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Annual
Report





Openness

is a matter of presence, but above all, a matter of being.





We use our walls as canvas in a symbolic homage to our 500 thousand clients, as we paint some of their stories.







2017

Annual Report







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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:

ASSISTANT GENERAL MANAGER:

COMMERCIAL MANAGER:

FINANCIAL MANAGER:

RISK MANAGER:

BRANCHES MANAGER:

CONSUMPTION AND MARKETING MANAGER:

CORPORATE BANKING MANAGER:

PERSONAL BANKING MANAGER:

DIGITAL BANKING MANAGER:

ADMINISTRATIVE MANAGER:

OPERATIONS MANAGER:

TECHNOLOGY MANAGER:

PEOPLE AND O.D. MANAGER:

TRUST FUNDS MANAGER:

INTERNAL AUDIT MANAGER:

COMPLIANCE MANAGER:

INSURANCE BANKING MANAGER:



Cesar Barreto Otazú

Hilton Giardina Varela

Arsenio Vasconsellos

Diego Balanovsky

Wilson Castro

Víctor Pedrozo

Luján del Castillo

Nery Aguirre

Graciela Arias

Fabio Najmanovich

Gladys Velázquez

Sandra Hirschfeld

Nancy Benet de Quintana

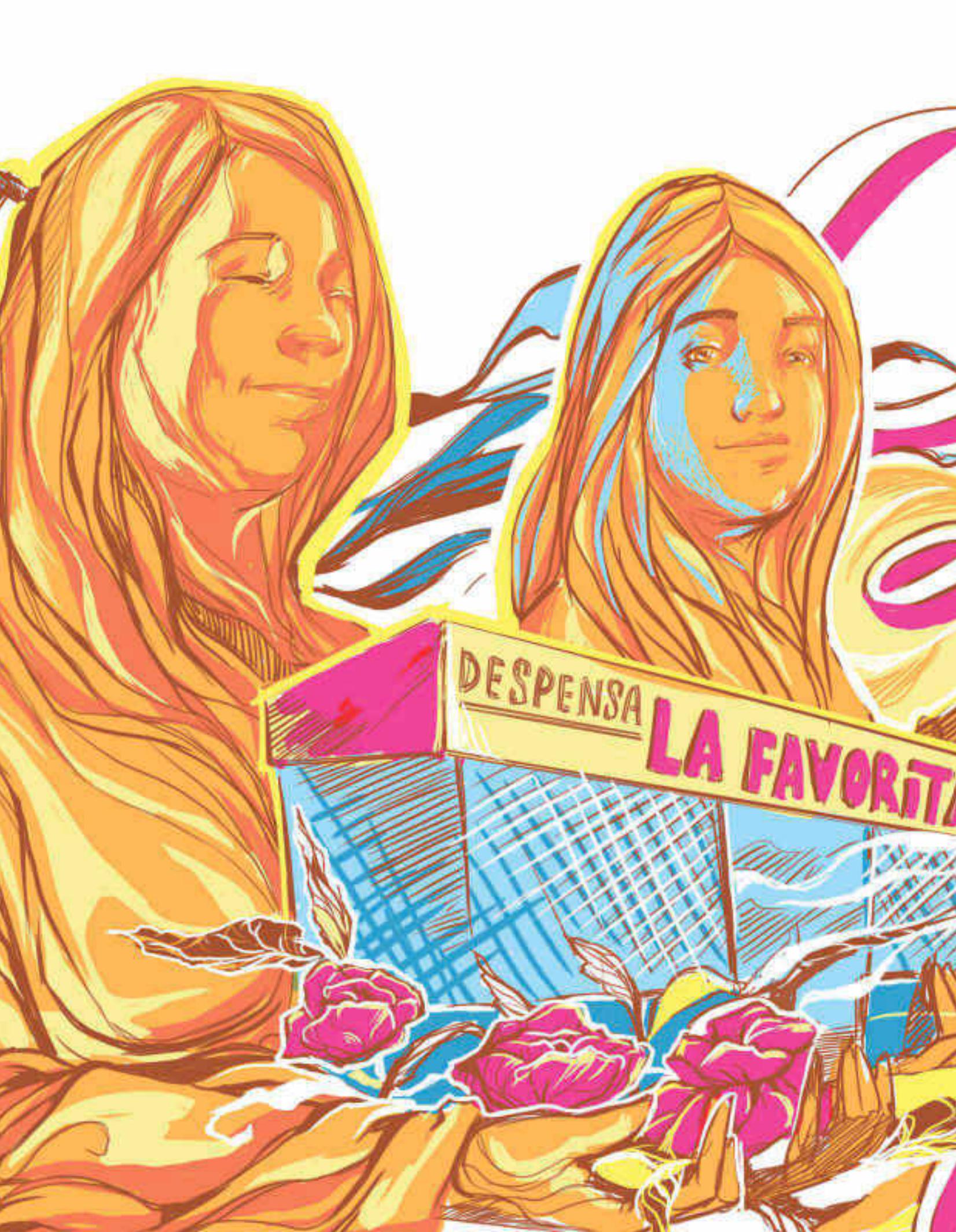
Mabel Gómez de la Fuente

Myrian Soliz de Mendoza

Venancio Paredes

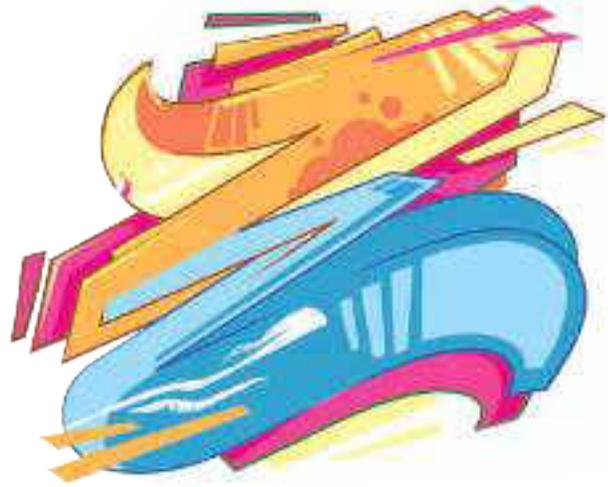
Oscar Daniel Fernández

Yudith Bejarano



DESPENSA

LA FAVORITA



CALL TO THE REGULAR GENERAL 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 General Meeting of Shareholders to be held at Carmelitas Center, Salón Hope, at Avda. Molas López y Pastor Filártiga, on April 10, 2018, 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, 2017.
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. Election of members of the Board in accordance with Article 15 of the Articles of Association.
8. Determination of the monthly remuneration and bonuses of Members of the Board according to Article 16 of the Articles of Association. Resolución sobre designación de auditor externo para el ejercicio 2018.
9. Appointment of a Regular Trustee and Alternate Trustee for 2018.
10. Determination of the remuneration of the Regular Trustee.
11. Decision on the appointment of external auditors for 2018.
12. 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, 2017.

Last year was a very special one for Banco Familiar. We celebrated our golden anniversary with our 50 years of institutional life.

A significant milestone was worthy of celebration and because of that, in 2017, we carried out numerous events with our collaborators and our clients, in which we remembered and analyzed our path and the achievements in the past, but we also dreamt and planned our future.

We held 19 meetings in Asuncion and the main cities of the countryside with the attendance of 466 people who had the chance to meet with the president, directors and managers, having long and productive conversations.

We ended our efforts with two big celebration parties: one in September with clients, authorities and friends; and another one with all of our collaborators in December, cheering for the end of a special year. But 2017 was not just a year of celebration, it was also a year of growth and expansion of the businesses of the bank.

After an economic deceleration in 2015 and an uncertain transition in 2016, 2017 has been a year marked by good macroeconomic results that benefited the collective Paraguayan economy.

The growth of 4.3% in the Gross Domestic Product was due to a combination of three factors: a good agricultural year, the continuity of the execution of road infrastructure works and the recovery of our two large neighboring countries.

When we talk about the agricultural sector, we are

referring to soybean, corn and wheat, which due to significant rains had a production record in the year, in addition to good international prices.

The continuity in the execution of road infrastructure works such as the extensions of the main roads of the country, the pavement of neighborhood roads and the construction of large overpasses in metropolitan areas have contributed to economic growth in the year and the improvement of the economy as a whole and the improvement in the quality of life of the people in the country.

Finally, in a country such as ours where 80% of the population lives in cities in the border with Argentina or Brazil, any variation in the economy of these two gigantic countries affects us deeply.

In that way, there has been a slow end to the recession of previous years in Brazil and Argentina and the normalization in the macroeconomic management has allowed a significant increase in sales in businesses located in Asunción, Encarnación, Ciudad del Este, Salto del Guairá and Pedro Juan Caballero.

This situation of improvement of economic indicators of the country has been reflected in the financial system. Credit, which was stalled in 2016, has been reactivated with an expansion of 5.5%; defaulting which had increased in previous years had a slight drop of 0.1% in 2017 and income grew 12% with respect to the previous year.

In this more favorable context, Banco Familiar had a good 2017 with growth in deposits and credits, with decrease in defaulting, restraint in expenses and therefore, higher profitability.

Deposits grew 10.1%, going from 2,458 million guaranies to 2,720 million guaranies, and the increase in the participation of demand deposits in the total of deposits was most relevant, going from



49% in 2016 to 57% in 2017.

It is convenient to remember that one of the reasons why we transformed ourselves from a financial institution into a bank in 2009 was to grow in demand deposits, specifically as to checking accounts, which is money without financial costs to the bank and allows us to have a daily relationship with our clients.

In the plan of transformation from a financial institution to a bank, we had the goal that demand deposits would reach 60% of total deposits and the 57% reached in 2017 puts us closer to our objective.

As to credits, they grew 16%, going from 2,422 million guaranies to 2,809 billion guaranies. The growth of the portfolio was marked by the defined strategy to speed up our conversion into an integral bank that has all products and serves all markets, but without neglecting the traditional business.

As a product of this strategy, the portfolio of Corporate Banking had a significant increase of 40%, going from 635 billion guaranies to 889 billion guaranies, but still serving our traditional consumption business which grew 13.4%, going from 1,153 million guaranies to 1,308 million guaranies.

As a parallel to this commercial growth, the defaulting has been reduced from 5.7% in 2016 to 5.2% in 2017, due to several measures implemented in time that allowed to capitalize on the improvement foreseen in the market.

In addition to the decrease in defaulting, Banco Familiar has maintained its prudent allowances policy in 2017 for bad debts which means that we have allowances above the regulatory requirements of the Central Bank.

This means that we have ended 2017 with allowances covering 126% of the past-due portfolio which represents 6.6% of the total portfolio, making Banco Familiar the bank with the highest coverage in the market, doubling on the average of the system which is only 3.3%. This is the highest coverage in the market.

Another measure that meant a great deal of internal effort was the control of operating expenses, which increased 4.4%, aligned with inflation.

There is a permanent analysis on the reduction of costs and, mainly, in the optimization of different operating processes towards the continuous improvement of quality and productivity.

As a consequence of the aforementioned: growth in demand deposits, growth in credit portfolio, decrease in defaulting, good coverage of allowances and better operating efficiency, Banco Familiar ended 2017 with income of 125,967 million guaranies, a figure that is 23% higher than the 102,967 million guaranies figure in 2016.

With this result, the return on equity of the bank was 21%, a percentage that is higher than the average of the financial market, which is 18%.

All of these indicates that the tough years of economic recession of neighboring countries and the constant drop in international prices of our export products have ended.

We are optimistic in that the coming years will be better, but we are also realistic in that the financial activity will be ever more competitive, demanding from banks more investment in technology and training of our people.

The tech revolution has brought big changes in the form of producing and consuming by companies and people, with a significant impact on financial businesses, leading to the introduction of new competitors and the disappearance of those that cannot compete.

Banco Familiar has turned 50 in 2017 and aspires to keep turning even more years. It is fundamental for it to always be close and know the needs of its clients, to invest in technology and to create conditions to attract, develop and retain the best people.

Our vision for the future means keeping on building a national leading bank that provides all people and all companies, financial services, credit and savings



that are adequate to their needs.

This building up must be done solidly capitalized, prudently managed and supported in the two pillars that made our first 50 years possible: our highly qualified people working as a team and our values of legality and ethics.

To conclude, in the name of the board of the bank, I want to express our thanks to all of those who contributed in making our current company a reality.

I want to thank our collaborators and our clients. None of these could have been possible without them.

I want to specially thank you, our shareholders, for your support and trust which make us proud and strengthen us.

And 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



2017: REACTIVATION OF THE ECONOMY

After the economic deceleration between 2015 and 2016 caused by the drop of the price of commodities and the economic difficulties of neighboring countries; 2017 has been a year of reactivation marked by good macroeconomic indicators that affected the whole of the Paraguayan economy positively.

A good agricultural year with a record harvest of soybean, the continuity in the execution of relevant road infrastructure works and the economic recovery of neighboring countries, mainly Brazil, are the main factors that contributed favorably for the growth of 4.3% of the Gross Domestic Product according to preliminary estimations made by the Central Bank of Paraguay.

The production of soybean had a record harvest for a total volume of 9.5 million tons thanks to the good weather that favored the development of the crops of oilseeds. The scenario was less favorable for wheat and corn crops that were negatively impacted by unexpected frost in July. However, as these crops have a lower impact on income, the effect was minor.

The international markets have also been favorable as to the price, which did not equal the peaks and very good prices of the 2003-2013 period, but they were leveled in a way to allow acceptable profitability for intervening actors. This combination of good productivity and good prices affects the whole of the Soybean-Wheat-Corn collective, which involves the productive sector and has direct effects in the commercial and financial sectors.

In addition to the continuity of the execution of infrastructure projects started in previous years, new significant projects were started in 2017, such as the duplication of the Caaguazú-Ciudad del Este road, under the extension of the concession to the company Tape Pora S.A., so the construction sector grew 5%.

Finally, the economic recovery as well as the stabilization of the currencies of Brazil and Argentina favored the capacity of consumption of its population and, as a consequence, the trade between cities bordering both countries, mainly in Asunción, Encarnación, Ciudad del Este, Pedro Juan Caballero and Salto del Guairá. This is clearly seen in the macroeconomic figures where the Commerce sector, after years stalled or with low growth, had an upturn of 9% in 2017.

Paraguay Economic and financial indicators	2015	2016	2017(e)
Nominal GDP (Millions of USD)	27,374	27,645	29,735
GDP per capita (USD)	4,052	4,033	4,276
Total GDP Growth (%)	3,0	4,0	4,3
Inflation (%)	3,1	3,9	4,5
Nominal exchange rate variation (%)	25,3	(0,3)	(3,1)
International reserves (Millions of USD)	6,200	7,144	8,140
External debt (% of GDP)	14,6	17,4	18,9
Fiscal deficit (% of GDP)	1,8	1,4	1,5
Financial system			
Variation per year in loans (%)	21,0	0,3	5,5
Loans/GDP (%)	53,5	49,7	49,3
Variation per year in deposits (%)	15,4	6,9	7,6
Deposits/GDP (%)	54,1	52,7	53,4
ROE (Net income / Equity, Average) (%)	21,1	18,3	18,6
Average defaulting (%)	2,5	2,9	2,8

Source: Central Bank of Paraguay

On the other hand, the Central Bank of the United States has started the adjustment of its interest rates and it was to be expected a priori that said measure would begin to strengthen the U.S. dollar

against the other currencies used in international trade. However, several factors have kept the levels of the exchange rate of said currency in a neutral or even in devaluation against other currencies, among them the fiscal policy and general indebtedness of the American economy. An example of this is the euro/dollar relationship; a European Union without signs of recovery and/or more dynamic indicators than the U.S., has seen the Euro strengthen significantly against the Dollar. The same has happened with trade partners in the continent: the currencies of Mexico, Brazil, Colombia, etc., has been strengthened. It also happened in Paraguay, where the guarani appreciated 3% against the dollar.

The increase in the Consumer Price Index of our country was 4.5% above previous years and the goal of the Central Bank. Although the exchange rate has favored direct import goods and tradable goods to have increases of 1% and 3% respectively; national products and non-tradable products had an increase around 5% due to the increase in the cost of production considering the raise in the minimum wage in the midst of the year.

International reserves have had a similar growth than in previous years, mainly due to the process of accumulation of income of the private sector linked to international trade.

The level of indebtedness maintains a growing rhythm, currently representing 18% of the GDP with net disbursements seen in 2017 above USD 600 million, mainly linked to the funding of infrastructure works investment and the payment of the external debt. The fiscal deficit ended the year at 1.5% of the Gross Domestic Product for the second consecutive year, within the maximum limit set by Law 5098/13 of Fiscal Responsibility, which is a positive sign as to the effectiveness of this instrument to control the fiscal deficit and the rhythm of public indebtedness to preserve future sustainability of public finances of our country.

FINANCIAL SYSTEM

The financial system is a mirror of the situation of the real sector of the economy. After being stalled in the previous two years, credit started to grow again and had an expansion of 5.5% as of the end of 2017. In the same way, the defaulting rate of the credit portfolio has shown a decreasing trend with a slight drop of 0.1% in 2017 with respect to the previous year, and the final rate was 2.8%. The level of refunding seen in 2016 has been reduced around 20% in 2017, showing an improvement in the payment ability of people and companies due to the economic dynamism explained above.

The profit of the entities of the financial system has also seen a recovery with an increase of 12% with respect to the previous year, mainly due to lower allowances for bad debts and a structural reduction of operating expenses due to a reduction in the number of physical branches and the wider use of alternative and/or digital channels seeing the changes in the habits of consumers. However, the return on equity of the financial system was maintained stable around 18% per year.

OUTLOOK FOR 2018

2018 is a year of general elections for both the Presidency of the Republic and the renewal of both chambers of the National Congress, Governor's Offices and Departmental Councils. Elections will be held on April 22 and the President-elect of the Republic will take over the government on August 15. There are no significant differences in ideological economic terms between the two candidates for the Presidency of the Republic. Although there may be some differences of approach in economic and social policy between them, there is a similar vision as to prudent macroeconomic policies followed by the last 4 governments, so we are not expecting significant changes in terms of fiscal and monetary policy.

However, a change of government always generates a disturbance in the execution of public projects and it will surely have an impact on their deceleration



immediately after the elections and until the new government imposes its rhythm and priorities in the last quarter of 2018. Anyway, the estimated impact on the economic activity is temporary and moderate.

On the other hand, the outlook for the harvest of the main agricultural items is encouraging and although it may not reach the same levels of record harvest of soybean of the previous harvest, the expected levels of profitability and production are very good and soybean exporters of this year will be benefited by better prices due to lower production in Argentina and Brazil. Therefore, we await a good year in the agricultural and livestock sector in general.

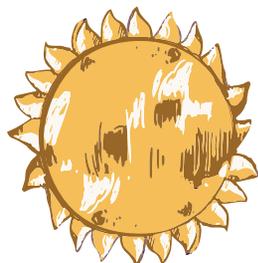
Likewise, neighboring countries continue with their economic recovery with a projected growth higher than 3% for Argentina and of 2% for Brazil, with relatively stable currencies. In this way, the border trade and commercial activity in general will continue to have an important growth, although lower than seen in 2017.

The economic activity will continue to be dynamic in 2018. We await a growth of the Gross Domestic Product around 3.5% and an inflation rate of 4.0%. All of these sets out a favorable scenario for the evolution and growth of the financial system, so the recovery of the credit activity will keep consolidating as well as the improvement of the main indicators of the system.

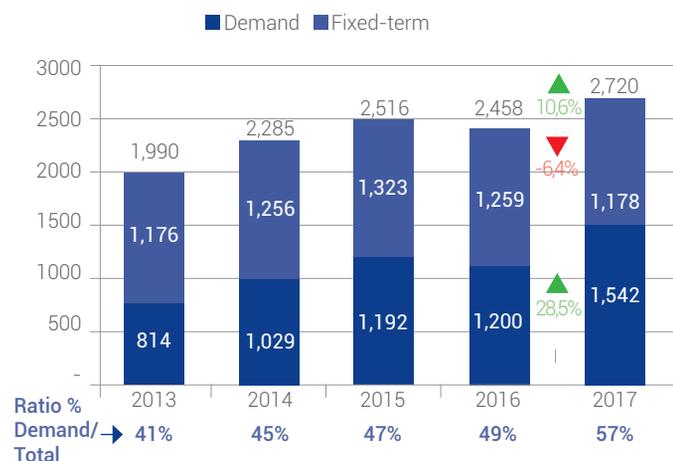


FAMILIAR STRENGTHENS ITS INTEGRAL BANK STRATEGY

- Thanks to the favorable market conditions, 2017 has been a year in which we have been able to accelerate, strengthen and consolidate many of the plans that we had in the vision as a bank as to deposits and the possibility of serving strategic clients:



EVOLUTION OF DEPOSITS
(Billions of PYG)



On the side of deposits, we have made an important reconversion of our deposits in the demand/term ratio. We have increased the participation of demand deposits from 49 to 57% of the total, given a series of actions that have started a few years ago and are giving positive results:

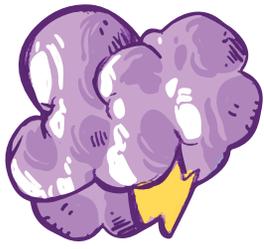
- Towards the end of 2014, there was an important reorganization in the commercial structure that serves medium-sized clients, integrating the SMEs Banking with the Individual Banking (physical persons with high income). Operating procedures were aligned, after reconverting the profile of said structure with training so that our checking accounts service can be attractive to our clients.
- The investment and the improvement of services on line have been important. We understand that technological tools allow transactions to be carried out easily nowadays. The competitiveness of products will depend on staying on the edge of new developments.
- There is work on the inclusion of companies for the payment of salaries to their staff. Part of the reorganization that we had was the creation of a trade and operating service area for the hundreds of companies that have the payment of salaries service today. Through an I.T. tool which is easy-to-use, companies can choose to pay to the accounts of their staffers.
- In a similar way to the payment of salaries, there is a module for the payment to providers. However, the commercial strategy of this module is very active for the Bank. As a bank that mostly serves SMEs, we are in the middle of the cluster of several goods and services. We then seek to actively visit and know wholesalers of said cluster, as well as the retailers which are to the side of the micro-companies. In both cases, there is commercial proceedings for companies that are not yet in the cluster, offering them our payment services which are highly valued considering the results.

- In the Retail Banking, there is an important financial inclusion work on the side of savings for the thousands of clients we have and with whom we maintained a relationship solely based on credit until recently. We have readapted our operating processes so that "the account" is present in the credit relation as a vehicle for disbursement and the collection of installments. These clients also have the service of savings accounts through which many of them have started to make payments and transactions in a more agile way with our services.
- As to Family Remittances, we have also offered our services of savings accounts to families linked to this type of transactions. Many of them lacked accounts. Today, a significant part of the clients related to this service can enjoy the benefits of savings accounts receiving their remittances directly to their accounts, and they can manage them better and minimize the impact of receiving them in cash through them.

This growth in demand deposits has meant a significant readequation of our areas of Treasury, Securities, Operations and Technology to maximize electronic compensation mechanisms that the Central Bank of Paraguay has developed and keeps improving constantly. The National Payment System (SIPAP, for its Spanish initials) comprises two aspects:

First, integrating a platform of compensation between banks. This integration allows the compensation of their demand funds and the electronic and secure settlement of investments that they might have, facilitating the buy/sale settlement between banks, or between a bank and the Central Bank of Paraguay, electronically, in real time and with safety mechanism as to the guarantee under custody of invested securities, but registered electronically to perform quick settlements.

Second, in working on the opportunity of integration of banks among themselves, so that we can offer the possibility of transfers between accounts from one bank to the other. Making it competitively and conveniently makes the client to positively value



the service, using our services more frequently and making the client perform more payments from one account to the other reducing the use of cash. In that way, it was a significant commercial achievement to have around 30% of deposits being received today electronically, compared to 70% received in cash and/or compensated with checks.

The other important challenge for the management of the increase of demand deposits is, for a bank with branches throughout its area of influence, having the right and necessary cash for normal days of operation. And also, having the necessary operative structure to comply meet the demands of clients in the event of higher needs. By having many branches and increasing deposits, there must be permanent monitoring to find the optimal balance of cash in branches and the administration with armored transport agencies and opening new channels for the exchange of money, not just with armored transport agencies, but also proactively operating money exchange between banks or large clients. This relationship between banks and large clients demands timely supply of cash in accounts, cash, guaranies and U.S. dollars, forcing Familiar to strengthen the Exchange Desk to face these circumstances that occur every day with this type of operations.

All of these actions that allowed a higher participation of demand deposits and a lower participation in fixed-term deposits, have allowed to achieve a systematic reduction of financial costs in recent years. Considering the last 5 years, we can divide them into two stages in which there was a growth of 8% in each: the 2013-2016 period, in which demand participation increased from 41% to 49% and 2017, when it went from 49% to 57% due to the positive effect of the points as summarized above. .

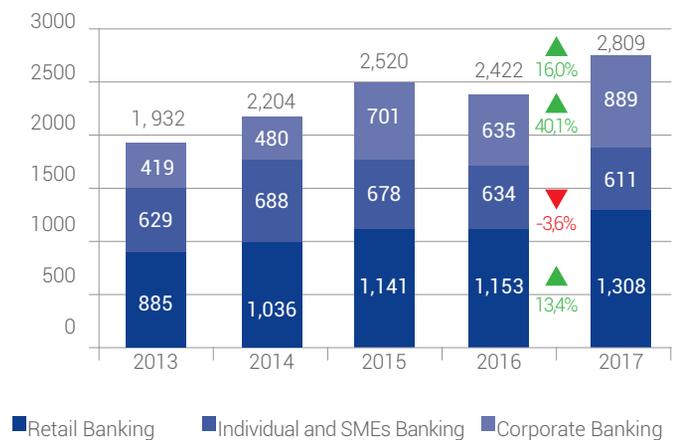
On the side of the Money Demand, loans, as a coincidence with the start of an economic cycle with greater dynamism, important decisions in credit management has been made in Corporate Banking to capitalize said cycle as best as possible.

The credit portfolio has been reviewed carefully, case by case, allowing to increase the line of

credit of some clients, specially in the commercial and construction sectors, giving priority to those integral relationships of companies with whom we can set out long-term relationships through several services; deposits; payments of salaries and providers, exchange operations and transfers, etc. All of these adds up to an improvement in the offer of lines of credit in accordance with the size of these companies.

So, in 2017, the Corporate Banking of large companies increased in 40%. Credits have been granted for strategic relations of certain clients and Familiar has also led the syndication of the funding for Route 2, in the Tape Porá segment. The total value of this operation was PYG 350 billion. Familiar participated in this funding with PYG 75 billion, coordinating with interested banks, the Financial Development Agency (AFD, for its Spanish initials), which is the financier and the final client, which is the Tape Porá consortium.

EVOLUTION OF CREDIT PORTFOLIO (Billions of PYG)



In the portfolio of Retail Banking, where the minor-scale operations with greater volume and smaller operating amounts per unit are concentrated, there have also been important adjustments and innovations.



There was an increase of 13% with respect to the previous year. The process of rotative credits could be materialized which allows a more agile process for the granting of credits, specially as to renewals with clients. Policies for the granting of credits in this banking, considering the amount per unit of the operation and the large volume in the number of transactions, is based on statistical scoring models, which were recalibrated and adjusted to better respond to a more favorable economic environment than the previous year.

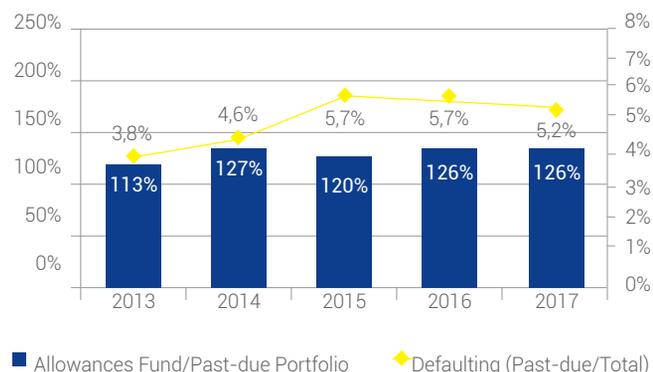
In the SMEs and Individual Banking, there was an important number of clients with high levels of indebtedness. This is the reason why, despite a better economic climate, Familiar has taken criteria of prudence in the exposure to risks with clients of this segment. This criterion of prudence has given as a result the systematic drop of the portfolio in recent years. 2016 was a more complicated year, as the drop was of 7%. 2017, with a more favorable environment, saw a smaller drop with a 3.60% reduction.

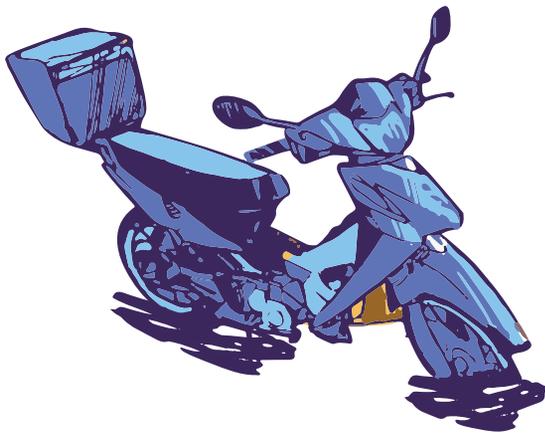
THE IMPROVEMENT IN THE RESULT OF THE YEAR IS DUE TO THE CONTROL OF DEFAULTING

The result of the actions undertaken in time allowed to capitalize the foreseen improvement in the market and revert the levels of defaulting which had reached peaks in 2015 and 2016 (recession and transition, respectively). Defaulting has been controlled specially in SMEs Banking and Corporate Banking, where the most significant reductions were seen. In Retail Banking, which is comprised by salaried people and micro-companies, there was a reduction that was below the proportion but within the reasonable historic limits for this type of portfolio. The effect is one of a smaller establishment of allowances that affect the Income Statement, a cumulative balance that has been 11% lower than in 2016.

The other action that involves great internal effort is the control of operating expenses, which has increased aligned with the increase of inflation. There is a permanent analysis that does not simply

go for the reduction of costs, but analyzes several processes to maximize the use of resources involved and making them competitive with economies of scale in accordance with the highest standards of the industry.



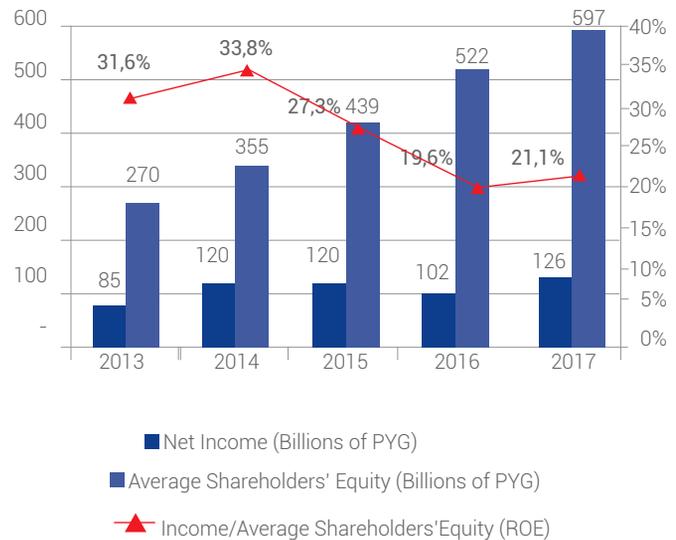


Income (Millions of Guaranes)	2014	2015	2016	2017	Changes 2017-16	Changes 2017-16, %
Financial income	546,737	585,669	576,886	564,081	-12,805	-2.2%
Financial costs	142,724	128,854	125,765	110,521	-15,244	-12.1%
Allowances	156,540	187,731	198,883	177,061	-21,822	11.0%
Net Financial Margin	247,473	269,084	252,238	276,499	24,261	9.6%
Operating Expenses	236,810	254,413	250,736	261,703	10,967	4.4%
Other net operating income	124,306	121,026	114,648	126,829	12,181	-10.6%
Income before taxes	134,970	135,697	116,150	141,625	25,475	21.9%
Income tax	15,300	15,882	13,725	15,658	1,932	14.1%
Net Income	119,670	119,816	102,425	125,967	23,542	23.0%

The income of the year has seen an upturn compared to the previous year, achieving a level that was similar to 2015's. Upon measuring the income as to the Shareholders' Equity, there is a value of 21%, higher than the 18% of the consolidated Financial System. Although a 21% return on equity is lower than the income from previous years, mainly due to the reinvestment of income to face growth and expansion challenges foreseen for the subsequent years, the return of Familiar allows one of the highest levels of capitalization of the industry.

EVOLUTION OF PROFITABILITY

(BILLIONS OF PYG)



WE ARE CLOSING THE CYCLE AND CONSOLIDATING THE BANKING BUSINESS

In this 10 years as a bank, we have capitalized our 40 years of previous experience in the retail business innovating in products that have generated mass inclusion, such as Credicédula, which revolutionized access to credit in Paraguay. Customer service of this segment in an important network of non-banking correspondents has been fundamental in this expansion strategy. In the SMEs and Individual Banking, we have made important adjustments to move from a single-product credit relationship to an integral relationship where the development of platforms and technology with our wide network of branches and our extended hours of service have allowed to create this attractive offer and to set out, in this segment, an important relationship with checking accounts, allowing us to consolidate atomized and genuine demand deposits. And in Corporate Banking, seeking to strengthen strategic, integral and highly personalized relationships with companies, we have used the different platforms to facilitate their day-to-day operations, to which competitive lines of credit in terms of amounts and rates have been added. In addition to all of these, the support of our shareholders with the permanent reinvestment of income allows us to have a capitalization index that

is way higher than the industry and the regulatory minimum, motivating to keep growing and expanding the proposal of value of Familiar for the Paraguayan economy.

ORGANIZATIONAL CHANGES MADE TO FACE THE NEXT YEARS WITH SUCCESS.

We have started a different economic cycle for the next years, as it implies growth although with a rhythm and intensity that is slower than when we started as a bank (2009-2013). We must be able to capitalize on this new cycle from the consolidated foundations.

More competitive prices and more efficient processes with more automation and digitalization of processes: It is a trend that will linger. The disintermediation is a process that is occurring as we get more information. We are in a world that is ever more informed, more hyper-connected. It exclusively depends on us whether we can

understand the situations and the changes of the market so that we can have these trends working on our favor as an opportunity to be more efficient and quick not to lose clients. This is why a management of Digital Banking was created to focus on all of these aspects.

Strengthening the relationships with Corporate Banking: Personalized service demands great presence from upper executives in the day-to-day of our clients. This is why a Commercial Management was created to focus on strengthening the relationship with large, strategic clients while watching out for changes in their habits and preferences to have high regard for the offer of products and services.







Social Responsibility



OUR SOCIAL DIMENSION

INTERNAL PUBLIC AND COMMUNITY

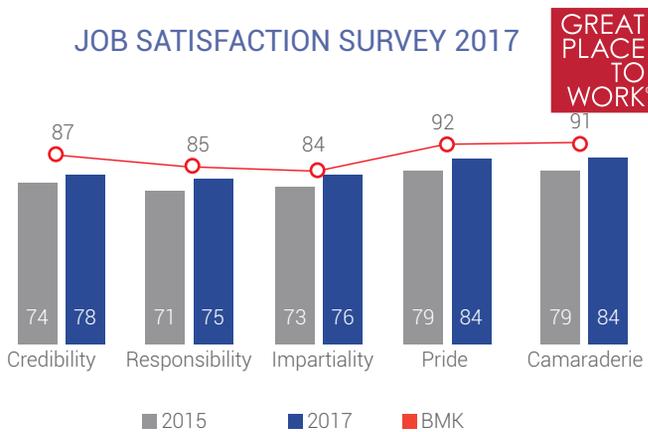
2017 has been a very special year due to the celebration of the 50 years of record of Banco Familiar. In addition to our daily work, we devoted to remember and celebrate the pillars that brought us to the place we now fill in society. These are the values that bind us together.

OUR PEOPLE

We ended 2017 with a recognition from our collaborators, who state their important level of job satisfaction which makes us happy and proud.

These indicators have been built together day after day, and one of the values is the generation of mutual trust through participation and dialogue from the Board to all areas, seeking to maintain closeness to our people. Therefore, as part of the Business Talking program, we held several meetings in Asunción and the interior of the country, reaching more than 500 collaborators in direct Talks and Lectures or other communication channels throughout the year.

The recognition of the 50 years of record was lived even in 2016, ending 2017 with a year full of events.





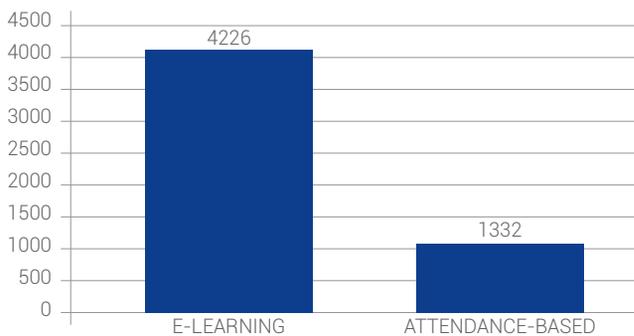
The final seal was a memorable meet-up in a Gala Dinner where the participation of people from all areas and regions of the country enhanced the event.

We did not stop taking care of the integral development of our people, driving and investing on their professional growth, mainly through the use of technology.



CONTINUOUS CORPORATE TRAINING

PARTICIPANTS AND MODES



HOURS INVESTED BY MANAGEMENT

Management	Hours invested
Administration Management	178
Internal Audit Management	93
Corporate Banking Management	74
Retail Banking Management	106
Individual Banking Management	50
Trust Fund Management	10
Finance Management	101
Marketing and Communication Management	17
Operations Management	241
People and Organizational Development Management	77
Risks Management	249
Branches Management	4121
Technology Management	187
General Management	53
Deputy General Management	24
Total	5581

Community: Always betting on the involvement in the communities where we operate, we seek to strengthen one of the fundamental premises of Corporate Social Responsibility: **Impacting from the line of business.**

In this way, without leaving behind other community actions such as Fundación Operación Sonrisas, Sonidos de la Tierra, or the initiatives of Bidding Funds Programs, we are intensifying several **Financial Education** activities for our internal public (collaborators) and the external public made up of children, adolescents and adults in Asunción and the interior of the country.

The axes of action in Financial Education in which we are working are:

Internal public: Mass training to all members of the company through E-learning courses, Training and Education through attendance-based talks and an individual approach through the personalized financial consulting.

External public: Mass training through the distribution of pocket-books of the "It's better to know" nationwide campaign and free talks in schools and other educational institutions.



másvalesaber



Alliances: These actions were undertaken in an alliance with several institutions such as ASOBAN (Association of Banks of Paraguay), or ENIF (National Strategy of Financial Inclusion), RED DE MICROFINANZAS (Micro-Finance Network) and FUNDACIÓN PARAGUAY EDUCA through which several of our volunteers led courses on Training Trainers.

Community Volunteers of Banco Familiar: The driving force of our network of more than 80 volunteers for this issue has provided free talks in Schools, High Schools, Community Centers and Universities, reaching around 400 child and adult participants in 10 communities throughout the country.

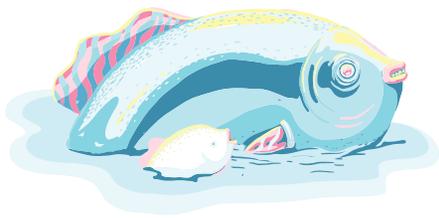






Symbolic Homage to Our Clients

Through an internal competition, our partners sent us the life stories of the clients that they serve. Some of these stories inspired the murals that decorate our fronts.



Elberto's dream

“The project of my farm was a dream. I went, knocked the door of Banco Familiar and I could fulfill my dream. Once a person gets to do what he or she likes, that is healthy! Happily, I fulfilled my plans”. ”

Elberto Grutzmann
Client of the Campo 9
Branch





"In this mural, I had to show the story, Elberto's dream.

They told me I could take a risk on it, they gave me complete freedom.

I could interpret it as the dream of the fish.

Seeing his face of happiness was very good".



Lucas We
Muralist
Work on the
Villa Morra Branch






Vilmar's Challenge

“My story is a story of fighting, of a lot of work. If the Bank had not supported me, I think that La Veta would not exist today. My life changed a great deal, we have financial stability. Without the support of the Bank, we would not be where we are today.”

Vilmar Santo Thome
Client of the Hernandarias
Branch





"What inspired me was the perseverance in an idea, because usually people give up before fulfilling their dreams and goals.

He had a business and a plan, he had ups and downs and persevered.

It is what we should do with our dreams and our goals. I hope he feels like he is an inspiration to other people".



Rolo Ocampos
Muralist
Work on the
Ciudad del Este
Branch

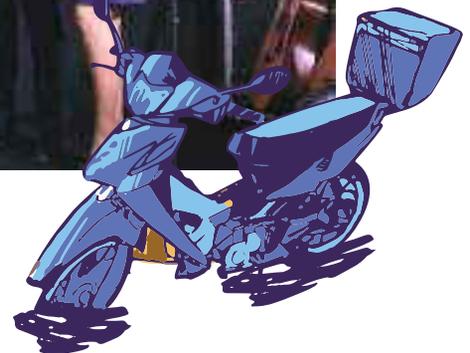




Estela's recipe

“I like cooking a lot, everything I do, I do it the best way possible. My children are with me, they support me and this gives me strength to keep on. They are proud of me and I am proud of them. Banco Familiar trusted me and I could fulfill my long-time dream. ”

Estela Galeano
Client of the Encarnación
Branch



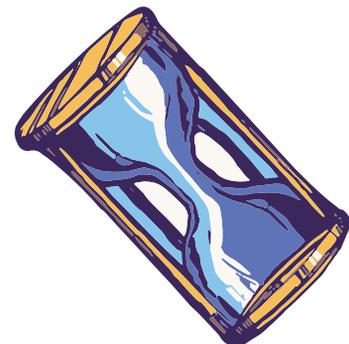


"Estela's dedication and love to her children was the starting point of this mural."

It feels good to pay an homage someone who has her dreams, goals and hope and to pay tribute to that effort".



Oz Montanía
Muralist
Work on the
Encarnación Branch





Celsa's effort

“Thanks to the support of the Bank, I was able to make my business grow and, from that moment on, everything was easier. I realized that, with the help of the Bank, I could move on and think of new businesses.”

Celsa Dávalos de González
Client of the Coronel Oviedo Branch





"It is great for me to pay an homage to a person who is not usually recognized, someone who works and goes unnoticed.

I saw order and discipline in her, something that is not usually seen and that inspired me.

I think Celsa is admirable in any way, including her spirit of sacrifice to achieve her goal".



Rolo Ocampos
Muralist
Work on the Pinozá
Branch





Apolinaria's perseverance

“ I fight for my family. Being a single mother is difficult. There were difficult times in which I thought about working abroad to give my children a better quality of life, but I did not want to abandon them.

I went to Banco Familiar and I took out a loan to supply my business and stay with my kids. Banco Familiar trusts me and I trust Banco Familiar. I am most thankful for the trust. ”



Estela Galeano
Client of the Encarnación
Branch





"What got our attention was that Apolinaria represents the fighting single mother.

It is an example on how to raise a family and a business alone. We are very happy to pay an homage to her and Paraguayan women in general.

We are a tool to represent her, she is the work of art".



TRRBLs
Muralists
Work on the Concepción
Branch





BANCO FAMILIAR SUPPORTS THE DREAMS OF ITS CLIENTS FOR 50 YEARS

50 years ago, we opened our doors with the commitment to support the dreams of our clients and the projects of everyone building a better future with their effort and work.

This commitment remains in force, just like in that first day.

Our history of 5 decades was always inspired by our ideals. They guided the steps we took as a Credit Company, then as a Financial Institution and, finally, as a Bank.

We harvested our experience and reputation with a predominant attitude: being open. This openness is recognized in the transparency that identifies us, in the authenticity we value and which guided us in our pursuit to innovate, grow and create.

In Banco Familiar, we believe that being open allows us to capitalize on our experience and take it to new challenges. Being open enables us to know the aspirations and goals of our clients who drive us to evaluate new ideas, incorporate practices and cutting-edge technology.

2017, A SPECIAL YEAR

A year of celebrations, reaching 50 years of sustained growth deserves that, specially considering the historic context of the financial industry in this country.

On September 14, 2017, the Board of Banco Familiar received the authorities, shareholders, leaders, colleagues, clients, friends and strategic allies to celebrate the 50th Anniversary of Banco Familiar.

The hall of Talleyrand Costanera transformed itself into an art gallery and museum, where guests could see themed spaces that evoked the historic

milestones of the solid record of this national brand. Guests could also see the stations of the stories where the works of art that decorate the fronts of our branches were exhibited as an homage to our 500 thousand clients.

The murals represent our respect and admiration for the everyday heroes that, like us, go after their dreams with care and dedication, doing their part for a healthy and productive Paraguay.

Oz Montanía, Lucas We, Rolo Ocampos, Eddy and Marquitos were the artists of the murals and they were working on a special surprise for all people in attendance.

In this way, Familiar marks, once again, its characteristic and distinct seal in a historic moment for the national banking sector, when a Paraguayan bank reaches this level of maturity after a successful institutional life with constant growth, wide geographic coverage and development of innovative solutions for Paraguayan families.

Familiar occupies a special place in collective memory. In 2017, it was recognized, for the third consecutive year, as the first brand in the mind of people, and for the second consecutive year, as the preferred brand of Paraguayans.







Financial Statements



ASSETS

ASSETS	December 31, 2017 PYG	December 31, 2016 PYG.
CASH AND CASH EQUIVALENTS	613,446,226,197	588,777,854,697
Cash	171,648,242,620	154,809,363,057
Central Bank of Paraguay (Note C.2)	367,596,562,080	323,199,654,773
Other financial institutions	73,860,001,085	110,464,815,043
Accounts Receivables from accrued financial products (Allowances) (Note C.6)	341,497,952 (77,540)	318,134,397 (14,112,573)
PUBLIC SECURITIES (Note C.3)	344,295,344,440	371,667,606,131
CURRENT LOANS FROM FINANCIAL INTERMEDIATION – FINANCIAL SECTOR (Note C.5.1)	92,136,037,991	124,261,780,472
Placements	90,644,408,767	123,420,688,636
Accounts Receivable from accrued financial products	1,491,629,224	841,091,836
CURRENT LOANS FROM FINANCIAL INTERMEDIATION – NON-FINANCIAL SECTOR (Note C.5.2)	41,636,545,841	2,125,691,573,998
Loans	(121,790,196,298)	2,204,051,512,790
(Revenue from valuation on hold)	25,601,439,743	(29,276,268)
Accounts Receivable from accrued financial products (Allowances) (Note C.6)	83,985,353,239 138,090,842,848	40,663,038,365 (118,993,700,889)
SUNDRY LOANS (Note C.15)	6,755,849,945	17,942,269,914
PAST-DUE RECEIVABLES FROM FINANCIAL INTERMEDIATION (Note C.5.3)	41,059,263,487	82,680,306,079
Loans	16,255,415,597	131,815,067,608
(Revenue from valuation on hold)	35,746,765,861	(59,438,705)
Accounts Receivable from accrued financial products (Allowances) (Note C.6)	(10,942,917,971) 27,819,749,952	6,595,738,542 (55,671,061,366)
INVESTMENTS (Note C.7)	3,680,801,575,181	9,273,838,338
Received goods in loan recovery	16,255,415,597	2,261,881,435
Private securities (Allowances) (Note C.6)	35,746,765,861 (10,942,917,971)	8,317,424,660 (1,305,467,757)
FIXED ASSETS (Note C.8)	27,819,749,952	33,055,871,496
DEFERRED AND INTANGIBLE CHARGES (Note C.9)	12,575,219,866	16,732,749,673
TOTAL ASSETS	3,680,801,575,181	3,370,083,850,798



LIABILITIES

LIABILITIES	December 31, 2017 PYG	December 31, 2016 PYG
DEBTS FROM FINANCIAL INTERMEDIATION – FINANCIAL SECTOR (Note C.13)	522,688,834,145	605,147,032,223
Central Bank of Paraguay – Guarantee Fund	3,062,416,908	2,838,947,129
Deposits - Other financial institutions	265,234,514,806	256,892,140,446
Loans from organizations and financial institutions	244,396,827,692	327,029,429,166
Accounts Payable for accrued financial charges	9,995,074,739	18,386,515,482
DEBTS FROM FINANCIAL INTERMEDIATION – NON-FINANCIAL SECTOR (Note C.13)	2,478,544,042,631	2,184,865,902,127
Deposits – Private Sector	2,194,951,831,298	1,866,769,521,962
Deposits – Public Sector	260,165,287,085	291,666,507,384
Other Debts from Financial Intermediation	1,778,051,284	1,685,274,624
Accounts Payable for Accrued Financial Charges	21,648,872,964	24,744,598,157
SUNDRY DEBTS	42,060,023,383	33,192,974,342
Fiscal and corporate creditors	5,400,914,654	4,662,565,049
Other sundry debts (Note C.16)	36,659,108,729	28,530,409,293
PROVISIONS	6,758,303,411	3,398,878,662
TOTAL LIABILITIES	3,050,051,203,570	2,826,604,787,354
SHAREHOLDERS' EQUITY (Note D)	630,750,371,611	543,479,063,444
Paid-Up Capital (Note B.5)	270,000,000,000	240,000,000,000
Equity Adjustments	19,377,427,386	17,873,513,721
Legal Reserve	134,281,320,197	113,796,332,915
Retained Earnings	81,124,229,526	69,384,280,398
Earnings from the Fiscal Year	125,967,394,502	102,424,936,410
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	3,680,801,575,181	3,370,083,850,798



INCOME STATEMENT

	December 31, 2017 PYG	December 31, 2016 PYG
FINANCIAL INCOME	533,501,759,222	540,599,233,044
From Current Loans from Financial intermediation in the Financial Sector	9,716,976,855	13,484,762,910
From Current Loans from Financial intermediation in the Non-financial Sector	488,286,466,068	497,136,748,273
From Past-due Receivables from Financial intermediation	11,885,994,452	14,395,402,637
From Revenues and Difference of Prices of Public Securities	23,612,321,847	15,582,319,224
FINANCIAL LOSSES	(114,645,122,361)	(126,426,688,677)
From Debts – Financial sector	(32,937,704,463)	(42,468,474,810)
From Debts – Non-financial Sector	(78,207,697,895)	(83,414,620,186)
From Assets and liabilities valuation in foreign currency (Note F.2)	(3,499,720,003)	(543,593,681)
FINANCIAL RESULT BEFORE ALLOWANCES - INCOME	418,856,636,861	414,172,544,367
ALLOWANCES	(177,519,247,710)	(199,267,332,698)
Establishment of allowances (Note C.6)	(190,516,925,587)	(208,998,335,118)
Cancellation of allowances (Note C.6)	12,997,677,877	9,731,002,420
FINANCIAL RESULT AFTER ALLOWANCES - INCOME	241,337,389,151	214,905,211,669
RESULT FROM SERVICES	95,145,795,012	92,678,556,973
Income from services	137,269,632,525	128,679,510,934
Losses from services	(42,123,837,513)	(36,000,953,961)
GROSS RESULT – INCOME	336,483,184,163	307,583,768,642
OTHER OPERATING INCOME	96,118,578,654	90,346,305,828
Income from exchange operations - net	16,008,423,444	12,266,299,464
Others	77,140,001,160	78,080,006,364
From Assets and liabilities valuation in foreign currency - net	2,970,154,050	0
OTHER OPERATING LOSSES	(295,021,603,763)	(284,328,782,975)
Remunerations to staff and social security charges	(137,976,711,361)	(130,239,022,190)
General expenses (Note G)	(136,698,204,761)	(132,949,911,795)
Depreciations of fixed assets (Note C.8)	(8,013,190,906)	(7,984,221,515)
Amortization of deferred charges (Note C.9)	(7,138,791,421)	(8,987,674,487)
Others	(5,194,705,314)	(4,073,867,171)
From valuation of other assets and liabilities in foreign currency – net (Note F.2)	0	(94,085,817)
NET OPERATING RESULT - INCOME	137,580,159,054	113,601,291,495
EXTRAORDINARY RESULTS	4,044,833,720	2,548,856,604
Extraordinary income	5,120,496,038	3,379,186,708
Extraordinary losses	(1,075,662,318)	(830,330,104)
INCOME FROM THE FISCAL YEAR BEFORE INCOME TAX	141,624,992,774	116,150,148,099
INCOME TAX (Note F.4)	(15,657,598,272)	(13,725,211,689)
NET INCOME FROM THE FISCAL YEAR	125,967,394,502	102,424,936,410



OFF-BALANCE AND CONTINGENT ACCOUNTS

	December 31, 2017 PYG	December 31, 2016 PYG
Total Contingent Accounts (Note E)	162,952,326,665	152,320,794,441
Total Off-balance accounts (Note E)	1,615,489,376,857	1,387,093,225,625



CASH FLOW STATEMENT

	December 31, 2017 PYG	December 31, 2016 PYG
FLOW FROM OPERATIONAL ACTIVITIES		
Collected interest and other financial income	609,478,865,235	623,440,462,619
Paid interest and other financial expenses	(117,954,405,193)	(128,779,261,217)
Income from collected services and other sundry income	142,843,565,989	129,712,400,861
Payments to providers and employees	(298,693,703,661)	(295,410,316,544)
Income tax payment	(13,452,058,543)	(15,926,071,468)
Net variation of the public and private securities portfolio	27,372,261,691	(182,641,742,767)
Net variation of term placements in other financial entities	31,668,394,380	(53,030,815,178)
Net increase of loans granted to clients of the financial sector and non-financial sectors	(544,008,253,759)	(113,476,269,441)
Net increase of deposits received from clients of the financial sector and non-financial sectors	313,706,701,936	(45,013,245,352)
Net cash flow from regular operating activities	150,961,368,075	(81,124,858,487)
Extraordinary net income	4,044,833,720	2,548,856,604
Net cash flow from operating activities	155,006,201,795	(78,576,001,883)
FLOW FROM INVESTMENT ACTIVITIES		
Purchase of fixed assets and deferred charges – net of removals and/or sales	(4,254,417,311)	(4,360,952,870)
Net cash flow used in investment activities	(4,254,417,311)	(4,360,952,870)
CASH FLOW FROM FINANCIAL ACTIVITIES		
Net variation of loans received from other financial entities	(79,046,075,614)	65,985,316,597
Capital paying-in in cash	0	0
Contribution to capital paying-in	0	0
Adjustments to income (losses) from previous years	0	0
Payment of dividends	(40,200,000,000)	(40,200,000,000)
Net flow from financial activities	(119,246,075,614)	25,785,316,597
Net increase (decrease) of cash	31,505,708,870	(57,151,638,156)
Result from the variation of availabilities	(6,851,372,403)	(1,722,562,062)
Variation of allowances over cash	14,035,033	(14,112,573)
CASH AT THE START OF THE YEAR	588,777,854,697	647,666,167,488
CASH AT THE END OF THE YEAR	613,446,226,197	588,777,854,697

The accompanying notes A-K are integral parts of these financial statements.



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, 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	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
- Constitución de reserva legal	0	0	23,963,141,785	(23,963,141,785)	0	0
- Distribución de dividendos en efectivo	0	0	0	(40,200,000,000)	0	(40,200,000,000)
- Constitución de la reserva de revalúo	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
- Capital increase	30,000,000,000	0	0	(30,000,000,000)	0	0
- Profit transfer	0	0	0	102,424,936,410	(102,424,936,410)	0
- Establishment of legal reserve	0	0	20,484,987,282	(20,484,987,282)	0	0
- Distribution of dividends in cash	0	0	0	(40,200,000,000)	0	(40,200,000,000)
- Establishment of revaluation reserve	0	1,503,913,665	0	0	0	1,503,913,665
- Income from the Fiscal Year	0	0	0	0	125,967,394,502	125,967,394,502
BALANCE AS OF DECEMBER 31, 2017	270,000,000,000	19,377,427,386	134,281,320,197	81,124,229,526	125,967,394,502	630,750,371,611

The accompanying notes A-K are integral parts of these financial statements.



TRUSTEE'S REPORT

Florio
Cardozo
& Alvarado
LAW FIRM

TRUSTEE'S REPORT CORRESPONDING TO THE FISCAL YEAR THAT ENDED ON DECEMBER 31, 2017 OF BANCO FAMILIAR S.A.E.C.A.

TO THE SHAREHOLDERS OF BANCO FAMILIAR S.A.E.C.A., GATHERED IN REGULAR
GENERAL MEETING OF SHAREHOLDERS ON APRIL 10, 2018

Dear Messrs:

In compliance with the mandate given to me as REGULAR TRUSTEE, I have supervised the direction and management of Banco Familiar S.A.E.C.A. during the fiscal year of 2017.

In order to verify the internal system of control and the financial statements, and in compliance with the legal obligations for Financial and Publicly-Traded Institutions, the Board hired the services of the independent external audit firm ERNST & YOUNG PARAGUAY - AUDITORS AND BUSINESS CONSULTANTS.

According to the opinion of the aforementioned auditors dated February 23, 2018, 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, 2017, 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 2017;
- 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 Florio
Regular Trustee



AUDITOR'S OPINION



Ernst & Young Paraguay – miembros y
Asesores de Negocios
AVDA. LOPEZ DE HARO 470, Ciudad del Oeste,
Edificio Glasserie - 1° Piso
Asunción, Paraguay

Tel: (591) 211 494 100
Fax: (591) 211 494 100
ey.com

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, 2017 and 2016 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 procedures to gather audit 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.



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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

4. 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, 2017 and 2016, 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.

Asunción, Paraguay
23 de Febrero de 2018

Pablo Di Iorio
Socio
Ernst & Young Paraguay
Auditores y Asesores de Negocios
Res SB.SG. N° 00393/03
Registro SET 027/15
Registro CNV AE N° 028



RISK RATING

Solvency Trend	Oct 2017	Mar 2018
	Apy	Apy
	Stable	Strong (+)

*Detail of ratings in Annex

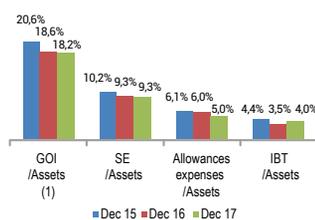
Financial Summary

In billions of guaranies of each period

	Dec.15	Dec.16	Dec.17
Total Assets	3,299	3,370	3,681
Net total placements	2,317	2,228	2,566
Liabilities receivable	2,820	2,827	3,050
Equity	480	543	631
Gross operating income (GOI)	638	622	642
Allowances expenses	189	199	178
Support expenses (SE)	315	309	327
Income before taxes (IBT)	136	116	142

Source: Financial information prepared by Feller Rate on the basis of the Statistical Bulletin of the Central Bank of Paraguay, unless otherwise stated.

Relevant indicators



(*) Indicators on average total assets

Capital adequation

	Dec 15	Dec 16	Dec 17
Liabilities receivable / Capital and reserves	8.9 x	7.6 x	7.2 x
Effective equity / RWAC (1)	18.9%	23.1%	19.9%

Source: Statistical Bulletin of the Central Bank of Paraguay and Banco Familiar S.A.E.C.A. (1) RWAC: Risk weighted assets and contingencies.

Individual credit profile

Main Assessed Factors	Rating				
	Weak	Moderate	Adequate	Strong	Very strong
Business profile					
Capacity of generation					
Equity support					
Risk profile					
Funding and liquidity					

Other factors considered in the rating

The rating does not consider another factor additional to the Individual Credit Profile.

Analyst: **Andrea Gutiérrez Brunet**
andrea.gutierrez@feller-rate.com
(56 2) 2757 0472

Basis

The rating of Banco Familiar S.A.E.C.A. is based on its condition as a niche bank, with a significant standing in the retail segment, a strong penetration of products and a wide base of clients. It also considers the high operating margins and the good level of coverage of allowances on 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 support expenses.

Banco Familiar is a niche bank. Its traditional business is granting loans to people with medium and low income and small and medium enterprises. This is done through a complete network of branches which is supplemented by alternative channels. As of the end of 2017, the entity had advanced in its market share, reaching 3.3% of net placements of the industry due to the recovery of its level of activity.

The strategy of Familiar for the next periods is to keep covering the corporate banking segment more extensively to keep strengthening its competitive standing and improve the diversification of the portfolio in a scenario with high competitiveness in the industry. The bank also aims to promote its alternative channels to keep improving its efficiency.

In the period under analysis, the operating margin of Familiar was affected by a higher pressure in financial spreads due to a slower rhythm of growth, specially in 2016, and strong competition along with a change in the regulation regarding credit cards. Despite all of these, as of December 2017, the gross margin on average total assets was high (18.2%), and it kept its advantage compared to the system (7.0%).

The allowances expenses are higher than in other banks due to the segment it targets. However, the levels of expenses due to credit

risk had a decreasing trend in the last year. By the end of 2017, the indicator of allowances expenses on average total assets reached 5.0%. On the other hand, Banco Familiar has had an adequate coverage of allowances, which was 1.3 times the portfolio with defaulting of more than 60 days at the same day.

The returns of the institution are maintained in high levels and above the average of the system. In 2017, the drop in the profitability seen in 2016 was reverted due to smaller expenses in allowances. As of December 2017, the income before taxes on average total assets grew to 4.0%.

The activity of the bank has been supported by an adequate policy of retention of profit. The index of effective equity on risk weighted assets and contingencies was 19.9% as of the end of 2017, maintaining some margin as to the regulatory limit (12.0%).

Banco Familiar benefits from an adequate funding structure, which is mostly focused on fixed-term and demand deposits, which represented 38.3% and 50.4% of total liabilities as of December 2017. As to liquidity, the institution has available funds and investments in documents from the Central Bank and the Ministry of Finance, representing 27.0% of total assets.

Trend: Strong (+)

The Strong (+) trend recognizes the proactive management of risks of the institution and its improvements in operating efficiency, which generate a stronger capacity of generation, even in period with smaller growth.

The main challenges for the bank are to keep strengthening its competitive standing and developing its strategy with controlled risks.

UNDERLYING FACTORS FOR CLASSIFICATION

Strengths

- Niche bank with a significant participation in the retail segment, wide base of clients and record.
- High operating margins compensate the support expenses.
- Proactive management of credit risk.
- Good level of coverage on past-due portfolio of 1.3 times.

Risks

- Concentration of its operations in the retail segment with higher relative risk.
- Intensive structure in support expenses.
- Strategy considers advancing in new business segments.





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

PRESENTED COMPARATIVELY WITH THE PREVIOUS YEAR (DESIGNATED IN GUARANIES)

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 2018, 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 2016 were approved by the Regular Meeting of Shareholders held on March 27, 2017, according to Minutes of the Meeting No. 44.

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-six 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 2017 and 2016 was 4.51% and 3.92%, 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, 2017 and 2016.

(II) Estimations:

The preparation of these financial statements requires 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, 2017 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, 2016.

B.3. Branches abroad

As of December 31, 2017 and 2016, the Institution does not have branches abroad.

B.4. Participation in other companies

As of December 31, 2017 and 2016, 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 9,675,000,000 and PYG 7,995,000,000 and 5,775,000,000 for 2017 and 2016, 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, 2017 and 2016, is as follows:

SUBSCRIBED AND PAID-UP SHARES AS OF DECEMBER 31, 2017				
Type of Shares	N° of votes per share	Value per share	Number	Total
Ordinary Registered Class "A" Shares	5 (five)	10,000	21,000,000	210,000,000,000
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			27,000,000	270,000,000,000

SUBSCRIBED AND PAID-UP SHARES AS OF DECEMBER 31, 2016				
Type of Shares	N° of votes per share	Value per share	Number	Total
Ordinary Registered Class "A" Shares	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

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	Nationality or country of incorporation
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.	0,86%	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
Otros	22,80%	
Total	100.00%	

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

As of December 31, 2017 and 2016, the List of Directors of the Board and Upper Management is as follows:

Board	
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
Alternate Directors	César Amado Barreto Otazú
	Roberto Daniel Amigo Marcet
	Silvia Ma. Alicia Camperchioli de Martin
Regular Trustee	Héctor Fadlala Wismann
Alternate Trustee	Juan B. Fiorio
	Diana Fadlala Rezk

Upper Management	
General Manager	César Barreto Otazú
Assistant General Manager	Hilton Giardina Varela
Commercial Manager (*)	Arsenio Vasconsellos Spezzini
Financial Manager	Diego Balanovsky Balbuena
Risks Manager	Wilson Castro Burgos
Branches Manager	Víctor Pedrozo
Corporate Banking Manager	Nery Aguirre Valiente
Personal Banking Manager	Graciela Arias Rios
Digital Banking Manager (*)	Fabio Najmanovich Campo
Consumption and Communications Manager (*)	Luján del Castillo Cordero
Insurance Banking Manager (*)	Yudith Bejarano
Administrative Manager	Gladys Velázquez Franco
Operations Manager	Sandra Hirschfeld Spicker
Technology Manager	Nancy Benet de Quintana
People and Organizational Development Manager	Mabel Gómez de la Fuente
Trust Funds Manager	Myrian Soliz de Mendoza
Internal Audit Manager	Venancio Paredes Alarcón
Compliance Manager	Oscar Daniel Fernández

(*) Managerial posts created in 2017.

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 2017 and 2016, 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, 2017 (*)	December 31, 2016 (*)
U.S. Dollar	5,590.47	5,766.93
Euro	6,680.05	6,033.94
Argentine Peso	299.36	366.54
Real	1,692.08	1,768.78

(*) 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, 2017 and 2016 is as follows:

Description	December 31, 2017		December 31, 2016	
	Dollars	Guaranies	Dollars	Guaranies
Total Assets in foreign currency	125,637,925.87	702,375,055,438	111,695,837.72	644,142,077,423
Total Liabilities in foreign currency	(124,344,965.40)	(695,146,798,720)	(112,146,316.80)	(646,739,958,746)
Net Position in foreign currency	1,292,960.47	7,228,256,718	(450,479.08)	(2,597,881,323)

As of December 2017 and 2016, 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, 2017 and 2016, are as follows:

Description	December 31, 2017		December 31, 2016	
	Foreign Currency	Local Currency	Foreign Currency	Local Currency
Required reserve – PYG	0.00	195,692,020,261	0.00	162,893,153,489
Required reserve – USD	15,623,026.29	87,340,059,783	14,658,674.63	84,535,550,484
Special reserve Resolution 1/131	0.00	593,200,000	0.00	739,800,000
Required reserve – Early redemption USD	232,353.58	1,298,965,718	106,400.00	613,601,352
Sub-total (*)	15,855,379.87	284,924,245,762	14,765,074.63	248,782,105,325
Current account – PYG	0.00	649,474,103	0.00	0
Current account – USD	9,305,629.44	52,022,842,215	9,564,268.07	55,156,464,461
Sub-total	9,305,629.44	52,672,316,318	9,564,268.07	55,156,464,461
Deposits for Monetary Operations	0.00	30,000,000,000	0.00	19,261,084,987
Sub-total	0.00	30,000,000,000	0.00	19,261,084,987
Total	25,161,009.31	367,596,562,080	24,329,342.70	323,199,654,773

(*) 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, 2017 and 2016 are composed as follows:

Unlisted public securities issued	December 31, 2017		December 31, 2016	
	Capital Value	Capital plus Interest Value	Capital Value	Capital plus Interest Value
Treasury Bonds	32,384,150,000	30,441,371,702	102,732,700,000	99,581,349,256
Letters of Monetary Regulation (*)	325,000,000,000	313,853,972,738	290,000,000,000	272,086,256,875
Total	357,384,150,000	344,295,344,440	392,732,700,000	371,667,606,131

(*) 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 255,000,000,000 and PYG 90,000,000,000 as of December 31, 2017 and 2016, respectively.

The schedule for maturity of public securities in the portfolio as of December 31, 2017 and 2016 is as follows:

Capital plus interest value:

Period	December 31, 2017	December 31, 2016
2017	50,000,000,000	229,000,537,606
2018	203,476,910,192	127,155,409,729
2019	85,246,355,572	10,294,069,929
2020	5,572,078,676	5,217,588,867
Total	344,295,344,440	371,667,606,131

C.4. Assets and liabilities with adjustment clause

As of December 31, 2017 and 2016, 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:

- 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, 2017 and 2016, 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, 2017 and 2016 are as follows:

According to the type of product:

Accounts	December 31, 2017	December 31, 2016
Fixed-term loans	49,549,162,191	32,430,208,835
Amortizable loans	3,806,029,264	5,874,769,054
Checks Discounts – Documents	0	522,068,847
Placements in Financial Institutions	38,780,846,535	29,017,431,520
Repurchase operations	0	56,417,302,216
Total	92,136,037,991	124,261,780,472

According to the risk category:

As of December 31, 2017

Risk category	Accounting balance before allowances	Guarantees for allowances	Allowances		Accounting balance after allowances
			Minimum % (b)	Established	
Category 1	92,136,037,991	0	0	0	92,136,037,991
Total	92,136,037,991	0	0	0	92,136,037,991

As of December 31, 2016

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

C.5.2 Current loans to the non-financial sector

Current loans to the non-financial sector as of December 31, 2017 and 2016 are as follows:

According to the type of product:

Accounts	December 31, 2017	December 31, 2016
Non-adjustable fixed-term loans	309,917,548,886	297,001,353,899
Non-adjustable amortizable loans	1,862,137,781,865	1,562,841,655,646
Credits used in Checking Account – Overdraft	7,754,039,377	8,306,860,034
Debtors from use of Credit Cards	126,866,584,652	121,051,314,851
Discounted deferred checks	68,698,557,305	58,356,492,208
Loans with administered resources – AFD	143,528,143,253	149,878,821,394
Discounted documents	1,133,935,385	6,615,014,758
Debtors from accrued financial products	41,636,545,841	40,663,038,365
Income from valuation on hold	0	(29,276,268)
Allowances	(121,790,196,298)	(118,993,700,889)
Total	2,439,882,940,266	2,125,691,573,998

According to the risk category:

As of December 31, 2017

Risk Category	Accounting balance before allowances (a)	Guarantees for allowances	Allowances		Accounting balance after allowances
			Minimum % (b)	Established	
Category 1	2,084,508,631,995	240,229,416,219	0	(440,021,604)	2,084,068,610,391
Category 1a	345,314,146,606	34,621,775,426	0.5	(1,086,551,208)	344,227,595,398
Category 1b	110,790,571,217	15,886,319,322	1.5	(1,194,006,021)	109,596,565,196
Category 2	7,857,631,795	0	5	(374,771,099)	7,482,860,696
Category 3	2,013,663,194	0	25	(511,641,908)	1,502,021,286
Category 4	4,084,774,398	0	50	(1,481,179,705)	2,603,594,693
Category 5	1,270,491,535	0	75	(960,942,661)	309,548,874
Category 6	5,833,225,824	11,882,340,031	100	(5,833,225,824)	0
Generic allowances (c)				(109,907,856,268)	(109,907,856,268)
Total	2,561,673,136,564	302,619,850,998		(121,790,196,298)	2,439,882,940,266

As of December 31, 2016

Risk Category	Accounting balance before allowances (a)	Guarantees for allowances	Previsiones		Accounting balance after allowances
			Minimum % (b)	Established	
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

(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, 2017 and 2016 are as follows:

As of December 31, 2017

Risk Category	Accounting balance before allowances (a)	Guarantees for allowances	Allowances		Accounting balance after allowances
			Minimum % (b)	Established	
Category 1	0	0	0	0	0
Category 1a	164,894,820	0	0.5	(258,057)	164,636,763
Category 1b	2,724,607,902	0	1.5	(61,451,093)	2,663,156,809
Category 2	35,656,117,054	3,250,992,269	5	(3,517,041,877)	32,139,075,177
Category 3	41,484,637,211	2,444,072,518	25	(11,650,034,549)	29,834,602,662
Category 4	17,376,971,494	1,969,850,954	50	(9,092,421,759)	8,284,549,735
Category 5	33,519,600,269	234,799,740	75	(25,441,829,591)	8,077,770,678
Category 6	13,887,833,676	2,821,561,412	100	(11,066,272,261)	2,821,561,415
Generic allowances (c)					0
Total	144,814,662,426	10,721,276,893		(60,829,309,187)	83,985,353,239

As of December 31, 2016

Risk Category	Accounting balance before allowances (a)	Guarantees for allowances	Allowances		Accounting balance after allowances
			Minimum % (b)	Established	
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
Category 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

(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 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 and the criterion of the Board and the Management of the Institution.

Changes in the allowances accounts of the fiscal years that ended on December 31, 2017 and 2016 are as follows:

As of December 31, 2017

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	(14,112,573)	(77,540)	0	14,111,655	918	(77,540)
Current loans from financial intermediation Non-financial sector	(118,993,700,889)	(15,639,337,246)	985,526	12,851,862,303	(10,005,992)	(121,790,196,298)
Sundry loans (Note C.15)	(3,290,970,187)	(727,986,335)	133,174,588	104,168,278	59,141,102	(3,722,472,554)
Past-due loans from financial intermediation – Financial and non-financial sectors	(55,671,061,366)	(163,713,700,586)	158,534,800,065	6,593,209	14,059,491	(60,829,309,187)
Investments	(1,305,467,757)	(10,300,366,049)	662,915,835	0	0	(10,942,917,971)
Contingencies (*)	(32,159,598)	(135,457,831)	0	20,942,432	0	(146,674,997)
Total	(179,307,472,370)	(190,516,925,587)	159,331,876,014	12,997,677,877	63,195,519	(197,431,648,547)

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)

(*) 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, 2017

Concept	Accounting balance before allowances	Allowances	Accounting balance after allowances
Received goods in discharge of receivables	16,255,415,597	(10,781,705,641)	5,473,709,956
Investments in Bancard S.A. (Note b.4) (*)	9,675,000,000	0	9,675,000,000
Investments in securities issued by the national private sector	25,875,212,330	(161,212,330)	25,714,000,000
Income from securities issued by the private sector	196,553,531	0	196,553,531
Total	52,002,181,458	(10,942,917,971)	41,059,263,487

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

(*) For its stake in investments in Bancard S.A., the Institution received as of December 31, 2017 and 2016, dividends in cash for PYG 2,224,918,297 and PYG 755,319,732, respectively; which are part of the balance of "Extraordinary Income". Additionally, in 2016, the Institution received dividends in shares for PYG 1,680,000,000, which represent 1,680 registered shares and in 2016, it received dividends in shares for PYG 2,220,000,000, which represent 2,220 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, 2017 and 2016, was of PYG 1,503,913,665 and PYG 1,439,985,611, 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, 2017 and 2016, the residual value of the goods, considered as a whole, does not exceed its recoverable value.

The composition and variation of fixed assets for the years that ended on December 31, 2017 and 2016 are as follows:

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	4,564,620,759	0	0	129,408,095	4,694,028,854
Real Estate – Land	3,010,216,835	0	0	135,905,270	3,146,122,105
Furniture	17,503,043,563	123,157,755	(95,487,715)	302,537,882	17,833,251,485
Machines and equipment	27,457,749,400	736,371,731	(203,837,482)	530,138,379	28,520,422,028
Facilities in owned property	3,299,729,952	23,402,217	(813,789)	21,440,167	3,343,758,547
IT equipment	38,281,702,586	390,318,306	0	384,483,872	39,056,504,764
Transport	848,208,351	0	0	0	848,208,351
Total as of December 31, 2017	94,965,271,446	1,273,250,009	(300,138,986)	1,503,913,665	97,442,296,134
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

Accounts	Depreciaciones						
	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	(1,698,312,280)	(122,114,841)	0	0	(1,820,427,121)	2,873,601,733
Real Estate – Land	0	0	0	0	0	0	3,146,122,105
Furniture	10	(10,837,711,036)	(1,439,755,802)	95,393,403	0	(12,182,073,435)	5,651,178,050
Machines and equipment	10	(15,941,351,847)	(2,409,895,268)	203,837,482	0	(18,147,409,633)	10,373,012,395
Facilities in owned property	10	(2,833,218,854)	(98,489,820)	813,789	0	(2,930,894,885)	412,863,662
IT equipment	25	(29,750,597,582)	(3,942,935,175)	0	0	(33,693,532,757)	5,362,972,007
Transport	20	(848,208,351)	0	0	0	(848,208,351)	0
Total as of December 31, 2017		(61,909,399,950)	(8,013,190,906)	300,044,674	0	(69,622,546,182)	27,819,749,952
Total as of December 31, 2016		(54,039,742,557)	(7,984,221,515)	1,041,583,488	(927,019,366)	(61,909,399,950)	33,055,871,496

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, 2017 and 2016 are as follows:

As of December 31, 2017

Concept	Net initial balance	Bought / Sold (net)	Amortization - use in the fiscal year	Saldo neto al 31/12/2017
Improvements and installations in leased real estate (*)	10,771,008,950	967,236,117	(4,974,879,368)	6,763,365,699
Intangible	4,992,690,266	1,941,523,236	(2,163,912,053)	4,770,301,449
Subtotal	15,763,699,2166	2,908,759,353	(7,138,791,421)	11,533,667,148
Desktop utilities and others	969,050,457	2,931,267,853	(2,858,765,592)	1,041,552,718
Subtotal	969,050,457	2,931,267,853	(2,858,765,592)	1,041,552,718
Total	16,732,749,673	5,840,027,206	(9,997,557,013)	12,575,219,866

As of December 31, 2016

Concept	Net initial balance	Bought / Sold (net)	Amortization - use in the fiscal year	Net balance as of December 31, 2016
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

(*) 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, 2017 and 2016, 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, 2017 and 2016 includes the sums of PYG 284,924,245,762 and PYG 248,782,105,325, 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, 2017 and 2016, Letters of Monetary Regulation for the value of PYG 255,000,000,000 and PYG 90,000,000,000, 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 transfers 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 5787/16, "Of Modernization and Strengthening of Regulations Governing the Functioning of the Paraguayan Financial System", 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 2017 was PYG 50,000,000,000, according to Circular SB SG N° 00005/2017. The updated value of the minimum capital for 2016 was PYG 46,552,000,000, according to Circular SB SG N° 00006/2016.

The paid-up capital of the Institution as of December 31, 2017 and 2016 (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, 2017 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, 2017 and 2016.

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, 2017

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 (*)	12,150,939,024	53,864,166,291	20,127,253,217	5,993,679,459	0	92,136,037,991
Current loans from financial intermediation – Non-financial sector (*)	266,543,315,315	973,209,134,851	630,584,340,347	380,658,137,510	188,888,012,243	2,439,882,940,266
Total Current Loans	278,694,254,339	1,027,073,301,142	650,711,593,564	386,651,816,969	188,888,012,243	2,532,018,978,257
Obligations from financial intermediation – Financial sector	77,232,804,290	129,801,341,066	73,762,566,508	98,537,403,733	143,354,718,548	522,688,834,145
Obligations from financial intermediation – Non-financial sector	1,530,170,899,378	284,683,854,294	268,375,137,380	364,450,987,706	30,863,163,873	2,478,544,042,631
Total Obligations	1,607,403,703,668	414,485,195,360	342,137,703,888	462,988,391,439	174,217,882,421	3,001,232,876,776

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

(*) 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, 2017			
	Current (*)	%	Past-due (*)	%
10 Biggest Debtors	87,012,796,777	94%	0	0%
Other Debtors	5,123,241,214	6%	0	0%
Total	92,136,037,991	100%	0	0%

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%

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, 2017			
	Current (*)	%	Past-due (*)	%
10 Biggest Debtors	192,997,485,042	8%	8,386,935,682	6%
Next 50 Biggest Debtors	329,043,664,220	13%	8,907,119,230	6%
Next 100 Biggest Debtors	160,765,741,599	6%	6,914,819,058	5%
Others	1,878,866,245,703	73%	120,605,788,456	83%
Total	2,561,673,136,564	100%	144,814,662,426	100%

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%

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

c) Concentration of obligations by financial intermediation

The balance is comprised as follows:

Financial sector	As of December 31	
	2017	2016
Central Bank of Paraguay	3,062,416,908	2,838,947,129
Demand deposits	40,579,676,476	22,897,227,359
Accounts Payable for Securities Purchased with Future Sale	0	57,261,251,180
Checking accounts	24,874,750,723	21,989,604,975
Savings deposit certificates	199,780,087,607	212,005,308,112
Operations pending compensation	501,269,105	947,949,627
Loans from local financial institutions	22,361,880,000	25,000,000,000
Loans from foreign financial institutions	48,469,374,900	81,683,131,982
Loans from financial institutions – AFD	173,064,303,687	162,137,096,377
Creditors for accrued financial charges	9,995,074,739	18,386,515,482
Total Financial Sector	522,688,834,145	605,147,032,223

Non-financial sector	As of December 31	
	2017	2016
Deposits - Private Sector		
Checking accounts	754,514,480,609	613,512,725,957
Demand deposits	654,801,678,024	542,927,874,349
Loans for documents to compensate	18,269,984,952	20,127,917,821
Drafts and transfers to be paid	2,438,141,817	1,379,463,225
Obligations with participating establishments in the credit card system	1,778,051,284	1,685,274,624
Savings deposit certificates	738,627,545,896	688,821,540,610
Total Deposits – Private Sector	2,170,429,882,582	1,868,454,796,586

Deposits – Public Sector	2017	2016
Checking accounts	3,412,825,317	5,940,631,398
Demand deposits	58,571,521,768	47,192,015,986
Savings deposit certificates	198,180,940,000	238,533,860,000
Sundry loans in the country	26,300,000,000	0
Total Deposits – Public Sector	286,465,287,085	291,666,507,384
Creditors for accrued financial charges	21,648,872,964	24,744,598,157
Total non-financial sector	2,478,544,042,631	2,184,865,902,127

d) Concentration of deposits by number of clients

Balance as of December 31, 2017

Number of depositors	Financial sector	%	Non-financial sector	%
10 Biggest Depositors	192,705,025,742	73%	509,591,532,078	21%
Next 50 Biggest Depositors	67,112,192,890	25%	380,319,056,647	15%
Next 100 Biggest Depositors	5,417,296,174	2%	254,661,231,326	10%
Others		0%	1,310,545,298,332	54%
Total	265,234,514,806	100%	2,455,117,118,383	100%

Balance as of December 31, 2016

Number of depositors	Financial sector	%	Non-financial sector	%
10 Biggest Depositors	176,794,793,254	69%	475,177,003,649	22%
Next 50 Biggest Depositors	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%

C.15. Sundry loans

The composition of sundry loans as of December 31, 2017 and 2016 is as follows:

Concept	December 31, 2017	December 31, 2016
Accounts receivable	11,046,517,733	6,380,396,458
Accounts receivable – Bancard	104,720,000	90,237,000
Prepaid expenses	10,751,327,180	6,827,913,752
Prepayment for the purchase of assets and services	1,599,740,955	1,090,389,939
Income tax prepayment	0	2,200,859,779
Other national taxes	118,877,105	88,417,081
Recoverable expenses	3,397,000	2,718,000
Compensation claimed for accidents	46,201,833	1,949,095
Prepayments to staff	5,185,867	0
Sundry – Remittances receivable	1,538,910,199	319,753,777
Sundry – Accounts receivable from related parties (Note J)	2,673,690,195	2,867,211,121
Sundry – Rental collateral	731,720,386	715,941,577
Sundry – Others	703,523,844	647,452,522
Allowances (*)	(3,722,472,554)	(3,290,970,187)
Total	25,601,339,743	17,942,269,914

(*) 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, 2017	December 31, 2016
Management checks payable	9,573,663,633	9,101,764,834
Insurance payable	5,374,768,422	4,067,293,960
Suppliers	2,521,839,125	3,257,392,852
Remittances payable	3,427,282,272	3,921,395,291
Seizures payable	3,004,764,555	2,599,390,318
Accounts payable - Familiar establishments	3,600,000	0
Sundry	12,753,190,722	5,583,172,038
Total	36,659,108,729	28,530,409,293

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, 2017 and 2016 was approximately PYG 515,089 and PYG 525,499, 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.

As stated in Article 56 of Law 5787/16, the minimum relation between the main capital (Level 1) and the total amount of risk-weighted assets and contingencies of a financial institution, in local or foreign currency, including its branches in the country and abroad, may not be lower than 8% (eight percent) and may not be lower than 12% (twelve percent) of the main capital.

As of December 31, 2017 and 2016, 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, 2017	December 31, 2016
Receivables from granted guarantees	9,529,749,731	10,009,111,664
Balance of lines of credit to be used in credit cards	121,429,932,368	108,475,611,255
Balance of lines of credit for current accounts prepayments	31,992,644,566	32,045,365,652
Balance of lines of credit of letters of import-export	0	1,790,705,870
Total	162,952,326,665	152,320,794,441

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, 2017	December 31, 2016
Trust funds (*)	86,886,298,842	251,006,191,585
Collaterals, mortgages, pledges and others	366,580,891,479	302,108,294,839
Insurance policies taken	18,827,897,980	18,055,739,220
Bad loans	15,906,115,958	15,636,148,667
Exchange position	7,228,256,719	2,597,881,321
Businesses abroad and Collections	460,517,650	573,563,979
Other off-balance accounts – Sundry	450,085,762,166	304,454,151,541
Other securities in custody	14,271,845,988	4,910,970,411
Other guarantees abroad	1,118,094,000	1,153,386,000
Sale of portfolio (**)	654,123,696,075	486,596,898,062
Total	1,615,489,376,857	1,387,093,225,625

(*) As of December 31, 2017 and 2016, the following trust funds were in force:

Type of trust fund	Total of Autonomous Estate as of	
	December 31, 2017	December 31, 2016
Guarantee and flow management trust fund	70,855,066,751	82,359,633,268
Management trust fund	0	52,372,397,788
Guarantee trust fund	16,031,232,091	17,927,036,707
Bonds issue guarantee trust fund	0	10,670,381,627
Real estate project development trust fund	0	87,676,742,195
Total	86,886,298,842	251,006,191,585

(**) 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, 2017	December 31, 2016
Earnings from financial assets and liabilities valuation in foreign currency	318,641,598,297	424,895,794,692
Losses from financial assets and liabilities valuation in foreign currency	(322,141,318,300)	(425,439,388,373)
Earnings from the exchange difference on financial assets and liabilities in foreign currency	(3,499,720,003)	(543,593,681)
Earnings from other assets and liabilities valuation in foreign currency	7,991,408,152	4,334,989,513
Losses from other assets and liabilities valuation in foreign currency	(5,021,254,102)	(4,429,075,330)
Losses from the exchange difference on the total of other assets and liabilities in foreign currency	2,970,154,050	(94,085,817)
((Losses) – Income resulting from the exchange difference on the total assets and liabilities in foreign currency	(529,565,953)	(637,679,498)

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, 2017 and 2016 are PYG 11,752,376,742 and PYG 11,392,467,740, 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, 2017 and 2016.

F.4.1. 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, 2017 and 2016 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, 2017 and 2016 is as follows:

Description	December 31, 2017	December 31, 2016
Provision of services of call center, telemarketing	16,865,942,432	16,702,583,743
Leases and expenses	15,681,391,477	15,732,433,796
Publicity, marketing and events	12,971,965,872	10,869,612,781
Contributions to Deposit Guarantee Fund (see Note f.3)	11,752,376,742	11,392,467,740
Card processing expenses	7,481,640,546	6,348,932,600
Security and vigilance	7,363,993,556	6,991,270,428
Paid insurance	7,185,353,117	6,998,108,983
Commissions paid to non-banking correspondents and managers of payment networks	7,128,419,170	7,393,954,537
IT services	7,124,636,484	7,509,409,450
Repairs and maintenance of property	5,163,977,182	4,986,463,026
Armored transport	5,124,871,788	5,037,651,995
Cleaning service	3,685,194,346	3,788,113,994
Information expenses	3,466,137,280	3,402,964,030
Papers and prints	3,114,459,526	3,052,069,155
Electricity	2,539,339,056	2,304,526,592
Phone and communications	2,129,948,105	2,211,838,217
Travel and representation expenses	1,934,582,582	1,350,667,949
Shipping charges (courier)	1,880,649,614	2,040,110,625
Counsel, audit and other fees	1,739,527,743	2,758,693,577
Severance and notice to staff	1,385,326,516	1,091,389,655
Provision of services expenses	1,079,736,295	1,838,603,430
Transport expenses	702,180,862	759,081,093
Other expenses	9,196,554,470	8,388,964,399
Total	136,698,204,761	132,949,911,795

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 540,000 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 50 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 risk appetite of the Bank limits 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, 2017 and 2016, 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, 2017 and 2016, the levels of basic liquidity are above the recommended minimum levels 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, 2017

Institution	Demand deposits	Certificate of savings account	Loans	Sundry loans	Accounts payable	Contingencies	Interests Earned	Interests Paid	Other income and outlays
Directors	16,137,260,675	89,132,689,066	1,527,100,490	0	0	1,171,207,983	5,495,528	5,750,963,466	6,377,551
Fundadores S.A. (a)	269,926,506	0	0	0	0	0	0	2,353,377	(129,454,632)
Nexo S.A. (b)	13,406,601,379	8,000,000,000	0	2,673,690,195	0	0	0	42,533,665	31,423,187,354
Ventas y cobranzas	3,126,164,877	0	0	0	64,457,278	0	0	12,409,985	(25,241,269,704)
Total	32,939,953,437	97,132,689,066	1,527,100,490	2,673,690,195	64,457,278	1,171,207,983	5,495,528	5,808,260,493	6,058,840,570

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	5,495,528	5,785,041,582	6,420,270
Fundadores S.A. (a)	887,284,419	0	0	0	0	0	0	2,394,519	(124,571,424)
Nexo S.A. (b)	8,136,574,851	6,000,000,000	0	2,867,211,121	0	0	0	111,712,168	36,683,210,657
Ventas y cobranzas	3,295,630,335	0	0	0	837,860,879	0	0	17,412,478	(25,858,939,290)
Total	21,037,955,167	89,361,836,573	482,608,961	2,867,211,121	837,860,879	1,067,177,438	5,495,528	5,916,560,747	10,706,120,213

a) Fundadores S.A. leases customer service offices and rooms to the Bank.

b) Nexo S.A. buys portfolio from Banco Familiar S.A.E.C.A.

c) Ventas y cobranzas S.A. provides sales services and collection arrangements to Banco Familiar S.A.E.C.A. See Note G.

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, 2017.





Annexes





OUR BRANCHES

ASUNCIÓN

Headquarters	San Martín
Líder IV	Pettirossi
Centro	Pinozá
España	Artigas
Villa Morra	Terminal

GREATER ASUNCION

Shopping Multiplaza	San Lorenzo 2
Salemma Super Center	Ingavi
Fernando de la Mora	Capiatá
Lambaré	Itauguá
Mariano Roque Alonso	Limpio
Acceso Sur	Luque 1
Ñemby	Luque 2
San Lorenzo 1	

INTERIOR-CENTRALL

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

INTERIOR – EAST

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

INTERIOR – NORTH

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

INTERIOR – SOUTH

Carapeguá	María Auxiliadora
Encarnación	San Juan
Obligado	San Ignacio
Coronel Bogado	Pilar





Openness

is a matter of presence, but above all, a matter of being





We use our walls as canvas in a symbolic homage to our 500 thousand clients, as we paint some of their stories.



 **BANCO**
FAMILIAR **50**
YEARS