital and using it efficiently. The primary components are capital management, risk administration for interest rate, liquidity, exchange rate and price setting policies for fund transfers.

Strategic Management Committee

It has the main purpose of monitoring and supervising the effective implementation of the Strategic Plan of Banco Regional as approved by the Board.

The Bank's strategic planning involves the following stages: Strategic Foundation, Strategic Options and Mobilization.

The institution understands strategic management as a process through which the Bank defines its vision and the strategies to reach it. It admits the active participation of organizational stakeholders, the permanent gathering of information on its key success factors, reviewing, monitoring and making periodic adjustments so that it becomes a management style that turns the company into a proactive entity.

Credit Committee

It is responsible for ensuring compliance with best practices, policies, proceedings, laws and standards set out by regulators to maintain a healthy and prudent administration on risks undertaken.

Risks Committee

According to the provisions of regulation in force, as well as the adoption of prudent banking practices in terms of risks management and integral

administration, the risk governance structure of the company sets out centralized management units according to risk type, through independent sectorial managements, organically and functionally based on their business sectors.

Through this approach, the institution identifies, assesses, supervises and manages the main risks undertaken through its activities, processes and operations. Likewise, a Risk Committee was formed with members of the Board and upper management. This committee is in charge of supervising the operation performance based on the Bank's risk administration objectives, guidelines and policies, as well as risk exposure limits (risk appetite) which had been previously approved by the Board. This unit also promotes the participation of the three lines of defense so that operational risks and the security of the bank are adequately managed.

Human Resources Committee

It is the line executive body in charge of approving the implementation of sub-systems and human resource practices according to the needs of the organization and the strategic plan of the Bank as approved by the Board.

IT Committee

It is responsible for formalizing the formation, responsibility and duties of the Committee for Technology Services Management and Planning (Technology Committee). This procedure involves all Members of the Committee.

Managerial Committee

Its main objective is analyzing issues related to Budget and Financial Management; Commercial Management; Strategic Management; Operations, Administrative and I.T. Management; issuing internal resolutions within the limits of its competency and submitting Minutes of resolutions to the Board for ratification.

Commercial Actions Committee

Its main purpose is the presentation, analysis and approval of actions promoted by the Business Development Area that directly affect the business units of Banco Regional.

Portfolio Follow-Up Committee

The committee has the general mandate of following up on the bad debt portfolio (non-performing portfolio) of the Bank, which is generally lodged to Recoveries and the follow-up portfolios (Watch List), usually under the management of the commercial area, comprised by credits with weakness alerts which could turn into bad debts.

3.2.

Structure of the Company

In 2008, Banco Regional became a Publicly-Traded Company (Sociedad Anónima Emisora de Capital Abierto), mainly paid-in by local shareholders. Participation percentages as to votes are distributed as follows: 61.60% for local shareholders and 38.40% for Rabo Partnerships B.V. from The Netherlands as foreign shareholder.

LIST OF SHAREHOLDERS

The financial institution Banco Regional S.A.E.C.A. communicates to the national financial system, its clients, investors and the general public that its shareholding by December 31, 2021, is as follows:

SHAREHOLDERS	% OF VOTES	COUNTRY
Minority shareholders	51,65%	Paraguay
Grupo Raatz	9,95%	Paraguay
Rabo Partnerships B.V. (*)	38,40%	The Netherlands
Total	100%	

(*) 100% owned by the company Cooperatieve Rabobank U.A. from The Netherlands.

Likewise, the next table provides details about the shareholder that is part of the share capital of shareholding company Rabo Partnerships B.V.

SHAREHOLDERS	% OF VOTES	COUNTRY
1. Cooperatieve Rabobank U.A.	100%	The Netherlands

This publication is made upon request of the Superintendency of Banks, within the framework of provisions of article 107 “Informational transparency” of Law No. 861/96 “General of Banks, Financial Institutions and other Credit Institutions”.



3.3.

Risk Management

Liquidity Administration Risk Management

Regional's policies of liquidity administration are based on regulations of the Central Bank of Paraguay and the Superintendency of Banks and Financial Institutions. The purpose of those policies is to keep a minimum high-liquidity financial investments, diversify its funding sources and distribute maturities of its liabilities portfolio through time. In that way, it seeks to ensure the liquidity of the institution in normal market situations, in case of stress events that affect the financial market, and in situations in which the behavior of the expected flows of income and expenditures diverts from what

is expected. Additionally, Banco Regional maintains a liquidity portfolio comprised by monetary regulation instruments of the Central Bank of Paraguay and Treasury Bonds. This portfolio ensures the normal functioning of the bank in case of an eventual stress situation.

Risk liquidity control demands a comprehensive process that allows liquidity management in the short term and fund structural need management through time, including the Commercial, Finance, Treasury and Risk areas with the purpose of complying with the goals proposed by the institution. **Regional controls the liquidity situation permanently, by using regulatory measurements and the institution's own measurements.** Its main control body is the Market and Liquidity Risk area, which monitors exposures daily, and the Assets and Liabilities

Committee, which meets monthly and is presided by a director of the Bank. The Board approves liquidity administration policies, including the Key Risk Indicators (KRI) once a year.

Market Risk Management

Exposure to market price variations is part of the integral risk management of Banco Regional. For that reason, in the Market Risks Policy, the models of measurement, control and risk limits from price variation are determined with accuracy.

Banco Regional's policies for market risk management are based on regulations of the Central Bank

of Paraguay and the Superintendency of Banks. The purpose of the policies is to identify market risk sources present in both the trading book and the banking book of the Bank, and to establish the institution's strategies for managing exchange risk, valuation, financial investments, assets and liabilities administration, and coverage instruments. The policies point towards adequate risk diversification, measurement and monitoring, setting internal limit structures to allow safeguard from potential impacts on results. Banco Regional monitors market risk permanently, by using regulatory measurements and limits. Internal measurements are based on value at risk, limits per product and other controls set in the policies. The Bank uses a standardized methodology for regulatory limits calculation,



reporting to the Board, Upper Management and the Assets and Liabilities Committee. The Board approves Market Risk management policies. Individual positions are also controlled automatically. Limits proposed for quotation risk are more demanding than those set out by the Central Bank of Paraguay in its regulations.

In terms of interest rates, exposure comes from both the book of Banking and the book of Treasury. In the preceding one, interest rate risk comes from the commercial interest accrued from loans. It is important to highlight that a financing policy is maintained matching assets and liabilities of the Bank in local and foreign currency.

Operating Risk Management and Fraud Prevention

Operating risk management and fraud prevention is supported by a governance structure based on three lines of defense and each of them has its responsibilities clearly set out:

- Managing operating risk and fraud prevention incidents seeking to continuously improve processes.
- Self-assessing risks of the Bank's key processes.
- Preventively evaluation risk in new product proposals, giving participation to all managements.

Throughout 2021, policies, procedures and tools were implemented to provide a management framework and allow risk holders to identify, measure, assess, monitor and mitigate risks in order to minimize operating losses.

Operating Risk prepared the Table of Key Risk Indicators (KRI) whereby each management set out indicators considered to be key for managing their areas, as well as the risk appetite and tolerance on those indicators. Each management submits real information monthly to allow managing the indicators.

The table provides Risk Management and several Committees monitoring risk evolution with an executive tool that allows them to learn how risk indicators evolve, and to participate in the need to generate improvement action plans.

Credit Risk Management

The Credit Risk area has proceedings and tools that make it possible to evaluate, undertake and control credit risks for different types of debtors, considering the many segments targeted by the Bank.

The risk appetite introduced in 2021 through the KRI table defines the type and level of losses acceptable for the Bank to achieve strategic objectives. In that way, risk management processes seek to reach the entire bank. They need to be based on strategic decisions to ensure business sustainability.

In the Credit area, portfolio assessment and monitoring have been strengthened, and concepts have been developed to strengthen management for better efficiency in credit recovery and the possibility to generate new businesses.

Regional has a Recoveries and Restructuring area that assists clients who have financial mismatches so that they can return to normal operations. In addition to the Recoveries and Restructuring area that assists clients from the Corporate, Companies, Personal and Small Companies areas, Regional has a Portfolio Overseeing and Monitoring area, which is in charge of following-up early warning indicators in client portfolios. The main basis for analysis is the debtor's ability to pay, as expressed by the Central Bank of Paraguay, for the purposes of maintaining the Bank's credit portfolio rated and establishing allowances to cover losses.

Social and Environmental Risk Management

Attention to Social and Environmental Risk is focused on strengthening client relationship, by identifying, evaluating and managing risks generated by their business activities. This is done to minimize possibilities of becoming indirect accomplices. The Bank has a list of non-fundable activities, and a risk matrix based on an estimation of risk of funded activity, and an institution exposure determination to that risk. The intensity of due diligence and the depth of credit conditions are defined by these two factors. For this, the Bank has professionals with careers in environmental sciences and it also supports improving their knowledge, as well as their participation in training events related to the area. Banco Regional keeps incorporating improvements

in Social and Environmental Risk Management. Tools such as Global Forest Watch and satellite image processing with ArcGIS software help make decisions during the credit process by evaluating and supervising environmental risks to which the Bank may be exposed.



chapter 4

Regional, inspired by its essence

04

4.1.

Our work team

Profile

Banco Regional is characterized by the will to push the country forward, with a strong work conviction and complete confidence in national potential. In a year with a challenge-increasing context, the Bank knew how to adapt to requirements and position itself at the forefront to achieve results. As a result-oriented entity, it is based on knowledge and committed to its clients year after year.

Human capital management is a strategic issue for organizational life and for long-term sustainability. The Bank strives to attract the best, always taking care of collaborators and encouraging their development as persons who contribute to achieve the Institutional Mission and Vision statements. Therefore, it reinforces its conviction of being the Bank for successful people, a protagonist of the development of the country.

Bank 30-year Anniversary

In commemoration of the Bank's Anniversary, in May an Intranet section was opened with audiovisual material on the Bank's history as told by founding shareholders.

In addition, messages by Executive President Francisco Yamagida, and General Manager Laura Borsato, were shared.

That same day, all collaborators received a personalized water cooler thermos with the company logo and the collaborator's name, as a present.





Organizational Development

In the year 2021 there were 139 training courses and programs. Most of them met in a virtual manner.

Inner Recruitment

In compliance with stipulations in the area policy, the Bank seeks to help develop its collaborators' careers. As an example, in 2021 there were 21 internal selection processes and 98 promotions for vacant positions.

Support for graduate studies

With the fundamental premise of permanently increasing the organization's intellectual and human capital, ongoing learning of the highest level is promoted and strengthened. During this period, 2 coworkers from Branches and Legal Affairs areas got access to a graduate study support benefit.

Regional – Great Place to Work Certificate – Dec 2021-Dec 2022 Paraguay



It is official! Thanks everyone for participating in the Organizational Weather Survey. We are so proud to have obtained the Great Place to Work Certification.

Work Climate Survey

With support from Great Place to Work Paraguay (GPTW Paraguay), organizational climate was measured, and the results allowed us to secure the Great Place to Work® Certification, which endorses organizational culture quality and validates collaborators' positive experience within the organization. Some of the significant benefits granted by this award are: attracting talent, positioning employer brand, strengthening collaborator pride and the competitive advantage.

Pandemic – Actions implemented

Since the beginning of the pandemic, the protocol was constantly updated as stipulated and issued by the

Ministry of Public Health and Social Welfare. Internal communication was reinforced, encouraging compliance with hygiene and safety measures throughout the Bank, always under the “Regional takes care of you” slogan. For a second consecutive year, Dr. Hernán Rodríguez Enciso, an expert infectious disease specialist, was hired. He helped develop current protocols and actions to implement, updates on treatment evolution and dynamic procedures from the start until the end of August 2021.

A discussion group with the medical advisor was held on March 2021. At that event, several questions about COVID-19 and vaccines in general





In July 2021, services from Gente Saludable Paraguay S.A (Healthy People Paraguay, PLC) were hired to provide advice on Occupational Health, and the development, implementation, follow-up and assessment of an Occupational Health and Safety Policy, development of protocols and procedures, external Medical Services in charge of providing guidance and follow-up on collaborators' health issues, among others, as well as referral to local medical/psychological specialists.

In August, there was a virtual discussion group to deal with issues related to the importance of medical supervision and checkups. Issues related to work medicine and risks were also discussed.

In October, there was a virtual discussion group about the importance of breast cancer prevention and relevant care.

Contest – Children’s Day

In order to encourage family inclusion and integration, a contest was launched where participants shared video footage of Regionalitos (Small Regionals), with the children telling what they would like to be when they grow up.



Contest – Christmas

The proposal was to decorate Christmas trees at the office and share videos of them. The purpose of this activity was to share values related to this holiday, union and joy.



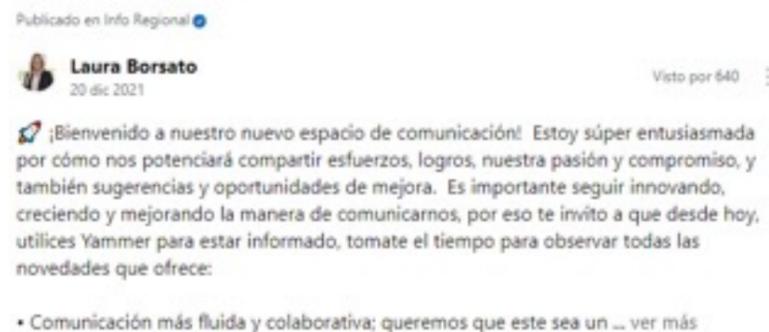
Implementation of new communication channels

During 2021, the use of new internal communication technologies was encouraged, and Yammer was implemented as a new institutional communication channel. This tool is part of the computer program toolset used internally and works as an internal social network which encourages more fluid, collaborative communication.

for General Management meetings with all collaborators.

Additionally, 100% of the Bank's corporate cell phones were replaced, to boost communication channels together with the already available Office 365 tools.

The platform used for online meetings and videoconferences kept being used



Employer of the year

For the second year in a row, Banco Regional has been awarded “Employer of the Year” by 5Días newspaper.

In its fifth edition, this award ceremony was held at Rakiura. There was a gathering of representatives of the 50 leading public and private companies ranked by their annual contributions to the Social Welfare Institute (IPS for its Spanish initials) pension fund and the Bank Pension Fund, showing they work responsibly by offering the best to their collaborators. These organizations set an example in a country where a high percentage of workers do not have social security.



All benefits set forth by Law for collaborators and their families were complied with. In addition, investments were made on additional benefits in order to promote a comprehensive development of staff and keep talent from leaving. The main ones are:

Benefits Granted

Medical insurance: Coverage of 80% of the cost for the beneficiary and his/her basic family group.

Life insurance: Coverage of 100% of the cost of life insurance.

Marriage: 5 working days of leave and payment of marriage allowance.

Maternity and birth of children: 126 calendar days of maternity leave. Breastfeeding period of 90 minutes per day for 6 months from the date of return.

Paternity leave: 14 calendar days.

Child's sick leave: 10 working days per year for both mother and father.

Bereavement leave (Spouse, children, grandchildren, parents, grandparents, siblings, in-laws and fourth-degree relatives): 1 to 5 days.

Vacations for those serving 1 to 4 years, 15 days are granted.

Vacations for those serving 5 to 9 years, 20 days are granted.

Vacations for those serving 10 years and more, 30 days are granted.

Family bonus: 7.9% of the Bank's minimum salary, for children up to 17 years of age. Such amount is doubled when it comes to children of widowed employees

50 % in addition to the family bonus, for employees with children with disabilities.

Allowances: In the event of death of spouse, children or parents of the employee.

For the birth of the employee's child.

For marriage.

Day care benefit: Amount set out by the Collective Bargaining Agreement, for payment of day care for children up to 5 years of age.

Leave for university exams: 12 working days of paid leave per year are granted to individuals who are studying at university and are required to take regular exams.

Monthly refreshments: Amount set out in accordance with the Collective Bargaining Agreement.

4.2.

Our clients motivate us

General client profiling

Banco Regional ended 2021 with 101,302 clients, 95% accounts for Natural Persons and 5% to Legal Persons.

Out of 29 branches (including Pab's Itaipú) the client distribution ranking by area is the following:

Central	48%
Alto Paraná	20%
Itaipúa	18%
Caaguazú	4%
Canindeyú	2%
Guairá	2%
San Pedro	1%
Amambay	1%

In terms of age range, we found in Client Profile the 20-40 years of age group is the largest group, with 61%.

Products

Programmed Savings

We launched a new digital product for all banking clients through Regional Web. With this we contribute to digitizing transactions and digital clients.



Associated Savings Account

An automatic associated savings account with special benefits related to an active product, thus improving collection in an agile, simple manner.

Credit line increase through Regional Web

Self-managed credit card line increase through Regional Web, improving client loyalty.





Commercial actions and alliances

Credit card refund, including differential benefits for Exclusive Bank clients

- Hair salons and Spas.
- Restaurants, coffee shops, ice cream parlors, candy stores and bars.
- Sports Apparel.
- Drugstores and Perfume Shops.
- Veterinary Offices.
- 30-year Anniversary.
- Stores.
- Welfare.
- Bookstores.

- Special Dates: Valentines Day, Workers' Day, Mother's Day, Father's Day, Children's Day, Qualification Soccer Matches, America Cup, Friendship Day.

Permanent Credit Card Consumer Promotions

- Cash Advance 10 installments with no interest.
- Tax payment, 6 installments with no interest.
- Tech 12 installments with no interest.
- Schools and Universities 10 installments with no interest.

- Automatic Debit Opt-In for public and private services.

Over 40 Business Alliances

Loans

- Promotional Rates
 - Personal Loans.
 - Car Loans.
 - SME Loans.
 - Machinery Loans.
 - Agricultural Loans (Operating Capital)
 - Green Line Loans.



Real Estate Business Development

The housing financing market experienced a 23% growth at a banking level, and Regional was positioned within the BOLB Ranking Top 5 (Financial Supervision Statistic Bulletin, issued by the Central Bank of Paraguay by December 2021), with a noticeable 27% inter-annual growth rate in comparison with December 2020. As for active portfolio balances, the Bank closed the year with 258.467 billion PYG, 57% with AFD funding and 43% with own funding. Loans in 2021 were granted for 137-month terms in average with AFD funding, and 38 months with OWN FUNDING. As for the portfolio's residual balance, it closed with 94-month terms in average, the largest funding portion, 94%, granted in local currency. The remaining 6% is granted in United States Dollars.

Signature loans got a significant share in 2021, mainly due to loan placement dynamism and agility for terms up to 60 months, intended for housing renovating and finishing with amounts up to PYG 200 million, reinventing products such as "Renew your Home", destined mainly to wage earners, who showed a continuous demand. As for

the level of risk coverage, the level of real guarantee is 55%, mainly coming from first-rank mortgage. This is a ratio which has decreased in comparison to last year.

The area objectives set fell under three main axes:

1. Growth of housing financing active portfolio.
2. Secure alliances with new real estate developers.
3. Control of the portfolio's delinquency rate.

To achieve objectives, the following actions were carried out:

1. Updating Credit Policies and Financing Rules for Housing and Land.

A new scheme for lump approval attribution was approved, simplified by levels and maximum amounts. The retail segment was included for issuing pre-approved credits, Branch Manager lump approvals, and approvals under automatic scoring up to PYG 100 Million and terms up to 48 months, thus focusing service approach through sales force.

Rules for bridging loan disbursement for real estate allies were adapted, and the “Renew your Home” product for wage earners was regulated. This product was kept, no longer as a seasonal campaign feature, but as one more product within the real estate financing portfolio.

2. Development of new products

In line with the Bank's corporate strategy, in March 2021 the LOANS FOR SUSTAINABLE HOUSING feature was launched. This is the first housing finance product with a sustainability concept, providing to final consumers the possibility to purchase a home with international certification standards such as EDGE (Excellence in Design for Greater Efficiencies) with unique benefits for the national market. Alliances with the Financial Development Agency (AFD for its initials in Spanish) and long-term local currency funding, as well as the well-known experience in sustainability management of the company ARKE S.R.L., which was the company in charge of guiding clients

to pre-qualify and secure the EDGE international certification, issued by Green Business Certification Inc. (GBCI), were strategic.

3. Involvement of the Bank in real estate sector forums:

- a. National University of Asunción (UNA for its initials in Spanish), sustainable financing for the School of Economic Sciences.
- b. Paraguayan Chamber of Real Estate Developers (CAPADEI in Spanish)
- c. Paraguayan Council for Sustainable Building, financing sustainable housing.

4. Signature of Strategic Alliances

- a. 17 alliances were entered into with real estate developers at a national level.
- b. An exclusivity deal with the expert sustainability certification company ARKE SRL for certificate issuance.
- c. Regional was the first financial entity to sign an alliance agreement with the Ministry of Urbanization, Housing and Habitat for the MI



Desde **Gs. 21.746** por millón

Hasta **Gs. 200** millones

Hasta **60** Meses de plazo

1era Cuota a los: **60** días

Renová tu Casa

Préstamo Personal a sola firma, aplicable exclusivamente a asalariados con ingresos netos desde Gs 7.500.000 y sujeto a contar con una tarjeta de crédito del Banco Regional. Comisión administrativa de desembolso del 1,65%. Aprobación sujeta a análisis crediticio y condiciones propias del producto. Vigencia hasta el 30 de setiembre 2021.



Préstamos Vivienda Sustentable

Excellence In Design For Greater Efficiencies **Edge**

Banco Regional aportando a la sustentabilidad de Paraguay y del medio ambiente, lanza el primer producto de **Financiamiento de Viviendas Sustentables** con certificación **Edge**.

VIVIENDA (MY HOME) program, thus supporting financial inclusion and the possibility of financing the first home segment, issuing a complimentary credit card without any issuance or renewal fees as long as the housing loan is in force.

5. Internal training for Bank staff and collaborators

During 2021 there were 13 internal training events, reaching 446 collaborators from all the commercial area, including the Call Center operator team and 2 internships from the sales force area.

6. External training for commercial teams (sales force) from main allies

There were 5 external training events for commercial teams from the main real estate developers.

In addition, support was provided to the following areas:

- Real Estate Department: support was offered to the area by providing a record of offers received and approved by the Bank, as well as a



notification for involved parties within the sales process for commission payment.

- FOGAPY Products and Collections Department: entry of guarantee beneficiaries, preparation

process of instruction work leaflets, tender for guarantee allocations, guarantee collection process, and meetings held with the Fund.

Sales Force

The Sales Force department was created in January 2021. They officially started operations within the Bank's structure in the following month, with physical location at the Downtown Asunción Branch. The force started with 12 collaborators (9 sales advisors), with a portfolio of over 7000 active clients. Thus, we centralized under this structure client assistance for Central Area retail banking. In this way, we give a more commercial focus to product crossover increase and secure greater profitability from our client base via consumer loans, car loans, housing, and credit card placement.

In addition, the Sales Force team was there for different landings carried out by the Payroll Area, with presence in events such as Gramo and Expo Cadam.

In the first Sales Force year, there were over 1000 active credit card placements and a total portfolio disbursement for over PYG 25 billion. Currently, the team is the Bank's main channel for brand-new car loans, strengthening our alliance with well-known dealers and enhancing credit product placement with retail clients.





The MSC went through the South, East and Central areas, providing an opportunity to clients of different portfolios to access the Bank without leaving their offices. This year, we reached 11 companies that use our payroll service every year, providing the MSC with service opportunities to hundreds of collaborators/clients.

In addition, it was present within the business framework of the GRAMO Technology Event held at the Central Bank of Paraguay facilities. There, several prospective clients interested in various products and services were received.

Mobile Service Center (MSC)

On September 9, the first Mobile Service Center (MSC) was launched for client assistance. Its goal is to visit different locations in the country, under the premise: “If you cannot go to the Bank, the Bank will go to you”.

Clients from different locations who received the MSC performed transactions such as: loan and credit card applications, inquiries on account transactions, account opening, access to alternate channels, delivery of salary kits, among other transactions.



PAYROLL

This started assembling a team for the Payroll area, which included 2 officers, with the mission of increasing the number of companies using salary payroll services, improving client profitability, while taking retention into consideration, both for Payroll clients and for the companies that hired the service.

A total of 58 new payroll services were activated. In total, there were 752 entities using the service by the end of the year, which represents over 36 thousand linked payroll accounts.

One of the main activities was holding Financial Education talks, to guide payroll clients in the adequate handling of their personal finances, while promoting savings.



The talks were held onsite and also virtually. In some of them, there was support from Regional Group, by Casa de Bolsa (the Brokerage House) and Regional Seguros (Regional Insurance). The talks were provided to the following companies:

- ACIRON S.R.L (Asunción)
- DKP TRADING S.R.L. (Asunción)
- BRITÁNICO PARAGUAYO SOCIEDAD ANÓNIMA (British School) – Virtual (CDE)
- BRUMADO S.A. (CDE)
- FERTIMAX INDUSTRIAS Y SERVICIOS SOCIEDAD ANÓNIMA EMISORA (Villeta)

Another activity was promoting loans and credit cards at PARADA REGIONAL (REGIONAL STOP), that is, a field service day through the Mobile Service

Center for companies in different locations, with pre-approved products for collaborators of the main Payroll companies, providing all mobile branch services in each company site or office. Among the stops made were the following:

Zona Sur:

- CORPORACIÓN TEXTIL - Encarnación
- GRUPO RAATZ – Bella Vista
- TROCIUK AGISA - Fram
- UPISA – Fram

Zona Este:

- CARGILL AGROPECUARIA SA – Minga Guazú
- HILAGRO SA – Campo 9
- LA YUTEÑA SA – Pdte. Franco

Zona Central:

- IRIS COMERCIAL E INDUSTRIAL – Itauguá
- TIGO – Asunción



■ TROVATO CISA – Asunción

The new Mobile Service Center made the first launch of kits in the Payroll entity IMPRENTA GAMA S.A.

Specific campaigns for pre-approved product placement were also carried out for main payrolls such as ITAIPU GROUP, TIGO GROUP and CONMEBOL.



The REGIONAL SERVICE DAY was held at CONMEBOL and CAJUBI once again. This consisted of a company visit in order to receive all requests directly from collaborators.

A 27.55% increase on monthly average profitability in comparison to fiscal year 2020 was achieved through the different campaigns implemented together with the effort of all the commercial team.



Strategic Alliances

Since 2013, Banco Regional has started a series of commercial agreements with important local and international companies with the goal of supporting sales of machinery, equipment and facilities of clients shared by a local dealer and Banco Regional, in order to improve the service level offered to clients and increase their purchasing power with dedicated financial packages and tailor-made solutions.

Since the beginning of the agreement until the end of fiscal year 2021, a total of 1209 machinery and equipment items were financed through strategic alliances, with a total amount disbursed of USD 118,732,319.00.

As a new item, in 2021 we signed significant agreements with companies such as JACTO, COMAGRO, AUTOMOTOR, VOLPY, GRUPO TIMBO, among others.

Currently, the strategic alliances in force are the following:

CNH



AGCO



EFISA



AUTOMOTOR



VOLPY



KUROSU & CIA



H. PETERSEN



DE LA SOBRERA



TIMBO



COPEPA



AUTOMAQ



TARGET



PLANTEC



JACTO



MERCOFER



COMAGRO



Exclusive Banking

Committed to always providing the highest satisfaction to clients, Banking executives offer solutions focused on managing clients' assets, by proposing differential investment portfolios, adjusted to needs, working on generating the highest possible profitability, according to each client's risk profile.

Seeking to strengthen the high-income segment and highlight the exclusive relationship concept, actions for relaunching the segment were held with two central axes: a new Banking name and a differentiated visual identity to present all products and services exclusive to the segment.

Always focusing on personalized service, we stay in touch with clients constantly through visits and events

in order to reinforce relationships and enhance business.

Through the year, several specific activities were held:

- March 2021: development of a differentiated visual identity.
- April 2021: exclusive graphic material to communicate benefits offered by this banking.
- April 2021: virtual conference on Economic Recovery Differentiation and Risks, with our strategic ally Alcalá Inversiones.
- May 2021: Virtual conference with clients to introduce the service provided by the Brokerage House on international accounts and their tax effects, with the strategic ally LarrainVial.

- August 2021: promotions with differential benefits for Visa Infinite credit cards.
- August 2021: the introduction of a promotional screen with Bank-related benefits.
- September 2021: virtual conference with clients to introduce services provided by the Brokerage House with its strategic partner, Alcalá Inversiones, on Multi-Family Office, dealing with portfolio positioning in the fourth quarter.
- September 2021: virtual conference on international investments and post-pandemic trends, with LarrainVial.
- November 2021: After Office with Banking clients, "creating moments together" after the pandemic.

Seeking continuous growth, the Bank's strategy will continuously evolve in that direction.

During the year, distance interaction with clients increased, in tune with the Bank's digital transformation.

Commercial objectives will continue to be sought while offering stability, access to diversified offers and long-term commitment to asset management.

Foreign Trade

This year we took part in a number of virtual international conferences, such as the XXXVII Latin American Foreign Trade Conference.

This time, the conference was held virtually. It was held on June 10 and 11, and we were able to reinforce knowledge on Foreign Trade areas on issues related to Stand By Letters of Credit, value chains, risks associated to money laundering in international trade and Incoterms 2020.

With the entry of new members into the team, we took part of the workshop organized by ICC (International Chamber of Commerce) on Fundamental Principles of Foreign Trade. This way we maintain a highly qualified team with international certifications, which helps the Bank secure market leadership on Import Letters of Credit issuance. Banco Regional secured a 32% market share in Import Letters of Credit and 16% in Exports; 12% of issued Stand Bys, and 16% of received ones in the country.

In 2021, an onsite client advising plan was implemented. A total of 28 companies were trained on issues related to international means of payment, documentation, and the new Incoterms version.

Exponential growth

Commercial management and market positioning are reflected in the 11.24% growth achieved on the number of transactions processed in comparison to the previous fiscal year, after comparing services of:

- Import and export letters of credit.
- Purchase of export documents.
- Import and export collections.
- Domestic and international collateral. Stand-by.
- Advances for importers and exporters.

Treasury

■ In exchange operations, 119.50% of the budgeted amount was reached, with a 7.76% market share in profits (ranked 5th), and 7.62% in volume (ranked 6th).

■ In Treasury operations, 173.30% of the budgeted amount was achieved. This was due mainly to adjusting rates from the Risk-free curve, and this is the reference for Net Liquid Assets and the main Financial Assets kept in portfolio and transactions done with Regional Casa de Bolsa.

■ An adjustment to the FTP curve was implemented after the first definition applied and implemented by RABOBANK technical team, adjusted to the new market curves available.

■ The strategic relationship with Regional Casa de Bolsa was strengthened, taking advantage of Regional Group's synergy with Structuring, Trading and Underwriting transactions.

Liquidity Management

The Bank's approach to liquidity management is to ensure always having enough liquidity to honor obligations at their maturity, under normal circumstances and stress conditions, without incurring on unacceptable losses or risking the Bank's reputation. The Bank has a Liquidity Management Policy in place which is reviewed annually by ALCO Committee, which sets limits, KRIs, on a minimal share of available funds about to mature, to honor such payments and on a minimum level of inter-bank transactions and other liquidity facilities and loans which should be available to cover drafts at unexpected demand levels.

The Treasury manages liquidity breaches which serve as metric to manage liquidity through a liquid assets portfolio formed mainly by liquid investments, in order to guarantee that the Bank has enough liquidity in case of need.

Liquid assets are formed, mainly, by Instruments for Monetary Regulation (IRM), Treasury Bonds (BOTES for their abbreviation in Spanish) and liquidity on demand which is daily placed (Overnight) in the Permanent Deposits Fund (PDF) of the Central Bank of Paraguay. The PDF rate is aligned to the Monetary Policy Rate and the Central Bank modifies it accordingly. The rate for 2020 closed at 0.50% and the Monetary Policy Rate at 0.75%. In 2021 the Overnight rate closed at 5.00% and the TPM at 5.25%.

The Bank's main financing sources are deposits from clients (Retail), corporate and institutional, obligations with (foreign) banks, and debt instruments (Financial and Subordinate Bonds in the local market) and time deposits. Even though most obligations with banks, debt instruments and time deposits

have maturities of over one year, clients' and corporate deposits and some obligations with banks (chiefly those related to Trade operations with foreign banks) usually have shorter maturities and a large share of them are payable within 360 days. The short-term nature of these deposits increases liquidity risk and hence the Bank actively manages this risk through constant oversight of market trends and price management. In 2021, the long-term foreign line was activated for USD 30 million.

Interest Rate Risk

Downward interest rates had a positive impact on the Bank's fund costs, with a foreign funding reviewable rate. The impact resulted in a 19.00% decrease in cost of funds in comparison to 2020.

Funds Transfer Price (FTP)

Since 2014, the Bank started implementing the FTP model. At

that time, with technical assistance from Rabobank, it was possible to implement the model based on available information on market rates for building the FTP curve.

Financial Margin

The new circumstances of market interest rates forced us to take adjusted measures to protect the Financial Margin. In this line of action, a reduction of costs of deposits was promoted by Treasury, achieving a 22.20% inter-annual decrease, representing a PYG 80.930 billion decrease on interest payments on deposits.

Transactional Banking Services

The Transactional Banking Department is part of Corporate Banking and its purpose is to provide mainly company-oriented services, to provide them with solutions that meet their needs. Among the available services we can mention:

Payments to suppliers

This allows clients to transport their company's payment circuit to the Bank. The service is carried out by account debit of amounts corresponding to invoices for goods provision and service rendering.

Transportation of Valuables

This provides cash transportation services in alliance with the country's leading companies of transportation of valuables. This allows clients to streamline their management of deposits and withdrawals of large volumes of cash, protecting them from operational risks.

Direct debit

This is available for client companies wishing to transfer their collection management to the Bank. This is a system where Regional deposits in the client's (the contracting company's) account payments or collections.

Payment to businesses

This is available for clients who have a POS authorized to charge sales through credit or debit card, and they choose to direct such transactions to their bank accounts.

Petrobras Flota (Petrobras Fleet) Via an agreement with the Petrobras fuel brand (Nextar Petrobras Licensee in Paraguay), Bank clients may buy fuel and lubricants for their vehicle fleet, by providing information to enable them to make their logistics management more efficient.

Check Custody

The service is oriented to companies

doing credit sales and which have to manage a significant volume of advance-date checks, drawn on the local market. This optimizes management for clients, by keeping and collecting these advance-dated checks, mitigating risks and providing savings and efficiency.

API Companies

The API COMPANIES service makes queries on account transactions and online balances. To that effect, the Bank sets an API KEY with relevant authentication credentials to use the services available at the API. The data shown shall be the same than those available in Banco Regional's other alternate channels.

Insurance

Since November 2021, sales of insurance policies are processed under the Direct Sales umbrella,

and Banco Regional's insurance department was formed, keeping the goal to support sales of Regional S.A. de Seguros insurance company to the client portfolio. This department advises, trains and support the promotion of property insurance (objects) and life insurance (persons). Based on increasing business volumes, procedures were made to secure better results in the performance of the Insurance Company which is member of the holding.

Types of insurance offered

Life and personal accidents

Natural death or illness-related death, double compensation in case of death by accident, total and permanent disability. Also, medical advice through Telemedicine, 24-hour coverage and amounts and plans as needed.

Home policy

Fire of building and its contents, theft and/or mugging, material damage due to storm, damage from water, coverage for glasswork, third-party civil liability and personal accidents, additional provisions for electricity, plumbing and locks.

Automobile, trucks and agricultural machinery

Third-party liability, injuries or death of driver or passengers, partial or total damages caused by accident or fire, theft of vehicle, green card, legal advice, 24-hour towing and light mechanic services.

Commercial and corporate multi-risk insurance

Fire of building and contents, theft of merchandise, theft of valuables stored in safe box, theft of valuables in transit, personal accidents and civil liability.

High-end motorcycle insurance

Total and partial loss by accident, fire or theft. Damage by hail, popular riots, vandalism. Coverage with any driver. National and international civil liability. Personal accidents to driver and passengers. Green card and 24-hour light mechanic assistance. Legal assistance within the national territory.

Leisure ship insurance

Damages caused by collision, fire, lightning, explosion, shipwrecks, sinking and beaching. Civil liability for navigation or road transportation. Theft of vessel or motor in navigation or closed marina, on premises or in transport.

Guarantee Insurance:

Financial advance

Uncertainty of granting an advance payment for work to be performed by a third party. This guarantees the allocation of payment received by the policy holder of the insured party after effective compliance with contract and releases the amount according to work progress. Professional performance covers

non-compliance with duties of their activity or profession.

Faithful contract compliance

Guarantees stipulations for contract breach in due time and manner.

Repair fund

Guarantees the fund that, according to law and contract, the policy holder has to settle in favor of the insured party.

Customs guarantees

Guarantees duties assumed before the National Customs Administration for any obligations, and existing fines related to customs matters.

Offer maintenance

Guarantees payment to the insured party as a consequence of noncompliance in time and manner with duties arising from a contract.

Digital Banking

The digital transformation plan was added to the continuous growth agenda of the Bank within its strategic plan.

Seeking to facilitate 24-hour transactions to clients, the Bank makes available different contact and transaction digital channels:

- Regional Web: www.regional.com.py
- Regional Mobile Smartphone: App available for iOS and Android operating systems.
- Automatic Teller Machines and Self-Service Terminals.
- Regional Rural.
- Contact Center: 24 hours, the 365 days of the year.
- Call reception.
- Chat.
- WhatsApp.
- E-mail.
- Social networks.

Over 48% of clients has used one of the channels at least once, and over 84% of companies perform their transactions on the different digital channels.

The exponential growth in digitization of over 85% of transactions commits the Bank to stay on the road to digital transformation and digital client satisfaction, as one of its main pillars.

Internally, multidisciplinary and collaborative management tools were strengthened in order to facilitate remote connection, which became a new way of work across the organization, helping to improve experiences provided to clients as the main goal.

Always client-centered, digital banking also offers facilities so that products or services can be used at any time, from any place where the



client is with an Internet connection and thus make inquiries, applications, claims and transactions in a digital manner, while providing agility and security at all times. Access generation is immediate in different manners so that it can be client-friendly.

Both Regional Web and Regional Mobile offer clients the possibility to make inquiries on all their products and transactions, money transfers, payment of public and private services by debit to their account or by credit cards, credit card services (personalized for credit and debit card use), receipt generation, statements for up to 24 months, and 24-hour advice through the different voice or written channels (Contact Center, social networks, mail, chat, WhatsApp).

This way, we seek to provide clients with the whole digital spectrum offered by the Bank in a single mobile application and web site, in a simple, secure manner. In

addition, new services such as transfers to cooperatives were added; contactless payments were given increased support via QR from the Regional app. Also, scheduling service payment is possible, with over 1000 different public and private services available digitally or, for those who prefer it this way, a subscription to credit card automatic debit for service payment. The possibility of activating Programmed Savings was added, in order to provide a financial management tool for objectives in the short, medium and long term, as preferred by clients, and also an increase of credit card lines without signing any forms, directly in a digital manner.

For business, corporate and SME clients, digital solutions were launched, such as Digital Tokens via app to facilitate secure access and approvals. Also access from Regional Mobile was made available for cell phone authorizations and inquiries on accounts and transactions, Regional

Rural for financing and, finally, the API service was advanced to connect companies and Factoring, as upcoming features.

To show appreciation for our clients for their support and encouragement through this transformation process, the Digital Client campaign was launched, giving awards throughout the country for choosing Regional as their digital bank.



Technology

According to the plan laid out in 2021, we have implemented important functions, the most significant of which at a technology level are the following:

- Making clients our focus, the bank implemented various new features improving interaction with clients such as Chatbot, WhatsApp, Push Messaging and also new processes using the CRM Microsoft Dynamics tool, thus continuing the implementation started in 2019, improving management of requests, claims, sales, collections, and others.
- The Mobile Service Center (MSC) was provided with state-of-the-art technology to support business, taking the Bank closer to clients.
- Continuing with process automation, work has been done to implement more processes with RPA (Robotic Process Automation) solutions, thus saving hours of manual processing, and freeing resources to perform other tasks within the Bank.
- With the goal of always having state-of-the-art technology, 100% of corporate cell phones was replaced so that we could provide better service coverage to clients. Also, equipment used for Bank daily operations was replaced, to avoid having to deal with obsolete technology.
- At internal level various collaborative tools were launched, so that information shared with coworkers is available in appropriate time and manner, thus improving communication within the Bank
- A new tool was provided to the Legal Counsel area, allowing them to better manage the Bank's legal cases, providing notary offices and legal firms with a digital interaction platform.
- For corporate clients, the Bank offered new features improving signatory management, using the Companies App* and also managing data by using API.**

Marketing

Agricultural Banking

Marketing actions in productive sectors were mainly related to agriculture-livestock fairs held in-person or in hybrid format (both virtual and in-person). Among them we can mention: AgrosHOW Copronar (February), Tape Ruvicha New Holland Field Day (April); La Blanca Cattle Fair and Multi-Breed Fair Event (May); 75th ARP National Cattle Fair 2021 (July), Asociación Agropecuaria Agua Dulce Cattle Fair (July); Alianza Nelore Fair (September), Ganadera Primavera 43 S.A. Fair (October), Cobaner Fortaleza Ita Ka'avo Fair (October), Ganadera Alborada Fair (June and November).

At a communication level, and through all-year long campaigns, **machinery financing** was strongly promoted for allied brands and two **forestry projects**. In addition, companies adhered to Regional Rural products were communicated, and explanatory demos were done on the use of this product in order to instruct clients on its use. Other two important campaigns for the sector in the year were the following:



* Here App means "Application"

** API is an acronym for Application Programming Interface.



■ **Green Products Campaign: the Green Lines Project – Sustainable Regional**, developed with assistance from the Inter-American Development Bank (IADB) was launched, in order to offer differential terms on financing for sustainable products. This was an innovation for the country’s financial market. This innovative proposal offered these products and services: precision agriculture, low-emission agricultural machinery, solar irrigation – Chaco, loans for implementing drop irrigation; financing for reforestation



projects with commercial purposes and sustainable housing.

Persons and SME Banking
Regarding communication actions for Persons and SME banking, the Bank focused on competitive campaigns for the financial market, granting differentiated benefits for credit cards and loans for each stage of the year. Among the most important the following can be mentioned:

■ **Consumer loans:** benefits with exclusive rates on personal loans, 0 km cars and



used cars, FOGAPY, annuities for schools and universities and rental loans for summer homes.

■ **Real estate products:** An annual communication plan was developed for these products: Your First Home, Your Home, Renew, Reserve Your Home, Purchase of Urban Land, Sustainable Housing. In addition, promotional terms with various real estate allies were communicated, offering a range of products for all segments. Within that sector, three events can be highlighted:



■ **Launch of Sustainable Housing:** Regional was the first bank to launch this product to the market and finance it with differential terms.

■ **Signature of an agreement with the Ministry of Urbanization, Housing and Habitat,** under the MY HOUSE program, for real estate financing to purchase a first home in an urban area.



- Purchase Your Home campaign: this was a contest where all clients who took a mortgage loan with the Bank from July to December 2021 entered into sweepstakes for a plot of land located at Casa del Monte, Areguá.

- Credit Cards: Benefits for credit card purchases at over 50 affiliated stores with allied brands were communicated, generic benefits with no-interest installment payments for daily consumer items such as restaurants, bars, hair

salons, veterinary offices, ice cream parlors, among others. In addition, specific campaigns were carried out on holidays (Valentine's Day, Back to School, Bank's anniversary, Mother's Day, Father's Day, Friendship Day, Labour Day, Children's Day, Spring Day, end of year holidays) with the support of allies to these special day promotions (Black shopping week, Mariscal Shopping Center Fair, Agosto OFF Shopping 1811, America's Cup, Winter Apparel, Shopping Off June, Hot Sale June).



There were also incentive and loyalty building campaigns:

- Automatic Debit Campaign: in order to encourage clients to pay their services by automatic credit card debit. All clients who signed for automatic debit received a direct gift of a small Hydrate thermos.

- Data updating campaign: Clients were encouraged to update their information from the web. For each updating done by them, they generated coupons for monthly sweepstakes where an iPad and a MacBook Air were given.

- Regional Experience: with this campaign, a different, unforgettable experience was promoted for clients who purchased using their Regional credit cards, being directly eligible for sweepstakes for a trip to New York for two people.

As for Digital Banking, the following campaigns were carried out:

- Digital Client Campaign: this was an incentive for clients to keep their digital accounts active and in use, since by doing it, they were taking part in sweepstakes every 3 months. Prizes were a Samsung cell phone, a JBL speaker and a Samsung smartwatch.

- Communication of new web and app features such as: keycode activation, payment scheduling, app shortcuts, credit card line increase, electronic ticketing, credit card blocking and unblocking, WhatsApp, automatic

debit, consultation of invoices and statements, notifications, service payments, QR payments, transfers to cooperatives.

- Scheduled Savings: launch of a new product with the possibility of doing it via web, starting from PYG 10,000 and terms from 12 to 60 months.

- Launch of Regional Digital Corporate: in December a complete package of digital services for companies was launched.



In addition, exclusive news was given about the upcoming launches of the following products for the first quarter of 2022:

- **Confirming:** a service to manage sales of accounts or invoices receivable, helping and improving company liquidity and flow, while reducing their administrative processes.
- **Open Banking:** a service truly unique in the Paraguayan market, allowing for a direct connection between the Bank and the company's systems, without need to access any digital channels.

Institutional actions

- **Regional 30th Anniversary:** a special celebration was held for the anniversary of Banco Regional as an ally of all Paraguayans for 30 years, with its characteristic focus: Believe in You.

An exclusive logo was created for the occasion, and an institutional graphic piece reflecting the spirit of this significant anniversary.

Plotted graphics and lights were placed in the following buildings: Headquarters, Ciudad del Este and Asunción. In other branches there were also outside decorations with the commemorative logo and ribbons with the colors of the country's flag, for the whole month of May.

On May 3, all branches opened their doors with yellow and blue balloons with the 30 Years logo printed, as well as candy trays with branded candy.



■ **Launch of Regional Exclusive:** Exclusive Banking was launched, a new service and segmentation model for high-level clients, with exclusive benefits, which seeks to build loyalty and improve exclusive clients' experience. This launch had two central axes:

New image: a differentiated visual identity. "Regional Exclusive" is based on exclusivity granted to private banking clients with differentiated products and services.

Experience: adding value to service, personalized advice and exclusive benefits, accompanying clients' lifestyle.

With this launch, the premium banking service segment moved from a 100% investor format to have a closer accompaniment to clients' life cycle, with value offers customized for each stage.



■ **Startcamp:** the Bank was present on the second edition of the Startcamp competition, in its Agtech version. This was an event developed by Koga.

On its special Agtech edition, StartCamp is an open innovation competition in a hackathon format, and it lasts 3 days. Its purpose was to solve current issues related to agricultural or cattle technology through innovative solutions, using methodologies that promote collaboration and take advantage of group intelligence.



The Bank provided USD 2,500 to the Seed Capital award for the first prize. In addition, winners had the opportunity to validate their prototypes in facilities of clients of the Bank.

The Marketing area provided ongoing support to 14 internal areas of the Bank, being in charge of all external communication to clients and supporting Organizational Development for specific internal communications.

Information Security

During 2021 the Bank kept focused and worked on strengthening all changes brought forward by the pandemic, where cybersecurity risks increased.

Some milestones were changes to new-generation security tools for preventing cyberattacks via malicious codes; the implementation of an outsourced security operations center, which provides a significant 24-7 monitoring service for detecting and containing security threats; and an improvement in Regional Web client experience related to the

implementation of a risk engine via machine learning analysis on usual client behavior and authentication only for risky operations.

We persisted in the challenge of preventing cybersecurity incidents and electronic fraud through constant awareness campaign, generating a security culture in both internal and external clients through continuous publications in social networks and webinars for clients, as well as ongoing internal courses and communications for staff members via collaborative tools.

The Bank kept focused on protecting the entity's information assets and to that effect, work was done on updating and innovating tools helping to perform effective, efficient monitoring.

Always seeking proactivity, the team was trained on market trends and ongoing global changes found in cybercrime to act on emergent risks.

Compliance

Banco Regional is committed to the community and the integrity of the financial system. Therefore, it always seeks to comply with current regulations issued by local regulators, with the highest standards set forth by international recommendations.

The institutional management is focused on values of transparency and honesty, having in place policies, procedures and tools to identify and mitigate risks which could cause the entity to be linked to illegal and/or unethical acts such as money laundering, terrorism financing and corruption.

The Bank, committed with doing its business in a transparent way, follows recommendations from Rabobank, our strategic ally, and complies with international demands from the Wolfsberg group, with its objective of developing standards for fighting money

laundering, terrorism financing and corruption in financial institutions.

Regulatory changes at a local level on LA/FT Prevention matters

In August, the Executive Branch issued Decree No. 5871/2021 **“WHEREBY IT IS REGULATED THE PROCESS FOR APPLYING IMPEDIMENTS, PROHIBITIONS AND CONSEQUENCES FOR NONCOMPLIANCE WITH DUTIES SET FORTH IN LAW No. 5895/2017, MODIFIED BY LAW No. 6399/2019, AND IN LAW No. 6446/2019, AND PROVISIONS ARE SET FORTH ON MATTERS OF LIQUIDATION AND DISSOLUTION OF CORPORATIONS.”**. Subsequently, via circular letter SB SG No. 99/2021 dated September 10, 2021, and as ordered by the Treasury Legal Division, the application of measures set forth in the aforementioned Decree No. 5871/2021 was suspended; and, finally, via circular

letter SB SG No. 119/2021, dated October 25, 2021, Banks were informed on application of sanctions set forth in Decree No. 5871 from November 1, 2021.

In addition, on December 15, 2021, the Executive Branch sanctioned Law No. **6872/2021 WHICH ESTABLISHES A SPECIAL AND TRANSITIONAL REGIME FOR RE-CONDUCTION OF CORPORATIONS IN BREACH OF LAW 5895/2017 “WHICH SETS FORTH TRANSPARENCY RULES ON THE REGIME OF CORPORATIONS INCORPORATED BY SHARES” AS MODIFIED BY LAW 5399/2019.** By virtue of Law No. 6872/2021, a term of 6 months is granted to finish the conversion process from bearer shares to registered shares, for those companies who still did not finish that process.

With the enactment of the aforementioned law, a significant number of economically active companies may be able to finish the aforementioned process.

Implementation of New SIRO / ROS

On January 18, 2021, the Secretariat for Money Laundering Prevention (SEPRELAD in Spanish) issued Resolution 15/2021 to implement the Comprehensive System for Reporting Operations (SIRO in Spanish) and to submit Reports on Suspicious Operations (RSO). Throughout the year, SEPRELAD issued operating instructions for the new platform, which were updated with the cooperation and recommendations of Banks members of ASOBAN.

GAFILAT Mutual Evaluation

The mutual evaluation which was initially scheduled for 2020 was postponed to 2021 due to the pandemic.

The Compliance Department followed the preparation process prior to the evaluation closely. To that effect, members of the Board of Directors and staff members from

the department took very active participation in meetings held by SEPRELAD and the Central Bank. In addition, several internal training events were done with involvement of members of the Bank’s Board of Directors, staff members from the Compliance Department, and Regional Financial Group representatives (Regional Casa de Bolsa S.A. and Regional S.A. de Seguros). Finally, onsite evaluation meetings were held from the end of August to beginning of September, and Compliance Management was part of the meeting held between evaluators and ASOBAN and ABAFI representatives.

Implementation of Global Compact Anti-Corruption Policy and Procedures

Banco Regional SAECA, as a member of the Global Compact Network, among its actions as an active member of this initiative, has to fill out a “Communication on Progress” (COP) each year.

Such communication is an annual disclosure of the commitment as institution and the efforts made by Banco Regional according to the 10

principles of the Global Compact network on areas such as human rights, labor standards, environment and anti-corruption.

As a member of this network, the Bank takes on the need of this initiative which is essential to achieve a change in society.

The Compliance Area coordinated the drafting of this first document which was issued on April 23, 2021, compiling the required information together with other Bank areas, for its subsequent dissemination to the Global Compact Network. With the development of this notification, Banco Regional reasserts its commitment to keep working and investing on best practices so that business can be more sustainable each day, complying with the highest standards on the matter.

Kroll Associates Evaluation

Since 2013, LA/FT Prevention Policies and Procedures of Banco Regional are evaluated by the international firm Kroll each year, a leading risk consulting firm internationally recognized for its experience on matters

of Prevention of Assets Laundering and Terrorism Financing.

Banco Regional Board of Directors, which is committed to these issues, sought these evaluations, considering that they allow to reach and comply with the highest local and international standards on the matter.

The last evaluation done by the Kroll firm related to the Bank's current policies and procedures on matters of prevention, had a satisfactory conclusion in 2020. These evaluations allow sharing knowledge and experience with members of this organization, offering a broad vision on trends, new typologies and regulations linked to the compliance area.

Training

One of the pillars of an effective LA/FT Prevention program is to achieve an

adequate training level for members of the institution. In 2021, implemented training processes continued, complying with the approved annual planning.

The goal of these training sessions is to continuously strengthen existing communication channels among the different areas of the Bank and the Compliance department. These training activities consisted mainly of virtual talks, presentations, courses on the virtual "Regional University" platform and, especially, ongoing communication with the Bank's areas, with the goal of communicating to all collaborators the need to comply with current procedures and controls. In addition, they allow that all entity members may have the required knowledge to effectively perform their daily tasks.

Members of the Compliance department are also continuously trained. They attend local

and international courses and conferences specific for LA/FT Prevention matters, which allow them to keep up with new changes on current rules and typologies.

During 2021, members of the Board of Directors also took part on several training sessions, mainly those related to onsite evaluation on the GAFILAT Mutual Evaluation framework.

Computer tools

Banco Regional has platforms offering a technology solution for LA/FT prevention procedures. Among them, there is the transaction monitoring platform known as Topaz Trace. This tool, through parameters previously set by the Compliance department, performs an automatic monitoring of transactions performed by clients, detecting operations which could be flagged as unusual, generating automatic alerts which are subsequently verified by the Compliance area.

This tool is constantly updated in terms of new processes, criteria, regulations and/or typologies detected. On December 2, 2021, a new version of the platform was applied which allows access to the tool from any web browser (formerly only Explorer) and, in addition, its internal programming was reinforced.

For platform users, the change is only visual, and does not change their current monitoring processes, although changes were made to visual aspects on work screens.

Development of new policies

In compliance with provisions of Resolution 70/2019 of SEPRELAD, which states the need of developing a PLA/FT Policy at a Financial Group level, the Board

of Directors approved the Policy for Preventing Money Laundering and Terrorism Financing for the Regional Financial Group in April. The policy development followed the advice of the KROLL international firm to ensure compliance with local regulations.

Since December, this document has final approval by the Prevention of Money Laundering (PML) committees of the group's companies, and was submitted to the Board of Directors of each entity for its ratification.

Fundación Regional

The Compliance Department has cooperated in the development process for the LA/FT Policies and the LA/FT procedures manual for the Foundation, according to provisions of Resolution No. 453/2011 which approves the REGULATIONS FOR PREVENTING MONEY LAUNDERING AND TERRORISM FINANCING FOR NONPROFIT ORGANIZATIONS issued by SEPRELAD, under review and validation of the Legal Affairs Department of the Bank, the legal firm Fiorio, Cardozo & Alvarado and Dr. Rocío Vallejos. The aforementioned documents were submitted to the LA/FT Prevention Committee in September, and currently are in force within the Foundation.

Operations

Working together with the commercial area, necessary adjustments in client-required forms were identified. After a comprehensive review, the following improvements were achieved: Account opening is now multi-account and multi-currency, and the single form for Legal Entities combines information which formerly required filling out 3 different forms.

The following benefits achieved are worth mentioning: client experience by reducing the number of forms to be filled out and signed; costs savings by reducing paper use, and efficiency in refining and combining information required into a single document.

The VISA TOKEN credit cards adequacy was consolidated for electronic purchases thanks to the brand's guidelines. Complying with requests, the working system, processes and parameters for electronic purchases with VISA Card were updated. Client experience in electronic purchases remains simple and safe with increased security for electronic purchases.

In terms of logistics, an additional courier service was hired seeking efficiency in delivery of valuables and contingencies. This update meant an improvement in delivery services, with prior client coordination by supplier platforms (WS and SMS).

For internal correspondence, saving 46 reams of paper on average was achieved by eliminating printed spreadsheets which were formerly used as acknowledgement of receipt of correspondence. They were replaced by digital acknowledgement of receipt. This improvement was a result of the Transformation Ideas Collector.

In the same economizing spirit, the unification of cash forms for exchange operations was achieved. This implies saving one sheet per cashier exchange operation, issuing a single receipt with unified information.

[Security was also a priority, by improving the operational process for Security Device assignment and activation.](#)

Branch operational tasks were reduced thanks to process centralization for Payments and Services area, and Contact Center management for online blocking and unblocking for client lines.

Innovation and Strategic Projects

A total of 3649 units of paper rolls were saved during the year, in addition to other technical assistance and supply costs, thanks to the implementation of a professional software for tellers and the operational sector. The suggestion for change was made by a teller, who also shared the idea through the Transformation Ideas Collector.

The Ideas Collector is a space in the Intranet, in the Transformation Ideas section. There, information related to concepts, methodologies and news on innovation is periodically shared, and a collaborative space was made available, so that all collaborators may add ideas related to process, innovation and sustainability improvement. These ideas are analyzed and managed by O&M, and by Innovation and Sustainable Development.

In keeping with process continuous improvement and innovation, various

events which positioned the Bank as an innovation driver were supported, thus improving the corporate image.

In an alliance with the startup incubator KOGA S.A., the STARTCAMP 2021 Innovation Competition was held. There, teams with ideas to solve agricultural challenges through technology took part. The challenges defined were Productivity and Sustainable Production; Data and Traceability; Digital Process Transformation. At brand presence level, the event appeared in 5 printed media, 8 digital media, 1 magazine, 4 TV Channels, 1 radio station and 2 media hosted on social networks.

Another event supported by the Bank was GRAMO TECHNOLOGY, a space which allowed for presentation of success stories by area leaders, driving entrepreneurs to incorporate technology in their process, staff and culture, in order to increase competitiveness and contribute to the country's development.

The Bank was also a protagonist of the OpnX Open Innovation Program (promoted

by IADB Lab, executed by UIP with advice from Wayra Innovations), which introduced our institution into the national and international innovation ecosystem. Through this, knowledge was acquired to establish relationships and negotiate with startups, generating skills to offer innovative solutions.

Internally, the Regio Tables were set: work tables with interdisciplinary teams working on the analysis of needs, ideas and/or requirements by using various techniques, client-oriented or end user-oriented. Four initiatives were reviewed through these tables. One of them was related to a new product, and three to improving existing processes.

Virtual and in-person workshops were held with representatives of the Bank's branches and areas in order to expand our innovation culture and promote usage of the Idea Collector. Subjects: Innovation, Agile Methodologies, Sprint Design and Idea Generation Workshop. In sum there were 62 participants from 31 offices.

Digital Library Project

Implementations and improvements linked to the Digital Library project were made. Among them the following can be mentioned:

- Digitization and centralization of all client files from Corporate Banking, Treasury and Institutional, to make them available in a platform for access to control areas.
- Digitization of Real Guarantees in custody was started, with operational efficiency benefits, as well as risk mitigation.
- Implementation of improvements on processes to streamline / facilitate submission of client files to Central Archives for Digitization and Custody.



Transfers

In order to comply with Resolution 70/2019 of SEPRELAD, a reengineering procedure was applied to transfers received from abroad. Adjustments were made to the Matrix and Alert Guide, as well as to Transfers received, in order to secure agility and efficiency in the approval process and their supporting documentation. Besides improving processes, analysis and recurring-case approval, alerts, banks and transfer-type independence is achieved.

Considering a series of international fraud cases suffered by clients, adding one more control layer to each of the outgoing operations was considered, consisting in using the client's transaction history. An automatic listing was developed which would allow to detect cases with and without recurrence, and changes in coordinates. With this increase in controls for outgoing transfers before sending, clients avoid losing money once a change in transfer coordinates is detected with respect to previous operations. An alert is sent, and then clients must reconfirm the transaction by other means before authorizing an effective transfer abroad.

In line with new laws and resolutions, updates were done to International Transfer forms, together with a clarification made to Commissions returned for transactions not finalized. The new form includes:

1. Digital Services Tax Law 6380 – VAT and Income Tax for Non-Residents – Resolution 70/2019 and supporting documentation requested, and Law 6419/2019 for asset freeze.
2. Clarification of liabilities and limitations due to foreign regulations.
3. Limitations on liability for data supplied by the client.
4. Right of not returning the full amount of commissions when cancellation of services is due to grounds outside the Bank's control.

In order to provide knowledge to clients, a 2-day virtual training session was held for clients from Corporate and SME Banking on August 18-19, on matters related to data required for a successful transfer, risks in international payment transactions, social engineering fraud, SEPRELAD rules and regulations related to international payments.

Complaints Management

The Bank's Legal Counsel Department has a team of specially trained collaborators whose function is centered on a swift assistance to complaints received through attention channels, treated in a respectful and reserved manner, disclosing concrete data for each case in a speedy way and seeking, at all times, to provide clients with precise, trustworthy answers.

One of the important milestones reached this year and the previous year was the implementation of a follow-up process to general inquiries through digital tools, seeking to provide a faster and more effective answer from all areas of the Bank involved.

Complaints submitted in 2021 before the Secretariat for Consumer Defense (SEDECO in Spanish) on alleged breaches to Law 1334/98 of Consumer and User Defense, increased considerably in comparison to the previous year, and they were successfully solved.

Legal Counsel offered permanent cooperation with the Bank's areas on all matters concerning rules impacting the institution. Among them we could mention Decree No. 1295/19 that modifies Decree No. 9043 dated June 12, 2018, "WHEREBY LAW No. 5895/2017 IS REGULATED, "WHICH ESTABLISHES TRANSPARENCY RULES IN THE REGIME OF SHARE CORPORATIONS AND PROVISIONS ARE MADE IN CORPORATE MATTERS", Resolution No. 70, which repeals Resolution 349/2013 whereby the regulations for preventing money laundering and financing of terrorism are approved, based on a risk management system for banks and financial entities overseen by the Superintendency of Banks of the Central Bank of Paraguay, in force from June 1, 2019; Law No. 6446/2019 of Administrative Records for Legal Entities and Final Beneficial Owners, among others.

4.3.

Project Management and Operating Services

Mobile Service Center (MSC)

This area was in charge of setting up a project for creating a mobile office. To that effect the following opportunities were identified:

- Promoting banking penetration and financial inclusion countrywide.
- Enhancing digitization by opening digital channels and client education on their use, good practices and benefits.
- Opening a contact space between prospective clients and the Bank.
- Improving client experience through a pleasant space with personalized service.



- Attracting new clients and increasing cross sales through exclusive benefits.
- Making the brand visible through the Mobile Service Center in corporate events, expos, trade fairs, allied companies and others.

The Central Bank of Paraguay authorized the opening of the MSC under the figure of a “Mobile Client Service Center”. It was added to the Core Banking system under the following data:

- Name: CAC Mobile Service Center.
- Number: 53.

ATMs Installs

Two automatic teller machines were installed in strategic locations of the country. In the city of Santaní, an ATM was placed in the premises of the Puma Ka’avo gas station, located on Route 3, km 152. An average 2788 transactions is estimated, due to the high client flow.



A new Regional ATM was installed in the Petrobras San Lorenzo – Villa Olimpia, Location selection and project execution were done jointly with the Commercial, Information Technology, Physical Security and Digital Banking areas.



4.4.

Assets Awarded

In this segment improvements were applied to guarantee the process of selling assets awarded. One of those was opening a web direct access to assets awarded for sale. This can be found at the lower left angle of the web, and it can offer updated information for all parties interested in investing on or purchasing real estate.

Promotion of assets for sale increased after the assets available were published once a week, every Friday, through social networks to notify the general public.

Assets entry to Banking Core is in force. This is a module providing process transparency and automation, available for internal use.



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4.5.

Social and Environmental Commitment

Within Banco Regional's commitment it is established that environmental conservation is one of the most important tasks for our time.

In this sense, our environmental commitment starts by developing a Bank business management and model which is environmentally responsible, as well as by supporting organizations and initiatives working on environmental conservation.

Part of the client evaluation process and their ongoing follow up is a comprehensive management of environmental risk. There, as a Bank, we make sure we comply with and file all documentation supporting compliance with local regulations on activities which could involve an environmental impact.

Under these guidelines, the institution pays close attention to news on environmental matters affecting clients, so timely actions can be taken.



With the goal of reusing paper waste at maximum, in 2021 an agreement was signed with Dequeni Foundation, where the Bank commits to donate papers which they subsequently sell to a recycling company.

Thanks to technical assistance supplied by the Inter-American Development Bank (IADB), four products exclusive for environmental care were launched. Among them, we name the following: Dripping Irrigation and Solar Backup – Precision Agriculture – Euro4 or Higher Agricultural Machinery – Chaco SOLAR Irrigation.



4.6.

Regional Group

Formed by Banco Regional S.A.E.C.A., Regional S.A. de Seguros, Regional Casa de Bolsa S.A. and Fundación Regional, the Regional Economic Group fulfills the objective of answering the financial and economic needs of the Paraguayan market. By using tools adapted to every need, clients' personal and corporate growth is enhanced, without losing sustainability in each action.

Getting to know the Regional Group

The Marketing Committee is a team formed by representatives from the parties. It holds monthly meetings in order to work on joint communication options to position and strengthen Regional Group.

Members assigned to the Committee:

- Casa de Bolsa Regional: Karen Oleñik and Mónica Mazacotte.
- Seguros Regional: Santiago Arce and Elizabeth Damús.
- Fundación Regional: Alex Cyncar.
- Banco Regional: Claudia Blanco, with guidance from María Luisa Rossi.

Joint Communication Actions:

12 meetings were held and from them, the following actions were coordinated:

- Pink October
- Blue November
- End of Year greetings



As part of the actions carried out by Regional Group members, and with the goal of giving value content to the market, a discussion group cycle with 4 meetings, each with one representative of the Group members, discussing issues of interest as defined by the marketing committee.

Economic challenges 2021

The first edition of the discussion group cycle had Mr. Manuel Ferreira from MF Economía as a special guest. He was accompanied by Mrs. Laura

Borsato as a representative of the Bank.



Mutual funds and securities market in Paraguay

The second edition of the discussion group cycle had Mr. Yan González, Finance Manager of Regional Casa de Bolsa as a special guest. He was joined by Mrs. Viviana Trociuk, President of Casa de Bolsa.

Welfare in Pandemic: Mental health, a priceless asset

The third edition had Dr. Manuel Fresco of the Ministry of Public Health and Social Welfare as a special guest, and he was joined by Mr. Sergio Leiva, Business Manager, Regional Seguros.

Corporate foundations and sustainable development

The last edition had Mrs. Rafaela Oleinik, Transactional Banking, Correspondent Banking and Foreign Trading of Banco Regional, and she was joined by Mrs. Irene Memmel, as a representative of Fundación Regional.

Generally speaking, the highlights of these 4 meetings were the following:

- A total of 481 participants attended the 4 editions held in 2021, increasing attendance by 80% in comparison to 2020.
- There are 1325 registration records with participant data in 2021, 53% more than in the previous year.
- Participation rate was between 30% and 54%.
- The reach to countryside participants was from 48% to 78%.
- The sector which represents participants the most in 2021 was Services, with 30%.



Main milestones in 2021

Regional Seguros

Diploma Degree in Risks Subscription

First official diploma degree with UTIC certification. Held from May to December 2021, it had the participation of collaborators from all of Regional Group.

IP Telephony Project

To unify all communications platforms of the company. A single contact number to channel all services.

Server Restructuring

A significant investment to generate and think in great projects where using and processing great amounts of information is becoming increasingly necessary.



Main milestones in 2021

Fundación Regional

“Seed Fund” Competition

A competition with a focus on Environmental Education. Evaluations of the first two theses were held by relevant area specialists.

Regional Scholarships

Scholarships were granted to outstanding students from Colegio Conferedación Educativa Agropecuaria CEA (Bella Vista) and San Benito Agricultural School (Pastoreo, Obligado).

“Kuña Itapúa” Program

On November 26, the program Kuña Itapúa was held, in alliance and cooperation with the Paraguayan Foundation. This consisted of training on finance and responsible marketing, as well as tax regularization (obtaining a taxpayer number) for entrepreneur women of the department, having projects in progress with at least 6 months of implementation.

3rd Anniversary of Fundación Regional

On October 29 a celebration was held for the Anniversary of Fundación Regional, with participation of the leading people from each project in progress, who shared their experience with guests.

Casa de Bolsa

Issuance in primary market

For about USD 26.3 million in fixed-income securities (bonds in PYG + USD) and PYG 5 Billion in variable income (dematerialized preferred shares)

3 new issuers were registered

Imperial Compañía Distribuidora de Petróleo y Derivados S.A.E., which represents the Petromax brand; Radice S.A.E.C.A., and Aseguradora Paraguaya S.A.E.C.A. – ASEPASA.



Main milestones of 2021

Casa de Bolsa

A historic first year of Mutual Funds

A real growth of 381% in Paraguayan Guaranis and 766% in United States Dollars in comparison to previous year. In addition, funds already have excellent grades, which highlights the fund manager, both quantitatively and qualitatively.

3rd Anniversary

This was celebrated with presence in the securities market, with a team of over 30 persons and expansion of the physical structure to the new Park Plaza corporate building, but still keeping operations at the Regional Corporate Building in Asunción.

Reconnecting with clients in person

In a joint action with strategic ally LarrainVial, strategic visits were made to our main clients. In addition, a small event in an after-office format was held with them. This way, the year closed with a total volume of USD 3,000,000 in international accounts, handled thanks to this intermediation and strategic alliance.

Patrimonial Growth at the End of 2021



REGIONAL SEGUROS

In the period between 2020 and 2021, Regional Seguros (RS) achieved a total premium billing of PYG 73.876 billion, showing a 8.75% growth compared to the previous fiscal year. This billing index positioned RS in the 13th place among the 33 insurance companies operating nationally, with a 2.50% market share.

The Business Department developed its market share acquisition strategies through three important Marketing channels:

Insurance Banking: PYG 42.572 billion
 Agents and Brokers: 21.307 billion
 Direct Sales: 7.051 billion

In this first semester of the 2021/2022 Fiscal Year a 7.94% growth was achieved.

1st semester fiscal year 2020-2021 37.823 billion
 1st semester fiscal year 2021-2022 40.826 billion

GENERAL PRODUCTION OF 1ST SEMESTER FISCAL YEAR 2021/2022

01/07/2021 TO 31/12/2021

ORGANIZER	GOAL	PRODUCTON	FULFILLMENT
Agents and brokers	11.945.718.085	11.724.028.298	98,14 %
Insurance Banking	24.311.420.946	25.106.853.733	103,27 %
Direct Sales	5.164.525.985	3.988.502.523	77,23 %
Total	41.421.665.016	40.819.384.554	98,55 %

Loss Management

Regarding indicators, it can be stated that net loss ratio was 47%, that is, an increase in comparison to the ratio registered in the previous fiscal year, which was 42%.

Analyzing areas with a bigger share in expenses per loss, the leader was the automobile section, with 3043 complaints filed, and losses estimated in PYG 9.783 billion. These figures show that both frequency and intensity in this area kept their levels in comparison to previous fiscal year, despite these times being atypical.

The Life section also had high levels of activity, with 237 complaints estimated in PYG 13.279 billion. This is the area with the most impact regarding intensity, but thanks to Foreign Reinsurance agreements, this allowed loss recovery for PYG 3.246 billion, with represents 55% of gross losses paid in the fiscal year.

Within Fire and Various contracts, the Technical Risk – Agricultural Machinery section had a significant impact, with a total of 349 complaints received and estimated in PYG 8.175 billion. After the Life section, this was one of the sections with more intensity in the fiscal year that ended.

Client service management at loss level, through Web Complains reached 30% of total complaints received; this shows that the insured are using the digital tool increasingly more.

Financial management

Regional Seguro's net assets had a 26% growth in relation to the previous fiscal year, which meant a PYG 10.194 billion increase as a result of an increase in Equity Capital, the legal reserves and the fiscal year's profits. The ROE as determined by the Fiscal Year Results over Net Assets, was 21%, while profitability on equity was 35%.

For the fiscal year which ended on June 30, 2021, financial investments showed a PYG 10.443 billion growth diversified in various banking and financial institutions of the local market. As for yield of such investments, despite a depression on market rates, an 8% performance index was achieved, higher than the market average of 6%.

These investments were for a total of PYG 47.354 billion, formed mainly by Financial Investments, Real Estate Value and the Credits Portfolio from policy sales, which support technical liabilities Reserve Risk in Progress and Loss Technical Reserve. An 18% increase in the coverage ratio was observed in comparison to the previous fiscal year, which allowed the company to effectively comply with the ratios required by Resolution No. 132 of SIS, which shows the Board of Directors' commitment to keep Solvency and Liquidity ratios to face the commitments made to each insured person.

The solvency margin ratio by June 30, 2021 was 3.82, which was higher than the one recorded in the previous fiscal year, which was 2.66. Feller Rate assigned an "A+py" grade to insurance obligations of Regional S.A. de Seguros (Regional). The grade tendency is "Stable".

FUNDACIÓN REGIONAL

At little over three years after its organization (2019), Fundación Regional has various noteworthy achievements in its strategic acting axes: Financial education, Agricultural and cattle research, and Environmental education.

The creation and activation of innovative programs and projects, and the setting of strategic alliances to reach the goals proposed, clearly showed its potential as an entity to link Regional Group to the community.



Membership program

In order to reinforce its programs and enlarge the scope of beneficiaries, in 2021 the Membership Program for Fundación Regional was introduced,

under the slogan "I'M PART OF SOMETHING GREATER"

Thus, as an option for companies member of the Regional Group to get involved, their collaborators and directors may contribute monthly amounts to the financial sustainability of the Foundation's programs, in the areas of environmental and financial education, or agricultural and cattle research.

The categories offered in the Membership Program, and to which have adhered leading members of the Regional Group, Banco Regional, Regional Seguros and Regional Casa de Bolsa, are:

Friend: PYG 50,000

Protector: PYG 100,000

Godfather: PYG 250,000

3rd Anniversary of Fundación Regional

On October 29, 2021, within the framework of the 3rd anniversary of its creation, members of the Board of Directors of Fundación Regional showed the main results of the Foundation’s annual administration.

The meeting had the attendance of special guests and representatives of allied organizations and institutions. At the occasion, representatives of the different projects in progress could share their experiences.

This celebration was also attended by directors from Rabobank and the entities that are part of the Regional Group.



Financial Education

Training Volunteer Educators

Within the Financial Education Program framework, Fundación Regional developed a training cycle for Regional Group collaborators from all the country.

The 32 Regional Group collaborators, trained as Financial Education multiplying agents, will cooperate through volunteer work, providing knowledge and tools for a proper administration of personal finances to various social groups and clients.

Incentive for women’s entrepreneurship

Kuña Itapúa

The Kuña Itapúa program, sponsored by Fundación Regional in alliance with the Paraguayan Foundation, allowed 30 entrepreneur women aged 18-35 to acquire knowledge and tools for business plans, finance and digital

marketing, and also advice on tax formalization, in its first edition.

As part of this initiative, 10 selected business plans will be awarded with a Banco Regional savings account and an economic contribution.



Agricultural and cattle research

Regional Scholarship Program

In order to encourage youth from the Itapúa Department to work on training and research in the agricultural sector, Fundación Regional awarded scholarships to outstanding students from agricultural schools.

During the second semester of the 2021 school year, the “REGIONAL SCHOLARSHIPS” program benefited 10 students from Colegio Confederación Educativa Agropecuaria CEA (Bella Vista) and San Benito Agricultural School (Pastoreo, Obligado).

The educational institutions are in charge of managing the resources granted and supervising the academic performance of scholarship recipients.



ENVIRONMENTAL EDUCATION

Encarnación Recycles Eco-Challenge

Framed within the Environmental Education strategic axis, Fundación Regional promotes a higher level of environmental awareness and responsible practices to care for the environment.

With support from Fundación Regional and the involvement of several institutions and organizations, through the “Encarnación Recycles” Eco-Challenge, a total of 6 Eco-spots were installed in the City of Encarnación during 2021. The activity sought to encourage comprehensive and sustainable solid waste management and neighbors’ organization and empowerment to build a healthier environment. By this citizenship education initiative, an amount of USD 1000 was awarded to the neighborhood committee that collected the highest possible quantity of recyclable materials at the eco-spot of their neighborhood.

Seed Fund

In order to spread awareness and encourage incorporation of Sustainable Development Objectives in different initiatives, Fundación Regional implemented the Seed Fund Program in the area of university education since 2021. By this initiative, students whose thesis projects were feasible projects able to contribute to sustainable development received awards.

The program was broadcasted by several media outlets, encouraging student involvement. In addition, there were training sessions for candidates as an introduction to Sustainable Development Objectives and Financial Education. The program allows for 3 Seed Funds of PYG 15 million each. Currently, the projects submitted are in the evaluation stage.

CASA DE BOLSA (BROKERAGE HOUSE)

Regional Casa de Bolsa passed its first 3 years of presence in the Securities Market, reflecting the Regional Group’s decision to contribute to the development of new businesses, allowing an expansion of financial products to corporate and individual clients, and providing local and international advice based on each client’s profile. In this period, several of the goals set forth in the Building Plan for the new investment entity of Regional Group were satisfactorily fulfilled. Currently it has a staff of over 30 collaborators, aligned through clear objectives seeking to continuously improve to offer the best investments options and solutions to all its clients. In addition, it expanded its physical structure to the new Park Plaza corporate building, thus providing better conditions for collaborators, but keeping commercial

operations in the Regional Corporate Building Asunción, giving priority to the client service experience.

With eyes on close, professional accompaniment to investors, Regional Casa de Bolsa increased its involvement in a constantly growing securities market. It made issuances in primary market for an amount of about USD 26.3 Million in fixed-yield income (bonds in PYG and USD), and PYG 5,000 million in variable yield securities (preferred dematerialized shares). In addition, it registered 3 new issuers: Imperial Compañía Distribuidora de Petróleo y Derivados S.A.E., a company operating in the fuel distribution sector which represents the Petromax brand; Radice S.A.E.C.A., within the real estate sector, in charge of the Shopping Costanera of Encarnación Project, and Aseguradora Paraguaya

S.A.E.C.A. - ASEPASA, first company of the insurance sector with presence in the securities market via issuance of dematerialized shares.

The entry of these companies marks the objective of diversification and exposure of various sectors of the economy from Regional Casa de Bolsa, both for clients and the securities market.

As for volumes traded at the Asunción Stock Exchange (BVA), 2021 was a historic year, reaching the value of USD 3.407 billion. Specifically, Regional Casa de Bolsa traded for an amount of about USD 209.4 billion in the market, thus making clear the growth potential for the Brokerage House.

In addition to trading in the securities market, trading outside the stock exchange should be mentioned, such as Certificate of Savings Deposits and Shares. Under this mode an amount of about USD 433.1 million was traded.

On the other hand, within the new business units in Regional Group it is noteworthy to mention Regional Asset Management, an Investment Equity Funds Manager and the high growth experienced by the Mutual Funds since their beginnings in September 2020. Currently the Funds Manager administers two Mutual Funds: one in local currency, known as RF Cash PYG Mutual fund, and another in U.S. Dollars, known as RF Cash USD Mutual Fund. The estate managed at the end of December 2021 was PYG 131,710,908,819 and USD 30,026,060.88, respectively. The aforementioned figures show a real growth of 3.81 times for the PYG fund and 7.66 times for the USD fund in comparison with the end of 2020. These funds had an annual yield of 4.06% in PYG and 2.15% in USD, respectively, at the same cutoff.

[Another important milestone for Regional Asset Management was obtaining the risk grading of both managed funds. The grades received were among the best in the market granted by the FixScr rating agency.](#)

ElN PYG, Credit Risk had the grade (py)AAf and Market Risk (py)S3, both with a Stable trend. As for the USD Fund, Credit Risk had the grade (py)AAf- and (py)S3 in Market Risk, both with a Stable trend. The rating agency highlighted, for both funds, the Asset Manager's good performance and the extensive expertise of its team, the favorable length in comparison to other funds with similar characteristics, as well as the support of the Regional Economic Group, which adds to liquidity optimization and investment dynamics according to market opportunities.

Regarding the ongoing objective of intensifying the focus on Liquidity and Risk management, as well as the challenge of personally reconnect with clients to provide them solutions and answers for their needs, in November 2021 strategic visits were made to potential clients of Exclusive Banking and Regional Casa de Bolsa, with LarrainVial, a strategic ally. The

schedule for visits was executed from Tuesday, November 23 to Thursday, November 25. At that time, the ally visit finished with a small event in an After Office format, with clients and Exclusive Bank executives. As a result of this strategic visit, new accounts were requested to perform investments in the International Market via LarrainVial, with 9 accounts opened in total at the end of 2021 and other 3 more in process. The total volume handled on terms of investments at an international level, thanks to the Brokerage House intermediation, and a strategic alliance, is a total of USD 3,000,000 with high growth expectations for 2022.

Within the same line of strategic advising from LarrainVial, by their business unit known as Alcalá, Regional Casa de Bolsa has a Multi-Family Office service, by which it is sought to offer a comprehensive, personalized advice to high income families, including services of inheritance, family governance,

investment analysis, among others related to family assets.

The year 2022 comes with new challenges. First, the group will continue to discover how to reactivate economy after going through the worst pandemic stages; this reactivation always implies a level of uncertainty to be managed, but it mainly entails being able to provide financial solutions to requirements to which the economy and its various productive and services sectors are exposed.

On the other hand, the Securities market grew in competitiveness, quality and business volume, which means raising the professional level of products and services, offering new options and improving client experience in accessing information and executing their investments. Debt structuring will be quite relevant for constructing these

solutions, as well as the development of investment funds allowing to accompany new projects and thus grant diversification options to investors.

Regional Casa de Bolsa and the Funds Manager, Regional Asset Management, are prepared to react and guide our clients and their projects in the best way, providing quality, integrity and solvency in each of their products and services.

Results - Evolution

		2019	2020	2021	2021 vs 2020 Var %	2019 2021 Management
Income	Trillion PYG	3.787	7.026	11.359	62%	3,0
Expenses	Trillion PYG	3.173	5.046	8.946	77%	2,8
Result	Trillion PYG	614	1.980	2.413	22%	4,0
# Clients	#	350	739	1.250	69%	3,6
AUM	Billion PYG	89	119	148	24%	1,7%
BVA Volume	Trillion PYG	963	970	1.466	51%	1,5
Market Share	#	4°	5°	7°	-2	-3
# Collaborators	#	9	16	28	75%	3,1
Capital	Trillion PYG	5.000	10.000	25.000	150%	5,0
ROE	%	12,2	17,1	12,7		

Key Indicators

Key Business Lines

New Issuances
Petromax + Radice + ASEPASA

Funds
with a 167% dynamic over estimates

Increased Client Base

Clients

#1.250

+480 New clients
+6 International Accounts
5 Events with clients

Increase USD 148 billion **+24%**

BVPASA Volume 215 billion **+51%**

MARKET RANKING #7° **-2**

ROE | ROI (*)

ROE **12,7%**

ROI **16,1%**

(*) Net Assets and Average Capital according to equity payments

Regional 

