



# ANNUAL REPORT 2015



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**BANCO FAMILIAR**

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# Corporate Governance



# Board of Directors

PRESIDENT : Alberto Acosta Garbarino

FIRST VICE PRESIDENT : Hugo Fernando Camperchioli

SECOND VICE PRESIDENT : Alejandro Laufer

REGULAR DIRECTORS : Alfredo Steinmann  
Pedro Beissinger  
Jorge Camperchioli  
César Barreto Otazú

ALTERNATE DIRECTORS : Roberto Daniel Amigo Marcet  
Silvia Camperchioli de Martín  
Héctor Fadlala Wismann

REGULAR TRUSTEE : Juan B. Fiorio

ALTERNATE TRUSTEE : Diana Fadlala Rezk



## List of Executives

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

# Call to the Regular Meeting of Shareholders

In accordance with provisions of Article 32 of the Articles of Association, the Shareholders of Banco Familiar S.A.E.C.A. are called to the Regular Meeting of Shareholders to be held at Carmelitas Center, Salón Hope, at Avda. Molas López y Pastor Filártiga, on April 12, 2016, 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

- • • Appointment of a secretary for the Meeting.
- • • 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, 2015.
- • • Proposal for Profit Distribution.
- • • Capitalization of Retained Earnings.
- • • Issue of Ordinary Registered Class "A" Shares for the Capitalization of Retained Earnings.
- • • Delegation of the determination of any other conditions regarding the issue of shares of item 5 of the Agenda to the Board of Directors.

- • • Determination of the monthly remuneration and bonuses of Members of the Board according to Article 16 of the Articles of Association.
- • • Appointment of a Regular Trustee and Alternate Trustee for 2016.
- • • Determination of the remuneration of the Regular Trustee.
- • • Decision on the appointment of external auditors for 2016.
- • • 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 you to present the Annual Report for the year that ended on December 31, 2015.

This past year has clearly been a year in which all of the citizens in our country have seen the end of an economic cycle and the start of another one.

A golden cycle of high prices of our raw materials for exports and abundant and cheap dollar has ended and we are starting a new cycle, still uncertain, but clearly less favorable for our South American region and Paraguay, in which the previous conditions are not going to occur again.

In the golden cycle, the growth of China and low interest rates of the United States led to prices of our raw materials being multiplied, the increase of capital income, the growth of our international reserves and the expansion of the banking loan and internal consumption.

All of the countries in South America grew economically, most of the companies expanded and millions of people lift themselves out of poverty. This upswing was lived by those who played it right and wrong.

Remembering the fable of "The Ant and the Grasshopper", those who played it right were the countries, companies and people which, like the ant, worked and saved during "summer" to be prepared for the arrival of "winter".

Those who played it wrong were those who only enjoyed the upswing, did not save and even acquired debts thinking that the extraordinary income would be permanent.

On that regard, the board of Banco Familiar was always aware that this golden period would be limited, that we had to take advantage of it while it lasted, but that it was fundamental for the sustainability of the bank to create necessary reserves for the most difficult times.

I believe that we took advantage of the upswing very well from 2003 to 2015. In this time, we transformed from a financial institution into a bank, we went from 20 to 60 branches, from 80 to more than 500 thousand clients and with a loan portfolio from 164 billion guaranies to 2,560 billion guaranies.

But we also saved to face winter, creating from 2011 additional allowances to those required by the Central Bank of Paraguay, for a value of 94 billion guaranies and increasing our shareholders' equity in the last 5 years, from 140 billion guaranies to 479 billion guaranies.

This process of capitalization was possible thanks to the excellent revenue of the bank each year, but also thanks to the farsightedness of our shareholders, who authorized the distribution of only 40% of said income to withhold 60% for the strengthening of the Bank's equity.

2015 was not an exception, even though the impact of the deceleration and the enactment of the laws that affect the profitability of the financial system were starting to be felt. We have ended the year with a good revenue despite the difficulties and we come to propose the Meeting to distribute it according to our prudent dividends policy.

Despite the deceleration of our economy and the restrictive laws for financial activity, 2015 was a year of growth and good income; deposits grew 10%, loans, 14% and income closed in 120 billion guaranies, the same

amount as 2014.

Without doubt, the tone of the next years will be that, to maintain the income we have been having, we will have to work harder and with more efficiency and productivity.

And that improvement in efficiency and productivity will only be possible with the smart use of technology and with people who are ever more qualified.

In line with this definition, in 2015, we have invested an amount close to one million five hundred thousand dollars in technology, both in hardware and software; and we have had 62 thousand hours of training for our people, both in course with personal attendance and distance-learning courses, which are ever more necessary for a bank with people all over the country.

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In the next years, we see a road filled with opportunities and also threats that Banco Familiar has to seize and deal with, to make the vision that we have of our future a reality.

This vision is to become leading national bank that provides people of all sectors and companies of all sizes loans, savings and financial services that are adequate to their needs.

In order to make that vision a reality, our two big resources are our reputation as a company that always acts within an ethical and legal framework and our highly qualified staff, which working as a team provide a quality service for all of our clients.

Based on these two pillars, ethics and the professionalism of our people, we are sure that despite the non-favorable winds coming, Banco Familiar is going to keep growing and making its vision for the future a reality.

In order to develop, Paraguay needs a strong and solvent national banking system that can make the development of companies possible, an improvement in the quality of life of people and the inclusion of those who are excluded from a fundamental public service like the financial service.

We have done that in our 49 years of existence, first as a credit institution, then as a financial institution and now, as a bank. We will continue to do so in the future; not just to get to 50 years of existence in 2017, but to get to much more.

To conclude, in the name of the board of the bank, I want to express our congratulations to all of our people who have worked with intelligence and stamina to make these achievements possible.

I also want to thank all of those who have trusted Banco Familiar, such as our clients, our suppliers, our authorities and specially, to you, our shareholders.

Thanks to all of you.

ALBERTO ACOSTA GARBARINO  
President







# Our Commitment



# End of a cycle, start of another one.

Countries exporting primary goods (commodities) lived in the last few years a golden era marked by historically high prices. The fundamental reasons for that have been the growth of the Chinese economy and the global weakness of the U.S. dollar. In the case of China, after decades of growth above 10%, there are efforts to manage a soft convergence towards more sustainable growth rates around 6%. As for the American economy, although unemployment has been reduced to levels before the 2009 crisis, the large (public and private) debt and slow economic growth prevent it from raising the interest rate in a sustained and gradual manner. However, the dollar is now giving signs of more strength. The commodities market has reacted as a consequence of these reasons downwards, which has considerably impacted our region, and Brazil is the main party affected.

During the boom of commodities, the Brazilian economy, instead of saving and preparing, substantially increased the public expenses and the debt, so it did not have a way to face the reduction of income, creating an acute economic and political crisis that does not have a solution in sight. Meanwhile, companies and consumers have made big adjustments, which has accelerated the recession towards unsuspected levels some years ago.

Argentina, despite facing similar problems, has made important positive steps towards an economic and social restructuring that will be painful at first but necessary to recover the productivity and the growth.

In this context, Paraguay has not been the exception. Our main export product, soy, has experienced an uninterrupted drop in the price of 42% from its peak in June, 2013. Corn, rice and wheat have suffered similar drops in the same period. On the other hand, meat fell approximately 11% in 2015. The result for the country in terms of less currency as income was of USD 1,060 million dollars in these agriproducts in 2015. Due to its relative importance, this reduced income has transferred from the affected sectors to the rest of the economy, creating less sales and revenue from commerce and services in general. At the same time, the problems in Brazil increased the reduction of business of commercial triangulation in the border, especially in Ciudad del Este, where high-profile shopping tourism is still not strong. As a result, the activity of re-export registered cumulative drops of more than 50% in the last 3 years.

In addition to the negative market factors, in late 2015, Law No. 5476 on credit cards was enacted, which sets a limit for interest rates setting it in three times the passive rates. The measure, which is clearly unconstitutional as it restricts the freedom to set prices and competition, has meant a sudden step back in the promising process of bancarization started 5 years ago. Sadly, the rate that was set implies the progressive suspension of the services of cards and loans for a large part of the population at the base of the pyramid.

The financial sector felt the impact of less economic activity and the regulatory hit. The frenetic rhythm of growth of loans in the last 10 years was stopped in 2015 and the defaulting rates increased in most sectors. However, the good liquidity and capitalization of the System allows the face the new cycle without glitches, although with a lower rhythm of revenue.

Despite the problems, the Paraguayan economy ended up growing in 2015 to a respectable rate of 3.0% below the average of the last 10 years, but above our neighbors and Latin America in general. This growth was supported by more dynamic sectors: construction, services and the Government, which grew above average and even with the Brazilian crisis, maquila commerce, which has become an important pillar of the economy in the East of the country has provided approximately 10,000 jobs and USD 284 million in exports in 2015.

Real inter-annual growth		
Economic Sectors	2014	2015 (e)
Agriculture	2,2%	5,0%
Livestock	14,4%	-1,8%
Industry	9,5%	2,0%
Construction	13,8%	6,0%
Transport	7,5%	3,9%
Communications	3,2%	1,0%
Commerce	5,8%	0,1%
Finances	10,6%	12,0%
Government	5,0%	6,0%
<b>Total GDP</b>	<b>4,7%</b>	<b>3,0%</b>

Source: Central Bank of Paraguay

The nominal macroeconomic variables of prices and exchange rates evolved based on those reasons. Inflation was under control and in line with the goal set by the Central Bank of Paraguay and the exchange rate was devalued in 25%, following the trend of regional currencies and an ever stronger dollar.

The differing macro-result this year is again the fiscal deficit, which exceeded the limit of the Law of Fiscal Responsibility, impacting mainly in a slower rhythm of growth of income as a result of less economic activities and a strong growth of expenses and transfers.

Paraguay		
Main macroeconomic indexes	2014	2015 (e)
Nominal GDP (Millions of USD)	30.657	27.715
GDP per capita (USD)	4.447	3.957
Total growth of GDP (%)	4,7	3,0
Agro and livestock GDP (%)	4,7	3,6
Non-agro and livestock GDP (%)	4,7	2,8
Inflation (%)	4,2	3,1
Nominal exchange rate variation (%)	2,3	25,3
International reserves (Millions of USD)	6.891	6.200
External debt (% of GDP)	12,0	14,3
Fiscal deficit (% of GDP)	(1,1)	(1,8)

Source: Central Bank of Paraguay

Financial System	2014	2015 (e)
Variation per year in weighted loans (%)	20,5	10,4
Loans/GDP (%)	39,5	46,6
Variation per year in weighted deposits (%)	14,9	4,9
Deposits/GDP (%)	44,5	49,6
Average ROE (%)	27,0	27,8
Average defaulting (%)	2,2	2,4

## In this context, what can we expect in 2016?

Projections say there will be moderate economic growth, similar to 2015, between 3% and 3.5%, which is mainly based in the good results of the main agriproducts: Soy and Corn. Although the agricultural prices will remain low, the good level of production will help with the compliance of obligations of the majority of the producers and related companies. The Government, through public investment, will also be an important engine for growth. Important projects of infrastructure are already underway and have secured funding.



It is expected that the commercial sector will maintain a low performance; businessmen shall face preexistent debt with less sales and revenue, so there will be a requirement of re-scheduling part of them and postponing new investments in both inventory and infrastructure. Obviously, the project will mean a natural purge of inefficient and highly indebted companies. In the financial sector, we expect a year of low growth and high defaulting, as the necessary adjustments are carried on in companies and consumers to adapt to the new and slower rhythm of income and revenue

## Banco Familiar: prepared for the new scenario

As stated, Banco Familiar has faced a particularly complex 2015 in several fronts: commercial due to the slower rhythm of business which meant less credit placement; risks due to the increase of defaults and credit losses; and the regulatory front due to the substantial lowering in the interest rates of credit cards and the impact in the rate of consumers' credits.

However, beyond the specific results of 2015, which will be presented afterwards and which can be considered as good, we would like to remark that the Bank has been preparing for the last 5 years to this sudden change in the economic winds that began in late 2014.

The sustainable success in financial businesses is almost always the result of a process of decision-making that is not restricted to a single period, but which should be analyzed in the long term. Cycles and economic changes are uncertain and inevitable, but not unforeseeable. It is the responsibility of the upper management to prepare for the occurrence through a balanced management of growth, risks and allowances.

The accelerated growth is the first vulnerability which we must be attentive to. The strategy of Banco Familiar, in this regard, can be summarized in two principles: diversifying the risks as much as possible and focusing in segments in which we are more competitive and knowledgeable.

The retail segment, thanks to the know-how of the 47 years of record, has allowed us an important and diversified growth, but it is not exempt from risks because of that. In fact, the reverses in economic cycles generally affect this segment first, to then start being noticed in others. The policy of scoring credits that the retail risk controls is constantly monitored and adjusted to react adequately.

In addition, since 2011, we have been creating additional generic allowances to those demanded by regulations which have allowed us in these last 5 years to have a comfortable coverage of the retail portfolio and part of the Corporate, Personal and SMEs Banking. In the five years from 2011 to 2015, 23% of the net income has been allocated in average to create an allowances fund according to the nature of our business and economic cycles.

Voluntary generic allowances						
Millions of PYG	2011	2012	2013	2014	2015	TOTAL 5 yrs
Net income	45.149	49.494	85.604	119.670	119.816	419.733
Voluntary generic allowances	14.769	6.041	20.000	30.000	24.000	94.811
Ratio	33%	12%	23%	25%	20%	23%

Allowances fund					
Millions of PYG	2011	2012	2013	2014	2015
Regulatory	24.033	39.054	40.878	56.022	76.980
Additional	14.983	21.025	41.025	71.025	95.025
Total	39.016	60.079	81.902	127.046	172.005

Allowances Fund/Past-due portfolio ratio	84%	86%	113%	127%	120%
Allowances Fund/Total portfolio ratio	3,1%	3,8%	4,2%	5,8%	6,8%

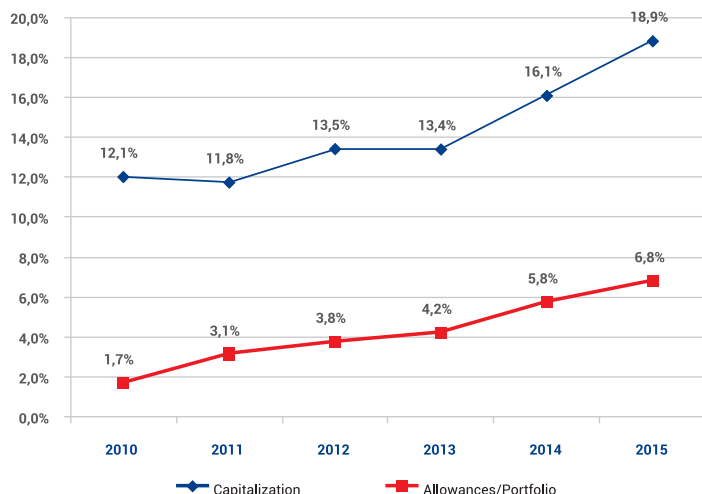
Most of the allowances are established for the retail portfolio, to which we have initially destined all of our attention. For that purpose, we have a statistical model of allowances for the coverage of expected losses in the business, which at the end of 2015 were covered in almost 100%. We anticipated the regulatory demands that would come and which are in line with the current trends in the industry in developed countries.

For the other portfolios, even though we have an interesting additional allowances fund, in the following years, similar models of expected losses will be established, and in the way possible according to the cycles, we will complete the allowances that those models demand.

The objective of these additional allowances is not its accumulation per se, but the mitigation of sudden changes in revenue, capitalization and growth, so the strategy is to establish it in periods of growth to be used in recessive periods.

Besides, from the Establishment of Allowances, Banco Familiar has prepared through a conservative policy in the distribution of dividends and the strengthening of its capital through the reinvestment of its results. Between 2009 and 2015, the Shareholders' Equity of the Bank has gone from PYG 97,257 million to PYG 497,814 million, meaning there was an increase of PYG 381,807 million, coming most of it from the capitalization of retained earnings and the establishment of reserves.

Changes in Shareholders' Equity: 2009-2015 Period (Millions of PYG)	
Shareholders' Equity as of December, 2009	97.258
Shareholders' Equity as of December, 2015	497.814
<b>Increase</b>	<b>382.557</b>
<u>Reasons for Changes</u>	
Due to Issue of Preferred Shares	60.000
Due to Issue of Ordinary Shares	25.000
Due to Capitalization of Retained Earnings	95.000
Due to Establishment of Reserves	78.707
Due to Increase in Retained Earnings	123.849
<b>Total</b>	<b>382.557</b>



## 2015: Good results for a complicated year

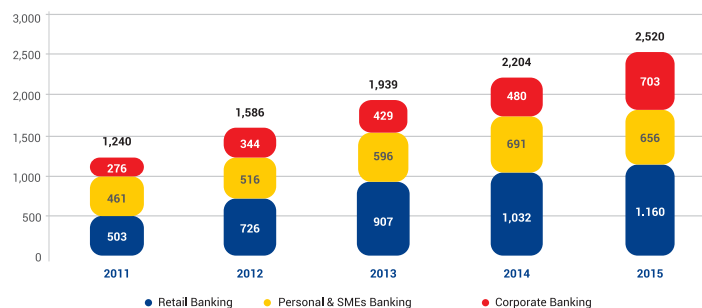
### Portfolio and defaults.

The loan portfolio grew 14.4% in 2015. It did not do so at the same rhythm in all segments, though. Retail loans grew 12.4% and Personal and SMEs Banking dropped 5%. It is in this segment that the commercial deterioration mentioned above was felt the most.

In the retail segment, the low growth of the portfolio was accentuated in late 2015 and the impact of the regulation on credit cards was added to the economic inconveniences already mentioned.

On the other hand, the corporate segment grew 46%, mainly explained by an important impact of devaluation of 25% that the guaraní experienced with respect to the USD and which affected loans in that currency. Besides that, part of the growth is explained by the fact that the bigger companies increased their need of operating capital to sustain the inventory and accounts receivables in a scenario with less sales and collections.

Evolution of the Loan Portfolio  
(in billions of PYG)



Defaulting grew in relation to 2014 in all business segments. The rate of past-due loans for more than 60 days over total loans went from 4.4% to 5.5%. Despite being mostly a market situation, since late 2014, we have undertaken measures to contain and mitigate this trend:

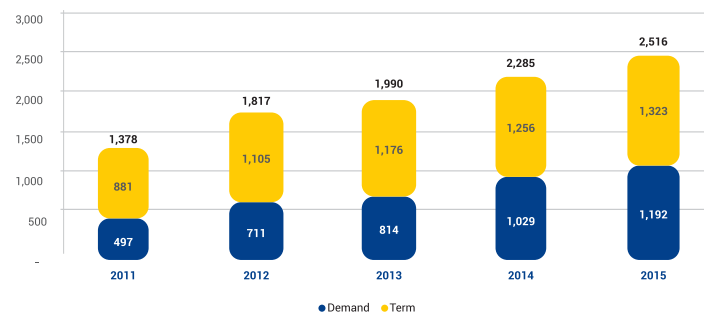
- The scoring of consumer's loans was revised and improved.
- The strength of collections was improved through more agents and collectors in outsourced services.
- The criteria for the analysis of SMEs and Personal Banking operations were strengthened, becoming more conservative on the estimations of the flows for repayment and demand of guarantees.

Defaulting (past-due > 60 days)					
% of past-due portfolio/total	2011	2012	2013	2014	2015
TOTAL	3,6%	4,3%	3,7%	4,4%	5,5%
Retail Banking	5,2%	6,4%	6,0%	6,6%	8,1%
Personal and SMEs banking	3,1%	4,1%	2,7%	4,0%	5,4%
Corporate Banking	0,6%	0,4%	0,1%	0,3%	1,4%

### Deposits portfolio and other liabilities.

The growth of deposits (+10%) has been lightly inferior to the growth of the loan portfolio (+14%). In the search for the optimization of the liquid balances and other liabilities, the strategy followed has been incentivizing demand funding, increasing the demand/total ratio of 45% in 2014 to 47% in 2015. For funding of operations in medium and long terms, funds from Agencia Financiera de Desarrollo has mainly been used.

Evolution of Deposits  
(in billions of PYG)



### Income statement, margins and allowances.

The net income at the end of 2015 was the amount of PYG 119,816 million, a similar amount to that recorded in the previous year. Due to the economic context explained above, the analysis of the Income Statement highlights the following facts:

Financial income was adversely affected by a smaller growth of the loan portfolio and in the last months of 2015, due to the limit imposed by the Law on Credit Cards. The ratio of financial income/average assets dropped from 19.8% to 18.9%.

Regulatory allowances were increased significantly (31%) by increasing the past-due portfolio in the several periods of defaulting, mitigating these aspects in part; the financial cost was reduced significantly: from 5.2% to 4.2% (financial costs/average assets ratio).

In addition, we have worked on reducing the growth of operating expenses, limiting the adjustments of price in contracts and expenses in new

infrastructure and investments. The ratio of Operating Expenses over Average Assets dropped from 8.6% to 8.2% in 2015.

As a combined result of these factors, the Net Income over Shareholders' Equity ratio was dropped from 33.2% to 27.3%, an amount that can be considered high for the average of the national banking industry: 20.1% in 2015.

Income Accounts					
	2011	2012	2013	2014	2015
% over Total of Average Assets					
Financial income	17,1%	18,3%	18,1%	19,8%	18,9%
Financial costs	5,0%	6,3%	5,4%	5,2%	4,2%
Net Financial Margin	8,0%	7,0%	7,9%	9,0%	8,7%
Operating Expenses	9,6%	7,7%	8,0%	8,6%	8,2%
Regulatory allowances	4,0%	4,7%	3,9%	4,6%	5,3%
Net income (ROA)	3,1%	2,5%	3,5%	4,3%	3,9%
Net income (Billions of PYG)	45	49	85	120	120
Average Shareholders' Equity (Billions of PYG)	171	215	270	355	439
Income/Average Shareholders' Equity (ROE)	26,4%	23,0%	31,6%	33,8%	27,3%
Operating Margin/(Operating Expenses + Regulatory allowances)	118%	125%	140%	146%	138%

## Solvency and Liquidity.

The Solvency indexes have been strengthened in 2015. The Shareholders' Equity over Assets ratio went from 14.2% to 14.5%. This is due to a conservative policy of reinvestment of income. Our levels of capitalization are very comfortably above the regulatory minimums.

The liquidity was maintained in similar levels to those of the previous two years. As mentioned, there was work to optimize the liquid balances and to improve the relation of demand deposits. With the levels reached, we are practically converging to the levels of the industry, around 50%.

Solvency and liquidity indexes					
	2011	2012	2013	2014	2015
Shareholders' Equity/Assets	11,7%	10,4%	11,9%	14,2%	14,5%
Liquid Assets/Demand deposits	109%	93%	70%	70%	67%
Demand deposits/Total deposits	36%	39%	41%	45%	47%

## Strengthening our people and our technologic platform.

In this context of less favorable conditions, we have set the goal of increasing our competitiveness, improving our productivity and efficiency and we have therefore made an important effort in the training of our people.

With the same investment as the previous year, we trained using several modes: one of them was the program of Integral Education of the Account Executive, which was comprised by distance-learning courses in which more than 200 people participated simultaneously throughout the country and lasting 10 months.

Our biggest accomplishment was the performance of several courses in which more than 1,326 people participated, through our e-learning platform. A total of 125 events were held, both with attendance and with distance-learning, for a total of 62,000 hours of training.

As a fundamental support for our future plans, besides working in the development of professional who work for our company, we have also made an investment that is approximately worth one million five hundred thousand dollars in hardware and software. We understand that the strengthening of people and technologic resources are what will make it possible for Banco Familiar to keep leading the retail business and offering adequate services and products for the new times and the different segments of clients it services.

## Our commitment to childhood.

In Banco Familiar, we dream of being an instrument for growth where we can all bet on the development of Paraguay. This is why during 2015, we have deepened our institutional support for the following Organizations:





Paraguay Educa, Operación Sonrisas, Fundación Dequení and Fundación Casa Cuna. We have had a strong relationship with all of them for several years, in which we have made joint efforts that have become part of the culture and expectations of the people who are part of Banco Familiar.

Our commitment to Corporate Social Responsibility focused on childhood does not only cover institutional support, but also the involvement of more than 300 corporate volunteers who drive several projects and who are agents of change in several communities in the capital and the interior of the country.



## Looking ahead: the strategic guidelines remain and are consolidated

In Banco Familiar, we look at changes with optimism and we consider them opportunities to improve. The new economic times force us to be more efficient and creative, push us to innovate, to review and update strategies and to rectify paths if necessary.

In this new national and regional economic scenario, the strategic axis of our Bank remain strong and are even consolidated.

Our focus of business shall remain on the Retail Segment. We will continue working in providing our retail services with more technology and efficiency, seeking to combine in a balanced way the personalized service in our branches with mobile technology, non-banking correspondents and customer service points of payment networks. The objective is to be closer to our clients, and to quicker and agile.

In the segment of Personal and SMEs Banking, we guide to provide more personalized services without losing the speed and agility that characterize us. The technologic and operating infrastructure is fundamental to be closer to these clients, so the development of mobile services and payment and collection networks is also an added value that is ever more important for them.

In the segment of Corporate clients, the strategy shall continue being providing a premium service with highly qualified executives to take care of the financial needs of a select group of clients.

In all segments, attention to the selection of risks and the responsible growth are fundamental to guarantee sustainability. 2015 has been a clear example that the economic prosperity is not eternal, and that we must act responsibly when committing a person or a company to repaying a loan. Our risk policy has a fundamental importance to face the future.

In addition, the policy of distribution and capitalization of income must be consistent with this strategy, which implies continuing saving and reinvesting to maintain a solid capital above regulatory demands.

Finally, a good Corporate Governance is fundamental to provide consistency to this strategy and put it into practice successfully. In the following years, the Bank will keep strengthening the schemes and policies for management and control, and ensuring an adequate informative transparency, fundamental pillars to guarantee reliability and credibility.





# Financial **Statements**



# Balance Sheet: Assets

ASSETS	December 31, 2015 PYG.	December 31, 2014 PYG.
<b>CASH AND CASH EQUIVALENTS</b>	<b>647,666,167,488</b>	<b>572,264,849,333</b>
Cash	200,520,026,147	179,984,579,565
Central Bank of Paraguay (Note C.2)	328,384,783,688	289,065,499,993
Other financial institutions	118,496,872,034	103,008,695,044
Accounts Receivables from accrued financial products	264,485,619	206,449,731
(Allowances) (Note C.6)	0	(375,000)
<b>PUBLIC SECURITIES (Note C.3)</b>	<b>189,025,863,364</b>	<b>149,513,219,999</b>
<b>CURRENT LOANS FROM FINANCIAL INTERMEDIATION– FINANCIAL SECTOR (Note C.5.1)</b>	<b>71,504,884,98</b>	<b>49,978,040,865</b>
Placements	70,586,978,233	49,187,208,349
Accounts Receivable from accrued financial products	917,906,751	790,832,516
<b>CURRENT LOANS FROM FINANCIAL INTERMEDIATION – NON-FINANCIAL SECTOR (Note C.5.2)</b>	<b>2,272,691,026,216</b>	<b>2,033,015,146,313</b>
Loans	2,282,725,692,945	2,023,845,456,615
(Revenue from valuation on hold)	(2,934,315)	(5,090,900)
Accounts Receivable from accrued financial products	44,906,388,504	40,275,730,591
(Allowances) (Note C.6)	(54,938,120,918)	(31,100,949,993)
<b>SUNDRY LOANS (Note C.15)</b>	<b>25,655,996,318</b>	<b>16,974,211,732</b>
<b>PAST-DUE RECEIVABLES FROM FINANCIAL INTERMEDIATION (Note C.5.3)</b>	<b>26,035,649,708</b>	<b>4,396,353,486</b>
Loans	136,215,601,423	95,604,323,906
(Revenue from valuation on hold)	(200,772,436)	(5,785,834)
Accounts Receivable from accrued financial products	7,087,269,661	4,743,189,040
(Allowances) (Note C.6)	(117,066,448,940)	(95,945,373,626)
<b>INVESTMENTS (Note C.7)</b>	<b>5,860,745,025</b>	<b>5,416,020,862</b>
Received goods in credit recovery	1,049,848,425	1,262,769,829
Private securities	6,097,424,660	5,396,732,878
(Allowances) (Note C.6)	(1,286,528,060)	(1,243,481,845)
<b>FIXED ASSETS (Note C.8)</b>	<b>36,210,599,954</b>	<b>34,891,763,687</b>
<b>DEFERRED CHARGES (Note C.9)</b>	<b>24,748,978,736</b>	<b>27,976,791,091</b>
<b>TOTAL ASSETS</b>	<b>3,299,399,911,793</b>	<b>2,894,426,397,368</b>



# Balance sheet: Liabilities

LIABILITIES	December 31, 2015 PYG.	December 31, 2014 PYG.
<b>DEBTS FROM FINANCIAL INTERMEDIATION FINANCIAL SECTOR (Note C.13)</b>	<b>578,847,433,073</b>	<b>444,564,180,715</b>
Central Bank of Paraguay – Guarantee Fund	2,944,530,967	2,621,527,336
Deposits - Other financial institutions	291,380,376,550	260,655,890,555
Loans from financial institutions	270,319,116,382	167,734,346,983
Correspondents - Deferred documentary credits	0	220,065,576
Accounts Payable for accrued financial charges	14,203,409,174	13,332,350,265
<b>DEBTS FROM FINANCIAL INTERMEDIATION NON-FINANCIAL SECTOR (Note C.13)</b>	<b>2,198,680,394,436</b>	<b>2,014,958,331,996</b>
Deposits – Private Sector	1,857,031,160,895	1,760,374,448,821
Deposits – Public Sector	315,302,817,171	224,462,870,331
Other Debts from Financial Intermediation	2,249,634,279	3,762,020,231
Accounts Payable for Accrued Financial Charges	24,096,782,091	26,358,992,613
<b>SUNDRY DEBTS</b>	<b>37,575,531,043</b>	<b>26,730,099,955</b>
Fiscal and corporate creditors	5,594,161,105	4,951,654,185
Other sundry debts (Note C.16)	31,981,369,938	21,778,445,770
<b>PROVISIONS</b>	<b>4,482,411,818</b>	<b>9,163,936,258</b>
<b>TOTAL LIABILITIES</b>	<b>2,819,585,770,370</b>	<b>2,495,416,548,924</b>
<b>SHAREHOLDERS' EQUITY (Note D)</b>	<b>479,814,141,423</b>	<b>399,009,848,444</b>
Paid-Up Capital (Note B.5)	210,000,000,000	180,000,000,000
Equity Adjustments	16,433,528,110	15,244,944,057
Legal Reserve	89,833,191,130	65,899,218,904
Retained Earnings	43,731,713,257	18,195,824,351
Results from the Fiscal Year	119,815,708,926	119,669,861,132
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>3,299,399,911,793</b>	<b>2,894,426,397,368</b>

# Income Statement

	December 31, 2015 PYG.	December 31, 2014 PYG.
<b>FINANCIAL INCOME</b>	<b>563,007,742,507</b>	<b>527,020,456,858</b>
From Current Loans from Financial intermediation in the Financial Sector	9,738,643,350	12,173,244,206
From Current Loans from Financial intermediation in the Non-financial Sector	523,568,971,297	491,556,158,031
From Past-due Receivables from Financial intermediation	15,549,872,709	12,890,011,510
From Revenues and Difference of Prices of Public Securities	11,400,119,412	10,302,285,624
From Assets and liabilities valuation in foreign currency (Note F.2)	2,750,135,739	98,757,487
<b>FINANCIAL LOSSES</b>	<b>(129,310,992,514)</b>	<b>(142,786,729,252)</b>
From Debts – Financial sector	(36,761,942,304)	(35,320,134,065)
From Debts – Non-financial Sector	(92,549,050,210)	(107,466,595,187)
<b>FINANCIAL RESULT BEFORE ALLOWANCES - INCOME</b>	<b>433,696,749,993</b>	<b>384,233,727,606</b>
<b>PROVISIONS</b>	<b>(189,180,539,893)</b>	<b>(157,524,961,282)</b>
Creation of provisions (Note C.6)	(191,787,873,761)	(158,083,487,471)
Reversal of provisions (Note C.6)	2,607,333,868	558,526,189
<b>FINANCIAL RESULT AFTER ALLOWANCES - INCOME</b>	<b>244,516,210,100</b>	<b>226,708,766,324</b>
<b>RESULT FROM SERVICES</b>	<b>95,019,170,972</b>	<b>96,692,980,395</b>
Income from services	133,319,545,671	125,467,411,945
Losses from services	(38,300,374,699)	(28,774,431,550)
<b>GROSS RESULT – INCOME</b>	<b>339,535,381,072</b>	<b>323,401,746,719</b>
<b>OTHER OPERATING INCOME</b>	<b>82,742,737,047</b>	<b>77,994,195,595</b>
Income from exchange operations – net	10,523,499,194	9,502,079,870
Others	72,219,237,853	68,492,115,725
<b>OTHER OPERATING LOSSES</b>	<b>(288,267,559,397)</b>	<b>(273,433,568,098)</b>
Remunerations to staff and social security charges	(132,782,969,941)	(125,133,946,040)
General expenses (Note G)	(133,571,412,168)	(128,855,410,871)
Depreciations of fixed assets (Note C.8)	(7,249,039,564)	(6,169,813,955)
Amortization of deferred charges (Note C.9)	(10,242,892,981)	(9,583,717,592)
Others	(3,739,773,815)	(3,486,714,943)
From valuation of other assets and liabilities in foreign currency (Note F.2)	(681,470,928)	(203,964,697)
<b>NET OPERATING RESULT – INCOME</b>	<b>134,010,558,722</b>	<b>127,962,374,216</b>
<b>EXTRAORDINARY RESULTS</b>	<b>1,686,746,407</b>	<b>7,007,185,034</b>
Extraordinary income	3,450,992,614	8,394,286,905
Extraordinary losses	(1,764,246,207)	(1,387,101,871)
<b>INCOME FROM THE FISCAL YEAR BEFORE INCOME TAX</b>	<b>135,697,305,129</b>	<b>134,969,559,250</b>
<b>INCOME TAX (Note F.4)</b>	<b>(15,881,596,203)</b>	<b>(15,299,698,118)</b>
<b>INCOME FROM THE FISCAL YEAR</b>	<b>119,815,708,926</b>	<b>119,669,861,132</b>

# Off-balance and contingent accounts

	December 31, 2015 PYG.	December 31, 2014 PYG.
Total Contingent Accounts (Note E)	152,228,368,704	138,430,626,695
Total Off-balance accounts (Note E)	1,068,196,554,183	1,182,387,672,931

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

# Cash Flow Statement

	December 31, 2015 PYG.	December 31, 2014 PYG.
<b>FLOW FROM OPERATIONAL ACTIVITIES</b>		
Collected interest and other financial income	626,290,782,018	587,540,728,039
Paid interest and other financial expenses	(122,975,055,532)	(137,072,480,891)
Income from collected services and other sundry income	132,738,469,466	133,776,665,290
Payments to providers and employees	(302,845,545,041)	(283,645,323,687)
Income tax payment	(4,854,321,077)	(15,462,085,364)
Net variation of the Public and Private Securities portfolio	(39,512,643,365)	(34,930,255,143)
Net variation of term placements in other financial entities	(20,069,460,902)	4,586,516,964
Net increase of loans granted to clients of the financial sector and non-financial sectors	(363,680,659,417)	(370,557,071,948)
Net increase of deposits received from clients of the financial sector and non-financial sectors	99,552,589,818	205,803,981,458
<b>Net cash flow of ordinary operational activities</b>	<b>4,644,155,968</b>	<b>90,040,674,718</b>
Extraordinary net income	1,686,746,407	7,007,185,034
<b>Net cash flow of operational activities</b>	<b>6,330,902,375</b>	<b>97,047,859,752</b>
<b>FLOW FROM INVESTMENT ACTIVITIES</b>		
Purchase of fixed assets and deferred charges – net of removals and/or sales	(14,394,372,404)	(21,574,801,940)
<b>Net cash flow used in investment activities</b>	<b>(14,394,372,404)</b>	<b>(21,574,801,940)</b>
<b>CASH FLOW FROM FINANCIAL ACTIVITIES</b>		
Net variation of loans received from other financial entities	68,153,956,883	(14,818,703,663)
Cash Paying in of Capital	0	0
Contribution for the Paying in of Capital	0	0
Adjustments to income from previous years	0	0
Payment of dividends	(40,200,000,000)	(32,200,000,000)
<b>Net flow from financial activities</b>	<b>27,953,956,883</b>	<b>(47,018,703,663)</b>
Net increase of cash	19,890,486,854	28,454,354,149
Result from the variation of availabilities	55,510,456,301	5,156,101,696
Variation of allowances over cash	375,000	891,712
Cash at the start of the year	572,264,849,333	538,653,501,776
<b>Cash at the end of the year</b>	<b>647,666,167,488</b>	<b>572,264,849,333</b>

# Statement of changes in Shareholder's Equity

CONCEPT	Paid-Up Capital	Share Premiums	Equity Adjustments (Revaluation Reserve)	Legal Reserve	Retained Earnings	Result from the Fiscal Year	Total
<b>Balance as of December 31, 2013</b>	<b>141,250,000,000</b>	<b>13,750,000,000</b>	<b>13,847,522,810</b>	<b>48,869,545,678</b>	<b>7,277,131,449</b>	<b>85,148,366,128</b>	<b>310,142,566,065</b>
Capital increase (Ref. a)	38,750,000,000	(13,750,000,000)	0	0	(25,000,000,000)	0	0
Profit transfer	0	0	0	0	85,148,366,128	(85,148,366,128)	0
Establishment of legal reserve (Ref. a)	0	0	0	17,029,673,226	(17,029,673,226)	0	0
Distribution of dividends in cash (Ref. a)	0	0	0	0	(32,200,000,000)	0	(32,200,000,000)
Establishment of revaluation reserve	0	0	1,397,421,247	0	0	0	1,397,421,247
Income from the Fiscal Year	0	0	0	0	0	119,669,861,132	119,669,861,132
<b>Balance as of December 31, 2014</b>	<b>180,000,000,000</b>	<b>0</b>	<b>15,244,944,057</b>	<b>65,899,218,904</b>	<b>18,195,824,351</b>	<b>119,669,861,132</b>	<b>399,009,848,444</b>
Capital increase (Ref. b)	30,000,000,000	0	0	0	(30,000,000,000)	0	0
Profit transfer	0	0	0	0	119,669,861,132	(119,669,861,132)	0
Establishment of legal reserve (Ref. b)	0	0	0	23,933,972,226	(23,933,972,226)	0	0
Distribution of dividends in cash (Ref. b)	0	0	0	0	(40,200,000,000)	0	(40,200,000,000)
Establishment of revaluation reserve	0	0	1,188,584,053	0	0	0	1,188,584,053
Income from the Fiscal Year	0	0	0	0	0	119,815,708,926	119,815,708,926
<b>Balance as of December 31, 2015</b>	<b>210,000,000,000</b>	<b>0</b>	<b>16,433,528,110</b>	<b>89,833,191,130</b>	<b>43,731,713,257</b>	<b>119,815,708,926</b>	<b>479,814,141,423</b>

(a) Approved in the Meeting of Shareholders dated April 29, 2014 (Minutes of the Meeting No. 40)

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

# : Risk rating

Feller.Rate		ANNEXES	
Risk Classifier	Paraguay	BANCO FAMILIAR S.A.E.C.A.	
		RATING REPORT – March 2016	
<p>According to Resolution No. 2 dated August 17, 2010 of the Central Bank of Paraguay and Circular DIR No. 008/2014 dated May 22, 2014 of the National Securities Commission, the following is reported:</p> <ul style="list-style-type: none"> <li>➤ Date of rating: March 22, 2016</li> <li>➤ Date of publication: March 22, 2016</li> <li>➤ Type of report: Annual update</li> <li>➤ Financial Statements as of December 31, 2015</li> <li>➤ Risk Rating Company: Feller Rate Clasificadora de Riesgo Ltda  <a href="http://www.feller-rate.com.py">www.feller-rate.com.py</a>            Av. Brasilia 236 c/José Berges, Asunción, Paraguay            Tel: (595) 21 200633 // Fax: (595) 200633 // Email: info@feller-rate.com.py</li> </ul>			
Institution		Local Rating	
Banco Familiar S.A.E.C.A.		Apy Stable	
Solvency Trend			
<p>NOTE: The risk rating does not constitute a suggestion or recommendation to buy, sell, maintain a security or make an investment, nor an endorsement or guarantee of an investment and its issuer.</p> <p>More information on this rating on:</p> <ul style="list-style-type: none"> <li>➤ <a href="http://www.familiar.com.py/">www.familiar.com.py/</a></li> <li>➤ <a href="http://www.feller-rate.com.py">www.feller-rate.com.py</a></li> </ul>			
<h3>Methodology and procedure of rating</h3> <p>The methodology for the rating of financial institutions is available on <a href="http://www.feller-rate.com.py/docs/pymetbancos.pdf">http://www.feller-rate.com.py/docs/pymetbancos.pdf</a></p> <p>The procedure for rating can be found on <a href="http://www.feller-rate.com.py/docs/pyproceso.pdf">http://www.feller-rate.com.py/docs/pyproceso.pdf</a></p>			
<h3>Nomenclature</h3> <p>A: It corresponds to all of the entities that have policies for risk management, good ability for the payment of obligations, but this is susceptible of deteriorating in the event of possible changes in the institution, the industry in which it is a part of or the economy. Additionally, for risk categories between AA and B, the Company uses the nomenclature (+) and (-) to grant a better relative risk rating.</p> <p>For more detailed information on the meaning of all risk ratings, visit <a href="http://www.feller-rate.com.py/gp/nomenclatura2.asp">http://www.feller-rate.com.py/gp/nomenclatura2.asp</a></p>			
<h3>General description of the information used in the rating procedure</h3> <p>The evaluation practiced by Feller Rate was made over the basis of an analysis of the public information of the company and that voluntarily provided by it. Specifically, in this case, the following information was considered:</p> <ul style="list-style-type: none"> <li>➤ Administration and organizational structure</li> <li>➤ Financial information (evolution)</li> <li>➤ Ownership</li> <li>➤ Control reports</li> <li>➤ Characteristics of the loan portfolio (evolution)</li> <li>➤ Capital adequacy (evolution)</li> <li>➤ Funding and liquidity (evolution)</li> <li>➤ Market risk management</li> <li>➤ Technology and operations</li> </ul> <p>It also included meetings with the upper management and commercial, operating, risk and control units. It should be mentioned that the rating company is not responsible for verifying the authenticity of the files.</p>			
<p><small>The information presented in this analysis comes from sources that are considered highly reliable. However, considering the possibility of a human or mechanic error, Feller Rate does not guarantee the exactitude or integrity of the information and therefore, it is not to be held liable for error or omissions, or consequences linked to the use of that information. The risk rating does not constitute a suggestion or recommendation to buy, sell, maintain a security or make an investment, nor an endorsement or guarantee of an investment and its issuer. The analysis is not the result of an audit practiced on the issuer, but is based on information that it has made public or submitted to the Central Bank of Paraguay and that provided voluntarily by the issuer, so the rating company is not to be held liable for verifying their authenticity.</small></p>			

# Auditors report



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## INDEPENDENT AUDITORS' OPINION

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

### Identification of the financial statements subjected to audit.

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

The financial statements as of December 31, 2014, which are presented for comparative purposes only, were examined by other independent auditors who expressed their opinion on those financial statements without objections on February 23, 2015.

### Responsibility of the administration for the financial statements.

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

### Responsibility of the auditor.

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

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

# Auditors report



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

## **Opinion**

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

Asuncion, Paraguay  
February 12, 2016

  
Lic. Antonio F. Brítez Balzarini  
Socio  
Ernst & Young Paraguay  
Auditores y Asesores de Negocios  
Res SB. SG. N° 00393/03  
Registro Profesional N° C-92  
Registro de la Firma N° F-21. Res. N° 056/03  
Registro CNV AE N° 028  
Registro SET N° 027/15

# Notes to the Financial Statements corresponding to the fiscal year ended on December 31, 2015.

## 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 S.A.E.C.A." or "the Institution") will be studied by the next Regular Meeting of Shareholders to be held on 2016, 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 2014 were approved by the Regular Meeting of Shareholders held on April 29, 2015, according to Minutes of the Meeting No. 42.

## 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 and in force from September 1, 2014 to September 1, 2016.

As of December 31, 2015, the Institution has sixty 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 2015 and 2014 was 3.10% and 4.21%, 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, 2015.



## (ii) Estimations:

The preparation of these financial statements require the Board and the Management of the Institution to perform some estimations and assumptions that affect the balances of assets and liabilities, the exposure of contingencies and the acknowledgement of income and expenses. The assets and liabilities are acknowledged in the financial statements when it is likely that future economic benefits flow from or to the Institution and that the accounts have a cost or value that can be reliably assessed. If in the future, these estimations and assumptions, which are based on the best judgment of the Board and the Management as of the date of these financial statements, were to be modified regarding the current circumstances, the original estimations and assumptions will be adequately changed in the date of said changes. The main estimations related to the financial statements are referred to allowances on assets and doubtful credit 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, 2015 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, 2014, and some reclassifications have been made to improve the comparability.

### B.3. Branches abroad

As of December 31, 2015 and 2014, the Institution does not have branches abroad.

### B.4. Participation in other companies

As of December 31, 2015 and 2014, 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 5,775,000,000 and PYG 5,121,000,000 for 2015 and 2014, 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, 2015 and 2014, is as follows:

Subscribed and paid-up shares as of december 31, 2015				
Type	No. of votes per share	Value per share	Number	Total
Ordinary Registered Class "A" Shares	5 (five)	10,000	15,000,000	150,000,000,000
Preferred Registered Class "A" Shares	No vote	10,000	3,000,000	30,000,000,000
Preferred Registered Class "B" Shares	No vote	10,000	3,000,000	30,000,000,000
<b>Totals</b>			<b>21,000,000</b>	<b>210,000,000,000</b>

Subscribed and paid-up shares as of december 31, 2014				
Type	No. of votes per share	Value per share	Number	Total
Ordinary Registered Class "A" Shares	5 (five)	10,000	12,000,000	120,000,000,000
Preferred Registered Class "A" Shares	No vote	10,000	3,000,000	30,000,000,000
Preferred Registered Class "B" Shares	No vote	10,000	3,000,000	30,000,000,000
<b>Totals</b>			<b>18,000,000</b>	<b>180,000,000,000</b>

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. List of Directors of the Board and Executives

As of December 31, 2015 and 2014, 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 César Amado Barreto Otazú
Alternate Directors	Roberto Daniel Amigo Marcet Silvia Maria Alicia Camperchioli de Martin Héctor Fadlala Wismann
Regular Trustee	Juan B. Fiorio
Alternate Trustee	Diana Fadlala Rezk

Upper Management	
General Manager	César Barreto Otazú
Assistant General Manager	Hilton Giardina Varela
Financial Manager	Diego Balanovsky Balbuena
Risk Analysis Manager	Wilson Castro Burgos
Branches Manager	Víctor Pedrozo
Corporate Banking Manager	Nery Aguirre Valiente
Personal Banking Manager	Graciela Arias Rios
Retail Banking Manager	Fabio Najmanovich Campo
Administrative and Brokerage 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
Marketing and Communications Manager	Luján del Castillo Cordero
Trust Funds Manager	Myrian Soliz de Mendoza
Internal Audit Manager	Venancio Paredes Alarcón
Compliance Manager	Oscar Daniel Fernández

## C. Information Related to the Main Assets and Liabilities

### C.1. Valuation of foreign currency and exchange position

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

Currency	Exchange Rate as of December 31, 2015 (+) PYG	Exchange Rate as of December 31, 2014 (+) PYG
U.S. Dollar	5,806.91	4,629.00
Euro	6,337.08	5,634.42
Chilean Peso	8.20	7.64
Argentine Peso	447.34	541.44
Uruguayan Peso	194.28	193.12
Real	1,456.10	1,739.05
Japanese Yen	48.16	38.76
Swiss Franc	5,869.12	4,684.27

(+) 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, 2015 and 2014 is as follows:

As of December 2015 and 2014, 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.

Description	December 31, 2015		December 31, 2014	
	Dollars	Guaranies	Dollars	Guaranies
Total Assets in foreign currency	125,727,778.52	730,089,894,366	122,595,974.51	567,496,766,007
Total Liabilities in foreign currency	(124,019,917.78)	(720,172,500,758)	(119,971,028.66)	(555,345,891,664)
<b>Net Position in foreign currency</b>	<b>1,707,860.74</b>	<b>9,917,393,608</b>	<b>2,624,945.85</b>	<b>12,150,874,343</b>

## C.2. Deposits in the Central Bank of Paraguay

The deposits in the Central Bank of Paraguay as of December 31, 2015 and 2014, are as follows:

Description	December 31, 2015		December 31, 2014	
	Foreign Currency	Local Currency	Foreign Currency	Local Currency
Required reserve – PYG	0	156,435,785,628	0	138,546,344,686
Required reserve – USD	17,062,977.06	99,083,172,119	16,655,879.12	77,100,064,446
Special reserve Resolution 1/131	0	128,000,000	0	107,538,752
Required reserve – Early redemption USD	0	0	50,960.00	235,893,840
Sub-total (*)	17,062,977.06	255,646,957,747	0	215,989,841,724
Current account – PYG	0	900,000	0	152,695
Current account – USD	8,243,304.94	47,868,129,889	4,776,734.84	22,111,505,574
Sub-total	8,243,304.94	47,869,029,889	4,776,734.84	22,111,658,269
Deposits for Monetary Operations	0	24,868,796,052	0	50,964,000,000
Sub-total	0	24,868,796,052	0	50,964,000,000
<b>Total</b>	<b>25,306,282.00</b>	<b>328,384,783,688</b>	<b>4,776,734.84</b>	<b>289,065,499,993</b>

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

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, 2015 and 2014 are composed as follows:

Unlisted public securities issued	December 31, 2015		December 31, 2014	
	Amount in Guaranies		Amount in Guaranies	
	Capital Value	Capital plus Interest Value	Capital Value	Capital plus Interest Value
Treasury bonds	53,219,000,000	47,735,276,684	50,880,300,000	44,547,592,230
Instruments of monetary policy (*)	147,080,000,000	141,290,586,680	111,780,000,000	104,965,627,769
<b>Total</b>	<b>200,299,000,000</b>	<b>189,025,863,364</b>	<b>162,660,300,000</b>	<b>149,513,219,999</b>

(\*) 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 123,080,000,000 and 55,558,382,408 as of December 31, 2015 and 2014, respectively.

The schedule for maturity of public securities in the portfolio as of December 31, 2015 and 2014 is as follows:

Period	Capital plus interest value	
	December 31, 2015	
	Capital plus interest value	
2015	0	45,255,252,671
2016	144,787,467,662	73,936,229,665
2017	17,771,147,791	12,982,448,957
2018	11,978,856,430	9,776,550,349
2019	9,591,428,699	7,562,738,357
2020	4,896,962,782	0
<b>Total</b>	<b>189,025,863,364</b>	<b>114,582,964,856</b>

## C.4. Assets and liabilities with adjustment clause

As of December 31, 2015 and 2014, 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

Credit 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 credit policies of the Institution are considered, such as: proven ability to pay and indebtedness of the debtor, credit concentration of economic groups, individual limits to grant credits, evaluation of economic sectors, calculable guarantees and the requirement of a working capital, in accordance with market risks.

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

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

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

c) Accrued interests from current loans classified in the lower-risk categories "1" and "2" have been assigned to revenues in their whole. Non-collected accrued interests as of the date of end of the period from past-due credits and/or current credits 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 credits and/or current credits classified in categories "3", "4", "5" and "6" are kept on hold and are recognized as earning at the moment of collection.

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

f) Generic allowances have been established on the loan portfolio net of specific allowances. As of December 31, 2015 and 2014, the Institution keeps generic allowances on its credit 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, 2015 and 2014 are as follows:

*According to the type of product:*

Accounts	2015
Fixed-term loans	46,680,105,295
Amortizable loans	1,853,317,854
Checks Discounts – Documents	480,996,737
Placements in Financial Institutions	22,490,465,098
<b>Total</b>	<b>71,504,884,984</b>
Accounts	2014
Fixed-term loans	38,927,647,231
Amortizable loans	0
Checks Discounts – Documents	119,642,800
Placements in Financial Institutions	10,930,750,834
<b>Total</b>	<b>49,978,040,865</b>

*According to the risk category:*

**As of December 31, 2015**

Risk Category	Accounting balance before allowances	Guarantees for allowances	Allowances		Accounting balance after allowances
			min. % (b)	Established	
Category 1	71,504,884,984	0	0	0	71,504,884,984
<b>Total</b>	<b>71,504,884,984</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>71,504,884,984</b>

**As of December 31, 2014**

Risk Category	Accounting balance before allowances	Guarantees for allowances	Previsions		Accounting balance after allowances
			min. % (b)	Established	
Categ. 1	49,978,040,865	0	0	0	49,978,040,865
<b>Total</b>	<b>49,978,040,865</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>49,978,040,865</b>

## C.5.2 Current loans to the non-financial sector

Current loans to the non-financial sector as of December 31, 2015 and 2014 are as follows:

*According to the type of product:*

Accounts	Dec. 31, 2015	Dec. 31, 2014
Non-adjustable fixed-term loans	317,492,879,842	263,684,404,543
Non-adjustable amortizable loans	1,579,751,641,913	1,438,908,624,636
Credits used in Checking Account – Overdraft	10,874,186,724	7,644,431,145
Debtors from Credits – Deferred Documents	0	220,065,576
Debtors from use of Credit Cards	121,419,638,161	145,765,541,019
Discounted deferred checks	80,457,749,188	78,707,071,884
Loans with administered resources – AFD	147,782,297,424	57,192,331,105
Discounted documents	24,947,299,693	31,722,986,707
Debtors from accrued financial products	44,906,388,504	40,275,730,591
Income from valuation on hold	(2,934,315)	(5,090,900)
Allowances	(54,938,120,918)	(31,100,949,993)
<b>Total</b>	<b>2,272,691,026,216</b>	<b>2,033,015,146,313</b>

According to risk category:

As of December 31, 2015

Risk category	Accounting balance before allowances (a)	Guarantees for allowances	Allowances		Accounting balance after allowances
			Minimum % (b)	Established	
Category 1	1,927,870,657,144	184,301,776,279	0	0	1,927,870,657,144
Category 1a	283,241,036,524	17,351,629,976	0.5	(985,240,538)	282,255,795,986
Category 1b	96,411,404,989	9,650,675,345	1.5	(1,115,833,824)	95,295,571,165
Category 2	11,695,911,856	0	5	(580,400,389)	11,115,511,467
Category 3	3,950,418,472	0	25	(1,037,953,723)	2,912,464,749
Category 4	3,467,152,239	0	50	(1,706,182,478)	1,760,969,761
Category 5	932,661,288	0	75	(700,316,670)	232,344,618
Category 6	59,904,622	0	100	(59,904,622)	0
Generic allowances (c)	0	0	0	(48,752,288,674)	(48,752,288,674)
<b>Total</b>	<b>2,327,629,147,134</b>	<b>211,304,081,600</b>		<b>(54,938,120,918)</b>	<b>2,272,691,026,216</b>

As of December 31, 2014

Risk category	Accounting balance before allowances (a)	Guarantees for allowances	Provisions		Accounting balance after allowances
			Minimum % (b)	Established	
Category 1	1,754,519,984,985	138,136,627,050	0	0	1,754,519,984,985
Category 1a	228,355,396,858	12,718,228,246	0.5	(805,657,980)	227,549,738,877
Category 1b	62,377,779,677	7,411,046,131	1.5	(803,381,805)	61,574,397,872
Category 2	12,904,670,132	0	5	(377,374,597)	12,527,295,535
Category 3	3,720,711,704	0	25	(967,368,065)	2,753,343,639
Category 4	1,116,652,943	0	50	(562,791,812)	553,861,131
Category 5	1,072,608,557	0	75	(797,268,676)	275,339,881
Category 6	48,291,450	0	100	(48,291,450)	0
Generic allowances (c)	0	0	0	(26,738,815,608)	(26,738,815,608)
<b>Total</b>	<b>2,064,116,096,306</b>	<b>158,265,901,427</b>		<b>(31,100,949,993)</b>	<b>2,033,015,146,313</b>

(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, 2015 and 2014 are as follows:

As of December 31, 2015

Risk Category	Accounting balance before allowances (a)	Guarantees for allowances	Provisions		Accounting balance after allowances
			Minimum % (b)	Established	
Category 1	0	138,136,627,050	0	0	1,754,519,984,985
Category 1a	429,899,171	12,718,228,246	0.5	(805,657,980)	227,549,738,877
Category 1b	4,688,908,937	7,411,046,131	1.5	(803,381,805)	61,574,397,872
Category 2	36,860,772,154	0	5	(377,374,597)	12,527,295,535
Category 3	37,802,820,052	0	25	(967,368,065)	2,753,343,639
Category 4	20,756,640,543	0	50	(562,791,812)	553,861,131
Category 5	39,384,584,929	0	75	(797,268,676)	275,339,881
Category 6	3,178,472,862	0	100	(48,291,450)	0
Generic allowances (c)	0	0	0	(26,738,815,608)	(26,738,815,608)
<b>Total</b>	<b>143,102,098,648</b>	<b>158,265,901,427</b>		<b>(31,100,949,993)</b>	<b>2,033,015,146,313</b>



## As of December 31, 2014

Risk category	Accounting balance before allowances (a)	Guarantees for allowances	Provisions		Accounting balance after allowances
			Minimum % (b)	Established	
Category 1	10,505,238	0	0	0	10,505,238
Category 1a	248,416,441	0	0,5	0	248,416,441
Category 1b	2,151,597,573	0	1,5	(147,938,425)	2,003,659,148
Category 2	27,613,020,544	1,080,375,884	5	(2,746,649,257)	24,866,371,287
Category 3	28,054,126,381	490,803,041	25	(8,018,411,896)	20,035,714,484
Category 4	15,510,333,074	265,256,324	50	(8,163,059,038)	7,347,274,036
Category 5	24,361,060,961	271,487,406	75	(18,532,172,691)	5,828,888,270
Category 6	2,392,666,901	193,200,152	100	(2,296,066,825)	96,600,076
Generic provisions (c)	0	0	-	(56,041,075,495)	(56,041,075,495)
<b>Total</b>	<b>100,341,727,112</b>	<b>2,301,122,807</b>	<b>-</b>	<b>(95,945,373,626)</b>	<b>4,396,353,486</b>

(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. 1/2007 of the Central Bank of Paraguay and additional allowances defined by the Board of the Institution.

## C.6. Allowances for direct and contingent risks

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

Changes in the allowances accounts of the fiscal years that ended on December 31, 2015 and 2014 are as follows:

### As of December 31, 2015

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

### As of December 31, 2014

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	(1,266,712)	(384,000)	9,000	1,266,712	0	(375,000)
Current credits from financial intermediation – Non-financial sector	(12,545,826,071)	(18,902,284,806)	0	343,032,757	4,128,127	(31,100,949,993)
Sundry loans (Note c.15)	(634,211,133)	(2,101,073,687)	118,535,556	41,479,210	(2,230,945)	(2,577,500,999)
Past-due credits from financial intermediation – Financial and non-financial sectors	(69,356,776,119)	(137,044,777,174)	110,325,836,090	167,791,310	(37,447,733)	(95,945,373,626)
Investments	(1,248,438,045)	0	0	4,956,200	0	(1,243,481,845)
Contingencies (*)	(24,946,306)	(34,967,804)	0	0	0	(59,914,110)
<b>Total</b>	<b>(83,811,464,386)</b>	<b>(158,083,487,471)</b>	<b>110,444,380,646</b>	<b>558,526,189</b>	<b>(35,550,551)</b>	<b>(130,927,595,573)</b>

(\*) 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, 2015

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

### As of December 31, 2014

Concept	Accounting balance before allowances	Allowances	Accounting balance after allowances
Received goods in discharge of receivables	1,262,769,829	(967,748,967)	295,020,862
Investments in Bancard S.A. (Note b.4) (*)	5,121,000,000	0	5,121,000,000
Investments in securities issued by the national private sector	250,000,000	(250,000,000)	0
Revenue from securities issued by the private sector	25,732,878	(25,732,878)	0
<b>Total</b>	<b>6,659,502,707</b>	<b>(1,243,481,845)</b>	<b>5,416,020,862</b>

(\*) For its stake in investments in Bancard S.A., the Institution received as of December 31, 2015 and 2014, dividends in cash for PYG 1,920,769,661 and PYG 1,889,963,965, respectively; which are part of the balance of "Extraordinary Income". Additionally, in 2015, the Institution received dividends in shares for PYG 654,000,000, which represent 654 registered and in 2014, it received dividends in shares for PYG 3,198,000,000, which represent 3,198 registered shares.

## C.8. Fixed assets

The original values of fixed assets and their accumulated depreciation are reevaluated according to the variation of the index of Consumer Prices published by the CBP (see note b.2). The net increase of the reevaluation reserve for the fiscal years ending December 31, 2015 and 2014, was Gs.1,188,314,053 and Gs.1,397,421,247 respectfully and is included in the account "Adjustments to Net Worth" of the Statement of Evolution of the Net Worth of the Entity.

The improvements o additions are activated, while expenditures for maintenance and repairs that do not increase the value or the useful life of the goods are charged to the results of the fiscal year in which they take place. Depreciations are calculated from the month following their incorporation to the net worth of the Entity, by means of monthly charges to results on the basis of the lineal method, on the months of their estimated useful life. On December 31, 2015 and 2014, the residual value of the goods, considered together, did not exceed their recoverable value.

The composition and movement of the fixed assets corresponding to the fiscal years ending December 31, 2015 and 2014 was the following:

Accounts	Acquisition value				
	Balance at the start of the year	Bought	Sold and adjustments	Revaluation	Balance at the end of the year
<b>Real Estate – Buildings</b>	<b>4,260,283,881</b>	<b>0</b>	<b>0</b>	<b>132,068,802</b>	<b>4,392,352,683</b>
Real Estate – Land	2,809,516,707	0	0	87,095,016	2,896,611,723
Furniture	15,773,765,543	725,004,029	(44,646,060)	401,267,115	16,855,390,627
Machines and equipment	24,076,087,986	1,613,478,792	(7,698,004)	681,421,848	26,363,290,622
Facilities in owned property	3,190,112,961	3,452,727	(9,829,077)	61,122,884	3,244,859,495
IT equipment	30,342,283,790	5,371,714,549	(450,013,787)	385,644,458	35,649,629,010
Transport	1,429,996,291	0	(592,402,249)	10,614,309	848,208,351
<b>Total as of December 31, 2015</b>	<b>81,882,047,159</b>	<b>7,713,650,097</b>	<b>(1,104,589,177)</b>	<b>1,759,234,432</b>	<b>90,250,342,511</b>
<b>Total as of December 31, 2014</b>	<b>70,499,739,606</b>	<b>9,518,227,877</b>	<b>(227,851,209)</b>	<b>2,091,930,885</b>	<b>81,882,047,159</b>



Accounts	Annual Rate %	Depreciation					Net value at the end of the fiscal year
		Balance at the start of the year	From the fiscal year	Sold / adjustments	Revaluation	Cumulative as of the end of the fiscal year	
Real Estate – Building	2.5	(1,372,561,558)	(109,298,457)	0	(42,549,409)	(1,524,409,424)	2,867,943,259
Real Estate – Land	-	0	0	0	0	0	2,896,611,723
Furniture	10	(7,765,322,148)	(1,348,489,730)	30,183,754	(143,651,264)	(9,227,279,388)	7,628,111,239
Machines and equipment	10	(10,634,619,520)	(2,275,435,144)	4,673,297	(241,856,494)	(13,147,237,861)	13,216,052,761
Facilities in owned property	10	(2,431,856,724)	(193,619,405)	9,829,077	(36,440,079)	(2,652,087,131)	592,772,364
IT equipment	25	(23,439,921,134)	(3,258,144,236)	154,110,001	(96,565,033)	(26,640,520,402)	9,009,108,608
Transport	20	(1,346,002,388)	(64,052,592)	571,434,729	(9,588,100)	(848,208,351)	0
<b>Total as of December 31, 2015</b>		<b>(46,990,283,472)</b>	<b>(7,249,039,564)</b>	<b>770,230,858</b>	<b>(570,650,379)</b>	<b>(54,039,742,557)</b>	<b>36,210,599,954</b>
<b>Total as of December 31, 2014</b>		<b>(40,305,760,885)</b>	<b>(6,169,813,955)</b>	<b>179,801,006</b>	<b>(694,509,638)</b>	<b>(46,990,283,472)</b>	<b>34,891,763,687</b>

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, 2015 and 2014 are as follows:

### As of December 31, 2015

Concept	Net initial balance	Bought / Sold (net)	Amortization in the fiscal year	Net balance as of December 31, 2015
Improvements and installations in real estate	22,241,749,364	5,008,729,331	(8,317,105,831)	18,933,372,864
Intangible	4,624,006,232	1,609,287,206	(1,925,787,150)	4,307,506,288
<b>Sub-total</b>	<b>26,865,755,596</b>	<b>6,618,016,537</b>	<b>(10,242,892,981)</b>	<b>23,240,879,152</b>
Desktop utilities and others	1,111,035,495	3,138,475,053	(2,741,410,964)	1,508,099,584
<b>Sub-total</b>	<b>1,111,035,495</b>	<b>3,138,475,053</b>	<b>(2,741,410,964)</b>	<b>1,508,099,584</b>
<b>Total</b>	<b>27.976.791.091</b>	<b>9.756.491.590</b>	<b>(12.984.303.945)</b>	<b>24.748.978.736</b>

### As of December 31, 2014

Concept	Net initial balance	Bought / Sold (net)	Amortization in the fiscal year	Net balance as of December 31, 2014
Improvements and installations in real estate	21,213,715,478	9,016,221,772	(7,988,187,886)	22,241,749,364
Intangible	3,273,518,746	2,946,017,192	(1,595,529,706)	4,624,006,232
<b>Sub-total</b>	<b>24,487,234,224</b>	<b>11,962,238,964</b>	<b>(9,583,717,592)</b>	<b>26,865,755,596</b>
Desktop utilities and others	968,650,193	1,548,561,799	(1,406,176,497)	1,111,035,495
<b>Sub-total</b>	<b>968,650,193</b>	<b>1,548,561,799</b>	<b>(1,406,176,497)</b>	<b>1,111,035,495</b>
<b>Total</b>	<b>25,455,884,417</b>	<b>13,510,800,763</b>	<b>(10,989,894,089)</b>	<b>27,976,791,091</b>

(\*) 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, 2015 and 2014, 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, 2015 and 2014 includes the sums of PYG 255,646,957,747 and PYG 215,989,841,724, 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, 2015 and 2014, Letters of Monetary Regulation for the value of PYG 123,080,000,000 and PYG 55,558,382,408, 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 861/96, financial institutions must update their capital annually, considering the Consumer Price Index as calculated by the Central Bank of Paraguay. The updated value of the minimum capital for the year of 2015 is PYG 43,296,000,000, according to Circular SB SG No. 00001/2015. The updated value for 2014 was PYG 39,711,000,000, according to Circular SB SG No. 00012/2014.

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

As of December 31, 2015

Concept	Remaining term to maturity					Total
	Up to 30 days	31-180 days	181 days-1 year	More than 1 year to 3 years	More than 3 years	
Current loans from financial intermediation – Financial sector (+)	6,121,294,146	49,443,731,121	15,939,859,717	0	0	71,504,884,984
Current loans from financial intermediation – Non-financial sector (+)	256,176,938,818	943,015,418,744	529,851,044,807	421,572,425,774	122,075,198,072	2,272,691,026,216
<b>Total Current Credits</b>	<b>262,298,232,965</b>	<b>992,459,149,865</b>	<b>545,790,904,524</b>	<b>421,572,425,774</b>	<b>122,075,198,072</b>	<b>2,344,195,911,200</b>
Obligations from financial intermediation – Financial sector	99,631,500,802	137,593,673,035	116,537,394,812	152,514,269,102	72,570,595,322	578,847,433,073
Obligations from financial intermediation – Non-financial sector	1,190,680,877,063	351,145,690,732	279,074,639,715	290,496,260,240	87,282,926,687	2,198,680,394,436
<b>Total Obligations</b>	<b>1,290,312,377,865</b>	<b>488,739,363,766</b>	<b>395,612,034,527</b>	<b>443,010,529,342</b>	<b>159,853,522,008</b>	<b>2,777,527,827,509</b>

The capital held of the Institution as of December 31, 2015 and 2014 (see Note b.5) is above the legal minimum required as of said dates.

### e) Distribution of dividends:

According to provisions of Law 861/96 "General of Banks, Financial Institutions and other Credit Institutions", financial institutions can distribute their dividends 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, the dividends 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, 2015 and are deducted from

## 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, 2015 and 2014.

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, in 2015, 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.



As of December 31, 2014

Concept	Remaining term to maturity					Total
	Up to 30 days	31-180 days	181 days-1 year	More than 1 year to 3 years	More than 3 years	
Current loans from financial intermediation – Financial sector (*)	337,700,884	46,421,751,020	2,768,588,961	450,000,000	0	49,978,040,865
Current loans from financial intermediation – Non-financial sector (*)	268,401,397,794	823,618,261,471	517,472,915,626	337,996,096,980	85,526,474,441	2,033,015,146,313
<b>Total Current Credits</b>	<b>268,739,098,678</b>	<b>870,040,012,491</b>	<b>520,241,504,587</b>	<b>338,446,096,980</b>	<b>85,526,474,441</b>	<b>2,082,993,187,178</b>
Obligations from financial intermediation – Financial sector	82,551,053,471	68,481,367,924	154,261,676,120	93,993,960,079	45,276,123,121	444,564,180,715
Obligations from financial intermediation – Non-financial sector	1,049,265,947,935	345,118,252,737	336,108,626,317	237,561,037,602	46,904,467,405	2,014,958,331,996
<b>Total Obligations</b>	<b>1,131,817,001,406</b>	<b>413,599,620,661</b>	<b>490,370,302,437</b>	<b>331,554,997,681</b>	<b>92,180,590,526</b>	<b>2,459,522,512,711</b>

(\*) 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, 2015			
	Current (*)	%	Past-due (*)	%
10 Biggest Debtors	70,895,134,112	99%	13,874,613	100%
Other Debtors	609,750,872	1%	0	-
<b>Total</b>	<b>71,504,884,984</b>	<b>100%</b>	<b>13,874,613</b>	<b>100%</b>

Number of clients	Amount and percentage of the portfolio as of December 31, 2014			
	Current (*)	%	Past-due (*)	%
10 Biggest Debtors	49,978,040,865	100%	-	0%
Other Debtors	-	0	-	0
<b>Total</b>	<b>49,978,040,865</b>	<b>100%</b>	<b>-</b>	<b>0%</b>

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

Number of clients	Amount and percentage of the portfolio on December 31, 2015			
	Current (*)	%	Overdue (*)	%
10 Biggest Debtors	103,164,457,804	5%	2,496,341,263	2%
Next 50 Biggest Debtors	191,016,586,408	9%	5,864,652,154	6%
Next 100 Biggest Debtors	98,507,398,551	5%	6,106,711,968	6%
Others	1,671,427,653,543	81%	85,874,021,727	86%
<b>Total</b>	<b>2,064,116,096,306</b>	<b>100%</b>	<b>100,341,727,112</b>	<b>100%</b>

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



### c) Concentration of obligations by financial intermediation

The balance is composed as follows:

Financial Sector	As of December 31	
	2015	2014
Central Bank of Paraguay	2,944,530,967	2,621,527,336
Demand deposits	31,021,719,005	28,292,664,018
Correspondents accepting documentary credits	0	220,065,576
Checking accounts	21,116,622,930	20,521,110,033
Savings deposit certificates	239,242,034,615	211,842,116,504
Operations pending compensation	603,213,835	522,434,013
Loans from local financial institutions	0	28,316,640,000
Loans from foreign financial institutions	102,358,222,033	68,844,917,345
Loans from financial institutions – AFD	167,357,680,514	70,050,355,625
Creditors for accrued financial charges	14,203,409,174	13,332,350,265
<b>Total Financial Sector</b>	<b>578,847,433,073</b>	<b>444,564,180,715</b>

Non-Financial Sector	As of December 31	
	2015	2014
<b>Deposits – Private Sector</b>		
Checking accounts	569,672,526,448	481,528,443,189
Demand deposits	475,276,919,022	467,131,308,594
Credits for documents to compensate	13,075,756,662	14,737,196,271
Drafts and transfers to be paid	1,495,446,542	981,861,381
Obligations with participating establishments in the credit card system	2,249,634,279	3,762,020,231
Savings deposit certificates	797,510,512,221	795,995,639,386
<b>Total Deposits – Private Sector</b>	<b>1,859,280,795,174</b>	<b>1,764,136,469,052</b>
<b>Deposits – Public Sector</b>		
Checking accounts	8,755,282,243	6,724,453,034
Demand deposits	84,433,714,928	23,379,667,297
Savings deposit certificates	222,113,820,000	194,358,750,000
<b>Total Deposits – Public Sector</b>	<b>315,302,817,171</b>	<b>224,462,870,331</b>
<b>Creditors for accrued financial charges</b>	<b>24,096,782,091</b>	<b>26,358,992,613</b>
<b>Total non-financial sector</b>	<b>2,198,680,394,436</b>	<b>2,014,958,331,996</b>

### d) Concentration of deposits by number of clients

Balance as of December 31, 2015

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

Balance as of December 31, 2014

Number of Depositors	Financial Sector	%	Non-financial Sector	%
10 Biggest Depositors	153,822,712,588	59%	390,403,391,870	20%
Next 50 Biggest Depositors	102,737,998,013	39%	287,492,157,232	14%
Next 100 Biggest Depositors	4,095,179,944	2%	214,119,218,570	11%
Others	0	0%	1,092,822,551,480	55%
<b>Total</b>	<b>260,655,890,545</b>	<b>100%</b>	<b>1,984,837,319,152</b>	<b>100%</b>



## C.15. Sundry loans

The composition of sundry loans as of December 31, 2015 and 2014 is as follows:

Concept	December 31, 2015 PYG.	December 31, 2014 PYG.
Accounts receivable	6,276,064,840	4,045,205,292
Accounts receivable – Bancard	83,510,000	194,067,000
Prepaid expenses	7,086,392,213	4,977,752,597
Prepayment for the purchase of assets and services	1,022,782,369	4,238,435,987
Other national taxes	46,932,603	269,307,859
Recoverable expenses	8,710,365,000	6,479,600
Compensation claimed for accidents	0	884,865,577
Prepayments to staff	1,771,080	101,342,291
Sundry – Remittances receivable	1,441,963,936	950,245,146
Sundry – Accounts receivable from related parties (Note J)	2,878,131,436	2,058,103,077
Sundry – Rental collateral	708,112,966	536,140,305
Sundry - Others	552,917,642	1,289,768,000
Allowances (*)	(3,152,947,767)	(2,577,500,999)
<b>Total</b>	<b>25,655,996,318</b>	<b>16,974,211,732</b>

(\*) 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, 2015	December 31, 2014
Management checks payable	5,194,471,906	6,047,089,523
Insurance payable	4,929,445,651	3,035,659,373
Suppliers	2,738,090,288	2,413,969,928
Remittances payable	2,667,808,805	3,578,490,527
Seizures payable	1,803,180,779	1,516,990,672
Accounts payable - Familiar establishments	7,600,000	3,490,000
Sundry	14,640,772,509	5,182,755,747
<b>Total</b>	<b>31,981,369,938</b>	<b>21,778,445,770</b>

## 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, 2015 and 2014 was approximately PYG 449,261 million and 345,791 million, respectively.

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

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

As of December 31, 2015 and 2014, 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, 2015	December 31, 2014
Receivables from granted guarantees	9,811,608,400	8,478,832,060
Balance of lines of credit to be used in credit cards	111,456,510,835	102,669,821,871
Balance of lines of credit for current accounts prepayments	30,542,151,949	27,250,842,739
Balance of lines of credit of letters of import-export	418,097,520	31,130,025
<b>Total</b>	<b>152,228,368,704</b>	<b>138,430,626,695</b>

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, 2015	December 31, 2014
Trust funds (*)	266,570,889,720	631,697,505,018
Collaterals, mortgages, pledges and others	268,722,069,298	187,193,940,449
Insurance policies taken	19,343,921,140	17,985,166,000
Bad loans	15,396,346,653	13,657,913,087
Exchange position	9,917,393,610	12,150,874,340
Businesses abroad and Collections	771,600,657	1,639,157,229
Other off-balance accounts – Sundry	201,862,601,869	170,307,630,527
Other securities in custody	8,272,847,865	27,478,886,155
Other guarantees abroad	1,161,382,000	925,800,000
Sale of portfolio (**)	276,177,501,371	119,350,800,126
<b>Total</b>	<b>1,068,196,554,183</b>	<b>1,182,387,672,931</b>

(\*) As of December 31, 2015 and 2014, the following trust funds were in force:

Type of trust fund	Total of Autonomous Estate as of	
	December 31, 2015 PYG.	December 31, 2014 PYG.
Guarantee and flow management trust fund	88,414,486,400	76,525,671,569
Management trust fund	51,723,137,983	57,185,739,334
Guarantee trust fund	24,952,867,173	26,219,543,826
Bonds issue guarantee trust fund	18,406,255,304	18,656,794,115
Real estate project development trust fund	83,074,142,860	137,337,378,762
Guarantee and bonds issue flow management trust fund	0	95,287,826,181
Management and guarantee trust fund	0	220,484,551,231
<b>Total</b>	<b>266,570,889,720</b>	<b>631,697,505,018</b>

(\*\*) The balance reflects the amounts of capital and interests of past-due credits 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 credits.
- 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 2015	December 31 2014
Earnings from financial assets and liabilities valuation in foreign currency	495,908,662,918	326,862,154,875
Losses from financial assets and liabilities valuation in foreign currency	(493,158,527,179)	(326,763,397,388)
Earnings from the exchange difference on financial assets and liabilities in foreign currency	2,750,135,739	98,757,487
Earnings from other assets and liabilities valuation in foreign currency	3,347,934,795	2,775,004,098
Losses from other assets and liabilities valuation in foreign currency	(4,029,405,723)	(2,978,968,795)
<b>Losses from the exchange difference on the total of other assets and liabilities in foreign currency</b>	<b>(681,470,928)</b>	<b>(203,964,697)</b>
<b>(Losses) – Income resulting from the exchange difference on the total assets and liabilities in foreign currency</b>	<b>2,068,664,811</b>	<b>(105,207,210)</b>

## G. General Expenses

The composition as of December 31, 2015 and 2014 is as follows:

Description	As of December 31, 2015 PYG.	As of December 31, 2014 PYG.
Provision of services of call center, telemarketing and collection (*)	14,687,982,877	22.229.175.555
Leases and expenses	14,434,261,475	12.136.882.484
Publicity, marketing and events	12,396,483,887	13.075.024.709
Contributions to Deposit Guarantee Fund (see Note f.3)	11,217,961,870	10.185.978.582
Commissions paid to non-banking correspondents and managers of payment networks	9,212,239,107	4.942.824.444
Paid insurance	7,201,301,317	6.458.733.246
Security and vigilance	7,028,938,830	6.702.589.113
IT services	6,752,916,333	5.013.872.927
Card processing expenses	6,178,285,128	5.000.615.574
Armored transport	5,629,791,820	4.520.202.632
Repairs and maintenance of property	4,394,479,460	3.801.293.532
Cleaning service	4,115,850,102	3.815.574.863
Information expenses	3,877,667,450	3.547.058.877
Papers and prints	3,085,346,437	3.261.535.442
Provision of services expenses	2,587,035,403	2.860.057.164
Electricity	2,512,024,977	2.392.365.563
Transport expenses	2,372,913,049	4.030.331.202
Shipping charges (courier)	2,341,744,175	2.456.789.892
Phone and communications	2,148,743,321	1.975.801.801
Counsel, audit and other fees	1,844,278,600	1.477.929.316
Travel and representation expenses	1,441,095,550	1.610.323.366
Severance and notice to staff	1,045,121,783	948.103.902
Other expenses	7,064,949,217	6.412.346.685
<b>Total</b>	<b>133,571,412,168</b>	<b>128.855.410.871</b>

(\*) On December 31, 2015 and 2014 this included collection expenditures.

## 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 amount contributed by the Institution for the fiscal year that ended on December 31, 2015 and 2014 is PYG 11,217,961,870 and PYG 10,185,978,582, 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, 2015 and 2014.

## 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, 2015 and 2014 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.

## 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 505,000 clients.

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

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

### b) Financial risk

#### b.1) Market risk

Represented by the possibility of financial loss due to the fluctuation of prices and/or interest rates of the assets of the Bank, in the manner in which their active and passive 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, 2015 and 2014, 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, 2015 and 2014, the levels of basic liquidity are above the recommended minimum for the policy, both in guaranies and dollars. As for extended liquidity, which considers in addition to net availabilities, discountable assets by the Central Bank of Paraguay (Letters of Monetary Regulation and Sovereign Bonds) through its liquidity window, the indexes are also in levels above the minimum limits recommended by the policy.

### c) Operational risk

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, 2015**

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

**As of December 31, 2014**

Entity	Demand deposits	Certificate of savings account	Credits	Sundry loans	Accounts Payable	Contingencies	Intereses		Other income and outlays
							Earned	Paid	
Directors	5,832,560,443	50,043,150,078	79,764,595	0	0	633,305,405	2,551,760	3,156,576,553	0
Fundadores S.A. (c)	744,356,876	236,646,235	0	0	0	0	0	28,087,532	(96,000,000)
Nexo S.A.E.C.A. (a)	3,653,280,787	1,500,000,000	0	2,058,103,077	0	0	0	51,420,894	19,731,488,287
Ventas y Cobranzas S.A. (VEYCO) (b)	3,531,744,508	0	0	0	121,207,513	0	0	13,622,751	(22,229,175,555)
<b>Total</b>	<b>13,761,942,614</b>	<b>51,779,796,313</b>	<b>79,764,595</b>	<b>2,058,103,077</b>	<b>121,207,513</b>	<b>633,305,405</b>	<b>2,551,760</b>	<b>3,249,707,730</b>	<b>(2,593,687,268)</b>

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

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

c) Fundadores S.A. leases a customer service office.

## 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, 2015.



# Annexes





# Our Branches

## ASUNCION AND GREATER ASUNCION

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Casa Matriz  
Líder IV  
Palma  
Centro  
España  
Villa Morra  
San Martín  
Salemma Carmelitas  
Pettirossi  
Pinozá  
Artigas  
Terminal  
Lambaré  
Mariano Roque Alonso

## GREATER ASUNCION

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Salemma Multiplaza  
Shopping Multiplaza  
Fdo. De la Mora  
Salemma Super Center  
Acceso sur  
Ñemby  
San Lorenzo 1  
San Lorenzo 2  
San Lorenzo 3  
Ingavi  
Capiatá  
Itauguá  
Limpio  
Luque 1  
Luque 2

## INTERIOR - CENTRAL

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

## INTERIOR – EAST

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

## INTERIOR – NORTH

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

## INTERIOR – SOUTH

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

# : Syndic's Report



TRUSTEE'S REPORT CORRESPONDING TO THE FISCAL YEAR THAT  
ENDED ON DECEMBER 31, 2015 OF BANCO FAMILIAR S.A.E.C.A.

TO THE SHAREHOLDERS OF BANCO FAMILIAR S.A.E.C.A., GATHERED IN  
REGULAR MEETING OF SHAREHOLDERS ON APRIL 12, 2016.

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 2015.


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 12, 2016, 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, 2015, and the results of its operations from the year that ended on said date, in accordance with regulations of the Central Bank of Paraguay.

In my opinion:

- 1) **THE REPORT OF THE BOARD** is a reasonable representation of the relevant facts of the company during the year 2015;
- 2) **THE EXTERNAL AUDIT** has been performed in accordance with generally accepted standards in the area;
- 3) **THE FINANCIAL STATEMENTS** presented by the Board and verified by external auditors are a reasonable representation of the economic and financial position of the company.

Sincerely,



Dr. Juan Fiorio  
Regular Trustee

