Annual Report **2016**

BANCO FAMILIAR

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BANCO FAMILIAR

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Corporate **Governance**

BOARD OF DIRECTORS

PRESIDENT:	Alberto Acosta Garbarino
FIRST VICE-PRESIDENT:	Hugo Fernando Camperchioli
SECOND VICE-PRESIDENT:	Alejandro Laufer
REGULAR DIRECTORS:	Alfredo Steinmann Pedro Beissinger Jorge Camperchioli César Barreto Otazú
ALTERNATE DIRECTORS:	Roberto Daniel Amigo Marcet Silvia Camperchioli de Martin Héctor Fadlala Wismann
REGULAR TRUSTEE:	Juan B. Fiorio
ALTERNATE TRUSTEE:	Diana Fadlala Rezk

LIST OF EXECUTIVES

GENERAL MANAGER:	**César Barreto Otazú**
ASSISTANT GENERAL MANAGER:	**Hilton Giardina Varela**
FINANCIAL MANAGER:	**Diego Balanovsky**
RISK MANAGER:	**Wilson Castro**
BRANCHES MANAGER	**Víctor Pedrozo**
CORPORATE BANKING MANAGER:	**Nery Aguirre**
PERSONAL BANKING MANAGER:	**Graciela Arias**
RETAIL BANKING MANAGER:	**Fabio Najmanovich**
ADMINISTRATIVE AND BROKERAGE MANAGER:	**Gladys Velázquez**
OPERATIONS MANAGER:	**Sandra Hirschfeld**
TECHNOLOGY MANAGER:	**Nancy Benet de Quintana**
PEOPLE AND O.D. MANAGER:	**Mabel Gómez de la Fuente**
MARKETING AND COMMUNICATIONS MANAGER:	**Luján del Castillo**
TRUST FUNDS MANAGER:	**Myrian Soliz de Mendoza**
INTERNAL AUDIT MANAGER:	**Venancio Paredes**
COMPLIANCE MANAGER:	**Oscar Daniel Fernández**

CALL TO THE **REGULAR MEETING OF SHAREHOLDERS**

In accordance with provisions of Article 32 of the Articles of Association, the Shareholders of Banco Familiar S.A.E.C.A. are called to the Regular Meeting of Shareholders to be held at Carmelitas Center, Salón Hope, at Avda. Molas López y Pastor Filártiga, on March 27, 2017, at 19:00 hours. If the quorum is not met, the Meeting shall be held an hour later, with the present Shareholders, for the consideration of the following:

AGENDA

1. Appointment of a secretary for the Meeting.
2. Reading and consideration of the Board's Report, the Balance Sheet, the Income Statement and the Trustee's Report corresponding to the year that ended on December 31, 2016.
3. Proposal for Profit Distribution.
4. Capitalization of Retained Earnings.
5. Issue of Ordinary Registered Class "A" Shares for the Capitalization of Retained Earnings.
6. Delegation of the determination of any other conditions regarding the issue of shares of item 5 of the Agenda to the Board of Directors.
7. Determination of the monthly remuneration and bonuses of Members of the Board according to Article 16 of the Articles of Association.
8. Appointment of a Regular Trustee and Alternate Trustee for 2017.
9. Determination of the remuneration of the Regular Trustee.
10. Decision on the appointment of external auditors for 2017.
11. Appointment of two shareholders to sign the Minutes of the Meeting, alongside the President and Secretary of the Meeting (Article 40).

Shareholders are reminded of the provisions of Article 34 of the Articles of Association, which sets out that Shareholders must deposit their shares or a bank certificate of deposit with the name of the Shareholder in the office of the Secretary of the Board of the Company at least 3 business days prior to the Meeting.

THE BOARD.

LETTER FROM THE PRESIDENT

Dear shareholders,

I am pleased to write to you to present the Annual Report for the year that ended on December 31, 2016.

Last year was one of transition from an economic cycle of extraordinary surge for our country to a clearly less favorable economic cycle.

In the years of prosperity, we became an important exporter of agricultural and livestock raw materials, which drove an extraordinary growth in all of the sectors of our economy.

In the last 10 years, almost all of our economic variables multiplied by five or more: production, income, exports, imports, loans, deposits, fiscal income and government spending.

We started to feel the change of economic cycle two years ago with a marked decrease in the prices of our raw materials for export and then we had a serious economic and political crisis in our two big neighbors, Brazil and Argentina.

Towards the end of 2015 and the beginning of 2016, this negative scenario was felt strongly in the Paraguayan economy with a significant drop in the sales in businesses in bordering cities of our country and with difficulties to pay debts from companies in the agricultural and livestock sector.

This negative scenario with problems from abroad was joined by a strong internal political tension and the enactment of several clearly populist laws which affected our depressed internal consumption even more.

Laws that artificially limit interest rates of credit cards slowed down internal consumption when it was already decreasing. The law that forced the public sector to withdraw its funds from private banks and to transfer them to the National Development Bank [Banco Nacional de Fomento] slowed down loans at times when they were already reduced.

This was the economic scenario during the first semester of 2016, which was gradually changing towards a more positive context in the second semester.

The serious political crisis of Brazil was defined by the removal of that country's president and from that moment, the new government took a series of economic measures that brought calm and foreseeability to the markets and the capital flow returned from the large neighboring country.

This event made the Real stronger and consequently, sales in businesses at the bordering cities in our country started to go back to normal.
The drop in prices of our raw materials for export was stabilized and due to a good raining season, the 2016/2017 harvest is expected with optimism, which provides us a more optimist and positive scenario for 2017.

The good raining season that helped the agricultural sector also made it possible for our two large hydroelectrical power plants to have a record production of energy, providing us a 2016 with a growth of the GDP by 4%, higher than the projections at the start of the year.

The previously described scenario seriously impacted the financial system, which had a cycle of large growth of credit and income.

Loans were maintained practically at constant levels and even decreased with respect to the GDP. Deposits grew slightly, providing for more liquidity than expected, and pressuring the financial margin of institutions to drop.

The depressed commercial context translated into a significant increase of default (which went from 2.5 to 3.1%) which could have been larger if no significant refinancing and restructuring of debts of clients with problems had been made.

Banks and financial institutions tried to compensate lower income and higher allowances with lower borrowing rates and the control of expense growth.

These measures mitigated the drop in the income but could not prevent them to be lower than in 2015 and the average profitability over the equity fell below 20%.

These signs of the slowing down of the favorable economic cycle were anticipated by Banco Familiar 30 months ago, allowing us to take a series of measures to face the new coming cycle.

In terms of loans, the credit policies in the segment of small and medium enterprises were made more demanding, criteria for the automatic approval of loans of consumption were adjusted, the participation of the segments related to the agricultural sector was reduced and the portfolio was diversified into new segments such as construction and infrastructure and services.

Como consecuencia de estas medidas la As a consequence of these measures, the loan portfolio was reduced to 3.9% in 2016, but that is the price we were willing to pay to have a healthier and more profitable portfolio by the end of the year.

In terms of the deposit portfolio, measures were taken to reduce the financial cost, such as: the reduction of interest rates for term deposits to levels in accordance with lower inflation, the increase in participation of demand deposits with no costs or lower rates and the reduction of the participation of public funds, which were not significant but implied concentrated withdrawals in a short period. As a consequence of these measures, the deposit portfolio was reduced by 2.3% and financial costs were reduced by 2.4%.

In terms of reduction of expenses and investments, several measures were taken including the suspension of all plans of opening new branches and even the cancellation of some that were in progress, the closure of one branch and two customer service centers, the reduction to a minimum of the hiring of new employees and the adjustment of the budget of publicity and marketing. As a consequence of these measures, operating expenses of the bank in 2016 were reduced by 1.4% compared to the previous year.

As expected, the income of Banco Familiar was lower than in 2015, but slightly above the budget for 2016.

The net income after taxes of 2016 was PYG 102,425 million, which provides for a 19.6% average return on Equity in the year.

The Return on Equity dropped for two reasons: lower income and the strengthening of the equity of the bank based on a prudent policy of distribution of dividends and capitalization of results.

The equity of the bank grew from 439 million of guaranies in 2015 to 522 million of guaranies in 2016.

All of these make us think that the toughest years of the change of the economic cycle have already passed and we are optimistic that the years ahead will be better.

In Banco Familiar, we are prepared to move forward in this new scenario, growing less than in the years of prosperity, but with firm and safe steps, solidly capitalized, prudently managed and with a clearly defined vision.

This vision is the one of making us a leading national bank that provides all people and all companies, financial services, credit and savings that are adequate to their needs.

With this vision, based on our two pillars: our highly qualified people working as a team and our values of legality and ethics, we have built this company that is celebrating 50 years in 2017.

First as Crédito Familiar, then as Financiera Familiar and now as Banco Familiar, we have changed through the years but there is something we have never changed and will not change in the future: our values.

To conclude, in the name of the board of the bank, I want to express our congratulations to all of those who contributed to building the company we have today over these 50 years.

Now I want to thank you, our shareholders, our employees and our clients. This would not have been possible without you.

I want to specially acknowledge our founding shareholders, who are not with us today but they have left us the example and the values that guide our acts today.

Thanks to all of you.

ALBERTO ACOSTA GARBARINO
President
Board of Banco Familiar

Our **Commitment**

2016: A YEAR OF TRANSITION

At the beginning of 2016, there were many economic and political questions, but one thing was clear: it was going to be a tough year, as it usually happens with all years of transition between two economic cycles.

The ending cycle with an extraordinary surge for our country and producers of commodities and in general marked our country greatly in several ways. We became an important exporter of agricultural and livestock raw materials and this sector led an unusual growth of the Paraguayan economy. We can summarize by saying that in 10 years, almost all of the economic variables were multiplied by five or more: production, income, exports, imports, loan, deposits, fiscal income, government spending. Paraguay changed its economic face, damaged after the crisis and halt of the 80's and 90's, for one that was optimistic and encouraging. As usual, the quick growth is not uniform and brings along social disconformity, by bringing to light inequality and poverty. But as long as the winds are favorable, there is optimism and the growth is fed with more investment, jobs and spending.

Sooner or later, cycles end and the first signs were started to be seen at the end of 2014, with a marked decrease in the prices of commodities and a serious damage in the large neighboring economies. In 2015, the effects were relatively lighter than expected, considering the heights and speed. The good agricultural production helped to compensate lower prices substantially and public spending and private investment mitigated the drop in the private investment and domestic consumption.

These external economic factors were joined by a tense political environment that brought along regulatory changes that affected several sectors, mainly the financial sector with the ceiling for interest rates of credit cards, the forced refunding and semi-forgiveness to the rural sector and the mandatory migration of public funds and payroll to the National Development Bank.

Once again, the weather gave us a hand, but still, the transition had to be felt. The agricultural sector complied with most of its assumed financial commitments, but its investment in new machinery and constructions was practically null. Except for certain exceptions, most of commercial and service companies had lower sales and income; many were even bankrupt or are seriously indebted. The freezing of wages of the public sector and a stop to the growth of the loans were both cause and effect of this set of factors.

Partly compensating this, (mainly public) construction, livestock and industry supported by the agricultural and livestock sectors had positive years.

Real inter-annual growth		
Economic sectors	2015	2016 (e)
Economic sectors	6,5%	2,5%
Agriculture	0,2%	4,5%
Livestock	3,1%	3,9%
Industry	2,5%	18,0%
Construction	2,4%	0,5%
Transport	0,8%	-0,2%
Communications	-0,8%	1,2%
Commerce	10,2%	0,5%
Finances	4,3%	-2,5%
Government	**3,2%**	**3,0%**
GDP without bi-national institutions	1,0%	13,8%
Bi-national institutions	**3,0%**	**4,0%**
PIB Nominal (Usd Millones)	27,374	27,384
PIB per capita (Usd)	4,052	3,995

Source: Central Bank of Paraguay

The internal gross domestic product measured before the contribution of bi-national institutions grew by 3% in 2016, a lower figure than the 3.2% the year before. The total GDP including said institutions grew by 4%, exceeding the 3% the year before. Bi-national institutions represent approximately a quarter of the growth of the GDP.

Having said this, although the global figures of the GDP show growth, for the larger sectors and a wide reach of the economy to micro and small companies, services to people and companies and obviously, for a mirror of all of them such as the financial sector, 2016 was a year to forget.

OTHER ECONOMIC AND FINANCIAL INDICATORS

It is important to remark that the other economic indicators had a performance in accordance with expectations: inflation under control despite the situation of our neighbors, stable but volatile exchange rate. External debt surging due to the funding policy of more public investment via debts; fiscal deficit just on the margin accepted by the Law on Fiscal Responsibility.

PARAGUAY		
Other economic and financial indicators	2015	2016 (e)
Inflation (%)	3,1	3,9
Nominal exchange rate variation (%)	25,3	(0,3)
International reserves (Millions of USD)	6.200	7.144
External debt (% of GDP)	14,6	17,6
Fiscal deficit (% of GDP)	(1,8)	(1,5)
Financial system		
Variation per year in loans (%)	21,0	0,2
Loans/GDP (%)	53,5	49,4
Variation per year in deposits (%)	15,4	5,6
Deposits/GDP (%)	54,1	52,6
ROE (Net income / Equity, Average) (%)	21,1	18,3
Average defaulting (%)	2,5	3,1

Source: Central Bank of Paraguay

As mentioned, the financial sector was one of the most affected ones for the situation and the regulatory changes. Loans were practically constant, and even decreased with respect to the GDP. Deposits grew slightly, providing more liquidity than expected and generating downwards pressure for the financial margins in premium segments. The depressed commercial context translated into a significant increase of defaulting (from 2.5%

to 3.1%), mainly in the segment of medium and low income, both of micro and SMEs, as well as wage earners.

Banks and financial institutions tried to compensate the lower income and higher allowances with lower borrowing rates and the control of growth of expenses; but these measures only had a partial effect: most of the institutions had lower income than in 2015, and the average return on equity dropped below 20%.

OUTLOOK FOR **2017**

The good news of the weather makes us expect that the main agricultural harvests will have a good performance. It is even expected to break some records of productivity in some regions of the country. This event alone already makes us start the year with the right foot.

In addition, there are signs of recovery in Brazil and the measures applied in the Argentine economy have made its consumers turn to our country. By the end of 2016 and the beginning of 2017, the bordering commercial areas have recovered a large part of the strength lost and it is expected that micro and small companies in these areas will have higher sales and income, pay their obligations and reduce defaulting.

On the other hand, public works led by road infrastructure have a good rhythm, allowing for a spillage effect that compensates part of the decrease in investments in the private sector.

The entry of foreign capital, although with a slower rhythm, continues; mainly turning to the real estate sector.

The opposing note comes from the political situation which poses clouds over this good economic start. Sadly, the political discussion has turned to the economic field, affecting the National Budget and the issue of bonds, fostering doubts over the impact in the cost of indebtedness abroad, both in the public and private sectors.

With all of that, our expectations point to a slightly better 2017 than 2016, with a lower global GDP growth by 4%, but without the significant impact of bi-national institutions, so the "spillage" effect over the majority sectors of the population will be wider and more favorable.

BANCO FAMILIAR SUCCESSFULLY FACES THE CHANGE IN TRENDS

The early signs of the depletion of the economic cycle have been considered by Banco Familiar since 2014. In that sense, in the last 30 months, measures have been applied to face the new situation in several fronts:

As for the loan portfolio:

- Criteria for automatic approval (scorings) for the retail segment were adjusted, making them stricter.
- Policies of approval for the segment of SMEs were made harsher, reducing lines and/or demanding real guarantees.
- The participation in corporate debt in certain segments related to the agricultural sector: sale and funding of agricultural supplies and machineries, was reduced.
- The corporate portfolio was diversified, extending our participation in new segments such as construction and infrastructure and services.
- Certain products aimed at the bottom of the pyramid were discontinued as they were no longer profitable according to new pricing regulations.

As for financial costs:

- Costs of attraction of savings deposits certificates were reduced to levels that are in line with a structurally lower inflation.
- The participation of demand deposits was increased, mainly through a closer relationship with SMEs in corporate companies, which translated into more products and services contracted.
- The participation of public funds was reduced, which was not significant but implied concentrated disbursements in a short period.

As for non-financial commissions and income:

- The structure of commissions was optimized, compensating for the regulations with a more efficient pricing and according to market trends.
- More and better non-financial services were offered, generating new income.

As for operating expenses and investments:

- The opening of new branches was stopped, postponing or cancelling some ongoing plans.
- A branch and two customer service centers were closed, as they were redundant as to services provided.
- The hiring of new staff was reduced to the minimum, limited to the replacement for normal rotation.
- The marketing budget was adjusted to the strictly necessary, optimizing the expense to the channels with better price-impact ratio.

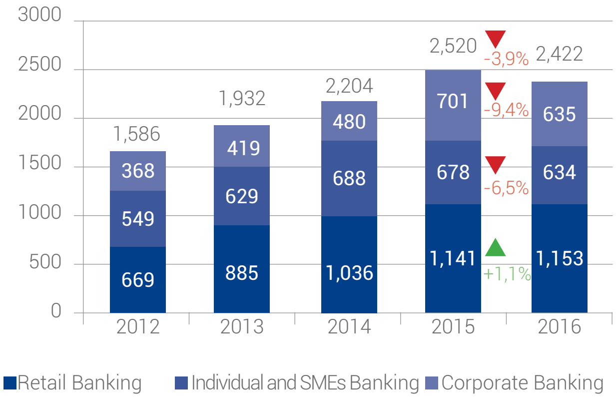
With these measures that began in 2014-15 and were continued in 2016, the transition of cycles and regulatory hits were successfully faced. The main points to remark from the financial statements of 2016 are summarized and explained below.

LOAN PORTFOLIO

The loan portfolio of the Bank was reduced by 3.9% in 2016. The impact of the economic deceleration can be seen in all sectors, but particularly in companies. The agricultural and commercial portfolios were particularly hit due to the absence of investments and the lower need of operating capital. The loans of the Retail Banking were specially affected by the cards portfolio, which dropped 10%. However, placements of consumption loans were also hit by the economic cycle, falling approximately 15% with respect to 2015.

It is important to remark that the behavior of the portfolio of Banco Familiar in 2016 is similar to the financial system, which barely grew 0.2%. If we exclude the three banks which had an atypical behavior for the situation (they grew by more than 10%) from this growth, the financial system reduced its loan portfolio by 1.5%.

EVOLUTION OF THE LOAN PORTFOLIO
(Billions of Guaranies)

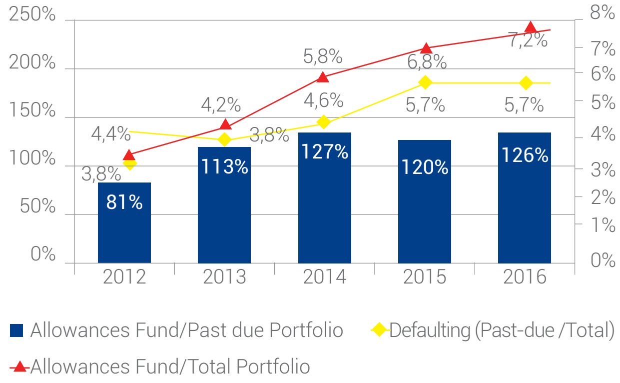


In addition, the reduction of loan placements, the main impact of economic factors mentioned above was felt in defaulting and allowances.

The year ended with a similar defaulting than in 2015. However, during the year, it had an upwards trend until July and then gradually descended to 5.7%. It is expected that said trajectory will continue in 2017.

Additionally, efforts in terms of additional allowances have allowed the increase of our coverage of Allowances, going from 120% in 2015 to 126% in 2016. Another way to measure the coverage of allowances is the Allowances Fund/Total Portfolio ratio and we have risen from 6.8% in 2015 to 7.2% in 2016 in this indicator.

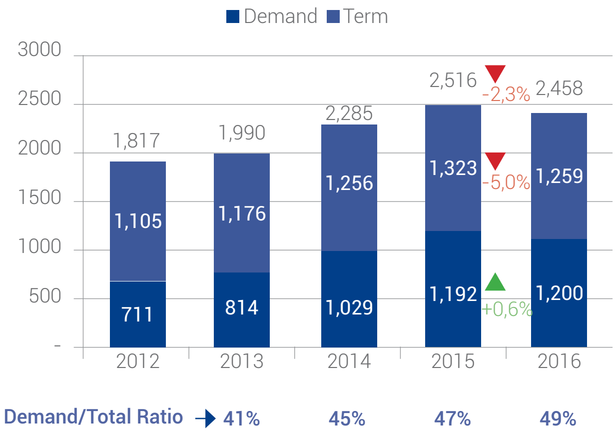
DEFAULTING AND ALLOWANCES



DEPOSITS

The deposit portfolio was also contracted, although in a smaller proportion than the loan portfolio. As mentioned, the placements of savings deposits certificates were discouraged with relatively high rates, replacing them preferably with demand deposits. With his strategy, the demand/total ratio was increased to almost 50%, with a significant effect in the decrease of financial costs. At the same time, in addition to the lower placement of loans, it helped to avoid the accumulation of undesired and expensive excess.

EVOLUTION OF DEPOSITS (Billions of Guaranies)



MARGINS AND REVENUE

Results (Millions of Guaranies)	2014	2015	2016	Changes 2016-15	Changes 2016-15,%
Financial income	546,737	585,669	576,886	-8,784	-1.5%
Financial costs	142,724	128,854	125,765	3,090	-2.4%
Allowances	156,540	187,731	198,883	11,152	5.9
Net Financial Margin	**247,473**	**269,084**	**252,238**	**-16,846**	**-6.3%**
Operating Expenses	236,810	254,413	250,736	-3,677	-1.4%
Other net operating income	124,306	121,026	114,648	-6,378	-5.3%
Income before taxes	134,970	135,697	116,150	-19,547	-14.4%
Income tax	15,300	15,882	13,725	-2,156	-13.6%
Net Income	**119,670**	**119,816**	**102,425**	**-17,391**	**-14.5%**

As expected, the income of Banco Familiar was lower in 2016 than the registered income in 2015.

2016 ended with a net income after taxes of PYG 102,425 million, 14.5% lower than the year before, but slightly above the budget.

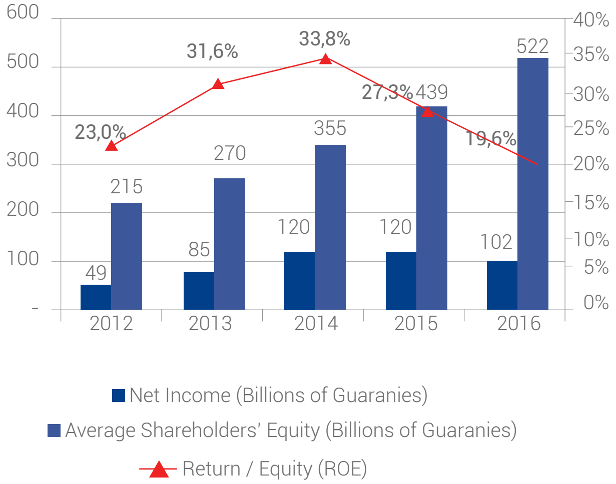
The impact of credit cards regulation can be seen as it significantly reduced the income from this product which could be mitigated in part, but carried a reduction of financial income by 1.5%.

The reduction of financial costs with the mentioned measures compensated the drop of income in part. However, the higher allowances were the ones that impacted more significantly, reducing the margin by more than 11,000 million with respect to 2015.

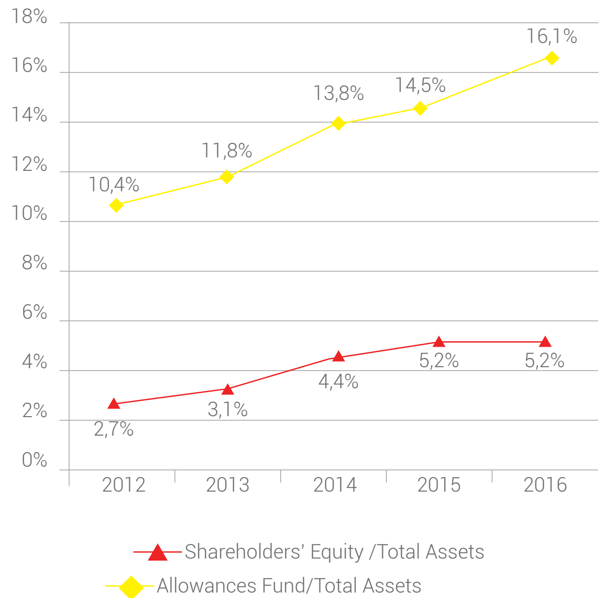
Operating expenses were reduced as a product of mentioned contention and rationalization policies. However, the other (non-financial) operating income was affected both by the regulation and the decrease of economic activity and the fewer loan placements.

Return on equity dropped due to a double effect: first, due to lower income, but also due to the strengthening of the shareholders' equity thanks to the prudent policy of distribution of dividends and capitalization of results.

EVOLUTION OF RETURNS
(Billions of Guaranies)



The indicators of the capitalization of Banco Familiar are among the highest of the market. The Equity/Total Assets ratio was 16.1% at the end of 2016, way above the regulatory requirements. On the other hand, the Retained Allowances Fund as of that date reached 5.2% of the total portfolio, which also constitutes a reserve to face adverse cycles.



CAPITALIZATION

One of the fundamental strategies of Banco Familiar is having a solid equity, way above regulations which allows it to face without inconvenient the characteristics of a volatile and uncertain market such as ours.

In that way, the Bank applies a very conservative policy of distribution of dividends supplemented with the annual and recurring capitalization of a large part of the retained earnings.

Concept (Millions of Guaranies)	2014	2015	2016
Shareholders' Equity	399,010	479,814	543,479
Capital	180,000	210,000	240,000
Reserves	81,144	106,267	131,670
Retained Earnings	137,866	163,547	171,809
Sources of Variation of Shareholders' Equity			
Capitalization of retained earnings	25,000	30,000	30,000
Establishment of reserves	18,427	25,123	25,403
Net variation of retained earnings	45,440	25,682	8,262
Increase of Shareholders' Equity	88,867	80,804	63,665

PREPARED TO RESUME GROWING

Luckily, although the negative cycles have been harsh and long, the positive cycles follow. It all seems to indicate that the years 2015-2016 have been the harsher years we had to face in this transition. Although we are aware that repeating the surge of the golden years of 2010-2013 is impossible, because the national and world economic conditions are completely different, it is expected that the things will improve gradually.

In Banco Familiar, we are prepared to move forward in this new scenario with a slower but firm and safe rhythm of growth, solidly capitalized, prudently managed and with a clearly defined vision: being a Bank that is accessible for everyone, with products adjusted to the needs of each segment and with an efficient, quick and complete banking service.

CORPORATE SOCIAL RESPONSIBILITY

"A lot of people, in several places, doing small things, can change the world".

(Eduardo Galeano. Uruguayan journalist and writer)

BANCO FAMILIAR VOLUNTEERING

Promoting a culture of Corporate and Citizen Social Responsibility within our company and Paraguay, promoting the active participation with people, institutions and companies in the communities where we operate, is one of our most ambitious objectives.

And in this interest, our bank has been promoting, for more than 10 years, the development of social leaders named COMMUNITY VOLUNTEERS of Banco Familiar, who are the executing arms of most of our actions of Corporate Social Responsibility.

As a company, we do not only seek to make donations, which are important but are only a part of it. What we aspire to be is becoming agents of change in the communities where we operate.

Because of that, to stimulate and train all of the members of our company as well as to fund their initiatives, we created the Competitive Fund Program, whereby, regardless of the position, city or other conditions, each staffer or team can lead their own Corporate Social Responsibility project.

Fundamentally, the program promotes carrying out social actions in favor of the community, mainly for childhood.

The program calls for the presentation of Corporate Social Responsibility actions in the communities, and after the analysis of requirements, and after the selection by a committee, the selected projects receive:

1. **Funding,** with a small seed monetary capital to implement the initiatives presented.

2. **Advise and follow-up of professionals:** the volunteers receive support in important subjects for the implementation of projects

3. **Integral preparation,** the representing leaders participate in training in Social Leadership.

4. **Promotion:** the actions are communicated in internal and external media.

These initiatives from one or more employees may even obtain great significance by becoming a Corporate Social Responsibility program for the entire company, just like the case of the Operación Sonrisa [Operation Smile] Program which, due to the impact it had, became one of the institutional programs.

In addition, all of the other staffers participate giving opinions and voting on every proposal. This allows us to raise awareness, increase sensitivity and participation in several problems and objectives presented.

THE 13 WINNING PROJECTS OF 2017

Asunción and Greater Asunción

- **Escuela Deportiva [Sport School] Project:** in the Roberto L- Pettit neighborhood, where healthy sport recreation of more than 80 children in need is promoted.
- **Reconstruction of the Ebener Diner:** in

Tablada Nueva, where more than 100 children and adolescents get food, in addition to the teaching professions with good job prospects.
- **Paraguay APO:** non-profit organization providing College Scholarships and follow-up to raise job prospects for outstanding young people.
- **PO Paraguay:** renowned organization providing prostheses of hands and arms in 3D printers.

Concepción
- **Juan Pablo II Semi-Private School:** reconstruction of bathrooms, fixing pipes and vaccination for more than 200 students.

Ciudad del Este
- **Revivir Children's Home:** activities to collect funds for the transportation to Brazil of 11 children with HIV for integral treatment.

Caaguazú
- **San Rafael Diner:** delivery of raw materials to provide food for elders in need of the community. In it, sanitation activities and donations are carried out.

Pilar
- **San Juan Bautista Home:** donation of an industrial kitchen and basic supplies. Working mothers of the community leave their small children in the home, where they receive early stimulation and food.

Villa Hayes
- **Fundación Melodía:** In an alliance with Fundación Melodía of the city of Villa Hayes, training on Financial Education and Responsible Consumption were carried out for high school students of the Pa'i Pucú School.

Santa Rosa del Aguaray
- **Divino Niño Jesús School for children with disabilities:** support in the construction of the own facilities in the community of San Pedro.

Itauguá
- **School for blind and visually impaired people:** change and reconditioning of pipes, electric cables and maintenance of the structure of the building of the school.

Caacupé
- **Don Juan Quiñones Basic School:** construction of an eco-park with recycled elements. Activities to promote motivation and self-esteem of students.

Encarnación y Cnel. Oviedo
- **Fundación Operación Sonrisa:** the creation of a sustainable fund that allows children contacted by volunteers of Banco Familiar and subjected to reconstructive surgery to continue their integral treatment.

STORIES FROM COMMUNITY VOLUNTEERS OF BANCO FAMILIAR

"It is one of the most positive experiences I lived, with little investment, but with a firm conviction that you can provide so much joy. We learn to live with the frustration of the social differences, but with the challenge to leave a small footprint in our communities".
(Carmen Trivero. Operations Management. Escuela Deportiva Project in the Roberto L. Pettit neighborhood).

"Participating in the Competitive Funds helped me, above all, to cement the groundwork and address the edges, knowing that the competition and the quality of the panel of judges would require me to present a solid project. The Fund represented a true take-off for Paraguay Apó, helping us to plan and invest

in fixed expenses with security. Today, I can say with confidence that the incorporation of 5 new beneficiaries to the scholarship program and the integral support of my Association were possible due to the support of these spaces by the Bank".

(Rodolfo Gauto Mariotti. Finance Management. Paraguay APO Project).


Paraguay

Financial Statements

BALANCE SHEET: **ASSETS**

ASSETS	December 31, 2016 PYG.	December 31, 2015 PYG.
CASH AND CASH EQUIVALENTS	**588,777,854,697**	**647,666,167,488**
Cash	154,809,363,057	200,520,026,147
Central Bank of Paraguay (Note C.2)	323,199,654,773	328,384,783,688
Other financial institutions	110,464,815,043	118,496,872,034
Accounts Receivables from accrued financial products	318,134,397	264,485,619
(Allowances) (Note C.6)	-14,112,573	0
PUBLIC SECURITIES (Note C.3)	**371,667,606,131**	**189,025,863,364**
CURRENT LOANS FROM FINANCIAL INTERMEDIATION FINANCIAL SECTOR (Note C.5.1)	**124.261.780.472**	**71.504.884.984**
Placements	123.420.688.636	70.586.978.233
Accounts Receivable from accrued financial products	841.091.836	917.906.751
CURRENT LOANS FROM FINANCIAL INTERMEDIATION NON-FINANCIAL SECTOR (Note C.5.2)	**2,125,691,573,998**	**2,272,691,026,216**
Loans	2,204,051,512,790	2,282,725,692,945
(Revenue from valuation on hold)	-29,276,268	-2,934,315
Accounts Receivable from accrued financial products	40,663,038,365	44,906,388,504
(Allowances) (Note C.6)	-118,993,700,889	-54,938,120,918
SUNDRY LOANS (Note C.15)	**17,942,269,914**	**25,655,996,318**
PAST-DUE RECEIVABLES FROM FINANCIAL INTERMEDIATION (Note C.5.3)	**82,680,306,079**	**26,035,649,708**
Loans	131,815,067,608	136,215,601,423
(Revenue from valuation on hold)	-59,438,705	-200,772,436
Accounts Receivable from accrued financial products	6,595,738,542	7,087,269,661
(Allowances) (Note C.6)	-55,671,061,366	-117,066,448,940
INVESTMENTS (Note C.7)	**9,273,838,338**	**5,860,745,025**
Received goods in loan recovery	2,261,881,435	1,049,848,425
Private securities	8,317,424,660	6,097,424,660
(Allowances) (Note C.6)	-1,305,467,757	-1,286,528,060
FIXED ASSETS (Note C.8)	**33,055,871,496**	**36,210,599,954**
DEFERRED AND INTANGIBLE CHARGES (Note C.9)	**16,732,749,673**	**24,748,978,736**
TOTAL ASSETS	**3,370,083,850,798**	**3,299,399,911,793**

BALANCE SHEET: **LIABILITIES**

LIABILITIES	December 31, 2016 PYG.	December 31, 2015 PYG.
DEBTS FROM FINANCIAL INTERMEDIATION FINANCIAL SECTOR (Note C.13)	**605,147,032,223**	**578,847,433,073**
Central Bank of Paraguay – Guarantee Fund	2,838,947,129	2,944,530,967
Deposits - Other financial institutions	256,892,140,446	291,380,376,550
Operations to be settled	57,261,251,180	-
Loans from financial institutions	269,768,177,986	270,319,116,382
Accounts Payable for accrued financial charges	18,386,515,482	14,203,409,174
DEBTS FROM FINANCIAL INTERMEDIATION NON-FINANCIAL SECTOR (Note C.13)	**2,184,865,902,127**	**2,198,680,394,436**
Deposits – Private Sector	1,866,769,521,962	1,857,031,160,895
Deposits – Public Sector	291,666,507,384	315,302,817,171
Other Debts from Financial Intermediation	1,685,274,624	2,249,634,279
Accounts Payable for Accrued Financial Charges	24,744,598,157	24,096,782,091
SUNDRY DEBTS	**33,192,974,342**	**37,575,531,043**
Fiscal and corporate creditors	4,662,565,049	5,594,161,105
Other sundry debts (Note C.16)	28,530,409,293	31,981,369,938
PROVISIONS	**3,398,878,662**	**4,482,411,818**
TOTAL LIABILITIES	**2,826,604,787,354**	**2,819,585,770,370**
SHAREHOLDERS' EQUITY (Note D)	**543,479,063,444**	**479,814,141,423**
Paid-Up Capital (Note B.5)	240,000,000,000	210,000,000,000
Equity Adjustments	17,873,513,721	16,433,528,110
Legal Reserve	113,796,332,915	89,833,191,130
Retained Earnings	69,384,280,398	43,731,713,257
Earnings from the Fiscal Year	102,424,936,410	119,815,708,926
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**3,370,083,850,798**	**3,299,399,911,793**

INCOME STATEMENT

	December 31, 2016 PYG.	December 31, 2015 PYG.
FINANCIAL INCOME	**540,055,639,363**	**563,007,742,507**
From Current Loans from Financial intermediation in the Financial Sector	13,484,762,910	9,738,643,350
From Current Loans from Financial intermediation in the Non-financial Sector	497,136,748,273	523,568,971,297
From Past-due Receivables from Financial intermediation	14,395,402,637	15,549,872,709
From Revenues and Difference of Prices of Public Securities	15,582,319,224	11,400,119,412
From Assets and liabilities valuation in foreign currency (Note F.2)	(543,593,681)	2,750,135,739
FINANCIAL LOSSES	**(125,883,094,996)**	**(129,310,992,514)**
From Debts – Financial sector	(42,468,474,810)	(36,761,942,304)
From Debts – Non-financial Sector	(83,414,620,186)	(92,549,050,210)
FINANCIAL RESULT BEFORE ALLOWANCES - INCOME	**414,172,544,367**	**433.696.749.993**
ALLOWANCES	**(199,267,332,698)**	**(189,180,539,893)**
Establishment of allowances (Note C.6)	(208,998,335,118)	(191,787,873,761)
Cancellation of allowances (Note C.6)	9,731,002,420	2,607,333,868
FINANCIAL RESULT AFTER ALLOWANCES - INCOME	**214,905,211,669**	**244,516,210,100**
RESULT FROM SERVICES	**92,678,556,973**	**95,019,170,972**
Income from services	128,679,510,934	133,319,545,671
Losses from services	(36,000,953,961)	(38,300,374,699)
GROSS RESULT – INCOME	**307,583,768,642**	**339,535,381,072**
OTHER OPERATING INCOME	**90,346,305,828**	**82,742,737,047**
Income from exchange operations – net	12,266,299,464	10,523,499,194
Others	78,080,006,364	72,219,237,853
OTHER OPERATING LOSSES	**(284,328,782,975)**	**(288,267,559,397)**
Remunerations to staff and social security charges	(130,239,022,190)	(132,782,969,941)
General expenses (Note G)	(132,949,911,795)	(133,571,412,168)
Depreciations of fixed assets (Note C.8)	(7,984,221,515)	(7,249,039,564)
Amortization of deferred charges (Note C.9)	(8,987,674,487)	(10,242,892,981)
Others	(4,073,867,171)	(3,739,773,815)
From valuation of other assets and liabilities in foreign currency – net (Note F.2)	(94,085,817)	(681,470,928)
NET OPERATING RESULT – INCOME	**113,601,291,495**	**134,010,558,722**
EXTRAORDINARY RESULTS	**2,548,856,604**	**1,686,746,407**
Extraordinary income	3,379,186,708	3,450,992,614
Extraordinary losses	(830,330,104)	(1,764,246,207)
INCOME FROM THE FISCAL YEAR BEFORE INCOME TAX	**116,150,148,099**	**135,697,305,129**
INCOME TAX (Note F.4)	**(13,725,211,689)**	**(15,881,596,203)**
NET INCOME FROM THE FISCAL YEAR	**102,424,936,410**	**119,815,708,926**

OFF-BALANCE AND CONTINGENT ACCOUNTS

	December 31, 2016 PYG.	December 31, 2015 PYG.
Total Contingent Accounts (Note E)	152,320,794,441	152,228,368,704
Total Off-balance accounts (Note E)	1,387,093,225,625	1,068,196,554,183

The accompanying Notes A to K are an integral part of these financial statements.

CASH FLOW STATEMENT

	December 31, 2016 PYG.	December 31, 2015 PYG.
FLOW FROM OPERATIONAL ACTIVITIES		
	623,440,462,619	(122,975,055,532)
Paid interest and other financial expenses	(128,779,261,217)	132,738,469,466
Income from collected services and other sundry income	129,712,400,861	(287,145,846,921)
Payments to providers and employees	(295,410,316,544)	(20,554,019,197)
Income tax payment	(15,926,071,468)	(39,512,643,365)
Net variation of the public and private securities portfolio	(182,641,742,767)	(20,069,460,902)
Net variation of term placements in other financial entities	(53,030,815,178)	(363,680,659,417)
Net increase of loans granted to clients of the financial sector and non-financial sectors	(113,476,269,441)	99,552,589,818
Net increase of deposits received from clients of the financial sector and non-financial sectors	(45,013,245,352)	99.552.589.818
Net cash flow from regular operating activities	(81.124.858.487)	4.644.155.968
Extraordinary net income	2.548.856.604	1.686.746.407
Net cash flow from operating activities	(78.576.001.883)	6.330.902.375
FLOW FROM INVESTMENT ACTIVITIES		
Purchase of fixed assets and deferred charges – net of removals and/or sales	(4,360,952,870)	(14,394,372,404)
Net cash flow used in investment activities	(4,360,952,870)	(14,394,372,404)
CASH FLOW FROM FINANCIAL ACTIVITIES		
Net variation of loans received from other financial entities	65,985,316,597	68,153,956,883
Payment of dividends	(40,200,000,000)	(40,200,000,000)
Net flow from financial activities	25,785,316,597	27,953,956,883
Net (decrease)/increase of cash	(57,151,638,156)	19,890,486,854
Result from the variation of availabilities	(1,722,562,062)	55,510,456,301
Variation of allowances over cash	(14,112,573)	375,000
Cash at the start of the year	647,666,167,488	572,264,849,333
Cash at the end of the year	**588,777,854,697**	**647,666,167,488**

STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY

CONCEPT	Paid-Up Capital	Equity Adjustments (Revaluation Reserve)	Legal Reserve	Retained Earnings	Result from the Fiscal Year	Total
Balance as of December 31, 2014	**180,000,000,000**	**15,244,944,057**	**65,899,218,904**	**18,195,824,351**	**119,669,861,132**	**399,009,848,444**
- Capital increase (Ref. a)	30,000,000,000	0	0	-30,000,000,000	0	0
- Profit transfer	0	0	0	119,669,861,132	-119,669,861,132	0
- Establishment of legal reserve (Ref. a)	0	0	23,933,972,226	-23,933,972,226	0	0
- Distribution of dividends in cash (Ref. a)	0	0	0	-40,200,000,000	0	-40,200,000,000
- Establishment of revaluation reserve	0	1,188,584,053	0	0	0	1,188,584,053
- Income from the Fiscal Year	0	0	0	0	119,815,708,926	119,815,708,926
Balance as of December 31, 2015	**210,000,000,000**	**16,433,528,110**	**89,833,191,130**	**43,731,713,257**	**119,815,708,926**	**479,814,141,423**
- Capital increase (Ref. b)	30,000,000,000	0	0	-30,000,000,000	0	0
- Profit transfer	0	0	0	119,815,708,926	-119,815,708,926	0
- Establishment of legal reserve (Ref. b)	0	0	23,963,141,785	-23,963,141,785	0	0
- Distribution of dividends in cash (Ref. b)	0	0	0	-40,200,000,000	0	-40,200,000,000
- Establishment of revaluation reserve	0	1,439,985,611	0	0	0	1,439,985,611
- Income from the Fiscal Year	0	0	0	0	102,424,936,410	102,424,936,410
Balance as of December 31, 2016	**240,000,000,000**	**17,873,513,721**	**113,796,332,915**	**69,384,280,398**	**102,424,936,410**	**543,479,063,444**

(a) Approved in the Meeting of Shareholders dated April 29, 2015 (Minutes of the Meeting No. 42)
(b) Approved in the Meeting of Shareholders dated April 12, 2016 (Minutes of the Meeting No. 4)

TRUSTEE'S REPORT

Fiorio
Cardozo
& Alvarado
LAW FIRM

TRUSTEE'S REPORT CORRESPONDING TO THE FISCAL YEAR THAT ENDED ON DECEMBER 31, 2016 OF BANCO FAMILIAR S.A.E.C.A.

TO THE SHAREHOLDERS OF BANCO FAMILIAR S.A.E.C.A., GATHERED IN REGULAR MEETING OF SHAREHOLDERS ON MARCH 27, 2017

Dear Messrs.,

In compliance with the mandate given to me as **REGULAR TRUSTEE**, I have supervise the management of Banco Familiar S.A.E.C.A. during the fiscal year of 2016.

In order to verify the internal system of control and the financial statements, with our knowledge and approval, and in compliance with the legal obligations for Financial and Publicly-Traded Institutions, the Board hired the services of the independent external audit firm **DELOITTE & TOUCHE - PARAGUAY.**

According to the opinion of the aforementioned auditors dated February 25, 2017, the **BALANCE SHEET** and the **INCOME STATEMENT** are a reasonable representation, in all significant aspects, of the financial position of Banco Familiar Sociedad Anonima Emisora de Capital Abierto as of December 31, 2016, and the results of its operations from the year that ended on said date, in accordance with regulations of the Central Bank of Paraguay.

It is my opinion that:

1) **THE REPORT OF THE BOARD** is a reasonable representation of the relevant facts of the company during the year 2016;

2) **THE EXTERNAL AUDIT** has been performed in accordance with generally accepted standards in the area;

3) **THE FINANCIAL STATEMENTS** presented by the Board and verified by external auditors are a reasonable representation of the economic and financial position of the company.

Sincerely,

Dr. Juan Fiorio
Regular Trustee

RISK RATING

Feller.Rate
Risk
Classifier

BANCO FAMILIAR S.A.E.C.A

PRESS RELEASE

Feller Rate rates the solvency of Banco Familiar S.A.E.C.A. as "Apy". Its trend is "Stable".	Solvency Trend	October 2016 Apy Stable	March 2017 Apy Stable

http://twitter.com/fellerratepy

Contact: Fabián Olavarría D. / fabian.olavarria@feller-rate.cl – Alejandra Islas R. / alejandra.islas@feller-rate.cl

ASUNCION, PARAGUAY. MARCH, 2017 Feller Rate rated the solvency of Banco Familiar S.A.E.C.A. as "Apy". The trend is "Stable".
The rating of Banco Familiar S.A.E.C.A. is based on its condition as a niche bank with a relevant position in the consumption market, a solid market penetration and a large client base. It also considers the high operating levels with which it operates and the good level of coverage of allowances on the past-due portfolio.

On the other hand, the rating incorporates the concentration of its activity in retail placements, with focus on segments with higher relative risk. It also reflects its operating structure, characterized by high supporting expenses.

Banco Familiar is a niche bank. Its focus of business is the delivery of loans for middle and low-income people, and for small and medium enterprises. This is done through a wide network of branches which is supplemented by the development of alternative channels, such as non-banking correspondents. The institution has a market share of net placements of 3.0%.

In 2016, the financial system had a null growth due to the lower dynamism in the main economic sectors of the country. Additionally, the operating margin of the system was affected by the implementation of a more restrictive minimum interest rate for the credit cards, one of the commercial focuses of Familiar. In this context, the bank adjusted its exposition to said segment, which added up to the lower level of economic activity, translated into a decrease in the volume of placements of 3.8% in 2016 (versus a 13.5% growth in 2015).

Despite the lower levels of activities, the gross margin of Familiar is among the highest in the industry, due to its focus in the segment of individuals. Overall, in the last two years, a downward trend is seen, mostly due to the effect of interest rates. As of the end of 2016, the gross margin over assets was 18.6% (versus 20.6% of the year before), keeping its advantage with respect to the system (7.1%).

The wide network of branches and the selling power of the institution result in a relevant supporting spending structure. However, in the last period, it has carried out several initiatives to increase its efficiency, to compensate the decrease of its operating margins. So, between 2013 and 2016, the spending over assets dropped from 11.1% to 9.3%.

Its spending in allowances is higher than other banks due to the most vulnerable segment it caters to. In addition, in the last two years, the defaulting portfolio increased due to the economic context, resulting in higher expenses due to the risk, around 6.0% of assets as of the end of 2016. The institution has managed to maintain its allowances coverage, which amounts to 1.3 times the past-due portfolio, a similar level to the average in the industry.

The returns of the bank are maintained above the average of the system and according to its objective segment, although they have been specially affected by the lower margins. This way, as of December of 2016, the result before taxes over assets dropped to 3.5% compared to the previous year (4.4%).

The activity of the bank has been followed-up by an adequate policy of income retention. The indicator of Effective Equity on Risk Weighted Assets has been considerably strengthening in recent years, getting to 23.1% as of the end of 2016 (compared to the 18.9% in 2015).

Trend: Stable

The bank shows a good position in its market niche and keeps a high internal generation from its focus on the retail sector. The main challenge for Familiar is to keep moving forward in terms of operating efficiency to face a more restrictive interest rates context. In addition, it is important for the institution not to increase its defaulting portfolio and to maintain its current allowances coverage.

AUDITORS' OPINION

EY
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INDEPENDENT AUDITORS' OPINION

Messrs.
President and Members of the
Board of BANCO **FAMILIAR S.A.E.C.A.**

Identification of the financial statements subjected to audit.

1. We have audited the attached accounting statements of BANCO FAMILIAR S.A.E.C.A., that are comprised by the General Balance Sheet as of December 31, 2016 and 2015 and the corresponding Income Statement, Statement of Changes in Shareholders' Equity and Cash Flow Statement for the fiscal years ended on said dates, as well as a summary of important accounting policies and other enclosed explanatory notes.

Responsibility of the administration for the financial statements.

2. The administration of the Bank is responsible for the reasonable preparation and presentation of the accounting statements in accordance with the accounting norms, regulations and instructions issued by the Superintendency of Banks of the Central Bank of the Republic of Paraguay. This responsibility includes: the design, implementation and sustainability of relevant internal control regarding to the reasonable preparation and presentation of the accounting statements to make them free from material misstatement through fraud or error, by selecting and applying appropriate accounting policies and devising reasonable accounting estimations considering the circumstances.

Responsibility of the auditor.

3. Our responsibility is to express an opinion on the financial statements based on our audit. We audit in accordance with independent audit standards established in the "Manual of Norms and Regulations of Independent Audit for Financial Institutions", approved by the Superintendency of Banks in Resolution No. SB.SG. 313/01 dated November 30, 2001 and generally accepted audit norms in Paraguay. These rules require that we comply with ethical principles and plan and perform the audit to obtain reasonable assurance on whether the financial statements are free from material misstatement.

   An audit involves the development of audit procedures to gather evidence on the amounts and disclosures in the accounting statements. The selected procedures depend on the judgment of the auditor, including the evaluation of risks of material misstatement through fraud or error. By performing the risk assessment, the auditor considers the relevant internal control in force for the reasonable preparation and presentation of the financial statements by the Institution. This is done in order to design the appropriate audit procedures for the circumstances, but not to express an opinion on the effectiveness of said internal control of the Institution.

AUDITORS' OPINION

An audit also includes an assessment of the suitability of the adopted accounting policies and the reasonability of the estimations made by the administration, as well as an evaluation on the general presentation of the financial statements. We believe that the evidence we gathered was enough and appropriate for the foundation of our audit opinion.

Opinion

3. In our opinion, the accounting statements mentioned in the first paragraph are a reasonable representation, on the important issues, of the balance sheet of BANCO FAMILIAR S.A.E.C.A. as of December 31, 2016 and 2015, the income statement, and the cash flow for the fiscal years ended as of those dates, in accordance with the accounting norms, regulations and instructions of the Central Bank of Paraguay and, in non-regulated subjects, with the Generally Accepted Accounting Standards in Paraguay, as presented in Note B.2 to the accounting statements.

Asuncion, Paraguay
February 25, 2017

Lic. Antonio F. Britez Balzarini
Socio
Ernst & Young Paraguay
Auditores y Asesores de Negocios
Res SB. SG. Nº 00393/03
Registro Profesional Nº C-92
Registro de la Firma Nº F-21. Res. Nº 056/03
Registro CNV AE Nº 028
Registro SET Nº 027/15

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

A. CONSIDERATION BY THE MEETING OF SHAREHOLDERS

These financial statements of Banco Familiar Sociedad Anonima Emisora de Capital Abierto (hereinafter referred to as "Banco Familiar SAECA" or "the Institution") will be studied by the next Regular Meeting of Shareholders to be held In 2017, within the term established by Article 32 of the Articles of Association and in accordance with provisions of the Paraguayan Civil Code.

The financial statements corresponding to the fiscal year of 2015 were approved by the Regular Meeting of Shareholders held on April 12, 2016, according to Minutes of the Meeting No. 43.

B. BASIC INFORMATION ON THE INSTITUTION

B.1. Legal Nature

The Institution was established as a Corporation on January 21, 1992. The Presidential Decree No. 13239 dated April 14, 1992 recognized its legal personality and approved its Articles of Association. It began operations on July 1, 1992, performing activities allowed for financial institutions in accordance with Paraguayan law and provisions set out by the Central Bank of Paraguay.
The Articles of Association were amended on December 15, 1995 for the Institution to become a publicly traded company, and again on July 17, 2008 to become a bank. On November 17, 2008, Board Resolution No. 2, Act No. 95 of the Central Bank of Paraguay approved the conversion of Financiera Familiar S.A.E.C.A. into a Bank and granted the license to operate as Banco Familiar Sociedad Anonima Emisora de Capital Abierto, which began operations under that name on January 1, 2009.
The Institution performs all the operations that are allowed to commercial banks in accordance with Paraguayan laws and provisions set out by the Central Bank of Paraguay and the Superintendency of Banks.
On December 20, 2011, Banco Familiar S.A.E.C.A. acquired 100% of the shares of Brios S.A. de Finanzas, widening its commercial activities.
The Superintendency of Insurance registered Banco Familiar S.A.E.C.A. by Resolution SS.SG No. 053/14 dated September 1, 2014 in the Registry to operate as an insurance broker, under license No. 062. On August 26, 2016, according to Resolution SS.SG No. 202, the Superintendency of Insurance renewed the validity of the license until August 26, 2018.
As of December 31, 2016, the Institution has fifty-seven customer service offices in Paraguay.

B.2. Basis for the preparation of the financial statements

These financial statements have been prepared in accordance with the accounting standards, regulations and instructions set out by the Central Bank of Paraguay, and in issues not regulated by it, with the current financial information standards in Paraguay.

The regulations set out by the Central Bank of Paraguay differ from the current financial information standards in Paraguay mainly, in the specific case of these financial statements, as follows:
a. Specific criteria for the classification and valuation of price differences (goodwill), costs and expenses related to acquisitions or mergers with another financial institution are stipulated. They are deferred and amortized based on the parameters set out in Resolution 19, Act 103 of the Board of the Central Bank of Paraguay, dated December 30, 2003;
b. Accounting record of deferred taxes is not

stipulated;
c. Specific criteria for classification and valuation of the loan portfolio, the accrual and suspension of interest and value gains are stipulated, as mentioned in Note c.5;
d. The institutions must establish allowances on the loan portfolio, contingent risks and assets in general based on parameters set out by the Board of the Central Bank of Paraguay, in its Resolution 1, Act 60 of September 28, 2007 and its amendments;
e. Disclosure of average interest rates and disclosure of average accrued interest from assets and liabilities are not required.
The disclosure and/or quantification of these differences is not required by the Central Bank of Paraguay. The Board and the Management estimate that, except for the aforementioned item **a)**, said differences are not significant as of the date of the end of the period.

The balances included in the financial statements have been prepared based on historical costs, except for foreign currency accounts and fixed assets, as explained in sections **c.1** and **c.8** of Note C, and do not integrally acknowledge the effects of inflation on the patrimonial and financial position of the Institution, on the results of its operations and on cash flows. According to the Consumer Price Index (CPI) published by the Central Bank of Paraguay, the cumulative inflation of the years 2014 and 2015 was 3.92% and 3.10%, respectively.

(i) Relevant accounting policies:

In addition to the policies mentioned in other Notes to the financial statements, the following relevant accounting policies have been considered:

- Cash and cash equivalents has been assessed in its face value in Guaranies, net of allowances set out by the Central Bank of Paraguay according to longstanding applicable regulation in force for clearing accounts;

- For the purposes of preparing the Cash Flow Statement, nominal securities included in the item Cash and cash equivalents are considered cash; the criteria to determine losses from bad loans and prepayments, as well as those that are not accruing interests, are general criteria set out by the Central Bank of Paraguay; and according to current financial information standards in Paraguay, the financial statements must be valued and exposed in the general balance sheet with their reasonable value, defined as the amount for which it can be exchanged for an asset or used to cancel a debt between knowledgeable and willing parties in an ordinary transaction, considering that the Institution is a continuing business. The Board estimates that the reasonable values of said financial instruments are equivalent to their corresponding accounting value in books as of December 31, 2016 and 2015.

(ii) Estimations:

The preparation of these financial statements require the Board and the Management of the Institution to perform some estimations and assumptions that affect the balances of assets and liabilities, the exposure of contingencies and the acknowledgement of income and expenses.

The assets and liabilities are acknowledged in the financial statements when it is likely that future economic benefits flow from or to the Institution and that the accounts have a cost or value that can be reliably assessed. If in the future, these estimations and assumptions, which are based on the best judgment of the Board and the Management as of the date of these financial statements, were to be modified regarding the current circumstances, the original estimations and assumptions will be adequately changed in the date of said changes. The main estimations related to the financial statements are referred to allowances on assets and doubtful loan risks, depreciations of fixed assets, amortization of deferred charges, allowances for lawsuits against the Institution and allowances to cover other contingencies.

(iii) Comparative information:

The financial statements as of December 31, 2016 and the complementary information related to them, are presented in a comparative manner with the corresponding statements and complementary information corresponding to the fiscal year that ended on December 31, 2015.

B.3. Branches abroad

As of December 31, 2016 and 2015, the Institution does not have branches abroad.

B.4. Participation in other companies

As of December 31, 2016 and 2015, the Institution kept its participation in the share capital and votes of Bancard S.A. The shares are included in the item Investments for the amounts of PYG 7,995,000,000 and 5,775,000,000 for 2016 and 2015, respectively, and are valued at acquisition cost (see Note c.7).

B.5. Composition of the capital and characteristics of the shares

The composition of the paid-up capital per types of shares as of December 31, 2016 and 2015, is as follows:

SUBSCRIBED AND PAID-UP SHARES AS OF DECEMBER 31, 2016

Type of Shares	No. of votes per share	Value pe share	Number	Total
Class "A" Shares Ordinary Registered	5 (five)	10,000	18,000,000	180,000,000,000
Preferred Registered Class "A" Shares	None	10,000	3,000,000	30,000,000,000
Preferred Registered Class "B" Shares	None	10,000	3,000,000	30,000,000,000
Total			**24,000,000**	**240,000,000,000**

SUBSCRIBED AND PAID-UP SHARES AS OF DECEMBER 31, 2015

Type of Shares	No. of votes per share	Value pe share	Number	Total
Class "A" Shares Ordinary Registered	5 (five)	10,000	15,000,000	150,000,000,000
Preferred Registered Class "A" Shares	None	10,000	3,000,000	30,000,000,000
Preferred Registered Class "B" Shares	None	10,000	3,000,000	30,000,000,000
Total			**21,000,000**	**210,000,000,000**

As explained in Note D, the level of capital held as of the end of the period of the financial statements is above the legal minimum capital required by the Central Bank of Paraguay for banks.

B.6. Composition of shares according to circular SB.SG. No. 00018/2017

Shareholder	Percentage of participation in votes	Nacionalidad o país de constitución
Alberto Enrique Acosta Garbarino	3,62%	Paraguayan
Alejandro Daniel Laufer Beissinger	1,50%	Paraguayan
Alexis Manuel Emiliano Frutos Ruiz	0,51%	Paraguayan
Alfredo Rodolfo Steinmann Rosenbaum	6,17%	Paraguayan
Ana Elizabeth Fadlala de Del Valle	1,16%	Paraguayan
Celia Ismajovicz de Steinmann	1,50%	Paraguayan
César Amado Barreto Otazú	2,48%	Paraguayan
Chulamit Estrella Cohenca de Arditi	0,27%	Paraguayan
Daniel Beissinger Plate	0,29%	Paraguayan
Diana Fadlala Rezk	1,34%	Paraguayan
Fabián Ari Laufer Beissinger	1,01%	Paraguayan
Fundadores S.A.	0,57%	Paraguayan
Gabriel Laufer Beissinger	1,08%	Paraguayan
Graciela Fadlala Rezk	1,34%	Paraguayan
Grisel María Aurora Camperchioli de Obelar	4,39%	Paraguayan
Gudrun Margrete Wismann de Fadlala	2,29%	Paraguayan
Héctor Fadlala Wismann	2,29%	Paraguayan
Hugo Fernando Camperchioli Chamorro	4,39%	Paraguayan

Irene Steinmann de Arditi	2,55%	Paraguayan
Jaime Laufer	1,61%	Argentine
Jorge Rodolfo Camperchioli Chamorro	4,39%	Paraguayan
Lucia Aurora Chamorro de Camperchioli	4,39%	Paraguayan
María Del Pilar Frutos de Elizeche	0,51%	Paraguayan
Pedro Beissinger Baum	3,97%	Paraguayan
Rossana Ma. Beatriz Camperchioli Chamorro	4,39%	Paraguayan
Samuel Arditi Palombo	5,59%	Paraguayan
Sergio Samuel Beissinger Loy	0,29%	Paraguayan
Silvia María Alicia Camperchioli de Martin	4,39%	Paraguayan
Sonia Fadlala de Gallagher	1,34%	Paraguayan
Víctor Fadlala Rezk	1,34%	Paraguayan
Wilma Patricia Frutos Ruiz	0,51%	Paraguayan
Wylma Inés Ruiz Vda. De Frutos	5,44%	Paraguayan
Ohers	23,09%	
Total	**100,00%**	

B.7. List of Directors of the Board and Executives

As of December 31, 2016 and 2015, the List of Directors of the Board and Upper Management is as follows:

Directorio	
President	Alberto Enrique Acosta Garbarino
First Vice-President	Hugo Fernando Camperchioli Chamorro
Second Vice-President	Alejandro Laufer Beissinger
Regular Directors	Alfredo Rodolfo Steinmann Rosenbaum
	Pedro Beissinger Baum
	Jorge Rodolfo Camperchioli Chamorro
	César Amado Barreto Otazú
Alternate Directors	Roberto Daniel Amigo Marcet
	Silvia Ma. Alicia Camperchioli de Martin
	Héctor Fadlala Wismann
Regular Trustee	Juan B. Fiorio
Alternate Trustee	Diana Fadlala Rezk

Plana Ejecutiva	
General Manager	César Amado Barreto Otazu
Assistant General Manager	Hilton Giardina Varela
Financial Manager	Diego Balanovsky Balbuena
Risks Manager	Wilson Castro Burgos
Branches Manager	Victor Pedrozo
Corporate Banking Manager	Nery Aguirre Valiente
Personal Banking Manager	Graciela Arias Ríos
Retail Banking Manager	Fabio Najmanovich Campo
Administrative and Brokerage Manager	Gladys Velázques Franco
Operations Manager	Sandra Hirschfeld Spicker
Technology Manager	Nancy Benet de Quintana
People and Organizational Development Manager	Mabel Gómez de la Fuente
Marketing and Communications Manager	Luján del Castillo Cordero
Trust Funds Manager	Myrian Soliz de Mendoza
Internal Audit Manager	Venancio Paredes Alarcon
Compliance Manager	Oscar Daniel Fernández

C. INFORMATION RELATED TO THE MAIN ASSETS AND LIABILITIES

C.1. Valuation of foreign currency and exchange position

The assets and liabilities in foreign currency are valued at the exchange rate as of the end of the fiscal years of 2015 and 2014, as reported by the Exchange Desk of the Department of International Operations of the Central Bank of Paraguay, which do not differ significantly from those in the free exchange market:

Currency	December 31, 2016 (*)	December 31, 2015 (*)
U.S. Dollar	5,766.93	5,806.91
Euro	6,033.94	6,337.08
Argentine Peso	366.54	447.34
Real	1,768.78	1,456.10

(*) Guaranies per unit of foreign currency

The differences in exchange from fluctuations in exchange rates, between the dates of execution of operations and their liquidations and valuation as of the end of the fiscal year, are presented in the results of each fiscal year. The position of changes as of December 31, 2016 and 2015 is as follows:

Description	December 31, 2016		December 31, 2015	
	Dollars	Guaranies	Dollars	Guaranies
Total Assets in foreign currency	111,695,837.72	644,142,077,423	125,727,778.52	730,089,894,366
Total Liabilities in foreign currency	(112,146,316.80)	(646,739,958,746)	(124,019,917.78)	(720,172,500,758)
Net Position in foreign currency	**(450,479.08)**	**(2,597,881,323)**	**1,707,860.74**	**9,917,393,608**

As of December 2016 and 2015, the position in foreign currency did not exceed the position limit established by the Central Bank of Paraguay as stated in Resolution No. 7, Act No. 12, dated April 30, 2007 and its modifications in Resolution No. 11, Act No. 66 dated September 17, 2015.

C.2. Deposits in the Central Bank of Paraguay

The deposits in the Central Bank of Paraguay as of December 31, 2016 and 2015, are as follows:

Description	December 31, 2016		December 31, 2015	
	Foreign Currency	Local Currency	Foreign Currency	Local Currency
Required reserve – PYG	0.00	162,893,153,489	0.00	156,435,785,628
Required reserve – USD	14,658,674.63	84,535,550,484	17,062,977.06	99,083,172,119
Special reserve Resolution 1/131	0.00	739,800,000	0.00	128,000,000
Required reserve – Early redemption USD	106,400.00	613,601,352	0.00	0

Sub-total (*)	14,765,074.63	248,782,105,325	17,062,977.06	255,646,957,747
Current account – PYG	0.00	0	0.00	900,000
Current account – USD	9,564,268.07	55,156,464,461	8,243,304.94	47,868,129,889
Sub-total	9,564,268.07	55,156,464,461	8,243,304.94	47,869,029,889
Deposits for Monetary Operations	0.00	19,261,084,987	0.00	24,868,796,052
Sub-total	0.00	19,261,084,987	0.00	24,868,796,052
Total	**24,329,342.70**	**323,199,654,7733**	**25,306,282.00**	**328,384,783,688**

(*) See also section a) of note c.11.

C.3. Public Securities

Public securities acquired by the Institution are valued at their cost value plus accrued revenue to be collected at the end of every period. It should be noted that the Management's intention is to keep the securities until their maturity. The Board and the Management of the Institution estimate that the calculated amount does not exceed its likely value of execution.

The securities in the portfolio as of December 31, 2016 and 2015 are composed as follows:

Unlisted public securities issued	December 31, 2016		December 31, 2015	
	Capital Value	Capital plus Interest Value	Capital Value	Capital plus Interest Value
Treasury Bonds	102,732,700,000	99,581,349,256	53,219,000,000	47,735,276,684
Letters of Monetary Regulation (*)	290,000,000,000	272,086,256,875	147,080,000,000	141,290,586,680
Total	**392,732,700,000**	**371,667,606,131**	**200,299,000,000**	**189,025,863,364**

(*) Including letters of monetary regulation with restricted availability, maintained by the Central Bank of Paraguay, which guarantee operations made through the SIPAP for the value of PYG 90,000,000,000 and 123,080,000,000 as of December 31, 2016 and 2015, respectively.

The schedule for maturity of public securities in the portfolio as of December 31, 2016 and 2015 is as follows:

Capital plus interest value:

Period	December 31, 2014	December 31, 2015
2016	0	144,787,467,662
2017	229,000,537,606	17,771,147,791
2018	127,155,409,729	11,978,856,430
2019	10,294,069,929	9,591,428,699
2020	5,217,588,867	4,896,962,782
Total	**371,667,606,131**	**189,025,863,364**

C.4. Assets and liabilities with adjustment clause

As of December 31, 2016 and 2015, there are no assets nor liabilities with capital adjustment clause. The loans from Financial Agency for Development [Agencia Financiera de Desarrollo (AFD)] and Oikocredit as well as the loans granted with funds from the AFD include contractual clauses of eventual adjustments of annual interest rates.

C.5. Loan portfolio

Loan risk is controlled by the Management of the Institution, mainly through the evaluation and analysis of individual transactions, for which certain aspects clearly defined in the loan policies of the Institution are considered, such as: proven ability to pay and indebtedness of the debtor, loan concentration of economic groups, individual limits to grant loans, evaluation of economic sectors, calculable guarantees and the requirement of a working capital, in accordance with market risks.

The loan portfolio has been valued at face value plus accrued interest, net of allowances, which have been calculated in accordance with Resolution 1, Act 60 of the Board of the Central Bank of Paraguay dated September 28, 2007 and its subsequent amendments, for which:

a) Debtors are classified in the following groups: (i) big debtors; (ii) medium and small debtors; (iii) personal –consumer and housing- debtors; and (iv) microcredits.

b) Debtors have been classified in six risk categories based on the evaluation and rating of the ability to pay of a debtor or a group of debtors composed of related people, in respect to its total debts. Since January, 2012, an amendment of Resolution 1/2007 requires the first category (category 1) to be sub-classified in three sub-categories for the purposes of the calculation of allowances.

c) Accrued interests from current loans classified in the lower-risk categories "1" and "2" have been assigned to revenues in their whole. Non-collected accrued interests as of the date of end of the period from past-due loans and/or current loans classified in categories higher than "2" have been considered income until their default, have been fully provisioned.

d) Earnings from valuation and non-collected accrued interests from debtors with past-due loans and/or current loans classified in categories "3", "4", "5" and "6" are kept on hold and are recognized as earning at the moment of collection.

e) Allowances have been established to cover eventual losses that may arise from the non-recovery of the portfolio, following the methodology included in the aforementioned Resolution 1/2007, considering its amendments and complementary rules.

f) Generic allowances have been established on the loan portfolio net of specific allowances. As of December 31, 2015 and 2014, the Institution keeps generic allowances on its loan risks portfolio in accordance with regulations of the Central Bank of Paraguay and additionally, it has established voluntary generic allowances according to rules set forth by the Board of the Institution.

g) Bad loans that are discharged from the assets, in the conditions established in the applicable regulation of the Central Bank of Paraguay in the subject, are registered and exposed as off-balance accounts.

C.5.1 Current loans to the financial sector

This item includes short-term placements in local financial institutions in national and foreign currency, as well as short-term loans granted to local financial institutions.
Current loans to the financial sector as of December 31, 2016 and 2015 are as follows:

According to the type of product:

Accounts	December 31, 2016	December 31, 2015
Fixed-term loans	32,430,208,835	46,680,105,295
Amortizable loans	5,874,769,054	1,853,317,854
Checks Discounts – Documents	522,068,847	480,996,737
Placements in Financial Institutions	29,017,431,520	22,490,465,098
Repurchase operations	56,417,302,216	0
Total	**124,261,780,472**	**71,504,884,984**

According to the risk category:

As of December 31, 2016

			Allowances		
Risk category	Accounting balance before allowances	Guarantees for allowances	Minimum % (b)	Established	Accounting balance after allowances
Categoría 1	124,261,780,472	0	0	0	124,261,780,472
Total	**124,261,780,472**	**0**		**0**	**124,261,780,472**

As of December 31, 2015

			Allowances		
Risk category	Accounting balance before allowances	Guarantees for allowances	Minimum % (b)	Established	Accounting balance after allowances
Category 1	71,504,884,984	0	0	0	71,504,884,984
Total	**71,504,884,984**	**0**		**0**	**71,504,884,984**

C.5.2 Current loans to the non-financial sector

Current loans to the non-financial sector as of December 31, 2016 and 2015 are as follows:

According to the type of product:

Accounts	December 31, 2016	December 31, 2015
Non-adjustable fixed-term loans	297,001,353,899	317,492,879,842
Non-adjustable amortizable loans	1,562,841,655,646	1,579,751,641,913
Credits used in Checking Account – Overdraft	8,306,860,034	10,874,186,724
Debtors from use of Credit Cards	121,051,314,851	121,419,638,161
Discounted deferred checks	58,356,492,208	80,457,749,188
Loans with administered resources – AFD	149,878,821,394	147,782,297,424
Discounted documents	6,615,014,758	24,947,299,693
Debtors from accrued financial products	40,663,038,365	44,906,388,504
Income from valuation on hold	(29,276,268)	(2,934,315)
Allowances	(118,993,700,889)	(54,938,120,918)
Total	**2,125,691,573,998**	**2,272,691,026,216**

According to the risk category:

As of December 31, 2016

			Allowances		
Risk Category	Accounting balance before allowances (a)	Guarantees for allowances	Minimum % (b)	Established	Accounting balance after allowances
Category 1	1,826,071,478,041	192,039,385,456	0	(543,637,798)	1,825,527,840,243
Category 1a	285,354,130,250	33,002,675,535	0.5	(959,252,535)	284,394,877,715
Category 1b	83,564,631,846	10,122,146,996	1.5	(1,043,191,198)	82,521,440,649
Category 2	19,246,294,221	0	5	(861,672,217)	18,384,622,004
Category 3	8,077,608,377	0	25	(2,101,756,943)	5,975,851,435
Category 4	20,647,258,139	0	50	(9,454,866,214)	11,192,391,924
Category 5	763,033,256	0	75	(577,346,001)	185,687,255
Category 6	960,840,757	0	100	(960,840,757)	0
Generic allowances (c)				(102,491,137,226)	(102,491,137,226)
Total	**2,244,685,274,888**	**235,164,207,987**		**(118,993,700,889)**	**2,125,691,573,998**

As of December 31, 2015

			Previsiones		
Risk Category	Saldo contable antes de previsiones (a)	Garantías computables para previsiones	% mínimo (b)	Constituidas	Saldo contable después de previsiones
Category 1	1.927.870.657.144	184.301.776.279	0	0	1.927.870.657.144
Category 1a	283.241.036.524	17.351.629.976	0,5	(985.240.538)	282.255.795.986
Category 1b	96.411.404.989	9.650.675.345	1,5	(1.115.833.824)	95.295.571.165
Category 2	11.695.911.856	0	5	(580.400.389)	11.115.511.467
Category 3	3.950.418.472	0	25	(1.037.953.723)	2.912.464.749
Category 4	3.467.152.239	0	50	(1.706.182.478)	1.760.969.761
Category 5	932.661.288	0	75	(700.316.670)	232.344.618
Category 6	59.904.622	0	100	(59.904.622)	0
Generic allowances (c)	0	0		(48.752.288.674)	(48.752.288.674)
Total	**2.327.629.147.134**	**211.304.081.600**		**(54.938.120.918)**	**2.272.691.026.216**

(a) Including capital and interest (net of revenue from valuation on hold).
(b) For debtors without calculable guarantees, the percentage is applied on the total risk (cash debt plus contingent debt). For other debtors, the allowance is calculated in two ways, including the guarantees only for the second segment.
(c) This amount includes generic allowances in accordance with requirements of Resolution SB.SG. No. 1, Act No. 60 dated September 28, 2007 and additional allowances defined by the Board of the Institution.

C.5.3 Past-due loans to the financial and non-financial sectors

Past-due loans to the financial and non-financial sectors as of December 31, 2016 and 2015 are as follows:

As of December 31, 2016

			Allowances		
Risk Category	Accounting balance before allowances (a)	Guarantees for allowances	Minimum % (b)	Established	Accounting balance after allowances
Category 1	0	0	0	0	0
Category 1a	145,966,518	0	0.5	0	145,966,518
Category 1b	2,176,995,936	0	1.5	(45,904,569)	2,131,091,367
Categoría 2	36,447,651,145	4,547,086,814	5	(3,716,529,044)	32,731,122,101
Category 3	37,106,713,412	1,063,475,921	25	(10,462,723,838)	26,643,989,574
Category 4	18,472,629,093	3,208,860,246	50	(9,674,460,767)	8,798,168,327
Category 5	40,675,533,074	3,478,444,231	75	(29,305,030,211)	11,370,502,864
Category 6	3,325,878,267	859,650,931	100	(2,466,412,938)	859,465,329
Generic allowances (c)					0
Total	**138,351,367,445**	**13,157,518,143**		**(55,671,061,366)**	**82,680,306,079**

As of December 31, 2015

			Allowances		
Categoría de riesgo	Accounting balance before allowances (a)	Guarantees for allowances	Minimum % (b)	Established	Accounting balance after allowances
Category 1	0	0	0	0	0
Category 1a	429,899,171	0	0.5	0	429.899.171
Category 1b	4,688,908,937	0	1.5	(210,588,770)	4.478.320.167
Category 2	36,860,772,154	2,001,115,364	5	(3,966,138,067)	32.894.634.087
Category 3	37,802,820,052	1,446,291,536	25	(10,892,690,266)	26.910.129.787
Category 4	20,756,640,543	427,723,238	50	(11,016,806,332)	9.739.834.211
Category 5	39,384,584,929	1,574,094,114	75	(29,476,981,611)	9.907.603.318
Category 6	3,178,472,862	449,572,573	100	(2,955,053,956)	223.418.906
Generic allowances (c)	0	0		(58,548,189,939)	(58.548.189.939)
Total	**143,102,098,648**	**5,898,796,825**		**(117,066,448,940)**	**26,035,649,708**

(a) Including capital and interest (net of profit from valuation on hold).
(b) For debtors without calculable guarantees, the percentage is applied on the total risk (cash debt plus contingent debt). For other debtors, the allowances is calculated in two ways, including the guarantees only for the second segment.
(c) This amount includes generic allowances in accordance with requirements of Resolution SB.SG. No. 1, Act No. 60 dated September 28, 2007 of the Central Bank of Paraguay and additional allowances defined by the Board of the Institution.

C.6. Allowances for direct and contingent risks

Periodically, the Board and the Management of the Institution make, in accordance with rules of credit valuation established by the Superintendency of Banks of the Central Bank of Paraguay and criteria and policies of the Institution, reviews and analysis of the loan portfolio for the purposes of adjusting the allowances for doubtful accounts. All allowances necessary to cover eventual losses over direct and contingent risks have been established, in accordance with the criterion of the Board and the Management of the Institution and the requirements of Resolution No. 1, Act No. 60 of the Board of the Central Bank of Paraguay dated September 28, 2007 and its subsequent modifications.

Changes in the allowances accounts of the fiscal years that ended on December 31, 2016 and 2015 are as follows:

As of December 31, 2016

Concept	Balance as of the start of the period	Establishment of allowances in the period	Execution of allowances in the period	Cancellation of allowances in the period	Re-classification and/or Variation from Valuation in foreign currency	Balance as of the end of the period
Cash and cash equivalent	0	(14,158,083)	50,000	0	(4,490)	(14,112,573)
Current loans from financial intermediation – Non-financial sector	(54,938,120,918)	(73,319,629,765)	3,256,465,761	6,005,488,318	2,095,715	(118,993,700,889)
Sundry loans (Note c.15)	(3,152,947,767)	(676,896,296)	342,225,848	210,568,205	(13,920,177)	(3,290,970,187)

Past-due loans from financial intermediation – Financial and non-financial sectors	(117,066,448,940)	(134,903,042,570)	192,851,704,616	3,470,513,367	(23,787,839)	(55,671,061,366)
Investments	(1,286,528,060)	(48,378,193)	29,438,496	0	0	(1,305,467,757)
Contingencies (*)	(40,361,917)	(36,230,211)	0	44,432,530	0	(32,159,598)
Total	**(176,484,407,602)**	**(208,998,335,118)**	**196,479,884,721**	**9,731,002,420**	**(35,616,791)**	**(179,307,472,370)**

As of December 31, 2015

Concept	Balance as of the start of the period	Establishment of allowances in the period	Execution of allowances in the period	Cancellation of allowances in the period	Re-classification and/or Variation from Valuation in foreign currency	Balance as of the end of the period
Cash and cash equivalent	(375,000)	0	0	375,000	0	0
Current loans from financial intermediation – Non-financial sector	(31,100,949,993)	(24,833,721,754)	0	1,003,618,843	(7,068,015)	(54,938,120,919)
Sundry loans (Note c.15)	(2,577,500,999)	(1,522,082,124)	375,164,589	856,966,259	(285,495,502)	(3,152,947,777)
Past-due loans from financial intermediation – Financial and non-financial sectors	(95,945,373,626)	(165,357,602,726)	143,600,943,421	699,046,198	(63,462,207)	(117,066,448,940)
Investments	(1,243,481,845)	(46,691,782)	3,645,567	0	0	(1,286,528,060)
Contingencies (*)	(59,914,110)	(27,775,375)	0	47,327,568	0	(40,361,917)
Total	**(130,927,595,573)**	**(191,787,873,761)**	**143,979,753,577**	**2,607,333,868**	**(356,025,724)**	**(176,484,407,613)**

(*) These allowances are included in the item "Provisions" in Liabilities.

C.7. Investments

The Investment item includes the possession of capital securities issued by the national private sector and private debt securities. The investments are valued according to their nature, in accordance with valuation standards set forth by the Central Bank of Paraguay (the lower value that arises from comparing its historical cost and its market value or estimated execution value).

Additionally, this item includes received goods in discharge of receivables. These goods are valued at the lowest of the following values: valuation value, award value and balance of the debt immediately before the award, in accordance with provisions of the Central Bank of Paraguay. For goods that exceed the established terms set forth by the Central Bank of Paraguay regarding their possession, allowances are established pursuant to provisions of Resolution No. 1, Act 60 of September 28, 2007 of the Board of the Central Bank of Paraguay and its modifications. After three years of possession, the goods are provisioned in their whole.
The investments of the Institution are detailed as follows:

As of December 31, 2016

Concept	Accounting balance before allowances	Allowances	Accounting balance after allowances
Received goods in discharge of receivables	2,261,881,435	(983,043,097)	1,278,838,338
Investments in Bancard S.A. (Note b.4) (*)	7,995,000,000	0	7,995,000,000
Investments in securities issued by the national private sector	322,424,660	(322,454,660)	0
Total	**10,579,306,095**	**(1,305,497,757)**	**9,273,838,338**

As of December 31, 2015

Concept	Accounting balance before allowances	Allowances	Accounting balance after allowances
Received goods in discharge of receivables	1,049,848,425	(964,103,400)	85,745,025
Investments in Bancard S.A. (Note b.4) (*)	5,775,000,000	0	5,775,000,000
Investments in securities issued by the national private sector	322,424,660	(322,424,660)	0
Total	**7,147,273,085**	**(1,286,528,060)**	**5,860,745,025**

(*) For its stake in investments in Bancard S.A., the Institution received as of December 31, 2016 and 2015, dividends in cash for PYG 2,975,319,732 and 1,920,769,661, respectively; which are part of the balance of "Extraordinary Income". Additionally, in 2016, the Institution received dividends in shares for PYG 2,220,000,000, which represent 2,220 registered shares and in 2015, it received dividends in shares for PYG 654,000,000, which represent 654 registered shares.

C.8. Fixed assets

The acquisition value of the fixed assets and their cumulative depreciations are revalued according to the variation of the Consumer Price Index published by the Central Bank of Paraguay (see Note b.2). The net increase in the revaluation reserve for the year ended in December 31, 2016 and 2015, was of PYG 1,439,985,611 and PYG 1,188,314,053, respectively and is shown in the account "Adjustments to the Shareholders' Equity" in the Statement of Changes in Shareholders' Equity of the Institution.

The improvements or additions are included, while the maintenance and repairs that do not increase the value of the assets nor their useful life are charged to the results of the fiscal year they are incurred. The depreciations are calculated starting from the month after their incorporation to the estate of the Institution, through monthly charges to results based on a lineal method in the estimated months of useful life. As of December 31, 2016 and 2015, the residual value of the goods, considered as a whole, does not exceed its recoverable value.

Accounts	Acquisition value				
	Balance at the start of the year	Bought	Sold and adjustments	Revaluation	Balance at the end of the year
Real Estate – Buildings	4,392,352,683	0	0	172,268,076	4,564,620,759
Real Estate – Land	2,896,611,723	0	0	113,605,112	3,010,216,835
Furniture	16,855,390,627	171,644,708	(52.275.005)	528,283,233	17,503,043,563
Machines and equipment	26,363,290,622	193,596,554	(3.543.252)	904,405,476	27,457,749,400
Facilities in owned property	3,244,859,495	0	(1.666.763)	56,537,220	3,299,729,952
IT equipment	35,649,629,010	3,178,439,557	(1.138.271.841)	591,905,860	38,281,702,586
Transport	848,208,351	0	0	0	848,208,351
Total as of December 31, 2016	**90,250,342,511**	**3,543,680,819**	**(1,195,756,861)**	**2,367,004,977**	**94,965,271,446**
Total as of December 31, 2015	**81,882,047,159**	**7,713,650,097**	**(1,104,589,177)**	**1,759,234,432**	**90,250,342,511**

Accounts	Depreciation						
	Annual rate %	Balance at the start of the year	From the fiscal year	Sold / adjustments	Revaluation	Cumulative as of the end of the fiscal year	Net value at the end of the fiscal year
Real Estate – Building	2.5	(1,524,409,424)	(114,115,519)	0	(59.787.337)	(1,698,312,280)	2,866,308,479
Real Estate – Land	0	0	0	0	0	0	3,010,216,835
Furniture	10	(9,227,279,388)	(1,406,009,839)	33,119,109	(237.540.918)	(10,837,711,036)	6,665,332,527
Machines and equipment	10	(13,147,237,861)	(2,412,355,025)	2,616,087	(384.375.048)	(15,941,351,847)	11,516,397,553
Facilities in owned property	10	(2,652,087,131)	(147,845,717)	18,769	(33.304.775)	(2,833,218,854)	466,511,098
IT equipment	25	(26,640,520,402)	(3,903,895,415)	1,005,829,523	(212.011.288)	(29,750,597,582)	8,531,105,004
Transport	20	(848,208,351)	0	0	0	(848,208,351)	0
Total as of December 31, 2015		**(54,039,742,557)**	**(7,984,221,515)**	**1,041,583,488**	**(927,019,366)**	**(61,909,399,950)**	**33,055,871,496**
Total as of December 31, 2014		**(46,990,283,472)**	**(7,249,039,564)**	**770,230,858**	**(570,650,379)**	**(54,039,742,557)**	**36,210,599,954**

According to banking legislation, the financial institutions that work in Paraguay are forbidden from granting fixed assets as guarantee except those affected supporting operations of financial leasing and to the Central Bank of Paraguay.

C.9. Deferred Charges

The deferred charges as of December 31, 2016 and 2015 are as follows:

As of December 31, 2016

Concept	Net initial balance	Bought / Sold (net)	Amortization in the fiscal year	Net balance as of December 31, 2015
Improvements and installations in leased real estate (*)	18,933,372,864	(1,081,434,534)	(7,080,929,380)	10,771,008,950
Intangible	4,307,506,288	2,591,929,085	(1,906,745,107)	4,992,690,266
Subtotal	**23,240,879,152**	**1,510,494,551**	**(8,987,674,487)**	**15,763,699,216**
Desktop utilities and others	1,508,099,584	2,140,628,452	(2,679,677,579)	969,050,457
Subtotal	**1,508,099,584**	**2,140,628,452**	**(2,679,677,579)**	**969,050,457**
Total	**24,748,978,736**	**3,651,123,003**	**(11,667,352,066)**	**16,732,749,673**

As of December 31, 2015

Concept	Net initial balance	Bought / Sold (net)	Amortization in the fiscal year	Net balance as of December 31, 2015
Improvements and installations in leased real estate (*)	22,241,749,364	5,008,729,331	(8,317,105,831)	18,933,372,864
Intangible	4,624,006,232s	1,609,287,206	(1,925,787,150)	4,307,506,288
Subtotal	**26,865,755,596**	**6,618,016,537**	**(10,242,892,981)**	**23,240,879,152**
Desktop utilities and others	1,111,035,495	3,138,475,053	(2,741,410,964)	1,508,099,584
Subtotal	**1,111,035,495**	**3,138,475,053**	**(2,741,410,964)**	**1,508,099,584**
Total	**27,976,791,091**	**9,756,491,590**	**(12,984,303,945)**	**24,748,978,736**

(*) The Institution amortizes improvements and installations in leased estate lineally considering a useful life of 5 years.

C.10. Subordinated liabilities

As of December 31, 2016 and 2015, there are no subordinated liabilities.

C.11. Limitations to the free availability of assets and equity and any other property right restriction

In general, there are no restricted availability goods nor property right restrictions, except for:

a) Required Reserve:

The account Central Bank of Paraguay as of December 31, 2016 and 2015 includes the sums of PYG 248,782,105,325 and PYG 255,646,957,747, respectively, corresponding to restricted availability accounts, kept in said bank in concept of required reserve.

b) Guarantees in the Central Bank of Paraguay:

As of December 31, 2016 and 2015, Letters of Monetary Regulation for the value of PYG 90,000,000,000 and PYG 123,080,000,000, respectively, are restricted as Guarantees in compliance with the General Regulation of Payment Systems (SIPAP).

c) Statutory Reserve:

According to Article 27 of Law 861/96, financial institutions must have a minimum reserve equivalent to one-hundred percent (100%) of their capital or more, to be established with annual transferals of at least 20% of the net income of each fiscal year.

Article 28 of said Law sets out that statutory reserve resources will be automatically applied to cover losses in the fiscal year. In the following years, the total income must be directed to the statutory reserve until reaching its minimum required value, or the highest value since its establishment.

At any moment, the amount of the reserve can be increased with cash infusions.

d) Monetary Correction of Capital:

According to Law 861/96, financial institutions must update their capital annually, considering the Consumer Price Index as calculated by the Central Bank of Paraguay. The updated value of the minimum capital for the year of 2016 is PYG 46,552,000,000, according to Circular SB SG N° 00006/2016. The updated value for 2015 is PYG 43,296,000,000, according to Circular SB SG No. 00001/2015.

The capital held of the Institution as of December 31, 2016 and 2015 (see Note b.5) is above the legal minimum required as of said dates.

e) Distribution of profits:

According to provisions of Law 861/96 “General of Banks, Financial Institutions and other Credit Institutions”, financial institutions can distribute their profits after the approval of their annual financial statements audited by the Superintendency of Banks within 120 days of the end of the fiscal year. If the Superintendency does not refer to the statements within said term, profits can be distributed.

f) Dividends of preferred shares:

Preferred Registered Class “A” and “B” Shares pay preferred annual dividends on the face value of each share, which shall be determined by the annual rate of inflation as measured by the Central Bank of Paraguay, to which 6% (six percent) shall be added. For the calculation, the valuation of annual inflation corresponding to the end of each year will be considered, setting a minimum rate of 12% and a maximum rate of 20%.

The number of shares for each class is detailed in Note b.5. The dividends to be paid for Preferred Registered Class “A” and “B” Shares amount to PYG 7,200,000,000 as of December 31, 2016 and are deducted from the retained earnings after their approval by the respective Meeting.

C.12. Guarantees pledged in respect to liabilities

The financial obligations contracted to the foreign institution Oikocredit are guaranteed with instruments from the loan portfolio of Banco Familiar S.A.E.C.A. for a value that covers 150% of the balance of the debts to said Institution as of December 31, 2016 and 2015.

To guarantee the obligations with Bancard S.A., Visa International, Mastercard and/or participating establishments that could arise from its condition of issuer of credit cards and for balances arising from transactions with ATMs of users, Banco Familiar S.A.E.C.A. pledged a guarantee on all of the shares of Bancard S.A. it owns in favor of Bancard S.A.

C.13. Distribution of loans and obligations from financial intermediation according to their maturity

As of December 31, 2016

Concept	Remaining term to maturity					
	Up to 30 days	31-180 days	181 days-1 year	More than 1 year to 3 years	More than 3 years	Total
Current loans from financial intermediation Financial sector (*)	66,732,844,428	35,490,465,031	12,356,499,340	9,681,971,673	0	124,261,780,472
Current loans from financial intermediation Non-financial sector (*)	262,914,400,816	868,836,381,110	537,633,016,664	338,807,484,500	117,500,290,908	2,125,691,573,998
Total Current Loans	**329,647,245,244**	**904,326,846,141**	**549,989,516,004**	**348,489,456,173**	**117,500,290,908**	**2,249,953,354,470**
Obligations from financial intermediation Financial sector	158,769,287,006	141,397,709,160	128,054,977,753	87,894,394,257	89,030,664,047	605,147,032,223
Obligations from financial intermediation Non-financial sector	1,279,184,622,287	278,308,511,577	266,187,696,056	243,491,756,690	117,693,315,517	2,184,865,902,127
Total Obligations	**1,437,953,909,293**	**419,706,220,737**	**394,242,673,809**	**331,386,150,947**	**206,723,979,564**	**2,790,012,934,350**

As of December 31, 2015

Concept	Remaining term to maturity					
	Up to 30 days	31-180 days	181 days-1 year	More than 1 year to 3 years	More than 3 years	Total
Current loans from financial intermediation Financial sector (*)	6,121,294,146	49,443,731,121	15,939,859,717	0	0	71,504,884,984
Current loans from financial intermediation Non-financial sector (*)	256,176,938,818	943,015,418,744	529,851,044,807	421,572,425,774	122,075,198,072	2,272,691,026,216
Total Current Loans	**262,298,232,965**	**992,459,149,865**	**545,790,904,524**	**421,572,425,774**	**122,075,198,072**	**2,344,195,911,200**
Obligations from financial intermediation Financial sector	99,631,500,802	137,593,673,035	116,537,394,812	421,572,425,774	72,570,595,322	578,847,433,073
Obligations from financial intermediation Non-financial sector	1,190,680,877,063	351,145,690,732	279,074,639,715	290,496,260,240	87,282,926,687	2,198,680,394,436
Total Obligations	**1,290,312,377,865**	**488,739,363,766**	**395,612,034,527**	**443,010,529,342**	**159,853,522,008**	**2,777,527,827,509**

(*) Amounts net of provisions

C.14. Concentration of the portfolio and the obligations from financial intermediation

a) Concentration of the portfolio by number of clients – Financial sector

Number of clients	Amount and percentage of the portfolio as of December 31, 2016			
	Current (*)	%	Past-due (*)	%
10 Biggest Debtors	122,396,761,906	98%	0	0%
Other Debtors	1,865,018,566	2%	0	0%
Total	**124,261,780,472**	**100%**	**0**	**0%**

Number of clients	Amount and percentage of the portfolio as of December 31, 2015			
	Current (*)	%	Past-due (*)	%
10 Biggest Debtors	70,895,134,112	99%	13,874,613	100%
Other Debtors	609,750,872	1%	0	0%
Total	**71,504,884,984**	**100%**	**13,874,613**	**100%**

b) Concentration of the portfolio by number of clients – Non-financial sector

Number of clients	Amount and percentage of the portfolio as of December 31, 2016			
	Current (*)	%	Past-due (*)	%
10 Biggest Debtors	138,502,378,592	6%	3,213,857,057	2%
Next 50 Biggest Debtors	253,776,563,914	11%	2,292,600,396	2%
Next 100 Biggest Debtors	129,761,554,771	6%	2,329,546,144	2%
Others	1,722,644,777,610	77%	130,515,363,848	94%
Total	**2,244,685,274,887**	**100%**	**138,351,367,445**	**100%**

Number of clients	Amount and percentage of the portfolio as of December 31, 2015			
	Current (*)	%	Past-due (*)	%
10 Biggest Debtors	140,927,835,037	6%	9,417,917,029	7%
Next 50 Biggest Debtors	280,549,964,165	12%	8,774,883,585	6%
Next 100 Biggest Debtors	138,259,321,435	6%	8,484,954,506	6%
Others	1,767,892,026,497	76%	116,410,468,915	81%
Total	**2,327,629,147,134**	**100%**	**143,088,224,035**	**100%**

(*) Including interest and income from valuation on hold (amounts before allowances).

c) Concentration of obligations by financial intermediation

The balance is comprised as follows:

Sector Financiero	As of December 31	
	2016	2015
Central Bank of Paraguay	2,838,947,129	2,944,530,967
Demand deposits	22,897,227,359	31,021,719,005
Accounts Payable for Securities Purchased with Future Sale	57,261,251,180	0
Checking accounts	21,989,604,975	21,116,622,930
Savings deposit certificates	212,005,308,112	239,242,034,615
Operations pending compensation	947,949,627	603,213,835
Loans from local financial institutions	25,000,000,000	0
Loans from foreign financial institutions	81,683,131,982	102,358,222,033
Loans from financial institutions – AFD	162,137,096,377	167,357,680,514

Creditors for accrued financial charges	18,386,515,482	14,203,409,174
Total Financial Sector	**605,147,032,223**	**578,847,433,073**

Non-financial sector	As of December 31	
Deposits – Private Sector	2016	2015
Checking accounts	613,512,725,957	569,672,526,448
Demand deposits	542,927,874,349	475,276,919,022
Loans for documents to compensate	20,127,917,821	13,075,756,662
Drafts and transfers to be paid	1,379,463,225	1,495,446,542
Obligations with participating establishments in the credit card system	1,685,274,624	2,249,634,279
Savings deposit certificates	688,821,540,610	797,510,512,221
Total Deposits – Private Sector	**1,868,454,796,586**	**1,859,280,795,174**

Deposits – Public Sector	2016	2015
Checking accounts	5,940,631,398	8,755,282,243
Demand deposits	47,192,015,986	84,433,714,928
Savings deposit certificates	238,533,860,000	222,113,820,000
Total Deposits – Public Sector	**291,666,507,384**	**315,302,817,171**
Creditors for accrued financial charges	**24,744,598,157**	**24,096,782,091**
Total non-financial sector	**2,184,865,902,127**	**2,198,680,394,436**

d) Concentration of deposits by number of clients

Balance as of December 31, 2016

Number of depositors	Financial sector	%	Non-financial sector	%
Checking accounts	176,794,793,254	69%	475,177,003,649	22%
Demand deposits	74,437,167,839	29%	317,757,427,484	15%
Next 100 Biggest Depositors	5,660,179,353	2%	225,844,663,033	10%
Others	0	0%	1,139,656,935,180	53%
Total	**256,892,140,446**	**100%**	**2,158,436,029,346**	**100%**

Balance as of December 31, 2015

Number of depositors	Financial sector	%	Non-financial sector	%
10 Biggest Depositors	182,273,435,566	63%	488,275,663,190	22%
Next 50 Biggest Depositors	103,628,955,814	36%	323,345,034,063	15%
Next 100 Biggest Depositors	5,477,985,170	2%	241,723,535,668	11%
Others	0	0%	1,118,989,745,145	52%
Total	**291,380,376,550**	**100%**	**2,172,333,978,066**	**100%**

C.15. Sundry Loans

The composition of sundry loans as of December 31, 2016 and 2015 is as follows:

Concepto	December 31, 2016	December 31, 2015
Accounts receivable	6,380,396,458	6,276,064,840
Accounts receivable – Bancard	90,237,000	83,510,000
Prepaid expenses	6,827,913,752	7,086,392,213
Prepayment for the purchase of assets and services	1,090,389,939	1,022,782,369
Income tax prepayment	2,200,859,779	0
Other national taxes	88,417,081	46,932,603
Recoverable expenses	2,718,000	8,710,365,000
Compensation claimed for accidents	1,949,095	0

Prepayments to staff	0	1,771,080
Sundry – Remittances receivable	319,753,777	1,441,963,936
Sundry – Accounts receivable from related parties (Note J)	2,867,211,121	2,878,131,436
Sundry – Rental collateral	715,941,577	708,112,966
Sundry - Others	647,452,522	552,917,642
Allowances (*)	(3,290,970,187)	(3,152,947,767)
Total	**17,942,269,914**	**25,655,996,318**

(*) The allowances were established in accordance with valuation standards set forth by the Central Bank of Paraguay, see Note c.6.

C.16. Other sundry debts

Other sundry debts is composed as follows:

Concept	December 31, 2016	December 31, 2015
Management checks payable	9,101,764,834	5,194,471,906
Insurance payable	4,067,293,960	4,929,445,651
Suppliers	3,257,392,852	2,738,090,288
Remittances payable	3,921,395,291	2,667,808,805
Seizures payable	2,599,390,318	1,803,180,779
Accounts payable - Familiar establishments	0	7,600,000
Sundry	5,583,172,038	14,640,772,509
Total	**28,530,409,293**	**31,981,369,938**

D. SHAREHOLDERS' EQUITY

The limits for the operations of financial institutions are determined according to their effective Shareholders' Equity. The Shareholders' Equity of the Institution as of December 31, 2016 and 2015 was approximately PYG 525,499 and 449,261, respectively.

Resolution No. 1, Act No. 44 of July 21, 2011 modified the process to determine the effective equity, establishing a main capital and a supplementary capital. Resolution No. 3, Act No. 4 of February 2, 2012 established a temporary regime to adjust the limits of the aforementioned Resolution No. 1.

Article 56 of Law 861/96 states that the minimum relation between the effective equity and the total risk-weighted value of assets and contingencies of a financial institution, in local or foreign currency, including its branches in the country and abroad, cannot be lower than 8% (eight percent). The Central Bank of Paraguay can increase said relation to up to 12% (twelve percent).

As of December 31, 2016 and 2015, the Institution complies with the limits of said relation.

E. OFF-BALANCE AND CONTINGENT ACCOUNTS

Contingencies

Contingent accounts are composed as follows:

Concept	December 31, 2016	December 31, 2015
Receivables from granted guarantees	10,009,111,664	9,811,608,400
Balance of lines of credit to be used in credit cards	108,475,611,255	111,456,510,835
Balance of lines of credit for current accounts prepayments	32,045,365,652	30,542,151,949
Balance of lines of credit of letters of import-export	1,790,705,870	418,097,520
Total	**152,320,794,441**	**152,228,368,704**

There are no credit lines that individually exceed 10% of total assets.

Off-balance accounts

Off-balance accounts are composed as follows:

Concept	December 31, 2016	December 31, 2015
Trust funds (*)	251,006,191,585	266,570,889,720
Collaterals, mortgages, pledges and others	302,108,294,839	268,722,069,298
Insurance policies taken	18,055,739,220	19,343,921,140
Bad loans	15,636,148,667	**15,396,346,653**
Exchange position	**2,597,881,321**	**9,917,393,610**
Businesses abroad and Collections	**573,563,979**	771,600,657
Other off-balance accounts – Sundry	**304,454,151,541**	**201,862,601,869**
Other securities in custody	**4,910,970,411**	**8,272,847,865**
Other guarantees abroad	**1,153,386,000**	**1,161,382,000**
Sale of portfolio (**)	**486,596,898,062**	**276,177,501,371**
Total	**1,387,093,225,625**	**1,068,196,554,183**

(*) As of December 31, 2016 and 2015, the following trust funds were in force:

	Total of Autonomous Estate as of	
Type of trust fund	December 31, 2016	December 31, 2015
Guarantee and flow management trust fund	82,359,633,268	88,414,486,400
Management trust fund	52,372,397,788	51,723,137,983
Guarantee trust fund	17,927,036,707	24,952,867,173
Bonds issue guarantee trust fund	10,670,381,627	18,406,255,304
Real estate project development trust fund	87,676,742,195	83,074,142,860
Total	**251,006,191,585**	**266,570,889,720**

(**) The balance reflects the amounts of capital and interests of past-due loans sold to Nexo S.A. since December of 2013, complying with Resolution SB. SG. No. 278/2013 of the Superintendency of Banks. The Institution has executed on November 1, 2012 a framework agreement without resources with said Company and a supplementary agreement is made for every sale.

F. INFORMATION RELATED TO RESULTS

F.1. Recognition of gains and losses

The Institution applied the principle of accrual to recognize income and to charge incurred expenses or costs, with the following exceptions referred to income being recognized as earnings at the moment of its receipt or collection, according to rules set forth in Resolution No. 1, Act No. 60 of September 28, 2007 of the Central Bank of Paraguay:

a) Non-collected accrued receivables from financial products ranking in categories "3", "4", "5" and "6" (see Note c.5.1.d).
b) Earnings from valuation of receivables from past-due loans.
c) Future gains from forward sales of goods.
d) Earnings from valuation of operations from forward sales of goods; and
e) Certain commissions for banking services.

F.2. Foreign exchange differences

The foreign exchange differences corresponding to the maintenance of assets and liabilities in foreign currency are shown net in the items of the Income Statement "Valuation of assets and liabilities in foreign currency", and its composition is detailed as follows:

Concept	December 31, 2016	December 31, 2015
Earnings from financial assets and liabilities valuation in foreign currency	424,895,794,692	495,908,662,918
Losses from financial assets and liabilities valuation in foreign currency	(425,439,388,373)	(493,158,527,179)
Earnings from the exchange difference on financial assets and liabilities in foreign currency	-543,593,681	2,750,135,739
Earnings from other assets and liabilities valuation in foreign currency	4,334,989,513	3,347,934,795
Losses from other assets and liabilities valuation in foreign currency	(4,429,075,330)	(4,029,405,723)
Losses from the exchange difference on the total of other assets and liabilities in foreign currency	**-94,085,817**	**(681,470,928)**
(Losses) – Income resulting from the exchange difference on the total assets and liabilities in foreign currency	**-637,679,498**	**2,068,664,811**

F.3. Contributions to the Deposit Guarantee Fund (DGF)

In accordance with Law 2334 of December 12, 2003, financial institutions are obligated to contribute quarterly to the DGF, which is managed by the Central Bank, 0.12% of the average quarterly balances of their deposit portfolio in local and foreign currency.

The amounts contributed by the Institution for the fiscal years that ended on December 31, 2016 and 2015 are PYG 11,392,467,740 and PYG 11,217,961,870, respectively. The amounts contributed by the Institution to the DGF are non-recoverable expenses and are shown in the item "General expenses" (see Note G).

F.4. Income Tax

The current Income Tax charged to the result of the fiscal year at a 10% rate is based on the accounting value before this concept, adjusted to the items the law and regulations include or exclude for the determination of the taxable net income.
The Board estimates that the effect of the deferred tax is not significant for the financial statements as a whole as of December 31, 2016 and 2015.

Additional Income Tax for the distribution of profits

In accordance with the provisions of Law 125/91, modified by Law 2421/04, the distribution of profits in cash is taxed at 5%.
The charges to results for the additional income tax for the years ended on December 31, 2016 and 2015 are presented in the item Income Tax of the Income Statement.
On the other hand, in accordance with the tax code established in said laws, remitted profits to beneficiaries abroad are subjected to a withholding rate of 15% in income tax.

G. GENERAL EXPENSES

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

Description	December 31, 2016	December 31, 2015
Provision of services of call center, telemarketing	16,702,583,743	14,687,982,877
Leases and expenses	15,732,433,796	14,434,261,475
Publicity, marketing and events	10,869,612,781	12,396,483,887
Contributions to Deposit Guarantee Fund (see Note f.3)	11,392,467,740	11,217,961,870
Commissions paid to non-banking correspondents and managers of payment networks	7,393,954,537	9,212,239,107
Paid insurance	6,998,108,983	7,201,301,317
Security and vigilance	6,991,270,428	7,028,938,830
IT services	7,509,409,450	6,752,916,333
Card processing expenses	6,348,932,600	6,178,285,128
Armored transport	5,037,651,995	5,629,791,820
Repairs and maintenance of property	4,986,463,026	4,394,479,460
Cleaning service	3,788,113,994	4,115,850,102
Information expenses	3,402,964,030	3,877,667,450
Papers and prints	3,052,069,155	3,085,346,437
Provision of services expenses	1,838,603,430	2,587,035,403
Electricity	2,304,526,592	2,512,024,977
Transport expenses	759,081,093	2,372,913,049
Shipping charges (courier)	2,040,110,625	2,341,744,175
Phone and communications	2,211,838,217	2,148,743,321
Counsel, audit and other fees	2,758,693,577	1,844,278,600
Travel and representation expenses	1,350,667,949	1,441,095,550
Severance and notice to staff	1,091,389,655	1,045,121,783
Other expenses	8,388,964,399	7,064,949,217
Total	**132,949,911,795**	**133,571,412,168**

H. INFLATIONARY EFFECTS

Inflationary adjustments procedures have not been applied, except for those mentioned in Note c.8.

I. RISK MANAGEMENT

The main risks managed by the Institution for the purpose of achieving its goals are:

a) Credit risks

Banco Familiar is an institution focused on the retail segment of consumers and microbusinesses. As such, the Institution has a fragmented portfolio, distributed among approximately 500,000 clients.

The general strategy of credit risk management is that the time of analysis, the items to be assessed, the evaluation-approval process and follow-up is higher as the risk involved is higher. Therefore, the strategy to be followed is adequate for the nature and characteristics of each business segment. In the retail and consumers segments, the statistic criteria of scoring are followed, based on our experience of more than 45 years in business that allows us to maintain a portfolio with defaulting indexes in accordance with the nature of the business and profitability.

In the segment of medium and large companies, the risks of the Bank limit the maximum amount to be granted below the legal minimum lendable amount of the Bank, and it involves executives and senior staffers for its approval, through Credit Committees established selectively in accordance with the risk involved. The follow-up and supervision of the credit risks is entrusted to an independent Risk Management and adequately organized for each business segment.

b) Financial risk

b.1) Market risk

Represented by the possibility of financial loss due to the fluctuation of prices and/or interest rates of the assets of the Bank, in the manner in which their lending and borrowing portfolios can present a mismatching of terms, currencies or indexes.

b.1.1) Interest rate risk

The Institution performs monthly controls of the structure of assets and liabilities that are sensitive to readjustments of the interest rate, in diverse terms.

As of December 31, 2016 and 2015, all mismatches of assets and liabilities that are sensitive to interest rates are below the maximum limits recommended by the policy.

b.1.2) Exchange rate risk

The Institution actively operates in financial intermediation, as well as in the purchase and sale of foreign currency and the purchase of checks. For that, there is a division of businesses with qualified and experienced staff in currency trading, supported by IT tools for a permanent monitoring of the business and the performance of markets.

To perform the measurement of exposure of the Institution to variations in the exchange rate, the VaR (Value at Risk) methodology is followed, in which the Financial Risks staff calculates daily the likely loss from exchange rate variations considering the foreign currency positions. The Board has set out a low and conservative VaR limit for the net position in foreign currency, limiting the risk of losses due to unfavorable changes in the exchange rate.

In the opinion of the Board and the Management, the VaR limit for the net position of foreign currency is low, limiting thereby the risk of losses due to unfavorable changes in the exchange rate.

b.2) Liquidity risk

The liquidity risk is mitigated with a very conservative policy of asset management, always maintaining a significant percentage of them as cash and highly liquid assets that allow to face extreme situations.

The monitoring of liquidity and the several associated variables to this item are managed by the Financial Risks staff, through daily and monthly reports to the Committee of Assets and Liabilities for the relevant decisions.

As of December 31, 2016 and 2015, the levels of basic liquidity are above the recommended minimum for the policy, both in guaranies and dollars. As for extended liquidity, which considers in addition to net availabilities, discountable assets by the Central Bank of Paraguay (Letters of Monetary Regulation and Sovereign Bonds) through its liquidity window, the indexes are also in levels above the minimum limits recommended by the policy.

c) Operating risks

The Institution has a Unit of Operating Risks, intended to identify, measure, evaluate, supervise, control and mitigate critical operating risks to which the Institution is exposed and managing them efficiently, as well as to mitigate operating risks events, contributing to preventing and reducing the occurrence of future related losses.

The Unit executes its annual work plan that includes the review of the Model of Internal Control, the test of control in every area and the calculation of the amounts that were lost due to operating risk with the statistics of their origin and sector. This methodology allows to adequately value the risks, to prioritize them establishing their level of criticality and to develop mitigation plans. The Institution keeps a map of risks, which allows it to adequately manage them.

J. Balances with related parties

The balances and transactions with related parties are as follows:

As of December 31, 2016

Institution	Demand deposits	Certificate of savings account	Loans	Sundry loans	Accounts payable	Contingencies	Interests Earned	Interests Paid	Other income and outlays
Directors	8,718,465,562	83,361,836,573	482,608,961	0	0	1,067,177,438	4,896,664	5,785,041,582	6,420,270
Fundadores S.A. (c)	887,284,419	0	0	0	0	0	0	2,394,519	(124,571,424)
Nexo S.A. (a)	8,136,574,851	6,000,000,000	0	837,860,879	0	0	0	111,712,168	(36,672,827,227)
Ventas y cobranzas S.A. (VEYCO) (b)	3,295,630,335	0	0	0	2,867,211,121	0	0	17,412,478	(49,720,422,167)
Total	**21,037,955,167**	**89,361,836,573**	**482,608,961**	**837,860,879**	**2,867,211,121**	**1,067,177,438**	**4,896,664**	**5,916,560,747**	**(86,511,400,548)**

As of December 31, 2015

Institution	Demand deposits	Certificate of savings account	Loans	Sundry loans	Accounts payable	Contingencies	Interests Earned	Intereses Pagados	Other income and outlays
Directors	8,641,352,732	70,040,310,668	127,382,583	0	13,205,634	627,687,417	1,982,352	3,393,837,699	0
Fundadores S.A. (c)	386,372,317	0	0	0	0	0	0	4,156,025	(105,523,808)
Nexo S.A. (a)	10,002,899,313	0	0	2,878,131,436	0	0	0	14,317,484	26,903,740,998
Ventas y cobranzas S.A. (VEYCO) (b)	4,118,267,480	0	0	0	43,426,217	0	0	17,480,986	(23,861,482,877)
Total	**23,148,891,842**	**70,040,310,668**	**127,382,583**	**2,878,131,436**	**56,631,851**	**627,687,417**	**1,982,352**	**3,429,792,194**	**2,936,734,313**

a) Nexo S.A. buys portfolio from Banco Familiar S.A.E.C.A.
b) Ventas y cobranzas S.A. provides sales services and collection arrangements to Banco Familiar S.A.E.C.A. See Note G.
c) Fundadores S.A. leases customer service offices and rooms to the Bank.

K. Subsequent Events

Between the closing day of the year and the date of presentation of these financial statements, there were no significant financial or other events that would affect the structure of the estate and the results of the fiscal year as of December 31, 2016.

Annexes

OUR BRANCHES

ASUNCION AND GREATER ASUNCION

Casa Matriz
Líder IV
Centro
España
Villamorra
San Martín
Pettirossi
Pinozá
Artigas
Terminal
Lambaré
Mariano Roque Alonso

GREATER ASUNCION

Shopping Multiplaza
Fernando de la Mora
Acceso Sur
Ñemby
San Lorenzo 1
San Lorenzo 2
Ingavi
Capiata
Itagua
Limpio
Luque 1
Luque 2

INTERIOR CENTRAL

Caacupé
Coronel Oviedo
Machetazo - Cnel. Oviedo
Caaguazú 1
Caaguazú 2
Villarrica
Campo 9

INTERIOR EAST

Hernandarias
Ciudad del Este 1
Ciudad del Este 2
Ciudad del Este 3
Ciudad del Este 4
Santa Rita

INTERIOR NORTH

Villa Hayes
Santaní
Santa Rosa del Aguaray
Concepción 1
Concepción 2
Horqueta
Pedro Juan Caballero
Curuguaty
Salto del Guairá
Katueté

INTERIOR SOUTH

Carapeguá
Encarnación
Obligado
Cnel. Bogado
Ma. Auxiliadora
San Juan
San Ignacio
Pilar

BANCO FAMILIAR