BANCO Hipotecario

Financial Statements as of December 31, 2022

Together with independent auditors' review reports and Supervisory Committee's reports on the Financial Statements

BANCO Hipotecario

CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2022

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BANCO HIPOTECARIO S.A.

Registered office:	Reconquista 151 – City of Buenos Aires – Argentine Republic
Main activity:	Banking
Taxpayer's Identification Number (CUIT):	30-50001107– 2
By-laws' date of registration with the Public Registry of Commerce:	September 28, 1997
Date of registration of the latest amendment to the by-laws:	January 23, 2019 (No. 1643 of Stock Corporations Book 93)
Expiration date of the by-laws:	99 years from the date of incorporation (September 28, 1997)

Capital structure as of 12/31/2022					
Shares					
Number	Type	Nominal value	No. of votes per share	Class	Subscribed and paid-in (In thousands of ARS)
664,376,845	Common registered shares	1	1	A	664,377
57,009,279		1	1	B	57,009
75,000,000		1	1	C	75,000
703,613,876		1	3	D	703,614
1,500,000,000					**1,500,000**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As of 12/31/2022 and 12/31/2021

In thousands of Argentine Pesos and constant currency

ITEM	NOTES	12/31/2022	12/31/2021
ASSETS			
Cash and bank deposits (Schedule P)	5	**27,696,959**	**35,279,713**
Cash		5,996,312	9,653,853
Financial institutions and correspondents		21,700,647	25,625,860
- Argentine Central Bank (B.C.R.A.)		20,852,195	24,772,124
- Other domestic and foreign institutions		848,452	853,736
Debt securities at fair value through profit or loss (Schedule P)		**128,184,619**	**53,696,659**
Derivative instruments (Schedule P)	8	**72,467**	**565,305**
Repo transactions (Schedule P)		**98,182,666**	**376,359,756**
Other financial assets (Schedule P)	9	**10,490,592**	**8,996,428**
Loans and other financing arrangements (Schedules B, C, P)	7	**76,021,888**	**102,093,289**
Non-financial public sector		-	8
Other financial institutions		243,861	937,992
Non-financial private sector and foreign residents		75,778,027	101,155,289
Other debt securities (Schedules B, C, P)		**31,304,551**	**56,400,675**
Financial assets pledged as collateral (Schedule P)	28.2	**4,241,184**	**9,252,514**
Current income tax assets	12	**470,046**	**1,870,482**
Investments in equity instruments (Schedule P)		**1,231,445**	**967,715**
Property and equipment (Schedule F)	11.1	**12,793,487**	**13,979,056**
Intangible assets (Schedule G)	11.2	**628,026**	**747,562**
Deferred income tax assets	12	**275,128**	**3,862,167**
Other non-financial assets	11.3	**3,151,672**	**3,013,184**
Non-current assets held for sale	11.4	**8,209,405**	**15,991,361**
TOTAL ASSETS		**402,954,135**	**683,075,866**

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General Accounting Manager

Manuel J.L. Herrera Grazioli
General Manager

Eduardo S. Elsztain
Chairman

Andrea Pastrana
Partner
Public Accountant (UCA)
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Marcelo Fuxman
For the Supervisory Committee

BANCO Hipotecario

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As of 12/31/2022 and 12/31/2021
In thousands of Argentine Pesos and constant currency

ITEM	NOTES	12/31/2022	12/31/2021
LIABILITIES			
Deposits (Schedules H, P)		**295,761,911**	**563,520,404**
Non-financial public sector		10,601,240	140,755,672
Financial sector		440	1,194
Non-financial private sector and foreign residents		285,160,231	422,763,538
Liabilities at fair value through profit or loss		**-**	**1,163,061**
Derivative instruments	8	**156**	**33,758**
Repo transactions		**-**	**55,460**
Other financial liabilities (Schedule P)	9	**24,470,710**	**19,477,317**
Loans from the B.C.R.A. and other financial institutions (Schedule P)	5	**295,119**	**558,893**
Negotiable obligations issued (Schedule P)	5 y 13	**14,401,224**	**39,607,220**
Current income tax liabilities		**805,762**	**827,698**
Provisions	14	**1,104,292**	**747,408**
Deferred income tax liabilities	12	**2,797,081**	**-**
Other non-financial liabilities	11.5	**12,590,886**	**12,631,895**
TOTAL LIABILITIES		**352,227,141**	**638,623,114**
SHAREHOLDERS' EQUITY			
Capital stock	15	1,500,000	1,500,000
Capital adjustments		41,778,336	49,962,063
(Loss) / Income for the year		6,054,793	(8,183,727)
Shareholders' equity attributable to parent's shareholders		**49,333,129**	**43,278,336**
Shareholders' equity attributable to non-controlling interests		**1,393,865**	**1,174,416**
TOTAL SHAREHOLDERS' EQUITY		**50,726,994**	**44,452,752**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**402,954,135**	**683,075,866**

Notes and schedules are an integral part of these consolidated financial statements.

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For the Supervisory Committee

CONSOLIDATED STATEMENT OF INCOME

For the fiscal year ended 12/31/2022 and 12/31/2021

In thousands of Argentine Pesos and constant currency

Item	Note	12/31/2022	12/31/2021
Interest income and adjustments (Schedule Q)	16	92,215,957	90,408,822
Interest expense and adjustments (Schedule Q)	17	(106,043,033)	(90,138,108)
Net interest income (expense)		**(13,827,076)**	**270,714**
Fee and commission income (Schedule Q)	16	10,767,948	12,809,471
Fee and commission expense (Schedule Q)		(740,187)	(751,481)
Net fee and commission income		**10,027,761**	**12,057,990**
Net income from measurement of financial instruments at fair value through profit or loss (Schedule Q)	18	75,538,974	29,341,812
Income (loss) from assets written-off at amortized cost		8,927	3,458
Foreign currency exchange differences	19	197,008	(1,433,705)
Other operating income	20	16,376,599	17,986,474
Loan loss		(1,807,851)	(5,197,489)
Net operating income		**86,514,342**	**53,029,254**
Employee benefits	22	(22,292,410)	(20,910,380)
Administrative expenses	21	(10,281,683)	(10,679,826)
Depreciation and impairment of assets		(1,769,288)	(2,105,535)
Other operating expenses	20	(28,038,563)	(23,320,608)
Operating income (loss)		**24,132,398**	**(3,987,095)**
Gain (loss) on net monetary position		(10,691,990)	(4,492,557)
Income (loss) before tax		**13,440,408**	**(8,479,652)**
Income tax	12	(7,521,766)	186,076
INCOME (LOSS) FOR THE YEAR		**5,918,642**	**(8,293,576)**
Income (loss) for the year attributable to parent's shareholders		6,054,793	(8,183,727)
Loss for the year attributable to non-controlling interests		(136,151)	(109,849)

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For the Supervisory Committee

BANCO Hipotecario

CONSOLIDATED STATEMENT OF INCOME

For the fiscal year ended 12/31/2022 and 12/31/2021
In thousands of Argentine Pesos and constant currency

Earnings per Share	12/31/2022	12/31/2021
NUMERATOR		
Income (loss) attributable to parent's shareholders	6,054,793	(8,183,727)
Income (loss) attributable to parent's shareholders adjusted to reflect the effect of dilution	6,054,793	(8,183,727)
DENOMINATOR		
Weighted average of outstanding common shares for the fiscal year	1,473,240	1,471,352
Weighted average of outstanding common shares for the fiscal year adjusted to reflect the effects of dilution	1,473,240	1,471,352
EARNINGS (LOSS) PER BASIC SHARE	**4.110**	**(5.562)**
EARNINGS (LOSS) PER DILUTED SHARE	**4.110**	**(5.562)**

Notes and schedules are an integral part of these consolidated financial statements.

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For the Supervisory Committee

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the fiscal year ended 12/31/2022

In thousands of Argentine Pesos and constant currency

Changes	Capital Stock		Capital adjustments	Unappropriated retained earnings/ (deficit)	Total Shareholders' equity controlling interests 12/31/2022	Total Shareholders' equity non-controlling interests 12/31/2022	Total as of 12/31/2022
	Outstanding	Deliverable					
Balances at beginning of year	**1,472,210**	**27,790**	**49,962,063**	**(8,183,727)**	**43,278,336**	**1,174,416**	**44,452,752**
Absorption of unappropriated retained earnings / (deficit) – Approved by the Shareholders' Meeting held on 03/30/2022 (**)	-	-	(8,183,727)	8,183,727	-	-	-
Share-based payments under compensation plan	1,622	(1,622)	-	-	-	-	-
Distribution of subsidiary dividends	-	-	-	-	-	-	-
Other changes (**)	-	-	-	-	-	355,600	355,600
Net income (loss) for the year	-	-	-	6,054,793	6,054,793	(136,151)	5,918,642
Balances at year-end	**1,473,832**	**26,168**	**41,778,336**	**6,054,793**	**49,333,129**	**1,393,865**	**50,726,994**

Notes and schedules are an integral part of these consolidated financial statements.

(*) See Note 3.4.

(**) See Note 3.7.

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BANCO Hipotecario

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the fiscal year ended 12/31/2021

In thousands of Argentine Pesos and constant currency

Changes	Capital Stock		Non-capitalized contributions			Retained earnings						
	Outstanding	Deliverable	Share premium	Share-based payments	Capital adjustments	Legal reserve	Share-based payments	Other (*)	Unappropriated retained earnings / (losses)	Total Shareholders' equity controlling interests 12/31/2021	Total Shareholders' equity non-controlling interests 12/31/2021	Total as of 12/31/2021
Balances at beginning of year	**1,470,685**	**29,315**	**834**	**87,842**	**150,588,214**	**12,436,387**	**2,239,931**	**37,091,295**	**(152,482,440)**	**51,462,063**	**1,308,081**	**52,770,144**
Absorption of unappropriated retained earnings / (losses) – Approved by the Shareholders' Meeting held on 03/30/2021			(834)	(87,842)	(100,626,151)	(12,436,387)	(2,239,931)	(37,091,295)	152,482,440	-	-	-
Share-based payments under compensation plan	1,525	(1,525)	-	-	-	-	-	-	-	-	-	-
Distribution of subsidiary dividends	-	-	-	-	-	-	-	-	-	-	(23,816)	(23,816)
Net income (loss) for the year	-	-	-	-	-	-	-	-	(8,183,727)	(8,183,727)	(109,849)	(8,293,576)
Balances at year-end	**1,472,210**	**27,790**	**-**	**-**	**49,962,063**	**-**	**-**	**-**	**(8,183,727)**	**43,278,336**	**1,174,416**	**44,452,752**

Notes and schedules are an integral part of these consolidated financial statements.

(*) Optional reserve for future dividend distributions.

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For the Supervisory Committee

CONSOLIDATED STATEMENT OF CASH FLOWS

For the fiscal years ended 12/31/2022 and 12/31/2021

In thousands of Argentine Pesos and constant currency

ITEM	12/31/2022	12/31/2021
Income (loss) for the year before income tax	**13,440,408**	**(8,479,652)**
Gain on net monetary position	10,691,990	4,492,557
Adjustments to obtain cash flows from operating activities		
Depreciation and impairment of assets	1,769,288	2,105,535
Loan loss, net of reversed allowances	1,029,112	3,797,951
Provisions, net of reversed provisions	2,009,676	645,734
Net interest income (expense)	13,827,076	(270,714)
Net income (loss) from financial instruments measured at fair value through profit or loss	(75,451,911)	(29,215,313)
Income (loss) from valuation of non-current assets held for sale, investment property and sale of property and equipment	10,345,624	4,106,831
Net increase /(net decrease) from operating assets		
Debt securities at fair value through profit or loss	(24,999,874)	47,625,692
Derivative instruments	217,741	(546,878)
Repo transactions	130,758,570	(268,759,518)
Loans and other financing arrangements		
Non-financial public sector	4	66
Financial sector	1,555,532	564,086
Non-financial private sector and foreign residents	8,982,992	25,708,853
Other debt securities	17,793,765	(34,718,854)
Financial assets pledged as collateral	508,733	(5,483,311)
Investments in equity instruments	(734,654)	(351,619)
Other assets	(24,292,826)	(3,061,284)
Net increase / (net decrease) from operating liabilities		
Deposits		
Non-financial public sector	(61,657,794)	118,804,426
Financial sector	(173)	(847)
Non-financial private sector and foreign residents	(33,141,868)	160,103,758
Liabilities at fair value through profit or loss	(597,075)	1,038,248
Derivative instruments	(184,023)	(50,662)
Repo transactions	(74,301)	43,764
Other liabilities	38,125,851	(1,328,914)
Income tax paid	(45,466)	(222,849)
Total cash flows from operating activities	**29,876,397**	**16,547,086**

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BANCO Hipotecario

CONSOLIDATED STATEMENT OF CASH FLOWS
For the fiscal years ended 12/31/2022 and 12/31/2021
In thousands of Argentine Pesos and constant currency

ITEM	12/31/2022	12/31/2021
Cash flows from investing activities		
Payments		
Purchase of property and equipment, intangible assets and other assets	(592,396)	(582,613)
Collections		
Sale of property and equipment and other assets	60,779	53,672
Total cash flows used in investing activities	**(531,617)**	**(528,941)**
Cash flows from financing activities		
Payments		
Dividends	-	(23,816)
Unsubordinated negotiable obligations (Note 5)	(25,325,177)	(14,625,807)
Loans from domestic financial institutions (Note 5)	(60,902,319)	(10,713,442)
Other payments related to financing activities	(1,523,565)	(1,267,523)
Collections		
Unsubordinated negotiable obligations (Note 5)	4,181,171	2,356,998
Loans to domestic financial institutions (Note 5)	60,645,372	9,532,010
Total cash flows used in financing activities	**(22,924,518)**	**(14,741,580)**
Effect of exchange rate variations	**3,165,328**	**2,511,887**
Effect of gain (loss) on net monetary position of cash	**(17,168,344)**	**(7,974,961)**
TOTAL VARIATION IN CASH FLOWS		
Net decrease for the year	(7,582,754)	(4,186,514)
Cash at beginning of year	35,279,713	39,466,227
Cash at year end	27,696,959	35,279,713

Notes and schedules are an integral part of these consolidated financial statements.

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For the Supervisory Committee

1. GENERAL INFORMATION

Banco Hipotecario S.A. (hereinafter, the “Bank” or “the Entity”) is a financial institution subject to the Financial Institutions Law No. 21526.

The Bank is the result of the privatization of the then Banco Hipotecario Nacional (an institution established in 1886), pursuant to Law No. 24855 passed on July 2, 1997 and enacted by the National Executive Branch (PEN) through Decree No. 677 dated July 22, 1997, and regulatory Decree No. 924/97, whereby Banco Hipotecario Nacional was declared "subject to privatization" under the terms of Law No. 23696 and transformed into a corporation ("*sociedad anónima*"). The new entity arising from this transformation does business under the name of "Banco Hipotecario Sociedad Anónima", and as a commercial bank in accordance with Law No. 21526. The Bank provides retail and corporate banking services. In addition, through its subsidiaries, it provides life and personal accident insurance.

These consolidated financial statements as of and for the twelve-month fiscal year ended December 31, 2022 include the Bank and its subsidiaries, that is, companies and structured entities controlled by the Bank (collectively, the “Group”).

The companies controlled by the Bank include:

- BACS Banco de Crédito y Securitización S.A. (BACS): An investment bank engaged in designing financial solutions for businesses, including securitizations and credit portfolio management. The Bank owns a 62.28% stake in BACS' capital stock and votes.
- BHN Sociedad de Inversión S.A.: The holding entity of BHN Vida S.A. and BHN Seguros Generales S.A. The Bank directly and indirectly owns a 100% stake in BHN Sociedad de Inversión S.A.’s capital stock and votes.

The structured entities controlled by the Bank include:

- CHA Financial Trusts Series IX to XIV
- Toronto Trust Argentina 2021 Mutual Fund: The fund started operations on March 2, 2022 and invests in Argentine assets, both fixed income and equities. The incorporation of this mutual fund as a structured entity as of December 31, 2022 is presented in "Other changes" in the Statement of Changes in Shareholders' Equity as of that date.

In the case of mutual funds, the Bank analyzes at each closing date the holding of registered shares in order to conclude on the existence of control at each date. This analysis considers not only the direct and indirect holdings held by the Group but also the composition of the rest of the investor structure in order to conclude on the need for consolidation under IFRS 10.

2. CHANGES IN THE MACROECONOMIC CONTEXT AND FINANCIAL AND CAPITAL SYSTEMS

The Group operates amidst an economic environment whose main variables have shown substantial volatility, such as the continuity of the inflation rate level and the decline in economic activity that began in previous years and deepened during the Coronavirus (COVID-19) pandemic declared by the World Health Organization on March 11, 2020, which, as of the date of these financial statements, maintains certain regulations affecting those activities with high epidemiologic and health risk until December 31, 2023.

Against this backdrop, on December 21, 2019, the "Social Solidarity and Production Reactivation Law within the framework of the Public Emergency" (the "Economic Emergency Law") was passed into law by the Argentine Congress, declaring Argentina in economic, financial, administrative, social security, energy, public health and social emergency until December 31, 2020. On December 27, 2020, the Argentine Executive Branch published Decree No. 1042/2020, extending the maturity until December 31, 2021 and subsequently until December 31, 2022 under Decree No. 12/2022 dated January 11, 2022. Finally, Decree No. 69/2023 published on February 10, 2023 extended again the maturity until December 31, 2023.

The Economic Emergency Law also suspended until December 31, 2021 the reduction in the income tax rate (Note 12) and the 2017 Fiscal Covenant, which established a gradual decrease in turnover tax until December 31, 2020. As stated in Note 12, Law No. 27630 published on June 16, 2021, rendered the reduction in the income tax rate ineffective, and established a bracket rate scheme, aplicable for fiscal years beginning on January 1, 2021.

In particular, and concerning financial assets, measures were taken as regards the extension of maturities and/or restructuring of government securities.

As of the date of these financial statements, the Group has adhered to the exchange of its portfolio instruments subject to restructuring in the amount of ARS 16,534,231.

In terms of exchange aspects, on September 1, 2019, the Argentine Government published Executive Decree No. 609/2019 setting forth extraordinary and interim exchange guidelines. Additionally, the BCRA issued Communication "A" 6770, as amended, whereby, among other measures, it provided that up to and including December 31, 2019, the BCRA's previous consent was required to access the foreign exchange market for the remittance of profits and dividends, payment of services to foreign affiliates, and early payment of financial debts (principal and interest) more than three business days before maturity. Then, on December 30, 2019, the BCRA issued Communication "A" 6856, establishing that the preceding provisions would remain in force on and after December 31, 2019. As of the date of these financial statements, the BCRA imposed further restrictions to access the exchange market. In this respect, Communication "A" 7405 dated November 25, 2021 provided that, effective December 1, 2021, the cash position established under the rules on "Total net position in foreign currency" may not exceed an amount equal to 0% of the Regulatory Capital (*Responsabilidad Patrimonial Computable*) for the respective preceding month. Based on the application of these rules, the Entity sold foreign currency in the *Mercado Único de Cambios* and negotiable securities denominated and payable in dollars.

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Besides, in an effort to address the challenges brought about by the pandemic, the BCRA took several measures primarily aimed at facilitating credit access by economic players, including, without limitation:

a) Restrictions on positions held by entities in Bills issued by the BCRA (LELIQ);
b) Credit facilities to micro, small and medium-sized enterprises (MSMEs) at an annual nominal interest rate of 24% to cover working capital requirements or to pay for wages;
c) Freezing and convergence plan of mortgage and pledge loans installments adjustable by UVA subject to Decrees Nos. 319/2020 and 767/2020. In addition, the Argentine Government established an 18-month convergence period commencing in February 2021 until the amount of contractually agreed-upon installments is reached. The difference between the amount of such contractually agreed-upon installments and the amount resulting from the aforementioned suspension will be payable in installments at the end of the contract;
d) Ceiling rates on credit card financing arrangements and floor rates on time deposits;
e) New credit facilities at a subsidized interest rate of 24%, including a special tranche for Argentine-source capital goods, subject to minimum requirements for companies which had no access to bank loans;
f) Implementation of corporate loans at regulated interest rates under the Employment and Production Emergency Assistance Program, to be determined on the basis of the year-on-year changes in the company's turnover, and extension of zero-interest rate credit facilities in pesos to taxpayers under the simplified tax regime and self-employed workers engaged in cultural activities; and
g) A new financing line for MSMEs' productive investments that financial institutions are required to hold.
h) For customers who are employers covered by the Productive Recovery Program II (REPRO II), financial institutions shall include unpaid installments relating to maturities as from May 14, 2021 in the month following the end of the loan term, considering only the accrual of compensatory interest at the contractual rate.

The events described in this Note affect the Entity's operations, as well as the calculation of credit losses and the valuation of public sector debt instruments.

As of December 31, 2022, minimum capital and minimum cash surpass the minimum thresholds established by the BCRA, with no deficiencies in these ratios being expected to occur in the following twelve months.

As of the date of these financial statements, these events have not had a significant impact on the Group's financial position, results of operations and/or cash flows. Management does not expect any future significant impact either, to the extent activity remains, at least, at current levels.

3. ACCOUNTING STANDARDS AND BASIS FOR PREPARATION

Banco Hipotecario S.A. is a financial institution subject to Financial Institutions Law No. 21526 and, as such, is also required to comply with the regulations established by the Argentine Central Bank ("BCRA") in its capacity as Regulator of Financial Institutions. The Bank is also required to comply with the regulations set by the Argentine Securities Commission ("CNV"), in accordance with Law No. 26831.

These consolidated financial statements were approved by the Board of Directors at a virtual meeting held on February 27, 2023.

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3.1. Basis of presentation of financial statements

These consolidated financial statements have been prepared pursuant to the financial reporting framework established by the BCRA. Under such reporting framework, entities subject to the BCRA's supervision are required to submit financial statements prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), with the following deviations (the "financial reporting framework established by the BCRA"):

- the temporary waiver of the application of the impairment model set forth in paragraph 5.5 "Impairment" of IFRS 9 "Financial Instruments" for debt securities issued by the non-financial public sector established in Communication "A" 6847. If the Group had applied the impairment model to these instruments, its shareholders' equity as of December 31, 2022 and 2021 would have decreased by 1,460,402 and 2,953,076, respectively.
- the deferral until January 1, 2024 of the application of the impairment model set forth in paragraph 5.5 "Impairment" of IFRS 9 "Financial Instruments" for Group "C" financial institutions, that are neither branches nor subsidiaries of foreign banks classified as systemically important, as it is the case of BACS, according to Communication "A" 7659. Had it not been for the deferral established by the BCRA in such communication, the Group's shareholders' equity would have increased by 7,889 and 9,064 as of December 31, 2022 and 2021, respectively;
- the measurement of public sector debt securities received in exchange for other securities which, according to Communication "A" 7014, were recognized at the carrying amount of the instruments delivered in replacement, while under IFRS, instruments received should be carried at fair value, with the difference in respect of the carrying amount of the securities delivered being recognized in profit or loss. Had the accounting criteria established by IFRS been applied, the Group's shareholders' equity would have decreased by 780,366 and 956,571 as of December 31, 2022 and 2021, respectively; and
- the valuation of the building "Edificio del Plata" recognized in "Non-current assets held for sale" which, as of December 31, 2022, has been valued in accordance with the accounting treatment established by the BCRA by means of a note issued on July 27, 2021. Such note instructed to interrupt the building's periodical revaluations projected as from June 2021 onwards. Had the accounting criteria established by IFRS been applied, the Group's shareholders' equity, net of deferred tax, would have increased by 3,468,692 and 1,888,251 as of December 31, 2022 and 2021, respectively.

Furthermore, the BCRA, through Communications "A" 6323 and 6324, set forth guidelines for the preparation and presentation of financial institutions' financial statements, including additional reporting requirements as well as the disclosure of certain information in the form of Schedules.

The Bank's management has concluded that these consolidated financial statements fairly present its financial position, financial performance and cash flows.

In preparing these financial statements, the Group is required to make estimates and assessments affecting the reported amounts of assets and liabilities, the disclosure of contingencies, as well as the reported amounts of income and expenses during the year. In this sense, estimates are made, for instance, to calculate the allowance for credit risk, the useful life of property, plant & equipment, depreciation and amortization, the recoverable value of assets, the income tax expense, some labor-related costs, and the allowances for contingencies and labor, civil and commercial lawsuits and the fair value of certain financial instruments. Future actual results may differ from the estimates and assessments made as of the date these consolidated financial statements were prepared.

The areas involving a higher degree of judgment or complexity or the areas in which the assumptions and estimates are material for these consolidated financial statements are described in Note 4.

As of the date of these financial statements, they are pending transcription into the Inventory and Financial Statements Book.

3.2. Functional and presentation currency

All of the Group's entities consider the Argentine Peso as functional and presentation currency. All amounts are stated in thousands of pesos, unless otherwise specified.

International Accounting Standard No. 29 "Financial Reporting in Hyperinflationary Economies" ("IAS 29") requires that the financial statements of an entity whose functional currency is that of a hyperinflationary economy be stated in terms of the current measurement unit at the end of the reporting period.

The standard sets out a number of factors that should be considered to conclude that an economy is hyperinflationary under IAS 29, including a cumulative inflation rate for three consecutive years close to, or in excess of, 100%. Therefore, pursuant to IAS 29, the Argentine peso is considered a currency of a hyperinflationary economy as from July 1, 2018.

By means of Communication "A" 6778, the BCRA required the adoption of IAS 29 for reporting periods beginning on or after January 1, 2020. Entities should rely on the following price indexes for such purposes:

- For items subsequent to December 2016: Consumer Price Index (CPI) compiled by the Argentine Institute of Statistics and Census ("INDEC"); and
- For items prior to December 2016: The price index released by the Argentine Federation of Professional Councils of Economic Sciences (FACPCE), based on the Wholesale Domestic Price Index (IPIM, Spanish acronym) compiled by INDEC.

Under IAS 29, assets and liabilities that are not stated in the measuring unit current at the end of the reporting year should be adjusted by applying the relevant price index. The adjusted value of a non-monetary item is written down if it exceeds its recoverable value.

All items of the statement of income are restated in terms of the measuring unit current at the end of the reporting period. The gain or loss on net monetary position is recognized in the statement of income.

In applying IAS 29 to the consolidated statement of financial position, the Group has relied on the following methodology and criteria:

- Non-monetary assets were restated by applying the price index. The restated amounts were written down to their recoverable values, by applying the relevant IFRS, where appropriate.
- Monetary assets were not restated.

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- Assets and liabilities contractually related to changes in prices, such as index-linked securities and loans, were measured on the basis of the relevant contract.
- Deferred income tax assets and liabilities were recalculated on the basis of the restated amounts.
- As of January 1, 2019, all shareholders' equity items, other than Unappropriated retained earnings/ deficit, were restated by applying the relevant price index, as from the date of contribution or origination. In subsequent periods, all shareholders' equity items were restated by applying the relevant price index as from the beginning of the year or the contribution date, if later.

In applying IAS 29 to the consolidated statements of income and cash flows, the Group has relied on the following methodology and criteria:

- All items of the consolidated statements of income and cash flows were restated in terms of the measuring unit current at the end of the reporting period.
- The gain or loss on net monetary position is recognized in the consolidated statement of income.
- Gains or losses on cash are disclosed in the statement of cash flows separately from cash flows from operating, investing, and financing activities, as a reconciling item between cash at the beginning of the year and at year-end.

Comparative information was restated in terms of the measuring unit current at December 31, 2022.

3.3. Going Concern
As of the date of issuance of these consolidated financial statements, there are no uncertainties with respect to events or conditions that may raise doubts about the possibility that the Group continues operating normally as a going concern.

3.4. Absorption of Unappropriated retained deficit
On March 30, 2022, the Shareholders' Meeting resolved to fully absorb unappropriated retained deficit accumulated as of December 31, 2021 by reversing the capital adjustment account balance.

3.5. Comparative information
The information contained in these consolidated financial statements and in their respective notes as of December 31, 2021, which was prepared in accordance with applicable standards in force in fiscal year 2021, is presented for comparative purposes only with the information as of December 31, 2022.

Concerning the previous year's figures and for comparative purposes, the reported information was subject to certain reclassifications to ensure consistency. Changes in comparative information do not imply changes in any decision made in reliance thereof.

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3.6. IFRS issued but not yet effective

Pursuant to Communication "A" 6114 issued by the BCRA, as the new IFRS are approved, or the current IFRS are modified or repealed and, once such changes are adopted by the Argentine Federation of Professional Councils of Economic Sciences (FACPCE) by means of Notices of Adoption, the BCRA shall issue a statement announcing its approval for financial institutions. In general, early adoption of an IFRS shall not be allowed, unless specifically admitted when adopted.

Below is a detail of the new standards, amendments and interpretations published but not yet effective. The Group will adopt these standards, if applicable, once they are effective:

Amendment to IAS 1 "Classification of liabilities as current or non-current".

IFRS 17 "Insurance Contracts": On May 18, 2017, the IASB published IFRS 17 "Insurance Contracts", which replaced IFRS 4. This standard requires a current measurement model where estimates are remeasured in each reporting period. Contracts are measured using the probability-weighted discounted cash flow components, an explicit risk adjustment and a contractual service margin representing the non-cumulative (accrued) gain on the contract that is recognized in the statement of income during the coverage period. This standard will be effective for fiscal years beginning as from January 1, 2023. The Group is assessing the impact of adopting this new standard.

IAS 1 AND IFRS 2 "Materiality judgments"

In relation to accounting policies, which include the following requirements for periods beginning on or after January 1, 2023:

- requiring companies to disclose their *material* accounting policies rather than their *significant* accounting policies;
- clarifying that accounting policies related to immaterial transactions, other events or conditions that are themselves immaterial and as such need not be disclosed; and
- clarifying that not all accounting policies that relate to material transactions, are themselves material to a company's financial statements.

Amendment to IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" – Definition of Accounting Estimates: these amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and correction of errors. They also clarify how an entity uses valuation techniques and inputs to develop accounting estimates. The amendment to this standard clarifies that the effect on an accounting estimate due to a change in an input or a change in a valuation technique are changes in accounting estimates if they do not arise from the correction of a prior period error. This standard is effective from January 1, 2023. The Group considers that the adoption of this amendment will not have a significant impact on its financial statements.

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Amendment to IAS 1 "Presentation of Financial Statements" and IFRS Practice Statement 2 "Making Materiality Judgments" – Disclosure of Accounting Policies: These amendments require an entity to disclose its material accounting policies rather than its significant accounting policies. In addition, the amendments include explanations on how an entity can identify a material accounting policy along with examples of when an accounting policy may be material. For this purpose, a guide with explanations and examples has been developed named "the four-step materiality process" described in Practice Statement 2. This standard is effective from January 1, 2023. The Group considers that the adoption of this amendment will not have a significant impact on its financial statements.

Amendment to IAS 1 "Presentation of Financial Statements", IFRS Practice Statement 2 "Making Materiality Judgments" and IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors": The IASB amended IAS 1, which requires to disclose accounting policy information that is "material" rather than significant accounting policies. The accounting policy information is considered to be material or of relative importance if its omission would affect the understanding of users of financial statements. The Board also amended IFRS Practice Statement 2 on materiality to provide guidance on how to apply the concept of materiality to accounting policy disclosures.

The amendment to IAS 8 helps to distinguish between changes in accounting policies and changes in accounting estimates. This distinction is important since changes in accounting estimates are applied prospectively to future transactions and other events, whilst changes in accounting policies are generally applied retrospectively to past transactions and other events, as well as to the current period.

These amendments are applicable to annual periods beginning as from January 1, 2023 and early adoption is permitted. The amendments are applied prospectively. The Group considers that the adoption of these amendments will not have a significant impact on its financial statements.

3.7. Consolidation

Subsidiaries are entities (or investees), including structured entities, over which the Group has control because (i) it has the power to direct the investee's relevant activities substantially affecting its returns, (ii) it has exposure to, or rights in, variable returns by reason of its equity interest in the investee, and (iii) it has the ability to use its power over the investee to affect the amount of the investor's returns. The existence and effect of substantive rights, including potential substantive voting rights, is taken into account when assessing whether the Group has influence on another entity. For a right to be substantive, it must be exercisable by its holder when decisions about the direction of the entity's relevant activities need to be made. The Group may have control over an entity, even if it is entitled to less than a majority of voting rights.

In addition, other investors' protective rights, such as those related to substantive changes to the investee's activities or only applicable under exceptional circumstances, do not prevent the Group from having power over an investee. Subsidiaries are consolidated since the date control is transferred to the Group, and are removed from consolidation since the date on which control ceases.

(In thousands of Argentine Pesos and constant currency)

Mutual funds: the Group acts as administrator in mutual funds. In determining whether the Group controls such mutual funds, the aggregate of the Group's economic interest in the fund is assessed (which includes the share in the fund's return and management fees) and it is deemed that shareholders are not entitled to remove the administrator without cause. In cases where the economic interest is less than 37%, the Group concludes that it acts as agent for the shareholders and therefore does not consolidate such mutual funds with respect to the mutual funds that have been consolidated.

The following table shows the Group's subsidiaries and controlled structured entities that are consolidated:

Company	Principal Line of Business	Closing Date	PERCENTAGE INTEREST			
			12/31/2022		12/31/2021	
			Direct	Direct and Indirect	Direct	Direct and Indirect
BACS Banco de Crédito y Securitización S.A. (a)	Financial Institution.	Dec-31	62.28%	62.28%	62.28%	62.28%
BHN Sociedad de Inversión S.A. (b)	Investment in companies engaged in the insurance or any other business.	Dec-31	99.99%	100.00%	99.99%	100.00%
Financial Trusts CHA Series IX to XIV	Trust Fund	Dec-31	100.00%	100.00%	100.00%	100.00%
Mutual Fund Toronto Trust Argentina 2021	Mutual Fund	Dec-31	0.00%	45.16%	0.00%	0.00%

All companies are based in Argentina and their local and functional currency is the Argentine Peso.

(a) As of December 31, 2022 and 2021, BACS consolidates its financial statements with: BACS Administradora de Activos S.A. S.G.F.C.I. and it owns 0.01% of BHN Sociedad de Inversión Sociedad Anónima.

(b) BHN Sociedad de Inversión Sociedad Anónima owns a 99.99% interest in BHN Vida S.A. and BHN Seguros Generales S.A.

For purposes of the consolidation, the Group relied on the subsidiaries' financial statements for the fiscal year ended December 31, 2022, which are consistent with the same period of time of the Bank's financial statements. Such financial statements have been adjusted in order to reflect identical criteria as those applied by the Bank in preparing its consolidated financial statements. These adjustments and reconciliations were subject to management's monitoring and confirmation mechanisms considering all significant items with differing treatment in the applied standards, mainly including deferred tax, lease reporting and actuarial reserves.

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Accounts receivable and payable and gains (losses) from inter-company transactions were eliminated from the consolidated financial statements.

A non-controlling interest is a subsidiary's share of net income (loss) and shareholders' equity attributable to interests which are not owned by the Bank, either directly or indirectly. The non-controlling interest is disclosed as a separate item of the Group's shareholders' equity.

3.8. Transactions with the non-controlling interest
The Group considers transactions with the non-controlling interest as if they were transactions with the Group's shareholders. When acquiring a non-controlling interest, the difference between the price paid and the respective interest in the carrying amount of the subsidiary's net assets acquired is recognized in shareholders' equity. The gains and losses on the disposal of equity interests are also recognized in shareholders' equity, to the extent control is maintained. The non-controlling interest constitutes an item separate from the Group's equity and profit or loss.

3.9. Segment reporting
An operating segment is a component of an entity (a) that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity), (b) whose operating profits or losses are regularly reviewed by Management to make decisions about resources to be allocated to the segment and assess its performance, and (c) for which confidential financial information is available.

Operating segments are reported consistently with the internal reports submitted to:

(i) Key management personnel, the utmost authority in charge of making operating decisions and allocating resources and assessing the performance of the operating segments; and
(ii) The Board of Directors, responsible for making the Group's strategic decisions.

3.10. Foreign currency
Transactions in foreign currency are translated into functional currency at the exchange rates prevailing on the transaction or valuation dates when items are measured at closing. Gains and losses in foreign currency on the settlement of these transactions and on the translation of monetary assets and liabilities into foreign currency at the exchange rates prevailing at closing are recognized in the statement of comprehensive income under "Gold and foreign currency quotation differences," except when they are deferred in equity due to transactions that qualify as cash flow hedges, where applicable.

Balances are valued at the US Dollar benchmark exchange rate defined by the BCRA at the closing of the last business day of each month.

Foreign currencies other than US Dollars have been converted to US Dollars at the rates reported by the BCRA.

3.11. Cash and bank deposits
The item Cash and bank deposits includes cash available, unrestricted deposits held in banks.

3.12. Financial instruments

<u>Initial recognition</u>

The Group recognizes a financial asset or liability in its consolidated financial statements, as the case may be, when it becomes a party to the financial instrument contract.

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Purchases and sales of financial instruments with delivery of the assets within the term generally set forth by market regulations and conditions, are recognized on the transaction's trading date on which the Group commits itself to buy or sell the asset.

These financial assets are initially recognized at fair value, plus incremental transaction costs directly attributable.

Where the fair value differs from the transaction cost, the Group recognizes the difference as follows:

- When fair value is consistent with the financial asset or liability market value, or is based on a valuation method relying on market values only, the difference between the fair value upon initial recognition and the transaction cost is recognized as profit or loss, as the case may be.

- In other cases, the difference is deferred as a profit or loss only to the extent that there is a change in any factor (including time) that the market participants would consider when determining the price of the asset or liability.

Financial assets

a - Debt instruments

The Group classifies as debt instruments such instruments that are considered financial liabilities for the issuer, including loans, government and corporate securities, bonds, and accounts receivable from customers under non-recourse arrangements.

Classification

As set out in IFRS 9, the Group classifies financial assets as subsequently measured at amortized cost, at fair value through other comprehensive income or at fair value through profit or loss, on the basis of:

a) the Group's business model to manage financial assets; and

b) the characteristics of contractual cash flows of the financial asset.

Business model

The business model is the manner in which the Group manages a set of financial assets to achieve a specific business goal. It represents the manner in which the Group maintains instruments for cash generation.

The Group may follow several business models, whose objective is:

- Holding instruments until maturity in order to obtain contractual cash flows;
- Holding instruments in portfolio to collect contractual cash flows and, in turn, sell them if deemed convenient; or
- Holding instruments for trading.

The Group's business model does not depend on management's intended purposes for an individual instrument. Accordingly, this condition is not a classification approach of instruments on an individual basis. Instead, such classification is determined at a higher level of aggregation.

The Group only reclassifies an instrument if and when the business model for managing financial assets has

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changed.

Characteristics of cash flows

The Group assesses whether the return on cash flows from the aggregated instruments does not substantially differ from the contribution it would receive as principal and interest; otherwise, such instruments should be measured at fair value through profit or loss.

Based on the aforementioned, financial assets are classified into three categories:

i) Financial assets measured at amortized cost:

Financial assets are measured at amortized cost when:

(a) the financial asset is held within a business model whose objective is to maintain financial assets to collect contractual cash flows; and

(b) the contractual conditions of the financial asset give rise, on certain specified dates, to cash flows which are only principal and interest payments on the outstanding principal.

These financial instruments are initially recognized at fair value plus the incremental and directly attributable transaction costs, and are subsequently measured at amortized cost.

The amortized cost of a financial asset is equal to its acquisition cost, net of accumulated amortization plus accrued interest (calculated by applying the effective rate method), net of impairment losses, if any.

ii) Financial assets at fair value through other comprehensive income:

Financial assets are measured at fair value through other comprehensive income when:

(a) the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and

(b) the contractual conditions of the financial asset give rise, on certain specified dates, to cash flows which are only principal and interest payments on the outstanding principal.

These financial instruments are initially recognized at fair value plus the incremental and directly attributable transaction costs, and are subsequently measured at fair value through other comprehensive income. Impairment losses or reversals, interest income, and exchange gains and losses are recognized in profit or loss. The rest of the changes in fair value are included in other comprehensive income under a separate equity item. Upon the sale or disposal of the instrument, the accumulated gains or losses previously recognized in other comprehensive income are reclassified from equity to the income statement.

iii) Financial assets at fair value through profit or loss:

Financial assets at fair value through profit or loss include:

- Instruments held for trading;
- Instruments specifically designated at fair value through profit or loss; and
- Instruments whose contractual terms do not represent cash flows but rather principal or interest

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payments only on outstanding principal.

These financial instruments are initially recognized at fair value and any subsequent change in the fair value is recognized in the statement of income.

The Group classifies a financial instrument as held for trading if such instrument is acquired for the main purpose of selling or repurchasing it in the short term, or if it is part of a portfolio of financial instruments which are managed jointly and for which there is evidence of short-term profits.

In addition, financial assets may be designated at fair value through profit or loss when, in doing so, the Group eliminates or substantially reduces a measurement or recognition inconsistency.

b - Equity instruments

Equity instruments are those agreements that evidence a residual interest in the assets of an entity after deducting all its liabilities.

Such instruments are measured at fair value through profit or loss, except where management has availed, at the time of their initial recognition, of the irrevocable option to measure them at fair value through other comprehensive income. This method may only be applied when instruments are not held for trading and changes in the fair value are recognized in Other Comprehensive Income (OCI), with no subsequent reclassification to profit or loss. Dividends receivable from such instrument will be recognized in profit or loss only at the time the Group becomes entitled to receive payment.

Financial assets measured at fair value through profit or loss: The Group may, upon initial recognition, avail of the irrevocable option to designate an asset at fair value through profit or loss, if and only if exercising such option results in improved financial reporting because:

- the Group eliminates or substantially reduces measurement or recognition inconsistencies which would otherwise be revealed in valuation;
- if financial assets and liabilities are managed and performance is assessed on a fair value basis, according to a documented investment or risk management strategy; or
- if a host contract contains one or more embedded derivatives.

Derecognition of financial assets

The Group derecognizes a financial asset only if any of the following conditions is met:

1. Upon termination of the Group's interests in the cash flows provided by the financial asset; or
2. Upon the transfer of the financial asset pursuant to the requirements in Section 3.2.4 of IFRS 9.

The Group derecognizes financial assets that had been transferred only if the following conditions are met:

1. When the Group has transferred its contractual rights to collect future cash flows;
2. When the Group retains the contractual rights to collect cash flows, but assumes a repurchase obligation upon satisfaction of the following three requirements:
    a. The Group is not required to pay any amount without receiving cash flows from the transfer of the asset; and
    b. The Group is not allowed to sell the financial asset; and

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c. The Group is required to submit the cash flows it has committed to.

Financial liabilities

Classification

The Group classifies its financial liabilities, other than derivative financial instruments, guarantees issued and loan commitments as measured at amortized cost:

- Derivative financial instruments are measured at fair value through profit or loss;

Financial guarantees are contracts pursuant to which the Group is required to make specified payments to reimburse the holder for a loss incurred due to a specified debtor's failure to honor its payment obligations in accordance with the contractual terms of a debt instrument.

The liability arising from financial guarantees issued is initially recognized at fair value. Such liability is subsequently measured at the higher of the amortized amount and the present value of any expected payment to settle the liability when such payment is deemed probable.

Derecognition of financial liabilities

The Group derecognizes financial liabilities upon settlement; that is, when the financial liability has been settled or paid off, or the contract has expired.

3.13. Derivative instruments
Derivative instruments are carried at fair value.

All derivative instruments are accounted for as assets when fair value is positive and as liabilities when fair value is negative, relative to the agreed-upon price. Changes in the fair value of derivative instruments are recognized in profit or loss for the year.

The Group does not use hedge accounting.

3.14. Repo transactions
Repos
According to the derecognition criteria set out in IFRS 9, repos qualify as secured financing arrangements since the risk has not been transferred to the counterparty.

Financing arrangements granted in the form of repos are booked under "Repo Transactions", and are classified by counterparty into financial borrowers, BCRA and non-financial borrowers, considering the asset received as collateral. At the end of each month, accrued interest receivable is charged to "Repo Transactions" with its related contra-account in "Interest Income."

The underlying assets received in exchange for repos are booked under Off-Balance Sheet Accounts. These accounts reflect, at each month-end, the notional amount of current transactions measured at fair value and translated into its equivalent in Argentine Pesos, where applicable. The assets received which have been sold by the entity are not deducted, but rather derecognized at the end of the repo transaction, with an in-kind liability being accounted for to reflect the obligation of delivering the security sold.

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Reverse Repos

Financing arrangements received in the form of reverse repos are booked under “Repo Transactions”, and are classified, according to the counterparty, into financial creditors, BCRA and non-financial creditors, considering the asset delivered as collateral.

In these transactions, when the recipient of the underlying asset becomes entitled to sell it or pledge it as a collateral, the asset involved is reclassified to “Financial assets pledged as collateral”. At the end of each month, these assets are measured according to the category in which they were classified before the repo transaction, with the resulting gains or losses being recognized in the applicable accounts, according to the type of asset involved.

At the end of each month, accrued interest payable is charged to “Repo Transactions” with its related contra-account in “Interest Expense.”

3.15. Impairment losses on loans and advances

The Group assesses expected credit losses (ECL) on the basis of a forward-looking approach to the credit risk associated with financial assets measured at amortized cost, debt instruments measured at fair value through other comprehensive income, receivables from lease arrangements, and commitments and pledged collateral not measured at fair value, except for non-financial public sector’s debt instruments which were temporarily waived from the scope of IFRS 9.

By means of Communication “A” 7659, the BCRA postponed the adoption of paragraph 5.5 of IFRS 9 until January 1, 2024 for Group "C" financial institutions, that are neither branches nor subsidiaries of foreign banks classified as systemically important, as it is the case of the subsidiary BACS Banco de Crédito y Securitización S.A. Therefore, BACS' allowances for loan losses are calculated in accordance with the Central Bank's “Minimum allowances for loan losses” guidelines set forth in Section VIII of the Liquidity and Solvency (LISOL) standards, as detailed below:

Entities are required to apply the following guidelines on minimum allowances for loan losses in respect of total customers’ debts:

Commercial Portfolio	Consumer portfolio or consumer comparable commercial portfolio	With Preferred Guarantees	Without Preferred Guarantees
Normal situation	Normal situation	1%	1%
Under observation	Low risk	3%	5%
Under negotiation or refinancing agreements	N/A	6%	12%
Troubled	Mid risk	12%	25%
High risk of Insolvency	High risk	25%	50%
Uncollectible	Uncollectible	50%	100%
Uncollectible for technical reasons	Uncollectible for technical reasons	100%	100%

The aforementioned categories of borrowers are broken down as follows:

- Commercial portfolio: It includes all kinds of financing arrangements, other than consumer and mortgage loans and consumer comparable commercial loans.
- Consumer comparable commercial portfolio: It includes loans for up to the equivalent of the reference value set out in Section 3.7 of the standard
- Consumer portfolio: It includes all loans excluded from the preceding item.

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On the other hand, the status assigned to each borrower within the commercial portfolio is determined, in the first place, by reference to the borrower's repayment capacity and, in the second place, on the basis of the liquidation of its assets, while the status assigned to borrowers within the consumer and consumer comparable portfolio is assigned on the basis of days in arrears.

Among other specific provisions, BACS has availed of the option granted by the Argentine Central Bank of discontinuing the accrual of interest on customers with over 90 days' arrears, instead of setting up an allowance for 100% therefor.

Expected Credit Losses
The Group takes a forward-looking approach in assessing the expected credit losses ("ECL") associated with financial assets measured at amortized cost or at fair value through other comprehensive income, and the exposure from loan commitments and financial guarantee contracts, within the scope set out under Communication "A" 6847, as amended, handed down by the BCRA.

The Group measures the ECLs from a financial instrument in a manner that reflects:

(a) an unbiased probability-weighted amount which is determined by assessing a range of possible outcomes;

(b) the time value of money; and

(c) reasonable and supportable information that is available without undue cost or effort on the reporting date, about past events, current conditions and forecasts of future economic conditions.

IFRS 9 describes a "three-stage" model for impairment based on changes in credit quality since initial recognition, as summarized below:

• The Group will classify a financial instrument in "Stage 1" if, at the reporting date, such instrument has not experienced a significant increase in credit risk since initial recognition.
• Stage 2 includes financial instruments that have had a significant increase in credit risk ("SICR") since initial recognition, but that do not have objective evidence of impairment.
• If there is objective evidence of impairment (default), the financial instrument is moved to "Stage 3."
• For financial instruments in "Stage 1", the Group will measure ECLs at an amount equal to the portion of expected credit losses resulting from default events that are possible within the following 12 months. For financial instruments in "Stage 2" and "Stage 3," the Group measures the ECLs resulting from default events during the asset lifetime.
• A common approach in ECL measurement under IFRS 9 is the use of forward-looking information.
• Purchased or originated credit-impaired (POCI) financial assets are financial assets which are credit impaired at initial recognition. ECLs from these financial instruments are always measured during the asset lifetime ("Stage 3).
• Financial assets in "Stage 1" and "Stage 2" accrue interest at the effective interest rate on their gross book amount. Financial assets in "Stage 3" accrue interest at the effective interest rate adjusted for credit quality as from the time such assets are moved to that stage.

The following chart summarizes impairment criteria under IFRS 9 (for financial assets other than purchased or originated credit-impaired financial assets):

Changes in credit quality since initial recognition

Stage 1	Stage 2	Stage 3
(initial recognition)	(significant increase in credit risk since initial recognition)	(credit impaired)
ECLs for the 12 months after the reporting date	ECLs during the financial instrument lifetime	

Below is a description of the key judgments and assumptions the Group has relied upon for ECL measurement purposes:

Significant increase in credit risk

In determining whether a financial instrument has experienced a significant increase in credit risk since initial recognition, the Group performs several analyses for retail and corporate banking customers (commercial portfolio or consumer comparable commercial portfolio).

Significant increase in credit risk
In determining whether a financial instrument has experienced a significant increase in credit risk since initial recognition, the Group performs several analyses for retail and corporate banking customers (commercial portfolio or consumer comparable commercial portfolio).

The analysis also relies on several criteria, depending on the product at issue. For instance, for the most representative products within the retail portfolio—consumer loans and credit cards—a substantial increase in credit risk is deemed to exist if debtor meets one or both of the following conditions:

- Contractual payments are over 30 days past due, based on the rebuttable presumption of the standard, which has been verified on the basis of the historical behavior of the Group's portfolio through the analysis of the changes in transactions that have reached this stage, leading to default situations,
- the product expected loss has increased significantly relative to initial recognition; such increase exceeds the thresholds previously set for the relevant default probabilities.

In order to set such thresholds, a statistical estimate methodology has been implemented on the basis of historical information of the behavior of the Group's retail loans. This methodology is based on a quantitative analysis of the historical variation of the probability of default (PD) of loans with respect to the moment of origination, identifying those combinations of absolute and relative thresholds per product and segment representing a significant increase in the risk, even without considering days past due at the time of observation. Such thresholds have been set in line with the current PD model and the risk segmentation previously defined for these products.

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PD Threshold for initial recognition	Minimum increase in PD that is considered significant at the reporting date
Product Credit Cards	
<= 0.63%	457 bps
> 0.63% and < 1.36%	790 bps
> 1.36% and < 4.27%	2479 bps
> 4.27% and < 5.93%	3444 bps
Product Consumer Loans	
<= 2%	691 bps
> 2% and < 4%	1382 bps
> 4% and < 6%	2072 bps
> 6% and < 8%	2763 bps
> 8% and <= 10%	3454 bps
> 10% and <= 12%	4145 bps
Product Mortgage Loans	
<= 0.1%	600 bps
> 0.1% and < 0.85%	2380 bps
> 0.85% and < 1.6%	4480 bps
> 1.6% and < 2.35%	6580 bps
> 2.35% and <= 3.1%	8680 bps

As regards the commercial portfolio, a significant increase in credit risk is deemed to exist if debtor's contractual payments are over 30 days past due, based on the rebuttable presumption of the standard, which has been verified on the basis of the historical behavior of the Group's portfolio through the analysis of the changes in transactions that have reached this stage, leading to default situations.

In line with the requirements of IFRS 9, in applying those thresholds, the risk of default on the transaction at the reporting date is compared against such risk at the date of initial recognition, and both absolute and relative thresholds should be exceeded simultaneously.

Notwithstanding the foregoing, generally, for the retail and wholesale portfolios, the Group considers that a financial instrument has experienced a significant increase in credit risk when contractual payments are over 30 days past due.

Individual and collective assessment basis

ECLs are estimated on an individual as well on a collective basis. In estimating ECLs on an individual basis, the Group seeks to calculate expected losses for significant impaired risks or risks classified in Stage 2. In these cases, credit losses are calculated as the difference between expected future cash flows discounted at the effective interest rate of the transaction and the book value of the instrument.

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In estimating ECLs of the retail portfolio, instruments are classified into groups of assets based on their inherent risk characteristics. Exposures within each group are segmented on the basis of similar credit risk characteristics, which are indicative of debtor's payment ability, according to applicable contractual conditions. Credit risk characteristics may include the following factors, among others:

- Type of transaction,
- Customer's credit scoring (rating),
- Time in arrears,
- Segment based on financial asset aging and/or purchase or origination terms and conditions.

The Group's Decision Management team periodically monitors and reviews that financial instruments are adequately pooled.

In estimating ECLs for the commercial portfolio, each transaction is assessed on an individual basis.

The portfolio is segmented in two categories—SMEs Portfolio and Corporate Portfolio. In turn, each segment has its own Probability of Default ("PD") and Loss Given Default ("LGD") parameters, which are calculated on a collective basis.

Each customer level is assigned a PD based on that customer's Credit Rating and segment. On the other hand, the LGD parameter is related to the transaction based on the segment and collateral quality.

The correct segmentation of the commercial portfolio financial instruments is monitored and reviewed periodically by the Wholesale Banking Credit Risk team.

Definition of default and impaired credit

For financial instruments within the retail portfolio, the Group considers default has occurred when contractual payments are over 90 days past due, except for mortgage loan products, in which case default is deemed to have occurred when contractual payments are over 180 days overdue.

In addition, if a Refinancing is originated on debt associated with Default products, it receives POCI treatment and is assigned to Stage 3, with PD=100% during its entire lifetime, regardless of whether it was in arrears or not.

Below is a description of the grounds on which the Bank rebuts the presumption of default after 90 days' arrears set out under IFRS 9 for mortgage loans.

Mortgage loans have associated arrears dynamics which differs from other financial instruments. This is noticeable by means of a transition analysis between tranches of arrears related to the Group's mortgage loan transactions. The following is a transition matrix specific to this product:

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Año	# Obs.	Atraso t / Atraso t+1	0	1-30	31-60	61-90	91-120	121-150	151-180	+ de 180	Mejoran	Empeoran
Histórica	1,478,381	0	93.92%	6.05%	0.02%	0.00%	0.00%	0.00%	0.00%	0.00%	93.92%	6.08%
	184,823	1-30	41.32%	47.02%	11.63%	0.03%	0.00%	0.00%	0.00%	0.00%	88.33%	11.67%
	26,962	31-60	20.40%	32.42%	20.01%	27.08%	0.09%	0.00%	0.00%	0.00%	72.83%	27.17%
	8,101	61-90	12.87%	15.65%	15.58%	13.43%	42.32%	0.12%	0.00%	0.02%	57.54%	42.46%
	3,775	91-120	7.42%	7.79%	6.68%	9.09%	9.88%	59.02%	0.11%	0.03%	40.85%	59.15%
	2,150	121-150	6.93%	5.16%	3.58%	4.05%	6.33%	6.33%	67.30%	0.33%	32.37%	67.63%
	955	151-180	4.92%	3.46%	2.51%	1.57%	5.03%	5.97%	5.76%	70.79%	29.21%	70.79%
	259,419	+ de 180	0.05%	0.01%	0.00%	0.00%	0.01%	0.01%	0.01%	99.91%	0.09%	99.91%

Average transition matrix for Mortgage Loans

Despite the fact that, as from the time a loan enters the +90 days' arrears tranche, the worsening probability seems more likely than the improvement probability, it is only upon the +180 days' arrears tranche that the worsening probability becomes substantially more significant than the improvement probability.

For financial instruments within the commercial portfolio, the Group considers a default has occurred when one or more of the following conditions are met:

- Financial instruments over 90 days past due under their respective contractual terms;
- Escalation of collection proceedings to the Collections department (commencement of recovery efforts); and
- Default on payment (for debt securities within the investment portfolio).

The aforementioned criteria are consistently applied to all financial instruments and are in line with the definition of default used by the Group for credit risk management purposes. Besides, such definition is consistently applied for PD, Exposure at Default ("EAD") and LGD modelling purposes.

<u>Measurement of expected credit losses (ECL) - Inputs, assumptions and calculation methods explained</u>
ECLs are measured over a 12-month period or during the instrument lifetime, depending on whether a significant increase in credit risk has occurred since initial recognition or if an asset is deemed credit impaired. ECLs are the discounted product of the PD, EAD and LGD, defined as follows:

• PD represents the probability of a debtor's defaulting on a financial liability (as per the foregoing "Definition of default and credit impairment"), whether over the following 12 months or the financial asset remaining life ("Lifetime PD").
• EAD is based on the amounts the Group expects to be overdue at the time of the default, during the subsequent 12 months, or otherwise during the financial asset remaining life ("Lifetime EAD"). For instance, for revolving commitments, the Group includes the current drawn down balance, plus any additional amount expected to be drawn down, up to the current contractual limit at the time of default, if finally occurring.
• LGD represents the Group's expected loss on any given exposure at default. LGD will vary depending on the type of counterparty, nature and aging of the claim, and also depending on the availability of collateral or other form of credit enhancement. LGD is stated as a percentage of loss per EAD unit, and is calculated over a 12-month base period or throughout the instrument lifetime, where the 12-month LGD is the percentage of loss

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expected to be incurred, if default occurs within the next 12 months, while lifetime LGD is the percentage of loss expected to be incurred if default occurs during the financial instrument lifetime.

ECLs are determined by forecasting the PD, LGD and EAD for each future month, and for each individual exposure or collective segment. These three components are multiplied and adjusted for the survival probability (i.e., no early payment or no default has occurred on the exposure in a previous month). This formula results in an ECL for each future month, which is then discounted at the reporting date and aggregated. The discount rate used in the ECL calculation is the original effective interest rate or other similar rate.

Lifetime PD is developed by applying a maturity profile to the current 12-month PD. The maturity profile analyzes how defaults occur within a portfolio since initial recognition and throughout the lifetime of the borrowings. The maturity profile is based on observed historical data and is supposed to be the same across all assets within a portfolio and within a credit rating band.

12-month EAD and Lifetime EAD are determined on the basis of the expected payment profile, which varies according to the type of product:

- For non-revolving products, EAD is based on contractual payments owed by borrower during a 12-month period or throughout Lifetime.
- For revolving products, EAD is calculated considering the drawn down balance (used up limit) and adding a "credit conversion factor" to calculate the extent to which borrower's outstanding debt will increase upon default.

12-month LGD and Lifetime LGD are determined on the basis of factors affecting post-default recoveries, with product type and the current days in arrears band remaining constant. LGD is influenced by the entity's collection strategy, including sales and indebtedness cost.

Under the model used for the Commercial Portfolio, the recovery rate is defined on the basis of the collateral/instrument associated with the transaction. In determining the coverage ratio associated with each collateral, recovery ratio schedules have been developed on the basis of collateral quality.

If a customer identified as a "relevant exposure" under the Risk Management Policy is moved to stages 2 or 3, LGD could be calculated individually, relying on information available to the Group at the time of the analysis, which allows it to estimate the expected recovery on such exposure.

The Group includes forward-looking economic information in the calculation of 12-month PD and Lifetime PD.

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Forward-looking information considered in expected credit loss models

The Group's ECL model incorporates macroeconomic forward-looking information to determine the default probabilities. To that effect, the Group carried out certain historical regression analyses and identified the key economic variables affecting credit risk and expected credit losses for each portfolio segment, including:

- GDP
- Inflation
- BADLAR
- Monetary policy rate
- US-dollar exchange rate

These economic variables and their associated impact on PD vary according to the segment in question. On a monthly basis, the Group's Strategic and Commercial Planning team makes available forecasts of these economic variables ("baseline economic scenario"), which depict the best estimate of how the economy will look like over the next years. The impact of these variables on default probabilities has been determined based on econometric regression models calibrated with the Group's own information. Models are reviewed and recalibrated, at least, on a monthly basis, or more frequently if performance ceases to be in line with the portfolio behavior. The process involves identifying observable quantitative variables, the absolute, relative or modified extent of which could explain customers' credit behavior; calibrating as many regression models as potential combinations of variables exist and, finally, selecting the model with best predictive power, subject to the fulfillment of minimum statistical requirements ensuring robustness, as well as the economic sense of the stated ratios.

Apart from the aforementioned baseline economic scenario, the Group's Strategic and Commercial Planning team also develops other potential scenarios, together with their respective probabilities of occurrence. The number of scenarios used and their attributes are annually established based on an analysis of the main products to ensure that the linearity effect between the future economic scenario and its associated ECLs is achieved. Scenario weightings are determined by a combination of statistical analyses and expert judgment, taking into account the range of possible outcomes best represented by each selected scenario. Like in any other economic forecast, projections and probabilities of occurrence are subject to a high degree of intrinsic uncertainty. As such, actual results may substantially differ from these forecasts.

As of December 31, 2022, ECLs recognized in the financial statements reflected the effects of 3 potential scenarios, appropriately representing nonlinearities. The Group considers that these forecasts represent its best estimate of possible outcomes, and has assessed non-lineal and asymmetric impacts within the Group's several portfolios to determine that the chosen scenarios are representative of the range of potential scenarios. Below is a detail of the macroeconomic variables of the scenarios used and their weightings:

Variable	Scenario	∆ 2022	∆ 2023
GDP[1]	Baseline	2.00%	4.00%
	Best case	1.91%	5.04%

1 YoY variation GDP methodology

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	Worst case	-1.57%	0.36%
Inflation[2]	Baseline	98.55%	65.45%
	Best case	65.62%	44.74%
	Worst case	137.38%	88.83%
BADLAR[3]	Baseline	0.18%	-17.27%
	Best case	-19.79%	-20.20%
	Worst case	30.95%	-6.77%
Monetary policy rate[4]	Baseline	0.00%	-16.00%
	Best case	-13.19%	-18.97%
	Worst case	30.71%	-5.35%
Exchange rate[5]	Baseline	97.67%	89.30%
	Best case	71.95%	74.94%
	Worst case	123.38%	100.35%

YoY variation - Based on historical data and forecasts

	Baseline	**Best case**	**Worst case**
Weighting	60%	20%	20%

Sensitivity analysis

Below is a detail of the changes in ECLs as of December 31, 2022 that would result in reasonably likely changes in the parameters:

ECL by Scenario	**Total Portfolio**
Favorable impact	2,124,454
Intermediate impact	2,354,605
Significant impact	2,942,876

Coverage ratio	**Total Portfolio**
Favorable impact	60.4%
Intermediate impact	67.0%
Significant impact	83.7%

2 CPI Indec General Level National Total
3 Badlar Private banks Monthly Series BCRA
4 Monetary policy rate: LELIQ rate (average in n.a.)
5 Comm. A3500 TCNPM

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Changes to financial assets
Sometimes the Group makes changes to the contractual terms of loans granted to customers due to commercial renegotiations, or for distressed loans, with a view to maximizing recovery.

Such restructuring activities include extended payment term arrangements, grace periods and payment forgiveness. Restructuring policies and practices are based on indicators or criteria which, in management's judgment, indicate that payment will most likely continue. These policies are constantly monitored.

The risk of default of such assets after the change is assessed at the reporting date and compared to the risk under the original terms upon initial recognition. When the change is material, it results in the derecognition of the original asset and in the recognition of a new asset as a "refinanced" asset. The Group monitors the subsequent performance of refinanced assets separately from other assets.

3.16. Financial Assets and Liabilities Offsetting
Financial assets and liabilities are offset by reporting the net amount in the consolidated statement of financial position only when there is a legally enforceable right to offset the recognized amounts, and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

3.17. Leases
At the beginning of the contract, the Group assesses if the contract is, or contains a lease. A contract is or contains a lease if it grants the right to control the use of an identified asset during a period in exchange for a consideration.

The Group acting as lessee
At the initial measurement, the Group will recognize an asset for the right of use and lease liabilities. The asset for the right of use is measured at cost, and includes the following items:

- The amount of the initial measurement of lease liabilities;
- lease payments made before or as of the commencement date, minus lease incentives received;
- initial direct costs; and
- estimated restoration costs.

At the beginning of the contract, liabilities are measured at current value of lease payments not paid as of that date. Lease payments shall be discounted using the interest rate implied in the lease, if that rate can be easily determined. If this rate cannot be easily determined, the Group's incremental rate for loans shall be used. Lease payments included in the measurement of liabilities include:

- fixed payments (including payments that are fixed in essence), minus any lease incentive receivables;
- variable lease payments which depend on an index or rate;
- amounts the lessee expects to pay as residual value guarantees;
- the price to exercise a purchase option if the lessee is reasonably sure that the option will be exercised; and
- penalty payments for termination of the lease, if the term of the lease reflects that the lessee will exercise an option to terminate the lease.

Afterwards, the Group measures its assets for the right of use at its restated cost (Note 3.2), less accumulated depreciation and accumulated impairment (if any). Depreciation is calculated on a straight-line basis, during the term of the useful life and the full term of the lease, whichever is less. Lease liabilities are recorded at amortized

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cost.

Payments related to short term leases and leases of low-value assets are charged on a straight-line basis as counterparty expenses through profit or loss. Short term leases include contracts for 12 months or less.

The Group acting as lessor

When the Group acts as lessor, it determines whether the contract is a finance or an operating lease at the beginning.

To classify each lease, the Group assesses whether the lease transfers substantially all of the risks and rewards incidental to the ownership of the underlying asset. If so, the lease is classified as a finance lease. Otherwise, it is classified as an operating lease. As part of the assessment, the Group considers certain indicators such as whether the lease term spans for most of the asset useful life. The Group applies the derecognition and impairment requirements set out under IFRS 9 to the net investment in the lease.

The Group recognizes the payments received under an operating lease in the consolidated income statement under the line "Other operating income" on a straight-line basis.

3.18. Property and equipment

These assets are measured at restated cost, following the guidelines of Note 3.2., net of accumulated depreciation and/or accumulated impairment losses, if any. The cost includes expenses directly attributable to the acquisition or construction of these items.

Subsequent costs are included in the value of the asset or are recognized as a separate asset, as the case may be, if and only if future economic benefits are expected to flow to the Group and its cost can be measured reasonably. The carrying amount of the asset being replaced is derecognized, and the new asset is depreciated over its remaining useful life at the time of the improvement.

Repair and maintenance expenses are recognized in the consolidated statement of income for the year in which such expenses were incurred.

Depreciation is calculated on a straight-line basis, using annual rates sufficient to extinguish the value of the assets at the end of their estimated useful life. Land and works in progress are not depreciated.

Below is a detail of the useful life of each of the items under Property, Plant and Equipment:

Item	**Useful life** (in years)
- Real property	50
- Furniture and fixtures	10
- Machinery and equipment	Machinery: 5 Equipment: 3
- Vehicles	5
- Miscellaneous assets	5

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Property and equipment residual values, useful lives and depreciation methods are reviewed and adjusted, as needed, at each year-end or when indicators of impairment exist.

The carrying amount of property and equipment is immediately reduced to its recoverable value when the carrying amount exceeds the estimated recoverable value.

Gains and losses from the disposal of items of property and equipment are calculated by comparing the proceeds from the disposal to the carrying amount of the respective asset and are recognized in the consolidated statement of income.

3.19. Investment property

Investment property is made up of real estate (including land or buildings, or part of a building, or both) held by the Group to derive income, for capital appreciation purposes, or both, rather than for use in the production of goods and services or for administrative purposes.

They are accounted for at fair value, and changes in fair value are recognized in other operating income or expenses, as applicable. Investment properties are not depreciated. Fair value is based on appraisals carried out by renowned independent experts highly experienced in the area and category of the investment properties.

3.20. Intangible assets

(a) Licenses

Licenses are measured at its restated cost (Note 3.2.), net of accumulated amortization and/or accumulated impairment losses, if any. Amortization is calculated on the basis of the straight-line method during the term of the license, which does not exceed 5 years.

(b) Software

Development, acquisition and deployment costs, unique and identifiable and directly attributable to the design and testing of software controlled by the Group, are recognized as assets and are measured at its restated cost (Note 3.2), net of accumulated amortization, and they are calculated on a straight-line basis during the estimated useful life, within a term not to exceed five years.

Costs related to the maintenance of software are recognized as expense when they are incurred.

3.21. Non-current assets held for sale

Non-current assets, or groups of non-current assets (Assets with a useful life exceeding one year), classified as held for sale in accordance with the provisions of IFRS 5 “Non-current assets held for sale and discontinued operations” are presented separately from other assets. Non-current assets are classified as held for sale if the book value will be mainly recovered through a sale transaction, rather than continued use, within one year of classification as held for sale and if they meet the following conditions:

1) available for immediate sale in the current conditions;
2) management is committed to a plan to sell and has a program in place to find a buyer and complete the plan;

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3) the asset is being actively marketed for sale at a sales price reasonable in relation to its current fair value;
4) the sale is highly probable, within 12 months of classification as held for sale;
5) actions required to complete the plan indicate that it is unlikely that plan will be significantly changed or withdrawn

Non-current assets or disposal groups that are classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell at year-end. The assets in this classification are not depreciated as long as they are classified as held for sale, or so long as they are part of a group of assets for disposal classified as held for sale. However, both interest and other expenses attributable to selling expenses of a group of assets already classified as held for sale will continue to be recognized.

When an item of property, plant and equipment is classified as “non-current assets held for sale”, depreciation ceases.

In the particular case of Edificio del Plata, see Note 11.4.

3.22. Impairment of non-financial assets
Non-financial assets with indefinite useful life are not amortized, but they are rather tested for impairment on an annual basis or when there is any indication of impairment, whichever first. While those with a defined useful life are tested for impairment when events or circumstances occur indicating that their carrying amounts may not be recoverable.

For purposes of the impairment test, assets are grouped at the lowest level for which identifiable cash flows are generated (cash-generating units or CGU). If the carrying amount of an asset (or CGU) is higher than its recoverable value, the carrying amount of the asset (or CGU) is written down to its recoverable value and the difference is recognized in profit or loss. Goodwill impairment may not be reversed. For other assets, an impairment loss is reversed only to the extent the carrying amount of the assets does not exceed the value they would otherwise have had if the impairment had not been recognized.

3.23. Trust assets
Assets held by the Group in its capacity as trustee are not reported in the consolidated statement of financial position. Commissions and fees earned on trust activities are disclosed in the caption Fee and commission income.

3.24. Loans from the Argentine Central Bank and other financial institutions
The amounts owed to other financial institutions are recorded at the time the bank at issue effectively makes the loan to the business group and are measured at amortized cost. Where the Group buys back its own debt, such debt is derecognized from its consolidated financial statements and the difference between the residual value of the financial liability and the amount paid will be recognized as financial income or expense, as the case may be.

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3.25. Provisions and Contingencies
The group recognizes a provision when:

a- an entity has a present obligation (legal or constructive) as a result of a past event;
b- it is probable (i.e., more likely than not) that an outflow of resources embodying future economic benefits will be required to settle the obligation; and
c- a reliable estimate can be made of the obligation amount.

The Group is deemed to have a constructive obligation where the entity has assumed certain responsibilities as a consequence of past practices or public policies, and as a result, the entity has created valid expectations in third parties that it will discharge those responsibilities.

The Group recognizes the following provisions:

For labor, civil and commercial lawsuits: These provisions are calculated on the basis of attorneys' reports about the status of the proceedings and the estimate about the potential losses the Group may sustain, as well as on the basis of past experience in proceedings of these kinds.

For miscellaneous risks: These provisions are set up to address contingencies that may trigger obligations for the Group. In estimating the provision amounts, the Group evaluates the likelihood of realization taking into consideration the opinion of its legal and professional advisors.

Contingencies (that are not more likely than not) are not recognized.

3.26. Other non-financial liabilities
Miscellaneous accounts payable are recognized when the counterparty has discharged its contractual obligations and are measured at amortized cost.

Liabilities for the customer loyalty program are measured at estimated fair value, considering an expected redemption rate determined on the basis of statistics, considering historical information available.

3.27. Negotiable obligations issued
The negotiable obligations issued by the Group are measured at amortized cost. Where the Group buys back its own negotiable obligations, such negotiable obligations are derecognized from its consolidated financial statements and the difference between the residual value of the financial liability and the amount paid will be recognized in the statement of income, as income from early debt repayment.

3.28. Capital stock and capital adjustments
Shareholders' equity accounts have been restated following the guidelines detailed in Note 3.2., except for the caption "Capital stock", which is carried at face value. The restatement adjustment is included in "Equity adjustments".

Common shares are classified in shareholders' equity and accounted for at their fair value.

3.29. Retained earnings
According to the regulations set forth by the Argentine Central Bank, 20% of net income for the fiscal year, net of previous years' adjustments, if any, is required to be appropriated to the legal reserve. However, for the distribution of profits, entities shall comply with the provisions set forth by the BCRA in the amended and restated version of the regulation on the distribution of profits of Financial Institutions as detailed in Note 28.7 "Restrictions on the

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distribution of profits".

3.30. Distribution of dividends

The distribution of dividends to the Group's shareholders and its subsidiaries is recognized as a liability in the consolidated financial statements for the fiscal year in which dividends are approved by the Group's Shareholders' Meeting, to the extent that the Argentine Central Bank's consent is not required for such distribution.

3.31. Revenue recognition

Financial income and expenses are recognized in respect of all debt instruments in accordance with the effective rate method, pursuant to which all gains and losses which are an integral part of the transaction effective rate are deferred.

Gains or losses included in the effective rate include expenses or income relating to the origination or acquisition of a financial asset or liability, such as payments received for the analysis of the customer's financial position, negotiation of the instrument terms, preparation and processing of the documents required to complete the transaction, and payments received for the extension of credit facilities expected to be used by the customer.

Fees and commissions earned by the Group on the origination of syndicated loans are not part of the product effective rate, and are recognized in the Statement of Income at the time the service is delivered, to the extent that the Group does not retain a portion thereof, or such effective rate is maintained under the same conditions as the other participants. Commissions and fees earned by the Group on negotiations in third parties' transactions are not part of the effective rate either, and they are recognized at the time the transactions are executed.

The Bank has a customer loyalty program in place under which customers earn points on their credit and debit card purchases which may be subsequently redeemed for products. The Bank recognizes the expense associated with its customer loyalty program as a decrease in commission income, for it considers it as a component of such income. The customer loyalty program obligation is measured at fair value at the end of each reporting period and is recognized under the caption "Other non-financial liabilities."

The Bank estimates the fair value of the points awarded to customers using statistical techniques. The data used for models include assumptions regarding exchange percentages, the combination of products that would be available for exchange in the future and customer preferences.

3.32. Capitalization of financial costs

Financial costs directly attributable to the acquisition, construction or long-term production of an asset are part of the cost of such asset. Pursuant to IAS 23, financial costs include foreign exchange differences from foreign currency loans as long as they are deemed financial costs adjustments. The other financial costs are recognized in profit or loss for the year in which they are accrued, based on the effective rate method.

The Group first capitalizes such financial costs which, being attributable to qualified assets, would not have been incurred if such qualified assets had not existed. Financial costs are capitalized at the time the following conditions are fulfilled:

- a- The Group incurs in expenses for the qualified asset;
- b- The Group incurs in financial costs; and
- c- The activities required for the asset to be suitable for use or sale, as applicable, are carried out.

To allocate financial costs to qualified assets, but not specifically financed, the procedure shall be as follows:

- a- debts specifically allocated to financed assets and financial costs already allocated shall be excluded from the total of debts;
- b- a monthly average rate of the financial costs for the debts in the preceding paragraph shall be calculated;

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c- the monthly average amounts for the assets in production, construction, installation or completion, excluding those receiving financial costs for specific financing shall be assessed; and
d- the capitalization rate stated in paragraph b shall be applied to the accounting measurements of the assets referred to in paragraph c.

3.33. Employee benefits
Short-term employee benefits are recognized in profit or loss when the employee provides the related service. A provision is recognized if the Group has a legal or implied obligation as a result of past services provided by the employee, to pay an amount that can be reliably estimated.

Obligations related to contributions to defined contribution plans are recognized in profit or loss as the employee provides the related service and are presented as Social security charges.

Employment termination benefits are recognized when the Group can no longer withdraw the offer related to such benefits.

3.34. Income tax and minimum notional income tax

Income tax
The income tax expense for the year includes current and deferred tax. Income tax is recognized in the consolidated statement of income, except for items required to be recognized directly in other comprehensive income or directly in equity.

The current income tax expense is calculated on the basis of the tax laws enacted as of the balance sheet date in Argentina. The Group periodically assesses the position assumed in tax returns in connection with circumstances in which the tax laws are subject to interpretation.

Deferred income tax recognizes the tax effect of temporary differences arising from the carrying amount of assets and liabilities and their tax base. Deferred tax is determined using tax rates (and laws) enacted as of the balance sheet date and that are expected to be applicable when the deferred tax assets are realized or the deferred tax liabilities are settled.

Deferred tax liabilities are recognized for the tax effect of all taxable temporary differences.

A deferred tax asset is recognized for the tax effect of deductible temporary differences and unrestricted tax loss carryforwards to the extent that it is probable that future taxable profits will be available against which they can be utilized.

The Group recognizes deferred tax liabilities for taxable temporary differences related to investments in subsidiaries and affiliates, except if the following two conditions are met:
(i) the Group controls when temporary differences will be reversed;
(ii) there is a probability that said temporary differences will not be reversed at any foreseeable time in the future.

The balances of deferred tax assets and liabilities are offset when a legal right exists to offset current tax assets against current tax liabilities and to the extent that such balances are related to the same tax authority of the Group or its subsidiaries, where tax balances are intended to be, and may be, settled on a net basis.

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Minimum notional income tax

Until and including fiscal year ended December 31, 2018, the Group determined the minimum notional income tax at the effective rate of 1% on taxable assets at each fiscal year-end. For entities governed by the Financial Institutions Law, the Minimum Notional Income Tax Law set forth that they should consider 20% of their taxable assets as taxable base, after deducting non-taxable assets. This tax was supplementary to income tax. The Group's tax liability was equal to the higher of both taxes. However, if the minimum notional income tax exceeded income tax in a given fiscal year, such excess could be used as a credit towards the payment of the income tax liability that could be generated in any of the following ten fiscal years. According to section 76 of Law No. 27260, the minimum notional income tax law was repealed for fiscal years beginning on or after January 1, 2019.

The minimum notional income tax credit disclosed under the caption "Current Income Tax Assets" is the portion the Group expects to offset against the income tax in excess of minimum notional income tax to be generated in the following fiscal years.

3.35. Assets and liabilities from insurance contracts

The valuation and registration of the Group's assets and liabilities related to insurance contracts is carried out pursuant to the criteria set forth in IFRS 4 "Insurance contracts".

<u>Insurance contracts</u>

An insurance contract is a contract under which the Group (the insurer) has accepted insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder. Once the contract has been classified as an insurance contract, it shall be considered an insurance contract for the remainder of its term, even if the insurance risk is significantly reduced during that period, unless all rights and obligations terminate or expire. Insurance contracts offered by the Group include property insurance providing coverage for fire, combined family insurance, theft and similar risks, property damage, personal accidents, life insurance, among other risks. Total premiums are recognized as income during the term of the contract, which is also the period of coverage and risk. The carrying value of insurance accounts receivable are tested for impairment, provided the events or circumstances indicate that the carrying value may not be recovered. Impairment losses are recorded in the statement of income.

<u>Reinsurers and coinsurers</u>

The Group mitigates the risk for some of its insurance businesses through active and passive coinsurance or reinsurance in other companies. In the case of coinsurance, the company partners with another company to cover a risk assuming only a percentage of that risk and, therefore, only a percentage of the premium. In passive reinsurance, the risk is transferred to another insurance company on a pro rata basis (as a percentage of the risk) as non-proportional (the excess loss over a certain limit is covered). The assigned reinsurance contracts do not release the Group from its responsibilities to the policyholders, therefore, upon the occurrence of a loss, liabilities are recognized with the insured and assets are recognized with the reinsurer.

<u>Debt to policyholders</u>

Reserves for insurance claims represent debts to policyholders for claims reported to the insurance company and an estimate of the claims already incurred but not reported to the company to date (IBNR). Reported claims are adjusted based on technical reports received from independent appraisers.

<u>Debts with producers</u>

They account for liabilities with agents arising from commissions on insurance operations they originate for the Group's companies. Current account balances with those entities are also included.

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Technical commitments

Technical reserves include reserves for future benefits based on their life and accident insurance policies. Reserves for unearned premiums of the aforementioned property insurances are also included.

The Group performs a test for the adequacy of recognized insurance liabilities at the end of each closing, using current estimates of future cash flows from its insurance contracts. If the test shows that the carrying amount of its insurance contracts liabilities (less deferred acquisition costs) is not adequate, considering estimated future cash flows, the total amount of the deficiency will be recognized in profit and loss. The Group performs the test for the adequacy of insurance liabilities required by IFRS 4 on an annual basis.

3.36. Earnings per share

Basic earnings per share are calculated as income (loss) for the year attributable to the Group's ordinary shareholders, divided by average common shares outstanding during the current year.

Diluted earnings per share are calculated by adjusting both income (loss) for the year attributable to shareholders and average common shares outstanding for the effects of the potential conversion into equity instruments of all convertible securities held by the Group at year-end.

During the fiscal years ended December 31, 2022 and 2021, the Group did not maintain dilutive financial instruments; accordingly, basic earnings per share and diluted earnings per share are the same.

4. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

For the preparation of these financial statements, Management applies its professional judgment and makes estimates that affect the accounting policies applied and the reported balances of assets, liabilities, income and expenses. Actual results may differ from these estimates.

The underlying estimates and assumptions are continuously under review. The effect of the review of accounting estimates is recognized prospectively.

4.1. Judgments

Information about judgments made in applying accounting policies that have the most significant impact on the amounts recognized in the consolidated financial statements includes impairment of financial assets. The measurement of expected credit losses requires the use of complex models and significant assumptions about future economic conditions and credit behavior of a customer or group of customers. See Note 6.3.

4.2. Assumptions and estimates on uncertainties

The following notes contain information about assumptions and estimates on uncertainties at a significant risk of resulting in a material adjustment to these consolidated financial statements:

- Note 6 – Financial instruments, concerning the fair value measurement of Level 2 and 3 financial assets.
- Notes 6.3 and 7 – Impairment of financial assets, concerning the measurement of expected credit losses.
- Notes 11.3 and 11.4 – Investment property and Non-current assets held for sale, concerning the measurement of their respective fair values.
- Note 12 – Income tax, concerning the availability of future taxable profit against which deferred tax assets could be used.
- Note 14 – Provisions, particularly concerning the calculation of the provision for lawsuits.

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4.3. Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

When available, the Group measures the fair value of a financial instrument using the quoted price in an active market. A market is considered active if transactions take place with sufficient frequency and in sufficient volumes to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Group uses valuation techniques maximizing the use of relevant market inputs and minimizing the use of unobservable inputs. The election of a valuation technique encompasses all factors market participants would take into consideration for the purposes of setting the transaction price.

Fair values are categorized into different levels in the fair value hierarchy based on the inputs used in the measurement techniques, as follows:

- Level 1: quoted prices in active markets (unadjusted) for identical assets or liabilities.
- Level 2: valuation models using observable market data as significant inputs.
- Level 3: valuation models using unobservable market data as significant inputs.

5. STATEMENT OF CASH FLOWS

The table below shows a breakdown of items comprising cash:

	12/31/2022	**12/31/2021**
Cash	5,996,312	9,653,853
Financial institutions and correspondents	21,700,647	25,625,860
Total Cash	**27,696,959**	**35,279,713**

Below is the reconciliation of financing activities as of December 31, 2022 and 2021:

	Balance as 12/31/2021	**Cash flows**		**Other non-cash changes (1)**	**Balance as of 12/31/2022**
		Collections	**Payments**		
Negotiable obligations issued	39,607,220	4,181,171	(25,325,177)	(4,061,990)	14,401,224
Loans from the BCRA and other financial institutions	558,893	60,645,372	(60,902,319)	(6,827)	295,119
Total	**40,166,113**	**64,826,543**	**(86,227,496)**	**(4,068,817)**	**14,696,343**

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	Balance as of 12/31/2020	Cash flows		Other non-cash changes (1)	Balance as of 12/31/2021
		Collections	Payments		
Negotiable obligations issued	57,295,466	2,356,998	(14,625,807)	(5,419,437)	39,607,220
Loans from the BCRA and other financial institutions	248,693	9,532,010	(10,713,442)	1,491,632	558,893
Total	**57,544,159**	**11,889,008**	**(25,339,249)**	**(3,927,805)**	**40,166,113**

(1) Includes loss on net monetary position, interest and foreign currency difference.

6. FINANCIAL INSTRUMENTS

6.1. Repo transactions

Pursuant to the derecognition guidelines set forth under IFRS 9, these transactions are regarded as secured financing arrangements and, therefore, are accounted for as follows:

Reverse repurchase transactions

Financing granted in the form of reverse repurchase transactions will be carried in assets under the line "Reverse repurchase transactions," plus accrued interest receivable. The underlying assets received as part of reverse repurchase transactions are booked in off-balance sheet accounts. These accounts reflect the notional value of current transactions measured at fair value, at each month-end.

Repurchase transactions

Financing received in the form of repurchase transactions will be carried in liabilities under the line "Repurchase transactions," plus accrued interest payable. As part of these transactions, when the recipient of the underlying asset becomes entitled to sell it or pledge it, the asset will be reclassified to "Financial assets pledged as collateral." At each month-end, these assets are measured according to the category they were classified before the repo transaction, and the resulting gain or loss will be carried in the applicable accounts, based on the type of asset.

The items "Repo transactions" carried in assets or liabilities show the originally agreed-upon amounts plus accrued premiums from reverse repurchase transactions and repurchase transactions, respectively. The notional values of securities tied to repo transactions are as follows:

Assets	12/31/2022	12/31/2021
Reverse repurchase transactions (a)	107,408,042	419,013,992
Repurchase transactions (b)	-	62,066

(a) Recognized in Off-balance sheet accounts.
(b) Recognized under "Financial assets pledged as collateral". See Note 28.2.

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6.2. Fair value of financial instruments

Fair value hierarchy of financial instruments measured at fair value

The fair value hierarchy of assets and liabilities measured at fair value ("FV") as of December 31, 2022 and 2021 is detailed below:

Instrument portfolio as of 12/31/2022	**Balance**	**Level 1 FV**	**Level 2 FV**	**Level 3 FV**
Assets	**132,686,432**	**31,257,583**	**101,428,849**	**-**
Debt securities at fair value through profit or loss	128,184,619	26,958,055	101,226,564	-
Derivative instruments	72,467	-	72,467	-
Other financial assets	3,186,138	3,186,138	-	-
Financial assets pledged as collateral	11,763	11,763	-	
Investments in equity instruments	1,231,445	1,101,627	129,818	-
Liabilities	**(156)**	**-**	**(156)**	**-**
Derivative instruments	(156)	-	(156)	-

Instrument portfolio as of 12/31/2021	**Balance**	**Level 1 FV**	**Level 2 FV**	**Level 3 FV**
Assets	**58,662,582**	**10,540,594**	**48,121,988**	**-**
Debt securities at fair value through profit or loss	53,696,659	6,242,661	47,453,998	-
Derivative instruments	565,305	-	565,305	-
Other financial assets	3,432,903	3,432,903	-	-
Investments in equity instruments	967,715	865,030	102,685	-
Liabilities	**(1,196,819)**	**(1,163,061)**	**(33,758)**	**-**
Liabilities at fair value through profit or loss	(1,163,061)	(1,163,061)	-	-
Derivative instruments	(33,758)	-	(33,758)	-

The Group monitors the availability of market information in order to evaluate the classification of financial instruments at the different fair value levels, as well as the resulting determination of inter-level transfers at the end of each reporting period.

As of December 31, 2022 and 2021, the Group has not recorded any inter-level transfers.

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Fair value of financial instruments not measured at fair value

Below is a detail of the difference between the carrying amount and the fair value of the main assets and liabilities carried at amortized cost.

Instrument portfolio as of 12/31/2022	Balance	Total FV	Level 1 FV	Level 2 FV	Level 3 FV
Assets					
Cash and bank deposits	27,696,959	(*)	-	-	-
Repo transactions	98,182,666	(*)	-	-	-
Other financial assets	7,304,454	(*)	-	-	-
Loans and other financing arrangements	76,021,888	72,518,602	-	72,518,602	-
Other debt securities	31,304,551	30,842,719	1,030,993	29,811,726	-
Financial assets pledged as collateral	4,229,421	3,941,075	3,941,075	-	-
Liabilities					
Deposits	(295,761,911)	(290,829,579)	-	(290,829,579)	-
Other financial liabilities	(24,470,710)	(24,616,432)	-	(24,616,432)	-
Financing received from BCRA	(295,119)	(*)	-	-	-
Negotiable obligations issued	(14,401,224)	(11,140,594)	-	(11,140,594)	-

(*) It is considered that the fair value of instruments is similar to their book value.

Instrument portfolio as of 12/31/2021	Balance	Total FV	Level 1 FV	Level 2 FV	Level 3 FV
Assets					
Cash and bank deposits	35,279,713	(*)	-	-	-
Repo transactions	376,359,756	(*)	-	-	-
Other financial assets	5,563,525	(*)	-	-	-
Loans and other financing arrangements	102,093,289	100,202,856	-	100,202,856	-
Other debt securities	56,400,675	54,412,520	2,050,761	52,361,759	-
Financial assets pledged as collateral	9,252,514	(*)	-	-	-
Liabilities					
Deposits	(563,520,404)	(561,338,635)	-	(561,338,635)	-
Repo transactions	(55,460)	(*)	-	-	
Other financial liabilities	(19,477,317)	(18,789,896)	-	(18,789,896)	-
Financing received from BCRA	(558,893)	(*)	-	-	-
Negotiable obligations issued	(39,607,220)	(35,753,932)	-	(35,753,932)	-

(*) It is considered that the fair value of instruments is similar to their book value.

Valuation Techniques

The techniques used by the Entity to measure the fair value of financial instruments subject to IFRS 13 maximize the use of observable and available information at the measurement date, in order to obtain the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the

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measurement date, regardless of whether that price is directly observable or was estimated using a different valuation technique.

When measuring the fair value of a specific asset or liability, an entity takes into account the specific characteristics of the asset or liability being measured that a market participant would take into account when pricing the asset or liability at issuance date, including:

- The conditions and location of the asset or liability
- The principal (or most advantageous) market for the asset or liability
- Any restrictions on the sale and use of the asset or liability

Fair value is not adjusted for transaction costs, for such costs are not an intrinsic characteristic of the asset or liability, but are rather specific to each transaction and the means by which it was completed.

The techniques used to measure the fair value of the securities recognized in the financial statements as of December 31, 2022 are summarized below:

- Valuation at the market price for identical assets or liabilities observable at the measurement date, or up to 5 previous rounds in a representative market.
- Valuation at the market price of an asset or liability with similar characteristics, observable at the measurement date, or up to 5 previous rounds in a representative market.
- Valuation as per model based on the current value of the asset or liability projected cash flows based on contractual conditions, by reference to implied interest rates or yield curves of assets and liabilities with similar characteristics, observable at the measurement date, or up to 5 previous rounds in a representative market.

Based on the valuation model inputs, fair values will be classified into the following levels:

- Level 1: Fair values estimated on the basis of quoted prices (unadjusted) in active markets that the entity can access at the measurement date, considering that such prices provide the most reliable evidence of fair value. Even if the market's normal daily trading volume is not sufficient to absorb the quantity held and placing orders to sell the position in a single transaction might affect the quoted price.

- Level 2: Fair values estimated on the basis of inputs other than the quoted market prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs may include:
    - Quoted prices for similar assets or liabilities in markets that are or are not active.
    - Inputs other than quoted prices that are observable for the asset or liability, for example:
        - Observable interest rates and yield curves
        - Implied volatilities
        - Credit spreads
    - Market-corroborated inputs

The models currently used by the Group are oriented to place reliance on the yield curves of benchmark instruments grouped by currency and issuer's quality, which are used to discount the cash flows from the securities that require Level 2 fair value measurement.

As of December 31, 2022, the Entity has built 2 yield curves: one for peso-denominated sovereign securities and another one for CER-linked sovereign securities (real rate curve). The securities taken as a benchmark proved to have frequent quoted prices in recent months, leading to conclude that they reasonably reflect market participants' expectations.

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In addition, the Entity has relied on the monetary policy rate to measure Argentine Central Bank bills without a benchmark quoted price at the measurement date, and an average rate for privately issued U.S. dollar-denominated securities to measure privately issued dollar-linked assets.

• Level 3: Fair values measured on the basis of unobservable inputs in active and representative markets.

6.3. Allowance for expected credit losses

Below is a detail of the changes in the allowances for loan losses during the reporting year:

	12/31/2022
Balance at beginning of year (Schedule R)	**14,677,208**
Loan loss BHSA (*)	1,774,780
Loan loss BACS (**)	33,071
Reversed allowances (Note 20)	(134,719)
Write-offs	(13,269,861)
Loss on net monetary position (Schedule R)	(7,142,441)
Other variations	6,734,959
Balance at year-end (Schedule R)	**2,672,997**

(*) The Bank's loan loss is calculated per expected credit loss.

(**) BACS' loan loss is calculated in accordance with the Central Bank's "Minimum allowances for loan losses" guidelines set forth in Section VIII of the Liquidity and Solvency (LISOL) standards.

Maximum exposure to credit risk

Below is a detail of the credit risk exposure of financial instruments in respect of which the Group has recognized expected credit loss allowances. The gross book value of the financial assets included in the table represents the maximum credit risk exposure associated with such assets.

Consumer Portfolio – Total active	12/31/2022				
	Stage 1 12 months	Stage 2 Lifetime	Stage 3 Lifetime	Purchased or originated credit-impaired financial asset	Total
Days in arrears					
Mortgage loans					**16,618,349**
0	14,284,473	21,804	-	-	14,306,277
1 - 30	1,393,654	2,217	-	-	1,395,871

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Consumer Portfolio – Total active	12/31/2022				
	Stage 1 12 months	**Stage 2 Lifetime**	**Stage 3 Lifetime**	**Purchased or originated credit-impaired financial asset**	**Total**
31 - 90	-	353,560	-	-	353,560
91 +	-	162,664	-	-	162,664
Default	-	-	399,977	-	399,977
Consumer loans					**6,356,569**
0	4,822,062	43,085	-	423,059	5,288,206
1 – 30	371,091	260,349	-	78,104	709,544
31 – 90	-	165,942	-	35,240	201,182
Default	-	-	157,637	-	157,637
Credit cards					**24,630,670**
0	23,542,265	115,799	-	-	23,658,064
1 – 30	308,902	267,450	-	-	576,352
31 – 90	-	175,244	-	-	175,244
Default	-	-	221,010	-	221,010
Other					**41,802,288**
0	41,209,246	509,975	213	-	41,719,434
1 – 30	12,091	2,967	-	-	15,058
31 – 90	-	32,031	-	-	32,031
Default	-	19,084	16,681	-	35,765
Total financial instruments	85,943,784	2,132,171	795,518	536,403	**89,407,876**
Allowance for loan losses (Schedule R)	(553,742)	(494,473)	(638,657)	(128,925)	**(1,815,797)**
Financial instruments, net	**85,390,042**	**1,637,698**	**156,861**	**407,478**	**87,592,079**

Corporate Portfolio (*) – Total active	12/31/2022				
	Stage 1 12 months	**Stage 2 Lifetime**	**Stage 3 Lifetime**	**Purchased or originated credit-impaired financial asset**	**Total**
Days in arrears					
0	55,314,720	73,680	554,828	-	55,943,228
1 - 30	9,618	-	-	-	9,618
31 - 90	-	127	11	-	138
91 +	-	-	1,878,046	-	1,878,046
Total financial instruments	**55,324,338**	**73,807**	**2,432,885**	**-**	**57,831,030**
Allowance for loan losses (Schedule R)	**(244,491)**	**(813)**	**(435,008)**	**-**	**(680,312)**
Financial instruments, net	**55,079,847**	**72,994**	**1,997,877**	**-**	**57,150,718**

(*) It includes overdraft facilities, promissory notes, mortgage loans, pledge loans, finance leases and other.

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SMEs Portfolio– Total active	12/31/2022				
	Stage 1 12 months	Stage 2 Lifetime	Stage 3 Lifetime	Purchased or originated credit-impaired financial assets	Total
Days in arrears					
0	14,435,600	23,765	4,512	-	14,463,877
1 – 30	245,167	1	2	-	245,170
31 – 90	-	2,955	13	-	2,968
91 +	-	-	64,262	-	64,262
Total financial instruments	**14,680,767**	**26,721**	**68,789**	**-**	**14,776,277**
Allowance for loan losses (Schedule R)	**(123,800)**	**(118)**	**(52,970)**	**-**	**(176,888)**
Financial instruments, net	**14,556,967**	**26,603**	**15,819**	**-**	**14,599,389**

Collateral and other credit enhancements

Collateral is an instrument by which a borrower (a Group's customer) or a third party agrees to make a payment, upon default of an assumed obligation. The Group accepts collateral as further assurance of payment when a customer applies for a loan or is granted a product that requires a high credit rating, which the customer does not have.

According to the compiled text of the BCRA's guidelines on "Collateral", the Group's collateral is classified into the following categories:

- Preferred "A" (self-liquidating);
- Preferred "B" (mortgages and pledges);
- Other collateral (sureties and guarantees).

The Group has a dedicated collateral management area, tasked with reviewing legal compliance and the appropriate delivery of collateral, including wording, signatures and powers, as well as collateral registration in internal systems. The main assets admitted by the Group as collateral include real estate, vehicles, sureties, guarantees, liquid funds, stand-by letters of credit, and reciprocal guarantee companies. Depending on the type of collateral, guarantors may be individuals or legal entities (for mortgages, pledges, sureties, guarantees and liquid funds) and top-tier international financial institutions (for stand-by letters of credit).

The Group monitors collateral related to financial assets deemed credit-impaired, since foreclosure of such collateral is more probable to mitigate potential credit losses.

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Below is a detail of the book value and fair value of the Group's collateral as of December 31, 2022:

Impaired credit	Gross exposure	Allowance for loan losses	Book value	Collateral fair value
Overdraft facilities	14,820	12,533	2,287	-
Promissory notes	938	750	188	-
Mortgage loans	402,141	353,225	48,916	755,279
Consumer loans	694,035	251,371	442,664	-
Credit cards	221,016	148,896	72,120	-
Finance leases	54	5	49	38
Call loan rate to companies	181,755	136,316	45,439	-
Other	2,318,836	352,464	1,966,372	7,277,144
Total impaired credit	**3,833,595**	**1,255,560**	**2,578,035**	**8,032,461**

Allowance for credit risk

The allowance for credit risk recognized for the year is affected by several factors, which may be classified into two major groups:

Changes in exposure within each Stage:

- Due to the origination of new financial instruments, as well as financial instruments derecognized during the year (credit repayment and termination of checking account and card services), resulting in the recognition of increases or decreases in the allowance during the period/year;
- Exposure adjustments due to an increase in UVA or in the peso-dollar exchange rate;
- Impacts due to the time elapsed as a consequence of present value adjustments;
- Transfers to and from Stages due to changes in the perceived credit risk of the instruments and the ensuing "increase" (or "decrease") in 12-month and Lifetime expected credit losses (“ECL”).

Changes in the calculation methodology and parameters during the year, resulting from the periodical adjustment of inputs and maintenance of models:

- Impacts on ECL measurement due to changes in models and assumptions
- Changes in ECLs attributable to the adjustment to the model main parameters:
    - Probability of Default (“PD”)
    - Loss given default (“LGD”)
    - Exposure at default (“EAD” / Credit conversion factor (“CCF”)
- Adjustments to the macroeconomic projections used in forward-looking models

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The following table shows the changes observed in the allowances for loan losses under the IFRS approach from December 31, 2022 to December 31, 2021:

Consumer Portfolio	Stage 1 12-month ECLs	Stage 2 Lifetime ECLs	Stage 3 Lifetime ECLs	Purchased or originated credit-impaired financial assets	Total
Allowance for credit risk as of 12/31/2021	**536,422**	**259,308**	**524,291**	**190,607**	**1,510,628**
Inflation adjustment	**508,491**	**245,806**	**496,992**	**180,682**	**1,431,971**
New originated or purchased financial instruments during the year	**92,066**	**49,549**	**60,001**	**23,346**	**224,962**
Changes in PDs/LGDs/EADs	**(410,333)**	**(310,136)**	**(151,584)**	**(136,257)**	**(1,008,310)**
Changes in the model assumptions and methodology	**-**	**-**	**-**	**-**	
Foreign currency difference and other changes	**27,061**	**64,451**	**72,851**	**9,642**	**174,005**
Inter-stage transfers					
From Stage 1 to Stage 2	-	315,842	-	-	**315,842**
From Stage 1 to Stage 3	-	-	197,188	-	**197,188**
From Stage 2 to Stage 1	(65,592)	-	-	-	**(65,592)**
From Stage 3 to Stage 1	(29,390)	-	-	-	**(29,390)**
From Stage 2 to Stage 3	-	-	66,209	-	**66,209**
From Stage 3 to Stage 2	-	(2,236)	-	-	**(2,236)**
Net amount recognized in profit or loss	**122,303**	**363,276**	**741,657**	**77,413**	**1,304,649**
Derecognitions	**(104,983)**	**(128,111)**	**(627,291)**	**(139,095)**	**(999,480)**
Allowance for credit risk as of 12/31/2022	**553,742**	**494,473**	**638,657**	**128,925**	**1,815,797**

Corporate Portfolio	Stage 1 12-month ECLs	Stage 2 Lifetime ECLs	Stage 3 Lifetime ECLs	Purchased or originated credit impaired financial assets	Total
Allowance for credit risk as of 12/31/2021	**116,766**	**17,233**	**5,819,544**	**-**	**5,953,543**
Inflation adjustment	**110,686**	**16,336**	**5,516,527**	**-**	**5,643,549**
New originated or purchased financial instruments during the year	**68,336**	**811**	**136,436**	**-**	**205,583**
Changes in PDs/LGDs/EADs	**(115,162)**	**(33,567)**	**578,966**	**-**	**430,237**
Changes in the model assumptions and methodology	**-**	**-**	**-**	**-**	-

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Foreign currency difference and other changes	63,865	-	653,848	-	**717,713**
Inter-stage transfers					
From Stage 1 to Stage 3	-	-	68	-	**68**
Net amount recognized in profit or loss	**127,725**	**(16,420)**	**6,885,845**	**-**	**6,997,150**
Derecognitions	**-**	**-**	**(12,270,381)**	**-**	**(12,270,381)**
Allowance for credit risk as of 12/31/2022	**244,491**	**813**	**435,008**	**-**	**680,312**

SMEs Portfolio	**Stage 1**	**Stage 2**	**Stage 3**	**Purchased or originated impaired credits**	**Total**
	12-month ECLs	**Lifetime ECLs**	**Lifetime ECLs**		
Allowance for credit risk as of 12/31/2021	**28,549**	**4**	**42,043**	**-**	**70,596**
Inflation adjustment	**27,063**	**4**	**39,854**	**-**	**66,921**
New originated or purchased financial instruments during the year	**92,882**	**95**	**637**	**-**	**93,614**
Changes in PDs/LGDs/EADs	**(24,694)**	**15**	**(102,908)**	**-**	**(127,587)**
Changes in the model assumptions and methodology	**-**	**-**	**-**	**-**	-
Foreign currency difference and other changes	**-**	**-**	73,361	**-**	**73,361**
Inter-stage transfers					
From Stage 1 to Stage 3	-	-	(17)	-	**(17)**
Net amount recognized in profit or loss	**95,251**	**114**	**10,927**	**-**	**106,292**
Allowance for credit risk as of 12/31/2022	**123,800**	**118**	**52,970**	**-**	**176,888**

Exposure to credit risk

Exposure to credit risk, measured under IFRS 9 BCRA (expected losses model, except for non-financial public sector's financial assets) as of December 31, 2022 and 2021 is as follows: **Consumer Portfolio**	**Stage 1**	**Stage 2**	**Stage 3**	**Purchased or originated credit-impaired financial assets**	**Total**
	12-month ECLs	**Lifetime ECLs**	**Lifetime ECLs**		
Allowance for credit risk as of 12/31/2021	**63,089,689**	**1,432,196**	**697,530**	**784,391**	**66,003,806**
Inflation adjustment	**59,804,724**	**1,357,624**	**661,211**	**743,549**	**62,567,108**
New originated or purchased financial instruments during the year	**8,274,212**	**234,126**	**78,530**	**96,305**	**8,683,173**
Changes without inter-stage transfers	**(49,092,874)**	**(1,254,065)**	**(463,063)**	**(846,524)**	**(51,656,526)**
Foreign currency difference and other changes	**8,260,431**	**312,715**	**126,735**	**57,117**	**8,756,998**
Inter-stage transfers					
From Stage 1 to Stage 2	-	331,341	-	-	**331,341**
From Stage 1 to Stage 3	-	-	80,879	-	**80,879**
From Stage 2 to Stage 1	134,943	-	-	-	**134,943**

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From Stage 3 to Stage 1	(10,767)	-	-	-	**(10,767)**
From Stage 2 to Stage 3	-	-	73,858	-	**73,858**
From Stage 3 to Stage 2	-	1,378	-	-	**1,378**
Reimbursement and derecognitions	(4,516,574)	(283,144)	(460,162)	(298,435)	**(5,558,315)**
Balance as of 12/31/2022	**85,943,784**	**2,132,171**	**795,518**	**536,403**	**89,407,876**

Corporate Portfolio	**Stage 1**	**Stage 2**	**Stage 3**	**Purchased or originated credit impaired financial assets**	**Total**
	12-month ECLs	**Lifetime ECLs**	**Lifetime ECLs**		
Allowance for credit risk as of 12/31/2021	**8,687,104**	**45**	**7,010,201**	**-**	**15,697,350**
Inflation adjustment	**8,405,534**	**43**	**6,645,192**	-	**15,050,769**
New originated or purchased financial instruments during the year	**7,962,228**	**73,738**	**105,701**	**-**	**8,141,667**
Changes without inter-stage transfers	**29,468,812**	**15,463**	**(6,599,501)**	**-**	**22,884,774**
Foreign currency difference and other changes	**1,699,110**	**(15,490)**	**944,225**	**-**	**2,627,845**
Inter-stage transfers					
From Stage 1 to Stage 2	-	38	-	-	**38**
From Stage 1 to Stage 3	-	-	156	-	**156**
From Stage 2 to Stage 1	(6)	-	-	-	**(6)**
From Stage 3 to Stage 1	(27)	-	-	-	**(27)**
Reimbursement and derecognitions	(898,417)	(30)	(5,673,089)	-	**(6,571,536)**
Balance as of 12/31/2022	**55,324,338**	**73,807**	**2,432,885**	**-**	**57,831,030**

SMEs Portfolio	**Stage 1**	**Stage 2**	**Stage 3**	**Purchased or originated impaired credits**	**Total**
	12-month ECLs	**Lifetime ECLs**	**Lifetime ECLs**		
Allowance for credit risk as of 12/31/2021	**8,073,073**	**3,355**	**64,857**	**-**	**8,141,285**
Inflation adjustment	**15,725,796**	**6,535**	**126,337**	-	**15,858,668**
New originated or purchased financial instruments during the year	**11,847,986**	**26,433**	**922**	**-**	**11,875,341**
Changes without inter-stage transfers	**(19,679,189)**	**(9,026)**	**(128,533)**	**-**	**(19,816,748)**
Foreign currency difference and other changes	**376,787**	**2,526**	**17,789**	**-**	**397,102**
Inter-stage transfers					
From Stage 1 to Stage 2	-	(2,491)	-	-	**(2,491)**
From Stage 1 to Stage 3	-	-	(2,196)	-	**(2,196)**
From Stage 2 to Stage 1	(491)	-	-	-	**(491)**
From Stage 3 to Stage 1	174	-	-	-	**174**
From Stage 2 to Stage 3	-	-	60	-	**60**
From Stage 3 to Stage 2	-	(10)	-	-	**(10)**

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Reimbursement and derecognitions	(1,663,369)	(601)	(10,447)	-	**(1,674,417)**
Balance as of 12/31/2022	**14,680,767**	**26,721**	**68,789**	**-**	**14,776,277**

Write-off policy

The Group writes off financial assets, in whole or in part, when it has exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include (i) ceasing enforcement activity, and (ii) where the Group's recovery method is foreclosing on collateral and the value of the collateral is such that there is no reasonable expectation of recovery in full.

The Group may write off financial assets which are still subject to enforcement activity. The outstanding contractual amounts of such assets written off during the fiscal year ended December 31, 2022 were equivalent to ARS 13,269,891. The Group still seeks to recover amounts legally owed to it in full, but which have been partially written off since there is no reasonable expectation of full recovery.

	12/31/2022
Balance at beginning of year (Note 24)	**12,168,160**
Additions due to write-offs for the year	13,269,861
Deletions due to recoveries	(725,535)
Deletions due to accounting recognition	(97,952)
Monetary restatement and other changes	(7,844,596)
Balance at year-end (Note 24)	**16,769,938**

7.LOANS AND OTHER FINANCING ARRANGEMENTS

Since January 1, 2020, the Group has adopted the guidelines on impairment of financial assets set forth in paragraph 5.5 of IFRS 9, except for non-financial public sector debt instruments, which have been temporarily excluded from the scope of IFRS 9. In addition, the BCRA, through Communication "A" 7659, resolved to postpone the application of paragraph 5.5 of IFRS 9 until January 1, 2024 for Group "C" Financial Institutions, that are neither branches nor subsidiaries of foreign banks classified as systemically important, as it is the case of the subsidiary BACS Banco de Crédito y Securitización S.A.; therefore, BACS' allowances for loan losses are determined in accordance with the accounting framework established by the BCRA.

By means of a note dated December 28, 2021 in the first instance and December 21, 2022, BACS Banco de Crédito y Securitización S.A., informed the BCRA that it is making use of the irrevocable option to apply the impairment model as from January 1, 2024.

Consumer loans fully accounted for in accordance with the regulatory framework established by the BCRA are derecognized from the Group's assets within 30 days.

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The following table shows a breakdown of balances of Loans and other financing arrangements:

	12/31/2022	12/31/2021
To the non-financial public sector	**-**	**8**
Other financial institutions	**243,861**	**937,992**
Other loans to local financial institutions	241,285	938,054
Accrued interest, adjustments and exchange differences receivable	2,586	394
Allowance for loan losses (Schedule R)	(10)	(456)
To the non-financial private sector and foreign residents	**75,778,027**	**101,155,289**
Overdraft facilities	1,342,281	816,132
Promissory notes	11,123,832	11,086,394
Mortgage loans	16,798,237	20,462,929
Pledge loans	34,297	78,718
Consumer loans	6,361,051	8,731,313
Credit cards	24,630,670	41,177,257
Finance leases	1,440,448	160,348
Loans to entity's personnel	790,421	932,259
Unallocated collections	(14,766)	(17,758)
Other	14,812,995	30,163,219
Accrued interest and exchange differences receivable	1,976,364	2,973,151
Documented interest	(1,139,552)	(1,118,917)
Allowance for loan losses (Schedule R)	(2,378,251)	(14,289,756)
Total Loans and other financing arrangements	**76,021,888**	**102,093,289**

Financing line for MSMEs' productive investments

By means of Communication “A” 7140 dated October 15, 2020, the BCRA established a financing line for productive investments available to micro, small and medium-sized enterprises (MSMEs) to finance capital expenditures and/or the construction of the facilities needed for the production and/or marketing of goods and/or services, financing working capital needs and discounting deferred checks and other instruments, and other special eligible credit facilities allowed by applicable law.

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The facilities should be granted as part of the 2020, 2021, 2021/2022, 2022 and 2022/2023 Quotas, pursuant to the following conditions:

	2020 Quota	**2021 Quota**	**2021/2022 Quota**	**2022 Quota**	**2022/2023 Quota**
Amount to be granted	At least, the equivalent to 7.5% of the monthly average of daily balances of non-financial private sector deposits in pesos in September 2020	At least, the equivalent to 7.5% of the monthly average of daily balances of non-financial private sector deposits in pesos in March 2021	At least, the equivalent to 7.5% of the monthly average of daily balances of non-financial private sector deposits in pesos in September 2021	At least, the equivalent to 7.5% of the monthly average of daily balances of non-financial private sector deposits in pesos in March 2022	At least, the equivalent to 7.5% of the monthly average of daily balances of non-financial private sector deposits in pesos in September 2022
Calculation of applications	Between 10.16.2020 and 03.31.2021	Between 04.01.2021 and 09.30. 2021	Between 10.01.2021 and 03.31. 2022	Between 04.01.2022 and 09.30.2022	Between 10.01.2022 and 03.31.2023
Currency	Pesos				
Minimum term	At the time of disbursement, the credit facilities shall have an average term of 24 months or more, but the total term shall not be of less than 36 months. No minimum term will apply to credit facilities aimed at financing working capital and discounting deferred checks and other instruments.				
Maximum interest rate	Capped at an annual nominal fixed rate of 64.5% for investment projects, and at an annual nominal fixed rate of 74.50% for other purposes.				

As of December 31, 2022, the total amount disbursed by the Bank under the 2022/2023 Quota amounts to 24,193,935 and the simple average of daily balances for financing arrangements effective from October 1, 2022 to December 31, 2022 amounts to 12,441,738.

As per Communication "B" 12424, the total amount to be disbursed by the Bank in respect of the 2022/2023 Quota (from October 1, 2022 to March 31, 2023) amounts to 11,928,021.

8.DERIVATIVE INSTRUMENTS

Below is a detail of financial derivative instruments as of December 31, 2022:

1. US dollar forward transactions have been carried out, the settlement of which, in general, is made without delivery of the underlying asset but by means of the payment in Pesos of currency differences. Transactions closed through MAE call for daily settlement in Pesos and those closed through ROFEX are settled the following day (T+1) in Pesos. These transactions are mainly performed as hedge for

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foreign currency positions. These instruments are measured at fair value and presented under "Derivative Instruments" of assets and/or liabilities, as the case may be.

2. Call options: The Group acquired call options to buy preferred shares measured at fair value, based on the quoted price at the end of the reporting period, in accordance with the characteristics set forth under each contract. These call options are recognized in assets under the line "Derivative instruments."

The breakdown of the Group's derivative instruments as of December 31, 2022 and 2021 is as follows:

	12/31/2022	12/31/2021
Call options taken	9,567	7,419
Forward transactions	62,900	557,886
Total assets	**72,467**	**565,305**
Forward transactions	(156)	(33,758)
Total liabilities	**(156)**	**(33,758)**

9.OTHER FINANCIAL ASSETS AND LIABILITIES

The balances of other financial assets are as follows:

Other financial assets	12/31/2022	12/31/2021
Shares in mutual funds	3,186,138	3,432,903
Receivables from transactions pending settlement	5,364,868	2,793,405
Miscellaneous receivables		
Funds to be offset	48,493	14,458
Other	1,891,093	2,755,662
Total	**10,490,592**	**8,996,428**

Balances of other financial liabilities are as follows:

Other financial liabilities	12/31/2022	12/31/2021
Credit cards consumptions payable	5,542,245	8,501,871
Payables from transactions pending settlement	12,055,809	1,572,398
Liabilities related to the transfer of financial assets not derecognized (See Note 10)	4,870,366	7,048,068
Finance leases	400,379	773,593
Other	1,601,911	1,581,387
Total	**24,470,710**	**19,477,317**

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10. TRANSFER OF FINANCIAL ASSETS

The Group has made transfers of financial assets as described in Note 28.3. Upon the initial adoption of IFRS, derecognition criteria for financial assets under IFRS 9 were applied on a prospective basis for transactions occurring after the IFRS transition date (January 1, 2017).

Transfers of financial assets to financial trusts as of December 31, 2022 that do not qualify for derecognition are detailed below. Therefore, the Group continues recognizing transferred assets in full and a financial liability for the consideration it has received:

Issuer	Financial trust	Created on	Initial trust debt amount		Estimated termination of the series
			Type	Amount (in thousands)	
BHSA	CHA UVA Series I	Apr-18	A	8,645 UVA	Oct-24
			B	5,763 UVA	Apr-28
			CP	4,802 UVA	May-32

11. OTHER NON-FINANCIAL ASSETS AND LIABILITIES

11.1 Property and equipment

Changes in property and equipment are included in Schedule F, accompanying these financial statements. Depreciation and impairment expenses for the period are recorded under "Depreciation and Impairment of assets" in the consolidated statement of income.

Right of use from leases

Below is a detail of the amounts of leases in which the Group acts as lessee:

(i) Amounts recognized in the statement of financial position:

Rights of use:

Personal property	12/31/2022	12/31/2021
Original value at beginning of the year	279,186	279,186
Accumulated depreciation	(270,433)	(253,362)
	8,753	**25,824**

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Real estate	**12/31/2022**	**12/31/2021**
Original value at beginning of the year	2,404,468	2,065,211
Increases for the year	313,465	366,861
Decreases for the year	(63,537)	(27,604)
Accumulated depreciation	(2,168,513)	(1,698,176)
	485,883	**706,292**

Leases payable:

Personal property	**12/31/2022**	**12/31/2021**
Up to one year	10,620	20,788
From one to five years	-	13,850
	10,620	**34,638**

Real estate	**12/31/2022**	**12/31/2021**
Up to one year	211,249	332,617
From one to five years	178,510	406,338
	389,759	**738,955**

(ii) Amounts recognized in the statement of income:

	12/31/2022	**12/31/2021**
Depreciation of rights of use	487,408	583,820
Interest on lease liabilities	338,834	470,028
Expenses related to short-term leases	115,393	110,331

11.2 Intangible assets

Changes in intangible assets are included in Schedule G, accompanying these financial statements. The amortization expense for the period is reported in "Depreciation and Impairment of assets".

11.3 Other non-financial assets

The balances of other non-financial assets are as follows:

Other non-financial assets	**12/31/2022**	**12/31/2021**
Investment property (Schedule F)	1,715,088	2,100,453
Tax prepayments	534,544	119,183
Prepaid fees to Directors and Supervisory Committee members	253,399	272,309
Other prepayments	549,987	355,520
Other	98,654	165,719
Total	**3,151,672**	**3,013,184**

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Investment property

The fair value of all investment property is based on appraisals performed by the companies Tinsa, Sageo, Serinco and Favereau Tasaciones, independent experts with recognized professional qualification and expertise in the place and category of the investment property (level 3 fair value). Changes in fair value are recognized in profit or loss.

Investment property appraisal was based on the market approach, i.e., considering market prices per constructed square meter of similar pieces of property and the characteristics inherent to the property being appraised, including aging, condition, maintenance, and construction quality.

Significant input data used, detailed by zone and their interrelation with the fair value is as follows:

Main calculation variables, non-observable	Interrelation between main variables and fair value	AMBA (Metropolitan Area of Buenos Aires)	Provinces of Buenos Aires and La Pampa	Rest of the country
Price per square meter (in thousands of pesos)	The higher the price per square meter, the greater the fair value	Between 48 and 84	Between 63 and 259	Between 171 and 240
Aging	The greater the age, the lower the fair value	Between 42 and 61 years	Between 43 and 95 years	Between 31 and 100
State of preservation	The better the state of preservation, the higher the fair value	Good	Between regular and good	Between good and very good

Changes in investment property for the year ended December 31, 2022 are included in Schedule F, accompanying these financial statements.

The figures included in income/(loss) from Investment Property for the year are as follows :

	12/31/2022	12/31/2021
Rentals	33,794	24,427
Direct expenses from property management	(1,201)	(1,216)

Net income from investment property as of December 31, 2022 and 2021 amounts to ARS 32,593 and ARS 23,211, respectively, and is recognized in "Other operating income", "Administrative expenses" and "Other operating expenses" in the statement of income.

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11.4 Non-current assets held for sale

On April 20, 2016, the Bank purchased the building located at Carlos Pellegrini 211, known as “Edificio del Plata”, through a public auction held by the Government of the City of Buenos Aires, with the purpose of setting up a branch and corporate offices.

On September 28, 2018, the Bank's Board of Directors decided to discontinue the investment in the construction plan of the new corporate headquarters, changing the originally intended purpose of the building known as "Edificio del Plata".

As of December 31, 2022 and 2021, the aforementioned building is classified as “Non-current asset held for sale” (IFRS 5) and is subject to a sales plan prepared by the Department of Comprehensive Development of Housing.

As of December 31, 2021, the building was measured at the lower of book or fair value, net of selling expenses. The book value of the building amounts to 15,991,361.

As of December 31, 2022, the building was valued in 8,209,405 according to the accounting treatment established by the BCRA by means of a note issued on July 27, 2021. Such note instructed to interrupt the building’s periodical revaluations projected as from June 2021 onwards. Had the accounting criteria established by IFRS been applied, the value recorded would have been 13,545,854. At fiscal year-end, the building qualifies for classification as a non-current asset held for sale.

It is worth mentioning that as part of the actions taken to facilitate the sale of Edificio del Plata, a preliminary architectural project was submitted to the Undersecretary of Economic Development of the Ministry of Economic Development and Production of the Government of the Autonomous City of Buenos Aires to be included in the city downtown conversion plan that would allow changing the commercial use of the property and access to the benefits of Law CABA 6508 Regime for the Transformation of the Downtown Area of the City of Buenos Aires.

On January 19, 2023, Resolution 2023-24-GCABA-UCGPP of the Government of the Autonomous City of Buenos Aires was received, informing the pre-approval of the preliminary project submitted. It also states that the project is covered by the tax benefit as payment on account of the Turnover Tax for the beneficiary investors, once the corresponding approval has been obtained. As of the date of issuance of these financial statements, the project is being offered to potential investors, either directly or through a trust.

Its fair value as each measurement date is determined based on assessments carried out by independent appraisers outsourced to carry out the assessment. Such appraisers act as advisors to the Board of Directors and shall meet the required market knowledge, reputation, independence and professional standards.

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11.5 Other non-financial liabilities

Balances of other non-financial liabilities are as follows:

Other non-financial liabilities	**12/31/2022**	**12/31/2021**
Miscellaneous payables	3,565,386	4,239,216
Salaries and social security contributions payable	4,501,470	3,435,960
Other taxes payable	1,698,411	2,095,137
Directors' and Supervisory Committee members' fees	691,968	597,170
Tax withholdings and collections payable	1,462,303	1,364,362
Personnel expenses	170,000	151,939
Customers' loyalty programs	90,292	88,901
Termination benefits payable	410,481	658,089
Dividends payable	575	1,121
Total	**12,590,886**	**12,631,895**

12. INCOME TAX

The table below shows a breakdown of "Current income tax assets":

Current income tax assets	**12/31/2022**	**12/31/2021**
Minimum notional income tax credit (*)	330,799	644,374
Income tax prepayments	139,247	1,226,108
Total	**470,046**	**1,870,482**

(*) Below is a detail of the breakdown and expiration of tax credits:

Period	**Minimum notional income tax credit**	
	Assessed tax	**Tax Expiration Period**
2012	897	2022
2015	41	2025
2016	81,835	2026
2017	106,128	2027
2018	138,099	2028
2019	3,799	2029
	330,799	

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The breakdown of income tax (expense) / benefit is as follows:

	12/31/2022	**12/31/2021**
Current income tax – (Expense)	(1,137,646)	(1,128,889)
Deferred Income tax – (Expense) / Benefit	(6,384,120)	1,314,965
Total income tax (Expense) / Benefit	**(7,521,766)**	**186,076**

The table below shows a reconciliation of the income tax liability recognized in profit or loss as of December 31, 2022 and 2021 and the income tax liability resulting from applying the effective tax rate to taxable income:

	12/31/2022	**12/31/2021**
(Loss) /Income for the year before income tax	**13,440,408**	**(8,479,652)**
Effective tax rate	35%	35%
(Loss)/income for the year at the tax rate	**(4,704,143)**	**2,967,878**
Permanent differences at the tax rate:		
- Tierra del Fuego income	(177,671)	(83,796)
- ProCreAr net revenues	354,655	509,098
- Other		
Tax Inflation adjustment	125,854	88,527
Non-monetary assets inflation adjustment	3,272,190	2,107,829
Gain (loss) on net monetary position	(1,992,172)	(2,279,614)
Allowance for impairment of net deferred asset	(5,333,876)	(2,519,987)
Total income tax benefit / (expense) for the year	**933,397**	**(603,859)**

<u>Deferred income tax assets and liabilities</u>

The table below shows the changes in deferred income tax assets and liabilities:

Deferred tax assets / (liabilities), net	**Balance as of 12/31/2021**	**Balance recognized in profit or loss**	**Balance as of 12/31/2022**
Allowance for loan losses	7,285,514	(4,053,725)	3,231,789
Property and equipment, Investment property and assets held for sale	(7,606,927)	275,192	(7,331,735)
Foreign-currency valuation	(23,054)	14,044	(9,010)
Provisions	474,104	70,007	544,111
Valuation of financial instruments	647,427	(965,364)	(317,937)
Tax inflation adjustment	2,619,555	(1,634,746)	984,809
Tax losses	530,815	(68,328)	462,487

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Other	(65,267)	(21,200)	(86,467)
Total deferred income tax assets / (liabilities), net	**3,862,167**	**(6,384,120)**	**(2,521,953)**

Below is a detail of the years of origination and expiration of the recognized tax losses:

Originated in	Balance as of 12/31/2022	Expiration
2021	300,247	2026
2022	162,240	2027
Total	**462,487**	

As per the analysis performed by the Group, the assets detailed above are considered to be recoverable and, they are recognized accordingly.

Income tax rate

Law No. 27430, as subsequently amended by the Social Solidarity and Production Reactivation Law enacted within the framework of the prevailing Public Emergency (the "Economic Emergency Law"), established the following income tax rates:

- 30% for fiscal years beginning on or after January 1, 2018 and 25% for fiscal years beginning on or after 2022; and
- dividends distributed to individuals and foreign beneficiaries as from such fiscal years will be taxed at a 7% and 13% rate, respectively.

Then, Law No. 27630 enacted on June 16, 2021 repealed the aforementioned general decrease in rates and introduced a system of tax brackets which was effective for the fiscal year started on January 1, 2021.

AFIP's General Resolution No. 5158 set forth the tax brackets and rates effective as from January 1, 2022, as follows:

Accumulated net taxable income		Amount payable	Rate %	Over the excess of
From	To			
-	7,605	-	25%	-
7,605	76,049	1,901	30%	7,605
76,049	onwards	22,435	35%	76,049

The amounts included in this system of tax brackets will be adjusted annually, based on the changes in the CPI measured in October each year.

Furthermore, dividends on profits generated in fiscal years beginning on or after January 1, 2018 will be taxed at a single rate of 7%.

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As a consequence of such changes, the current tax liability as of December 31, 2022 was measured by applying progressive rates on taxable income assessed at such date, while deferred tax balances were measured by using the progressive rate expected to be in force at the time of reversal of the temporary differences.

13. NEGOTIABLE OBLIGATIONS ISSUED

The table below shows the Group's issues of simple, non-convertible negotiable obligations:

	Issued amount (in thousands of ARS.)	**Issue date**	**Maturity date**	**Annual interest rate**	**12/31/2022**	**12/31/2021**
Banco Hipotecario S.A. (1)						
XLVIII	$6,300,000	11/07/17	11/07/22	Badlar +4.00%	-	5,452,156
L	UVA23,239	02/14/18	02/14/22	4.90%	-	4,441,464
Series III	UVA60,329	02/11/20	02/11/22	5.00%	-	11,534,176
Series IV	US$78,336	10/14/20	10/14/25	9.75%	8,331,680	12,495,710
Series V	US$10,000	10/01/21	04/07/23	0.00%	1,769,048	1,989,499
Series VI	US$15,948	05/04/22	05/04/24	0.00%	2,806,863	-
BACS Banco de Crédito y Securitización SA (2)						
Series V	$ 852,881	08/12/20	02/12/22	Badlar + 2.99%	-	1,255,506
Series VI	$1,250,000	05/27/21	05/27/22	Badlar + 4.75%	-	2,438,709
Series VII	$ 1,500,000	02/10/22	02/10/23	Badlar + 4.00%	1,493,633	-
TOTAL					**14,401,224**	**39,607,220**

(1) The Annual Shareholders' Meeting held on May 23, 2008 approved the creation of a new Global Program for the issuance of negotiable obligations, non-convertible into shares, secured or unsecured, for up to US$ 2,000,000,000 or an equal amount in Pesos, which was amended, extended and increased several times by subsequent Annual Shareholders' Meetings and Board Resolutions. The current amount authorized to be issued under the Global Negotiable Obligations Program is up to US$ 1,000,000,000 (or its equivalent in other currencies).

The Program's Public Offering was authorized by Resolution No. 16573 dated May 24, 2011; the increase in the Program amount was authorized by Resolution No. 17805 dated September 9, 2015; the extension of the Program and the increase in its amount were authorized by Resolution No. 18145 dated July 28, 2016, and a new increase in the program amount was authorized by Resolution No. 18493 dated February 2, 2017, all of them issued by the CNV.

On March 26, 2012, BACS' Annual Shareholders' Meeting approved the creation of a Global Program for the issuance of simple negotiable obligations, non-convertible into shares, secured or unsecured, or secured by third

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parties, subordinated or unsubordinated, for an aggregate nominal value of up to US$ 150,000,000 and the subsequent admission to the public offering of negotiable obligations. On January 23, 2014, the CNV authorized the public offering of BACS Banco de Crédito y Securitización S.A.'s negotiable obligations, by way of Resolution No. 17271. On April 13, 2016, the Shareholders' Meeting approved the extension of the Global Negotiable Obligations Program from US$ 150,000,000 to US$ 300,000,000.

14. PROVISIONS

The Group recognizes the following provisions:

- For labor, civil and commercial lawsuits: These provisions are calculated on the basis of attorneys' reports on the status of the proceedings and estimates of potential losses the Group may sustain, as well as on the basis of past experience in proceedings of a similar nature.
- For miscellaneous risks: These provisions are set up to address contingencies that may trigger obligations for the Group. In estimating the provision amounts, the Group evaluates the likelihood of realization taking into consideration the opinion of its legal and professional advisors. These include potential claims from tax authorities for various taxes and potential administrative penalties from supervisory entities, among others.
- At the request of the BCRA, Note 28.6 includes all administrative, disciplinary and criminal penalties applied or processes initiated by the BCRA and the Financial Information Unit (UIF), either supported by a lower court judgment or not, regardless of whether they are probable, possible or remote.

Based on Management's estimate, there is less than 50 percent probability that the amounts of allowances as of December 31, 2022 will have to be paid during the following 12 months.

Changes in provisions as of December 31, 2022 are as follows:

Provisions	Balances as of 12/31/2021	Increases (Note 20)	Decreases		Monetary gain (loss) from allowances	Balances as of 12/31/2022
			Reversals	Uses		
Other (*)	747,408	1,498,415	(334,450)	(443,366)	(363,715)	1,104,292
Total	**747,408**	**1,498,415**	**(334,450)**	**(443,366)**	**(363,715)**	**1,104,292**

(*) It mainly includes provisions for lawsuits and other claims and the provision for expected credit losses for guarantees granted and unused balances of overdraft facilities and credit cards.

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15. CAPITAL STOCK

Banco Hipotecario Sociedad Anónima has a capital stock of 1,500,000,000, fully subscribed and paid-in, represented by 1,500,000,000 common book-entry shares, with a nominal value of ARS 1 each, split into the following classes:

Class	Shares	Nominal Value	Capital Stock
A	664,376,845	1	664,376,845
B	57,009,279	1	57,009,279
C	75,000,000	1	75,000,000
D	703,613,876	1	703,613,876
	1,500,000,000		1,500,000,000

- Class A shares: Entitled to 1 vote each. These shares were held by the Argentine Government as part of the privatization process and were subsequently transferred to the Trust Fund to support the Regional Infrastructure Federal Fund;

- Class B shares: Entitled to 1 vote each. These shares are held under *Programa de Propiedad Participada* (Employee Stock Ownership Plan or "PPP") created by Decree No. 2127/2012 and may not account for more than 5 % of the Bank's capital stock. As long as Class B shares account for more than 2% of the Bank's capital stock, holders of Class B shares gathered at their Shareholders' Meeting will be entitled to elect one member of the Bank's Board of Directors;

- Class C shares: Entitled to 1 vote each. These shares may not account for more than 5 % of the Bank's capital stock and are freely transferable. As long as Class C shares account for more than 3 % of the Bank's capital stock, holders of Class C shares gathered at their Shareholders' Meeting will be entitled to elect one member of the Bank's Board of Directors; and

- Class D shares: As long as Class A shares account for more than 42 % of the capital stock, Class D shares will be entitled to 3 votes each. An individual or legal entity belonging to the same economic group may not own more than five per cent (5 %) of the Bank's capital stock. At times when Class D shares account for, at least, 25 % of the Bank's capital stock, holders of Class D shares, gathered at the Shareholders' Meeting, will be entitled to elect the majority of the members of the Bank's Board of Directors.

Programa de Propiedad Participada (Employee Stock Ownership Plan)

Law No. 24855, whereby Banco Hipotecario Nacional was declared “subject to privatization” and transformed into a corporation (*"sociedad anónima"*), provided for the creation of *Programa de Propiedad Participada* (Employee Stock Ownership Plan or "PPP"). A PPP is a mechanism envisaged by Law No. 23696 to allow employees of an entity subject to privatization to acquire shares in the privatized entity’s capital stock.

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The Bank's PPP was implemented by Executive Decree No. 2127/2012, pursuant to which the individuals included in the Bank's payroll as of September 27, 1997 became entitled to participate in the PPP, by entering into a General Transfer Agreement between the employee, the government and the Trustee (Banco de la Nación Argentina).

Class “B” shares (57,009,279) are entirely held by the PPP. The sale price of the shares was set at $ 0.665 each.

The payment of the shares to the government is made by offsetting contributions to the Adjustable Supplementary Pension Fund (*Fondo Complementario Móvil de Jubilaciones*), capitalizing the dividends from the awarded shares, and out of half the proceeds from the profit-sharing bonus.

The Bank's bylaws provide for the payment of a profit-sharing bonus in respect of profits for fiscal year 2012 through fiscal year 2022 included. The profit-sharing bonus is calculated as 0.50% of the Bank's profits for the year, as determined at the Annual Shareholder's Meeting at which the financial statements are approved.

Treasury shares deliverable

On November 22, 2017 (the "grant date"), the Board of Directors approved the implementation of the Employee Compensation Program, as approved at the shareholders' meetings dated April 24, 2013, April 24, 2014, and June 4, 2017.

Employees of the Bank, BACS, BHN Sociedad de Inversión S.A. BHN Vida S.A. BHN Seguros Generales S.A. and BH Valores S.A. (merged into the Bank in 2019) became entitled to a number of shares, pursuant to the program conditions at the grant date.

The benefit was calculated considering the fair value of the Bank's shares at the grant date, while the value in excess of the nominal value of the shares is recognized in “Reserve for share-based payments.”

If the beneficiary meets the program conditions at the time his/her employment at the entities involved is terminated then such beneficiary will receive Class "D" shares and the shares are reclassified from "deliverable shares" to "outstanding shares," in both cases under the caption Capital stock.
In addition, until March 2021, the higher value recognized in the “Reserve for share-based payments” was reclassified into the account “Share premium” every time shares were delivered to the program beneficiaries. On March 30, 2021, the Bank's Shareholders' Meeting resolved to absorb the unappropriated retained deficit and the accounts "Share premium" and “Reserve for share-based payments” were fully absorbed. Therefore, effective since April 2021, balances are reclassified from “deliverable shares” to “outstanding shares” only.

Dividends from deliverable shares are made available to beneficiaries as soon as the payment of such dividends is approved at the Shareholders' Meeting.

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16. INTEREST INCOME AND ADJUSTMENTS/ FEE AND COMMISSION INCOME

Interest income and adjustments	**12/31/2022**	**12/31/2021**
Interest on cash and bank deposits	335,054	20
Interest on loans to the financial sector	170,745	325,792
Interest on overdraft facilities	875,315	246,612
Interest on promissory notes	3,239,244	2,002,107
Interest on mortgage loans	1,756,996	1,962,982
Interest on consumer loans	4,111,176	3,908,542
Interest on pledge loans	22,080	20,004
Interest on credit card loans	9,375,171	10,396,528
Interest on finance leases	409,764	69,934
Interest on other loans	3,873,855	3,778,613
Interest on government and corporate securities	21,306,235	9,814,412
Income from adjustments	10,112,945	8,170,330
Interest on reverse repurchase transactions	36,543,376	49,663,286
Other	84,001	49,660
Total	**92,215,957**	**90,408,822**

Fee and commission income	**12/31/2022**	**12/31/2021**
Credit card commissions	7,808,702	9,683,712
Linked to lending transactions	2,365,990	2,204,685
Linked to borrowing transactions	44,202	85,379
Other commissions	549,054	835,695
Total	**10,767,948**	**12,809,471**

17. INTEREST EXPENSE AND ADJUSTMENTS

Interest expense and adjustments	**12/31/2022**	**12/31/2021**
Interest on checking accounts deposits	(39,664,553)	(30,313,827)
Interest on savings account deposits	(51,184)	(29,580)
Interest on time deposits	(57,899,433)	(44,484,143)
Interest on interfinancial loans received	(150,152)	(29,053)
Interest on negotiable obligations and debt securities	(4,075,360)	(7,520,750)
Expenses out of adjustments	(4,156,521)	(7,749,060)
Other	(45,830)	(11,695)
Total	**(106,043,033)**	**(90,138,108)**

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18. NET INCOME FROM FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

Net income from financial instruments at fair value through profit or loss	12/31/2022	12/31/2021
Income from government securities	72,632,191	27,439,211
Loss (income) from financial trusts	(8,444)	20,739
Income from other corporate securities	2,995,013	1,839,680
Loss (income) from other securities	(79,786)	42,182
Total	**75,538,974**	**29,341,812**

19. FOREIGN CURRENCY EXCHANGE RATE DIFFERENCES

Originated in:	12/31/2022	12/31/2021
Dollar denominated assets	21,901,366	16,515,319
Dollar denominated liabilities	(19,852,908)	(16,327,444)
Derivative instruments	(1,926,007)	(1,689,054)
Net assets denominated in Euros	74,557	67,474
Quotation differences	**197,008**	**(1,433,705)**

20. OTHER OPERATING INCOME / (EXPENSES)

Other operating income	12/31/2022	12/31/2021
Loan servicing	1,735,124	1,858,395
Premiums and revenues from insurance	10,557,240	10,655,745
Commissions for borrowing transactions	751,566	798,931
Income from PRO.CRE.AR services	1,801,511	2,096,853
Penalty interest	181,303	298,018
Loans recovered	644,020	1,142,722
Reversal of allowances (1)	134,719	256,816
Rentals	35,348	26,859
Income from sale of property and equipment and other non-financial assets	1,628	14,371
Adjustments and interest from miscellaneous receivables	253,988	261,381
Other income	280,152	576,383
Total	**16,376,599**	**17,986,474**

(1) Note 6.3.

Other operating expenses	12/31/2022	12/31/2021
Turnover tax	(7,083,016)	(7,154,362)
Loan servicing	(4,393,679)	(6,263,163)

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Deposit services	(1,130,858)	(1,221,344)
Other taxes	(733,061)	(900,494)
Debit and credit card rebates	(353,971)	(913,274)
Loan rebates	(238,722)	(326,413)
Contribution to the deposit insurance fund (Note 28.1)	(677,973)	(629,353)
Interest on finance leases	(338,834)	(470,028)
Other provisions	(2,009,676)	(645,734)
Donations	(154,973)	(179,454)
Non-current assets at fair value held for sale	(9,961,887)	(3,693,149)
Investment property at fair value	(385,365)	(428,053)
Other expenses	(576,548)	(495,787)
Total	**(28,038,563)**	**(23,320,608)**

21. EXPENSES BY FUNCTION AND NATURE

The Group presented its statement of comprehensive income under the expense function method. Under this method, expenses are classified according to their function as part of the item "Administrative expenses."

The table below provides the required additional information about expenses by nature:

Administrative expenses	**12/31/2022**	**12/31/2021**
Fees and compensation for services	(4,291,136)	(4,619,864)
Directors' and Supervisory Committee's members' fees	(1,233,739)	(1,118,999)
Advertising, promotion and research expenses	(471,810)	(336,857)
Taxes and duties	(1,151,454)	(1,212,047)
Maintenance and repairs	(738,169)	(802,919)
Electricity, gas and telephone services	(704,200)	(924,362)
Insurance	(209,084)	(183,829)
Entertainment and transportation expenses	(132,919)	(83,351)
Office supplies	(21,272)	(20,697)
Rentals	(115,393)	(110,331)
Security services	(463,084)	(439,078)
Transport of values	(516,376)	(579,210)
Miscellaneous	(233,047)	(248,282)
Total	**(10,281,683)**	**(10,679,826)**

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22. EMPLOYEE BENEFITS

The table below shows a breakdown of items disclosed under Employee Benefits:

Employee benefits	**12/31/2022**	**12/31/2021**
Salaries and social security contributions payable	(15,606,477)	(15,589,507)
Severance payments and bonuses	(5,737,102)	(4,517,810)
Personnel expenses	(948,831)	(803,063)
Total	**(22,292,410)**	**(20,910,380)**

23. SEGMENT REPORTING

The Group determines operating segments, based on management reports used to monitor performance and allocate resources by the Board of Directors and key management personnel, and updates such segments as they change.

The Group considers its business is comprised by its product and service offering; thus, it identifies operating segments as follows:

(a) Finance: It involves the placement of the Group’s liquidity according to the other segments and its own needs and opportunities.
(b) Wholesale Banking: This segment encompasses corporate and financial advisory services as well as asset management and loans to large customers. This segment also includes the operations of our subsidiary BACS.
(c) Retail Banking: It includes loans granted and other credit products, such as deposit taking from individuals. It also includes the operations of our subsidiary BHN Inversión.

The column “Other” includes balances of assets, liabilities and income/loss not allocated to the operating segments mentioned above.

The column “Adjustments” includes consolidation adjustments corresponding to transactions among Group members not including third parties and the non-controlling interest.

The results of operations of the Group's several operating segments are monitored separately in order to make decisions on resource allocation and on the evaluation of each segment's performance. The performance of each operating segment is reviewed on the basis of operating income or loss and is measured consistently with the operating income and loss reported in the consolidated statement of income.

When a transaction occurs, transfer prices among operating segments are set on an arm's length basis similarly to transactions carried out with third parties. Income, expenses and income (losses) resulting from transfers among operating segments are then eliminated on consolidation.

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The relevant segment reporting at the indicated dates is as follows:

	12/31/2022							
	Finance	Retail banking		Wholesale banking		Other	Adjustments	Consolidated
		Retail Banking	Insurance	BHSA	BACS			
Total assets	210,585,449	113,821,043	12,179,530	41,746,402	28,855,118	10,173,392	(14,406,799)	**402,954,135**
Total liabilities	(173,257,811)	(112,789,775)	(3,220,485)	(31,541,202)	(26,156,609)	(9,300,284)	4,039,025	**(352,227,141)**

	12/31/2021							
	Finance	Retail banking		Wholesale banking		Other	Adjustments	Consolidated
		Retail Banking	Insurance	BHSA	BACS			
Total assets	490,766,593	103,191,125	13,528,651	41,512,093	28,188,073	21,075,047	(15,185,716)	**683,075,866**
Total liabilities	(467,566,790)	(100,826,044)	(4,911,176)	(36,593,175)	(25,149,904)	(9,377,696)	5,801,671	**(638,623,114)**

	12/31/2022							
	Finance	Retail Banking		Wholesale Banking		Other	Adjustments	Consolidated
		Retail Banking	Insurance	BHSA	BACS			
Net interest income/(expense)	**(16,909,322)**	**2,013,124**	**1,604,333**	**1,162,243**	**(494,334)**	**(1,226,016)**	**22,896**	**(13,827,076)**
Net commission income/(expense)	**(298,212)**	**10,448,854**	**(1,082,773)**	**946,657**	**863**	**12,372**	**-**	**10,027,761**
Net income from measurement of financial instruments at fair value through profit or loss	39,339,501	26,951,740	3,594,954	2,454,320	3,164,036	-	34,423	75,538,974
Income from assets written-off at amortized cost	-	-	141	-	8,786	-	-	8,927
Gold and foreign currency exchange rate difference	(1,339,824)	-	592,183	-	342,627	-	602,022	197,008
Other operating income/(loss)	87,826	4,109,774	10,561,792	140,035	1,479,940	53,809	(56,577)	16,376,599
Loan loss	-	(1,315,889)	-	(458,891)	(33,071)	-	-	(1,807,851)

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Total net operating income/(loss)	**20,879,969**	**42,207,603**	**15,270,630**	**4,244,364**	**4,468,847**	**(1,159,835)**	**602,764**	**86,514,342**
Operating and administrative expenses	(5,064,753)	(32,149,737)	(4,612,191)	(5,532,053)	(3,389,518)	(11,693,182)	59,490	(62,381,944)
Gain (loss) on net monetary position	519,504	(3,129,049)	(6,044,794)	(782,262)	(1,255,389)	-	-	(10,691,990)
Income tax – (expense)	(2,060,403)	(3,286,583)	(1,586,637)	(421,368)	(166,775)	-	-	(7,521,766)
Net loss attributable to non-controlling interests	**-**	**-**	**-**	**-**	**(29,514)**	**-**	**165,665**	**136,151**
Net income/(loss)	**14,274,317**	**3,642,234**	**3,027,008**	**(2,491,319)**	**(372,349)**	**(12,853,017)**	**827,919**	**6,054,793**

	12/31/2021							
	Finance	**Retail Banking**		**Wholesale Banking**		**Other**	**Adjustments**	**Consolidated**
		Retail Banking	**Insurance**	**BHSA**	**BACS**			
Net interest income/(expense)	**(7,442,540)**	**6,381,692**	**1,470,460**	**3,197,954**	**(1,487,688)**	**(1,887,956)**	**38,792**	**270,714**
Net commission income/(expense)	**(207,577)**	**12,258,955**	**(1,193,418)**	**1,179,975**	**2,295**	**17,763**	**(3)**	**12,057,990**
Net income from measurement of financial instruments at fair value through profit or loss	15,753,119	6,663,010	3,100,310	-	3,754,051	-	71,322	29,341,812
Income from assets written-off at amortized cost	135,502	(107,674)	-	-	(24,370)	-	-	3,458
Gold and foreign currency exchange rate difference	(1,284,084)	-	177,058	-	170,561	-	(497,240)	(1,433,705)
Other operating income/(loss)	103,905	5,338,201	10,751,111	112,836	1,636,256	84,320	(40,155)	17,986,474
Loan loss	-	(1,358,202)	-	(3,800,954)	(38,333)	-	-	(5,197,489)
Total net operating income/(loss)	**7,058,325**	**29,175,982**	**14,305,521**	**689,811**	**4,012,772**	**(1,785,873)**	**(427,284)**	**53,029,254**

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Operating and administrative expenses	(5,224,738)	(33,652,789)	(5,181,287)	(5,628,610)	(3,213,434)	(4,156,190)	40,699	(57,016,349)
Gain (loss) on net monetary position	623,389	708,646	(4,909,363)	177,161	(1,092,390)	-	-	(4,492,557)
Income tax – Benefit	263,996	1,061,513	(1,100,668)	16,591	(55,356)	-	-	186,076
Net loss attributable to non-controlling interests	**-**	**-**	**-**	**-**	**(34,632)**	**-**	**144,481**	**109,849**
Net income/(loss)	**2,720,972**	**(2,706,648)**	**3,114,203**	**(4,745,047)**	**(383,040)**	**(5,942,063)**	**(242,104)**	**(8,183,727)**

Information on geographic areas:

The Group's operations are entirely conducted in Argentina.

24. OFF-BALANCE SHEET ACCOUNTS

The Group records different transactions under off-balance sheet accounts, according to the rules issued by the BCRA. The balances of the main off-balance sheet accounts as of December 31, 2022 and 2021 are listed below:

Off balance sheet accounts	**12/31/2022**	**12/31/2021**
Guarantees received	56,200,196	66,158,682
Uncollectible loans (Note 6.3)	16,769,938	12,168,160
Securities in custody	160,398,289	201,742,862
Securities to be collected	6,052,355	8,860,071
Securities to be debited	108,858	162,286
Securities to be credited	570,606	356,217
Agreed loans	44,158,714	60,552,091
Guarantees granted	717,370	610,457

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25. TRANSACTIONS AND BALANCES WITH RELATED PARTIES

The Bank has carried out transactions with related parties at arm's length.

Main shareholders

The Bank's main shareholders are:

Name	Class of shares	12/31/2021		12/31/2021	
		Votes %	Capital %	Votes %	Capital %
Fondo Federal de Infraestructura Regional Assistance Trust	A	22.85%	44.29%	22.86%	44.30%
Employee Stock Ownership Plan	B	1.96%	3.80%	1.96%	3.80%
Fondo Federal de Infraestructura Regional Assistance Trust	C	2.58%	5.00%	2.58%	5.00%
IRSA Inversiones y Representaciones S, A, (a)	D	46.30%	29.92%	46.30%	29.92%
ANSES	D	7.64%	4.94%	7.64%	4.94%
Deliverable shares	D	2.70%	1.74%	3.03%	1.96%
The Bank of New York ADRs (b)	D	9.38%	6.06%	9.38%	6.06%
Other	D	6.59%	4.25%	6.25%	4.02%
		100.00%	**100.00%**	**100.00%**	**100.00%**

(a) IRSA Inversiones y Representaciones ("IRSA") holds these shares either directly or indirectly through the following subsidiaries: Tyrus S.A. (5.00%), Ritelco S.A. (5.00%), E-Commerce Latina S.A. (5.00%), Palermo Invest S.A. (4.99%), and Inversora Bolívar S.A. (5.00%)

(b) It represents 90,905,000 ADRs (10 shares = 1 ADR), the political rights of which are exercised by the Argentine Government.

Directors' Fees

The Bank's by-laws provide that total fees payable to Directors will be limited to five per cent (5 %) of after-tax profits for the fiscal year at issue when no cash dividends are distributed for whatsoever reason, and will be increased on a proportional basis to cash dividends, if available, until reaching fifteen per cent (15 %) of taxable income.

Some of the Group's directors were hired under Employment Contract Law No. 20744. This law sets forth certain

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employment terms and conditions, including, without limitation, salaries, income protection, working hours, vacations, paid leaves, minimum age requirements, workers' protection, and grounds for suspension or termination of employment contracts. The fees payable every year to Directors are determined in accordance with Law No. 19550, taking into account whether or not directors perform technical-administrative duties and based on the profits made during the year. Once the fees payable to directors are determined, they are submitted to the Shareholders' Meeting for approval.

Compensation payable to the Key Management Personnel

The members of our Senior Management are designated and removed by the Board of Directors and perform their duties following the instructions delivered by the Board.

As compensation for their duties, our Key Management Personnel earn a fixed amount determined by reference to their background, skills and experience, and a variable bonus which is paid on an annual basis and is tied to individual performance and the Group's results of operations.

As of December 31, 2022, the Bank's Key Management personnel is comprised of a General Manager and twelve Area Managers.

Corporate Services Contracts

In light of the fact that subsidiaries have operating areas that share certain common characteristics, the Bank implemented alternatives to cut certain fixed costs inherent to its business, streamlining the individual efficiencies of each of the companies in several areas comprising operating management.

Costs and rewards of corporate service contracts are allocated on the basis of operating efficiencies and equity, without pursuing individual profits for each of the companies.

Below is a detail of the service areas included in the corporate services contracts:

Entity	Service area
BACS	Human resources, financial services, IT services, procurement and contracting, accounts payable, overall secretarial services, legal advice services and exclusive use by BACS of a space within the Bank's Vault.
BHN Vida y BHN Seguros Generales (a)	Human resources; procurement and contracting; maintenance; internal audit; assets management; general services; accounts payable; overall secretarial services; legal advice and supervision; supply, maintenance and administration of communication and IT items; SAP maintenance, and sale of insurance policies through call centers.

(a) Controlled by BHN Sociedad de Inversión.

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Rental of Offices

BACS, BHN Sociedad de Inversión S.A., BHN Seguros Generales S.A. and BHN Vida S.A. lease offices owned by IRSA Propiedades Comerciales S.A. ("IRSA CP"), the main subsidiary of IRSA Inversiones y Representaciones S.A. at several buildings.

Legal Services

The Group retains the legal services of Estudio Zang, Bergel & Viñes, Saúl Zang is a partner in such law firm and is also a member of the Board of the Group's subsidiaries.

Trading of Financial Assets

Idle funds are usually placed in several instruments, including those issued by related companies, which are purchased at the time of issuance or from independent third parties in the secondary market.

Financial Transactions

In the ordinary course of business, the Bank enters into certain related party credit facility agreements. The interest rate on these facilities is determined at arm's length and these facilities are under normal compliance conditions as of year-end.

In addition, the Bank and BACS usually act as placement agents in certain related parties' transactions carried out in the capital market.

Below is a detail of balances and transactions with related parties as of December 31, 2022:

Related Party	ASSETS						LIABILITIES
	Other debt securities	Derivative instruments	Equity instruments	Loans and other financing arrangements	Other financial assets	Other non-financial assets	Other financial liabilities
IRSA (including subsidiaries)	214,275	9,567	113,409	715,709	9,359	-	(157)
Total shareholders	**214,275**	**9,567**	**113,409**	**715,709**	**9,359**	**-**	**(157)**
Zang Bergel & Viñes Law Firm	-		-	-	-	-	500
Key personnel	-		-	-	-	253,399	691,968
Total other	**-**	**-**	**-**	**-**	**-**	**253,399**	**692,468**
Total	**214,275**	**9,567**	**113,409**	**715,709**	**9,359**	**253,399**	**692,311**

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Related Party	**Interest income**	**Employee benefits**	**Administrative expenses**
IRSA (including subsidiaries)	60,102	-	13,738
Total Shareholders	**60,102**	**-**	**13,738**
Zang, Bergel & Viñes Law Firm	-	-	16,991
Key personnel	-	1,199,387	1,233,739
Total other	**-**	**1,199,387**	**1,250,730**
Total	**60,102**	**1,199,387**	**1,264,468**

Below is a detail of the balances and transactions with related parties as of December 31, 2021:

Related Party	**ASSETS**						**LIABILITIES**
	Other debt securities	**Derivative instruments**	**Equity instruments**	**Loans and other financing arrangements**	**Other financial assets**	**Other non-financial assets**	**Other financial liabilities**
IRSA (Including subsidiaries)	197,896	7,420	99,101	696,851	15,058	-	173
Total shareholders	**197,896**	**7,420**	**99,101**	**696,851**	**15,058**	**-**	**173**
Zang Bergel & Viñes Law Firm	-	-	-	-	-	-	2,040
Key personnel	-	-	-	-	-	272,309	597,170
Total other	**-**	**-**	**-**	**-**	**-**	**272,309**	**599,210**
Total	**197,896**	**7,420**	**99,101**	**696,851**	**15,058**	**272,309**	**599,383**

Related Party	**ASSETS**				**LIABILITIES**
	Other debt securities	**Equity instruments**	**Other financial assets**	**Other debt securities**	**Equity instruments**
IRSA (including subsidiaries)	197,896	7,420	99,101	696,851	15,058
Total shareholders	**197,896**	**7,420**	**99,101**	**696,851**	**15,058**
Zang Bergel & Viñes Law Firm	-	-	-	-	-
Key personnel	-	-	-	-	-
Total other	**-**	**-**	**-**	**-**	**-**
Total	**197,896**	**7,420**	**99,101**	**696,851**	**15,058**

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Related Party	Interest income	Employee benefits	Administrative expenses
IRSA (Including subsidiaries)	539,807	-	72,773
Total shareholders	**539,807**	**-**	**72,773**
Zang Bergel & Viñes Law Firm	-	-	1,851
Key personnel	-	1,240,809	1,118,999
Total other	**-**	**1,240,809**	**1,120,850**
Total	**539,807**	**1,240,809**	**1,193,623**

26. FINANCIAL RISK FACTORS

Comprehensive Risk Management

The Bank relies on a comprehensive process to manage risks that includes identifying, assessing, tracking, controlling and mitigating all significant risks.

The comprehensive process for managing risks is geared towards having the Board of Directors and Senior Management involved in the management of all significant risks and having them oversee such management and understand the nature and level of risk taken on by the entity and how such risk relates to capital adequacy. In addition, it is in line with the best practices in risk management and, in particular, with the Argentine Central Bank's guidelines for financial institutions' risk management.

To make sure that its significant risks are properly managed, the Bank relies on a management framework and on management devices that are fitting to its size, complexity, economic weight and risk profile.

a) Credit Risk:

Credit Risk Management - Retail Banking
Retail Banking credit risk management is based on the Bank's annual planning process. As a result of such process, the Bank sets business goals, that is, the volume of loans to be granted during the year through each Retail Banking lending product (mortgage and consumer loans and credit cards). The risk management strategy implies that credit risk management is intended to define and establish the guiding principles of the Bank's loan origination, servicing and follow-up activities in order to prevent, detect and mitigate those risks in due time. It encompasses defining the profile of customers to whom the Bank is willing to lend, as well as identifying the target market, quality levels and expected profitability, and the overall characteristics the Bank seeks to achieve in its credit portfolio. The establishment of risk limits is conceived as a dynamic process leading to determine the Bank's risk appetite. Given the fact that the credit strategy should provide continuity and should take into account circumstantial aspects and their resulting changes in the overall credit portfolio composition and quality, through its credit policies and procedures, the Bank defines detailed aspects to execute its credit risk strategy, such as origination criteria (including terms and conditions), credit powers and authority, product types, origination channels, underlying collateral, and the organization's structure. In line with its business goals, and considering the aforementioned forecasts, the Bank sets a credit risk appetite; in other words, tolerance limits

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or levels based on indicators, such as the non-performing portfolio ratio and the annual loss rate (write-off). Through this planning process, which includes a definition session with the involvement of senior management and another session to present the plan to the Board, the Bank develops a Business Plan and Risk Strategy, both documents that embody the aforementioned goals and limits for the Board's approval.

Credit Risk Management means the function and procedure to identify, measure, mitigate and monitor credit risk, taking into consideration the entire business cycle, from the definition of the target market and the origination of a financing arrangement, up to the customers' maintenance and the loan recovery or write-off upon a default. Within this framework, the granting of new loans is guided by Credit Policies and Scoring Models. The policies, which establish credit eligibility requirements and line allocation criteria, are set out by the Retail Credit Risk Department reporting to the Planning and Control Area and are approved by the Risk Management Committee and the Board of Directors on an annual basis. The models are subject to the validation process, established in the Scoring Model Validation Policy approved by the Board. Such policy sets out the responsibilities and criteria to be applied in validating models, oriented at maintaining a standard in their predictive capacity, as well as its frequency, following the good practices of the industry.

Loans are granted on the basis of a Decision Engine in which the scoring models and most conditions set out in credit policies are arranged. This ensures the accurate application of the established policies in general and, in turn, enables further assessment of the applications in accordance with the analysts' judgment, whether to reject them or approve them by exception. There is a limit for exceptions which is set out in the Credit Policy and reviewed on an annual basis.

In order to identify, measure and monitor compliance with credit risk policies, the Bank has developed certain key indicators associated with the main risks identified. These indicators allow the Bank to monitor the composition, concentration and quality of several credit portfolios, broken down by business sectors, segments, origination channels, products, etc. This information is documented in several reports which analyze several aspects, such as financing level, arrears ratios, roll rates, vintage, benchmarking, portfolio impairment, NPL, provisions under IFRS 9, and exposure to pre-established risk thresholds. The main indicators are part of the Risk Dashboard.

Both portfolio maintenance, which is mainly related to credit cards, and arrears management are governed by the aforementioned Credit Policies and Scoring Models. Regarding card portfolio maintenance, the policy mainly sets out the guidelines to manage credit facilities and access to product attributes, including, for instance, cash advances. Regarding arrears management, the policies govern the commencement of several recovery stages –early arrears, advanced arrears, and court proceedings – and recovery means, settlement options (debt restructuring, reductions, etc.), and risk control or recovery actions (restraint, disqualification, account closing, etc.) enabled for each stage. Both processes are monitored by the Area Manager through reports prepared by several divisions.

For purposes of credit risk management itself, that is, for unexpected losses, the Bank relies on stress tests to monitor changes in the portfolio vis-a-vis different adverse forward-looking scenarios designed, at least, at two years. Stress testing results determine the decisions to be made concerning adjustments to risk mitigating policies, while they are also useful to assess capital adequacy and allowance coverage. On the other hand, PDs and LGDs are used to calculate economic capital, and are estimated for both businesses and individuals, based on historical information. In estimating LGDs, the Bank takes into account all recoveries after a default, both in respect of the active portfolio and off-balance sheet accounts.

Credit Risk Management – Wholesale Banking

Effective credit risk management requires a suitable credit risk culture; therefore, the risk policies and risk management strategy in place are key elements to build such a culture, oriented at managing and mapping credit risk to the other risks on a comprehensive basis.

Wholesale Banking credit risk management is based on the Bank's annual planning process. During such process, the Bank designs the plan and business strategy for each Wholesale Banking segment (Corporate, SMEs, Real Estate Projects, Financial Institutions, Public Sector, and Intermediaries), establishing, in general terms, the desired growth levels and positioning, degree of sectoral assistance, concentration levels, product mix to be boosted, and credit quality level to be maintained in respect of expected profitability, among other things. Credit portfolio concentration, as a potential source of losses, is regarded in credit manuals as a special point for attention. Credit concentration takes place when the Bank is too exposed to a substantial number of similar risks, with a single borrower, a group of related borrowers, an industrial or business sector, a geographic region, certain credit facility or a given risk-mitigating factor.

Risk appetite is also defined for each segment, and tolerance limits or levels are established and constantly monitored in order to anticipate any undesired departure. Such limits derive in indicators, such as, 12-month likelihood of default, concentration level by borrower within the portfolio, and concentration level by business sector within the portfolio.

The outcome of such planning, which involves the Bank's Senior Management and Directors, is embodied in the Business Plan and Risk Strategy final document, in which each of the aforementioned items is exposed in detail and is submitted to the Board for approval.

Within this framework, credit decisions involving new lending, renewals, or portfolio follow-up are made following the guidelines set out in the comprehensive risk management policy as well as in the respective credit manuals developed for each business segment. Such policies are established by Wholesale Banking Credit Risk and approved by the Risk Management Committee and the Board on an annual basis. The Bank also has a documented mechanism in place to set prices/rates based on risk; in other words, the risk-reward relationship is always at the core of every lending decision.

The Bank has a risk rating system specific to Wholesale Banking, which seeks to support key credit risk parametric estimates to measure credit risk, through a credit analysis performed by an analyst specialized in the industry or sector at issue, according to the business segment and risk associated with the transaction. This rating system ensures transparency and consistency in terms of lending decisions which, together with the policies and manuals in place, lead to set the loan granting minimum standards based on credit ratings. Credit risk rating methodologies and parameters are reviewed and validated, at least, on an annual basis.

Ratings are also subject to permanent changes as a result of perceived changes in the borrower's risk arising from updated information, with each change in ratings being submitted to an Internal Review Commission comprised by subject-matter specialists.

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The Wholesale Banking Credit Risk area is in charge of performing an independent analysis of any application that involves credit risk. All applications for commercial loans are reviewed and assessed on the basis of their respective exposure, in order to guarantee an appropriate assessment, correct approval, and ongoing monitoring and active management of risks.

The starting point of this review process is an assessment of the borrower's or counterparty's credit risk, where key factors are assessed, including borrower's management, historical and projected financial position, industry, trends, etc.

As a result of such assessment, a specific credit rating is assigned, with an associated likelihood of default. In addition, the transaction is analyzed with special focus on collateral, maturity, and general arrangement.

The Wholesale Banking Credit Risk area renders an opinion, which is submitted to the Credit Committee, Executive Committee, or the Board of Directors for approval, depending on the amount involved in the transaction, as set forth in the respective credit manuals.

The Bank monitors the portfolio at the individual borrower level, on an ongoing basis and within the minimum terms set forth in the credit manuals, and assesses credit aspects, in addition to the customer's behavior with the Bank, payment history, use of checking account, etc. Regarding arrears management, the policies govern the commencement of several recovery stages –early arrears, advanced arrears, and court proceedings – and establish the recovery means, settlement options (debt restructuring, reductions, further collateral, etc.), and risk control or recovery actions enabled for each stage.

The Bank develops indicators and reports on them on an ongoing basis to monitor the performance of several business segments. The main indicators in this regard are part of the Risk Scorecard. In addition, the Bank develops several monthly and quarterly reports covering all risks associated with the portfolio on the basis of and in accordance with the business segment specificity.

The Bank has also developed methodologies for the periodical performance of stress tests and Economic Capital calculation. In connection with the stress tests aimed at measuring the impact of Wholesale Banking portfolio credit risk in the face of several potential values the defined risk factors may take, a rigorous and detailed analysis at the level of each individual customer is performed; in other words, the potential impact the borrower or counterparty may have is measured and then reviewed at an aggregate level. Individual stress tests have also been designed to reinforce the methodology and simulate *ad hoc* scenarios. Such stress tests have defined contingency plans which are triggered according to the size of the projected event.

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Below is a detail of the credit quality of the Group's financial assets:

	12/31/2022	12/31/2021
Government and corporate securities	**164,679,326**	**118,914,268**
Measured at fair value through profit or loss	128,184,619	53,696,659
Measured at amortized cost	31,304,551	56,400,675
Investments in equity instruments	1,231,445	967,715
Shares in mutual funds	3,186,138	3,432,903
Pledged as collateral	772,573	4,416,316
Loans and other financing arrangements	**83,001,265**	**120,196,657**
Commercial portfolio	34,378,327	49,069,759
Performing	31,619,353	35,080,824
Non-performing	2,758,974	13,988,935
Consumer portfolio	48,622,938	71,126,898
Performing	47,416,201	68,980,522
Non-performing	1,206,737	2,146,376
Other financial assets	**3,541,078**	**10,965,029**

Impairment of financial instruments
See Notes 6.3 and 7.

Loans written-off

All loans within the consumer portfolio that must be fully accounted for in accordance with the applicable rules in force are written off one month after the date on which such provision is made. The balance of loans written-off as of December 31, 2022 and 2021 amounts to ARS 16,769,938 and ARS 12,168,160, respectively.

b) Market risk

The Bank monitors market risk, which is defined as the risk of sustaining potential losses in both balance sheet and off-balance sheet positions as a result of adverse fluctuations in the market price for listed financial assets subject to trading, including, for instance, government and corporate debt securities, shares, currencies, derivative products, and debt instruments issued by the Argentine Central Bank.

Market risk is comprised by: 1) risks inherent to equity and debt securities and other financial instruments (price risk), and 2) currency mismatch risk both within balance sheet and off-balance sheet positions (exchange rate risk). Market risk includes risks associated with both “linear” and “non-linear” instruments (derivatives).

As required by the rules issued by the Argentine Central Bank, a Trading Portfolio has been defined for market risk monitoring. A Trading Portfolio is defined as a portfolio comprising positions in financial instruments held for trading in the short term, in order to make a profit from price fluctuations.
The portfolio is managed according to the following strategic guidelines:

• Analysis of several macroeconomic and market variables, with its ensuing impact on prices for financial assets.
• Weighing of several classes of assets, optimization of the portfolio risk-return profile, taking into account several classes of assets and the interrelation among them.
• Analysis of the assets which, in the entity's view, are under or overvalued within each group and the potential for arbitrage within each of them.
• Compliance with both internal and external liquidity requirements.

The trading portfolio should be measured at fair market value for purposes of the capital requirement calculation. If the Bank has instruments within its portfolio with no market quotation, whether by reason of unavailability of a closing price or due to the fact that such price is not representative as a result of an illiquid position, it will estimate the fair value of the quotation.

“Fair values” are estimated by applying a calculation method, assumptions and parameters proposed by the Market Risk area, based on customary market practices, and are periodically agreed upon and reviewed by the Area Manager. The quotation will be estimated by discounting expected future cash flows at a representative market rate for such instrument, except for shares, in which case a comparable valuation method will be applied. The Internal Audit area, in compliance with the Argentine Central Bank's rules, periodically reviews the fairness of the criteria used in the estimate and the calculation.

The methodology employed by the Bank in quantifying market risk is based on the “Value at Risk” (VaR), that is, an estimate of maximum probable losses in a given horizon, with an associated likelihood of no less than 99%. For positions with associated price risk, the Bank has set a minimum time horizon or holding period of ten sessions. Monitoring takes place on a daily basis through an internally developed system. The Bank has established “VaR” limits which are observed for exposures to each of the aforementioned risks. There are also exposure limits per type of instrument, namely: debt securities from the non-financial public sector, local private debt securities, local private trust securities, local equity, currencies and gold. Such limits are annually reviewed by the Finance Committee as part of the preparation of the new Business Plan and the related Risk Strategy. In order to verify the robustness of the models employed in estimating price risk, the Bank periodically conducts retrospective tests or “backtesting.” The Bank also conducts individual stress tests in order to estimate potential extreme losses no likely to be captured by parametric models.

The estimates of Value at Risk (price and foreign exchange risks) also help to determine the economic capital to be set aside for market risk.

Regarding market risk, the Finance and Risk Management Committees discuss and decide upon the main strategies to be followed in managing the security portfolio, the structural gap in foreign currency, and hedging alternatives; they are also in charge of defining the tolerance level to be assumed by the Bank. The Market and Operational Risk Area is responsible for identifying, measuring, controlling and monitoring price and foreign exchange risks.

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The tables below show the Group's exposure to foreign exchange risk at year-end by type of currency:

	Balances as of 12/31/2022				Balances as of 12/31/2021			
	Monetary financial assets	**Monetary financial liabilities**	**Derivative instruments**	**Net Position**	**Monetary financial assets**	**Monetary financial liabilities**	**Derivative instruments**	**Net Position**
Dollar	44,211,247	(29,936,902)	(3,376,908)	**10,897,437**	42,056,593	(39,187,059)	8,855,499	11,725,033
Euro	132,951	(9,868)	-	**123,083**	253,128	(11,115)	-	242,013
Total	**44,344,198**	**(29,946,770)**	**(3,376,908)**	**11,020,520**	**42,309,721**	**(39,198,174)**	**8,855,499**	**11,967,046**

Derivative instruments are measured at the fair value of the respective currency at year-end.

The table above only includes Monetary Assets and Liabilities since investments in equity instruments and non-monetary instruments do not give rise to market risk exposure.

The following is a sensitivity analysis of income (loss) and shareholders' equity to reasonable changes in the preceding exchange rates relative to the Bank's functional currency, considering an instant variation in exposure at year-end.

Currency	**Variation**	**12/31/2022**		**12/31/2021**	
		Income (loss)	**Shareholders' equity**	**Income (loss)**	**Shareholders' equity**
		(In thousands of Pesos)			
Dollar	40%	4,358,975	4,358,975	4,690,013	4,690,013
	-40%	(4,358,975)	(4,358,975)	(4,690,013)	(4,690,013)
Euro	40%	49,233	49,233	96,805	96,805
	-40%	(49,233)	(49,233)	(96,805)	(96,805)

c) Interest rate risk:

The Bank makes a periodical follow up of the interest rate risk, both in relation to the effects of variations in the interest rate on net financial income as well as on the Bank's economic value, that is, on the current value of its assets and liabilities.

As it relates to the interest rate risk management, the Bank monitors the amounts and contractual conditions of each new origination as well as the current portfolio (stock of loans, deposits, swaps, hedges, and securities, among others) to prevent potential departures from the defined risk appetite. The Bank also conducts an ongoing analysis of several hedging alternatives in order to reduce interest rate gaps.

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The Office of the Market and Operational Risk Manager is the area entrusted with the duties of identifying, measuring, controlling and monitoring interest rate risk. The Finance Committee and the Risk Management Committee are also involved in risk management, with their respective responsibilities.

Interest rate risk is quantified through two statistical approaches: “Net Interest Income at Risk” and “Economic Value at Risk.” The first of these two approaches assesses potential departures in interest income as a result of changes in interest rates, while the second approach assesses the potential impairment of the portfolio present value, as a consequence of potential fluctuations in the term structure of interest rates. Both approaches also include “baseline risk,” which arises from the imperfect correlation in lending and borrowing rate adjustments for instruments with similar revaluation features.

In addition to the two approaches mentioned above, the Bank also conducts a gap analysis (interval and cumulative gap) both in Pesos and US dollars in order to quantify interest rate risk exposure on several future dates, and under several sensitivity analyses, and stress tests. In addition, as a sensitivity measure, the impacts on the expected results and on the expected current results of the portfolio in the event of changes of +/- 100 basic points in interest rates are evaluated.

The Interest Rate Risk Report is prepared on a monthly basis, in which the risk levels assumed by the Bank are described under both approaches, term gaps (gap analysis), base risk (due to foreign exchange hedge with futures), individual stress analysis and relevant events of the month.

Each measure has an associated limit, which is reviewed on an annual basis as part of the preparation of the new Business Plan and its related Risk Strategy.

d) Liquidity risk

Funding liquidity risk is defined as the likelihood that the Group may not be able to efficiently fulfill its current or future, expected and unexpected cash flows, with margin call/execution, without interfering with its day-to-day operations or financial position.

On the other hand, market liquidity risk is defined as the likelihood that an entity may not be able to offset or sell a market position due to:

- The fact that the volume of the assets comprising such position in the secondary market is not sufficient;
- The occurrence of disruptive events in the market hindering the normal execution of operations and/or at reasonable prices.

The preceding definitions refer to liquidity risk in local currency, as well as to the risk related to positions in other currencies, including, but not limited to, foreign exchange mismatches. To such end, structural mismatch is defined as the difference between the commitments for securities issued in and/or adjusted for foreign currency and the assets denominated in and/or adjusted for the same currency. It also includes the risks stemming from positions which, due to regulatory issues, are not accounted for in the financial statements, as it is the case of certain derivate instruments.

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Liquidity management refers not only to liquidity risk in local currency but also to liquidity risk related to positions in other currencies, including, but not limited to, currency mismatches.

Liquidity risk management is defined as such actions planned for and/or carried out in order to maintain liquidity risk within the scope of the Board's definition. Such actions stem from the Finance Area's intrinsic mission of efficiently managing the liquid and financial resources.

In order for control over liquidity risk to be effective, the Bank has established a scheme of limits and early alert warnings to keep the Finance Committee abreast of potential increases in risks and/or unexpected changes in the tolerance level. Once certain risk threshold has been reached, the Finance Committee is expected to assess the actions to be taken.

Similarly, the Bank monitors compliance with the Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR) minimum requirements; in both cases, keeping the Finance Committee and the Director in charge of monitoring liquidity abreast of changes in such ratios.

The Finance Committee establishes the liquidity risk aversion level to be assumed by the Bank, and the Finance Area manages the currency liquidity mismatch risk following the guidelines set out by the Finance Committee and the Director in charge of liquidity.

LIMITS, EARLY ALERTS AND MONITORING VARIABLES

High liquidity and minimum liquidity requirement

In order to maintain a risk level in line with the tolerance threshold approved by the Board of Directors, the Bank has set minimum limits ("Minimum Liquidity Requirement") for the liquid and/or readily realizable position ("High Liquidity").

Limits to foreign currency positions

The Finance Committee sets maximum limits to purchased or sold positions in foreign currency and, to the extent necessary, to foreign exchange derivative instruments or other financial commitments in foreign currency.

Exposure limit by type of instrument

The Finance Committee defines an exposure limit by type or category of instrument and/or security applicable for the entire year.

Deposit concentration and stability

In order to build a stable and quality deposit base, the Bank takes actions to foster and give priority to the balanced growth of deposits, diversifying the customer base, geographic areas, and type of deposits. In order to be aware of liquidity risk implications and changes in liquidity projections as a result of deposit concentration, the Bank sets alert levels and defines the actions to be taken.

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Contingent liquidity requirements for special operations
The Finance Committee approves and oversees the agreed-upon financial conditions and the contingencies associated with off-balance sheet operations and/or positions.

Liquidity Coverage Ratio (LCR)
Through Communication "A" 5724 issued in March 2015, the Argentine Central Bank imposed a daily monitoring requirement, with monthly and quarterly reporting to the Argentine Central Bank.

Net Stable Funding Ratio (NSFR)
Through Communication "A" 6306, the Argentine Central Bank established a new indicator to be monitored on a daily basis and reported quarterly to the Argentine Central Bank.

The goal of the NSFR is for financial institutions to be able to monitor to what extent they may fund their activities out of sufficiently stable sources to mitigate the risk of future stress scenarios resulting from their funding.

The table below shows the Bank's liquidity coverage ratios (LCR) for the fiscal years ended December 31, 2022 and 2021:

	12/31/2022	**12/31/2021**
Average for the year	137%	136%
Higher	157%	160%
Lower	126%	117%

The breakdown of financial assets and liabilities by maturity are disclosed in Schedule D "Consolidated breakdown of Loans and Other Financing Arrangements by Maturity Dates" and Schedule I "Consolidated breakdown of Financial Liabilities by Maturity Dates" to these financial statements, respectively.

27. CAPITAL MANAGEMENT

The Bank's capital management goals are:
- Fulfilling the requirements established by the BCRA in its Communication "A" 6260, as amended;
- Supporting the Bank's operations to prevent any situation that may endanger them.

According to the BCRA's guidelines, financial institutions are required to maintain certain capital ratios to mitigate the associated risks. The Bank has met the minimum capital requirement determined in accordance with the BCRA's rules.

Since March 2020, the BCRA required that, for purposes of the calculation of Regulatory Capital (*Responsabilidad Patrimonial Computable*) by Group "A" financial institutions, the impact resulting from the positive difference between the allowance computed pursuant to paragraph 5.5. of IFRS 9 and the higher of the "regulatory" allowance calculated pursuant to the rules on "Minimum allowances for loan losses", or the accounting allowance pursuant to the trial balance as of November 30, 2019, may be considered as Tier 1 Ordinary Capital.

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Regulatory Capital (*Responsabilidad Patrimonial Computable*) is comprised of Core Capital and Supplementary Capital. The table below shows a breakdown of the respective balances:

	12/31/2022	**12/31/2021**
Core Capital		
Tier 1 Ordinary Capital	48,150,409	44,035,674
(Deductible items)	(6,726,616)	(13,087,381)
Tier 1 Additional Capital	68,094	52,314
Supplementary Capital		
Tier 2 Capital	839,114	982,243
Regulatory Capital (*Responsabilidad Patrimonial Computable*)	**42,331,001**	**31,982,850**

Below is a detail of the determined capital requirement:

	12/31/2022	**12/31/2021**
Credit risk	9,065,586	11,461,279
Market risk	2,176,045	952,340
Operational risk	4,114,107	4,061,748
Core requirement	**15,355,738**	**16,475,367**
Payment	**42,331,001**	**31,982,850**
Surplus	**26,975,263**	**15,507,483**

28. ADDITIONAL INFORMATION REQUIRED BY THE ARGENTINE CENTRAL BANK

28.1. Deposit Guarantee Insurance System

Law 24485 and Decree 540/95 created the Deposit Insurance System for the purpose of providing coverage for bank deposits in addition to the privileges and protection system provided for under the Financial Institutions Law. Through Communication "A" 7661, the BCRA established that as from January 1, 2023, the cap for deposit insurance in pesos and/or in foreign currency is ARS 6,000 (previously, 1,500).

Through Communication "A" 6435, effective since January 20, 2018, the BCRA provided for the exclusion of sight deposits with interest rates above reference rates and time deposits and fixed-term investments with rates that are 1.3 times higher than the reference rate. Time deposits and fixed-term investments will also be excluded when these limits on interest rates are distorted by additional incentives or yields.

The contribution that financial institutions shall make on a monthly basis to the Fund is 0.015% over the monthly average of deposits involved. In addition to the normal contribution, entities shall make an additional contribution according to the result obtained from weighting several factors.

As of December 31, 2022 and 2021, the contribution to the Deposit Guarantee Fund amounted to 677,973 and 629,353, respectively, and it is recorded under "Other operating expenses" as of each period.

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28.2. Restricted assets

Below is a detail of financial assets pledged as collateral as of each indicated date:

	12/31/2022	12/31/2021
Banco Hipotecario		
BCRA special guarantee accounts related to electronic clearing agencies	2,626,556	3,639,519
Cash, government securities and instruments issued by the Argentine Central Bank as collateral for OTC ROFEX transactions	403,931	3,764,401
Government securities and instruments issued by the Argentine Central Bank as collateral for MAE and BYMA transactions	103,067	17,211
Cash and deposits in escrow as collateral for Visa credit card transactions	772,109	986,445
Cash and deposits in escrow as collateral for office and store leases	3,076	2,947
Cash and deposits in escrow as collateral for attachments	1,672	3,260
Government securities and instruments issued by the BCRA carried in repo transactions (Note 6.1)	-	62,066
	3,910,411	**8,475,849**
BACS		
Instruments issued by the Argentine Central Bank, government securities and Pesos as collateral for OTC ROFEX transactions	266,675	651,849
	266,675	**651,849**
BHN Inversión		
Cash and deposits in escrow as collateral for offices leases	4,014	5,213
	4,014	**5,213**
CHA IX to XIV Financial Trusts		
Guarantee funds	60,084	119,603
	60,084	**119,603**
Total	**4,241,184**	**9,252,514**

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28.3. Fiduciary activities

The Group acts as trustee, trustor or administrator in the following trusts:

<u>Role as Trustee:</u>

PROGRAMA CRÉDITO ARGENTINO DEL BICENTENARIO PARA LA VIVIENDA ÚNICA Y FAMILIAR (Pro.Cre.Ar.)
On June 12, 2012, the National Executive Branch issued Decree No. 902 whereby it ordered the creation of a Public Fiduciary Fund referred to as *Programa Crédito Argentino del Bicentenario para la Vivienda Única Familiar* (Argentine Single Family Housing Program for the Bicentennial) (Pro.Cre.Ar.). On that same date, the Bank's Board of Directors approved the Bank's role as trustee of the aforementioned fund.

On July 18, 2012, the Argentine Government, as Trustor, and Banco Hipotecario S.A. as Trustee, created the "PROCREAR" Administrative and Financial Trust, and its underlying assets were transferred to it as trust property.

The Trust's sole, exclusive and irrevocable purpose is as follows: (i) to manage the trust assets with the aim of facilitating the population's access to housing and the generation of job opportunities as economic and social development policies, in compliance with the principles and objectives set forth in Decree No. 902; (ii) the use by the Trustee of the net proceeds from the placement of the Trust Bonds (*Valores Representativos de Deuda* or VRDs) and cash contributions by the Argentine Government to originate loans for the construction of houses in accordance with the provisions of Decree No. 902 and credit lines; and (iii) the repayment of the VRDs in accordance with the terms of the Trust agreement and the Trust Law.

The Trust shall be in effect for a term of thirty (30) years as from the date of execution of the agreement (July 18, 2012).

The main duties of the Trustee, notwithstanding those set forth in the Trust Law and the Commerce Code are as follows:

- To comply with the obligations of the Trust Agreement and with the instructions of the Executive Committee.
- To carry out the duties relating to their capacity as Trustee, acting with the loyalty, diligence and prudence of a good businessman, on the basis of the trust placed in them.
- To exercise the powers under the Agreement, preserving the Trust Estate.
- To use the Trust Estate for lawful purposes, in accordance with the provisions of the Agreement and as instructed by the Executive Committee.
- To identify the Trust Assets and record them separately in an accounting system independent from its own assets and from assets corresponding to other trusts they may have or may come to have as a consequence of their transactions.
- To prepare the Trust's Financial Statements, to hire the relevant auditors and to comply with the applicable information regimes.

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- To insure the Trust Assets against risks that may affect their integrity.
- To invest or reinvest the funds of the Trust, in accordance with the provisions of the Agreement and the instructions given by the Executive Committee.

As it arises from the financial statements as of December 31, 2022, the Trust's financial position is as follows:

- Assets: ARS 524,619,845
- Liabilities: ARS 14,858,483
- Shareholders' Equity: ARS 509,761,362

As of December 31, 2022, the lending PRO.CRE.AR. Administrative and Financial trust portfolio was composed of 185,666 mortgage loans for the construction of permanent, single family houses, 190,688 consumer loans and a wholesale loan. The amount disbursed for the construction as of such date was ARS 409,692,058, ARS 26,693,173 and ARS 1,810,711, respectively. The committed amounts pending disbursement total ARS 12,277,812.

The conditions of these loans vary according to the family income segment.

OTHER FINANCIAL TRUSTS

BACS acts as a trustee of Aracar Créditos I and Wayni I financial trusts.

<u>Role as Trustor</u>

GLOBAL MULTI-ASSET MORTGAGE TRUST SECURITIES PROGRAM
"CHA UVA Series I Financial Trust" is a financial trust created pursuant to the Trust Indenture dated April 23, 2018 entered into by the Bank, in its capacity as trustor and TMF Trust Company (Argentina) S.A., in its capacity as trustee. Upon the transfer of the mortgage loans to the trustee, the trustee issues the respective debt securities and certificates of participation and settles the amount of the loans transferred by the Bank, out of the proceeds from the issuance. The assets held in trust are separate from the trustee's and the trustor's assets. The following is the single series outstanding under the program as of December 31, 2022:

	Debt securities Class A	Debt securities Class B	Certificates of Participation	Total
CHA UVA Series I - Issued on April 23, 2018				
Nominal value in thousands of acquisition value units (UVA)	8,645	5,763	4,802	19,210

GLOBAL TRUST SECURITIES PROGRAM, "CÉDULAS HIPOTECARIAS ARGENTINAS"
The Bank has entered into several financial trust agreements pursuant to which, as trustor, it transfers the fiduciary ownership of mortgage loans within its loan portfolio to several financial institutions, as trustee. Upon the transfer of the mortgage loans to the trustee, the trustee issues the respective debt securities and certificates of participation

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and settles the amount of the loans transferred by the Bank out of the net proceeds from the issuance. The assets held in trust are separate from the trustor's and trustee's assets.

The trustee is liable to manage the trust funds previously created in accordance with the specifications of the trust agreement.

In 2004, the Bank created a Global Trust Securities Program, "CÉDULAS HIPOTECARIAS ARGENTINAS" for the securitization of individual mortgage loans to finance housing units for an aggregate nominal value of up to ARS 500,000,000, which was authorized by the CNV through Resolution No. 14814 dated June 3, 2004.

As of December 31, 2022, fourteen series of Argentine Mortgage Bonds Financial Trusts (CHA) were created. As of the date of these consolidated financial statements, the following series were outstanding:

	Debt securities Class A1/AV	Certificates of participation	Total
CHA IX Issued on 08.28.2009			
Nominal value	192,509	10,132	202,641
Stated maturity date	02.07.2027	07.07.2027	
CHA X Issued on 08.28.2009			
Nominal value	-	17,224	17,224
Nominal value in thousands of US$	85,001	-	85,001
Stated maturity date	01.07.2027	06.07.2028	
CHA XI Issued on 12.21.2009			
Nominal value	204,250	10,750	215,000
Stated maturity date	03.10.2024	10.10.2024	
CHA XII Issued on 07.21.2010			
Nominal value	259,932	13,680	273,612
Stated maturity date	11.10.2028	02.10.2029	
CHA XIII Issued on 12.02.2010			
Nominal value	110,299	5,805	116,104
Declared maturity date	12.10.2029	04.10.2030	
CHA XIV Issued on 03.18.2011			
Nominal value	119,876	6,309	126,185
Stated maturity date	05.10.2030	08.10.2030	

In these trust funds, BACS acted as Arranger and currently acts as General Administrator.

Role as Administrator

CHA UVA SERIES 1 FINANCIAL TRUST
"CHA UVA Series I Financial Trust" is a financial trust created pursuant to the Indenture dated April 23, 2018 entered into by the Bank, in its capacity as trustor, manager and custody agent and TMF Trust Company (Argentina) S.A., in its capacity as trustee. Furthermore, BACS acts as alternate manager.

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FINANCIAL TRUST ADMINISTRATION
BACS is the general administrator of the trust funds Cédulas Hipotecarias Argentinas (CHA) Series IX, X, XI, XII, XIII, XIV, and Trust Red Mutual 46 to 55.

28.4. Compliance with the regulations required by the Argentine Securities Commission

Documentation filing

To comply with the requirements provided for in General Resolution No. 269 of the CNV, Banco Hipotecario S.A. reports that the documentation filed off-site is kept at the warehouses of Bank S.A., domiciled at Carlos Pellegrini 1401 (Avellaneda).

Capital Markets Law
Banco Hipotecario
According to the Capital Markets Law No. 26831 and the regulations handed down by the CNV, the Bank is registered as: (i) Financial Trustee No. 57, (ii) Settlement and Clearing Agent and Comprehensive Trading Agent No. 40, and (iii) Mutual Fund Placement and Distribution Agent No. 12. In turn, in its capacity as Settlement and Clearing Agent and Comprehensive Trading Agent, the Bank is registered with the following markets authorized by the CNV: (i) Bolsas y Mercados Argentinos S.A. (BYMA), (ii) Mercado Abierto Electrónico S.A. (MAE), and (iii) ROFEX S.A.

General Resolution No. 821 of the CNV provides that Settlement and Clearing Agents and Comprehensive Trading Agents are required to permanently maintain a minimum shareholders' equity amount of ARS 470,350 acquisition value units (UVA) as reflected in their annual and interim financial statements covering six-month periods. In this sense, it is reported that Banco Hipotecario S.A.'s minimum shareholders' equity composed as required by the rules issued by the Argentine Central Bank exceeds the minimum amount required under such resolution. On the other hand, the Bank's equity was duly paid in as of December 31, 2022.

In addition, it sets forth that no less than 50% of the minimum shareholders' equity amount shall fulfill the requirements of Schedule I, Title VI of the CNV's regulations. In turn, such schedule sets forth the requirements applicable to the liquid balancing account in the Mandatory Guarantee Fund set forth in Section 45 of Law No. 26,831 and in the Guarantee Fund for Customers' Claims. Pursuant to Section 22 of General Resolution 821/19 issued by the CNV, since the shareholders' equity has been restated in the financial statements, the amount adjusted to the applicable UVA value as of the closing date shall be credited as minimum amount in the liquid balancing account. Accordingly, the liquid balancing account is identified –through AL35 government security – Government Bond carried at amortized cost, as per the following detail:

Date	Amount UVA as per CNV Matrix	Government Security	Kind CV	Amount	Listing	Valuation of security in ARS	Valuation of security in UVA
12/30/2022	235,175	AL35	5922	800,000	88,725	70,980,000	383,613

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BACS

According to the Capital Markets Law No. 26,831 and the regulations handed down by the CNV, the Bank is registered as: (i) Collective Investment Product Agent - Financial Trustee No. 55, (ii) Settlement and Clearing Agent and Comprehensive Trading Agent No. 25, and (iii) Collective Investment Product Custody Agent of Mutual Fund No. 24.

In turn, in its capacity as Settlement and Clearing Agent and Comprehensive Trading Agent, the Bank is registered with the following markets authorized by the CNV: (i) Bolsas y Mercados Argentinos S.A. (BYMA), (ii) Mercado Abierto Electrónico S.A. (MAE), Mercado Argentino de Valores (MAV) and (iii) ROFEX S.A.

General Resolution No. 821 of the CNV provides that Settlement and Clearing Agents and Comprehensive Trading Agents are required to permanently maintain a minimum shareholders' equity amount of ARS 470,350 acquisition value units (UVA) (ARS 87,165 as of December 31, 2022) as presented in their annual and quarterly financial statements. As a balancing account, a minimum of (50%) of the minimum shareholders' equity amount must be fully invested in eligible assets indicated in Annex I of Chapter I of Chapter I of Title VI of the 2013 CNV Rules.

On the other hand, according to the above mentioned, in connection with the registration of the Entity as Collective Investment Product Agent – Financial Trustee, it must permanently have a minimum shareholders' equity amount of 950,000 UVA, (ARS 176,054 as of December 31, 2022), which must arise from its quarterly and annual financial statements. As a balancing account, a minimum of (50%) of the minimum shareholders' equity amount must be fully invested in eligible assets indicated in Annex I of Chapter I of Chapter I of Title VI of the 2013 CNV Rules.

Finally, and as informed in the first paragraph of this note, in connection with the registration of the Entity as Collective Investment Product Custody Agent, it should permanently have a minimum liquid shareholders' equity amount of 16,350 UVA, (ARS 3,030 as of December 31, 2022), which should arise from its quarterly and annual financial statements. As a balancing account, a minimum of (50%) of the minimum shareholders' equity amount must be fully invested in eligible assets indicated in Annex I of Chapter I of Chapter I of Title VI of the 2013 CNV Rules.

In the case of companies with more than one license, the total minimum shareholders' equity shall be equal to the amount resulting from adding to the minimum shareholders' equity value required for the highest category, 50% of each of the values of the other minimum shareholders' equity values required for the additional categories where registration is requested.

As described above, the minimum shareholders' equity required for the Company is the sum of the minimum shareholders' equity required for the category of Collective Investment Product Agent - Financial Trustee plus 50% of the minimum shareholders' equity required for the category of Settlement and Clearing Agent and Comprehensive Trading Agent plus 50% of the minimum shareholders' equity required for the category of Custody Collective Investment Product Custody Agent. Consequently, the Bank must have a permanent liquid shareholders' equity of UVA 1,193,350 (ARS 221,152 as of December 31, 2022).

As of December 31, 2022, the Company's shareholders' equity exceeds the minimums required by the controlling entity detailed above.

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The minimum liquid balancing account required by CNV rules as of December 31, 2022, is the sum of all the minimum balancing accounts required for the registered categories:

Date	Amount UVA as per CNV Matrix	Government Security	Kind CV	Amount	Listing	Valuation of security in ARS	Valuation of security in UVA
12/30/2022	718,350	TDS23	9147	170,942	175.20	29,949,038	161,607
		TDF24	9156	682,000	162.50	110,825,000	598,020

Additionally, BACS Administradora de Activos S.A., in accordance with General Resolution No. 792, as Managing Company, is subject to a requirement of 150,000 UVAS, which must be increased by 20,000 UVAS for each additional fund it manages.

In connection with the registration of the Company as a Comprehensive Settlement and Clearing Agent (ALYC) before the CNV, the provisions of Sections 13 and 15 of Title VII, Chapter II of the 2013 CNV Rules must be observed with respect to the minimum shareholders' equity requirements, which must amount to 470,350 UVA.

Regarding the registration of the Company as a Comprehensive Placement and Distribution Agent of Mutual Funds (ACyDI FCI), the requirements set forth in Section 23 of Section VI of Chapter II, Title V of the 2013 CNV Rules must be complied with in relation to the minimum shareholders' equity required, which must amount to 163,500 UVA.

In the case of companies with more than one license, the total minimum shareholders' equity shall be equal to the amount resulting from adding to the minimum shareholders' equity required for the highest category, 50% of each of the values of the other minimum shareholders' equity values required for the additional categories where registration is requested.

As described above, the minimum shareholders' equity required for the Company is the sum of the minimum shareholders' equity required for the ALyC category, plus 50% of the minimum shareholders' equity required for mutual fund management companies, plus 50% of the minimum shareholders' equity required for the ACyDI category. As of December 31, 2022, the minimum shareholders' equity amount required and the minimum balancing account amount required amount to ARS 136,599 and ARS 93,017, respectively. The company's shareholders' equity exceeds the minimum required by the controlling agency.

On the other hand, the minimum balancing account amount required amounts to at least 50% of the minimum shareholders' equity required, which is complied with by the Company and is made up as follows:

Date	UVA Amount as per CNV Matrix	Security	Kind CV	Holding as 12/31/2022	Listing	Valuation of security in ARS	Valuation of security in UVA
12/30/2022	501,925	PTSTO	91927	33,000	341.00	11,253,000	60,722

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		YPCUO	91841	60,000	235.50	14,130,000	76,246
		PNDCO	95806	90,000	386.00	34,740,000	187,460
		TLC5O	81326	65,000	347.00	22,555,000	121,708
		CP28O	56426	104,672	176.75	18,500,828	99,832
		TTA		1,207,000	10.17	12,277,604	66,251
						113,456,432	612,219

28.5. Accounts that identify compliance with minimum cash requirements

Below is a detail of the items computed by the Bank to comply with the minimum cash requirements (as per the applicable regulations established by the Argentine Central Bank) and the corresponding average balances as of December 31, 2022:

	Pesos	Dollars	Euros	Treasury Bill due 02/17/23	Argentine bond USD due 07/09/35
Checking accounts at BCRA	7,121,056	51,055	79	-	-
Special accounts at BCRA	2,489,030	681	-	-	-
Payment with BOTE 2022	8,249,714	-	-	-	-
Payment with Leliq and LeCer	20,056,912	-	-	-	-
CRYL Account	-	-	-	57,468	5,534
Total paid-in	**37,916,712**	**51,736**	**79**	**57,468**	**5,534**
Total requirement	**49,027,729**	**50,781**	**-**	**57,468**	**933**
Required reduction (miscellaneous)	11,144,352	**-**	**-**	**-**	**-**
Monthly position	**33,335**	**955**	**79**	**-**	**4,601**

28.6. Penalties imposed on the Bank and summary proceedings initiated by the Argentine Central Bank and other regulatory authorities

I – Summary proceedings before administrative authorities:

1. On August 30, 2019, the Bank was notified of Resolution No. 250/2019, whereby the Superintendent of Financial and Exchange Institutions had resolved to file summary proceedings in financial matters against Banco Hipotecario S.A. and Messrs. Eduardo Sergio Elsztain, Mario Blejer, Saúl Zang, Fernando Recalde, Ernesto Manuel Viñes, Carlos Bernardo Písula, Jacobo Julio Dreizzen, Mauricio Elías Wior, Adolfo Gregorio Reznik, Martin Juan Lanfranco, Juan Rubén Jure, Francisco Guillermo Susmel, Pablo Daniel Vergara Del Carril, Nora Edith Zylberlicht, Ricardo Flammini, Francisco Daniel Gonzalez, José Daniel Abelovich, Marcelo Héctor Fuxman, Gabriel Andrés Carretero, Manuel Juan Luciano Herrera Grazioli, Mariano Cané de Estrada, Lorena Cecilia Morchón and Ana

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María Lemmi, for considering *prima facie* that profits would have been distributed while not having reached the additional capital margins required under applicable laws and without having secured the prior consent of the Superintendency of Financial and Exchange Institutions, in violation of the provisions of Section 4.1., Communication “A” 5827 and 6.3, Communication “A” 6464.

On September 13, 2019, the Bank filed defenses with the BCRA, along with documentary and IT expert evidence, the latter in the event the emails offered as documentary evidence were rejected.

Finally, on August 17, 2021, the Superintendent of Financial and Exchange Institutions of the BCRA issued Resolution No. 116/2021, whereby it resolved to warn Messrs. Blejer and Zylberlich and to impose a fine on BHSA of 11,7000 and several fines of different amounts on the rest of defendants for a total of 21,487.

Such Resolution was notified to BHSA on September 24, 2021 and on October 19, 2021 it was appealed under the terms of Section 42 of Financial Institutions Law No. 21,526.

On June 9, 2022, an official letter was served on the National Treasury Attorney's Office and the court fee was paid.

On June 16, 2022, the court ordered to serve notice of the appeal for a term of 30 days. On August 30, 2022, the BCRA answered the appeal and on August 31, 2022, the case was set for judgment.

2. On September 15, 2020, BACS' General Manager, Diego A. Jordan; and BACS' Operations Manager, Karina A. Riccardi; were served notice of administrative proceedings No. 381/10/21 in their capacity as defendants under Resolution No. 134, pursuant to Article 8 of the Criminal Exchange Law No. 19,359, regulated by Decree 480/95 (“Criminal Exchange Law”). The administrative proceedings were initiated due to charges raised against Jordan and Riccardi for the offenses set forth under section 1. e) and f) of the Criminal Exchange Law, in addition to item 2 of Communication “A” 6799 issued by the BCRA. The charges against BACS were grounded on Article 1. e) and f) and Article 2. f), first paragraph of the Criminal Exchange Law, also supplemented by item 2 of Communication “A” 6799 issued by the BCRA, in connection with a transaction carried out in January 2020, in the amount of US$ 15,000, which was reversed a few days after completion.

In March 2021, BACS and the above-mentioned managers appeared and designated a defense counsel. On June 2, 2021, they presented their defense, offered evidence and requested the closing of the proceedings to the BCRA's Office of Foreign Exchange Contentious Matters. By means of Resolution dated October 15, 2021, the BCRA resolved to start the discovery stage of the proceedings. During November 2021, informative and oral evidence was produced.

In this regard, on February 25, 2022, the BCRA resolved to close the discovery period and on March 8, 2022, the defendants filed their arguments on the evidence produced, requesting once again that the proceedings be closed.

On June 21, 2022, the administrative record was sent to the Criminal Courts in Economic Matters, and the case was referred to Criminal Court in Economic Matters No. 10. As a previous measure to any other proceedings, the Court required the BCRA to send the administrative record in hard copy and asked the BCRA to report on the foreign exchange background of the defendants. Besides, the preparation of DJ and KR’s background checks was required, and they were prepared on September 4, 2022 and September 29, 2022. Finally, on November 1, 2022, DJ and KR were summoned to attend the hearing provided for in Section 41 of the Criminal Code on December 1, 2022. Said hearings have already taken place on the indicated date.

II – Summary proceedings pending court decision.

1. On October 31, 2014, the Bank was notified of Resolution No. 685 dated October 29, 2014 issued by the Superintendent of Financial and Foreign Exchange Institutions in the summary proceedings in financial matters No. 1320, whereby the Bank and its authorities had been charged, on the one hand, with alleged violations to the rules governing financial aid to the Non-Financial Public Sector, excess over the applicable credit limits requirements regarding the non-financial public sector, excess in the allocation of assets pledged as collateral, failure to satisfy minimum capital requirements, and objections against the accounting treatment afforded to the “Cer Swap Linked to PG08 and External Debt” transaction and, on the other hand, with delays in communicating the appointment of new directors and in providing documentation associated with the directors recently elected by the shareholders’ meetings.

By means of Resolution No. 685 Banco Hipotecario S.A. was fined with ARS 4,040. Its directors (Eduardo S. Elsztain; Jacobo J. Dreizzen; Carlos B. Písula; Edgardo L. Fornero; Gabriel G. Reznik; Pablo D. Vergara del Carril; Ernesto M. Viñes; Saul Zang; Mauricio E. Wior), former directors (Clarisa D. Lifsic de Estol; Federico L. Bensadon; Jorge L. March and Jaime A. Grinberg), supervisory auditors (Messrs. Ricardo Flammini; José D. Abelovich; Marcelo H. Fuxman; Alfredo H. Groppo; and Martín E. Scotto), the Area Manager Gustavo D. Efkhanian and former managers (Gabriel G. Saidon and Enrique L. Benitez) were also subject to fines for an aggregate amount of ARS 51,582. Under this resolution, former supervisory auditor Ms. Silvana M. Gentile was acquitted.

On November 25, 2014, Banco Hipotecario S.A. and the other individuals affected by the adverse decision lodged an appeal under Section 42 of the Financial Institutions Law, which was submitted by the Argentine Central Bank to the Federal Appellate Court in Administrative Matters. Therefore, at present, the case is being heard by Courtroom I of such Appellate Court. Moreover, on December 30, 2014, the Bank and the individuals against whom sanctions were imposed sought injunctive relief against the enforcements pursued by the Argentine Central Bank for collection of the fines.

Upon being notified of the resolution issued by the Appellate Court on June 30, 2016, dismissing the injunctive relief filed by the Bank, the directors, managers and some of the supervisory auditors, and in order to prevent any further conflict and financial damage that might result from actions to compel payment of fines, the Bank’s Executive Committee decided to apply the indemnity rules regarding directors, high-ranking officers and supervisory auditors, as an alternative for the amounts not covered by the D&O insurance policy approved by the Bank’s Board of Directors at its meetings held on August 2, 2002 and May 8, 2013, and resolved to deposit the amounts of the fines.

Such deposit, including the amount relating to the fine imposed on the Bank and the respective legal costs, totaled ARS 57,672. Out of this amount, ARS 53,632 were recorded as an expense for the fiscal year ended December 31, 2015 and ARS 4,040 were computed as an allowance for the fiscal year ended December 31, 2014.

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Notwithstanding the foregoing, the brief filed with the court hearing the proceedings to compel payment argued that the amounts deposited in the judicial accounts opened to such end were subject to attachment, and a petition was filed for the respective amounts to be invested in automatically renewable 180-day-time deposits in order to ensure the integrity of the funds until the Appellate Court in Administrative Matters issued a decision on the appeal lodged against Resolution No. 685/14 of the Argentine Central Bank.

Upon rejecting the requests for injunction, the court continued pursuing proceedings to enforce the fines against each of the defendants. For such reason, the amounts subject to attachment were used for the payment of the relevant fines.

On February 22, 2019, Courtroom I of the Federal Appellate Court in Administrative Matters resolved the following, with one negative vote from a judge: "1) Partially sustain the appeal filed by BHSA, its directors –Mrs. Lifsic de Estol and Messrs. Elsztain, Bensadón, Dreizzen, Fornero, Grinberg, March, Písula, Reznik, Vergara del Carril, Viñes, Zang and Wior- and its managers –Benitez, Saidón and Efkhanian – and, therefore, order the file to be returned to the BCRA for it to determine and substantiate the amounts of the penalties to be applied to such officers within sixty days, pursuant to the provisions of paragraph XIII; and 2) order each party to pay its court costs, based on the complexity of the issues involved and their resolution process (Section 68, paragraph two of the Argentine Civil and Commercial Code of Procedure)".

Given that certain grounds in the judgment issued by the Appellate Court are questionable, and taking into consideration the grounds stated by the judge voting against such judgment, an Extraordinary Appeal in accordance with Section 14 of Law 48 was filed before that Court on March 12, 2019.

On April 11, 2019, Courtroom I of the Appellate Court sustained both extraordinary appeals – the one filed by Banco Hipotecario S.A. and the one filed by the BCRA – as regards the federal matter invoked and the arbitrariness of judgment. It only rejected BCRA's appeal on the serious institutional implications invoked.

Finally, on June 16, 2022, the Argentine Supreme Court of Justice rendered judgment dismissing the extraordinary appeal filed by Banco Hipotecario S.A., under the terms of section 280 of the Argentine Civil and Commercial Code of Procedure, pursuant to which the Supreme Court is empowered to dismiss it by just invoking such provision. On the other hand, it declared that the BCRA's appeal had not satisfied the requirement of autonomous grounds as required by section 15 of Law 48, and dismissed the appeal on serious institutional implications.

Thus, the judgment of Courtroom I of the Federal Appellate Court in Administrative Matters, which partially sustained the appeal filed by Banco Hipotecario S.A., became final and, consequently, although the infringement that had given rise to the fine was deemed to have occurred, the amount of the fine was revoked on grounds of unreasonableness.

Once the proceedings are returned to the court of origin, they will be forwarded to the BCRA, which shall have a 60-day term to determine and justify the amount of the penalties imposed.

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Subsequently, on August 18, 2022, Banco Hipotecario S.A. claimed the reimbursement by the BCRA of the amounts paid as fine plus interest. In addition, the related calculation was made and the determination of an adjustment mechanism was requested.

On September 9, 2022, it was requested to clarify the amounts of fines and interest in the notice submitted by Banco Hipotecario S.A. to the BCRA. Finally, on November 2, 2022, Banco Hipotecario S.A. submitted a copy of the proof of payments (principal and interest) clarifying the August 18, 2022 filing.

2. On August 11, 2015, the Bank was notified of Resolution No. 76/15, whereby the Chairman of the Financial Information Unit (UIF) had ordered the commencement of summary proceedings against Banco Hipotecario S.A., its directors (Eduardo S. Elsztain, Mario Blejer, Jacobo Julio Dreizzen, Carlos B. Písula, Ernesto M. Viñes, Gabriel G. Reznik, Pablo D. Vergara del Carril, Mauricio Wior, Saúl Zang, Edgardo Fornero, Diego Bossio, Mariana Gonzalez and Ada Maza) and its Compliance Officer (Ernesto M. Viñes) in connection with the alleged failure to comply with Section 21. a) of Law No. 25246 and Resolution UIF No. 121/11. According to such resolution, the Bank and its directors had *prima facie* failed to comply with certain customer identification requirements, monitoring standards, the risk matrix definition, and the procedures to update its customers' background and profiles, among others.

On September 23, 2015, the Bank filed its defense with the UIF along with documentary evidence, and offered informative evidence, IT expert opinions and oral evidence. On April 13, 2016, the production of evidence was ordered, and all evidence was duly produced in due time and form, including the report issued by the Argentine Central Bank on the risk adjustment and mitigation plan submitted in due time by Banco Hipotecario S.A. At the conclusion of this procedural stage, the attorneys of the persons subject to the summary proceedings filed their closing arguments regarding the evidence produced.

On March 6, 2019, Resolution UIF No. 10/2019 was notified, whereby the Chairman of the UIF decided to impose a fine of ARS 100 on Banco Hipotecario and ARS 100 on the directors subject to the summary proceedings, on grounds of the violations of Resolution No. 121/2011. On March 13, 2019, the fine was paid.

On April 16, 2019, a direct appeal was filed with the Federal Appellate Court in Administrative Matters, and the action was heard by Courtroom IV, under case file No. 19717/2019.

On August 27, 2020, notice of the judgment rendered was served dismissing the appeal and confirming the materiality of the penalties imposed by the UIF and, hence, the amount thereof. In addition, the court awarded legal costs and expenses against the losing party and assessed the fees payable to the defendant's attorneys. On September 10, an extraordinary appeal was lodged against this judgment.

On September 28, 2020, the UIF answered the notice of the extraordinary appeal and the case was set for judgment on that same date. On October 29, 2020, Courtroom IV of the Federal Appellate Court in Administrative Matters dismissed the Federal Extraordinary Appeal lodged.

As a result, on November 5, 2020, an appeal was filed with the Supreme Court of Justice. On December 22, 2022, the Argentine Supreme Court of Justice resolved to reject the claim on the grounds of Section 280 of the Argentine Civil and Commercial Code of Procedure.

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3. On November 25, 2014, the Financial Information Unit (UIF) notified Tarshop S.A.U. of the commencement of summary proceedings identified under Resolution No. 234/14, on grounds of potential formal violations arising from the alleged breach of Section 21. a) of Law No. 25246 and Resolutions UIF No. 27/11 and 2/12, accordingly. Tarshop S.A.U., its Compliance Officer (Mauricio Elías Wior) and the then Directors (Eduardo Sergio Elsztain, Saúl Zang, Marcelo Gustavo Cufré and Fernando Sergio Rubín) were summoned to file defense. In the legal counsel's opinion, at the current stage of the proceedings and based on the precedents existing at the UIF in connection with similar cases, an administrative penalty is likely to be imposed. Accordingly, the Bank has booked an allowance of ARS 360 for the year ended December 31, 2016. On May 4, 2018, the Company was notified that the UIF had decided to impose a lower penalty, which would be duly appealed. As from September 2, 2019, the date of the merger of Tarshop S.A.U. into Banco Hipotecario S.A., all the assets, rights and obligations of Tarshop S.A.U. were transferred to the Bank, as merging or surviving company; therefore, it is the continuing party to these summary proceedings.

On July 3, 2020, notice was served of the judgment rendered on the merits of these proceedings, whereby the appeal so filed was dismissed and costs were awarded against the losing party. The Appellate Court dismissed the appeal on merely formal grounds. On August 18, 2020, a motion for extraordinary appeal was lodged against the judgment rendered on July 3, 2020.

On December 3, 2020, Division V of the Federal Appellate Court in Administrative Matters granted the appeal lodged. At present, the Bank is awaiting final judgement from the Argentine Supreme Court of Justice.

28.7. Restrictions on the distribution of profits

Regulations issued by the BCRA provide that 20% of the fiscal year's profits, net of potential adjustment from prior years, if applicable, shall be allocated to a legal reserve.

In accordance with the conditions set forth by the BCRA, profits may be distributed only to the extent there are positive results after the off-balance sheet deduction of unappropriated retained earnings/deficit, and legal, statutory and/or special reserves set up for the following items: the difference between the book value and the market value of sovereign debt and/or monetary regulation instruments issued by the BCRA valued at amortized cost, amounts recorded in assets for lawsuits related to deposits, the result from revaluation of property, plant & equipment and intangible assets and investment property, among others.

Furthermore, the Bank shall verify that, after the proposed distribution of profits is carried out, there is a capital margin over risk-weighted assets, in addition to the minimum capital requirements set forth under applicable regulations, paid out of level 1 ordinary capital, net of deductibles.

In addition, the technical ratio of minimum capital requirements shall be met to distribute profits.

The technical ratio shall be assessed excluding the aforementioned items from assets and unappropriated retained earnings/deficit. Also, any existing deductible item regarding minimum capital requirements, payment and/or position shall not be computed.

As from January 2016, the BCRA provided for a capital preservation margin in addition to the minimum capital requirement equivalent to 2.5% of risk-weighted assets. Said margin shall be fully paid in out of level 1 ordinary capital, net of deductible items. The distribution of profits shall be limited when the level and composition of the Entity's Regulatory Capital (*Responsabilidad Patrimonial Computable*) is within the capital preservation margin range.

At present, financial institutions shall secure the BCRA's previous consent to distribute profits. The distribution of profits by financial institutions is suspended until December 31, 2021, as set forth in Communication "A" 7312.

Communication "A" 7427 provided that, effective from January 1, 2022 to December 31, 2022, financial institutions may only distribute profits for up to 20 % of the amount that should have otherwise been distributed if the rules on "Distribution of profits" had been applied. Besides, effective January 1, 2022, financial institutions that have secured the BCRA's previous consent will be required to make such distribution in 12 equal, monthly and consecutive instalments.

Communication "A" 7659 provided again that the distribution of profits of financial institutions be suspended, between January 1, 2023 and December 31, 2023.

In accordance with the provisions of the CNV rules, the Shareholders' Meeting considering the annual financial statements shall resolve on the treatment of retained earnings.

28.8. Capital management and transparent corporate governance policy

Banco Hipotecario assumes that institutions must rely on a Corporate Governance system to provide guidance to the structure and operation of their corporate bodies for the benefit of the institutions, their shareholders, depositors, investors and the community at large.

The Bank's Corporate Governance system is designed as a dynamic process that considers the company's development, the results derived from its performance, the regulations imposed from time to time, and the recommendations on best market practices, harmonizing them with its social reality.

The Bank's Corporate Governance is thus governed by currently applicable laws and regulations, its bylaws and the Code of Corporate Governance that address matters related to the Bank's operations, its Shareholders' Meetings, the Board, the Board's committees, the office of the General Manager, Senior Management and relations with its subsidiaries.

Besides, the Bank relies on guidelines for internal behavior contained in its Code of Ethics, which groups the ethical standards and principles that should guide the behavior of directors, managers and employees.

1) The Board of Directors: Structure:

Pursuant to Section 21 of Law No. 24855, and Banco Hipotecario's bylaws, the Bank's Board of Directors is composed of thirteen regular members elected to hold office for two-year terms by the different share class shareholders' meetings. Directors may be re-elected indefinitely and on a step-wise basis. Each class of shares

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appoints a number of Alternate Directors that is equal to or less than the number of regular directors that the class is entitled to elect.

Candidates to serve in the Bank's Board must not be included within the scope of inability set forth in Section 264 of Law No. 19550, and Section 10 of Law No. 21526; they must have experience in financial activities and cannot hold office until the Argentine Central Bank authorizes so.

The Central Bank examines Directors' background information and analyzes their skills and experience to perform their duties on the basis of: (i) the candidate's professional history in the financial industry and/or (ii) the candidate's professional credentials and track record in the public or private sector in similar matters or areas that are relevant to the Bank's commercial profile. In addition, the Argentine Central Bank's rules require that at least two thirds of Board members should have proven experience in financial activities.

Directors are designated by a majority vote at the shareholders' meetings held by each of the classes of common stock, as follows:

a) Class A shares elect 2 regular Directors and 2 alternate Directors.
b) Class B shares elect 1 regular Director and 1 alternate Director in so far as Class B shares are representative of 2% of the capital stock issued at the time the respective shareholders' meeting was called.
c) Class C shares elect 1 regular Director and 1 alternate Director in so far as Class C shares are representative of more than 3% of the capital stock issued at the time the respective shareholders' meeting was called.
d) Class D shares are entitled to appoint the rest of the regular and alternate directors (under no circumstances shall this number be less than 9 regular members and at least its equivalent in alternate Directors). When neither Class B or Class C are, for any reason, entitled to appoint and/or participate in the appointment of, directors, any such share class may cast a vote together with Class D shares at the special Class D shareholders' meeting called to elect directors.

The Directors chosen by special meetings of Class A and C shareholders in so far as their political rights are exercised by the Argentine Government, and Directors chosen by the Bank's Employees (Class B) under the Employee Stock Ownership Plan (*Programa de Propiedad Participada or PPP*) may take office and serve as directors on a "non commission" basis, subject to the Argentine Central Bank's resolution, notwithstanding the effectiveness of the actions that they may take during that fiscal year.

Class A shares are held by the Argentine Government (or its nominated trustees) which exercises its political rights; class C shares are meant to be initially offered to legal entities engaged in the construction of homes or in real estate activities (up and until the shares are sold, the political rights in these shares are exercised by the Argentine Government), Class D shares, which are transferred in exclusive, perpetual and absolute ownership to private capital. The subscription or acquisition of Class D shares by the Argentine Government, another legal entity run by the State or by the personnel covered by the PPP does not entail a change of class and Class B shares are held by the Employee Stock Ownership Plan (*Programa de Propiedad Participada*, or "PPP") for the Bank's employees, the political rights in these shares were exercised by employees entitled to the Employee Stock Ownership Plan.

To strengthen objective decision making and prevent conflicts of interest, the Board considers it advisable that some of its members should be independent directors. Independent directors must satisfy the requirements imposed by Law No. 19550, Law 26831, the CNV's regulations and the Argentine Central Bank's rules.

Besides, under the Argentine Companies Law No. 19550 and the Bank's Bylaws, the Bank's Supervisory Committee consists of a committee made up by 5 regular supervisory auditors and 5 alternate supervisory auditors appointed as follows: 3 regular supervisory auditors and 3 alternate supervisory auditors are designated by holders of Class D and C shares who cast votes as members of only one class in the class shareholders' meeting held to that end; one regular supervisory auditor and one alternate supervisory auditor are designated by Class B shares in so far as said Class represents more than 2% of capital stock and 1 regular supervisory auditor and 1 alternate supervisory auditor are appointed by Class A shares. When Class B shares fall short of representing 2% of capital stock and Class C shares fall short of representing 3% of capital stock, the Company shall reduce the number of supervisory auditors to 3 regular supervisory auditors and 3 alternate supervisory auditors. Two of these regular supervisory auditors and two alternate supervisory auditors shall be designated by Class B, C and D shares who, to that end, will cast votes as members of a single class in the relevant class shareholders' meeting and one regular supervisory auditor and one alternate supervisory auditor being appointed by Class A shares. Given that supervisory auditors are appointed by classes of shares, in so far as there are classes of shares, the Company will not be required to elect supervisory auditors based on cumulative votes. Supervisory auditors shall serve for two-year terms and they shall remain in office until they are replaced and may be indefinitely re-elected. In addition, the powers and duties of supervisory auditors are set forth in the Argentine Companies Law, Section 293.

Finally, on December 1, 2022, Class B Shareholders' Meeting resolved; (a) the withdrawal of 100% of the Class B shares comprising the Employee Stock Ownership Plan of Banco Hipotecario S.A. and (b) the expiration and dissolution of the Share Syndication Agreement subscribed by each shareholder at the time the Employee Stock Ownership Plan of Banco Hipotecario S.A. was constituted.

Board Committees:

The Bank's bylaws provide for the operation of an Executive Committee. Besides, the Board has approved the creation of various committees made up by directors and entrusted with the following missions:

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Executive Committee:

Overall, the Executive Committee is responsible for supervising the Bank's day-to-day businesses and it shall be composed of a minimum of 5 and a maximum of 9 directors elected by Class D shareholders and a number of alternate directors of the same class as determined by the Board.

Audit Committee:

The Audit Committee is in charge of overseeing the reasonable operation of the Bank's internal control environment and the Bank's risk management systems.

Committee for Controlling and Preventing Money Laundering and Terrorism Financing:

This Committee has been entrusted with helping the Bank comply with the obligations imposed by the applicable rules and regulations that seek to prevent these crimes.

Information Technology Committee:

This Committee is responsible for ensuring that the Bank's global IT, informational systems and logical security policies are complied with.

Credit Committee:

This is the committee in charge of establishing the Bank's limits when it comes to credit exposure to its customers.

Personnel Incentives Committee:

This is the committee responsible for making sure that the system of personnel incentives is consistent with the Bank's culture, its objectives, long-term businesses, strategy and control environment as outlined in the applicable policy. Such Committee reports to the Executive Committee.

Risk Management Committee:

The main purpose of this Committee is to monitor the risks to which the entity is exposed, with responsibility, *inter alia*, for: i) monitoring the management of credit, market, liquidity, interest rate and operations risks, taking into account the best risk management practices; and ii) advising the Board of Directors on the design of risk policies and strategies.

Corporate Governance Committee:

Its mission is to supervise the enforcement of the Code of Corporate Governance and adherence to the corporate principles of "full disclosure", "transparency", "efficiency", "investor protection", "equal treatment amongst investors" and "protection of the entity's stability." In addition, it will evaluate the Board's actions, the succession planning schemes in force for Senior Management and control compliance with the Bank's internal rules and external regulation.

Directors' and Personnel's Ethics Committee:

It has been entrusted with making sure that the Bank relies on the means adequate for the promotion of appropriate decision-making within the framework of its ethical considerations.

Finance Committee:

It is responsible for overseeing compliance with the Bank's solvency and liquidity policies by managing financial risks.

Committee of Social and Institutional Affairs:

This committee has been entrusted with maintaining the Bank's image and positioning in the community at large within the framework of enterprise social responsibility.

Committee for the Protection of Users of Financial Services:

This committee watches for the Bank's relationship with users of financial services that purchase its products.

Managers' Committees:

Committees convene managers from different areas and/or sectors related to a given topic requiring interaction among them - at the applicable decision level in the line - in order to ensure that the aspects discussed are dealt with and executed in a coordinated manner. In these cases, committees will act within the authorization matrix assigned to their respective competencies, defining, in each case, which members shall be in charge of ensuring execution of the agreed-up courses of action. Where the decision level is higher than that of its members, the committees' conclusions shall be regarded as advice to the management, a committee or the board of directors, as applicable.

The existing Committees are the following: (1) Asset – Liability Committee – ALCO, (2) Retail Banking Pricing and Rates Committee, (3) Investment Committee, (4) Lending Committee, (5) Real Estate Committee, and (6) Crisis Committee.

Senior Management:

The Bank's General Manager and Senior Management members must have the experience and skills required by financial activities. None of them can be within the scope of the disqualifications and inabilities prescribed by Section 264 of Law No. 19550, and by Section 10 of Law No. 21526.

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In turn, they are liable for compliance with applicable laws and regulations, in particular with Laws No. 24855, 24240, 21526, 19550 and 26831, as amended, regulatory and supplementary decrees, the rules of the Argentine Central Bank, the regulations of the CNV and the Bank's bylaws.

Senior Management members must act with the loyalty and diligence expected from a good businessman. Those members who fail to perform their duties shall incur joint, several and unlimited liability for the damages arising from their acts or omissions.

Furthermore, Senior Management is responsible for deploying the strategy, abiding by the policies and employing the practices that the Board has approved for managing risks such as credit, liquidity, market, interest rate and operational risk and for implementing and developing written procedures to identify, evaluate, monitor, control and mitigate risks.

2) Basic share structure:

The capital stock is represented by 1,500,000,000 shares of a par value of one peso each, divided into Class A, B, C and D shares according to the percentages set forth in the table of Note 25 to the Separate Financial Statements. Class A, B and C shares entitle to one vote per share, Class "D" shares, which are owned by the private sector, entitle to three votes per share so long as the Argentine Government owns more than 42% of the capital stock.

Pursuant to the provisions of the Privatization Law and the Bank's bylaws, the Board of Directors shall be composed of 13 members and the majority class "D" shareholders are entitled to elect 9 of them.

The table in Note 25 to the Separate Financial Statements shows the latest composition of the capital stock, specifying the classes of shares, par value and equity percentage.

It should be noted that the main Class "D" holders are: (a) private shareholders - Tyrus SA, Ritelco SA, E-Commerce Latina SA, Palermo Invest SA, IRSA Inversiones y Representaciones SA and Inversora Bolívar SA- holding 446.5 million of shares representing approximately 29.9% of the Capital Stock, and (b) representative of state direct and indirect political rights – Trustee of the Option which shall be maintained in the Trust until the disposal thereof pursuant to the instructions received from the Argentine Government, through the *Fondo Federal de Infraestructura Regional* Assistance Trust and ANSES, which hold 164.9 million of shares representing approximately 7.6% of the Capital Stock.

3) Organizational structure:

Law No. 24,855 declared Banco Hipotecario Nacional to be subject to privatization and transformed it into an Argentine corporation (*Sociedad Anónima*). Banco Hipotecario Nacional was a state-run entity founded on November 15, 1886. By virtue of Law No. 24855 and its regulatory decrees, Decree 677/1997, Decree 924/1997 and Decree 1394/1998, the Argentine Central Bank's Resolutions No. 271/2007, 64/1998, 362/2001 and Communication "B" 6444, starting on December 24, 1998 the Bank has been doing business as Banco Hipotecario SA operating as a merchant retail bank. The Bank was admitted to the public offering regime by the

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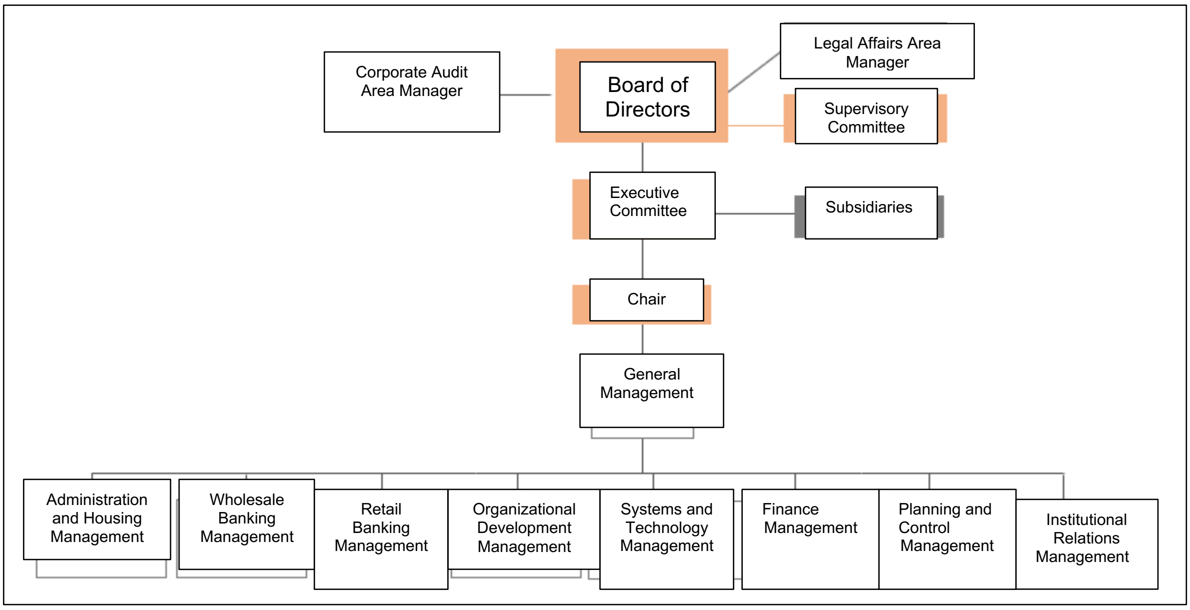
CNV and then it was also authorized to have its shares listed on and traded in the Buenos Aires Stock Exchange.

The following is the Bank's organizational chart at year-end:



The Bank controls, either directly or indirectly, the companies comprised in its group of subsidiaries: BHN Sociedad de Inversión SA, engaged in the investment business and responsible for managing ownership interests in other companies; BHN Vida SA, an insurance company that offers life insurance; BHN Seguros Generales SA and ComparaenCasa.com, which provides insurance against fire and damages to real property and others; and BACS Banco de Crédito y Securitización SA, a non-depository merchant bank which controls BACS Administradora de Activos SASGFCI, which is the Agent of Collective Investment Product Management of Toronto Trust Common Funds.

4) Information concerning financial incentives to personnel:

1 - The Personnel Incentives Committee is made up of 3 Directors and the highest officer in the organizational development area. At least one of the Directors in the Committee must have experience in the subject. The Directors shall remain in the Committee for a term of at least 2 years, always provided that their office as Directors does not expire earlier. Such term may be extended in each case only upon express decision of the Board of Directors. The term in such office shall not overlap, so that the Committee is always composed of one Director with experience in the subject. The appointment of the members of the Personnel Incentives Committee, as well as any changes in its membership, whether by reason of resignation, leave of absence, addition or replacement of its members or any other cause, shall be notified by the Company to the Argentine Central Bank and the CNV within the terms set forth in the applicable laws.

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The Committee's main objective is to monitor the incentive system, and it is responsible for establishing the policies and practices for providing financial incentives to the Bank's personnel involved in risk management (be it credit, liquidity, market, interest rate and/or operational risk), adjusting decisions to the exposure to these risks assumed by the Company according to the liquidity and capital requirements at stake, both on current and future potential risks and/or risks to the entity's reputation and whereby the economic incentives to the members of the organization should be tied to the contribution by each individual and by each business unit to the Company's performance.

2 - The Design is based on the principle that all employees should receive a total compensation that is in line with tasks performed, whose internal relative value shows the responsibilities of the position and the employee's performance, and whose external comparative value is competitive with comparable salaries prevailing in the market, ensuring that internal equity and external competitive criteria are met, by reviewing and managing compensation packages so as to obtain a salary structure aligned to the business needs and possibilities, framed in a set of rules that foster individual progress based on each employee's potential and the Bank's possibilities, so as to ensure an environment that fosters the development of individuals and of the organization.

3 - Personnel financial incentives are adjusted by directly relating each individual contribution to the Organization's performance, with a view to achieving the targets set by the Company's Board of Directors; and the results obtained through the duties that are being compensated are framed into the risk exposure assumed by the Board of Directors.

4 - The bank measures its performance through indicators associated with its strategic environments: business, sustainability, customers, employees and organizational intelligence.

5 - Pursuant to its long-term incentive and performance policy, the Bank establishes a direct relationship between each employee's individual contribution and the Organization's goals, with a view to fulfilling the targets set by the Company's Board of Directors and obtaining sustainable profits, through the following actions, *inter alia*.

- Clearly communicating the corporate targets set by the Board of Directors for the following year and in the long term;
- Strengthening and clarifying the relationship between performance and incentives;
- Aligning incentives with the key factors of success for the Organization and rewarding actions that add value, privileging costs and efficiency;
- Fostering cooperation and team work; Causing the various departments to work hand in hand toward the achievement of common targets consistent with the Organization's strategic plans;
- Rewarding the attainment of quantitative, specific, measurable and controllable objectives; and
- Achieving better clarity and objectivity upon measuring individual and group performance.

6 - The various variable compensation items are: Commissions, Bonus and Profit. Payments are recorded in the salary receipts and are made in cash. Banco Hipotecario S.A. sets the criteria that regulate the Incentive Policy with a view to integrating individual and group efforts, seeing that internal relative value shows the responsibilities and risks associated with each employee's position and performance and that its external

comparative value is competitive in the salary market. Performance management measures the employees' performance in terms of the results attained with respect to the goals set and the qualifications required for each position.

The Bank has a system of financial incentives for personnel, consistent with its culture and objectives, which is aligned with the other managing tools in order to achieve a prudent assumption of both current and future risks.

The Committee of Personnel Incentives assesses individual performance in compliance with targets imposed on their functions and the risk assumed by personnel on behalf of the entity, seeing that the total funds allocated to their payment are consistent with.

5) Policy related to business conduct and/or ethics code, as well as the applicable governance policy or structure:

The Bank has internal rules of conduct (Code of Ethics) that include the ethical guidelines and principles that govern interaction amongst directors and employees, within a framework of respect for the law and for the rules that govern the banking industry.

Additionally, the Bank adheres to the Code of Banking Practices, which has been prepared with the involvement of all of Argentina's associations in the industry of banking and financial institutions as a self-regulatory initiative that seeks to promote best banking practices in Argentina and, in turn, the Bank adheres to the Investor Protection Code and has an integrity program in place under the scope of the anti-corruption law.

The Bank has adhered to those Codes in the belief that its adoption will help strengthen the rights of clients and increase transparency in the information provided to them by financial institutions.

The referred Code of Ethics and the Code of Banking Practices are an integral part of the Bank's and its subsidiaries' Corporate Governance systems.

6) Conflicts of interest:

The decisions and actions of the Bank's members, managers, legal representatives and employees must always seek to achieve the Bank's and its customers' best interests and they should never derive from personal considerations. Neither family and friendship relationships nor expectations from current or potential suppliers, contractors, competitors or regulators must affect independence and sound judgment to safeguard the Bank's interests.

7) Complex structures:

In the corporate structure of Banco Hipotecario and its subsidiaries, the controlling company is at the core of the main financial intermediation activities and relies on other economic units for the businesses and supplementary services of non-depository merchant banks and insurance companies, securities transactions and issuance of Shopping credit cards, whilst maintaining and reinforcing any possible synergies amongst its different customers.

None of the group companies has affiliates or subsidiaries abroad, nor are they engaged in off-shore transactions.

The organization does not employ complex structures or trusts disguising the development of certain activities.

The participation of each company as trustor, trustee or beneficiary is restricted to the scope of financial trusts whose securities are generally admitted to public offering. The most relevant details surrounding these trusts, as well as the investments in their certificates and securities are disclosed in the Bank's separate financial statements and consolidated financial statements.

29. SUBSEQUENT EVENTS

On February 2, 2023, USD 8,953 (equivalent to ARS 1,679,701.87 as of said date) were collected as partial cancellation of the mortgage debt held by the company Bienes Raíces de Capitales Privados S.A., which is in situation 5 and stage 3 as of December 31, 2022.

On February 22, 2023, Banco de la Nación Argentina, trustee of the Employee Stock Ownership Plan, shareholder of the Bank, requested the conversion of all Class "B" shares (57,009,279) into Class "D" shares, due to the cancellation of such Plan. The Class "D" shares will become property of the "FIDEICOMISO PROGRAMA PROPIEDAD PARTICIPADA DE BANCO HIPOTECARIO SA" for their transfer to the final beneficiaries of the Plan.

30. LEGALIZATION OF BOOKS

At the date of these financial statements, the transactions conducted by the Bank for the period October 1, 2022 through December 31, 2022 are pending transcription into the legalized books as set forth in the regulations in force.

31. MARKET DISCIPLINE

Information on Banco Hipotecario S.A.'s regulatory capital structure and sufficiency, risk exposure and management, on a separate and on a consolidated basis with its subsidiaries, as required by Communication "A" 5394 of the BCRA, is available at the Bank's website (http://www.hipotecario.com.ar), under the "Market Discipline – Minimum Disclosure Requirements" link.

SCHEDULE B – CONSOLIDATED CLASSIFICATION OF LOANS AND OTHER FINANCING ARRANGEMENTS BY STATUS AND GUARANTEES RECEIVED
As of 12/31/2022 and 12/31/2021
In thousands of Argentine Pesos and constant currency

Commercial Portfolio	12/31/2022	12/31/2021
Normal situation	**31,605,524**	**35,010,406**
With "A" preferred collateral and counterguarantees	6,545,113	5,708,836
With "B" preferred collateral and counterguarantees	1,582,419	2,644,224
Without preferred collateral and counterguarantees	23,477,992	26,657,346
With special follow-up	**13,829**	**70,418**
Under observation	**13,829**	**70,418**
With "A" preferred collateral and counterguarantees	11,310	440
Without preferred collateral and counterguarantees	2,519	69,978
Troubled	**6,142**	**4,712**
With "A" preferred collateral and counterguarantees	5,820	62
Without preferred collateral and counterguarantees	322	4,650
With high risk of insolvency	**617,394**	**2,847,308**
With "A" preferred collateral and counterguarantees	209,016	24,299
With "B" preferred collateral and counterguarantees	-	2,167,908
Without preferred collateral and counterguarantees	408,378	655,101
Uncollectible	**2,135,438**	**11,136,915**
With "A" preferred collateral and counterguarantees	2	-
With "B" preferred collateral and counterguarantees	1,920,876	-
Without preferred collateral and counterguarantees	214,560	11,136,915
Total commercial portfolio	**34,378,327**	**49,069,759**

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Manuel J.L. Herrera Grazioli
General Manager

Eduardo S. Elsztain
Chairman

Andrea Pastrana
Partner
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Marcelo Fuxman
For the Supervisory Committee

SCHEDULE B – CONSOLIDATED CLASSIFICATION OF LOANS AND OTHER FINANCING ARRANGEMENTS BY STATUS AND GUARANTEES RECEIVED

As of 12/31/2022 and 12/31/2021

In thousands of Argentine Pesos and constant currency

Consumer and housing portfolio	12/31/2022	12/31/2021
Normal situation	**46,623,907**	**68,184,290**
With "A" preferred collateral and counterguarantees	725,043	2,267,913
With "B" preferred collateral and counterguarantees	15,598,790	19,036,524
Without preferred collateral and counterguarantees	30,300,074	46,879,853
Low risk	**792,294**	**796,232**
Low risk	**790,010**	**793,026**
With "A" preferred collateral and counterguarantees	9,309	12,371
With "B" preferred collateral and counterguarantees	358,982	231,216
Without preferred collateral and counterguarantees	421,719	549,439
Special treatment	**2,284**	**3,206**
Without preferred collateral and counterguarantees	2,284	3,206
Mid risk	**436,558**	**647,769**
With "A" collateral and counterguarantees	9,969	16,144
With "B" collateral and counterguarantees	180,822	143,785
Without preferred collateral and counterguarantees	245,767	487,840
High risk	**442,043**	**1,329,351**
With "A" collateral and counterguarantees	11,202	60,618
With "B" preferred collateral and counterguarantees	127,006	244,633
Without preferred collateral and counterguarantees	303,835	1,024,100
Uncollectible	**328,136**	**169,256**
With "A" collateral and counterguarantees	486	-
With "B" preferred collateral and counterguarantees	206,096	21,714
Without preferred collateral and counterguarantees	121,554	147,542
Total consumer and housing portfolio	**48,622,938**	**71,126,898**
Total general (1)	**83,001,265**	**120,196,657**

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Marcelo Fuxman
For the Supervisory Committee

In thousands of Argentine Pesos and constant currency

(1) Reconciliation between Schedule B and the Statement of Financial Position:

	12/31/2022	12/31/2021
Loans and other financing arrangements	**76,021,888**	**102,093,289**
Other debt securities	**31,304,551**	**56,400,675**
Off-balance sheet accounts	**962,711**	**617,580**
plus allowances	2,453,530	14,373,016
less IFRS adjustments not computable for Statement of Debtors' Condition	221,647	274,922
less items not computable for Statement of Debtors' Condition	(1,153,562)	(1,583,280)
less government securities at amortized cost	(26,809,500)	(51,979,545)
TOTAL	**83,001,265**	**120,196,657**

BANCO Hipotecario

SCHEDULE C – CONSOLIDATED CONCENTRATION OF LOANS AND OTHER FINANCING ARRANGEMENTS

As of 12/31/2022 and 12/31/2021

In thousands of Argentine Pesos and constant currency

Number of customers	FINANCING			
	12/31/2022		12/31/2021	
	Debt balance	% of total portfolio	Debt balance	% of total portfolio
10 largest customers	8,372,217	10.09%	20,706,531	17.23%
50 following largest customers	12,432,602	14.98%	13,750,723	11.44%
100 following largest customers	5,751,760	6.93%	5,918,214	4.92%
Rest of customers	56,444,686	68.00%	79,821,189	66.41%
Total (1)	**83,001,265**	**100.00%**	**120,196,657**	**100.00%**

(1) Reconciliation between Schedule C and the Statement of Financial Position:

	12/31/2022	12/31/2021
Loans and other financing arrangements	**76,021,888**	**102,093,289**
OTHER DEBT SECURITIES	31,304,551	56,400,675
OFF-BALANCE SHEET ACCOUNTS	962,711	617,582
PLUS ALLOWANCES	2,453,530	14,373,018
less IFRS adjustments not computable for Statement of Debtors' Condition	221,647	274,921
less items not computable for Statement of Debtors' Condition	(1,153,562)	(1,583,282)
less government securities at amortized cost	(26,809,500)	(51,979,546)
TOTAL	**83,001,265**	**120,196,657**

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Manuel J.L. Herrera Grazioli
General Manager

Eduardo S. Elsztain
Chairman

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Public Accountant (UCA)
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For the Supervisory Committee

BANCO Hipotecario

SCHEDULE D – CONSOLIDATED BREAKDOWN OF LOANS AND OTHER FINANCING ARRANGEMENTS BY MATURITY DATES

As of 12/31/2022

In thousands of Argentine Pesos and constant currency

Item	Past due portfolio	Remaining terms to maturity						Total
		1 month	3 months	6 months	12 months	24 months	More than 24 months	
Financial sector	-	19,000	24,028	32,219	64,605	120,838	2,957	263,647
Non-financial private sector and foreign residents	2,530,421	18,503,714	13,525,110	9,947,551	9,465,836	8,641,652	23,871,469	86,485,753
TOTAL	**2,530,421**	**18,522,714**	**13,549,138**	**9,979,770**	**9,530,441**	**8,762,490**	**23,874,426**	**86,749,400**

The decrease in future contractual flows is presented, including interest and additional amounts to be accrued until maturity of non-discounted agreements.

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For the Supervisory Committee

SCHEDULE F – CONSOLIDATED CHANGES IN PROPERTY AND EQUIPMENT

For the fiscal year ended 12/31/2022

In thousands of Argentine Pesos and constant currency

Item	Original value at the beginning of the year	Total useful life in years	Increases	Decreases	Impairment		Depreciation				Residual value at year-end
					Losses	Reversals	Accumulated	Decreases	For the year	At year-end	
Measured at cost											
- Real estate	13,125,270	50	-	-	(348,810)	-	(1,105,791)	-	(297,800)	(1,403,591)	11,372,869
- Furniture and facilities	2,978,111	10	31,311	(1,571)	-	-	(2,378,629)	-	(170,978)	(2,549,607)	458,244
- Machinery and equipment	13,802,605	(a)	295,137	(57,220)	-	-	(13,196,797)	-	(408,172)	(13,604,969)	435,553
- Vehicles	6,752	5	360	(360)	-	-	(6,752)	-	-	(6,752)	-
- Sundry	415,240	5	24,534	-			(393,069)		(14,520)	(407,589)	32,185
- Right of use of leased personal property	279,186	(b)	-	-	-	-	(253,362)	-	(17,071)	(270,433)	8,753
- Right of use of leased real estate	2,404,468	(b)	313,465	(63,537)	-	-	(1,698,176)	-	(470,337)	(2,168,513)	485,883
Total property and equipment	**33,011,632**		**664,807**	**(122,688)**	**(348,810)**	**-**	**(19,032,576)**	**-**	**(1,378,878)**	**(20,411,454)**	**12,793,487**

(a) The useful life of machinery is 5 years and the useful life of equipment is 3 years.
(b) The useful life is the term of each lease agreement.

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For the Supervisory Committee

SCHEDULE F – CONSOLIDATED CHANGES IN INVESTMENT PROPERTY

For the fiscal year ended 12/31/2022
In thousands of Argentine Pesos and constant currency

Item	Original value at the beginning of the year	Net income/loss from measurement at fair value	Increases	Decreases	Residual value at year-end
Measured at fair value					
- Leased real estate	2,100,453	(385,365)	-	-	**1,715,088**
Total investment property	**2,100,453**	**(385,365)**	**-**	**-**	**1,715,088**

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For the Supervisory Committee

SCHEDULE G – CONSOLIDATED CHANGES IN INTANGIBLE ASSETS
For the fiscal year ended 12/31/2022
In thousands of Argentine Pesos and constant currency

Item	Original value at the beginning of the year	Total useful life in years	Increases	Decreases	Impairment		Depreciation				Residual value at year-end
					Losses	Reversals	Accumulated	Decreases	For the year	At year-end	
Measured at cost											
Other intangible assets	6,640,745	5	241,054	-	-	-	(5,893,183)	-	(360,590)	(6,253,773)	628,026
Total intangible assets	**6,640,745**		**241,054**	**-**	**-**	**-**	**(5,893,183)**	**-**	**(360,590)**	**(6,253,773)**	**628,026**

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Marcelo Fuxman
For the Supervisory
Committee

SCHEDULE H – CONSOLIDATED CONCENTRATION OF DEPOSITS
As of 12/31/2022 and12/31/2021
In thousands of Argentine Pesos and constant currency

Number of customers	DEPOSITS			
	12/31/2022		12/31/2021	
	Debt balance	% of total portfolio	Debt balance	% of total portfolio
10 largest customers	8,372,217	10.09%	261,550,762	46.41%
50 following largest customers	11,723,467	14.12%	70,129,114	12.45%
100 following largest customers	6,231,489	7.51%	13,872,198	2.46%
Rest of customers	56,674,092	68.28%	217,968,330	38.68%
TOTAL	**295,761,911**	**100.00%**	**563,520,404**	**100.00%**

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BANCO Hipotecario

SCHEDULE I – CONSOLIDATED BREAKDOWN OF FINANCIAL LIABILITIES BY MATURITY DATES

As of 12/31/2022

In thousands of Argentine Pesos and constant currency

Item	Remaining terms to maturity						Total
	1 month	3 months	6 months	12 months	24 months	More than 24 months	
Deposits							
Non-financial public sector	8,934,564	1,580,009	-	-	-	1,345,803	11,860,376
Financial sector	541	-	-	-	-	-	541
Non-financial private sector and foreign residents	236,238,716	51,853,612	1,491,208	209,350	49,536	17,884	289,860,306
Derivative instruments	-	-	-	-	-	156	156
Other financial liabilities	20,502,670	165,353	246,611	545,095	890,100	3,407,253	25,757,082
Loans from the BCRA and other financial institutions	148,007	172,188	-	-	-	-	320,195
Negotiable obligations issued	-	1,537,879	2,177,142	3,180,964	6,141,092	3,045,677	16,082,754
TOTAL	**265,824,498**	**55,309,041**	**3,914,961**	**3,935,409**	**7,080,728**	**7,816,773**	**343,881,410**

The decrease in future contractual flows is presented, including interest and additional amounts to be accrued until maturity of non-discounted agreements.

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Marcelo Fuxman
For the Supervisory Committee

SCHEDULE P – CATEGORIES OF CONSOLIDATED FINANCIAL ASSETS AND LIABILITIES
As of 12/31/2022
In thousands of Argentine Pesos and constant currency

Description	Amortized cost	Fair value through OCI	Fair value through profit or loss		Fair value hierarchy		
			Originally designated or pursuant to item 6.7.1 under IFRS 9	Statutory measurement	Level 1	Level 2	Level 3
FINANCIAL ASSETS							
Cash and bank deposits	**27,696,959**	-	-	-	-	-	-
Cash	5,996,312	-	-	-	-	-	-
Financial institutions and correspondents	21,700,647	-	-	-	-	-	-
Debt securities at fair value through profit or loss	-	-	**-**	**128,184,619**	26,958,055	101,226,564	-
Derivative instruments	-	-	-	**72,467**	-	72,467	-
Repo transactions	**98,182,666**	-	-	-	-	-	-
Argentine Central Bank	96,812,788	-	-	-	-	-	-
Other financial institutions	1,369,878						
Other financial assets	**7,304,454**	**-**	**-**	**3,186,138**	3,186,138	-	-
Loans and other financing arrangements	**76,021,888**	**-**	**-**		-	**-**	**-**
Other financial institutions	243,861	-	-	-	-	-	-
Non-financial private sector and foreign residents	**75,778,027**	-	-	-	-	-	-
Overdraft facilities	1,342,281	-	-	-	-	-	-
Notes	11,123,832	-	-	-	-	-	-
Mortgage loans	17,408,023	-	-	-	-	-	-
Pledge loans	34,297	-	-	-	-	-	-
Consumer loans	6,550,894	-	-	-	-	-	-
Credit cards	24,630,670	-	-	-	-	-	-
Finance leases	1,440,448	-	-	-	-	-	-
Other	13,247,582	-	-	-	-	-	-
Other debt securities	**31,304,551**	-	-	-	-	-	-
Financial assets pledged as collateral	**4,241,184**	-	**-**	-	-	-	-
Investments in equity instruments	-	-	**-**	**1,231,445**	1,101,627	129,818	-
TOTAL FINANCIAL ASSETS	**244,751,702**	**-**	**-**	**132,674,669**	**31,245,820**	**101,428,849**	**-**

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SCHEDULE P – CATEGORIES OF CONSOLIDATED FINANCIAL ASSETS AND LIABILITIES
As of 12/31/2022
In thousands of Argentine Pesos and constant currency

Description	Amortized cost	Fair value through OCI	Fair value through profit or loss		Fair value hierarchy		
			Originally designated or pursuant to item 6.7.1 under IFRS 9	Statutory measurement	Level 1	Level 2	Level 3
FINANCIAL LIABILITIES							
Deposits	**295,761,911**	-	-	-	-	-	-
Non-financial public sector	10,601,240	-	-	-	-	-	-
Financial sector	440	-	-	-	-	-	-
Non-financial private sector and foreign residents	285,160,231	-	-	-	-	-	-
Checking accounts	113,973,661	-	-	-	-	-	-
Savings accounts	64,304,479	-	-	-	-	-	-
Time deposits and term investments	102,056,955	-	-	-	-	-	-
Other	4,825,136	-	-	-	-	-	-
Derivative instruments	-	-	-	**156**	-	156	-
Other financial liabilities	**24,470,710**	-	-	-	-	-	-
Loans from the BCRA and other financial institutions	**295,119**	-	-	-	-	-	-
Negotiable obligations issued	**14,401,224**	-	-	-	-	-	-
TOTAL FINANCIAL LIABILITIES	**334,928,964**	**-**	**-**	**156**	**-**	**156**	**-**

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BANCO Hipotecario

SCHEDULE Q – CONSOLIDATED BREAKDOWN OF P&L

For the fiscal year ended 12/31/2022

In thousands of Argentine Pesos and constant currency

Items	12/31/2022		
	Net financial income/(expense)		OCI
	Originally designated or pursuant to item 6.7.1 under IFRS 9	Statutory measurement	
Due to measurement of financial assets at fair value through profit or loss	-		-
Income from government securities	-	72,632,191	-
Loss from corporate securities		723,357	
Income/(loss) from derivative financial instruments			-
Forward transactions	-	87,063	-
Interest rate swaps	-	(166,849)	-
Due to investments in Equity Instruments	-	2,263,212	-
TOTAL	-	**75,538,974**	-

Interest and adjustments due to application of effective interest rate of financial assets measured at amortized cost	12/31/2022 Financial income/(expense)
Interest income	
Cash and bank deposits	335,054
Corporate securities	2,229,098
Government securities	19,077,137
Loans and other financing arrangements	
To the Financial Sector	170,745
Overdraft facilities	875,315
Promissory notes	3,239,244
Mortgage loans	11,820,428
Pledge loans	22,080
Consumer loans	4,111,176
Credit cards	9,375,171
Finance leases	409,764
Other	4,007,369
Repo Transactions	
Argentine Central Bank	35,731,314
Other financial institutions	812,062
TOTAL	**92,215,957**

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For the Supervisory Committee

SCHEDULE Q – CONSOLIDATED BREAKDOWN OF P&L
For the fiscal year ended 12/31/2022
In thousands of Argentine Pesos and constant currency

Interest and adjustments due to application of effective interest rate of financial assets measured at amortized cost	12/31/2022 Financial income/(expense)
Interest expense	
Deposits	
Checking accounts	(39,664,553)
Savings accounts	(51,184)
Time deposits and term investments	(61,554,363)
Loans from the BCRA and other financial institutions	(150,152)
Repo Transactions	
Other Financial Institutions	(45,830)
Other financial liabilities	(77,243)
Negotiable Obligations issued	(4,499,708)
TOTAL	**(106,043,033)**
Commission income	
Linked to liabilities	2,365,990
Linked to loans	44,202
Linked to securities	330,238
Linked to credit cards	7,808,702
Linked to collection management	202,389
Other	16,427
TOTAL	**10,767,948**
Commission expense	
Linked to foreign trade and exchange transactions	(37,963)
Other	(702,224)
TOTAL	**(740,187)**

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Marcelo Fuxman
For the Supervisory Committee

In thousands of Argentine Pesos and constant currency

Item	Balances at beginning of year	ECL for the next 12 months	ECL of remaining life of financial asset		Monetary gain (loss) from allowances	Balance as of 12/31/2022
			Financial instruments with significant increase in credit risk	Credit-impaired financial instruments		
Other financial assets	**77,878**	**14,698**	-	-	**(37,898)**	**54,678**
Loans and other financing arrangements						
Other financial institutions (Note 7)	**456**	**(224)**	**-**	**-**	**(222)**	**10**
Non-financial private sector and foreign residents (Note 7)	**14,289,756**	**222,199**	**231,992**	**(5,411,802)**	**(6,953,894)**	**2,378,251**
Overdraft facilities	22,113	15,474	484	6,709	(10,761)	34,019
Promissory notes	29,548	42,622	-	-	(14,379)	57,791
Mortgage loans	519,632	64,083	185,439	214,089	(252,871)	730,372
Pledge loans	70	66	-	-	(34)	102
Consumer loans	1,328,151	(60,788)	4,819	(182,262)	(646,325)	443,595
Credit cards	878,640	(4,258)	40,446	5,210	(427,577)	492,461
Finance leases	257	4,386	-	(13)	(125)	4,505
Call loan rate to companies	8,651,959	19,878	-	(4,285,105)	(4,210,346)	176,386
Prefinancing of exports	2,462,877	-	-	(1,264,355)	(1,198,522)	-
Other	396,509	140,736	804	93,925	(192,954)	439,020
Other debt securities	**82,804**	**(40,885)**	**(17,233)**	**90,878**	**(40,295)**	**75,269**
Contingent commitments	**226,314**	**44,508**	**4,099**	**-**	**(110,132)**	**164,789**
TOTAL ALLOWANCES (Note 6.3)	**14,677,208**	**240,296**	**218,858**	**(5,320,924)**	**(7,142,441)**	**2,672,997**

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INDEPENDENT AUDITORS' REPORT ON CONSOLIDATED FINANCIAL STATEMENTS

To the Chairman and Directors of
Banco Hipotecario S.A.
Registered office: Reconquista 151
City of Buenos Aires
Taxpayer identification number [CUIT]: 30-50001107-2

Report on the financial statements

We have audited the accompanying consolidated financial statements of Banco Hipotecario S.A. (hereinafter, the "Entity") and its subsidiaries, comprising the consolidated statement of financial position as of December 31, 2022, the consolidated statements of income, changes in shareholders' equity and cash flows for the year then ended, as well as their related Schedules and selected explanatory Notes.

Board of Directors' and Management's Responsibility

The Entity's Board of Directors and Management are responsible for the preparation and presentation of the accompanying financial statements in accordance with the financial reporting framework established by the Argentine Central Bank ("BCRA"), which, as described in Note 3.1 to the accompanying financial statements, is based on the International Financial Reporting Standards ("IFRS") as approved by the International Accounting Standards Board ("IASB"), and adopted by the Argentine Federation of Professional Councils of Economic Sciences ("FACPCE"), with the exceptions referred to in Note 3.1. The Entity's Board of Directors and Management are also responsible for the design, implementation and maintenance of such internal control as Management might deem appropriate to ensure that the consolidated financial statements are free from material misstatements, due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on the accompanying consolidated financial statements based on our audit. We performed such audit in accordance with the applicable review standards set out in Technical Resolution No. 37 of FACPCE and with the "Minimum Standards for External Audits" issued by the BCRA. Those standards require that we comply with ethical requirements and that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit involves performing procedures, on a selective test basis, to obtain audit evidence on the financial disclosures included in the financial statements. The selected procedures depend on our professional judgment, including the assessment of the risk of material misstatements in the financial statements. In performing such risk assessment, we have considered the Entity's existing internal control on the preparation and presentation of the financial statements in order to select the appropriate audit procedures in light of the circumstances, but not in order to render an opinion on the effectiveness of such internal control. An audit also involves assessing the accounting criteria used by the Entity, the material estimates made by the Board of Directors, and the presentation of the financial statements as a whole. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Conclusion

In our opinion, the accompanying consolidated financial statements represent fairly, in all material respects, the consolidated financial position of Banco Hipotecario S.A. as of December 31, 2022, as well as the consolidated results of its operations, changes in shareholders' equity and consolidated cash flows for the year then ended, in conformity with the BCRA financial reporting framework.

Emphasis Paragraph

Without modifying our conclusion, we draw users' attention to the disclosures in Note 3.1 of the accompanying consolidated financial statements which states that such financial statements were prepared by the Entity's Board of Directors and Management in accordance with the BCRA financial reporting framework. This framework differs from the IFRS in certain aspects described in such note.

Information required by other legal and regulatory standards

In compliance with applicable provisions, we hereby report that:

a) the accompanying consolidated financial statements have not yet been transcribed into the Financial Statements for Reporting Purposes book;

b) the figures disclosed in the accompanying consolidated financial statements arise from applying the consolidation procedures set forth under the BCRA financial reporting framework, based on the separate financial statements of the business group's companies, which are detailed in Note 1 to the accompanying consolidated financial statements;

c) as of December 31, 2022, as described in Note 28.4 to the accompanying consolidated financial statements, the Entity's shareholders' equity and minimum cash contra-account in eligible assets exceed the respective minimum requirements established in applicable standards issued by the CNV;

d) we have read the information summary (sections "Capital Structure", "Profit & Loss Structure," "Cash Flow Structure," "Statistical Data" and "Ratios"), in respect of which, as it relates to our area of responsibility, we have no significant observations;

e) As of December 31, 2022, the accrued liability for retirement and pension contributions payable to the Argentine Pension Fund System arising from the accounting records of the Entity amounted to ARS 356,932,118, no amounts being due as of that date, and

f) During the year ended December 31, 2022, our fees for audit services billed to the Entity account for 96.89% of the total comprehensive amount billed to Entity, 71.66% of total fees for audit services billed to the Entity and its subsidiaries, and 68.49% of the total comprehensive amount billed to the Entity and its subsidiaries.

City of Buenos Aires, February 27, 2023

KPMG
Prof. Asoc. Reg. C.P.C.E.C.A.B.A. Volume 2, Page 6
Andrea Pastrana
Partner
Public Accountant (UCA)
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Supervisory Committee's Report

To the Shareholders, Chairman and Directors of
BANCO HIPOTECARIO S.A.

Introduction

In compliance with section 294, subsection 5 of Argentine Companies Law No. 19550 and the rules set out by the Argentine Securities Commission (CNV), we have reviewed the accompanying consolidated financial statements of Banco Hipotecario S.A. and its subsidiaries (hereinafter, the "Entity"), comprising the consolidated statement of financial position as of December 31, 2022, the consolidated statements of income, changes in shareholders' equity and cash flows for the year then ended, as well as their related schedules and selected explanatory notes. We have also reviewed the Board of Directors' Annual Report for the year ended December 31, 2022.

The balances and other information for the fiscal year ended December 31, 2021 are an integral part of the aforementioned audited financial statements and, therefore, shall be considered in the light of these financial statements.

Board of Directors' and Management's Responsibility

The Entity's Board of Directors and Management are responsible for the preparation of the accompanying consolidated financial statements in accordance with the financial reporting framework established by the Argentine Central Bank ("BCRA"), which, as indicated in Note 3.1 to the accompanying financial statements, is based on the International Financial Reporting Standards ("IFRS"), as approved by the International Accounting Standards Board ("IASB"), and adopted by the Argentine Federation of Professional Councils of Economic Sciences ("FACPCE"), with the exceptions referred to in Note 3.1. The Entity's Board of Directors and Management are also responsible for the design, implementation and maintenance of such internal control as Management might deem appropriate to ensure that the consolidated financial statements are free from material misstatements, due to fraud or error.

Scope of our Review

Our review was performed in accordance with supervisory committee standards currently in force. These standards require that reviews of consolidated financial statements be performed in accordance with the audit standards set forth in Technical Resolution No. 37 of the FACPCE, and with the "Minimum Standards for External Audits" established by the BCRA, which includes seeing to the fairness of the material information disclosed in the documents subject to review and whether such documents are consistent with the other information on corporate decisions disclosed in minutes of Board of Directors' and Shareholders' meetings, and whether such decisions are in compliance with applicable laws and bylaws in all formal and documentary aspects. In conducting our review, we examined the work performed by the Entity's external auditors, KPMG, who issued their report on February 27, 2023. An audit involves performing procedures on a selective basis to obtain judgmental elements on the disclosures included in the financial statements. The selected procedures depend on our professional judgment, including the assessment of the risk of material misstatements in the financial statements.

Supervisory Committee's Report (Continued)

Scope of our Review (continued)

In performing such risk assessment, an auditor is required to consider the Entity's existing internal control on the preparation and presentation of financial statements in order to select the appropriate audit procedures in light of the circumstances, but not in order to render an opinion on the effectiveness of such internal control. An audit also involves assessing the accounting criteria used by the Entity, the material estimates made by the Board of Directors, and the presentation of the financial statements as a whole. We consider the judgmental elements we have obtained are valid and sufficient to support our opinion.

As it concerns the Board of Directors' Annual Report for the fiscal year ended December 31, 2022, we have verified that it contains the information required by Section 66 of Law No. 19550 and, as far as the matters within our scope are concerned, that the figures therein contained are consistent with those disclosed in the Entity's accounting records and other relevant documents.

Conclusion

Based on the work we have performed within the scope described in the preceding paragraphs, we hereby report that:

a) in our opinion, the accompanying consolidated financial statements represent fairly, in all material respects, the consolidated financial position of Banco Hipotecario S.A. as of December 31, 2022, as well as its consolidated results of its operations, changes in shareholders' equity and consolidated cash flows for the year then ended, in conformity with the BCRA financial reporting framework; and

b) as far as the matters within our scope are concerned, we have no observations about the Board of Directors' Annual Report, with the forward-looking statements contained therein being the exclusive responsibility of the Entity's Board.

Emphasis Paragraph

Without modifying our conclusion, we draw users' attention to the disclosures in Note 3.1 of the accompanying consolidated financial statements which states that such financial statements were prepared by the Entity's Board of Directors and Management in accordance with the BCRA financial reporting framework. This framework differs from the IFRS in certain aspects described in such note.

Information required by other legal and regulatory standards

In compliance with applicable provisions, we hereby report that:

a) the accompanying consolidated financial statements have not yet been transcribed into the Financial Statements for Reporting Purposes book;

Supervisory Committee's Report (Continued)

Information required by other legal and regulatory standards (Continued)

b) the figures disclosed in the accompanying consolidated financial statements arise from applying the consolidation procedures set forth under the BCRA financial reporting framework, based on the separate financial statements of the business group's companies, which are detailed in Note 1 to the accompanying consolidated financial statements;

c) the provisions set forth under Resolution No. 797 of the CNV concerning the report on compliance with the Code of Corporate Governance were duly observed;

d) as of December 31, 2022, as described in Note 28.4 to the accompanying consolidated financial statements, the Entity's shareholders' equity and minimum cash contra-account in eligible assets exceed the respective minimum requirements established in applicable standards issued by the CNV;

e) we have also verified compliance with performance bonds required of Banco Hipotecario S.A.'s directors in office as of the date of the consolidated financial statements for the year ended December 31, 2022, as established in the laws in force;

f) pursuant to the provisions of the rules handed down by the CNV, we have read the external auditors' report, from which it arises that:

   i. the audit standards applied are those approved by FACPCE and the BCRA, which contemplate independence requirements, and

   ii. the consolidated financial statements were prepared in accordance with the rules laid down by the BCRA, taking into account the disclosures under the section entitled "Emphasis Paragraph."

g) we have complied with the provisions of section 294 of Argentine Companies Law No. 19550.

City of Buenos Aires, February 27, 2023

Marcelo Héctor Fuxman
Regular Supervisory Auditor

BANCO Hipotecario

SEPARATE FINANCIAL STATEMENTS AS OF DECEMBER 31, 2022

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BANCO Hipotecario

SEPARATE STATEMENT OF FINANCIAL POSITION

As of 12/31/2022 and 12/31/2021

In thousands of Argentine Pesos and constant currency

ITEM	NOTES	12/31/2022	12/31/2021
ASSETS			
Cash and bank deposits (Schedule P)	5	**26,866,530**	**34,753,270**
Cash		5,996,202	9,653,656
Financial institutions and correspondents		20,870,328	25,099,614
- Argentine Central Bank (B.C.R.A.)		20,197,092	24,434,134
- Other domestic and foreign institutions		673,236	665,480
Debt securities at fair value through profit or loss (Schedules A, P)		**118,730,075**	**45,600,361**
Derivative instruments (Schedules O, P)	8	**61,231**	**456,915**
Repo transactions (Schedules O, P)	6.1	**83,428,204**	**361,084,450**
Other financial assets	9	**4,891,432**	**3,680,286**
Loans and other financing arrangements (Schedules B, C, P)	7	**73,677,727**	**100,192,945**
Non-Financial Public Sector		-	8
Other Financial Institutions		242,829	892,963
Non-Financial Private Sector and Foreign Residents		73,434,898	99,299,974
Other debt securities (Schedules A, P)		**25,316,675**	**49,587,784**
Financial assets pledged as collateral (Schedule P)	28.2	**3,910,411**	**8,475,849**
Current income tax assets	12	**330,799**	**644,374**
Investments in equity instruments (Schedule A, P)		**277,478**	**261,872**
Investments in subsidiaries (Schedule E)	13	**10,592,864**	**10,481,221**
Property and equipment (Schedule F)	11.1	**12,641,971**	**13,682,600**
Intangible assets (Schedule G)	11.2	**431,357**	**577,118**
Deferred income tax assets	12	**-**	**2,971,273**
Other non-financial assets	11.3	**2,937,349**	**3,277,863**
Non-current assets held for sale	11.4	**8,209,405**	**15,991,361**
TOTAL ASSETS		**372,303,508**	**651,719,542**

Signed for identification purposes with our report dated February 27, 2023
KPMG
Prof. Asoc. Reg. C.P.C.E.C.A.B.A.
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Lorena C. Morchón
General Accounting Manager

Manuel J.L. Herrera Grazioli
General Manager

Eduardo S. Elsztain
Chairman

Andrea Pastrana
Partner
Public Accountant (UCA)
CPCECABA Volume 383 Page 244

Marcelo Fuxman
For the Supervisory Committee

SEPARATE STATEMENT OF FINANCIAL POSITION

As of 12/31/2022 and 12/31/2021
In thousands of Argentine Pesos and
constant currency

ACCOUNT	NOTES	12/31/2022	12/31/2021
LIABILITIES			
Deposits (Schedules H, P)		**273,127,804**	**543,971,151**
Non-financial public sector		10,601,240	140,755,672
Financial sector		72,220	54,168
Non-financial private sector and foreign residents		262,454,344	403,161,311
Liabilities at fair value through profit or loss (Schedule I)		**-**	**1,163,061**
Derivative instruments (Schedules O, P)	8	**2,981,600**	**3,954,993**
Repo transactions (Schedules O, P)	6.1	**-**	**55,460**
Other financial liabilities (Schedule P)	9	**20,597,797**	**14,605,018**
Loans from the B.C.R.A. and other financial institutions (Schedule P)	5	**1,652**	**8,479**
Negotiable obligations issued (Schedule P)	5 and 14	**12,913,255**	**35,913,004**
Provisions (Schedule J)	15	**1,069,627**	**689,546**
Deferred income tax liabilities	12	**2,797,081**	**-**
Other non-financial liabilities	11.5	**9,481,563**	**8,080,494**
TOTAL LIABILITIES		**322,970,379**	**608,441,206**
SHAREHOLDERS' EQUITY			
Capital stock	16	1,500,000	1,500,000
Capital adjustments		41,778,336	49,962,063
Income for the year		6,054,793	(8,183,727)
TOTAL SHAREHOLDERS' EQUITY		**49.333.129**	**43,278,336**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**372.303.508**	**651,719,542**

Notes and schedules are an integral part of these separate financial statements.

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Marcelo Fuxman
For the Supervisory Committee

BANCO Hipotecario

SEPARATE STATEMENT OF INCOME

For the fiscal years ended 12/31/2022 and 12/31/2021

In thousands of Argentine Pesos and constant currency

ACCOUNT	NOTES	12/31/2022	12/31/2021
Interest income and adjustments (Schedule Q)	17	83,603,527	84,657,668
Interest expense and adjustments (Schedule Q)	18	(98,299,464)	(84,100,971)
Net interest income (expense)		**(14,695,937)**	**556,697**
Fee and commission income (Schedule Q)	17	11,670,996	13,786,889
Fee and commission expense (Schedule Q)		(478,412)	(434,773)
Net fee and commission income		**11,192,584**	**13,352,116**
Net income from measurement of financial instruments at fair value through profit or loss (Schedule Q)	20	68,653,988	22,257,599
Income from assets write-off at amortized cost		-	27,828
Foreign currency exchange rate differences	19	(502,025)	(1,436,011)
Other operating income	21	4,353,395	5,597,255
Loan loss	6.3	(1,774,780)	(5,159,156)
Net operating income		**67,227,225**	**35,196,328**
Employee benefits	23	(19,727,735)	(18,556,147)
Administrative expenses	22	(7,909,576)	(8,308,800)
Depreciation and impairment of assets		(1,442,846)	(1,797,813)
Other operating expenses	21	(25,209,436)	(19,821,395)
Operating (loss)		**12,937,632**	**(13,287,827)**
Income in subsidiaries and associates	13	2,796,826	2,876,193
Gain (loss) on net monetary position		(3,911,311)	885,807
Income(Loss) before tax		**11,823,147**	**(9,525,827)**
Income tax (Expense) / (Benefit)	12	(5,768,354)	1,342,100
NET INCOME (LOSS) FOR THE YEAR		**6,054,793**	**(8,183,727)**

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For the Supervisory Committee

BANCO Hipotecario

SEPARATE STATEMENT OF INCOME

For the fiscal years ended 12/31/2022 and 12/31/2021

In thousands of Argentine Pesos and constant currency

EARNINGS (LOSS) PER SHARE	12/31/2022	12/31/2021
NUMERATOR		
Net income (loss) attributable to parent's shareholders	6,054,793	(8,183,727)
Net income(loss) attributable to parent's shareholders adjusted to reflect the effect of dilution	6,054,793	(8,183,727)
DENOMINATOR		
Weighted average of outstanding common shares for the fiscal year	1,473,240	1,471,352
Weighted average of outstanding common shares for the fiscal year adjusted to reflect the effects of dilution	1,473,240	1,471,352
EARNINGS(LOSS) PER BASIC SHARE	**4.110**	**(5.562)**
EARNINGS (LOSS) PER DILUTED SHARE	**4.110**	**(5.562)**

Notes and schedules are an integral part of these separate financial statements.

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For the Supervisory Committee

BANCO Hipotecario

SEPARATE STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
For the fiscal year ended 12/31/2022
In thousands of Argentine Pesos and constant currency

Changes	Capital Stock		Equity adjustments	Retained earnings	Total as of 12/31/2022
	Outstanding	Deliverable			
Balances at beginning of the year	**1,472,210**	**27,790**	**49,962,063**	**(8,183,727)**	**43,278,336**
Distribution of retained earnings – Approved by the Shareholders' Meeting held on 03/30/2022 (*)					
- Absorption of retained earnings	-	-	(8,183,727)	8,183,727	-
Share-based payments under compensation plan	1,622	(1,622)	-	-	-
Income for the year	-	-	-	6,054,793	6,054,793
Balances a at year-end	**1,473,832**	**26,168**	**41,778,336**	**6,054,793**	**49,333,129**

Notes and schedules are an integral part of these separate financial statements.

(*) See Note 3.3.

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Marcelo Fuxman
For the Supervisory Committee

SEPARATE STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the fiscal year ended 12/31/2021

In thousands of Argentine Pesos and constant currency

Changes	Capital Stock		Non-capitalized Contributions		Equity adjustments	Profit reserves			Retained earnings	Total as of 12/31/2021
	Outstanding	Deliverable	Share issuance premium	Share-based payments		Legal	Share-based payments	Others (*)		
Balances at beginning of the year	**1,470,685**	**29,315**	**834**	**87,842**	**150,588,214**	**12,436,387**	**2,239,931**	**37,091,295**	**(152,482,440)**	**51,462,063**
Distribution of retained earnings approved by the Shareholders' Meeting dated 03/30/2021 (**)										
– Absorption of retained earnings	-	-	(834)	(87,842)	(100,626,151)	(12,436,387)	(2,239,931)	(37,091,295)	152,482,440	-
Share-based payments under compensation plan	1,525	(1,525)	-			-		-	-	-
Loss for the year	-	-	-	-	-	-	-	-	(8,183,727)	(8,183,727)
Balances at year-end	**1,472,210**	**27,790**	**-**	**-**	**49,962,063**	**-**	**-**	**-**	**(8,183,727)**	**43,278,336**

Notes and schedules are an integral part of these separate financial statements.

(*) Optional reserve for future dividend distributions.

(**) See Note 16

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For the Supervisory Committee

BANCO Hipotecario

SEPARATE STATEMENT OF CASH FLOWS

For the fiscal years ended 12/31/2022 and 12/31/2021

In thousands of Argentine Pesos and constant currency

ITEM	12/31/2022	12/31/2021
Net income (loss) for the year before income tax	**11,823,147**	**(9,525,827)**
(Loss) on net monetary position	3,911,311	(885,807)
Adjustments to obtain cash flows from operating activities		
Depreciation and impairment of assets	1,442,846	1,797,813
Loan loss, net of reversed allowances	1,185,829	3,897,048
Provision for loan losses, net of reversed allowances	1,831,271	640,907
Net interest (loss) income	14,695,937	(556,697)
Loss from investment in subsidiaries	(2,796,826)	(2,876,193)
Net (loss) from financial instruments measured at fair value through profit or loss	(68,653,988)	(22,257,599)
Income from valuation of non-current assets held for sale, investment property and sale of property and equipment	10,345,624	4,106,831
Net increase / (net decrease) from operating assets		
Debt securities at fair value through profit or loss	(26,355,479)	28,558,196
Derivative instruments	173,333	(456,915)
Repo Transactions	133,409,681	(271,800,839)
Loans and other financing arrangements		
Non-financial public sector	4	53
Financial sector	1,048,426	1,280,356
Non-financial private sector and foreign residents	9,419,825	7,499,810
Other debt securities	18,377,453	(35,166,607)
Financial assets pledged as collateral	440,793	(5,962,960)
Investments in equity instruments	(143,042)	(79,271)
Other assets	(14,257,626)	2,204,825
Net increase / (net decrease) from operating liabilities		
Deposits		
Non-financial public sector	(61,657,794)	122,529,914
Financial sector	44,412	21,143
Non-financial private sector and foreign residents	(39,581,434)	187,728,016
Liabilities at fair value through profit or loss	(597,075)	1,059,431
Derivative instruments	640,266	(109,211)
Repo transactions	(60,513)	43,764
Other liabilities	30,498,153	3,144,412
Total cash flows from operating activities	**25,184,534**	**14,834,593**

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For the Supervisory Committee

BANCO Hipotecario

SEPARATE STATEMENT OF CASH FLOWS

For the fiscal years ended 12/31/2022 and 12/31/2021

In thousands of Argentine Pesos and constant currency

ITEM	12/31/2022	12/31/2021
Cash flows from investing activities		
Payments		
Purchase of property and equipment, intangible assets and other assets	(393,351)	(508,289)
Collections		
Sale of property and equipment	59,151	11,477
Other collections related to investing activities	-	3,993,252
Total cash flows from / (used in) investing activities	**(334,200)**	**3,496,440**
Cash flows from financing activities		
Payments		
Unsubordinated negotiable obligations (Note 5)	(21,761,709)	(13,318,670)
Loans from domestic financial institutions (Note 5)	(60,645,372)	(9,532,010)
Other payments related to financing activities	(53,306)	(76,903)
Collections		
Unsubordinated negotiable obligations (Note 5)	2,824,771	2,001,500
Loans to domestic financial institutions (Note 5)	60,645,372	9,532,010
Total cash flows used in financing activities	**(18,990,244)**	**(11,394,073)**
Effect of exchange rate variations	**3,165,328**	**2,511,891**
Effect of gain (loss) on net monetary position of cash	**(16,912,158)**	**(12,890,484)**
TOTAL VARIATION OF CASH FLOWS		
Net decrease in cash	**(7,886,740)**	**(3,441,633)**
Cash at the beginning of the year	**34,753,270**	**38,194,903**
Cash at year-end	**26,866,530**	**34,753,270**

Notes and schedules are an integral part of these separate financial statements.

Signed for identification purposes with our report dated February 27, 2023
KPMG
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Marcelo Fuxman
For the Supervisory Committee

1. GENERAL INFORMATION AND BASIS FOR THE PREPARATION OF SEPARATE FINANCIAL STATEMENTS

Banco Hipotecario S.A. (hereinafter, "the Bank") is a financial institution subject to Financial Institutions Law No. 21526 and, as such, is also required to comply with the regulations established by the Argentine Central Bank (BCRA) in its capacity as Regulator of Financial Institutions. The Bank is also required to comply with the regulations set by the Argentine Securities Commission, in accordance with Law No. 26831.

These financial statements are supplementary to the Bank's and its subsidiaries' consolidated financial statements as of December 31, 2022, in order to comply with legal and regulatory requirements.

2. CHANGES IN THE MACROECONOMIC CONTEXT AND FINANCIAL AND CAPITAL SYSTEMS

The information related to the economic context of these separate financial statements is presented in Note 2 to the consolidated financial statements.

3. ACCOUNTING STANDARDS AND BASIS FOR PREPARATION

These separate financial statements were approved by the Board of Directors at a virtual meeting held on February 27, 2023.

3.1. Basis of presentation

The financial statements as of December 31, 2022 have been prepared in accordance with the financial reporting framework established by the BCRA. Under such reporting framework, entities subject to the BCRA's supervision are required to submit financial statements prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), with the following deviations (the "financial reporting framework established by the BCRA"):

- the temporary waiver of the application of the impairment model set forth in paragraph 5.5 "Impairment" of IFRS 9 "Financial Instruments" for debt securities issued by the non-financial public sector established in Communication "A" 6847. If the Bank had applied the impairment model to these instruments, its shareholders' equity as of December 31, 2022 and 2021 would have decreased by 1,294,498 and 2,953,076, respectively;
- the deferral until January 1, 2024 of the application of the impairment model set forth in paragraph 5.5 "Impairment" of IFRS 9 "Financial Instruments" for Group "C" financial institutions, that are neither branches nor subsidiaries of foreign banks classified as systemically important, as it is the case of BACS, according to Communication "A" 7659. Had it not been for the deferral established by the BCRA in such communication, the Bank's shareholders' equity would have increased by 7,889 and 9,064 as of December 31, 2022 and 2021, respectively;

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Marcelo Fuxman
For the Supervisory Committee

- the measurement of public sector debt securities received in exchange for other securities which, according to Communication "A" 7014, were recognized at the carrying amount of the instruments delivered in replacement, while under IFRS instruments received should be carried at fair value, with the difference in respect of the carrying amount of the securities delivered being recognized in profit or loss. Had the accounting criteria established by IFRS been applied, the Bank's shareholders' equity would have decreased by 735,355 and 956,571 as of December 31, 2022 and 2021, respectively: and
- the valuation of the building known as "Edificio del Plata" recognized in "Non-current assets held for sale" which, as of December 31, 2022, has been valued in accordance with the accounting treatment established by the BCRA by means of a note issued on July 27, 2021. Such note instructed to interrupt the building's periodical revaluations projected as from June 2021 onwards. Had the accounting criteria established by IFRS been applied, the Bank's shareholders' equity would have increased by 3,468,692 and 1,888,251 as of December 31, 2022 and 2021, respectively.

Furthermore, the BCRA, through Communications "A" 6323 and 6324, set forth guidelines for the preparation and presentation of financial institutions' financial statements, including additional reporting requirements as well as the disclosure of certain information in the form of Schedules.

The Bank's management has concluded that these separate Financial Statements fairly present its financial position, financial performance and cash flows.

In preparing these financial statements, the Bank is required to make estimates and assessments affecting the reported amounts of assets and liabilities, the disclosure of contingencies, as well as the reported amounts of income and expenses during the year. In this sense, estimates are made, for instance, to calculate the allowance for credit risk, the useful life of property & equipment, depreciation and amortization, the recoverable value of assets, the income tax expense, some labor-related costs, and the allowances for contingencies and labor, civil and commercial lawsuits and the fair value of certain financial instruments. Future actual results may differ from the estimates and assessments made as of the date these separate financial statements were prepared.

The areas involving a higher degree of judgment or complexity or the areas in which the assumptions and estimates are material for these separate financial statements are described in Note 4 to the consolidated financial statements.

As of the date of these financial statements, they are pending transcription into the Inventory and Financial Statements Book.

3.2. Functional and presentation currency

The Bank considers the Argentine Peso as functional and presentation currency. All amounts are stated in thousands of pesos, unless otherwise specified.

International Accounting Standard No. 29 "Financial Reporting in Hyperinflationary Economies" ("IAS 29") is applied in these separate financial statements. As concerns the grounds for its application and the methodology applied, refer to Note 3.2 to the consolidated financial statements.

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3.3. Absorption of Unappropriated retained deficit
On March 30, 2022, the Shareholders' Meeting resolved to fully absorb unappropriated retained deficit accumulated as of December 31, 2021 by reversing the capital adjustment account balance.

3.4. Comparative information
The information contained in these separate financial statements and in their respective notes as of December 31, 2021, which was prepared in accordance with applicable standards in force in fiscal year 2021, is presented for comparative purposes only with the information as of December 31, 2022.

3.5. IFRS issued but not yet effective
See Note 3.6. to the consolidated financial statements.

4. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

The critical accounting policies and estimates adopted for these separate financial statements are described in Note 4 to the consolidated financial statements.

Investments in subsidiaries
Subsidiaries are all entities (including structured entities, if applicable) controlled by the Bank. The Bank controls an entity when it is exposed to, or has rights to, variable returns from its interest with the investee and has the power to affect the variability of those returns. The Bank reassesses whether it maintains control when changes in any of the aforementioned conditions occur.

Investments in subsidiaries are measured using the equity method. They are initially recognized at cost, which includes transaction costs. After initial recognition, the financial statements include the Bank's share in profit or loss and OCI of investments accounted for under the equity method, until the date on which significant influence or joint control ceases.

5. STATEMENT OF CASH FLOWS

The table below shows a breakdown of items comprising cash:

	12/31/2022	12/31/2021
Cash	5,996,202	9,653,656
Financial institutions and correspondents	20,870,328	25,099,614
Total cash	**26,866,530**	**34,753,270**

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Below is the reconciliation of financing activities as of December 31, 2022 and 2021:

	Balance as of 12/31/2021	Cash flows		Other non-cash changes	Balance as of 12/31/2022
		Collections	Payments		
Negotiable obligations issued	35,913,004	2,824,771	(21,761,709)	(4,062,811)	12,913,255
Loans from the BCRA and other financial institutions	8,479	60,645,372	(60,645,372)	(6,827)	1,652
Total	**35,921,483**	**63,470,143**	**(82,407,081)**	**(4,069,638)**	**12,914,907**

	Balance as of 12/31/2020	Cash flows		Other non-cash changes	Balance as of 12/31/2021
		Collections	Payments		
Negotiable obligations issued	55,361,122	2,001,500	(13,318,670)	(8,130,948)	35,913,004
Loans from the BCRA and other financial institutions	1,286	9,532,010	(9,532,010)	7,193	8,479
Total	**55,362,408**	**11,533,510**	**(22,850,680)**	**(8,123,755)**	**35,921,483**

6. FINANCIAL INSTRUMENTS

6.1. Repo transactions

The items “Repo transactions” carried in assets or liabilities show the originally agreed-upon amounts plus accrued premiums from repos and reverse repos, respectively. The notional values of securities tied to repo transactions are as follows:

	12/31/2022	12/31/2021
Reverse repurchase transactions (a)	92,709,956	403,782,527
Repurchase transactions (b)	-	62,066

(a) Recognized in Off-balance sheet accounts.
(b) Recognized in “Financial assets held as collateral”. See Note 28.2.

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6.2. Fair value of financial instruments

Fair value hierarchy of financial instruments measured at fair value

The fair value hierarchy of assets and liabilities measured at fair value ("FV") as of December 31, 2022 and 2021 is detailed below:

Instrument portfolio as of 12/31/2022	Balance	Level 1 FV	Level 2 FV	Level 3 FV
Assets	**119,154,465**	**23,313,025**	**95,841,440**	**-**
Debt securities at fair value through profit or loss	118,730,075	23,081,125	95,648,950	-
Derivative instruments	61,231	-	61,231	-
Other financial assets	85,681	71,765	13,916	-
Investments in equity instruments	277,478	160,135	117,343	-
Liabilities	**(2,981,600)**	**-**	**(2,981,600)**	**-**
Derivative instruments	(2,981,600)	-	(2,981,600)	-

Instrument portfolio as of 12/31/2021	Balance	Level 1 FV	Level 2 FV	Level 3 FV
Assets	**47,787,148**	**4,892,299**	**42,894,849**	**-**
Debt securities at fair value through profit or loss	45,600,361	3,275,081	42,325,280	-
Derivative instruments	456,915	-	456,915	
Other financial assets	120,966	92,862	28,104	-
Financial assets pledged as collateral	1,347,034	1,347,034	-	-
Investments in equity instruments	261,872	177,322	84,550	**-**
Liabilities	**(5,118,054)**	**(1,163,061)**	**(3,954,993)**	**-**
Liabilities at fair value through profit or loss	(1,163,061)	(1,163,061)	-	-
Derivative instruments	(3,954,993)	-	(3,954,993)	-

The Bank monitors the availability of market information in order to evaluate the classification of financial instruments at the different levels of fair value hierarchy, as well as the resulting determination of inter-level transfers at each reporting period end.

As of December 31, 2022 and 2021, the Bank has not recorded any inter-level transfers.

Fair value of financial instruments not measured at fair value

Below is a detail of the difference between the carrying amount and the fair value of the main assets and liabilities carried at amortized cost.

Instrument portfolio as of 12/31/2022	Balance	Total FV	Level 1 FV	Level 2 FV	Level 3 FV
Assets					
Cash and bank deposits	26,866,530	(*)	-	-	-
Repo transactions	83,428,204	(*)	-	-	-

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Other financial assets	4,805,751	(*)	-	-	-
Loans and other financing arrangements	73,677,727	70,174,441	-	70,174,441	-
Other debt securities	25,316,675	22,275,301	-	22,275,301	
Financial assets pledged as collateral	3,910,411	3,638,507	3,638,507	-	-
Liabilities					
Deposits	(273,127,804)	(268,195,472)	-	(268,195,472)	-
Other financial liabilities	(20,597,797)	(20,743,519)	-	(20,743,519)	-
Financing received from BCRA	(1,652)	(*)	-	-	-
Negotiable obligations issued	(12,913,255)	(9,652,625)	-	(9,652,625)	-

(*) It is considered that the fair value of instruments is similar to their book value.

Instrument portfolio as of 12/31/2021	Balance	Total FV	Level 1 FV	Level 2 FV	Level 3 FV
Assets					
Cash and bank deposits	34,753,270	(*)	-	-	-
Repo transactions	361,084,450	(*)	-	-	-
Other financial assets	3,559,320	(*)	-	-	-
Loans and other financing arrangements	100,192,945	98,302,512	-	98,302,512	-
Other debt securities	49,587,784	47,939,725	-	47,939,725	-
Financial assets pledged as collateral	7,128,815	6,116,164	6,116,164	-	-
Liabilities					-
Deposits	(543,971,151)	(541,789,381)	-	(541,789,381)	-
Repo transactions	(55,460)	(*)	-	-	-
Other financial liabilities	(14,605,018)	(15,375,406)	-	(15,375,406)	-
Financing received from BCRA	(8,479)	(*)	-	-	-
Negotiable obligations issued	(35,913,004)	(33,360,171)	-	(33,360,171)	-

(*) It is considered that the fair value of instruments is similar to their book value.

Valuation Techniques

In determining fair values, the Bank has applied the techniques and methodologies explained in Note 6.2 to the consolidated financial statements.

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6.3. Allowance for expected credit losses

Below is a detail of the changes in the allowances for loan losses during the reporting year:

	12/31/2022
Balance at beginning of year (Schedule R)	**14,554,553**
Loan loss	1,774,780
Reversed allowances (Note 21)	(116,537)
Write-offs	(13,269,861)
Loss on net monetary position (Schedule R)	(7,082,753)
Other variations	6,618,403
Balance at year-end (Schedule R)	**2,478,585**

Maximum exposure to credit risk

Below is a discussion of the credit risk exposure of financial instruments in respect of which the Bank has recognized expected credit loss allowances. The gross book value of the financial assets included in the accompanying table represents the maximum credit risk exposure associated with such assets.

Consumer Portfolio – Total active	12/31/2022				
	Stage 1 12 months	Stage 2 Lifetime	Stage 3 Lifetime	Purchased or originated credit-impaired financial assets	Total
Days in arrears					
Mortgage loans					**16,347,602**
0	14,030,740	13,796	-	-	14,044,536
1 – 30	1,393,654	2,217	-	-	1,395,871
31 – 90	-	353,560	-	-	353,560
91 – 180	-	162,664	-	-	162,664
Default	-	-	390,971	-	390,971
Consumer loans					**6,361,027**
0	4,826,520	43,085	-	423,059	5,292,664
1 – 30	371,091	260,349	-	78,104	709,544
31 – 90	-	165,942	-	35,240	201,182
Default	-	-	157,637	-	157,637
Credit cards					**24,630,670**
0	23,542,265	115,799	-	-	23,658,064
1 – 30	308,902	267,450	-	-	576,352
31 – 90	-	175,244	-	-	175,244
Default	-	-	221,010	-	221,010
Other					**41,797,803**
0	41,204,761	509,975	213	-	41,714,949

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Consumer Portfolio – Total active	12/31/2022				
	Stage 1 12 months	Stage 2 Lifetime	Stage 3 Lifetime	Purchased or originated credit-impaired financial assets	Total
1 – 30	12,091	2,967	-	-	15,058
31 – 90	-	32,031	-	-	32,031
Default	-	19,084	16,681	-	35,765
Total financial instruments	**85,690,024**	**2,124,163**	**786,512**	**536,403**	**89,137,102**
Allowance for loan losses	**(551,747)**	**(494,225)**	**(632,056)**	**(128,925)**	**(1,806,953)**
Financial instruments, net	**85,138,277**	**1,629,938**	**154,456**	**407,478**	**87,330,149**

Corporate Portfolio (*) – Total active	12/31/2022				
	Stage 1 12 months	Stage 2 Lifetime	Stage 3 Lifetime	Purchased or originated credit-impaired financial assets	Total
Days in arrears					
0	44,742,098	73,680	554,828	-	45,370,606
1 – 30	9,618	-	-	-	9,618
31 – 90	-	127	11	-	138
91 +	-	-	1,696,291	-	1,696,291
Total financial instruments	**44,751,716**	**73,807**	**2,251,130**	**-**	**47,076,653**
Allowance for loan losses (Schedule R)	**(149,801)**	**(813)**	**(344,130)**	**-**	**(494,744)**
Financial instruments, net	**44,601,915**	**72,994**	**1,907,000**	**-**	**46,581,909**

(*) Includes overdraft facilities, promissory notes, mortgage loans, pledge loans, finance leases and other.

SMEs Portfolio– Total active	12/31/2022				
	Stage 1 12 months	Stage 2 Lifetime	Stage 3 Lifetime	Purchased or originated credit-impaired financial assets	Total
Days in arrears					
0	14,435,600	23,765	4,512	-	14,463,877
1 – 30	245,167	1	2	-	245,170
31 – 90	-	2,955	13	-	2,968
91 +	-	-	64,262	-	64,262
Total financial instruments	**14,680,767**	**26,721**	**68,789**	**-**	**14,776,277**
Allowance for loan losses	**(123,800)**	**(118)**	**(52,970)**	**-**	**(176,888)**

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(Schedule R)					
Financial instruments, net	**14,556,967**	**26,603**	**15,819**	**-**	**14,599,389**

Collateral and other credit enhancements

Below there is a detail of the book value and fair value of the Bank's collateral as of December 31, 2022:

Impaired credit	Gross exposure	Allowance for loan losses	Book value	Collateral fair value
Overdraft facilities	14,820	12,533	2,287	-
Promissory notes	938	750	188	-
Mortgage loans	393,135	346,625	46,510	755,279
Consumer loans	694,035	251,371	442,664	-
Credit cards	221,016	148,896	72,120	-
Finance leases	54	5	49	38
Call loan rate to companies	181,755	136,316	45,439	-
Others	2,137,080	261,585	1,875,495	7,277,144
Total impaired credits	**3,642,833**	**1,158,081**	**2,484,752**	**8,032,461**

Allowance for credit risk

The allowance for credit risk recognized for the year is affected by several factors, which may be classified into two major groups:

Changes in exposure within each Stage:

- Due to the origination of new financial instruments, as well as financial instruments derecognized during the year (credit repayment and termination of checking account and card services), resulting in the recognition of increases or decreases in the allowance during the year;
- Exposure adjustments due to an increase in UVA or in the peso-dollar exchange rate;
- Impacts due to the time elapsed as a consequence of present value adjustments;
- Transfers to and from Stages due to changes in the perceived credit risk of the instruments and the ensuing "increase" (or "decrease") in 12-month and Lifetime expected credit losses ("ECL").

Changes in the calculation methodology and parameters during the year, resulting from the periodical adjustment of inputs and maintenance of models:

- Impacts on ECL measurement due to changes in models and assumptions;
- Changes in ECLs attributable to the adjustment to the model main parameters:
  - Probability of Default ("PD")
  - Loss given default ("LGD")
  - Exposure at default ("EAD") / Credit conversion factor ("CCF")
- Adjustments to the macroeconomic projections used in forward-looking models.

The following table shows the changes observed in allowances for loan losses under IFRS approach between December 31, 2022 and 2021.

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Consumer Portfolio	Stage 1 12-month ECLs	Stage 2 Lifetime ECLs	Stage 3 Lifetime ECLs	Purchased or originated credit-impaired financial assets	Total
Allowance for credit risk as of 12/31/2021	**533,577**	**258,983**	**513,156**	**190,607**	**1,496,323**
Inflation adjustment	505,795	245,497	486,437	180,683	**1,418,412**
New originated or purchased financial instruments during the year	92,066	49,549	60,000	23,345	**224,960**
Changes in PDs/LGDs/EADs	(406,785)	(309,750)	(136,493)	(136,257)	**(989,285)**
Changes in the model assumptions and methodology	-	-	-	-	-
Foreign currency difference and other changes	27,061	64,451	72,851	9,642	**174,005**
Inter-stage transfers					
From Stage 1 to Stage 2	-	315,842	-	-	**315,842**
From Stage 1 to Stage 3	-	-	197,187	-	**197,187**
From Stage 2 to Stage 1	(65,592)	-	-	-	**(65,592)**
From Stage 3 to Stage 1	(29,393)	-	-	-	**(29,393)**
From Stage 2 to Stage 3	-	-	66,209	-	**66,209**
From Stage 3 to Stage 2	-	(2,236)	-	-	**(2,236)**
Net amount recognized in profit or loss	**123,152**	**363,353**	**746,191**	**77,413**	**1,310,109**
Derecognitions	**(104,982)**	**(128,111)**	**(627,291)**	**(139,095)**	**(999,479)**
Allowance for credit risk as of 12/31/2022	**551,747**	**494,225**	**632,056**	**128,925**	**1,806,953**

Corporate Portfolio	Stage 1 12-month ECLs	Stage 2 Lifetime ECLs	Stage 3 Lifetime ECLs	Purchased or originated credit-impaired financial assets	Total
Allowance for credit risk as of 12/31/2021	**85,335**	**-**	**5,819,544**	**-**	**5,904,879**
Inflation adjustment	80,891	-	5,516,531	-	**5,597,422**
New originated or purchased financial instruments during the year	68,336	811	136,436	-	**205,583**
Changes in PDs/LGDs/EADs	(148,626)	2	488,085	-	**339,461**
Changes in the model assumptions and methodology	-	-	-	-	**-**
Foreign currency difference and other changes	63,865	-	653,848	-	**717,713**
Inter-stage transfers					
From Stage 1 to Stage 3	-	-	68	-	**68**

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Net amount recognized in profit or loss	**64,466**	**813**	**6,794,968**	**-**	**6,860,247**
Derecognitions	**-**	**-**	**(12,270,382)**	**-**	**(12,270,382)**
Allowance for credit risk as of 12/31/2022	**149,801**	**813**	**344,130**	**-**	**494,744**

SMEs Portfolio	**Stage 1**	**Stage 2**	**Stage 3**	**Purchased or originated credit-impaired financial assets**	**Total**
	12-month ECLs	**Lifetime ECLs**	**Lifetime ECLs**		
Allowance for credit risk as of 12/31/2021	**28,549**	**4**	**42,043**	**-**	**70,596**
Inflation adjustment	27,063	4	39,854	-	**66,921**
New originated or purchased financial instruments during the year	92,882	95	637	-	**93,614**
Changes in PDs/LGDs/EADs	(24,694)	15	(102,908)	-	**(127,587)**
Changes in the model assumptions and methodology	-	-	-	-	**-**
Foreign currency difference and other changes	-	-	73,361	-	**73,361**
Inter-stage transfers					
From Stage 1 to Stage 3	-	-	(17)	-	**(17)**
Net amount recognized in profit or loss	**95,251**	**114**	**10,927**	**-**	**106,292**
Allowance for credit risk as of 12/31/2022	**123,800**	**118**	**52,970**	**-**	**176,888**

Exposure to credit risk

Exposure to credit risk, measured under IFRS 9 BCRA (expected losses model, except for non-financial public sector's financial assets) as of December 31, 2022 and 2021 is as follows:

Consumer Portfolio	**Stage 1**	**Stage 2**	**Stage 3**	**Purchased or originated credit-impaired financial assets**	**Total**
	12-month ECLs	**Lifetime ECLs**	**Lifetime ECLs**		
Allowance for credit risk as of 12/31/2021	**63,089,689**	**1,432,196**	**697,530**	**784,391**	**66,003,806**
Inflation adjustment	**59,804,724**	**1,357,624**	**661,211**	**743,549**	**62,567,108**
New originated or purchased financial instruments during the year	**8,274,212**	**234,126**	**78,530**	**96,305**	**8,683,173**
Changes without inter-stage transfers	**(49,346,634)**	**(1,262,073)**	**(472,069)**	**(846,524)**	**(51,927,300)**

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Foreign currency difference and other changes	**8,260,431**	**312,715**	**126,735**	**57,117**	**8,756,998**
Inter-stage transfers					
From Stage 1 to Stage 2	-	331,341	-	**-**	**331,341**
From Stage 1 to Stage 3	-	-	80,879	**-**	**80,879**
From Stage 2 to Stage 1	134,943	-	-	**-**	**134,943**
From Stage 3 to Stage 1	(10,767)	-	-	**-**	**(10,767)**
From Stage 2 to Stage 3	-	-	73,858	**-**	**73,858**
From Stage 3 to Stage 2	-	1,378	-	**-**	**1,378**
Reimbursement and derecognitions	**(4,516,574)**	**(283,144)**	**(460,162)**	**(298,435)**	**(5,558,315)**
Balance as of 12/31/2022	**85,690,024**	**2,124,163**	**786,512**	**536,403**	**89,137,102**

Corporate Portfolio	**Stage 1**	**Stage 2**	**Stage 3**	**Purchased or originated credit impaired financial assets**	**Total**
	12-month ECLs	**Lifetime ECLs**	**Lifetime ECLs**		
Allowance for credit risk as of 12/31/2021	**8,687,104**	**45**	**7,010,201**	**-**	**15,697,350**
Inflation adjustment	**8,405,534**	**43**	**6,645,192**	-	**15,050,769**
New originated or purchased financial instruments during the year	**7,962,228**	**73,738**	**105,701**	**-**	**8,141,667**
Changes without inter-stage transfers	**18,896,190**	**15,463**	**(6,781,256)**	**-**	**12,130,397**
Foreign currency difference and other changes	**1,699,110**	**(15,490)**	**944,225**	**-**	**2,627,845**
Inter-stage transfers					
From Stage 1 to Stage 2	-	38	-	-	**38**
From Stage 1 to Stage 3	-	-	156	-	**156**
From Stage 2 to Stage 1	(6)	-	-	-	**(6)**
From Stage 3 to Stage 1	(27)	-	-	-	**(27)**
Reimbursement and derecognitions	(898,417)	(30)	(5,673,089)	-	**(6,571,536)**
Balance as of 12/31/2022	**44,751,716**	**73,807**	**2,251,130**	**-**	**47,076,653**

SMEs Portfolio	**Stage 1**	**Stage 2**	**Stage 3**	**Purchased or originated impaired credits**	**Total**
	12-month ECLs	**Lifetime ECLs**	**Lifetime ECLs**		
Allowance for credit risk as of 12/31/2021	**8,073,073**	**3,355**	**64,857**	**-**	**8,141,285**
Inflation adjustment	**15,725,796**	**6,535**	**126,337**	-	**15,858,668**
New originated or purchased financial instruments during the year	**11,847,986**	**26,433**	**922**	**-**	**11,875,341**
Changes without inter-stage transfers	**(19,679,189)**	**(9,026)**	**(128,533)**	**-**	**(19,816,748)**
Foreign currency difference and other changes	**376,787**	**2,526**	**17,789**	**-**	**397,102**
Inter-stage transfers					
From Stage 1 to Stage 2	-	(2,491)	-	-	**(2,491)**

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From Stage 1 to Stage 3	-	-	(2,196)	-	**(2,196)**
From Stage 2 to Stage 1	(491)	-	-	-	**(491)**
From Stage 3 to Stage 1	174	-	-	-	**174**
From Stage 2 to Stage 3	-	-	60	-	**60**
From Stage 3 to Stage 2	-	(10)	-	-	**(10)**
Reimbursement and derecognitions	(1,663,369)	(601)	(10,447)	-	**(1,674,417)**
Balance as of 12/31/2022	**14,680,767**	**26,721**	**68,789**	**-**	**14,776,277**

Write-off policy

The Bank writes off financial assets, in whole or in part, when it has exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include (i) ceasing enforcement activity, and (ii) where the Bank's recovery method is foreclosing on collateral and the value of the collateral is such that there is no reasonable expectation of recovery in full.

The Bank may write off financial assets which are still subject to enforcement activity. The outstanding contractual amounts of such assets written off during the fiscal year ended December 31, 2022 were equivalent to ARS 13,269,861. The Bank still seeks to recover amounts legally owed to it in full, but which have been partially written off since there is no reasonable expectation of full recovery.

	12/31/2022
Balance at beginning of year	**12,104,318**
Additions due to write-offs for the year	13,269,861
Deletions due to recoveries	(725,535)
Deletions due to accounting recognition	(97,952)
Monetary restatement and other movements	(7,805,990)
Balance at year-end	**16,744,702**

7. LOANS AND OTHER FINANCING ARRANGEMENTS

Effective since January 1, 2020, the Bank has adopted the guidelines on impairment of financial assets set forth in paragraph 5.5 of IFRS 9, except for non-financial public sector debt instruments, which have been temporarily excluded from the scope of IFRS 9.

In addition, and only for purposes of compliance with the BCRA's rules, the Bank calculates minimum allowances for loan losses pursuant to the regulatory framework established by the BCRA. These minimum allowances are determined according to debtors' degree of compliance, the guarantees securing the loans and debtors' economic and financial condition, among others. Besides, allowances for individual loans refinanced are set up in accordance with the guidelines described in Communication "A" 4583, as supplemented or amended.

Consumer loans fully accounted for in accordance with the regulatory framework established by the BCRA are derecognized from the Bank's assets within 30 days.

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The following table shows a breakdown of balances of Loans and other financing arrangements:

	12/31/2022	12/31/2021
To the non-financial public sector	**-**	**8**
Other financial institutions	**242,829**	**892,963**
Other loans to local financial institutions	240,185	882,621
Accrued interest, adjustments and exchange differences receivable	2,644	10,342
To the non-financial private sector and foreign residents	**73,434,898**	**99,299,974**
Overdraft facilities	1,342,281	816,184
Promissory notes	9,318,191	10,325,566
Mortgage loans	16,532,247	19,799,752
Pledge loans	31,989	58,859
Consumer loans	6,361,027	8,730,224
Credit cards	24,630,670	41,177,257
Finance leases	1,440,448	160,348
Loans to entity's personnel	790,421	932,259
Unallocated collections	(9,408)	(11,868)
Others	14,356,949	29,658,754
Accrued interest and exchange differences receivable	1,908,025	2,911,073
Documented interest	(1,006,035)	(1,008,074)
Allowance for loan losses (Schedule R)	(2,261,907)	(14,250,360)
Total Loans and other financing arrangements	**73,677,727**	**100,192,945**

Financing line for MSMEs' productive investments

By means of Communication “A” 7140 dated October 15, 2020, the BCRA established a financing line for productive investments addressed to micro, small and medium-sized enterprises (MSMEs) to finance capital expenditures and/or the construction of the facilities needed for the production and/or marketing of goods and/or services, financing working capital needs and discounting deferred checks and other instruments, and other special eligible credit facilities allowed by applicable law.

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The facilities should be granted as part of the 2020, 2021, 2021/2022, 2022 and 2022/2023 Quotas, pursuant to the following conditions:

	2020 Quota	2021 Quota	2021/2022 Quota	2022 Quota	2022/2023 Quota
Amount to be set aside	At least, the equivalent to 7.5% of the monthly average of daily balances of non-financial private sector deposits in pesos in September 2020	At least, the equivalent to 7.5% of the monthly average of daily balances of non-financial private sector deposits in pesos in March 2021	At least, the equivalent to 7.5% of the monthly average of daily balances of non-financial private sector deposits in pesos in September 2021	At least, the equivalent to 7.5% of the monthly average of daily balances of non-financial private sector deposits in pesos in March 2022	At least, the equivalent to 7.5% of the monthly average of daily balances of non-financial private sector deposits in pesos in September 2022
Calculation of applications	Between 10.16.2020 and 03.31.2021	Between 04.01.2021 and 09.30.2021	Between 10.01.2021 and 03.31.2022	Between 04.01.2022 and 09.30.2022	Between 10.01.2022 and 03.31.2023
Currency	Pesos				
Minimum term	At the time of disbursement, the credit facilities shall have an average term of 24 months or more, but the total term shall not be of less than 36 months. No minimum term will apply to credit facilities aimed at financing working capital and discounting deferred checks and other instruments.				
Maximum interest rate	Capped at an annual nominal fixed rate of 64.5% for investment projects, and at an annual nominal fixed rate of 74.50% for other purposes.				

As of December 31 2022, the total amount disbursed by the Bank under the 2022/2023 Quota amounts to 24,193,935 and the simple average of daily balances for financing arrangements effective from October 1, 2022 to December 31, 2022 amounts to 12,441,738.

As per Communication "B" 12424, the total amount to be disbursed by the Bank in respect of the 2022/2023 Quota (from October 1, 2022 to March 31, 2023) amounts to 11,928,021.

8. DERIVATIVE INSTRUMENTS

Below is a breakdown of derivative financial instruments as of December 31, 2022:

1. US dollar forward transactions have been performed, the settlement of which, in general, is made without delivery of the underlying asset but by means of the payment in Pesos of currency differences. Transactions closed through MAE are daily settled in Pesos and those closed through ROFEX are settled the following day (T+1) in Pesos. These transactions are mainly performed as hedge for foreign currency

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positions. As of December 31, 2022, the balances for transactions completed amount to Pesos 61,231 in assets and 156 in liabilities.

2. Interest rate swaps: on August 28, 2009, the Bank issued Series IX of Cédulas Hipotecarias Argentinas (CHA). For the purpose of providing coverage to the holders of Trust Debt Securities and the Participation Certificates held by BHSA for potential changes in the BADLAR rate, at which the aforementioned Trust Debt Securities were issued, a total return swap (contrato de cobertura?) was issued, whereby the Bank pays a variable BADLAR rate less 245 bps and receives a fixed rate (9.1%). This transaction is periodically settled for financial flows differences, with no exchange of the main instrument and is not subject to early termination and does not involve allocation of assets pledged as collateral. As of December 31, 2022, the balance for transactions completed amounts to Pesos 52,518 in liabilities. The balance at year end booked under debt off-balance sheet accounts is Pesos 85,228.

3. Currency swaps: on August 28, 2009, the Bank issued Series X of Cédulas Hipotecarias Argentinas (CHA). For the purpose of providing coverage to the holders of Trust Debt Securities and the Participation Certificates held by BHSA for potential changes in the exchange rate in U.S. dollars at which the aforementioned Trust Debt Securities were issued, a total return swap was issued, whereby the Bank pays on a dollars flow a rate of 2% and receives a fixed rate over a pesos flow (9.25%). This transaction is periodically settled for financial flows differences, with no exchange of the main instrument and is not subject to early termination and does not involve allocation of assets pledged as collateral. As of December 31, 2022, the balance for this transaction is Pesos 2,769,902 thousand in liabilities. The balance at year end booked under debt and credit off-balance sheet accounts is Pesos 61,132 and Pesos 3,270,042, respectively.

4. Interest rate swaps: on December 21, 2009, the Bank issued Series XI of Cédulas Hipotecarias Argentinas (CHA). For the purpose of providing coverage to the holders of Trust Debt Securities and the Participation Certificates held by BHSA for potential changes in the BADLAR rate, at which the aforementioned Trust Debt Securities were issued, a total return swap was issued, whereby the Bank pays a variable BADLAR rate less 291 bps and receives a fixed rate (11.33%). This transaction is periodically settled for financial flows differences, with no exchange of the main instrument and is not subject to early termination and does not involve allocation of assets pledged as collateral. As of December 31, 2022, the balance for transactions completed amounts to Pesos 22,856 in liabilities. The balance at year end booked under debt off-balance sheet accounts is Pesos 42,326.

5. Interest rate swaps: on July 21, 2010, the Bank issued Series XII of Cédulas Hipotecarias Argentinas (CHA). For the purpose of providing coverage to the holders of Trust Debt Securities and the Participation Certificates held by BHSA for potential changes in the BADLAR rate at which the aforementioned Trust Debt Securities were issued, a total return swap was issued, whereby the Bank pays a variable BADLAR rate plus 10 bps and receives a fixed rate (13.25%). This transaction is periodically settled for financial flows differences, with no exchange of the main instrument and is not subject to early termination and does not involve allocation of assets pledged as collateral. As of December 31, 2022, the balance for transactions completed amounts to Pesos 34,345 in liabilities. The balance at year end booked under debt off-balance sheet accounts is Pesos 68,451.

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6. Interest rate swaps: on December 2, 2010, the Bank issued Series XIII of Cédulas Hipotecarias Argentinas (CHA). For the purpose of providing coverage to the holders of Trust Debt Securities and the Participation Certificates held by BHSA for potential changes in the BADLAR rate at which the aforementioned Trust Debt Securities were issued, a total return swap was executed, whereby the Bank pays a variable BADLAR rate plus 27 bps and receives a fixed rate (9,279%). This transaction is periodically settled for financial flows differences, with no exchange of the main instrument and is not subject to early termination and does not involve allocation of assets pledged as collateral. As of December 31, 2022, the balance for transactions completed amounts to Pesos 50,798 in liabilities. The balance at year end booked under debt off-balance sheet accounts is Pesos 77,379.

7. Interest rate swaps: on March 18, 2011, the Bank issued Series XIV of Cédulas Hipotecarias Argentinas (CHA). For the purpose of providing coverage to the holders of Trust Debt Securities and the Participation Certificates held by BHSA for potential changes in the BADLAR rate at which the aforementioned Trust Debt Securities were issued, a total return swap was issued, whereby the Bank pays a variable BADLAR rate minus 20 bps and receives a fixed rate (9.91%). This transaction is periodically settled for financial flows differences, with no exchange of the main instrument and is not subject to early termination and does not involve allocation of assets pledged as collateral. As of December 31, 2022, the balance for transactions completed amounts to Pesos 51,028 in liabilities. The balance at year end booked under debt off-balance sheet accounts is Pesos 79,200.

The breakdown of the Bank's derivative instruments as of December 31, 2022 and 2021 is as follows:

	12/31/2022	**12/31/2021**
Forward transactions	61,231	456,915
Total assets	**61,231**	**456,915**
Currency Swap	(2,769,902)	(3,656,730)
Interest rate Swaps	(211,542)	(264,506)
Forward transactions	(156)	(33,757)
Total liabilities	**(2,981,600)**	**(3,954,993)**

9. OTHER FINANCIAL ASSETS AND LIABILITIES

The balances of other financial assets are as follows:

	12/31/2022	**12/31/2021**
Share in mutual funds	71,765	92,862
Financial trust participation certificates	13,916	28,104
Receivables from transactions pending settlement	4,296,399	2,641,180
Miscellaneous receivables		
Funds to be offset	48,493	14,458
Credit card receivables	-	121

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Other	460,859	903,561
Total other financial assets	**4,891,432**	**3,680,286**

Balances of other financial liabilities are as follows:

	12/31/2022	12/31/2021
Credit cards consumptions payable	5,542,245	8,501,871
Payables from transactions pending settlement	11,433,353	1,453,272
Liabilities related to the transfer of financial assets not derecognized (See Note 10)	1,202,423	1,583,013
Financial leases	339,567	584,169
Other	2,080,209	2,482,693
Total other financial liabilities	**20,597,797**	**14,605,018**

10. TRANSFER OF FINANCIAL ASSETS

The Bank has made transfers of financial assets as described in Note 28.3. Upon the initial adoption of IFRS, derecognition criteria for financial assets under IFRS 9 were applied on a prospective basis for transactions occurring after the IFRS transition date (January 1, 2017).

Transfers of financial assets to financial trusts as of December 31, 2022 that do not qualify for derecognition are detailed below. Therefore, the Bank continues recognizing transferred assets in full and a financial liability for the consideration it has received:

Issuer	Financial trust	Created on	Securitized Amount	Original trust debt amount		Estimated termination of the series
				Type	Amount	
BHSA	CHA UVA Series I	Apr-18	19,210 UVA	A	8,645 UVA	Oct-24
				B	5,763 UVA	Apr-28
				CP	4,802 UVA	May-32

11. OTHER NON-FINANCIAL ASSETS AND LIABILITIES

11.1. Property and equipment

Changes in property and equipment are included in Schedule F, accompanying these separate financial statements. Depreciation and impairment expenses for the year are recorded under “Depreciation and Impairment of assets” in the separate statement of income.

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Right of use for leases

Below is a detail of the amounts of leases in which the Entity acts as lessee:

(i) Amounts recognized in the statement of financial position:

Rights of use:

Personal Property	**12/31/2022**	**12/31/2021**
Original value at beginning of year	279,186	279,186
Accumulated depreciation	(270,433)	(253,362)
	8,753	**25,824**

Real estate	**12/31/2022**	**12/31/2021**
Original value at beginning of year	1,728,562	1,429,237
Increases for the year	304,781	307,247
Decreases for the year	(63,535)	(7,922)
Accumulated depreciation	(1,546,731)	(1,202,003)
	423,077	**526,559**

Leases payable:

Personal Property	**12/31/2022**	**12/31/2021**
Up to one year	10,620	20,788
From one to five years	-	13,850
	10,620	**34,638**

Real estate	**12/31/2022**	**12/31/2021**
Up to one year	150,437	211,490
Between one and five years	178,510	338,041
	328,947	**549,531**

(ii) Amounts recognized in the statement of income:

	12/31/2022	**12/31/2021**
Depreciation of rights of use	361,799	416,540
Interest on lease liabilities	307,675	411,636
Expenses related to short-term leases	83,921	82,738

11.2. Intangible Assets

Changes in intangible assets are included in Schedule G, accompanying these financial statements. Amortization for the year is presented in “Depreciation and impairment of assets”.

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11.3. Other non-financial assets

The balances of other non-financial assets are as follows:

	12/31/2022	**12/31/2021**
Investment property (Schedule F)	1,715,088	2,100,453
Tax prepayments	385,381	459,250
Prepaid fees to Directors and Supervisory Committee members	198,905	217,718
Other prepayments	543,652	342,371
Other	94,323	158,071
Total other non-financial assets	**2,937,349**	**3,277,863**

<u>Investment property</u>

The fair value of all investment property is based on appraisals performed by Tinsa, Sageo, Serinco and Favereau, independent experts with recognized professional qualification and expertise in the place and category of the investment property (level 3 fair value). Changes in fair value are recognized in profit or loss.

Investment property appraisal was based on the market approach, i.e., considering market prices per constructed square meter of similar property and the characteristics inherent to the property being appraised, including aging, condition, maintenance, and construction quality.

Significant input data used, detailed by zone and their interrelation with the fair value is as follows:

Main calculation variables, non-observable	**Interrelation between main variable and fair value**	**AMBA (Metropolitan Area of Buenos Aires)**	**Provinces of Buenos Aires and La Pampa**	**Rest of the country**
Price per square meter (in thousands of pesos)	The higher the price per square meter, the greater the fair value	Between 84 and 131	Between 102 and 407	Between 300 and 375
Aging	The greater the age, the lower the fair value	Between 44 and 62 years	Between 43 and 98 years	Between 32 and 102
State of preservation	The better the state of preservation, the higher the fair value	Good	Between regular and good	Between good and very good

Changes in investment property are included in Schedule F, accompanying these separate financial statements.

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The figures included in income/(loss) from investment property for the year are as follows:

	12/31/2022	12/31/2021
Rentals	33,794	24,427
Direct expenses from property management	(1,201)	(1,216)

Net income from investment property as of December 31, 2022 and 2021 amounts to ARS 32,593 and ARS 23,211, respectively, and is recognized in “Other operating income”, “Administrative expenses” and “Other operating expenses” in the statement of income.

11.4. Non-current assets held for sale

On April 20, 2016, the Bank purchased the building located at Carlos Pellegrini 211, known as “Edificio del Plata”, through a public auction held by the Government of the City of Buenos Aires, with the purpose of setting up a branch and corporate offices.

On September 28, 2018, the Bank's Board of Directors decided to discontinue the investment in the construction plan of the new corporate headquarters, changing the originally intended purpose of the building known as "Edificio del Plata".

As of December 31, 2022 and 2021, the referred building is classified as “Non-current asset held for sale” (IFRS 5) and is subject to a sales plan prepared by the Department of Comprehensive Housing Development.

As of December 31, 2021, it was measured at the lower of book or fair value, net of selling expenses. The book value of the building amounts to ARS 15,991,361.

As of December 31, 2022, the building was valued in 8,209,405 according to the accounting treatment established by the BCRA by means of note issued on July 27, 2021. Such note instructed to interrupt the building’s periodical revaluations projected as from June 2021 onwards. Had the accounting criteria established by IFRS been applied, the value recorded would have been 13,545,854. As of fiscal year-end, the building qualifies for classification as a non-current asset held for sale.

It is worth mentioning that as part of the actions taken to facilitate the sale of Edificio del Plata, a preliminary architectural project was submitted to the Undersecretary of Economic Development of the Ministry of Economic Development and Production of the Government of the Autonomous City of Buenos Aires to be included in the city downtown conversion plan that would allow changing the commercial use of the property and access to the benefits of Law CABA 6508 Regime for the Transformation of the Downtown Area of the City of Buenos Aires.

On January 19, 2023, Resolution 2023-24-GCABA-UCGPP of the Government of the Autonomous City of Buenos Aires was received, informing the pre-approval of the preliminary project submitted. It also states that the project is covered by the tax benefit as payment on account of the Turnover Tax for the beneficiary investors, once the corresponding approval has been obtained. As of the date of issuance of these financial statements, the project is being offered to potential investors, either directly or through a trust.

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Its fair value as of each measurement date is determined based on assessments carried out by independent appraisers outsourced to carry out the assessment. Such appraisers act as advisors to the Board of Directors and shall meet the required market knowledge, reputation, independence and professional standards.

11.5. Other non-financial liabilities

Balances of other non-financial liabilities are as follows:

	12/31/2022	12/31/2021
Salaries and social security contributions payable	4,151,286	3,045,801
Directors' and Supervisory committee's members' fees	258,905	276,153
Tax withholdings payable	1,420,411	1,316,382
Other taxes payable	1,403,313	1,113,013
Customers' loyalty programs	90,292	88,901
Termination benefits payable	409,876	653,848
Miscellaneous receivables	1,747,480	1,586,396
Total other non-financial liabilities	**9,481,563**	**8,080,494**

12. INCOME TAX

The table below shows a breakdown of "Current Income Tax Assets":

	12/31/2022	12/31/2021
Minimum notional income tax credit (*)	330,799	644,374
Total current income tax assets	**330,799**	**644,374**

(*) Below is a detail of the breakdown and expiration of fiscal credits:

Period	Minimum notional income tax credit	
	Assessed tax	Expiration
2012	897	2022
2015	41	2025
2016	81,835	2026
2017	106,128	2027
2018	138,099	2028
2019	3,799	2029
	330,799	

The income tax expense for the year is estimated using the rate that would be applicable to the income for the year.

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The table below shows a breakdown of the income tax (expense)/benefit:

	12/31/2022	**12/31/2021**
Deferred income tax	(5,768,354)	1,342,100
Total – Income tax (expense)/benefit, net	**(5,768,354)**	**1,342,100**

The table below shows a reconciliation of the income tax liability recognized in profit or loss as of December 31, 2022 and 2021 and the income tax liability resulting from applying the effective tax rate to taxable income:

	12/31/2022	**12/31/2021**
Loss (Income) for the year before income tax	**11,823,147**	**(9,525,827)**
Effective tax rate	35%	35%
Income (Loss) for the year at the tax rate	**(4,138,101)**	**3,334,039**
Permanent differences at the tax rate:		
- Income from investment in other companies	978,889	1,006,668
- Tierra del Fuego income	(177,671)	(83,796)
- Non-taxable income	166,670	308,808
- ProCreAr net revenues	354,655	509,098
- Others	(40,816)	(220,280)
Tax Inflation adjustment	3,164,914	2,267,971
Non-monetary assets inflation adjustment	(1,992,172)	(2,279,614)
Gain (loss) on net monetary position	(4,920,722)	(2,994,331)
Allowance for impairment of net deferred asset	836,000	(506,462)
Total income tax benefit / (expense) for the year	**(5,768,354)**	**1,342,100**
Deferred tax variation	5,768,354	(1,342,100)
Total income tax for the year determined for tax purposes	**-**	**-**
Income tax prepayments	-	-
Income tax payable	**-**	**-**

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Deferred income tax assets and liabilities

The table below shows the changes in deferred income tax assets and liabilities:

	Balance as of 12/31/2021	Balance recognized in profit or loss 2022	Balance as of 12/31/2022
Allowance for loan losses	7,247,566	(4,053,294)	3,194,272
Property and equipment, Investment property and Non-current assets held for sale	(7,596,981)	272,893	(7,324,088)
Foreign-currency valuation	(22,563)	14,163	(8,400)
Provisions	422,093	69,659	491,752
Valuation of financial instruments	921,954	(908,231)	13,723
Tax inflation adjustment	1,681,611	(1,071,034)	610,577
Tax losses	317,593	(92,510)	225,083
Total deferred income tax assets, net	**2,971,273**	**(5,768,354)**	**(2,797,081)**

Below is a detail of the years of origination and expiration of the recognized tax losses:

Originated in	Balance as of 12/31/2022	Expiration
2021	225,083	2026
Total	**225,083**	

As per the analysis performed by the Bank, the assets detailed above are considered to be recoverable, and they are recognized accordingly.

Income tax rate

Law No. 27430, as subsequently amended by the Social Solidarity and Production Reactivation Law enacted within the framework of the prevailing Public Emergency (the "Economic Emergency Law"), established the following income tax rates:

- 30% for fiscal years beginning on or after January 1, 2018 and 25% for fiscal years beginning on or after 2022; and
- dividends distributed to individuals and foreign beneficiaries as from such fiscal years will be taxed at a 7% and 13% rate, respectively.

Then, Law No. 27630 enacted on June 16, 2021 repealed the aforementioned general decrease in rates and introduced a system of tax brackets which was effective the fiscal year started on January 1, 2021.

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AFIP’s General Resolution No. 5158 set forth the tax brackets and rates effective as from January 1, 2022, as follows:

Accumulated net taxable income		Amount payable	Rate %	Over the excess of
Above	**To**			
-	7,605	-	25%	-
7,605	76,049	1,901	30%	7,605
76,049	onwards	22,435	35%	76,049

The amounts included in this system of tax brackets will be adjusted annually, based on the changes in the CPI measured in October each year.

Furthermore, dividends on profits generated in fiscal years beginning on or after January 1, 2018 will be taxed at a single rate of 7%.

As a consequence of such changes, the current tax liability as of December 31, 2022, deferred tax balances were measured by using the progressive rate expected to be in force at the time of reversal of the temporary differences.

13. INVESTMENTS IN SUBSIDIARIES

The Bank has interests in two subsidiaries. The table below shows a breakdown of the Bank's investments in subsidiaries as of December 31, 2022 and 2021:

	Shareholding	12/31/2021	12/31/2021
BACS Banco de Crédito and Securitización S.A.	62.28%	1,633,832	1,863,755
BHN Sociedad de Inversión S.A.	99.9998%	8,959,032	8,617,466
Total investments in subsidiaries		**10,592,864**	**10,481,221**

The table below shows the changes in investments in the Bank's subsidiaries for the fiscal year ended December 31, 2022 and 2021:

	12/31/2022	12/31/2021
Net Balance at the beginning of the year	**10,481,221**	**12,384,440**
Dividends declared / collected (a) (b)	(2,685,183)	(4,779,412)
Share in profit or loss for the year	2,796,826	2,876,193
Balance at year-end	**10,592,864**	**10,481,221**

(a) On March 18, 2021, the Shareholders’ Meeting of BHN Sociedad de Inversión S.A. approved the distribution of dividends for fiscal year 2020 for ARS 1,200,000 (3,123,680 in constant currency as of December 2022), which were collected in October 2021. On December 14, 2021, BHN Sociedad de Inversión S.A.’s Shareholders’ Meeting approved the reversal of reserves for future investments for the distribution of dividends for ARS 850,000 1,655,742 in constant currency as of December 2022), which were collected in December 2021. On March 30, 2022, BHN Sociedad de Inversión S.A.’s Shareholders’ Meeting approved the distribution of dividends for fiscal year 2021 for ARS 1,600,000 (2,685,190 in constant currency as of December

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2022), which were fully collected. Out of the total approved, 99.99% correspond to BHSA.

The following is summary financial information for each subsidiary:

Statement of Financial Position Summary Data

	BACS		BHN Soc. de Inversión	
	12/31/2022	**12/31/2021**	**12/31/2022**	**12/31/2021**
Total Assets	28,855,117	28,188,069	12,216,081	13,528,655
Total Liabilities	(26,231,751)	(25,195,525)	(3,257,031)	(4,911,173)
Shareholders' equity	**2,623,366**	**2,992,544**	**8,959,050**	**8,617,482**

Statement of Income Summary Data

	BACS		BHN Soc. de Inversión	
	12/31/2022	**12/31/2021**	**12/31/2022**	**12/31/2021**
Ordinary operating income	4,468,847	4,012,772	15,270,630	14,305,521
Gain (loss) on net monetary position	(1,255,389)	(1,092,390)	(6,044,794)	(4,909,363)
Income (loss) before income tax	(172,887)	(293,045)	4,613,645	4,214,871
Income tax expense	(166,775)	(55,356)	(1,586,637)	(1,100,668)
Total Comprehensive Income (loss)	**(339,662)**	**(348,401)**	**3,027,008**	**3,114,203**
Income (loss) Attributable to Non-Controlling Interest	**29,514**	**34,632**	**-**	**-**

Statement of Cash Flows Summary Data

	BACS		BHN Soc. de Inversión	
	12/31/2022	**12/31/2021**	**12/31/2022**	**12/31/2021**
Cash flows from operating activities	3,105,761	(295,382)	2,951,339	4,359,721
Cash flows from investing activities	(95,589)	(190,591)	(638,939)	(550,882)
Cash flows from financing activities	(2,463,684)	(35,009)	(1,998,473)	(4,144,421)
Effect of gain / loss from monetary position	(203,684)	(207,334)	(374,703)	(729,896)
Net (Decrease) / Increase in Cash	**342,804**	**(728,316)**	**(60,776)**	**(1,065,478)**
Cash at the Beginning of the Year	427,891	1,156,207	3,677,776	4,743,254
Cash at Year-End	770,695	427,891	3,617,000	3,677,776

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14. NEGOTIABLE OBLIGATIONS ISSUED

The table below shows the Bank's issues of simple, non-convertible negotiable obligations:

Series	Issued amount (In thousands)	Issue date	Maturity date	Annual interest rate	Book Value	
					12/31/2022	**12/31/2021**
XLVIII	$6,300,000	11/07/17	11/07/22	Badlar +4.00%	-	5,452,156
L	UVA23,239	02/14/18	02/14/22	4.90%	-	4,441,464
Series III	UVA60,329	02/11/20	02/11/22	5.00%	-	11,534,176
Series IV	US$78,336	10/14/20	10/14/25	9.75%	8,331,680	12,495,710
Series V	US$10,000	10/01/21	04/07/23	0.00%	1,769,048	1,989,498
Series VI	US$15,948	05/04/22	05/04/24	0.00%	2,812,527	-
Total					**12,913,255**	**35,913,004**

The Bank uses the net proceeds of the placement of Negotiable Obligations for any of the purposes set forth in Section 36 of the Negotiable Obligations Law, BCRA Communication “A” 3046, as amended and supplemented, and other applicable regulations.

The Annual Shareholders’ Meeting held on May 23, 2008 approved the creation of a new Global Program for the issuance of negotiable obligations, non-convertible into shares, secured or unsecured, for up to US$ 2,000,000,000 or an equal amount in Pesos, which was amended, extended and increased several times by subsequent Annual Shareholders’ Meetings and Board Resolutions. The current amount authorized to be issued under the Global Note Program is up to US$ 1,000,000,000 or its equivalent in other currencies.

The Program’s Public Offering was authorized by Resolution No. 16573 dated May 24, 2011, the increase in the Program amount was authorized by Resolution No. 17805 dated September 9, 2015, the extension of the Program and the increase in its amount were authorized by Resolution No. 18145 dated July 28, 2016, whereas a new increase in the program amount was authorized by Resolution No. 18493 dated February 2, 2017, all of them issued by the CNV.

15. PROVISIONS

For information on commitments, contingencies and provisions, see Note 14 to the consolidated financial statements for the fiscal year ended December 31, 2022.

Changes in provisions are included in Schedule J accompanying these separate financial statements.

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16. CAPITAL STOCK

Banco Hipotecario Sociedad Anónima has a capital stock of 1,500,000,000, which is fully subscribed and paid-in and represented by 1,500,000,000 common, registered shares, with a nominal value of ARS 1 each, classified as follows:

Class	Shares	Nominal Value	Capital Stock
A	664,376,845	1	664,376,845
B	57,009,279	1	57,009,279
C	75,000,000	1	75,000,000
D	703,613,876	1	703,613,876
	1,500,000,000		1,500,000,000

- Class A shares: Entitled to 1 vote each. These shares were held by the Argentine Government as part of the privatization process and were subsequently transferred to the Trust Fund to support the Regional Infrastructure Federal Fund;

- Class B shares: Entitled to 1 vote each. These shares are held under *Programa de Propiedad Participada* (Employee Stock Ownership Plan or "PPP") created by Decree No. 2127/2012 and may not account for more than 5 % of the Bank's capital stock. As long as Class B shares account for more than 2% of the Bank's capital stock, holders of Class B shares gathered at a Shareholders' Meeting will be entitled to elect one member of the Bank's Board of Directors;

- Class C shares: Entitled to 1 vote each. These shares may not account for more than 5 % of the Bank's capital stock and are freely transferable. As long as Class C shares account for more than 3 % of the Bank's capital stock, holders of Class C shares gathered at a Shareholders' Meeting will be entitled to elect one member of the Bank's Board of Directors; and

- Class D shares: As long as Class A shares account for more than 42 % of the capital stock, Class “D” shares will be entitled to 3 votes each. An individual or legal entity belonging to the same business group may not own more than five per cent (5 %) of the Bank's capital stock. At times when Class D shares account for, at least, 25 % of the Bank's capital stock, holders of Class D shares, gathered at a Shareholders' Meeting, will be entitled to elect the majority of the members of the Bank's Board of Directors.

Programa de Propiedad Participada (Employee Stock Ownership Plan)

Law No. 24855, whereby Banco Hipotecario Nacional was declared “subject to privatization” and transformed into a corporation (*"sociedad anónima"*), provided for the creation of the *Programa de Propiedad Participada* (Employee Stock Ownership Plan or "PPP"). A PPP is a system envisaged by Law No. 23696 to allow employees of an entity subject to privatization to acquire shares in the privatized entity’s capital stock from the government.

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The Bank's PPP was implemented by Executive Decree No. 2127/2012, pursuant to which the individuals included in the Bank's payroll as of September 27, 1997 became entitled to participate in the PPP, by subscribing a General Transfer Agreement among the employee, the government and the Trustee (Banco de la Nación Argentina).

Class “B” shares (57,009,279) are entirely held by the PPP. The sale price of the shares was set at $ 0,665 each.

The payment of the shares to the government is made by offsetting contributions to the Adjustable Supplementary Pension Fund (*Fondo Complementario Móvil de Jubilaciones*) and capitalizing the dividends from the awarded shares, and out of half the proceeds from the profit-sharing bonus.

The Bank's bylaws provide for the payment of a profit-sharing bonus in respect of profits for fiscal year 2012 through fiscal year 2022. The profit-sharing bonus is calculated as 0.50% of the Bank's profits for the year, as determined at the Annual Shareholder's Meeting at which the financial statements are approved.

Treasury shares deliverable

On November 22, 2017 (the "grant date"), the Bank’s Board of Directors approved the adoption of the Employee Compensation Program, as approved at the Shareholders' Meetings held on April 24, 2013, April 24, 2014, and June 4, 2017.

Employees of the Bank, BACS, BHN Sociedad de Inversión S.A., BHN Vida S.A., BHN Seguros Generales S.A. and BH Valores S.A. (merged into the Bank in 2019) became entitled to a number of shares, pursuant to the program conditions at the grant date.

The benefit was calculated considering the fair value of the Bank's shares at the grant date, while the value in excess of the nominal value of the shares is recognized in “Reserve for share-based payments,”

If the beneficiary meets the program conditions at the time his/her employment at the entities involved is terminated, that beneficiary meets the program conditions, then such beneficiary will receive Class "D" shares and the shares will be reclassified from "deliverable shares" to "outstanding shares," in both cases under Capital stock.

In addition, until March 2021, the higher value recognized in the “Reserve for share-based payments” was reclassified to the account “Share premium” every time shares were delivered to the program beneficiaries. On March 30, 2021, the Bank's Shareholders' Meeting resolved to absorb the unappropriated retained deficit and the accounts "Share premium" and “Reserve for share-based payments” were fully absorbed. Therefore, effective since April 2021, balances are reclassified from “deliverable shares” to “outstanding shares” only.

Dividends from deliverable shares are made available to beneficiaries as soon as the payment of such dividends is approved at the Shareholders' Meeting.

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17. INTEREST INCOME AND ADJUSTMENTS / FEE AND COMMISSION INCOME

Interest income and adjustments	**12/31/2022**	**12/31/2021**
Interest on cash and bank deposits	-	20
Interest on loans to the financial sector	144,117	304,760
Interest on overdraft facilities	875,315	246,542
Interest on promissory notes	2,815,126	1,632,558
Interest on mortgage loans	1,711,030	1,861,002
Interest on consumer loans	4,110,991	3,901,816
Interest on pledge loans	15,954	5,683
Interest on credit card loans	9,375,171	10,396,528
Interest on finance leases	409,764	69,934
Interest on other loans	3,700,436	3,673,877
Interest on government and corporate securities	18,237,496	7,428,843
Income from CER, CVS, UVA and UVI adjustments	9,965,634	8,121,740
Interest on reverse repurchase transactions	32,158,492	46,964,705
Other	84,001	49,660
Total	**83,603,527**	**84,657,668**

Fee and commission income	**12/31/2022**	**12/31/2021**
Credit card commissions	7,808,702	9,683,712
Insurance commissions	909,163	1,024,347
Linked to lending transactions	2,365,990	2,204,685
Linked to borrowing transactions	43,339	83,084
Other commissions	543,802	791,061
Total	**11,670,996**	**13,786,889**

18. INTEREST EXPENSE AND ADJUSTMENTS

Interest expense and adjustments	**12/31/2022**	**12/31/2021**
Interest on checking account deposits	(35,087,309)	(26,262,222)
Interest on savings account deposits	(51,184)	(29,580)
Interest on time deposits	(56,273,453)	(44,123,446)
Interest on interfinancial loans received	(134,146)	(14,653)
Interest on other negotiable obligations and debt securities	(2,596,851)	(5,922,010)
Expense for CER, CVS, UVA and UVI adjustments	(4,156,521)	(7,749,060)
Total	**(98,299,464)**	**(84,100,971)**

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19. FOREIGN CURRENCY EXCHANGE DIFFERENCES, NET

Originated in:	**12/31/2022**	**12/31/2021**
Dollar denominated assets	20,854,345	16,113,359
Dollar denominated liabilities	(19,504,920)	(15,927,442)
Derivative instruments	(1,926,007)	(1,689,054)
Net assets denominated in Euros	74,557	67,126
Exchange differences	**(502,025)**	**(1,436,011)**

20. NET INCOME FROM FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

Net income from financial instruments at fair value through profit or loss	**12/31/2022**	**12/31/2021**
Income from government securities	68,689,147	22,667,629
Loss from financial trusts	(2,682)	(55,786)
Income (loss) from other corporate securities	278,502	(111,397)
Loss on derivative financial instruments	(310,979)	(242,847)
Total	**68,653,988**	**22,257,599**

21. OTHER OPERATING INCOME / (EXPENSES)

Other operating income	**12/31/2022**	**12/31/2021**
Loan servicing	340,179	364,163
Borrowing transactions commissions	751,566	798,931
Income from PRO.CRE.AR services	1,801,511	2,096,853
Penalty interest	179,467	294,788
Loans recovered	644,020	1,142,722
Reversal of allowances (1)	116,537	119,386
Rentals	35,348	26,859
Income from sale of non-financial assets	1,628	14,371
Adjustments and interest on miscellaneous receivables	253,622	261,381
Other income	229,517	477,801
Total	**4,353,395**	**5,597,255**

(1) See Note 6.3.

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Other operating expenses	**12/31/2022**	**12/31/2021**
Turnover tax	(5,467,825)	(5,610,423)
Loan servicing	(3,531,568)	(4,644,934)
Deposit servicing	(1,130,858)	(1,221,344)
Other taxes	(733,061)	(900,494)
Debit and credit card rebates	(353,971)	(913,274)
Loan rebates	(238,722)	(326,413)
Contribution to the deposit insurance fund	(654,799)	(605,364)
Interest on finance leases	(307,675)	(411,636)
Charges from other provisions	(2,002,877)	(640,907)
Donations	(36,737)	(15,648)
Non-current assets at fair value held for sale	(9,961,887)	(3,693,149)
Investment property at fair value (1)	(385,365)	(428,053)
Other expenses	(404,091)	(409,756)
Total	**(25,209,436)**	**(19,821,395)**

(1) See Note 11.4.

22. EXPENSES BY FUNCTION AND NATURE

The Bank presented its statement of comprehensive income under the expenditure function method. Under this method, expenses are classified according to their function as part of the item “Administrative expenses.”

The table below provides certain required additional information about expenses by nature and by function:

Administrative expenses	**12/31/2022**	**12/31/2021**
Fees and compensation for services	(3,745,673)	(3,913,261)
Directors’ and supervisory committee’s members fees	(325,267)	(317,709)
Taxes and duties	(802,571)	(875,692)
Maintenance and repairs	(732,079)	(793,659)
Electricity, gas and telephone services	(653,863)	(848,460)
Entertainment and transportation expenses	(114,711)	(65,303)
Rentals	(83,921)	(82,738)
Insurance	(139,040)	(142,538)
Advertising, promotion and research expenses	(231,427)	(112,608)
Security services	(450,202)	(432,298)
Office supplies	(16,272)	(16,919)
Armored transportation services	(516,376)	(579,210)
Miscellaneous	(98,174)	(128,405)
Total	**(7,909,576)**	**(8,308,800)**

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23. EMPLOYEE BENEFITS

The table below shows a breakdown of items disclosed under Employee Benefits:

Employee benefits	**12/31/2022**	**12/31/2021**
Salaries and social security contributions payable	(13,722,383)	(13,708,004)
Severance payments and bonuses	(5,083,627)	(4,056,152)
Personnel expenses	(921,725)	(791,991)
Total	**(19,727,735)**	**(18,556,147)**

24. OFF-BALANCE SHEET ACCOUNTS

The Bank accounts for different transactions under off-balance sheet accounts, according to the rules issued by the BCRA. There follow the balances of the main off-balance sheet accounts as of December 31, 2022 and 2021:

	12/31/2022	**12/31/2021**
Guarantees received	54,954,914	63,953,116
Uncollectible loans (Note 6.3)	16,744,702	12,104,318
Securities in custody	86,545,812	105,460,875
Securities to be collected	6,052,355	8,860,071
Securities to be debited	108,858	162,286
Securities to be credited	570,606	356,217
Agreed loans	44,158,714	60,552,092
Guarantees granted	717,370	610,457

25. TRANSACTIONS AND BALANCES WITH RELATED PARTIES

The Bank has carried out transactions with related parties on an arm's length basis.

Main shareholders

The Bank's main shareholders are:

Name	**Class of shares**	**12/31/2022**		**12/31/2021**	
		Votes %	**Capital %**	**Votes %**	**Capital %**
Fideicomiso de Asistencia al Fondo Federal de Infraestructura Regional	A	22.85%	44.29%	22.85%	44.29%

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Programa de Propiedad Participada	B	1.96%	3.80%	1.96%	3.80%
Fideicomiso de Asistencia al Fondo Federal de Infraestructura Regional	C	2.58%	5.00%	2.58%	5.00%
IRSA Inversiones y Representaciones S.A. (*)	D	46.30%	29.92%	46.30%	29.92%
ANSES	D	7.64%	4.94%	7.64%	4.94%
Deliverable shares	D	2.70%	1.74%	2.87%	1.85%
The Bank of New York ADRs (**)	D	9.38%	6.06%	9.38%	6.06%
Other	D	6.59%	4.25%	6.42%	4.14%
		100.00%	**100.00%**	**100.00%**	**100.00%**

(*) IRSA Inversiones y Representaciones ("IRSA") holds these shares either directly (4.93%) or indirectly through the following subsidiaries: Tyrus S.A. (5.00%), Ritelco S.A. (5.00%), E-Commerce Latina S.A. (5.00%), Palermo Invest S.A. (4.99%), and Inversora Bolívar S.A. (5.00%)

(**) It represents 90,905,000 ADRs (10 shares = 1 ADR), the political rights of which are exercised by the Argentine Government.

Directors' Fees

The Bank's bylaws provide that total fees payable to Directors will be limited to five per cent (5 %) of after-tax profits for the fiscal year at issue when no cash dividends are distributed for any reason, and will be increased pro rata to cash dividends, if available, until reaching fifteen per cent (15 %) of taxable income.

Some of the Bank's directors were hired under Employment Law No. 20744. This law sets forth certain employment terms and conditions, including, without limitations, salaries, income protection, working hours, vacations, paid leaves, minimum age requirements, workers' protection, and grounds for suspension or termination of employment contracts. The fees payable every year to our Directors are determined in accordance with the provisions of Law No. 19550, taking into account whether directors perform technical-administrative duties and based on the profits recorded during the year. Once the fees payable to directors are determined, they are submitted to the Shareholders' Meeting for approval.

Compensation payable to the Key Management Personnel

Senior Management members are designated and removed by the Board of Directors and perform their duties following the instructions delivered by the Board.

As compensation for their duties, our Key Management Personnel earn a fixed amount determined based on their background, skills and experience, and a variable bonus which is paid on an annual basis and is linked to individual performance and the Bank's results of operations.

As of December 31, 2022, the Bank's Key Management personnel is comprised of a General Manager and twelve Area Managers.

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Corporate Services Contracts

As subsidiaries have operating areas that share certain common characteristics, the Bank implemented alternatives to cut certain fixed costs inherent to its business by streamlining the individual efficiency of each of the companies in several areas comprising operating management.

Costs and rewards of corporate services agreements are allocated on the basis of operating efficiency and equity, without pursuing individual profits for each of the companies.

Below there is a detail of the services areas included in the corporate services agreements:

Entity	Services area
BACS	Human resources, financial services, IT services, procurement and contracting, accounts payable, overall secretarial services, legal advice services and exclusive use by BACS of a space within the Bank's Vault.
BHN Vida y BHN Seguros Generales (a)	Human resources; procurement and contracting; maintenance; internal audit; asset management; general services; accounts payable; overall secretarial services; legal advice and supervision; supply, maintenance and administration of communication and IT items; SAP maintenance, and sale of insurance policies through call centers

(a) Controlled by BHN Sociedad de Inversión.

Legal Services

The Bank retains the legal services of Estudio Zang, Bergel & Viñes, Saúl Zang is a partner to such law firm and is also a member of the Board of the Bank’s subsidiaries.

Trading of Financial Assets

Idle funds are usually placed in several instruments, including those issued by related companies, which are purchased at the time of issuance or from independent third parties in the secondary market.

Financial Transactions

In the ordinary course of business, the Bank enters into certain related party credit facility agreements. The interest rate on these facilities is determined at arm's length and these facilities are under the normal category at year-end.

In addition, the Bank and BACS usually act as placement agents in certain related parties’ transactions carried out in the Capital Market.

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Below there is a detail of the balances and transactions with related parties as of December 31, 2022:

Related party	ASSETS			
	Debt securities at fair value through profit or loss	Loans and other financing arrangements	Other financial assets	Other non-financial assets
BACS	-	-	669	-
BHN Inversión	-	250	1,099	-
Financial Trusts CHA IX to XIV	131,833	-	13,916	-
Total subsidiaries	**131,833**	**250**	**15,684**	**-**
IRSA (including subsidiaries)	-	715,709	-	-
Total Shareholders	**-**	**715,709**	**-**	**-**
Key personnel	-	-	-	198,905
Total other	**-**	**-**	**-**	**198,905**
Total	**131,833**	**715,959**	**15,684**	**198,905**

Related Party	LIABILITIES			
	Deposits	Derivative instruments	Negotiable obligations issued	Other financial liabilities
BACS	68,924	-	-	-
BHN Inversión	93,932	-	5,664	238,765
Financial Trusts CHA IX to XIV	5,229	2,981,444	-	**641,906**
Total subsidiaries	**168,085**	**2,981,444**	**5,664**	**880,671**
Key personnel	-	-	-	258,905
Total other	**-**	**-**	**-**	**258,905**
Total	**168,085**	**2,981,444**	**5,664**	**1,139,576**

Related Party	Interest income	Interest expense	Commission income	Other operating expenses	Employee benefits	Administrative expenses
BACS	976	20,109	-	21,182	-	-
BHN Inversión	-	56,259	903,911	20,926	-	-
Financial Trusts CHA IX to XIV	30,959	58,532	-	-	-	-
Total subsidiaries	**31,935**	**134,900**	**903,911**	**42,108**	**-**	**-**
Zang Bergel & Viñes Law Firm	-	-	-	-	-	12,752
Key personnel	-	-	-	-	928,404	325,267
Total other	**-**	**-**	**-**	**-**	**928,404**	**338,019**
Total	**31,935**	**134,900**	**903,911**	**42,108**	**928,404**	**338,019**

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Below there is a detail of the balances and transactions with related parties as of December 31, 2021:

Related party	ASSETS			
	Debt securities at fair value through profit or loss	Loans and other financing arrangements	Other financial assets	Other non-financial assets
BACS	-	-	6,331	-
BHN Inversión	-	49	6,042	-
Financial Trusts CHA IX to XIV	189,740	-	-	-
Total subsidiaries	**189,740**	**49**	**12,373**	**-**
IRSA (Includes subsidiaries)	-	696,851	-	-
Total Shareholders	**-**	**696,851**	**-**	**-**
Key personnel	-	-	-	217,718
Total other	**-**	**-**	**-**	**217,718**
Total	**189,740**	**696,900**	**12,373**	**217,718**

Related Party	LIABILITIES		
	Deposits	Derivative instruments	Other financial liabilities
BACS	49,308	-	-
BHN Inversión	202,332	-	48,496
Financial Trusts CHA IX to XIV	9,451	3,921,235	-
Total subsidiaries	**261,091**	**3,921,235**	**48,496**
Zang Bergel & Viñes Law Firm	-	-	376
Key personnel	-	-	276,152
Total other	**-**	**-**	**276,528**
Total	**261,091**	**3,921,235**	**325,024**

Related Party	Interest income	Interest expense	Commission income	Other operating income	Employee benefits	Administrative expenses
BACS	27,255	14,652	-	17,395	-	-
BHN Inversión	-	311,844	979,712	22,760	-	-
Financial Trusts CHA IX to XIV	58,539	105,453	-	-	-	-
Total subsidiaries	**85,794**	**431,949**	**979,712**	**40,155**	**-**	**-**
Zang Bergel & Viñes Law Firm	-	-	-	-	-	1,851
Key personnel	-	-	-	-	987,165	317,708
Total other	**-**	**-**	**-**	**-**	**987,165**	**319,559**
Total	**85,794**	**431,949**	**979,712**	**40,155**	**987,165**	**319,559**

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26. FINANCIAL RISK FACTORS

Comprehensive Risk Management

The Bank relies on a comprehensive process to manage risks that includes identifying, assessing, tracking, controlling and mitigating all significant risks.

The comprehensive process for managing risks is geared towards having the Board of Directors and Senior Management involved in the management of all significant risks and having them oversee such management and understand the nature and level of risk taken on by the entity and how such risk relates to capital adequacy. In addition, it is in line with the best practices in risk management and, in particular, with the Argentine Central Bank's guidelines for financial institutions' risk management.

To make sure that its significant risks are properly managed, the Bank relies on a management framework and on management devices that are fitting to its size, complexity, economic weight and risk profile.

a) Credit Risk:

See overview of credit risk management principles, policies and procedures in Note 26.a) to the consolidated financial statements.

Below is a detail of the credit quality of the Bank's financial assets:

	12/31/2022	12/31/2021
	(In thousands of Pesos)	
Government and corporate securities	**149,674,497**	**99,350,453**
Measured at fair value through profit or loss	118,730,075	45,600,361
Measured at amortized cost	25,316,675	49,587,784
Investments in equity instruments	277,478	261,872
Financial trust participation certificates	13,916	28,104
Shares in mutual funds	71,765	92862
Pledged as collateral	5,264,588	3,779,470
Loans and other financing arrangements	**76,163,877**	**113,751,914**
Commercial portfolio	27,811,713	43,321,541
Performing	25,234,494	29,332,607
Non-performing	2,577,219	13,988,934
Consumer portfolio	48,352,164	70,430,373
Performing	47,154,433	68,319,084
Non-performing	1,197,731	2,111,289
Other financial assets	**91,785,380**	**369,918,030**

<u>Impairment of financial instruments</u>
The Bank accounts for Loans according to the type of loan portfolio, by performing an individual analysis of

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each customer within the "Commercial portfolio" and a massive analysis based on days in arrears for customers within the "Consumer portfolio" or "Consumer comparable portfolio". The criteria followed by the Bank to set up allowances are detailed in Note 7.

Loans and other financing arrangements, according to maturity term, are included in Schedule D accompanying theses financial statements.

Changes in allowances for loan losses for the fiscal year are included in Schedule R accompanying these financial statements.

Loans written-off

All loans within the consumer portfolio that must be fully accounted for in accordance with the applicable rules in force are written off one month after the date on which such provision is made. The balance of loans written-off as of December 31, 2022 and 2021 amounts to ARS 16,744,702 and ARS 12,104,318, respectively (See Note 6.3.).

b) Market risk

See overview of market risk management principles, policies and procedures in Note 26.b) to the consolidated financial statements.

The tables below show the Bank's exposure to foreign exchange risk as of December 31, 2022 and 2021 by type of currency:

	12/31/2022				12/31/2021			
	Monetary financial assets	Monetary financial liabilities	Derivative instruments	Net Position	Monetary financial assets	Monetary financial liabilities	Derivative instruments	Net Position
	(In thousands of Pesos)							
Dollar	38,689,815	(29,594,061)	(3,325,533)	**5,770,221**	39,136,510	(38,361,847)	8,955,574	**9,730,237**
Euro	132,951	(9,868)	-	**123,083**	253,128	(11,115)	-	**242,013**
Total	**38,822,766**	**(29,603,929)**	**(3,325,533)**	**5,893,304**	**39,389,638**	**(38,372,962)**	**8,955,574**	**9,972,250**

Derivative instruments are measured at the fair value of the respective currency at fiscal year-end.

The preceding table includes monetary assets and liabilities only, since investments in equity instruments and non-monetary instruments do not result in market risk exposure.

The following is a sensitivity analysis of income (loss) and shareholders' equity to reasonable changes in the preceding exchange rates relative to the Bank's functional currency, considering an instant variation in exposure as of the closing date.

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Currency	Variation	12/31/2022		12/31/2021	
		Income (loss)	Shareholders' equity	Income (loss)	Shareholders' equity
Dollar	(40)%	(2,308,088)	(2,308,088)	(1,662,609)	(1,662,609)
	40%	2,308,088	2,308,088	1,662,609	1,662,609
Euro	40%	49,233	49,233	96,804	96,804
	(40)%	(49,233)	(49,233)	(96,804)	(96,804)

c) Interest rate risk:

See the overview of interest rate risk management principles, policies and procedures in Note 26.c) to the consolidated financial statements.

The table below shows the "Value at Risk" (VaR), with a 99% confidence level for interest rate risk as of December 31, 2022 and 2021.

	12/31/2022	***12/31/2021***
Minimum for the year	1,129,626	1,962,123
Maximum for the year	3,793,653	5,478,946
Average for the year	2,728,019	3,305,340
At Year-End	2,226,689	3,237,017

The table below shows the Bank's exposure to interest rate risk. Such table shows the residual value of assets and liabilities, classified as the sooner of the interest renegotiation date or the maturity date.

Assets and Liabilities at Floating rate (Pesos)	Term (in days)					
	Up to 30	30 to 90	90 to 180	180 to 365	Over 365	**Total**
As of 12/31/2021						
Total Financial Assets	25,726,525	395,594	1,077,615	1,372,912	12,091,541	**40,664,187**
Total Financial Liabilities	(4,359,773)	(1,282,072)	(1,541,911)	(3,647,894)	(39,806,121)	**(50,637,771)**
Net Amount	**21,366,752**	**(886,478)**	**(464,296)**	**(2,274,982)**	**(27,714,580)**	**(9,973,584)**
As of 12/31/2022						
Total Financial Assets	190,911,707	14,746,680	20,448,256	7,750,440	43,307,117	**277,164,200**
Total Financial Liabilities	(236,181,696)	(12,586,199)	(1,271,911)	(94,897)	(3,668,258)	**(253,802,961)**
Net Amount	**(45,269,989)**	**2,160,481**	**19,176,345**	**7,655,543**	**39,638,859**	**23,361,239**

Assets and Liabilities at Floating rate (US dollars)	Term (in days)					
	Up to 30	30 to 90	90 to 180	180 to 365	Over 365	**Total**
As of 12/31/2021						
Total Financial Assets	25,726,525	395,594	1,077,615	1,372,912	12,091,541	**40,664,187**

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Total Financial Liabilities	(4,359,773)	(1,282,072)	(1,541,911)	(3,647,894)	(39,806,121)	**(50,637,771)**
Net Amount	**21,366,752**	**(886,478)**	**(464,296)**	**(2,274,982)**	**(27,714,580)**	**(9,973,584)**
As of 12/31/2022						
Total Financial Assets	14,161,023	707,564	1,943,045	872,295	10,107,195	**27,791,122**
Total Financial Liabilities	(2,238,860)	(959,606)	(2,750,319)	(3,233,506)	(30,513,513)	**(39,695,804)**
Net Amount	**11,922,163**	**(252,042)**	**(807,274)**	**(2,361,211)**	**(20,406,318)**	**(11,904,682)**

The table below shows the sensitivity to a potential change in interest rates, all other variables held constant, in the Statement of Income and Statement of Changes in Shareholders' Equity, before income tax.

Sensitivity in the Statement of Income is the effect of estimated changes in interest rates on net financial income for a given year, before income tax, based on financial assets and liabilities as of December 31, 2022 and 2021.

Sensitivity in shareholders' equity is calculated by means of a revaluation of financial assets, net, before income tax, as of December 31, 2022 and 2021, for the effects of estimated changes in interest rates:

	As of December 31, 2022					
Currency	**Changes in Basis Point**		**Sensitivity in Shareholders' Equity**		**Sensitivity in Net Income (Loss) within 1 Year**	
Foreign currency [(1)]	+/-	50	+/-	73,588	+/-	16,163
Foreign currency [(1)]	+/-	75	+/-	109,828	+/-	16,276
Foreign currency [(1)]	+/-	100	+/-	145,704	+/-	16,389
Foreign currency [(1)]	+/-	150	+/-	216,379	+/-	16,615
Peso	+/-	50	+/-	66,065	+/-	158,689
Peso	+/-	75	+/-	98,754	+/-	238,055
Peso	+/-	100	+/-	131,208	+/-	317,435
Peso	+/-	150	+/-	195,422	+/-	476,239

[(1)] For calculations in both currencies, the discount rate curves published by the Entity were used.
[(2)] The loss in equity value in the peso portfolio is associated with an increase in interest rates, while for the foreign currency portfolio it is associated with a decrease in interest rates.

	As of December 31, 2021					
Currency	**Changes in Basis Points**		**Sensitivity in Shareholders' Equity**		**Sensitivity in Net Income (Loss) within 1 Year**	
Foreign Currency [(1)]	**+/-**	**50**	**+/-**	47,120	**+/-**	1,695,714
Foreign Currency [(1)]	**+/-**	**75**	**+/-**	71,590	**+/-**	1,719,019
Foreign Currency [(1)]	**+/-**	**100**	**+/-**	96,623	**+/-**	1,742,330
Foreign Currency [(1)]	**+/-**	**150**	**+/-**	148,247	**+/-**	1,788,965
Peso	**+/-**	**50**	**+/-**	298,244	**+/-**	328,454
Peso	**+/-**	**75**	**+/-**	446,464	**+/-**	492,737
Peso	**+/-**	**100**	**+/-**	593,989	**+/-**	657,055

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Peso	**+/-**	**150**	**+/-**	886,969	**+/-**	985,802

[1] For calculations in both currencies, the discount rate curves published by the Entity were used.
[2] The loss in equity value in the peso portfolio is associated with an increase in interest rates, while for the foreign currency portfolio it is associated with a decrease in interest rates.

d) Liquidity risk

See the overview of liquidity risk management principles, policies and procedures in Note 26.d) to the consolidated financial statements.

The table below shows the Bank's liquidity ratios for the fiscal years ended December 31, 2022 and 2021:

	12/31/2022	**12/31/2021**
Average during the year	133%	127%
Higher	151%	156%
Lower	128%	108%

The breakdown of financial assets and liabilities by maturity are disclosed in Schedule D “Breakdown of Loans and Other Financing Arrangements by Maturity Dates” and Schedule I “Breakdown of Financial Liabilities by Maturity Dates” to these financial statements, respectively.

27. CAPITAL MANAGEMENT

The Bank's capital management goals are:
- Fulfilling the requirements established by the BCRA in its Communication “A” 6260, as amended;
- Supporting the Bank's operations to prevent any situation that may affect them.

According to the BCRA’s guidelines, financial institutions are required to maintain certain capital ratios to mitigate the associated risks. The Bank has met the minimum capital requirements determined in accordance with the BCRA’s rules.

Effective since March 2020, the BCRA required that, for purposes of the calculation of Regulatory Capital (*Responsabilidad Patrimonial Computable*) by Group "A" financial institutions, such as the Bank, the impact resulting from the positive difference between the allowance accounted for pursuant to paragraph 5.5. of IFRS 9 and the higher of the "regulatory" allowance calculated pursuant to the rules on "Minimum allowances for loan losses", or the accounting allowance pursuant to the trial balance as of November 30, 2019, may be considered as Tier 1 Ordinary Capital.

Regulatory Capital (*Responsabilidad Patrimonial Computable*) is comprised by Core Capital and Supplementary Capital. The table below shows a breakdown of the respective balances:

	12/31/2022	**12/31/2021**
Core Capital		
Tier 1 Ordinary Capital	47,832,636	43,791,540

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(Deductible items)	(15,558,133)	(21,350,213)
Supplementary Capital		
Tier 2 Capital	715,825	877,595
Regulatory Capital (*Responsabilidad Patrimonial Computable*)	**32,990,328**	**23,318,922**

Below is a detail of the determined capital requirement:

	12/31/2022	12/31/2021
Credit risk	7,767,299	10,388,959
Market risk	1,274,116	563,576
Operational risk	2,778,975	2,556,867
Core requirement	**11,820,390**	**13,509,402**
Payment	**32,990,328**	**23,318,922**
Surplus	21,169,938	9,809,520

28. ADDITIONAL INFORMATION REQUIRED BY THE ARGENTINE CENTRAL BANK

28.1. Deposit Guarantee Insurance System

For a description of the deposit guarantee insurance, see Note 28.1., to the consolidated financial statements.

28.2. Restricted assets

Below there is a detail of financial assets pledged as collateral as of each indicated date:

	12/31/2022	12/31/2021
BCRA special guarantee accounts related to electronic clearing agencies	2,626,556	3,639,519
Cash, government securities and instruments issued by the Argentine Central Bank as collateral for OTC ROFEX transactions	403,931	3,764,401
Government securities and instruments issued by the Argentine Central Bank as collateral for MAE and BYMA transactions	103,067	17,211
Cash and deposits in escrow as collateral for Visa credit card transactions	772,109	986,445
Cash and deposits in escrow as collateral for office and store leases	3,076	2,947
Cash and deposits in escrow as collateral for attachments	1,672	3,260
Government and corporate securities issued by the BCRA carried in repo transactions (Note 6.1)	-	62,066
Total	**3,910,411**	**8,475,849**

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28.3. Fiduciary activities

For a description of the Bank's fiduciary activities, see Note 28.3. to the consolidated financial statements.

28.4. Compliance with the regulations required by the Argentine Securities Commission

For information on compliance with the regulations required by the CNV, see Note 28.4. to the consolidated financial statements.

28.5. Accounts that identify compliance with minimum cash requirements

Below there is a detail of the items computed by the Bank to comply with the minimum cash requirements (according to applicable regulations established by the Argentine Central Bank) and the corresponding average balances as of December 31, 2022:

	Pesos	Dollars	Euros	Treasury Bill due 02/17/23	Argentine Bond in USD due 07/09/35
	(in thousands in the relevant currency)				
Checking accounts at BCRA	7,121,056	51,055	79	-	-
Special accounts at BCRA	2,489,030	681	-	-	-
Payment with BOTE 2027	8,249,714	-	-	-	-
Payment with Leliq and LeCer	20,056,912	-	-	-	-
CRYL Account	-	-	-	57,468	5,534
Total paid-in	**37,916,712**	**51,736**	**79**	**57,468**	**5,534**
Total requirement	**49,027,729**	**50,781**	**-**	**57,468**	**933**
Required reduction (miscellaneous)	11,144,352	**-**	**-**	**-**	**-**
Monthly position	**33,335**	**955**	**79**	**-**	**4,601**

28.6. Penalties imposed on the Bank and summary proceedings initiated by the Argentine Central Bank and other regulatory authorities

For a description of the Bank's summary proceedings, see Note 28.6. to the consolidated financial statements.

28.7. Restrictions on the distribution of profits

For a detail of the restrictions on the distribution of profits, see Note 28.7. to the consolidated financial statements.

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29. SUBSEQUENT EVENTS

For a description on subsequent events, see Note 29 to the consolidated financial statements.

30. LEGALIZATION OF BOOKS

At the date of these financial statements, the transactions conducted by the Bank for the period October 1, 2022 through December 31, 2022 are pending transcription into the legalized books as set forth in the regulations in force.

31. MARKET DISCIPLINE

Information on Banco Hipotecario S.A.'s regulatory capital structure and sufficiency, risk exposure and management, on a separate and on a consolidated basis with its subsidiaries, as required by Communication "A" 5394 of the BCRA, is available at the Bank's website (http://www.hipotecario.com.ar), under the "Market Discipline – Minimum Disclosure Requirements" link.

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Manuel J.L. Herrera Grazioli
General Manager

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Marcelo Fuxman
For the Supervisory Committee

BANCO Hipotecario

SCHEDULE A – GOVERNMENT AND CORPORATE SECURITIES
As of 12/31/2022 and 12/31/2021
In thousands of Argentine Pesos and constant currency

Description	Id.	Holding				Position		
		Fair value	Fair value level	Balances as of 12/31/2022	Balances as of 12/31/2021	Position without options	Options	Financial position
DEBT SECURITIES AT FAIR VALUE THROUGH PROFIT OR LOSS				**118,730,075**	**45,600,361**	**118,730,075**	**-**	**118,730,075**
Argentine								
Government securities								
Argentine Bond Dual Currency due 09/29/23	09147		1	4,938,966	-	4,938,966	-	4,938,966
Argentine Treasury Bill due 03/31/23	09164		1	3,958,153	-	3,958,153	-	3,958,153
Argentine Bond Dual Currency due 06/30/23	09145		1	3,822,528	-	3,822,528	-	3,822,528
Argentine Treasury Bill due 02/17/23	09111		1	2,585,629	-	2,585,629	-	2,585,629
Argentine Treasury Bill due 01/20/23	09152		1	1,838,075	-	1,838,075	-	1,838,075
Other			1	5,937,759	3,275,081	5,937,759		5,937,759
BCRA Bills								
BCRA Liquidity Bills	-		2	90,429,080	40,909,950	90,429,080	-	90,429,080
BCRA Notes								
BCRA Liquidity Notes	-		2	1,335,512	-	1,335,512		1,335,512
Corporate securities								
Debt security FT CHA series 9 to 14			2	131,833	189,736	131,833	-	131,833
Other			2	3,752,540	1,225,594	3,752,540		3,752,540
OTHER DEBT SECURITIES				**25,316,675**	**49,587,784**	**25,316,675**	**-**	**25,316,675**
Measured at amortized cost								
Argentine								
Government securities								
Argentine Bond in $ due 05/23/27	09132	7,093,152	2	7,246,936	-	7,246,936	-	7,246,936
Argentine Treasury Bill due 04/21/23	09118	6,735,600	2	6,832,682	-	6,832,682	-	6,832,682
Argentine Bond in USD due 07/09/35	05922	2,347,903	2	5,076,193	3,728,042	5,076,193	-	5,076,193
Argentine Treasury Bill due 02/17/23	09111	4,360,000	2	4,455,812	-	4,455,812	-	4,455,812
Argentine Treasury Bill due 03/31/23	09164	1,424,600	2	1,404,911	-	1,404,911	-	1,404,911
Bonte Badlar due 11/23/27	09166	314,046	2	300,141	-	300,141	-	300,141
Argentine Treasury Bill due 03/31/22		-		-	14,405,936	-	-	-
Argentine Bond in $ due 05/21/22		-		-	11,465,195	-	-	-
Argentine Treasury Bill due 05/23/22		-		-	6,032,749	-	-	-
Argentine Treasury Bill due 08/16/22		-		-	5,633,503	-	-	-
Argentine Treasury Bill due 06/30/22		-		-	5,520,542	-	-	-
Argentine Treasury Bill due 07/29/22		-		-	2,605,296	-	-	-
Córdoba Treasury Bill due 09/13/22		-		-	98,795	-	-	-
Córdoba Treasury Bill due 03/25/22		-		-	97,726	-	-	-
EQUITY INSTRUMENTS				**277,478**	**261,872**	**277,478**	**-**	**277,478**

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Marcelo Fuxman
For the Supervisory Committee

SCHEDULE A – GOVERNMENT AND CORPORATE SECURITIES
As of 12/31/2022 and 12/31/2021
In thousands of Argentine Pesos and constant currency

Description	Id.	Holding				Position		
		Fair value	Fair value level	Balances as of 12/31/2022	Balances as of 12/31/2021	Position without options	Options	Financial position
Measured at fair value through profit or loss								
Argentine								
Grupo Financiero Galicia	00534		1	107,261	123,384	107,261	-	107,261
Play Digital	80001		2	71,089	39,995	71,089	-	71,089
ADR Grupo Supervielle	92789		1	52,874	53,938	52,874	-	52,874
Mercado Abierto Electrónico	30038		2	46,254	44,555	46,254	-	46,254

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For the Supervisory Committee

SCHEDULE B – CLASSIFICATION OF LOANS AND OTHER FINANCING ARRANGEMENTS BY STATUS AND GUARANTEES RECEIVED

As of 12/31/2022 and 12/31/2021

In thousands of Argentine Pesos and constant currency

Commercial Portfolio	12/31/2022	12/31/2021
Normal Situation	**25,220,665**	**29,329,326**
With "A" preferred collateral and counterguarantees	6,375,581	5,708,839
With "B" preferred collateral and counterguarantees	1,582,419	2,644,224
Without preferred collateral and counterguarantees	17,262,665	20,976,263
With Special Follow-up	**13,829**	**3,280**
Under observation	**13,829**	**3,280**
With "A" preferred collateral and counterguarantees	11,310	440
Without preferred collateral and counterguarantees	2,519	2,840
Troubled	**6,142**	**4,712**
With "A" preferred collateral and counterguarantees	5,820	62
Without preferred collateral and counterguarantees	322	4,650
With high risk of insolvency	**435,639**	**2,847,308**
With "A" preferred collateral and counterguarantees	27,261	24,299
With "B" preferred collateral and counterguarantees	-	2,167,908
Without preferred collateral and counterguarantees	408,378	655,101
Uncollectible	**2,135,438**	**11,136,915**
With "A" preferred collateral and counterguarantees	2	-
With "B" preferred collateral and counterguarantees	1,920,876	-
Without preferred collateral and counterguarantees	214,560	11,136,915
Total commercial portfolio	**27,811,713**	**43,321,541**

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SCHEDULE B – CLASSIFICATION OF LOANS AND OTHER FINANCING ARRANGEMENTS BY STATUS AND GUARANTEES RECEIVED
As of 12/31/2022 and 12/31/2021
In thousands of Argentine Pesos and constant currency

Consumer and housing portfolio	12/31/2022	12/31/2021
Normal situation	**46,370,147**	**67,542,140**
With "A" preferred collateral and counterguarantees	725,043	2,267,913
With "B" preferred collateral and counterguarantees	15,345,057	18,395,317
Without preferred collateral and counterguarantees	30,300,047	46,878,910
Low risk	**784,286**	**776,943**
Low risk	**782,002**	**773,737**
With "A" preferred collateral and counterguarantees	9,309	12,371
With "B" preferred collateral and counterguarantees	350,974	211,927
Without preferred collateral and counterguarantees	421,719	549,439
Special treatment	**2,284**	**3,206**
Without preferred collateral and counterguarantees	2,284	3,206
Mid risk	**435,573**	**643,002**
With "A" collateral and counterguarantees	9,969	16,144
With "B" collateral and counterguarantees	179,837	139,090
Without preferred collateral and counterguarantees	245,767	487,768
High risk	**439,923**	**1,320,095**
With "A" collateral and counterguarantees	11,202	60,618
With "B" preferred collateral and counterguarantees	124,886	235,410
Without preferred collateral and counterguarantees	303,835	1,024,067
Uncollectible	**322,235**	**148,193**
With "A" collateral and counterguarantees	486	-
With "B" preferred collateral and counterguarantees	200,223	750
Without preferred collateral and counterguarantees	121,526	147,443
Total consumer and housing portfolio	**48,352,164**	**70,430,373**
General total (1)	**76,163,877**	**113,751,914**

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For the Supervisory Committee

In thousands of Argentine Pesos and constant currency

(1) Reconciliation between Schedule B and the Statement of Financial Position:

	12/31/2022	12/31/2021
Loans and other financing arrangements	**73,677,727**	**100,192,945**
Off-balance sheet accounts	**962,711**	**617,580**
plus allowances	2,261,907	14,250,360
less IFRS adjustments not computable for the Statement of Debtors' Condition	219,661	274,312
less items not computable for the Statement of Debtors' Condition	(958,129)	(1,583,283)
TOTAL	**76,163,877**	**113,751,914**

SCHEDULE C – CONCENTRATION OF LOANS AND OTHER FINANCING ARRANGEMENTS

As of 12/31/2022 and 12/31/2021

In thousands of Argentine Pesos and constant currency

Number of costumers	Financing			
	12/31/2022		12/31/2021	
	Debt balance	% of total portfolio	Debt balance	% of total portfolio
10 largest customers	8,243,935	10.82%	20,200,937	17.76%
50 following largest customers	10,233,613	13.44%	14,161,423	12.45%
100 following largest customers	5,359,587	7.04%	5,804,015	5.10%
Rest of customers	52,326,742	68.70%	73,585,539	64.69%
TOTAL (1)	**76,163,877**	**100.00%**	**113,751,914**	**100.00%**

(1) Reconciliation between Schedule C and the Statement of Financial Position

	12/31/2022	12/31/2021
Loans and other financing arrangements	**73,677,727**	**100,192,945**
Off-balance sheet accounts	**962,711**	**617,580**
plus allowances	2,261,907	14,250,360
less IFRS adjustments not computable for the Statement of Debtors' Condition	219,661	274,312
less items not computable for the Statement of Debtors' Condition	(958,129)	(1,583,283)
TOTAL	**76,163,877**	**113,751,914**

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For the Supervisory Committee

SCHEDULE D – BREAKDOWN OF LOANS AND OTHER FINANCING ARRANGEMENTS ACCORDING TO MATURITY DATES

As of 12/31/2022

In thousands of Argentine Pesos and constant currency

Item	Past due portfolio	Remaining terms to maturity						Total
		1 month	3 months	6 months	12 months	24 months	More than 24 months	
Financial sector	-	17,857	22,544	32,219	64,605	120,838	2,957	261,020
Non-financial private sector and foreign residents	2,340,749	17,691,055	12,727,553	9,194,968	8,130,828	7,545,347	21,620,081	79,250,581
TOTAL	**2,340,749**	**17,708,912**	**12,750,097**	**9,227,187**	**8,195,433**	**7,666,185**	**21,623,038**	**79,511,601**

The decrease in future contractual flows is presented, including interest and additional amounts to be accrued until maturity of non- discounted agreements.

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For the Supervisory Committee

SCHEDULE E – BREAKDOWN OF INVESTMENTS IN OTHER COMPANIES
For the fiscal year ended 12/31/2022
In thousands of Argentine Pesos and constant currency

Description	Shares				Amount as of 12/31/2022	Amount as of 12/31/2021	Information on the issuer				
	Class	Face value per unit	Votes per share	Number			Principal line of business	Data of the latest financial statement			
								Year-end	Capital stock	Shareholders' equity	Income/(loss) for the year
In financial institutions – Controlled - Argentina											
BACS Banco de Crédito and Securitización S.A.	Common	1	1	54,687,500	1,633,832	1,863,755	Banking	12/31/2022	87,813	2,623,366	(339,662)
In other companies - Controlled											
BHN Sociedad de Inversión S.A.	Common	1	1	90,000,000	8,959,032	8,617,466	Investment	12/31/2022	90,000	8,959,050	3,027,008
TOTAL					**10,592,864**	**10,481,221**					

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For the Supervisory Committee

BANCO Hipotecario

SCHEDULE F – CHANGES IN PROPERTY AND EQUIPMENT
For the fiscal year ended 12/31/2022
In thousands of Argentine Pesos and constant currency

Item	Acquisition cost at the beginning of the year	Total useful life in years	Increases	Decreases	Impairment	Depreciation				Residual value at year-end
						Accumulated	Decrease	For the year	At year-end	
Measured at cost										
- Real estate	13,125,270	50	-	-	(348,810)	(1,105,791)	(297,800)	(1,403,591)	11,372,869	13,125,270
- Furniture and facilities	2,759,552	10	28,240	(1,571)	-	(2,206,850)	(155,334)	(2,362,184)	424,037	2,759,552
- Machinery and equipment	13,511,749	(a)	288,985	(57,220)	-	(12,956,625)	(375,432)	(13,332,057)	411,457	13,511,749
- Vehicles	6,752	5	360	(360)	-	(6,752)	-	(6,752)	-	6,752
- Sundry	307,171	5	301	-	-	(304,259)	(1,435)	(305,694)	1,778	307,171
- Right of use of leased real estate property	1,728,562	(b)	304,781	(63,535)	-	(1,202,003)	(344,728)	(1,546,731)	423,077	1,728,562
- Right of use of leased personal property	279,186	(b)	-	-	-	(253,362)	(17,071)	(270,433)	8,753	279,186
Total property and equipment	**31,718,242**		**622,667**	**(122,686)**	**(348,810)**	**(18,035,642)**	**(1,191,800)**	**(19,227,442)**	**12,641,971**	**31,718,242**

(a) The useful life of machinery is 5 years and the useful life of equipment is 3 years.
(b) The useful life is related to the term of each lease agreement.

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SCHEDULE F – CHANGE IN INVESTMENT PROPERTY
For the fiscal year ended 12/31/2022
In thousands of Argentine Pesos and constant currency

Item	Acquisition cost at the beginning of the year	Net income/loss due to measurement at fair value	Increases	Decreases	Residual value at year-end
Measured at Fair Value					
- Leased property	2,100,453	(385,365)	-	-	1,715,088
Total investment property	**2,100,453**	**(385,365)**	**-**	**-**	**1,715,088**

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For the Supervisory Committee

BANCO Hipotecario

SCHEDULE G – CHANGE IN INTANGIBLE ASSETS
For the fiscal year ended 12/31/2022
In thousands of Argentine Pesos and constant currency

Item	Acquisition cost at the beginning of the fiscal year	Total useful life in years	Increases	Decreases	Impairment		Depreciation				Residual value at year-end
					Losses	Reversals	Accumulated	Decreases	For the year	At year-end	
Measured at cost											
Other intangible assets	5,777,212	5	75,465	-	-	-	(5,200,094)		(221,226)	(5,421,320)	431,357
Total intangible assets	**5,777,212**		**75,465**	**-**	**-**	**-**	**(5,200,094)**		**(221,226)**	**(5,421,320)**	**431,357**

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For the Supervisory Committee

SCHEDULE H – CONCENTRATION OF DEPOSITS
As of 12/31/2022 and 12/31/2021
In thousands of Argentine Pesos and constant currency

Number of costumers	Deposits			
	12/31/2022		12/31/2021	
	Debt balance	% of total portfolio	Debt balance	% of total portfolio
10 largest customers	129,683,074	47.48%	261,550,762	48.08%
50 following largest customers	40,435,146	14.80%	55,501,576	10.20%
100 following largest customers	6,728,001	2.46%	9,603,582	1.77%
Rest of customers	96,281,583	35.26%	217,315,231	39.95%
TOTAL	**273,127,804**	**100.00%**	**543,971,151**	**100.00%**

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For the Supervisory Committee

SCHEDULE I – BREAKDOWN OF FINANCIAL LIABILITIES ACCORDING TO MATURITY TERMS

As of 12/31/2022

In thousands of Argentine Pesos and constant currency

Item	Remaining terms to maturity						Total
	1 month	3 months	6 months	12 months	24 months	More than 24 months	
Deposits							
Non-financial public sector	8,934,564	1,580,009	-	-	-	1,345,803	11,860,376
Financial sector	72,221	-	-	-	-	-	72,221
Non-financial sector and foreign residents	213,404,822	51,853,612	1,491,208	209,350	49,536	17,884	267,026,412
Derivative instruments	-	-	-	-	-	2,981,600	2,981,600
Other financial liabilities	20,276,249	4,545	10,097	72,344	59,919	1,433,216	21,856,370
Loans from the BCRA and other financial institutions	1,652	-					1,652
Negotiable obligations issued	-	-	2,177,142	3,180,964	6,141,092	3,045,677	14,544,875
TOTAL	**242,689,508**	**53,438,166**	**3,678,447**	**3,462,658**	**6,250,547**	**8,824,180**	**318,343,506**

The decrease in future contractual flows is presented, including interest and related amounts to be accrued until maturity of non-discounted agreements.

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For the Supervisory Committee

SCHEDULE J – CHANGES IN ALLOWANCES AND PROVISIONS

For the fiscal year ended 12/31/2022

In thousands of Argentine Pesos and constant currency

Breakdown	Balances at beginning of year	Increases (Note 19)	Decreases		Monetary gain (loss)	Balance as of 12/31/2022
			Reversals	Allocations		
Other (1)	689,546	1,493,454	(334,450)	(443,366)	(335,557)	1,069,627
TOTAL PROVISIONS	**689,546**	**1,493,454**	**(334,450)**	**(443,366)**	**(335,557)**	**1,069,627**

(1) The amount of Other is composed of:

Breakdown	Balances at beginning of year	Increases	Decreases		Monetary gain (loss)	Balance as of 12/31/2022
			Reversals	Allocations		
Provisions for application of IFRS 9 on unused credit card balances	212,658	135,955	(111,605)	-	(103,483)	133,525
Provisions for application of IFRS 9 on unused balances of overdraft facilities	12,050	63,459	(39,213)	-	(5,862)	30,434
Provisions for application of IFRS 9 on guarantees granted	1,595	183,643	(183,632)	-	(776)	830
Provisions for lawsuits and other claims	407,826	996,673	-	(330,095)	(198,468)	875,936
Provisions for taxes	55,417	113,724	-	(113,271)	(26,968)	28,902
	689,546	**1,493,454**	**(334,450)**	**(443,366)**	**(335,557)**	**1,069,627**

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BANCO Hipotecario

SCHEDULE K – COMPOSITION OF CAPITAL STOCK
For the year ended 12/31/2022
In thousands of Argentine Pesos and constant currency

Shares				Capital stock					
				Issued					
Class	Number	Face value per share	Votes per share	Outstanding	Treasury stock	Pending issuance or distribution	Allotted	Paid-in	Not yet paid-in
Common book-entry	1,500,000,000	1	(1)	1,473,832	26,168	-	-	1,500,000	-
Total				**1,473,832**	**26,168**	**-**	**-**	**1,500,000**	**-**

(1) As per the following breakdown:

Class	Number	No. of votes per share
A	664,376,845	1
B	57,009,279	1
C	75,000,000	1
D	703,613,876	3
	1,500,000,000	

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For the Supervisory Committee

SCHEDULE L – BALANCES IN FOREIGN CURRENCY

As of 12/31/2022 and 12/31/2021

In thousands of Argentine Pesos and constant currency

Items	Head office and branches in Argentina	Total as of 12/31/2022	As of 12/31/2022		Total as of 12/31/2021
			Dollars	Euros	
ASSETS					
Cash and bank deposits	12,165,745	12,165,745	12,032,794	132,951	18,660,536
Debt securities at fair value through profit or loss	13,849,621	13,849,621	13,849,621	-	2,553,180
Other financial assets	27,514	27,514	27,514	-	1,018,052
Loans and other financing arrangements					
Non-financial private sector and foreign residents	6,665,179	6,665,179	6,665,179	-	9,059,636
Other debt securities	5,076,193	5,076,193	5,076,193	-	3,728,042
Financial assets pledged as collateral	985,639	985,639	985,639	-	4,316,255
Investment in equity instruments	52,875	52,875	52,875	-	53,938
TOTAL ASSETS	**38,822,766**	**38,822,766**	**38,689,815**	**132,951**	**39,389,639**
LIABILITIES					
Deposits					
Non-financial public sector	974,719	974,719	974,719	-	2,121,588
Financial sector	144	144	144	-	168
Non-financial private sector and foreign residents	15,650,301	15,650,301	15,650,301	-	20,019,749
Liabilities at fair value through profit or loss	-	-	-	-	271,848
Other financial liabilities	52,002	52,002	42,134	9,868	1,472,294
Negotiable obligations issued	12,913,255	12,913,255	12,913,255	-	14,485,211
Provisions	830	830	830	-	1,595
Other non-financial liabilities	12,678	12,678	12,678	-	510
TOTAL LIABILITIES	**29,603,929**	**29,603,929**	**29,594,061**	**9,868**	**38,372,963**

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BANCO Hipotecario

SCHEDULE N – ASSISTANCE TO RELATED PARTIES

As of 12/31/2022 and 12/31/2021

In thousands of Argentine Pesos and constant currency

Situation – items	Normal	With special follow-up/ low risk	Troubled/mid-risk		High risk of insolvency/high risk		Uncollectible	Uncollectible for technical reasons	Total	
			Not past due	Past due	Not past due	Past due			12/31/2022	12/31/2021
1. Loans and other financing arrangements	**816,880**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**816,880**	**807,617**
-Overdraft facilities	**112**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**112**	**78**
Without preferred guarantees or counterguarantees	112	-	-	-	-	-	-	-	112	78
-Mortgage and pledge loans	**12,746**	-	-	-	-	-	-	-	**12,746**	**13,477**
With “B” preferred guarantees or counterguarantees	12,746	-	-	-	-	-	-	-	12,746	13,477
-Consumer loans	**5,091**	-	-	-	-	-	-	-	**5,091**	**-**
Without preferred guarantees or counterguarantees	5,091	-	-	-	-	-	-	-	5,091	-
-Credit cards	**70,549**	-	-	-	-	-	-	-		
Without preferred guarantees or counterguarantees	70,549	-	-	-	-	-	-	-	**70,549**	**72,413**
-Other	**728,382**	-	-	-	-	-	-	-	**728,382**	**721,649**
With “A” preferred guarantees or counterguarantees	-	-	-	-	-	-	-	-	-	357
Without preferred guarantees or counterguarantees	728,382	-	-	-	-	-	-	-	728,382	721,292
TOTAL	**816,880**	-	-	-	-	-	-	-	**816,880**	**807,617**
ALLOWANCES	**3,821**	-	-	-	-	-	-	-	**3,821**	**2,173**

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with our report dated February 27,
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Lorena C. Morchón
General Accounting Manager

Manuel J.L. Herrera Grazioli
General Manager

Andrea Pastrana
Partner
Public Accountant (UCA)
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Marcelo Fuxman
For the Supervisory Committee

SCHEDULE O – DERIVATIVE FINANCIAL INSTRUMENTS
As of 12/31/2022
In thousands of Argentine Pesos and constant currency

Kind of Agreement	Purpose of Transactions	Underlying asset	Kind of settlement	Trading environment or counterparty	Average weighted term originally agreed (in months)	Average residual weighted term (in months)	Average weighted term for the settlement of differences (in months)	Amount
Futures	Brokerage – own account	Foreign currency	Daily differences	ROFEX	1	1	1	609,408
Repo transactions	Brokerage - own account	Argentine government securities	With delivery of underlying asset	OTC - Domestic residents - Financial Sector	1	1	3	92,709,956
Swaps	Brokerage - own account	Other	Upon maturity of differences	OTC - Domestic residents - Non-financial Sector	212	58	30	352,584
Swaps	Brokerage - own account	Foreign currency	Upon maturity of differences	OTC - Domestic residents - Non-financial Sector	233	90	30	61,132

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Marcelo Fuxman
For the Supervisory Committee

SCHEDULE P – CATEGORIES OF FINANCIAL ASSETS AND LIABILITIES
As of 12/31/2022
In thousands of Argentine Pesos and constant currency

Description	Amortized Cost	Fair value through OCI	Fair value through profit or loss		Fair value hierarchy		
			Originally designated or under Item 6.7.1. of IFRS 9	Statutory measurement	Level 1	Level 2	Level 3
FINANCIAL ASSETS							
Cash and bank deposits	**26,866,530**	-	-	-	-	-	-
Cash	5,996,202	-	-	-	-	-	-
Financial institutions and correspondents	20,870,328	-	-	-	-	-	-
Debt securities at fair value through profit or loss	-	-	-	**118,730,075**	**23,081,125**	**95,648,950**	-
Derivative instruments	-	-	-	**61,231**	-	**61,231**	-
Repo transactions	**83,428,204**	-	-	-	-	-	-
Argentine Central Bank	82,058,326	-	-	-	-	-	-
Other financial institutions	1,369,878		-	-	-	-	-
Other financial assets	**4,805,751**		-	**85,681**	**71,765**	**13,916**	-
Loans and other financing arrangements	**73,677,727**	-	-	-	-	-	-
Argentine Central Bank	-	-	-	-	-	-	-
Other financial institutions	242,829	-	-	-	-	-	-
Non-financial private sector and foreign residents	73,434,898	-	-	-	-	-	-
Overdraft facilities	1,342,281	-	-	-	-	-	-
Notes	9,318,191	-	-	-	-	-	-
Mortgage loans	17,142,033	-	-	-	-	-	-
Pledge loans	31,989	-	-	-	-	-	-
Consumer loans	6,550,870	-	-	-	-	-	-
Credit cards	24,630,670	-	-	-	-	-	-
Financial leases	1,440,448	-	-	-	-	-	-
Other	12,978,416	-	-	-	-	-	-
Other debt securities	**25,316,675**	-	-	-	-	-	-
Financial assets pledged as collateral	**3,910,411**	-	-	-	-	-	-
Investments in equity instruments	-	-	-	**277,478**	**160,135**	**117,343**	-
TOTAL FINANCIAL ASSETS	**218,005,298**	-	-	**119,154,465**	**23,313,025**	**95,841,440**	-

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For the Supervisory Committee

SCHEDULE P – CATEGORIES OF FINANCIAL ASSETS AND LIABILITIES
As of 12/31/2022
In thousands of Argentine Pesos and constant currency

Description	Amortized Cost	Fair value through OCI	Fair value through profit or loss		Fair value hierarchy		
			Originally designated or under Item 6.7.1. of IFRS 9	Statutory measurement	Level 1	Level 2	Level 3
FINANCIAL LIABILITIES							
Deposits	**273,127,804**	-	-	-	-	-	-
Non-financial public sector	10,601,240	-	-	-	-	-	-
Financial sector	72,220	-	-	-	-	-	-
Non-financial private sector and foreign residents	262,454,344	-	-	-	-	-	-
Checking accounts	113,976,467	-	-	-	-	-	-
Savings accounts	46,032,265	-	-	-	-	-	-
Time deposits and term investments	98,479,114	-	-	-	-	-	-
Other	3,966,498	-	-	-	-	-	-
Derivative instruments	-	-	**-**	**2,981,600**	**-**	**2,981,600**	-
Other financial liabilities	**20,597,797**	-	-	-	-	-	-
Loans From the BCRA and other financial institutions	**1,652**	-	-	-	-	-	-
Negotiable obligations issued	**12,913,255**	-	-	-	-	-	-
TOTAL FINANCIAL LIABILITIES	**306,640,508**	**-**	**-**	**2,981,600**	**-**	**2,981,600**	**-**

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For the Supervisory Committee

SCHEDULE Q – BREAKDOWN OF P&L

For the fiscal year ended 12/31/2022

In thousands of Argentine Pesos and constant currency

Description	12/31/2022 Net financial income/(expense) Originally designated or under item 6.7.1. of IFRS 9	Statutory measurement	OCI
Due to measurement of financial assets at fair value through profit or loss			
Government securities income	-	68,689,147	-
Corporate securities loss	-	271,010	-
Derivative financial instruments income/(loss)			
Interest rate swap	-	(310,979)	-
Due to investments in equity instruments	-	4,810	-
TOTAL	**-**	**68,653,988**	**-**

Interest and adjustments due to application of effective interest rate of financial assets measured at amortized cost	12/31/2022 Financial income/(expense)
Interest income	
Government securities	18,237,496
Loans and other financing arrangements	
To the Financial Sector	144,117
Overdraft facilities	875,315
Notes	2,815,126
Mortgage loans	11,627,263
Pledge loans	15,954
Consumer loans	4,110,991
Credit cards	9,375,171
Financial leases	409,764
Other	3,833,838
Repo transactions	
Argentine Central Bank	31,469,770
Other financial institutions	688,722
TOTAL	**83,603,527**

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Marcelo Fuxman
For the Supervisory Committee

BANCO Hipotecario

SCHEDULE Q – BREAKDOWN OF P&L
For the fiscal year ended 12/31/2022
In thousands of Argentine Pesos and constant currency

	12/31/2022
Interest and adjustments due to application of effective interest rate of financial assets measured at amortized cost	**Financial income/(expense**
Interest expense	
Deposits	
Checking accounts	(35,087,309)
Savings accounts	(51,184)
Time deposits and term Investments	(59,928,383)
Loans from the BCRA and other financial institutions	(134,146)
Repo transactions	
Other financial institutions	(32,042)
Other financial liabilities	(77,243)
Negotiable Obligations issued	(2,989,157)
TOTAL	**(98,299,464)**
Commission income	
Linked to liabilities	2,365,990
Linked to loans	43,339
Linked to loan commitments and financial guarantees	11,175
Linked to securities	330,238
Linked to credit cards	7,808,702
Linked to insurance	909,163
Linked to collection management	202,389
TOTAL	**11,670,996**
Commission expense	
Linked to foreign trade and exchange transactions	(8,473)
Other	(469,939)
TOTAL	**(478,412)**

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Marcelo Fuxman
For the Supervisory Committee

SCHEDULE R – CORRECTION OF VALUE FOR LOSSES – ALLOWANCE FOR LOAN LOSSES

For the fiscal year ended 12/31/2022

In thousands of Argentine Pesos and constant currency

Item	Balances at beginning of year	ECL for the next 12 months	ECL for the remaining life of financial asset		Monetary gain (loss) from allowances	Balance as of 12/31/2022
			Financial instruments with significant increase of credit risk	Credit-impaired financial instruments		
Other financial assets	**77,878**	**11,908**	**-**	**-**	**(37,897)**	**51,889**
Loans and other financing arrangements						
Non-financial private sector and foreign residents	**14,250,360**	**121,468**	**232,070**	**(5,407,268)**	**(6,934,723)**	**2,261,907**
Overdraft facilities	22,113	15,474	484	6,709	(10,761)	34,019
Promissory notes	29,548	42,622	-	-	(14,379)	57,791
Mortgage loans	502,467	64,897	185,467	214,239	(244,518)	722,552
Pledge loans	70	66	-	-	(34)	102
Consumer loans	1,328,151	(60,788)	4,819	(182,262)	(646,325)	443,595
Credit cards	878,640	(4,258)	40,446	5,210	(427,577)	492,461
Finance leases	257	4,386	-	(13)	(125)	4,505
Call loan rate to companies	8,651,959	19,878	-	(4,285,105)	(4,210,346)	176,386
Prefinancing of exports	2,462,877	-	-	(1,264,355)	(1,198,522)	-
Other	374,278	39,191	854	98,309	(182,136)	330,496
Contingent commitments	226,315	44,507	4,100	-	(110,133)	**164,789**
TOTAL PROVISIONS	**14,554,553**	**177,883**	**236,170**	**(5,407,268)**	**(7,082,753)**	**2,478,585**

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Marcelo Fuxman
For the Supervisory Committee

PROJECT FOR THE DISTRIBUTION OF PROFITS
For the fiscal year ended 12/31/2022
In thousands of Argentine Pesos and constant currency

ITEM	12/31/2022
Retained earnings	**6,054,793**
To legal reserve	**(1,210,959)**
To partial reconstitution of the Legal Reserve as a result of its use to absorb accumulated losses from previous years	**4,843,834**

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Marcelo Fuxman
For the Supervisory Committee

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INDEPENDENT AUDITORS' REPORT ON SEPARATE FINANCIAL STATEMENTS

To the Chairman and Directors of
Banco Hipotecario S.A.
Registered office: Reconquista 151
City of Buenos Aires
Taxpayer identification number [CUIT]: 30-50001107-2

Report on the financial statements

We have audited the accompanying separate financial statements of Banco Hipotecario S.A. (hereinafter, the "Entity"), comprising the separate statement of financial position as of December 31, 2022, the separate statements of income, changes in shareholders' equity and cash flows for the year then ended, as well as their related Schedules and selected explanatory Notes.

Board of Directors' and Management's Responsibility

The Entity's Board of Directors and Management are responsible for the preparation and presentation of the accompanying financial statements in accordance with the financial reporting framework established by the Argentine Central Bank ("BCRA"), which, as described in Note 3.1 to the accompanying financial statements, is based on the International Financial Reporting Standards ("IFRS") as approved by the International Accounting Standards Board ("IASB"), and adopted by the Argentine Federation of Professional Councils of Economic Sciences ("FACPCE"), with the exceptions referred to in Note 3.1. The Entity's Board of Directors and Management are also responsible for the design, implementation and maintenance of such internal control as Management might deem appropriate to ensure that the separate financial statements are free from material misstatements, due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on the accompanying separate financial statements based on our audit. We performed such audit in accordance with the applicable audit standards set out in Technical Resolution No. 37 of FACPCE and with the "Minimum Standards for External Audits" issued by the BCRA. Those standards require that we comply with ethical requirements and that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit involves performing procedures, on a selective test basis, to obtain audit evidence on the financial disclosures included in the financial statements. The selected procedures depend on our professional judgment, including the assessment of the risk of material misstatements in the financial statements. In performing such risk assessment, we have considered the Entity's existing internal control on the preparation and presentation of the financial statements in order to select the appropriate audit procedures in light of the circumstances, but not in order to render an opinion on the effectiveness of such internal control. An audit also involves assessing the accounting criteria used by the Entity, the material estimates made by the Board of Directors, and the presentation of the financial statements as a whole. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Conclusion

In our opinion, the accompanying separate financial statements represent fairly, in all material respects, the financial position of Banco Hipotecario S.A. as of December 31, 2022, as well as the results of its operations, changes in shareholders' equity and cash flows for the year then ended, in conformity with the BCRA financial reporting framework.

Emphasis Paragraph

Without modifying our conclusion, we draw users' attention to the disclosures in Note 3.1 of the accompanying separate financial statements which states that such financial statements were prepared by the Entity's Board of Directors and Management in accordance with the BCRA financial reporting framework. This framework differs from the IFRS in certain aspects described in such note.

Information required by other legal and regulatory standards

In compliance with applicable provisions, we hereby report that:

a) the accompanying separate financial statements are pending transcription into the Financial Statements book, and arise from accounting entries also pending transcription into the Journal Book;

b) as of December 31, 2022, as described in Note 28.4 to the accompanying separate financial statements, the Entity's shareholders' equity and minimum cash contra-account in eligible assets exceed the respective minimum requirements established in applicable standards issued by the CNV;

c) As of December 31, 2022, the accrued liability for retirement and pension contributions payable to the Argentine Pension Fund System arising from the accounting records of the Entity amounted to ARS 338,987,768, no amounts being due as of that date, and

d) During the year ended December 31, 2022, our fees for audit services billed to the Entity account for 96.89% of the total comprehensive amount billed to Entity, 71.66% of total fees for audit services billed to the Entity and its subsidiaries, and 68.49% of the total comprehensive amount billed to the Entity and its subsidiaries.

City of Buenos Aires, February 27, 2023

KPMG
Prof. Asoc. Reg. C.P.C.E.C.A.B.A. Volume 2, Page 6
Andrea Pastrana
Partner
Public Accountant (UCA)
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Supervisory Committee's Report

To the Shareholders, Chairman and Directors of
BANCO HIPOTECARIO S.A.

Introduction

In compliance with section 294, subsection 5 of Argentine Companies Law No. 19550 and the rules set out by the Argentine Securities Commission (CNV), we have reviewed the accompanying separate financial statements of Banco Hipotecario S.A. (hereinafter, the “Entity”), comprising the separate statement of financial position as of December 31, 2022, the separate statements of income, changes in shareholders’ equity and cash flows for the year then ended, as well as their related schedules and selected explanatory notes. We have also reviewed the Board of Directors' Annual Report for the year ended December 31, 2022.

The balances and other information for the fiscal year ended December 31, 2021 are an integral part of the aforementioned audited financial statements and, therefore, shall be considered in the light of these financial statements.

Board of Directors' and Management's Responsibility

The Entity's Board of Directors and Management are responsible for the preparation of the accompanying separate financial statements in accordance with the financial reporting framework established by the Argentine Central Bank (“BCRA”), which, as indicated in Note 3.1 to the accompanying separate financial statements, is based on the International Financial Reporting Standards ("IFRS"), as approved by the International Accounting Standards Board ("IASB"), and adopted by the Argentine Federation of Professional Councils of Economic Sciences (“FACPCE”), with the exceptions referred to in Note 3.1. The Entity's Board of Directors and Management are also responsible for the design, implementation and maintenance of such internal control as Management might deem appropriate to ensure that the separate financial statements are free from material misstatements, due to fraud or error.

Scope of our Review

Our review was performed in accordance with supervisory committee standards currently in force. These standards require that reviews of separate financial statements be performed in accordance with the audit standards set forth in Technical Resolution No. 37 of the FACPCE, and with the “Minimum Standards for External Audits” established by the BCRA, which includes seeing to the fairness of the material information disclosed in the documents subject to review and whether such documents are consistent with the other information on corporate decisions disclosed in minutes of Board of Directors' and Shareholders' meetings, and whether such decisions are in compliance with applicable laws and bylaws in all formal and documentary aspects. In conducting our review, we examined the work performed by the Entity's external auditors, KPMG, who issued their report on February 27, 2023. An audit involves performing procedures on a selective basis to obtain judgmental elements on the disclosures included in the financial statements. The selected procedures depend on our professional judgment, including the assessment of the risk of material misstatements in the financial statements.

Supervisory Committee's Report (Continued)

Scope of our Review (continued)

In performing such risk assessment, an auditor is required to consider the Entity's existing internal control on the preparation and presentation of financial statements in order to select the appropriate audit procedures in light of the circumstances, but not in order to render an opinion on the effectiveness of such internal control. An audit also involves assessing the accounting criteria used by the Entity, the material estimates made by the Board of Directors, and the presentation of the financial statements as a whole. We consider the judgmental elements we have obtained are valid and sufficient to support our opinion.

As it concerns the Board of Directors' Annual Report for the fiscal year ended December 31, 2022, we have verified that it contains the information required by Section 66 of General Companies Law No. 19550 and, as far as the matters within our scope are concerned, that the figures therein contained are consistent with those disclosed in the Entity's accounting records and other relevant documents.

Conclusion

Based on the work we have performed within the scope described in the preceding paragraphs, we hereby report that:

c) in our opinion, the accompanying separate financial statements represent fairly, in all material respects, the financial position of Banco Hipotecario S.A. as of December 31, 2022, as well as its results of its operations, changes in shareholders' equity and cash flows for the year then ended, in conformity with the BCRA financial reporting framework; and

d) as far as the matters within our scope are concerned, we have no observations about the Board of Directors' Annual Report, with the forward-looking statements contained therein being the exclusive responsibility of the Entity's Board.

Emphasis Paragraph

Without modifying our conclusion, we draw users' attention to the disclosures in Note 3.1 of the accompanying separate financial statements which states that such financial statements were prepared by the Entity's Board of Directors and Management in accordance with the BCRA financial reporting framework. This framework differs from the IFRS in certain aspects described in such note.

Information required by other legal and regulatory standards

In compliance with applicable provisions, we hereby report that:

a) the accompanying separate financial statements are pending transcription into the Financial Statements book, and arise from accounting entries also pending transcription into the Journal Book;

Supervisory Committee's Report (Continued)

Information required by other legal and regulatory standards (Continued)

b) as of December 31, 2022, as described in Note 28.4 to the accompanying separate financial statements, the Entity's shareholders' equity and minimum cash contra-account in eligible assets exceed the respective minimum requirements established in applicable standards issued by the CNV;

c) the provisions set forth under Resolution No. 797 of the CNV concerning the report on compliance with the Code of Corporate Governance were duly observed;

d) we have also verified compliance with performance bonds required of BANCO HIPOTECARIO S.A.'s directors in office as of the date of the separate financial statements for the year ended December 31, 2022, as established in the laws in force;

e) pursuant to the provisions of the rules handed down by the CNV, we have read the external auditors' report, from which it arises that:

iii. the audit standards applied are those approved by FACPCE and the BCRA, which contemplate independence requirements, and

iv. the separate financial statements were prepared in accordance with the rules laid down by the BCRA, taking into account the disclosures under the section entitled "Emphasis Paragraph."

f) we have complied with the provisions of section 294 of Argentine Companies Law No. 19550.

City of Buenos Aires, February 27, 2023

Marcelo Héctor Fuxman
Regular Supervisory Auditor