Consolidated Condensed Interim Financial Statements as of September 30, 2018

Together with independent auditor's review reports and Supervisory Committee's reports on Interim Financial Statements

CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS
AS OF SEPTEMBER 30, 2018

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LIMITED REVIEW REPORT BY THE INDEPENDENT AUDITOR

To the Shareholders and Directors of
Banco Hipotecario SA
Registered office: Reconquista 151
Autonomous City of Buenos Aires
CUIT – 30-50001107-2

Introduction

We have reviewed the consolidated condensed interim financial statements of Banco Hipotecario S.A. (hereinafter, "the Bank") that comprise the consolidated balance sheet as of September 30, 2018, the related consolidated statements of income and other comprehensive income for the nine-month period ended September 30, 2018 and the consolidated statements of changes in shareholders' equity and of cash flows for the nine-month period ended on that same date, as well as a summary of the significant accounting policies and other explanatory information included in the notes and exhibits that supplement them.

The balances and other information for fiscal year 2017 and interim periods are an integral part of the above-mentioned financial statements and should therefore be considered in connection with these financial statements.

The Board's responsibility

The Bank's Board of Directors is responsible for preparing and presenting the financial statements in conformity with the accounting framework laid down by the Argentine Central Bank (BCRA). As stated in note 2 to the accompanying financial statements, such accounting framework is based on the application of the International Financial Reporting Standards (IFRS) and, in particular, International Accounting Standard 34 "Interim Financial Information" (IAS 34), as approved by the International Accounting Standards Board (IASB). Said standards were adopted by the Argentine Federation of Professional Councils in Economic Sciences (FACPCE) and the BCRA, and were used in the preparation of the financial statements with the temporary exception of Section 5.5 "Impairment" of IFRS 9 and the exception on the application of International Accounting Standard (IAS) 29.

Scope of our review

Our review was limited to the application of the review procedures established by Technical Pronouncements No. 37 of the FACPCE to review interim financial statements and the audit standards issued by the BCRA for limited reviews. The review of interim financial statements consists in posing enquiries to the Bank's personnel in charge of preparing the information included in the consolidated condensed interim financial statements and applying analytical procedures and other review procedures. The scope of this review is substantially narrower than that of an audit examination conducted in accordance with Argentine audit standards. Therefore, a review will not allow us to obtain assurance that we will gain knowledge into all the significant issues that could be identified in an audit. Therefore, we do not issue an audit opinion on the Bank's consolidated financial condition, consolidated comprehensive income or consolidated cash flow.

Conclusion

On the basis of our review, there has been nothing that could have led us to believe that the consolidated condensed interim financial statements mentioned in the first paragraph of this report have not been prepared in all their significant aspects in accordance with the accounting framework laid down by the BCRA.

Difference between the financial information framework of the BCRA and the IFRS

Without changing our conclusion, we draw attention to note 2.1 to the consolidated condensed interim financial statements attached, in which the effect that the application of Section 5.5 "Impairment" of IFRS 9 "Financial Instruments" and IAS 29 would have on said financial statements is identified, which standards were excluded by the BCRA from the accounting framework applicable to financial institutions.

First fiscal year of application of IAS 34

Without changing our conclusion, we draw attention to note 2.1 in which it is stated that the consolidated condensed interim financial statements mentioned in the first paragraph have been prepared in accordance with the accounting framework laid down by the BCRA, pursuant to IAS 34 (with the exception described in the referred note), this being the first fiscal year in which the Bank applies such standards. The effects of the changes arising from the application of this new accounting basis are described in note 3. The items and figures in the conciliations included in such note, are subject to any changes that may arise from variations in the IFRS as finally applied and may only be considered final when the relevant annual financial statements for this fiscal year are prepared.

Report on compliance with currently applicable rules and regulations

In compliance with the regulations in force, we report that:

a) the Bank's consolidated condensed interim financial statements arise from accounting records which, in their formal aspects, are kept in accordance with statutory provisions;

b) the Bank's consolidated condensed interim financial statements as of September 30, 2018, have been transcribed into the "Inventory and Balance Sheet" book and, insofar as concerns our field of competence, are in compliance with the provisions of the Argentine Business Companies Law and the relevant resolutions issued by the BCRA and the Argentine Securities Commission;

c) we have read the information summary and the additional information to the notes to the financial statements as required under Section 12, Chapter III, Title IV, of the rules issued by the Argentine Securities Commission on which we have no comments to make as concerns our field of competence;

d) as of September 30, 2018, the amounts accrued in favor of the Bank's Argentine Comprehensive Social Security System according to the Bank's accounting records amounted to $39,107,641.14, with no amounts being due and enforceable at that date;

e) we have read the information provided in Note 32.4 to the consolidated condensed interim financial statements as of September 30, 2018 in connection with the minimum requirements imposed by the Argentine Securities Commission in terms of Minimum Shareholders' Equity and Counterbalancing entry on which we have no comments to make as concerns our field of competence.

Autonomous City of Buenos Aires, November 14, 2018.

PRICE WATERHOUSE & CO. S.R.L.

(Partner)

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Dr. Diego L. Sisto
Public Accountant (UCA)
C.P.C.E.C.A.B.A.
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LIMITED REVIEW REPORT BY THE INDEPENDENT AUDITOR

To the Shareholders and Directors of
Banco Hipotecario SA
Registered office: Reconquista 151
Autonomous City of Buenos Aires
CUIT – 30-50001107-2

Introduction

We have reviewed the separate condensed interim financial statements of Banco Hipotecario S.A. (hereinafter, "the Bank") that comprise the separate balance sheet as of September 30, 2018, the related separate statements of income and other comprehensive income for the nine-month period ended September 30, 2018 and the separate statements of changes in shareholders' equity and of cash flows for the nine-month period ended on that same date, as well as a summary of the significant accounting policies and other explanatory information included in the notes and exhibits that supplement them.

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Scope of our review

Our review was limited to the application of the review procedures established by Technical Pronouncements No. 37 of the FACPCE to review interim financial statements and the audit standards issued by the BCRA for limited reviews. The review of interim financial statements consists in posing enquiries to the Bank's personnel in charge of preparing the information included in the separate condensed interim financial statements and applying analytical procedures and other review procedures. The scope of this review is substantially narrower than that of an audit examination conducted in accordance with Argentine audit standards. Therefore, a review will not allow us to obtain assurance that we will gain knowledge into all the significant issues that could be identified in an audit. Therefore, we do not issue an audit opinion on the Bank's separate financial condition, separate comprehensive income or separate cash flow.

Conclusion

On the basis of our review, there has been nothing that could have led us to believe that the separate condensed interim financial statements mentioned in the first paragraph of this report have not been prepared in all their significant aspects in accordance with the accounting framework laid down by the BCRA.

Difference between the financial information framework of the BCRA and the IFRS

Without changing our conclusion, we draw attention to note 2.1 to the separate condensed interim financial statements attached, in which the effect that the application of Section 5.5 "Impairment" of IFRS 9 "Financial Instruments" and IAS 29 would have on said financial statements is identified, which standards were excluded by the BCRA from the accounting framework applicable to financial institutions.

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a) the Bank's separate condensed interim financial statements arise from accounting records which, in their formal aspects, are kept in accordance with statutory provisions;

b) the Bank's separate condensed interim financial statements as of September 30, 2018, have been transcribed into the "Inventory and Balance Sheet" book and, insofar as concerns our field of competence, are in compliance with the provisions of the Argentine Business Companies Law and the relevant resolutions issued by the BCRA and the Argentine Securities Commission;

c) we have read the additional information to the notes to the financial statements as required under Section 12, Chapter III, Title IV, of the rules issued by the Argentine Securities Commission on which we have no comments to make as concerns our field of competence;

d) as of September 30, 2018, the amounts accrued in favor of the Bank's Argentine Comprehensive Social Security System according to the Bank's accounting records amounted to $39,107,641.14, with no amounts being due and enforceable at that date;

e) we have read the information provided in Note 31.4 to the separate financial statements as of September 30, 2018 in connection with the minimum requirements imposed by the Argentine Securities Commission in terms of Minimum Shareholders' Equity and Counterbalancing entry on which we have no comments to make as concerns our field of competence.

Autonomous City of Buenos Aires, November 14, 2018.

PRICE WATERHOUSE & CO. S.R.L.

(Partner)

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Dr. Diego Sisto
Public Accountant (UCA)
C.P.C.E.C.A.B.A.
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BANCO HIPOTECARIO S.A.

Registered office:	Reconquista 151 – City of Buenos Aires – Argentine Republic
Main activity:	Banking
Taxpayer's Code (CUIT):	30 - 50001107– 2
Bylaws' Registration Date with the Public Registry of Commerce:	September 28, 1997
Registration date of latest amendment to the bylaws:	August 23, 2018 (No.15,792 of book 91 of stock companies)
Expiration date of Bylaws:	99 years from the date of incorporation (September 28, 1997)

Stock capital composition as of 09/30/2018						
Shares						
Number	Type	Face value	No. of votes per share	Class	Subscribed	Paid-in
					(In thousands of Ps.)	
664,526,141	Book-entry common shares	1	1	A	664,526	664,526
57,009,279		1	1	B	57,009	57,009
75,000,000		1	1	C	75,000	75,000
703,464,580		1	3	D	703,465	703,465
1,500,000,000					**1,500,000**	**1,500,000**

Mariano Cané de Estrada
Planning and Management Control Manager

Manuel J.L. Herrera Grazioli
General Manager

PRICE WATERHOUSE & Co. S.R.L.

Mario Blejer
First Vice-Chairman acting as Chairman

Ricardo Flammini
For the Supervisory Committee

……………………….(Partner)
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Public Accountant (U.C.A.)
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CONSOLIDATED CONDENSED INTERIM BALANCE SHEET

For the fiscal period ended 09/30/2018

Comparative as of 12/31/2017 and 01/01/2017

In thousands of Argentine Pesos

ITEM	NOTES	09/30/2018	12/31/2017	01/01/2017
ASSETS				
Cash and Bank Deposits (Schedule P)	5, 6	**8,081,915**	**3,929,007**	**7,321,670**
Cash		1,315,957	933,666	756,704
Financial institutions and correspondents		5,856,156	2,854,534	6,564,966
- Argentine Central Bank (B.C.R.A.)		5,034,060	2,421,833	5,355,489
- Other domestic and foreign institutions		822,096	432,701	1,209,477
Other		909,802	140,807	-
Debt securities at fair value through profit or loss (Schedule P)	6	**11,327,663**	**14,867,830**	**3,633,174**
Derivative instruments (Schedule P)	6, 8	**299,184**	**46,217**	**169,717**
Repo transactions (Schedule P)	**6**	**418,307**	**115,164**	**168,083**
Other financial assets (Schedule P)	6, 9	**2,704,298**	**1,784,332**	**2,166,842**
Loans and other financing arrangements (Schedules B, C, D, P)	6, 7	**47,048,469**	**38,690,075**	**30,863,070**
Non-Financial Public Sector		43,696	89,573	153,032
Other Financial Institutions		430,774	455,718	635,772
Non-Financial Private Sector and Foreign Residents		46,573,999	38,144,784	30,074,266
Other debt securities (Schedule P)	6	**4,584,421**	**2,205,501**	**2,586,093**
Financial assets pledged as collateral (Schedule P)	6	**2,388,773**	**2,158,556**	**2,919,720**
Current income tax assets	14	**761,481**	**201,461**	**112,791**
Investments in equity instruments (Schedule P)	6	**198,464**	**213,616**	**100,286**
Investments in subsidiaries, associates and joint ventures		**13,364**	**10,854**	**13,977**
Bank premises and equipment (Schedule F)	12	**4,660,250**	**2,946,746**	**1,568,974**
Intangible assets (Schedule G)	13	**147,570**	**125,553**	**98,295**
Deferred income tax assets	14	**9,595**	**22,350**	**-**
Other non-financial assets	11	**521,366**	**143,260**	**379,878**
TOTAL ASSETS		**83,165,120**	**67,460,522**	**52,102,570**

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

Mariano Cané de Estrada
Planning and Management Control Manager

Manuel J.L. Herrera Grazioli
General Manager

See our report dated
November 14, 2018
PRICE WATERHOUSE & Co. S.R.L.

Mario Blejer
First Vice-Chairman acting as Chairman

Ricardo Flammini
For the Supervisory Committee

………………………..(Partner)
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Public Accountant (U.C.A.)
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BANCO Hipotecario

CONSOLIDATED CONDENSED INTERIM BALANCE SHEET

For the fiscal period ended 09/30/2018

Comparative as of 12/31/2017 and 01/01/2017
In thousands of Argentine Pesos

ITEM	NOTES	09/30/2018	12/31/2017	01/01/2017
LIABILITIES				
Deposits (Schedules H, I, P)	6	**25,108,736**	**20,808,381**	**17,741,804**
Non-financial public sector		4,082,108	2,399,321	1,723,901
Financial sector		6,322	6,408	6,394
Non-financial private sector and foreign residents		21,020,306	18,402,652	16,011,509
Liabilities at fair value through profit or loss(Schedule I, P)	6	**207,748**	**-**	**-**
Derivative instruments (Schedules I, P)	6, 8	**1,657,136**	**732,192**	**807,188**
Repo transactions (Schedules I, P)	6	**50,095**	**1,061,552**	**1,752,267**
Other financial liabilities (Schedules I, P)	6, 16	**7,562,637**	**6,066,492**	**5,129,785**
Loans from the B.C.R.A. and other financial institutions (Schedules I, P)	6	**700,729**	**496,001**	**707,463**
Negotiable obligations issued (Schedules I, P)	6, 15	**33,755,231**	**26,589,820**	**16,575,726**
Current income tax liabilities		**849,943**	**168,092**	**175,924**
Subordinated negotiable obligations	6, 15	**-**	**-**	**146,716**
Provisions	18	**455,883**	**455,128**	**334,712**
Deferred income tax liabilities	14	**-**	**-**	**40,605**
Other financial liabilities	17	**3,242,996**	**2,880,588**	**2,138,199**
TOTAL LIABILITIES		**73,591,134**	**59,258,246**	**45,550,389**
SHAREHOLDERS' EQUITY				
Capital stock	19	1,500,000	1,500,000	1,500,000
Non-capitalized contributions		25,877	834	834
Capital adjustments		717,115	717,115	717,115
Reserves		5,651,110	4,277,900	2,059,361
Unappropriated retained earnings		(174,933)	309,286	1,495,655
Accumulated other comprehensive income		-	-	-
Income for the period/year		1,541,741	1,109,220	615,324
Shareholders' equity attributable to parent's shareholders		**9,260,910**	**7,914,355**	**6,388,289**
Shareholders' equity attributable to non-controlling interests	20	**313,076**	**287,921**	**163,892**
TOTAL SHAREHOLDERS' EQUITY		**9,573,986**	**8,202,276**	**6,552,181**

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

Mariano Cané de Estrada
Planning and Management Control Manager

Manuel J.L. Herrera Grazioli
General Manager

See our report dated
November 14, 2018
PRICE WATERHOUSE & Co. S.R.L.

Mario Blejer
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Ricardo Flammini
For the Supervisory Committee

………………………..(Partner)
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BANCO Hipotecario

CONSOLIDATED CONDENSED INTERIM STATEMENT OF INCOME

For the fiscal period ended 09/30/2018

In comparative format with the same period of the previous fiscal year
In thousands of Argentine Pesos

ITEM	NOTES	THREE-MONTH PERIOD ENDED 09/30/2018	THREE-MONTH PERIOD ENDED 09/30/2017	NINE-MONTH PERIOD ENDED 09/30/2018	NINE-MONTH PERIOD ENDED 09/30/2017
Interest and adjustments income (Schedule Q)	21	3,955,950	2,465,312	10,717,087	7,617,899
Interest and adjustments expense (Schedule Q)	22	(3,543,831)	(1,597,456)	(8,627,971)	(4,586,016)
Net interest income		**412,119**	**867,856**	**2,089,116**	**3,031,883**
Fee and commission income	21	1,333,035	1,249,364	3,251,869	2,621,815
Fee and commission expense		(371,803)	(151,208)	(526,492)	(407,868)
Net fee and commission income		**961,232**	**1,098,156**	**2,725,377**	**2,213,947**
Net income from measurement of financial instruments at fair value through profit or loss (Schedule Q)		1,329,439	599,269	3,427,873	902,276
Gold and foreign currency quotation differences	23	401,956	(2,675)	(132,804)	(13,881)
Other operating income	24	754,744	600,323	2,853,189	2,446,488
Loan loss provision (Schedule R)		(483,196)	(265,993)	(1,280,306)	(796,662)
Net operating income		**3,376,294**	**2,896,936**	**9,682,445**	**7,784,051**
Employee benefits	26	(953,313)	(936,577)	(2,670,289)	(2,389,683)
Administrative expenses	25	(833,250)	(653,125)	(2,280,822)	(1,919,082)
Depreciation and impairment of assets		(93,445)	(38,443)	(169,521)	(112,544)
Other operating expenses	24	(804,599)	(781,838)	(2,396,466)	(1,938,296)
Operating income		**691,687**	**486,953**	**2,165,347**	**1,424,446**
Share of profit (loss) of associates and joint ventures	15	-	-	-	-
Income before tax		**691,687**	**486,953**	**2,165,347**	**1,424,446**
Income tax	14	(146,774)	(57,182)	(598,451)	(343,433)
Net income		**544,913**	**429,771**	**1,566,896**	**1,081,013**
NET INCOME FOR THE PERIOD		**544,913**	**429,771**	**1,566,896**	**1,081,013**

Net income for the period attributable to the parent's owners	**541,689**	**436,147**	**1,541,741**	**1,065,800**
Net income for the period attributable to non-controlling interests	**3,224**	**(6,376)**	**25,155**	**15,213**

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

Mariano Cané de Estrada
Planning and Management Control Manager

Manuel J.L. Herrera Grazioli
General Manager

See our report dated
November 14, 2018
PRICE WATERHOUSE & Co. S.R.L.

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For the Supervisory Committee

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BANCO Hipotecario

CONSOLIDATED CONDENSED INTERIM STATEMENT OF INCOME

For the fiscal period ended 09/30/2018

In comparative format with the same period of the previous fiscal year
In thousands of Argentine Pesos

EARNINGS PER SHARE	THREE-MONTH PERIOD ENDED		NINE-MONTH PERIOD ENDED	
	09/30/2018	09/30/2017	09/30/2018	09/30/2017
NUMERATOR				
Net income attributable to the Parent Company's Shareholders	541,689	436,147	1,541,741	1,065,800
PLUS: Effect of dilution inherent in potential common shares	-	-	-	-
Net income attributable to the Parent Company's Shareholders adjusted to reflect the effect of dilution	541,689	436,147	1,541,741	1,065,800
DENOMINATOR				
Weighted average of outstanding common shares for the fiscal year	1,465,187	1,463,365	1,464,369	1,463,365
PLUS: Weighted average of additional common shares with diluting effects	-	-	-	-
Weighted average of outstanding common shares for the fiscal year adjusted to reflect the effects of dilution	1,465,187	1,463,365	1,464,369	1,463,365
Earnings per basic share	**0.370**	**0.298**	**1.053**	**0.728**
Earnings per diluted share	**0.370**	**0.298**	**1.053**	**0.728**

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

Mariano Cané de Estrada
Planning and Management Control Manager

Manuel J.L. Herrera Grazioli
General Manager

See our report dated
November 14, 2018
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BANCO Hipotecario

CONSOLIDATED CONDENSED INTERIM STATEMENT OF OTHER COMPREHENSIVE INCOME

For the fiscal period ended 09/30/2018

In comparative format with the same period of the previous fiscal year

In thousands of Argentine Pesos

ITEM	THREE-MONTH PERIOD ENDED		NINE-MONTH PERIOD ENDED	
	09/30/2018	09/30/2017	09/30/2018	09/30/2017
Net income for the period	544,913	429,771	1,566,896	1,081,013
Total Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	544,913	429,771	1,566,896	1,081,013

Total comprehensive income for the period attributable to the parent's owners	541,689	436,147	1,541,741	1,065,800
Total comprehensive income/(loss) for the period attributable to non-controlling interests	3,224	(6,376)	25,155	15,213

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

Mariano Cané de Estrada
Planning and Management Control Manager

Manuel J.L. Herrera Grazioli
General Manager

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BANCO Hipotecario

CONSOLIDATED CONDENSED INTERIM STATEMENT OF CHANGES IN SHAREHOLDERS’ EQUITY

For the fiscal period ended 09/30/2018

In thousands of Argentine Pesos

Changes	Capital Stock		Non-capitalized Contributions		Equity adjustments	Profit reserves			Retained earnings	Total Shareholders’ Equity controlling interests 09/30/2018	Total Shareholders’ Equity non-controlling interests 09/30/2018	Total Shareholders’ Equity 09/30/2018
	Outstanding	Treasury Stock	Share issuance premium	Stock-based payment		Legal	Stock-based payments	Others				
Opening balances	1,463,365	36,635	834	-	717,115	1,129,962	439,617	2,708,321	1,418,506	7,914,355	287,921	8,202,276
Allocation of retained earnings-Approved by Shareholders’ Meeting dated 4/9/2018												
-Legal reserve	-	-	-	-	-	318,687	-	-	(318,687)	-	-	-
-Other reserves								1,274,752	(1,274,752)	-	-	-
-Cash dividends	-	-	-	-	-	-	-	(199,778)	-	(199,778)	-	(199,778)
Stock-based payment under Compensation Plan	2,087	(2,087)	-	25,044	-	-	(20,452)	-	-	4,592	-	4,592
Net income for the period	-	-	-	-	-	-	-	-	1,541,741	1,541,741	25,155	1,566,896
Closing balances for the period	**1,465,452**	**34,548**	**834**	**25,044**	**717,115**	**1,448,649**	**419,165**	**3,783,295**	**1,366,808**	**9,260,910**	**313,076**	**9,573,986**

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

Mariano Cané de Estrada
Planning and Management Control Manager

Manuel J.L. Herrera Grazioli
General Manager

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BANCO Hipotecario

CONSOLIDATED CONDENSED INTERIM STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the fiscal period ended 09/30/2017

In thousands of Argentine Pesos

Changes	Capital Stock		Non-capitalized Contributions		Equity adjustments	Profit reserves			Retained earnings	Total Shareholders' Equity controlling interests 09/30/2017	Total Shareholders' Equity non-controlling interests 09/30/2017	Total Shareholders' Equity 09/30/2017
	Outstanding	Treasury Stock	Share issuance premium	Stock-based payment		Legal	Stock-based payments	Others				
Opening balances	1,463,365	36,635	834	-	717,115	1,006,896	-	1,052,465	2,110,979	6,388,289	163,892	6,552,181
Allocation of retained earnings-Approved by Shareholders' Meeting dated 4/4/2017												
-Legal reserve	-	-	-	-	-	123,066	-	-	(123,066)	-	-	-
Changes in non-controlling interest	-	-	-	-	-	-	-	-	(22,772)	(22,772)	120,718	97,946
Net income for the period	-	-	-	-	-	-	-	-	1,065,800	1,065,800	15,213	1,081,013
Closing balances for the period	**1,463,365**	**36,635**	**834**	**-**	**717,115**	**1,129,962**	**-**	**1,052,465**	**3,030,941**	**7,431,317**	**299,823**	**7,731,140**

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

Mariano Cané de Estrada
Planning and Management Control Manager

Manuel J.L. Herrera Grazioli
General Manager

See our report dated
November 14, 2018
PRICE WATERHOUSE & Co. S.R.L.

Mario Blejer
First Vice-Chairman acting as Chairman

Ricardo Flammini
For the Supervisory Committee

……………………….(Partner)
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Public Accountant (U.C.A.)
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BANCO Hipotecario

CONSOLIDATED CONDENSED INTERIM STATEMENT OF CASH FLOWS

For the fiscal period ended 09/30/2018

In comparative format with the same period of the previous fiscal year

In thousands of Argentine Pesos

ITEM	09/30/2018	09/30/2017
Net income for the period before income tax	1,566,896	1,424,446
Adjustments to obtain cash flows from operating activities		
Amortization and depreciation of assets	113,836	112,544
Provision for loan losses	1,120,278	662,013
Charge for provision	72,387	139,446
Income (loss) from investment in subsidiaries	-	-
Net interest income	(2,448,954)	(3,149,559)
Changes in fair value of Investments in financial instruments	(3,046,716)	(1,110,019)
Profit from sale of bank premises and equipment	(57,734)	(59,419)
Other adjustments	-	97,954
Net income /(decrease) from operating assets		
Debt securities at fair value through profit or loss	6,627,986	(3,643,073)
Derivative instruments	(252,967)	160,635
Repo Transactions	(303,143)	(189,899)
Loans and other financing arrangements		
Non-financial public sector	45,877	43,014
Financial sector	174,738	509,782
Non-financial private sector and foreign residents	175,834	1,115,375
Other debt securities	(1,217,508)	1,028,410
Financial assets pledged as collateral	(230,217)	1,428,667
Investments in equity instruments	15,152	(75,950)
Other assets	(4,662,710)	126,433
Net increase / (decrease) from operating liabilities		
Deposits		
Non-financial public sector	1,682,787	789,788
Financial sector	(86)	185
Non-financial private sector and foreign residents	(397,338)	(882,462)
Liabilities at fair value through profit or loss	207,748	-
Derivative instruments	871,286	(183,889)
Repo transactions	(1,078,547)	(1,450,286)
Other liabilities	6,796,719	(387,936)
Collections/Payments due to income tax	(720,282)	(342,753)
Total from operating activities	**5,055,322**	**(3,836,553)**

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

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BANCO Hipotecario

CONSOLIDATED CONDENSED INTERIM STATEMENT OF CASH FLOWS

For the fiscal period ended 09/30/2018

In comparative format with the same period of the previous fiscal year

In thousands of Argentine Pesos

ITEM	09/30/2018	09/30/2017
Cash flows from investment activities		
Payments		
Purchase of bank premises and equipment, intangible assets and other assets	(147,351)	(1,181,074)
Collections		
Sale of bank premises and equipment, intangible assets and other assets	2,049	81,890
Total from investment activities	**(145,302)**	**(1,099,184)**
Cash flows from financing activities		
Payments		
Distribution of dividends	(195,186)	-
Unsubordinated negotiable obligations	(4,614,530)	(3,624,836)
Loans from domestic financial institutions	(20,858,256)	(16,952,365)
Other payments related to financing activities	(3,720,845)	(2,985,044)
Collections		
Unsubordinated negotiable obligations	1,605,032	4,601,211
Loans to domestic financial institutions	21,038,447	16,770,778
Subordinated negotiable obligations	-	100,000
Other collections related to financing activities	4,808,997	3,078,277
Total from financing activities	**(1,936,341)**	**988,021**
Effect of exchange rate variations	**1,179,229**	**132,077**

TOTAL VARIATION OF CASH FLOWS	09/30/2018	09/30/2017
Net Increase/(Decrease) in cash and cash equivalents	4,152,908	(3,815,639)
Cash and cash equivalents at the beginning of the period	3,929,007	7,321,670
Cash and cash equivalents at the end of the period	8,081,915	3,506,031

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

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Manuel J.L. Herrera Grazioli
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1. BANCO HIPOTECARIO SOCIEDAD ANÓNIMA

Pursuant to Law 24,855 enacted on July 2, 1997 and promulgated by the National Executive Branch through Decree 677 dated July 22, 1997, and implementing Decree 924/97, Banco Hipotecario Nacional was declared "subject to privatization" under the terms of Law 23,696 and the National Executive Branch was ordered to proceed to its transformation into a corporation ("*sociedad anónima*"). The new entity arising from this transformation will do business under the denomination of "Banco Hipotecario Sociedad Anónima", and as a commercial bank in accordance with Law 21,526 and supplementary rules, as amended, with the scope envisaged by the regulations, and with the rights and obligations of its predecessor, as well as with the franchise to provide insurance over transactions originated until July 23, 2007.

Banco Hipotecario Sociedad Anónima has a corporate capital of Ps. 1,500,000 thousand, fully subscribed and paid-in, represented by 1,500,000,000 common book-entry Class A, B, C and D shares, with a face value of Ps. 1 each and one vote per share (according to the decision made by the General Ordinary and Extraordinary Shareholder's Meeting held on July 21, 2006), except for the special multiple vote right for Class D shares envisaged by the Bank's by-laws.

Due to the expiration on January 29, 2009 of the Total Return Swap that had been executed and delivered on January 29, 2004, Deutsche Bank AG transferred to the Bank 71,100,000 common Class “D” shares of Banco Hipotecario Sociedad Anónima with a face value of $ 1 each, which were available according to the terms and conditions prescribed in section 221 of the Argentine Companies Law.

Through Minutes No. 268 dated January 12, 2010, the Board of Directors resolved: 1) to propose to the Shareholders’ Meeting that treasury Class D shares be given as payment to the holders of Stock Appreciation Rights (StARS) to the extent of their accrued amounts, considering the shares’ value at that moment, and 2) to discuss possible alternatives for the Shareholders’ Meeting to resolve upon the allocation of the remaining shares.

On June 16, 2010, the Board of Directors resolved to launch a preemptive offer to sell a portion of the Bank’s treasury shares, for a total of 36.0 million class D shares. The remaining shares would be delivered in payment to the holders of StAR coupons arising from the debt restructuring, which fell due on August 3, 2010. On July 26, 2010, within the framework of the referred offer, the Bank sold approximately 26.9 million of the shares mentioned above.

On August 3, 2010, the proceeds of the offer and the balance of the shares referred in the preceding paragraph were made available to the holders of the StAR coupons. With the above-mentioned offering, 999,312 Class D shares were sold in excess of those required to pay off the obligation previously mentioned. In connection with such excess sale, Ps. 554 thousand were recorded as Unappropriated retained earnings to reflect the addition of the shares to the entity’s equity, which took place on January 29, 2009 as detailed in this note, and further Ps. 834 thousand were booked as Additional paid-in capital for the difference between the value as added to the entity’s equity and the sales value.

The General Ordinary Shareholders' Meeting held on April 24, 2013 resolved to allocate 35,100,000 Class D treasury shares to a compensation program for the personnel under the terms of Section 67 of Law 26,831.

On April 24, 2014, the General Ordinary Shareholders' Meeting acknowledged the incentive or compensation program described in the preceding paragraph and its extension to the personnel employed by the subsidiaries BACS Banco de Crédito y Securitización S.A., BH Valores S.A., BHN Sociedad de Inversión S.A., BHN Vida S.A. and BHN Seguros Generales S.A.

As of December 31, 2016, the Bank held 36,634,733 treasury shares, out of which 1,534,733 correspond to third-party holders of StARs who have not filed the documentation required for their collection. The Shareholders' Meeting held on April 4, 2017 unanimously resolved to include 1,534,733 common shares in the compensation program for the personnel that had been approved at the Shareholders' Meetings held on April 24, 2013 and April 24, 2014.

On November 30, 2017, the Board of Directors of the CNV considered that it would be advisable to approve Banco Hipotecario S.A.'s Rules of the Compensation Program for the personnel of the entity and its subsidiaries, BACS Banco de Crédito y Securitización S.A. – BHN Sociedad de Inversión S.A., BHN Vida S.A., BHN Seguros Generales S.A. and BH Valores S.A.

Under Decree 2127/2012 and Resolution 264/2013 issued by the Ministry of Economy and Public Finance, the *Programa de Propiedad Participada* (Employee Stock Ownership Plan) was implemented. Under this plan, in a first stage, out of a total of 75,000,000, 17,990,721 Class B shares were converted into Class A shares, to be allocated among the employees that have withdrawn from the Bank in accordance with the implementation guidelines. Upon delivery to the former employees, the 17,990,721 shares will become Class D shares. The shares allocated to the Bank's current employees are designated as Class B shares, representing the *Programa de Propiedad Participada*.

The following table shows the composition of the capital stock as of September 30, 2018, detailing the classes of shares and their face value.

Class	Shares	Fair value	Capital stock
A	664,526,141	1	664,526,141
B	57,009,279	1	57,009,279
C	75,000,000	1	75,000,000
D	703,464,580	1	703,464,580
	1,500,000,000		1,500,000,000

2. ACCOUNTING STANDARDS AND BASIS FOR PREPARATION

Banco Hipotecario S.A. (hereinafter, "the Bank") is a financial institution subject to the Financial Institutions Law No. 21,526 and, as such, is also required to comply with the regulations laid down by the Argentine Central Bank ("BCRA") in its capacity as Regulatory Authority of Financial Institutions. The Bank is also required to comply with the regulations handed down by the Argentine Securities Commission, in accordance with Law No. 26,831. The Bank and its subsidiaries are jointly referred to as "the Group."

The main activities the Group is engaged in are described in Note 28.

These consolidated condensed interim financial statements were approved by the Board of Directors on November 14, 2018.

2.1. Adoption of International Financial Reporting Standards (IFRS)

The Argentine Central Bank, through Communication "A" 5541, as amended, set forth a convergence plan towards the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and the interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC), to be complied with by entities under the Argentine Central Bank's oversight, except for Section 5.5. (Impairment) of IFRS 9 "Financial Instruments," effective for fiscal years commenced on January 1, 2018. Entities are also required to prepare their opening financial statements since January 1, 2017, which will serve as comparative basis to the financial statements commencing on January 1, 2018, with the interim financial statements as of March 31, 2018 being the first interim financial statements in being prepared under these standards.

On the other hand, on January 12, 2018, the Argentine Central Bank released Communication "A" 6430, pursuant to which financial institutions are required to apply the provisions on Impairment of Financial Assets set out in Section 5.5. of IFRS 9 for fiscal years commencing on January 1, 2020.

Such financial asset impairment model embraces a three-stage scheme, which is based on the changes in the credit quality of financial assets since initial recognition. Assets go through the three stages, depending on the changes in credit risk and the stages indicate the manner in which an entity should measure impairment losses and apply the effective interest method.

- Stage 1 includes financial instruments which have not experienced a substantial increase in credit risk since initial recognition or that have low credit risk as of the reporting date. For these instruments, 12-month expected credit losses (ECL) are recognized and interest income is calculated on the basis of the gross carrying amount of the asset (that is, without deduction of the allowance for impairment). 12-month ECL are the portion of ECL that result from default events on a financial instrument that are likely to occur within the 12 months after the reporting date.

- Stage 2 includes financial instruments which have experienced a substantial increase in credit risk since initial recognition (unless they have a low credit risk as of the reporting date), but for which there is no objective evidence of impairment. For these items, ECL are recognized throughout the instrument lifetime, but interest income is still calculated over the gross carrying amount of the asset. Lifetime ECL equal to the present value of losses that would result from a default event occurred at any time during the instrument lifetime. It is the default probability-weighted average of the loss an entity would sustain upon an event of default.

- Stage 3 includes financial assets with objective evidence of impairment as of the reporting date. For these items, lifetime ECL are recognized, and interest income is calculated over the net carrying amount of the asset (that is, net of the allowance for impairment).

These consolidated condensed interim financial statements of the Group for the nine-month period ended September 30, 2018 were prepared in accordance with IAS 34 “Interim Financial Reporting” and IFRS 1 “First-time Adoption of International Financial Reporting Standards.” The consolidated condensed interim financial statements were prepared in accordance with the criteria the Group expects to adopt in preparing its annual consolidated financial statements as of December 31, 2018.

Comparative figures and figures as of the transition date (January 1, 2017) were modified to reflect the adjustments to the previous accounting framework.

Note 3 presents a conciliation of the figures disclosed in the balance sheet, statement of income, statement of other comprehensive income and statement of cash flows comprising the financial statements issued under the previous accounting framework to the figures disclosed according to the accounting framework established by the Argentine Central Bank in these consolidated condensed interim financial statements, as of the transition date (January 1, 2017), as of the adoption date (December 31, 2017) and as of the end of the comparative period (September 30, 2017).

These consolidated condensed interim financial statements should be read together with the Bank's annual financial statements as of December 31, 2017 prepared in accordance with the preceding accounting framework. Furthermore, Note 3 to these financial statements contains certain information under IFRS as of December 31, 2017 which is required to understand these consolidated condensed interim financial statements.

The Group’s management has concluded that these consolidated condensed interim financial statements fairly present its financial position, financial performance and cash flows.

2.2. Basis for Preparation

These consolidated condensed interim financial statements were prepared in accordance with the accounting framework laid down by the Argentine Central Bank (“BCRA”). As disclosed in Note 2.1 to the accompanying financial statements, such framework is based on the application of the International Financial Reporting Standards ("IFRS") and, in particular, International Accounting Standard 34, "Interim Financial Reporting" (IAS 34), as approved by the International Accounting Standards Board (IASB). Such standards were adopted by the Argentine Federation of Professional Councils in Economic Sciences (FACPCE) and by the BCRA, and were used in preparing these financial statements, except for paragraph 5.5 of IFRS 9, “Impairment” and International Accounting Standard 29 (IAS 29).

In addition, Section 3 of the regulations handed down by the Argentine Securities Commission ("CNV") sets forth that “entities subject to the CNV’s oversight may not restate their financial statements into constant currency.””

In preparing these consolidated condensed interim financial statements, the Group is required to make estimates and assessments affecting the reported amounts of assets and liabilities, and contingent assets and liabilities disclosed as of the date of these consolidated condensed interim financial statements, as well as the reported amounts of income and expenses for the period.

The Group makes estimates, for instance, to calculate the allowance for loan losses, the useful life of bank's premises & equipment, depreciation and amortization, the recoverable value of assets, the income tax expense, some labor-related costs, and the provisions for contingencies and lawsuits. Future actual results may differ from the estimates and assessments made as of the date these consolidated condensed interim 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 condensed interim financial statements are described in Note 4.

(a) **Going Concern**

As of the date of these consolidated condensed interim financial statements, there are no uncertainties as to developments or circumstances that may call into question the likelihood that the Group will continue operating normally as a going concern.

(b) **Measurement Unit**

IAS 29 "Financial Reporting in Hyperinflationary Economies" 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 as of the reporting period-end, regardless of whether such financial statements are based on the historical or the current cost method. To such end, in general terms, entities are required to account for inflation occurring since the acquisition date or the revaluation date, as applicable, in non-monetary items. Such requirements are also applicable to the comparative information disclosed in the financial statements.

The standard sets out a number of factors that should be considered to conclude that an economy is hyperinflationary, including a cumulative inflation rate for three consecutive years close to, or in excess of, 100%. In July 2018, the Argentine Federation of Professional Councils in Economic Sciences ("FACPCE") issued a release stating that, effective since fiscal years ending on or after July 1, 2018, entities reporting under the IFRS would be required to apply the inflation adjustment since the required conditions for such adjustment have been met. In turn, on July 24, 2018, the Argentine Federation of Professional Councils in Economic Sciences (FACPCE) issued a release confirming the aforementioned circumstances. However, as of the date of these financial statements, Decree No. 664/03 handed down by the Argentine Executive Branch was still in full force and effect. According to such decree, entities are not allowed to file restated financial statements with the CNV. Therefore, pursuant to such decree and the accounting framework laid down by the BCRA as described in Note 2.1 above, the Group's management did not apply IAS 29 in preparing these financial statements.

During an inflationary period, entities maintaining an excess of monetary assets over monetary liabilities will lose purchasing power, while entities maintaining an excess of monetary liabilities over monetary assets will gain purchasing power, to the extent such items are not subject to an adjustment mechanism.

In summary, according to the restatement mechanism set forth in IAS 29, monetary assets and liabilities will not be restated for they are already stated in the measuring unit current at the end of the reporting period. Assets and liabilities subject to adjustments on the basis of specific arrangements will be adjusted according to such arrangements. Non-monetary items measured at their current values at the end of the reporting period, such as net realizable value or others, will not require restatement. All other non-monetary assets and liabilities will be restated by applying a general price index. Gains or losses from an entity's net monetary position will be charged to the reporting period's net income or loss in a separate

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item.

(a) Changes in accounting criteria/new accounting standards

Below is a detail of the new standards, amendments and interpretations that have been released but have not yet come in force for fiscal years beginning on January 1, 2018 and thereafter, and which have not been early adopted:

IFRS 16 "Leases": In January 2016, the IASB issued IFRS 16 "Leases" which sets out a new accounting model for leases. Under IFRS 16, a contract is or contains a lease if the contract confers the lessee a right to control the use of an identified asset for a period of time, for consideration. IFRS 16 requires that the lessee recognize the liability arising from the lease reflecting the lease future payments and a right of use of the assets for substantially all leases, other than certain short-term leases and leases of low-value assets. Lessor accounting is maintained as provided for in IAS 17. However, the new accounting model for lessees is expected to have an impact on negotiations between lessors and lessees. Entities are required to apply IFRS 16 for fiscal years commencing on or after January 1, 2019. The Group is assessing the impact the adoption of such standard will have on its financial statements.

IFRS 17 "Insurance Contracts": On May 18, 2017, the IASB issued IFRS 17 "Insurance Contracts," establishing a comprehensive accounting framework based on measurement and disclosure principles for insurance contracts. The new standard supersedes IFRS 4 "Insurance Contracts," and requires that insurance contracts be measured using current fulfillment cash flows and that revenues be recognized as the insurance service is delivered during the term of the coverage. Entities are required to apply IFRS 17 for fiscal years commencing on or after November 1, 2021. The Group is assessing the potential impact this standard will have on its financial statements.

IFRIC 23 "Uncertainty over Income Tax Treatment": This interpretation sheds light on how the recognition and measurement requirements of IAS 12 "Income Tax" should be applied when there is uncertainty over the income tax treatment. IFRIC 23 was published in June 2017 and entities will be required to apply it for fiscal years commencing on or after January 1, 2019.

To date, there are no other IFRS or IFRIC interpretations which have not yet come into force and which are expected to have a material impact on the Group.

2.3. 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. In order 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.

The following table shows the Group's subsidiaries subject to consolidation:

Company	Principal Line of Business	Closing Date	PERCENTAGE INTEREST					
			09/30/2018		12/31/2017		01/01/2017	
			Direct	Direct and Indirect	Direct	Direct and Indirect	Direct	Direct and Indirect
BACS Banco de Crédito y Securitización S.A. (a)	Financial Institution. On March 3, 2017, BACS was authorized by the Board of Directors of the BCRA to do business as a first-tier commercial bank.	Dec-31	62.28%	62.28%	62.28%	62.28%	87.50%	87.50%
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%	99.99%	100.00%
Tarshop S.A. (b)	Issuance and marketing of credit cards and consumer loans	Dec-31	80.00%	80.00%	80.00%	80.00%	80.00%	80.00%
BH Valores S.A.	Settlement and Clearing Agent in its own	Dec-31	95.00%	100.00%	95.00%	100.00%	95.00%	100.00%

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

(a) As of January 1, 2017, the Bank had an 87.50% equity interest in BACS, equivalent to Ps. 62,500 thousand. As of December 31, 2017 and September 30, 2018, the Bank had a 62.28% equity interest in BACS, equivalent to Ps. 87,813 thousand, following a resolution passed at a meeting of BACS' board of directors held on February 21, 2017 in respect of the issuance of 25,313,251 book-entry common shares with a face value of Ps. 1 and one voting right each in favor of IRSA Inversiones y Representaciones S.A. See Note 15.

BACS consolidates its financial statements with: BACS Administradora de Activos S.A. S.G.F.C.I., Fideicomiso Hipotecario BACS III, and Fideicomiso Hipotecario BACS Funding I. Furthermore, 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., and a 5% interest in BH Valores SA.

(c) In order for Tarshop S.A. to have sufficient resources for its operational activities, the boards of directors of its shareholders Banco Hipotecario S.A. and IRSA Propiedades Comerciales S.A. have made several irrevocable capital contributions. The Bank contributed Ps. 42,000 thousand, Ps. 42,000 thousand, and Ps. 200,000 thousand in September 2015, November 2015, and June 2016, respectively.

According to the rules and regulations established by the BCRA, financial institutions are required to rely on the BCRA's previous authorization when seeking to capitalize irrevocable contributions. To such end, Tarshop applied with the CNV for a stay of the term set forth in Article 3, Chapter III, Title III of the Technical Rules, Version 2013, as amended. Then, once the observations raised by the BCRA had been duly addressed, Tarshop applied with the CNV for the elimination of the aforementioned stay of the statutory terms, which petition was granted on May 3, 2017.

On July 27, 2017, the General Ordinary Shareholders' Meeting of Tarshop S.A. approved the total capitalization of the balance in the Irrevocable Contributions account for Ps. 355,000 thousand, without additional paid-in capital, maintaining the proportion of the stock capital, and accordingly, it resolved to increase the stock capital from Ps. 243,796 thousand to Ps. 598,796 thousand. This transaction was registered before the Superintendency of Corporations on August 14, 2017.

For purposes of the consolidation, the Group relied on the subsidiaries' financial statements for the nine-month period ended September 30, 2018, which encompass the same period of time as the Bank's financial statements. Said financial statements have been adjusted in order for them to reflect similar criteria as those applied by the Bank in preparing its consolidated condensed quarterly financial statements. These adjustments and conciliations were subject to management's monitoring and confirmation mechanisms encompassing all significant items with differing treatment in the applied standards, mainly including deferred tax, allowances for loan losses, and actuarial reserves.

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

2.4. 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.

2.5. 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 results 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.

2.6. Foreign currency translation

(a) Functional currency and reporting currency

The figures disclosed in the consolidated condensed interim financial statements for each of the Group's entities are stated in their functional currency, that is, the currency of the main economic environment in which they operate. These consolidated condensed interim financial statements are stated in Argentine Pesos, which is the Group's functional and reporting currency.

(b) Transactions and balances

Transactions in foreign currency are translated to 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 to 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 deferred in equity as in the case of qualifying cash flow hedges, where applicable.

2.7. Cash and bank deposits
The item Cash and bank deposits includes cash available, unrestricted deposits held in banks, and other highly-liquid short-term investments with original maturity of three months or less. These assets are accounted for at amortized cost which approximates fair value.

2.8. Financial instruments

Initial recognition

The Group recognizes a financial asset or liability in its consolidated condensed interim financial statements, as the case may be, when it becomes a party to the financial instrument contract. Purchases and sales are recognized on the trading date on which the Group buys or sells these instruments.

Upon initial recognition, the Group measures financial assets and liabilities at fair value, plus or less, in the case of instruments that are not recognized at fair value through profit or loss, the transaction costs directly attributable to the acquisition, such as fees and commissions.

Where the fair value differs from the acquisition cost at the time of initial recognition, 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 is recognized as profit or loss, as the case may be.

- In other cases, the difference is deferred, with recognition of the profit or loss over the time being determined case by case. The difference is amortized during the life of the instrument until such time as fair value can be measured on the basis of market values.

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;
- Holding instruments in portfolio to collect 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 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 interest only; 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 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. The gains and losses arising from changes in fair value are included in other comprehensive income under a separate component of equity. Impairment losses or reversals, interest income, and exchange gains and losses are charged to income. 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 payments only on outstanding principal.

These financial instruments are initially recognized at fair value and the gains or losses derived from them are charged to the statement of income as realized.

The Group classifies a financial instrument as held for trading if such instrument is acquired or incurred 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, or if it is a derivative which does not qualify as a hedging instrument. Derivatives and trading securities are classified as held for trading and are measured at fair value.

Financial assets are only measured at fair value through profit or loss when, in doing so, the Group eliminates or substantially reduces a measurement or recognition inconsistency which would otherwise be revealed in valuation.

b - Equity instruments

Equity instruments are those considered as such by the issuer; in other words, instruments which do not entail a contractual payment obligation and which evidence a residual interest in the issuer's assets after deducting all of 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 their respective gains or losses will be accounted for in OCI, with no reclassification being allowed, even if already realized. Dividends receivable from such instrument will be charged to income only at the time the Group becomes entitled to receive payment.

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

Financial liabilities

Classification

The Group classifies its financial liabilities at amortized cost using the effective rate method, except for:

- Financial liabilities measured at fair value through profit or loss;
- Liabilities resulting from the transfer of financial assets; and
- Loan commitments at lower than market rates.

Financial liabilities measured at fair value through profit or loss: The Group may, upon initial recognition, avail of the irrevocable option to designate a liability 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 liabilities

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

2.9. Derivative instruments

Derivative instruments, including foreign exchange contracts, interest rate futures, forwards, interest rate and currency swaps, and currency and interest rate options, 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 charged to income for the period/year.

The Group does not use hedge accounting.

2.10. 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. As of 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.

Reverse Repos
Financing arrangements received in the form of reverse repos are booked under “Repo Transactions”, and are classified by 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 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.

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

2.11. Allowances for loan losses
As concerns allowances for loan losses, the “Minimum allowances for loan losses” set out in Section 8 of the Liquidity and Solvency Circular (LISOL) still remain in force and are detailed below:
Entities are required to apply the following guidelines on minimum allowances for loan losses in respect of total debts owing by their customers:

Commercial Portfolio	Consumer or Consumer Comparable 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 encompasses all kinds of financing arrangements, other than:
    - Consumer and mortgage loans
    - Commercial 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.

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

Among other specific provisions, the Group has availed of the option of discontinuing the accrual of interest on customers with over 90 days' arrears, in lieu of writing them off.

The Group sets up additional allowances to cover certain estimates related to the impact of the current economic situation on the recoverability of the loan portfolio which includes self-insurance of risks stemming from death and disability on the debit balance of loans covered by contracts made with insurance companies.

2.12. Leases

Operating leases

The Group (lessor) recognizes lease payments as income on a straight-line basis. The Group may apply other revenue recognition method, if deemed more appropriate. In turn, the Group recognizes costs, such as amortization and expenses.

The initial recognition value includes direct costs incurred in the acquisition of the operating lease at the carrying amount of the underlying asset, with such costs being recognized as expenses during the term of the lease in the same manner as the recognition of revenues.

Depreciation of the lease underlying asset is consistent with that of the comparable asset group. In turn, the Group applies IAS 36 to account for identified losses.

Financial leases

Financial leases are measured at the current value of unaccrued amounts, calculated according to the conditions agreed-upon under the respective contracts, by reference to the interest rate implicit in the lease.

Initial measurement

The Group uses the interest rate implicit in the lease to measure the net investment. Such rate is established in such a manner that the initial direct costs are automatically included in the net investment in the lease.

Initial direct costs, other than those incurred by manufacturers or concessionaires, are included in the initial measurement of the net investment in the lease and reduce the amount of revenues recognized throughout the lease term. The interest rate implicit in the lease is defined in such a manner that initial indirect costs are automatically included in the net investment in the lease; there is no need to add them separately.

The difference between the gross amount receivable and the current value represents the financial income which is recognized throughout the lease term. Financial income associated to leases is charged to income for the period/year. Impairment losses are charged to income for the period/year.

The Group applies the criteria outlined in Note 2.11 to determine whether impairment losses exist, in which case, loans are carried at amortized cost.

2.13. Bank premises & equipment

The Group has availed of the option set out in IFRS 1 "First-time Adoption of IFRS" and has adopted the fair value as attributed cost for certain items of Bank premises & equipment, including its headquarters and its own branches, as of the transition date to the IFRS mentioned in Note 3.

These assets are measured at acquisition or construction cost, net of accumulated depreciation and/or 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 and 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 reliably. 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 period/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. If an asset is comprised by significant components with varying useful lives, such components will be recognized and depreciated as separate items. Land is not depreciated.

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

The carrying amount of bank premises & 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 bank premises & 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.

2.14. 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.

Investment property is measured at acquisition or construction cost, 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.

Depreciation of buildings is calculated on a straight-line basis. Land is not depreciated.

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

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

Gains and losses from the disposal of investment property 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 comprehensive income.

2.15. Intangible assets

(a) Licenses

Licenses acquired individually are initially measured at cost, while licenses acquired through business combinations are measured at their estimated fair value on the acquisition date.

As of the date of these consolidated condensed interim financial statements, intangible assets with definite useful life are disclosed net of accumulated amortization and/or accumulated impairment losses, if any. These assets are tested for impairment on an annual basis or when indicators of impairment exist.

Licenses acquired by the Group were classified as intangible assets with definite useful life and are amortized on a straight-line basis over the license term, which does not exceed 5 years.

Impairment losses are recognized when the carrying amount of an asset exceeds its recoverable value. The recoverable value of an asset is the higher of its recoverable value or its value in use. 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). Impairment of non-financial assets, other than goodwill, is reviewed on an annual basis to check for potential reversals.

(b) Software

Costs associated with software maintenance are recognized as an expense when incurred. 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.

Development, acquisition and deployment costs initially recognized as expenses for a period are not subsequently recognized as cost of the intangible asset. Costs incurred in software development, acquisition and deployment recognized as intangible assets are amortized on a straight-line basis during the estimated useful life, within a term not to exceed five years.

2.16. Impairment of non-financial assets

Assets with indefinite useful life are not amortized, but are rather tested for impairment on an annual basis. Unlike the preceding assumption, amortizable assets are tested for impairment when events or circumstances occur indicating that their carrying amounts may not be recoverable or, at least, on an annual basis.

Impairment losses are recognized when the carrying amount of an asset exceeds its recoverable value. The recoverable value of an asset is the higher of the net proceeds that would be derived from its disposal or its value in use. 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). The carrying amount of non-financial assets, other than goodwill, which have experienced impairment is reviewed at each reporting date to check for potential impairment reversals.

2.17. Trust assets

Assets held by the Group in its capacity as trustee are not reported in the consolidated balance sheet. Commissions and fees earned on trust activities are disclosed in the caption Fee and commission income.

2.18. Offsetting

Financial assets and liabilities are offset by reporting the net amount in the consolidated balance sheet only to the extent the entity currently has a legally enforceable right of set-off, and intends to settle on a net basis, or realize the asset and settle the liability simultaneously.

2.19. Loans from the Argentine Central Bank and other financial institutions
The amounts owing to other financial institutions are recorded at the time the bank at issue disburses the proceeds to the business group. The non-derivative financial liability is measured at amortized cost. Where the Group buys back its own debt, such debt is derecognized from its consolidated condensed interim 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.

2.20. Provisions / 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 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 (a) the entity has assumed certain responsibilities as a consequence of past practices or public policies, and (b) as a result, the entity has created expectations 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.

The Group will not account for positive contingencies, other than those arising from deferred taxes and those whose realization is virtually certain.

As of the date of these consolidated condensed interim financial statements, the Group's management believes there are no elements leading to determine the existence of contingencies that might be materialized and have a negative impact on these consolidated condensed interim financial statements other than those set forth in Note 18.

2.21. Other non-financial liabilities
Non-financial accounts payable are accrued when the counterparty has discharged its contractual obligations and are measured at amortized cost.

2.22. Negotiable obligations issued
Unsubordinated negotiable obligations
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 condensed interim financial statements and the difference between the residual value of the financial liability and the amount paid will be recognized in the statement of comprehensive income, as income from early debt repayment.

Subordinated negotiable obligations

A financial instrument may only be classified as an equity instrument if an only if the following two conditions are met:

a- The instrument does not encompass an obligation of:
- Delivering cash or other financial asset to another entity; or
- Exchanging financial assets or liabilities with another entity under potentially unfavorable conditions.

b- If the instrument may or will be settled against the issuer's own equity instrument, it will be either:
- A non-derivative instrument which does not entail any contractual obligation for the issuer of delivering a variable number of equity instruments of its own; or
- A derivative instrument to be exclusively settled by the issuer by exchanging a fixed amount of cash or other financial asset for a fixed number of equity instruments of its own. For these purposes, the Group's own equity instruments will not include instruments which are contracts for the future receipt or delivery of the Group's own equity instruments.

The value of the shares is measured on the basis of the current value of a non-convertible obligation. The value of the associated shares is allocated to the Residual Value of debt issued after deducting the financial liability value from the market price of the negotiable obligations. The obligation of making principal or interest payments to debtholders is measured at amortized cost, until such debt is actually converted into shares or otherwise paid off. The conversion of debt issued into shares is carried as a financial derivative featuring an option to convert debt balances booked in the Group's functional currency into a certain number of the Group's equity instruments.

2.23. Capital stock and capital adjustments

Shareholders' equity accounts are stated in a currency which does not reflect changes in the price index since February 2003, except for the caption "Capital stock", which is carried at face value. The restatement adjustment pursuant to the procedure set out in Note 2.2.(b) is included in "Equity adjustments".

2.24. Reserves

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.

2.25. 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 and to the extent the Argentine Central Bank's consent is not required for such distribution.

2.26. Revenue recognition

Financial income and expense is 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 embrace disbursements or receipts relating to the creation 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 consummate the transaction, and payments received for the extension of credit facilities expected to be used by the customer. The Group carries all its non-derivative financial liabilities at amortized cost, except those included in "Liabilities at fair value through profit or loss", which are measured at fair value.

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 the Group does not retain a portion of the same, 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 are recognized at the time the transactions are executed.

The Group's income from services is recognized in the statement of income as performance obligations are fulfilled, thus deferring income from customer loyalty programs, which are accounted for at the fair value of the points and the redemption rate, until such time as points are redeemed by customers and may be charged to profit or loss for the period/year.

Rental income from investment property is recognized in the consolidated statement of comprehensive income, on a straight line basis during the term of the lease agreement.

2.27. 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 charged to profit or loss for the period/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 had 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.

2.28. Retirement benefits

The Group has set up provisions for its employees' retirement plans awarded in previous years.

2.29. Income tax and minimum notional income tax

Income tax

The income tax expense for the period/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. In this case, the income tax liability related to such items is also recognized in such statement.

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 is determined, in its entirety, by applying the liability method on the 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 assets are recognized only to the extent future tax benefits are likely to arise against which the temporary differences might be offset.

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 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.

Minimum notional income tax

The Group determines 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 sets forth that they should consider 20% of their taxable assets as taxable base, after deducting non-taxable assets. This tax is supplementary to income tax. The Group's tax liability is equal to the higher of both taxes. However, if the minimum notional income tax were to exceed income tax in a given fiscal year, such excess may be creditable against the income tax liability that could be generated in any of the following ten fiscal years.

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.

2.30. Earnings per share

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

Diluted earnings per share are calculated by adjusting both income (loss) for the period/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 period/year-end.

During the nine-month periods ended September 30, 2018 and 2017, the Group did not maintain dilutive financial instruments; accordingly, basic earnings per share and diluted earnings per share are the same.

3. TRANSITION TO IFRS

3.1 Requirements for the transition to IFRS

NOTE 3.8 presents a conciliation between the shareholders' equity, statement of income, and other comprehensive income amounts related to the consolidated financial statements issued according to the accounting framework prior to the transition date (January 1, 2017), the adoption date (December 31, 2017) and the closing date of the comparative period (September 30, 2017) and the amounts presented according to IFRS in these consolidated condensed interim financial statements, as well as the effects of adjustments to cash flows.

3.2 Optional exceptions under IFRS

Under IFRS 1, first-time adopters are allowed to consider certain one-off exemptions. The IASB has established such exemptions in order to streamline the first-time adoption of certain IFRS, removing the retroactive application requirement.

Below is a detail of the optional exemptions applicable to the Bank under IFRS 1:

1. **Cost allocated to bank premises & equipment and investment property:** The fair value of certain items of bank premises & equipment has been adopted as allocated cost as of the transition date to the IFRS.
2. **Business combinations:** The Group has opted for not applying IFRS 3 “Business Combinations”

retrospectively for business combinations prior to the date of transition to IFRS.

3. Assets and liabilities of subsidiaries that have already adopted the IFRS: The Group has adopted the IFRS for the first time after its subsidiary Tarshop. Therefore, the carrying amounts of this subsidiary's assets and liabilities have been measured in the Group's consolidated condensed interim financial statements for the same carrying amounts disclosed in the financial statements of that subsidiary (except for the application of Section 5.5. of IFRS 9).

4. Investments in subsidiaries, entities under common control and associates: The Group may, at its option, measure such investments at cost under IFRS 9; or under the equity method described in IAS 28.

The Group has not made use of other exemptions available in IFRS 1.

3.3 Mandatory exceptions under IFRS

Below are the mandatory exceptions applicable to the Group under IFRS 1:

1. Estimates: The Group's estimates under IFRS as of January 1, 2017 (the transition date to the IFRS) are consistent with the estimates as of the same date calculated pursuant to the Argentine Central Bank's accounting standards, considering the comments in Note 2.1 (without applying the impairment chapter under IFRS 9).
2. Derecognition of financial assets and liabilities: The Group has relied on the derecognition criteria for financial assets and liabilities under IFRS 9 on a prospective basis for transactions occurring subsequent to January 1, 2017.
3. Classification and measurement of financial assets: The Group has taken into consideration the facts and circumstances prevailing as of January 1, 2017 in assessing whether financial assets are eligible for classification as assets measured at amortized cost, at fair value through profit or loss, or at fair value through other comprehensive income.

The other mandatory exceptions under IFRS 1 have not been applied for they are not material to the Group.

3.4 Required conciliation

As required by Communication "A" 5541, as supplemented, below is a detail of the main adjustments resulting from the transition to the IFRS, and of certain conciliation in connection with such transition, as follows:

- Conciliation of consolidated shareholders' equity determined under the Argentine Central Bank's rules to consolidated shareholders' equity determined under the IFRS, as of January 1, 2017 (transition date to IFRS), as of December 31, 2017 and September 30, 2017; and

- Conciliation of consolidated net income for the year determined under the Argentine Central Bank's rules as of December 31, 2017 and the period ended September 30, 2017, to total consolidated comprehensive income determined under IFRS as of such dates.

- Conciliation of consolidated shareholders' equity as of January 1, 2017 (transition date to IFRS)

	Ref.	Balances under Argentine Central Bank's rules	Reclassifications	Valuation adjustments	Balances under IFRS
		(In thousands of pesos)			
Cash and bank deposits		7,321,670	-	-	7,321,670
Debt securities at fair value through profit or loss	(a)	1,830,980	1,804,386	(2,192)	3,633,174
Derivative instruments		169,717	-	-	169,717
Repo transactions		168,083	-	-	168,083
Other financial assets		2,166,842	-	-	2,166,842
Loans and other financing arrangements	(b)	31,035,740	-	(172,670)	30,863,070
Other debt securities	(a)	4,410,185	(1,804,386)	(19,706)	2,586,093
Financial assets pledged as collateral		2,919,720	-	-	2,919,720
Current income tax assets		112,791	-	-	112,791
Investments in equity instruments		100,286	-	-	100,286
Investments in subsidiaries, associates and joint ventures		613	13,364	-	13,977
Bank premises & equipment	(c)	445,881	-	1,123,093	1,568,974
Intangible assets	(d)	567,364	(13,364)	(455,705)	98,295
Other non-financial assets	(e)	413,890	-	(34,012)	379,878
TOTAL ASSETS		**51,663,762**	**-**	**438,808**	**52,102,570**
Deposits		17,741,804	-	-	17,741,804
Derivative instruments		807,188	-	-	807,188
Repo transactions		1,752,267	-	-	1,752,267
Other financial liabilities		5,129,785	-	-	5,129,785
Loans from the Argentine Central Bank and other financial institutions		707,463	-	-	707,463
Negotiable obligations issued	(f)	16,646,726	-	(71,000)	16,575,726
Current income tax liabilities		175,924	-	-	175,924
Subordinated negotiable obligations		136,838	-	9,878	146,716
Provisions	(i)	331,286	-	3,426	334,712
Deferred income tax liabilities	(g)	-	-	40,605	40,605
Other non-financial liabilities	(h)	2,020,546	-	117,653	2,138,199
TOTAL LIABILITIES		**45,449,827**	**-**	**100,562**	**45,550,389**
Shareholders' equity attributable to controlling interest		6,056,228	-	332,061	6,388,289
Shareholders' equity attributable to non-controlling interest		157,707	-	6,185	163,892
TOTAL SHAREHOLDERS' EQUITY		**6,213,935**	**-**	**338,246**	**6,552,181**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	(j) (k)	**51,663,762**	**-**	**438,808**	**52,102,570**

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- Conciliation of consolidated shareholders' equity as of September 30, 2017

	Ref.	Balances under Argentine Central Bank's rules	Reclassifications	Valuation adjustments	Balances under IFRS
		(In thousands of pesos)			
Cash and bank deposits		3,506,032	-	-	3,506,032
Debt securities at fair value through profit or loss	(a)	7,539,606	874,351	2,978	8,416,935
Derivative instruments		9,082	-	-	9,082
Repo transactions		357,982	-	-	357,982
Other financial assets		1,794,688	3,536	-	1,798,224
Loans and other financing arrangements	(b)	35,991,262	-	(275,186)	35,716,076
Other debt securities	(a)	3,000,395	(874,351)	(15,976)	2,110,068
Financial assets pledged as collateral		1,491,053	-	-	1,491,053
Current income tax assets		184,127	-	-	184,127
Investments in equity instruments		176,236	-	-	176,236
Investments in subsidiaries, associates and joint ventures		-	13,364	-	13,364
Bank premises & equipment	(c)	1,714,796		1,114,169	2,828,965
Intangible assets	(d)	562,617	(13,364)	(425,770)	123,483
Deferred income tax assets	(g)	-	-	26,528	26,528
Other non-financial assets	(e)	189,015		(35,401)	153,614
TOTAL ASSETS		**56,516,891**	**3,536**	**391,342**	**56,911,769**
Deposits		19,364,388	-	-	19,364,388
Derivative instruments		653,968	-	-	653,968
Repo transactions		347,948	-	-	347,948
Other financial liabilities		5,138,757	-	-	5,138,757
Loans from the Argentine Central Bank and other financial institutions		526,259	-	-	526,259
Negotiable obligations issued	(f)	20,167,046	-	(60,948)	20,106,098
Current income tax liabilities		175,244	-	-	175,244
Provisions	(i)	350,783	-	9,460	360,243
Deferred income tax liabilities	(g)	-	3,536	(3,536)	-
Other non-financial liabilities	(h)	2,334,597	-	173,127	2,507,724
TOTAL LIABILITIES		**49,058,990**	**3,536**	**118,103**	**49,180,629**
Shareholders' equity attributable to controlling interest		7,167,430	**-**	263,887	7,431,317
Shareholders' equity attributable to non-controlling interest		290,471	**-**	9,352	299,823
TOTAL SHAREHOLDERS' EQUITY		**7,457,901**	**-**	**273,239**	**7,731,140**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	(j) (k)	**56,516,891**	**3,536**	**391,342**	**56,911,769**

Conciliation of consolidated shareholders' equity as of December 31, 2017

	Ref.	Balances under Argentine Central Bank's rules	Reclassifications	Valuation adjustments	Balances under IFRS
		(In thousands of pesos)			
Cash and bank deposits		3,929,007	-	-	3,929,007
Debt securities at fair value through profit or loss	(a)	13,705,933	1,161,897	-	14,867,830
Derivative instruments		46,217	-	-	46,217
Repo transactions		115,164	-	-	115,164
Other financial assets		1,819,661	(35,329)	-	1,784,332
Loans and other financing arrangements	(b)	38,898,493	-	(208,418)	38,690,075
Other debt securities	(a)	3,383,539	(1,161,897)	(16,141)	2,205,501
Financial assets pledged as collateral		2,158,556	-	-	2,158,556
Current income tax assets		201,461	-	-	201,461
Investments in equity instruments		213,616	-	-	213,616
Investments in subsidiaries, associates and joint ventures		(2,510)	13,364	-	10,854
Bank premises & equipment	(c)	1,837,732	-	1,109,014	2,946,746
Intangible assets	(d)	542,599	(13,364)	(403,682)	125,553
Deferred income tax assets	(g)	-	35,329	(12,979)	22,350
Other non-financial assets	(e)	143,990	-	(730)	143,260
TOTAL ASSETS		**66,993,458**	**-**	**467,064**	**67,460,522**
Deposits		20,808,381	-	-	20,808,381
Derivative instruments		732,192	-	-	732,192
Repo transactions		1,061,552	-	-	1,061,552
Other financial liabilities		6,066,492	-	-	6,066,492
Loans from the Argentine Central Bank and other financial institutions		496,001	-	-	496,001
Negotiable obligations issued	(f)	26,597,607	-	(7,787)	26,589,820
Current income tax liabilities		168,092	-	-	168,092
Provisions	(i)	443,409	-	11,719	455,128
Other Non-financial Liabilities	(h)	2,687,768	-	192,820	2,880,588
TOTAL LIABILITIES		**59,061,494**	**-**	**196,752**	**59,258,246**
Shareholders' equity attributable to controlling interest		7,649,671	-	264,684	7,914,355
Shareholders' equity attributable to non-controlling interest		282,293	-	5,628	287,921
TOTAL SHAREHOLDERS' EQUITY		**7,931,964**	**-**	**270,312**	**8,202,276**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	(j) (k)	**66,993,458**	**-**	**467,064**	**67,460,522**

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- Conciliation of consolidated net income and total comprehensive income for the fiscal year ended December 31, 2017

	Ref.	Balances under Argentine Central Bank's rules	Reclassifications	Valuation adjustments	Balances under IFRS
		(In thousands of pesos)			
Interest and adjustments income	(b)	10,566,503	733	35,748	10,602,984
Interest and adjustments expense	(f)	(6,588,320)	-	-	(6,588,320)
Net interest income		**3,978,183**	**733**	**35,748**	**4,014,664**
Fee and commission income		3,639,877	-	-	3,639,877
Fee and commission expense	(f)	(642,446)	-	53,335	(589,111)
Net fee and commission income		**2,997,431**	**-**	**53,335**	**3,050,766**
Net income (loss) from measurement of financial instruments at fair value through profit or loss	(a)	1,763,071	(733)	(657)	1,761,681
Gold and foreign currency quotation differences		(95,207)	-	-	(95,207)
Other operating income	(b)(d)	3,682,756	-	-	3,682,756
Loan loss provision	(b)	(1,159,018)	-	(3,565)	(1,162,583)
Net operating income		**11,167,216**	**-**	**84,861**	**11,252,077**
Employee benefits	(h)(j)	(3,323,226)	-	(514,784)	(3,838,010)
Administrative expenses	(d)(e)	(2,517,454)	-	(89,661)	(2,607,115)
Depreciation and impairment of assets	(c)(d)	(167,518)	-	16,337	(151,181)
Other operating expenses	(i)	(3,052,038)	-	16,148	(3,035,890)
Operating income (loss)		**2,106,980**	**-**	**(487,099)**	**1,619,881**
Share of profit (loss) of associates and joint ventures		-	-	-	-
Income (loss) before tax from continuing activities		**2,106,980**	**-**	**(487,099)**	**1,619,881**
Income tax from continuing activities	(g)	(484,857)	-	(28,421)	(513,278)
Net income (loss) from continuing activities		**1,622,123**	**-**	**(515,520)**	**1,106,603**
Income (loss) from discontinued operations		-	-	-	-
Income tax from discontinued activities		-	-	-	-
Net income for the year		**1,622,123**	**-**	**(515,520)**	**1,106,603**

Net income for the year attributable to the controlling company's shareholders		1,593,439	22,772	(506,991)	1,109,220
Net income for the year attributable to non-controlling interests		28,684	(22,772)	(8,529)	(2,617)

There were no adjustments or reclassifications in other comprehensive income for the fiscal year ended

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Conciliation of consolidated net income and total comprehensive income for the nine-month period ended September 30, 2017

	Ref.	Balances under Argentine Central Bank's rules	Reclassifications	Valuation adjustments	Balances under IFRS
		(In thousands of pesos)			
Interest and adjustments income	(b)	7,724,544	(4,129)	(102,516)	7,617,899
Interest and adjustments expense	(f)	(4,586,016)	-	-	(4,586,016)
Net interest income		**3,138,528**	**(4,129)**	**(102,516)**	**3,031,883**
Fee and commission income		2,621,815	-	-	2,621,815
Fee and commission expense	(f)	(407,694)	-	(174)	(407,868)
Net fee and commission income		**2,214,121**	**-**	**(174)**	**2,213,947**
Net income (loss) from measurement of financial instruments at fair value through profit or loss	(a)	892,977	4,129	5,170	902,276
Gold and foreign currency quotation differences		(13,881)	-	-	(13,881)
Other operating income	(b)(d)	2,446,488	-	-	2,446,488
Loan loss provision	(b)	(800,392)	-	3,730	(796,662)
Net operating income		**7,877,841**	**-**	**(93,790)**	**7,784,051**
Employee benefits	(h)(j)	(2,334,209)	-	(55,474)	(2,389,683)
Administrative expenses	(d)(e)	(1,950,829)	-	31,747	(1,919,082)
Depreciation and impairment of assets	(c)(d)	(100,292)	-	(12,252)	(112,544)
Other operating expenses	(i)	(1,931,147)	-	(7,149)	(1,938,296)
Operating income (loss)		**1,561,364**	**-**	**(136,918)**	**1,424,446**
Share of profit (loss) of associates and joint ventures		-	-	-	-
Income (loss) before tax from continuing activities		**1,561,364**	**-**	**(136,918)**	**1,424,446**
Income tax from continuing activities	(g)	(413,078)	-	69,645	(343,433)
Net income (loss) from continuing activities		**1,148,286**	**-**	**(67,273)**	**1,081,013**
Income (loss) from discontinued operations		-	-	-	-
Income tax from discontinued activities		-	-	-	-
Net income for the year		**1,148,286**	**-**	**(67,273)**	**1,081,013**
Net income for the period attributable to the controlling entity's owners		1,111,198	22,772	(68,170)	1,065,800
Net income for the period attributable to non-controling interests		37,088	(22,772)	897	15,213

There were no adjustments or reclassifications in other comprehensive income for the nine-month period ended September 30, 2017.

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- Conciliation of cash flows for the nine-month period ended September 30, 2017 and for the year ended December 31, 2017

The main difference lies in the fact that the statement of cash flows and cash equivalents presented under IFRS was prepared using the indirect method, as opposed to the direct method under the previous standards.

Under the BCRA's standards, the balance of the account Cash and Cash Resources was regarded as cash and cash equivalents.
Under IFRS, cash and cash equivalents is comprised of Cash and Bank Deposits, including purchase-sale transactions of foreign currency pending settlement, with original maturity of three months or less.

Adjustments to calculate cash and cash equivalents as of January 1, 2017

	Balances as per BCRA's standards	Reclassifications and adjustments	Balances under IFRS
	(In thousands of Ps.)		
Cash	756,704	-	-
Bank deposits	6,564,966	-	-
Purchase-sale transactions of foreign currency pending settlement	-	-	-
Total	**7,321,670**	**-**	**-**

Adjustments to calculate cash and cash equivalents as of September 30, 2017

	Balances as per BCRA's standards	Reclassifications and adjustments	Balances under IFRS
	(In thousands of Ps.)		
Cash	826,132	-	-
Bank deposits	2,683,527	-	-
Purchase-sale transactions of foreign currency pending settlement	-	(3,627)	-
Total	**3,509,659**	**(3,627)**	**-**

- Explanatory notes to the IFRS transition adjustments

Below is a brief review of the main IFRS transition adjustments affecting consolidated shareholders' equity as of January 1, 2017 (transition date to the IFRS), as of September 30, 2017 and as of December 31, 2017, consolidated net income and total comprehensive income for the year ended December 31, 2017 and for the nine-month period ended September 30, 2017, which arise from the comparison of the accounting criteria followed by the Group in preparing its financial statements as of December 31, 2017 (Argentine Central Bank's accounting framework) to the accounting standards applied by the Group in preparing its financial statements since fiscal year commenced on January 1, 2018 (IFRS).

(a) Debt securities at fair value through profit or loss and other debt securities

Under the IFRS, financial assets are classified into three categories: financial assets measured at amortized cost, financial assets at fair value through other comprehensive income, and financial assets at fair value through profit and loss, on the basis of the business model and the specific features of the instruments.

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The Bank's accounting criteria pursuant to the previous accounting rules differed from the provisions of the IFRS in certain aspects, namely:

- Government securities with no volatility published by the Argentine Central Bank have been valued at their acquisition cost subject to an exponential increase based on the internal rate of return;
- Loans are stated at their acquisition cost, plus accrued interest on the basis of the contractual rate;
- Participation certificates in financial trusts have been valued taking into account the share of liabilities in net assets, as per the financial statements of the respective trusts, adjusted for the effect the application of the Argentine Central Bank's rules may have had on them, where applicable;
- Unlisted negotiable obligations and debt securities of financial trusts have been valued at their acquisition cost subject to an exponential increase based on the internal rate of return.

(b) Loans and other financing arrangements

The Bank's loan portfolio was originated within a business model whose main objective is collecting contractual cash flows (principal and interest). Under IFRS 9 "Financial Instruments," an entity's loan portfolio is required to be carried at amortized cost, using the effective interest method, with fees and commissions earned and incremental direct costs related to lending activities being added to the rate and accrued throughout the term of the loan.

Under the previous standards, interest was accrued on an exponential distribution basis in the period in which such interest was accrued, with fees and commissions earned and direct costs being recognized as generated.

(c) Bank premises & equipment

The Bank availed of the voluntary exemption set forth in IFRS 1 to measure its headquarters and its own branches. This entails measuring such items at their fair value and using such fair value as the cost attributed as of the transition date. The Bank has relied on appraisals in order to estimate the fair value of all such assets.

(d) Intangible assets

Under IFRS, an intangible asset is an identifiable non-monetary asset that has no physical substance. In order for an intangible asset to be eligible for recognition, the Bank must have control over, and future economic benefits are to be derived from, that asset. Under the previous accounting standards, the Bank recognized intangible assets not eligible for recognition as such under IFRS.

(e) Other non-financial assets

Under the previous accounting standards, the Bank capitalized costs associated to stationery and office supplies. According to the IFRS, these costs do not qualify for capitalization.

(f) Negotiable obligations issued

Under IFRS 9 "Financial Instruments," negotiable obligations were carried at amortized cost, using the effective interest method, with direct placement expenses having been recognized as a decrease in liabilities. Under the previous accounting standards, certain series of negotiable obligations were measured at the outstanding balance of principal and accrued interest and expenses were charged to income or loss at the time of issuance.

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(g) Deferred income tax

Under IFRS, the income tax liability for the period encompasses current and deferred taxes. Current income tax is calculated on the basis of enacted, or substantially enacted, laws as of the balance sheet date. Deferred tax is recognized pursuant to the asset-liability method, that is, for the temporary differences arising from the valuation of assets and liabilities for tax and accounting reporting purposes. Deferred tax is assessed using tax rates (and laws) that are, or are about to be, enacted as of the date of the financial statements and that are expected to be applicable upon the realization of the respective deferred tax asset, or upon the settlement of the deferred tax liability.

Under the previous accounting standards, the Bank recognized the current tax liability for the period/year.

(h) Other non-financial liabilities

Under the IFRS, short-term employee benefits, such as, vacations, salaries and wages, and social security contributions, are recognized as a liability for the undiscounted amount the Bank expects to pay for such benefits. Under the previous accounting standards, the Bank set up a vacation accrual for an amount equal to the vacation bonus. The adjustment entails recognizing the vacation accrual for the total amount of the benefit the Bank expects to pay.

(i) Provisions

Under IFRS, the Bank's customer loyalty program must be valued at the fair value of the points that are expected to be exchanged by customers.

BHN Vida S.A. and BHN Seguros Generales S.A., subsidiaries of BHN Sociedad de Inversión S.A., have evaluated at the end of each period/year insurance claim liabilities on the basis of current estimates of future cash flows stemming from their insurance contracts, in accordance with IFRS 4.

(j) Reserve for stock-based compensation plan

The Bank has a stock-based compensation plan in place, pursuant to which employees receive shares of the Bank's capital stock in exchange for their services. Under IFRS, the fair value of the services received is recognized as an expense as of the grant date and such services are not re-measured for subsequent changes in the price of the shares. As of November 30, 2017, the Group recognized the fair value of the treasury shares set aside for the plan under the line "Personnel benefits," with its related contra-account in shareholders' equity. The plan will not result in subsequent charges to income.

(k) Decrease in the equity interest in BACS

Under the IFRS, a change in an equity interest in a subsidiary, without loss of control, is carried in equity. Under the previous accounting standards, the impact of such change was charged to income for the nine-month period ended September 30, 2017.

4. SIGNIFICANT ACCOUNTING CRITERIA AND ESTIMATES

The preparation of these consolidated condensed interim financial statements in accordance with the accounting framework established by the Argentine Central Bank requires the use of certain significant accounting estimates. It also requires that Management make judgments in applying the accounting standards set forth by the Argentine Central Bank to define the Group's accounting criteria.

The Group has identified the following areas which involves a higher degree of judgment or complexity, or the areas in which the assumptions and estimates are material for these consolidated condensed interim financial statements, as essential to understand the underlying accounting/financial reporting risks.

a- Fair value of derivate instruments and other instruments

The fair value of financial instruments not listed in active markets is determined using valuation techniques. Such techniques are validated and reviewed periodically by qualified personnel independent from the area which developed them. All models are assessed and adjusted before being put into use in order to ensure that results reflect current information and comparable market prices. Where possible, models rely on observable information only; however, certain factors, such as the Group's own and the counterparty's credit risk, volatilities and correlations, require the use of estimates. Changes in the assumptions about these factors may affect the reported fair value of financial instruments.

The information concerning instruments which were not measured in accordance with market data is detailed in Note 6. In this regard, Management determines whether the substantial risks and reward of ownership of financial assets and financial leases are transferred to the counterparty, in particular, those entailing higher risks.

b- Impairment losses on loans and advances

The Group makes estimates about its customers' repayment capacity to determine the allowance level it is required to set up according to the Argentine Central Bank regulations.

Such estimates are made as frequently as required by the minimum loan loss allowance guidelines set forth by the Argentine Central Bank.

c- Impairment of non-financial assets

Intangible assets with definite useful life and bank premises & equipment are amortized or depreciated on a straight-line basis during their estimated useful lives. The Group monitors the conditions associated with these assets to determine whether the events and circumstances warrant a review of the remaining amortization or depreciation term and whether there are factors or circumstances indicating impairment in the value of the asset which might not be recoverable.

Identifying the indicators of impairment of bank premises & equipment and intangible assets requires the use of judgment. The Group has concluded that there were no indicators of impairment for any of the periods reported in its consolidated condensed interim financial statements; accordingly, it has not estimated any recoverable value.

d- Capitalization of financial costs

The Group owns a building known as "Edificio del Plata" (see Note 12) which is considered to be a qualifying asset according to the definition of IAS 23, in that it necessarily takes a substantial period of time to get ready for its intended use. The Group issued series XXIX, tranche II negotiable obligation in order to use the proceeds from the issuance to purchase such building.

According to the definition of IAS 23, financial costs include interest and other costs, such as exchange gains (losses) from foreign-currency loans to the extent considered adjustments to financial costs. Therefore, the Group capitalizes interest and exchange gains (losses) from series XXIX, tranche II negotiable obligation in the proportion attributable to the acquisition of such building.

e- Income tax and deferred tax

The assessment of current and deferred tax assets and liabilities requires a significant level of judgment.

Current income tax is accounted for according to the amounts expected to be paid, while deferred income tax is accounted for on the basis of the temporary differences between the carrying amount of assets and liabilities and their tax base, at the rates expected to be in force at the time of reversal of such differences.

A deferred tax asset is recognized when future taxable income is expected to exist to offset such temporary differences, based on management's assumptions about the amounts and timing of such future taxable income. Then, management needs to determine whether deferred tax assets are likely to be used and offset against future taxable income. Actual results may differ from these estimates, for instance, changes in the applicable tax laws or the outcome of the final review of the tax returns by the tax authorities and tax courts.

Future taxable income and the number of tax benefits likely to be available in the future are based on a medium-term business plan prepared by management, on the basis of expectations which are deemed reasonable.

f- Provisions for lawsuits

The Group is subject to several claims, lawsuits and other legal proceedings in which a third party seeks payments for alleged damages, losses or other compensation. In general terms, the Group's potential liabilities owing to said third parties cannot be reliably estimated. Management periodically reviews the status of each substantial case and calculates the potential financial exposure, where applicable. When a potential loss arising from claims, lawsuits and other legal proceedings is deemed probable and the amount can be reasonably estimated, the Group accounts for a provision. Provisions for contingent losses reflect a reasonable estimate of losses to be incurred, based on information available to management, as of the date of these financial statements.

These estimated contingencies for each case brought to court are based on the recommendations of each external law firm, entrusted with the duty of following up on and handling these matters. On the other hand, cases under mediation proceedings are estimated on the basis of current case law for comparable assumptions.

5. CASH AND BANK DEPOSITS

The table below shows a Breakdown of items comprising cash and cash equivalents:

	09/30/2018	12/31/2017	01/01/2017
	(In thousands of Ps.)		
Cash	1,315,957	933,666	756,704
Financial institutions and correspondents	5,856,156	2,854,534	6,564,966
Others	909,802	140,807	-
Cash and bank deposits	**8,081,915**	**3,929,007**	**7,321,670**

6. FINANCIAL INSTRUMENTS

The Group held the following financial instrument portfolios:

Instrument portfolio as of 09/30/2018	Fair value – Net income (loss)	Amortized cost	Fair value - OCI
	(In thousands of Ps.)		
Assets	**14,693,499**	**62,357,995**	**-**
Cash and bank deposits	-	8,081,915	-
Debt securities at fair value through profit or loss	11,327,663	-	-
Derivative instruments	299,184	-	-
Repo transactions	-	418,307	-
Other financial assets	479,415	2,224,883	-
Loans and other financing arrangements	-	47,048,469	-
Other debt securities	-	4,584,421	-
Financial assets pledged as collateral	2,388,773	-	-
Investments in equity instruments	198,464	-	-
Liabilities	**(1,864,884)**	**(67,177,428)**	**-**
Deposits	-	(25,108,736)	-
Liabilities at fair value through profit or loss	(207,748)	-	-
Derivative instruments	(1,657,136)	-	-
Repo transactions	-	(50,095)	-
Other financial liabilities	-	(7,562,637)	-
Loans from the Argentine Central Bank and other financial institutions	-	(700,729)	-
Negotiable obligations issued	-	(33,755,231)	-
Total	**12,828,615**	**(4,819,433)**	**-**

Instrument portfolio as of 12/31/2017	Fair value – Net income (loss)	Amortized cost	Fair value - OCI
	(In thousands of Ps.)		
Assets	**17,737,384**	**46,272,914**	**-**
Cash and bank deposits	-	3,929,007	-
Debt securities at fair value through profit or loss	14,867,830	-	-
Derivative instruments	46,217	-	-
Repo transactions	-	115,164	-
Other financial assets	451,165	1,333,167	-
Loans and other financing arrangements	-	38,690,075	-
Other debt securities	-	2,205,501	-
Financial assets pledged as collateral	2,158,556	-	-
Investments in equity instruments	213,616	-	-
Liabilities	**(732,192)**	**(55,022,246)**	**-**
Deposits	-	(20,808,381)	-

Derivative instruments	(732,192)	-	-
Repo transactions	-	(1,061,552)	-
Other financial liabilities	-	(6,066,492)	-
Loans from the Argentine Central Bank and other financial institutions	-	(496,001)	-
Negotiable obligations issued	-	(26,589,820)	-
Total	**17,005,192**	**(8,749,332)**	**-**

Instrument portfolio as of 01/01/2017	Fair value – Net income (loss)	Amortized cost	Fair value - OCI
	(In thousands of Ps.)		
Assets	**7,192,457**	**42,736,198**	**-**
Cash and bank deposits	-	7,321,670	-
Debt securities at fair value through profit or loss	3,633,174	-	-
Derivative instruments	169,717	-	-
Repo transactions	-	168,083	-
Other financial assets	369,560	1,797,282	-
Loans and other financing arrangements	-	30,863,070	-
Other debt securities	-	2,586,093	-
Financial assets pledged as collateral	2,919,720	-	-
Investments in equity instruments	100,286	-	-
Liabilities	**(807,188)**	**(42,053,761)**	**-**
Deposits	-	(17,741,804)	-
Derivative instruments	(807,188)	-	-
Repo transactions	-	(1,752,267)	-
Other financial liabilities	-	(5,129,785)	-
Loans from the Argentine Central Bank and other financial institutions	-	(707,463)	-
Negotiable obligations issued	-	(16,575,726)	-
Subordinated negotiable obligations	-	(146,716)	**-**
Total	**6,385,269**	**682,437**	**-**

Fair values

The Group classifies the fair value of its financial instruments in 3 levels, according to the quality of the data used in fair value assessment.

Level 1 Fair Value: The fair value of financial instruments traded in active markets (such as, publicly-traded derivatives, and securities held for trading or available for sale) is based on market listed prices as of the reporting period end. The market price used in financial assets held by the Group is the current purchase price. These instruments are included in Level 1.

Level 2 Fair Value: The fair value of financial instruments that are not traded in active markets, for example, the derivatives available over the counter, is determined using valuation techniques that maximize the use of observable information and relies the least possible on the Group's specific estimates. If all the material variables to establish the fair value of a financial instrument are observable, the instrument is included in Level 2.

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Level 3 Fair Value: If one or more material variables are not based on observable market information, the instrument is included in Level 3. This is the case of unlisted equity instruments.

The table below shows the Group's financial instruments measured at fair value as of the indicated dates:

Instrument portfolio as of 09/30/2018	Level 1 Fair Value	Level 2 Fair Value	Level 3 Fair Value
	(In thousands of Ps.)		
Assets	**14,161,456**	**532,043**	**-**
Debt securities at fair value through profit or loss	11,094,804	232,859	-
Derivative instruments	-	299,184	-
Other financial assets	479,415	-	-
Financial assets pledged as collateral	2,388,773	-	-
Investments in equity instruments	198,464	-	-
Liabilities	**(207,748)**	**(1,657,136)**	**-**
Liabilities at fair value through profit or loss	(207,748)	-	-
Derivative instruments	-	(1,657,136)	-
Total	**13,953,708**	**(1,125,093)**	**-**

Instrument portfolio as of 12/31/2017	Level 1 Fair Value	Level 2 Fair Value	Level 3 Fair Value
	(In thousands of Ps.)		
Assets	**17,360,677**	**376,707**	**-**
Debt securities at fair value through profit or loss	14,537,340	330,490	-
Derivative instruments	-	46,217	-
Other financial assets	451,165	-	-
Financial assets pledged as collateral	2,158,556	-	-
Investments in equity instruments	213,616	-	-
Liabilities	**-**	**(732,192)**	**-**
Derivative instruments	-	(732,192)	-
Total	**17,360,677**	**(355,485)**	**-**

Instrument portfolio as of 01/01/2017	Level 1 Fair Value	Level 2 Fair Value	Level 3 Fair Value
	(In thousands of Ps.)		
Assets	**6,063,807**	**1,128,650**	**-**
Debt securities at fair value through profit or loss	2,674,241	958,933	-
Derivative instruments	-	169,717	-
Other financial assets	369,560	-	-
Financial assets pledged as collateral	2,919,720	-	-
Investments in equity instruments	100,286	-	-
Liabilities	**-**	**(807,188)**	**-**
Derivative instruments	-	(807,188)	-
Total	**6,063,807**	**321,462**	**-**

Valuation Techniques

Valuation techniques to determine fair values include:

- Market or listed prices of similar instruments; and
- Estimated present value of instruments.

All estimates in fair value are included in Level 2, in which fair values were assessed on the basis of present values, adjusted for the issuer's or the entity's own credit risk.

Income (loss) from interest accrued on the Instruments at the effective rate is directly charged to net income (loss) for the period/year.

Fair value of other financial instruments

The Group has financial instruments that are not measured at fair value. For most of them, the fair value does not substantially differ from their residual value, since the interest rate payable or receivable is similar to market rates or the instrument is short-term. The following substantial differences were identified as of period/year-end:

Instruments as of 09/30/2018	Amortized cost	Fair value	
		Amount	Level
	(In thousands of Ps.)		
Loans and other financing arrangements	47,048,469	44,966,544	Level 2
Negotiable obligations issued	(33,755,231)	(32,377,969)	Level 1 and 2

Instruments as of 12/31/2017	Amortized cost	Fair value	
		Amount	Level
	(In thousands of Ps.)		
Loans and other financing arrangements	38,690,075	37,851,963	Level 2
Negotiable obligations issued	(26,589,820)	(26,190,799)	Level 1 and 2

Instruments as of 01/01/2017	Amortized cost	Fair value	
		Amount	Level
	(In thousands of Ps.)		
Loans and other financing arrangements	30,863,070	29,703,376	Level 2
Negotiable obligations issued	(16,575,726)	(16,674,826)	Level 1 and 2

Impairment

Below is a breakdown of changes in allowances for loan losses for the period:

	09/30/2018
	(In thousands of Ps.)
Balance at the beginning	**1,368,491**
Impairment for the period	1,280,306
Write off	(801,095)

Recovery for the period	(32,372)
Balance at year/period-end	**1,815,330**

7. LOANS AND OTHER FINANCING ARRANGEMENTS

The allowances for loan losses established by the Bank cover the minimum allowances required by the Argentine Central Bank, which are determined according to the level of compliance of debtors, the guarantees securing the loans and the debtor's economic and financial condition, among others, the allowances set up for individual loans refinanced in accordance with the guidelines described in Communication "A" 4583, and supplementary rules, as amended, and certain estimates concerning the impact of the current economic situation on the recoverability of the loan portfolio which includes self-insurance of risks stemming from death and disability on the debit balance of the financing covered by contracts made with insurance companies.

All consumer loans that must be fully accounted for in accordance with the rules in force are written off from the Bank's assets one month after the date on which such provision is made.

The individual mortgage loans granted and managed by the Retail Banking network, in which the participating banks entirely assume guarantees for cash flows, have been classified as normal for purposes of calculating provisioning levels.

Based on the foregoing, the Bank's Board of Directors believes that the allowances for loan losses set up are sufficient to cover the minimum allowances required by the Argentine Central Bank rules on the total amount of the portfolio.

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

	09/30/2018	12/31/2017	01/01/2017
	(In thousands of Ps.)		
To the non-financial public sector	**43,696**	**89,573**	**153,032**
To the financial sector	**430,774**	**455,718**	**635,772**
Interfinancial - calls granted	200,000	-	50,000
Other loans to domestic financial institutions	212,974	435,134	581,579
Accrued interest, adjustments and quotation differences receivable	18,334	21,145	5,371
Allowance for loan losses	(534)	(561)	(1,178)
To the non-financial private sector and foreign residents	**46,573,999**	**38,144,784**	**30,074,266**
Overdraft facilities	407,369	1,221,539	290,153
Promissory notes	320,659	846,372	687,965
Mortgage loans	4,276,105	3,430,668	2,755,706
Pledge loans	240,781	278,982	644,696
Consumer loans	9,399,187	7,577,085	4,935,761
Credit cards	18,683,395	17,263,154	15,793,711
Financial leases	135,131	159,904	155,775
Loans to entity's personnel	277,476	208,164	188,312
Unallocated collections	(30,726)	(42,866)	(3,063)

Others	14,128,586	8,257,476	5,177,587
Accrued interest and quotation differences receivable	562,444	360,265	303,378
Documented interest	(46,480)	(68,621)	(45,878)
Allowances for loan losses (Schedule R)	(1,779,928)	(1,347,338)	(809,837)
Total loans and other financing arrangements	**47,048,469**	**38,690,075**	**30,863,070**

8. DERIVATIVE INSTRUMENTS

The table below shows a breakdown of the Bank's derivative instruments as of September 30, 2018, as of December 31, 2017 and as of January 1, 2017:

		09/30/2018	12/31/2017	01/01/2017
			(In thousands of Ps.)	
Forward transactions	(a)	299,184	46,217	169,717
Interest rate swaps				
CHA IX	(b)	-	-	-
CHA XI	(d)	-	-	-
CHA XII	(e)	-	-	-
CHA XIII	(f)	-	-	-
CHA XIV	(g)	-	-	-
Currency swaps (CHA X)	(c)	-	-	-
Total Assets		**299,184**	**46,217**	**169,717**
Forward Transactions	(a)	(120,650)	(65,756)	(187,108)
Interest rate swaps				
CHA IX	(b)	-	-	-
CHA XI	(d)	-	-	-
CHA XII	(e)	-	-	-
CHA XIII	(f)	-	-	-
CHA XIV	(g)	-	-	-
Currency swaps (CHA X)	(c)	(1,536,486)	(666,436)	(620,080)
Total Liabilities		**(1,657,136)**	**(732,192)**	**(807,188)**

a) Forward Transactions: 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 foreign currency positions. As of September 30, 2018 and 2017, gains for Ps. 386,439 thousand and losses for Ps. 325,419 thousand, respectively, have been recorded in connection with the transactions described above.

b) Interest Rate Swaps: On August 28, 2009, the Bank issued Series IX of Cédulas Hipotecarias Argentinas (CHA). For purposes of covering holders of Trust Debt Securities and the Participation Certificate held by BHSA from potential fluctuations in the BADLAR rate at which the referred Trust Debt Securities were issued, the Bank entered into a total return swap whereby it pays a variable BADLAR rate less 245 bps and receives a fixed rate (9.1%). This transaction is periodically settled to reflect financial flow differences without any exchange of the main securities. In addition, this transaction is not subject to early termination and no assets are given as collateral. As of September 30, 2018 and 2017, losses for Ps. 12,201 thousand and Ps. 7,138 thousand, respectively, have been recorded in connection with the transactions described above.

c) Currency Swaps: On August 28, 2009, the Bank issued Series X of Cédulas Hipotecarias Argentinas (CHA). For purposes of covering holders of Trust Debt Securities and the Participation Certificate held by BHSA from potential fluctuations in the reference dollar exchange rate at which the referred Trust Debt Securities were issued, the Bank entered into a total return swap whereby it pays a rate of 2% on a flow of dollars and receives a fixed rate on a flow of pesos (9.25%). This transaction is periodically settled to reflect financial flow differences without any exchange of the main securities. In addition, this transaction is not subject to early termination and no assets are given as collateral. As of September 30, 2018 and 2017, gains for Ps. 16,487 thousand and Ps. 11,883 thousand, respectively, have been recorded in connection with the transactions described above.

d) Interest Rate Swaps: On December 21, 2009, the Bank issued Series XI of Cédulas Hipotecarias Argentinas (CHA). For purposes of covering holders of Trust Debt Securities and the Participation Certificate held by BHSA from potential fluctuations in the BADLAR rate at which the referred Trust Debt Securities were issued, the Bank entered into a total return swap whereby it pays a variable BADLAR rate less 291 bps and receives a fixed rate (11.33%). This transaction is periodically settled to reflect financial flow differences without any exchange of the main securities. In addition, this transaction is not subject to early termination and no assets are given as collateral. As of September 30, 2018 and 2017, losses for Ps. 7,697 thousand and Ps. 4,069 thousand, respectively, have been recorded in connection with the transactions described above.

e) Interest Rate Swaps: On July 21, 2010, the Bank issued Series XII of Cédulas Hipotecarias Argentinas (CHA). For purposes of covering holders of Trust Debt Securities and the Participation Certificate held by BHSA from potential fluctuations in the BADLAR rate at which the referred Trust Debt Securities were issued, the Bank entered into a total return swap whereby it pays a variable BADLAR rate plus 10 bps and receives a fixed rate (13.25%). This transaction is periodically settled to reflect financial flow differences without any exchange of the main securities. In addition, this transaction is not subject to early termination and no assets are given as collateral. As of September 30, 2018 and 2017, losses for Ps. 11,372 thousand and Ps. 6,064 thousand, respectively, have been recorded in connection with the transactions described above.

f) Interest Rate Swaps: On December 2, 2010, the Bank issued Series XIII of Cédulas Hipotecarias Argentinas (CHA). For purposes of covering holders of Trust Debt Securities and the Participation Certificate held by BHSA from potential fluctuations in the BADLAR rate at which the referred Trust Debt Securities were issued, the Bank entered into a total return swap whereby it pays a variable BADLAR rate plus 27 bps and receives a fixed rate (9.279%). This transaction is periodically settled to reflect financial flow differences without any exchange of the main securities. In addition, this transaction is not subject to early termination and no assets are given as collateral. As of September 30, 2018 and 2017, losses for Ps. 11,315 thousand and Ps. 6,740 thousand, respectively, have been recorded in connection with the transactions described above.

g) Interest Rate Swaps: On March 18, 2011, the Bank issued Series XIV of Cédulas Hipotecarias Argentinas (CHA). For purposes of covering holders of Trust Debt Securities and the Participation Certificate held by BHSA from potential fluctuations in the BADLAR rate at which the referred Trust Debt Securities were issued, the Bank entered into a total return swap whereby it pays a variable BADLAR rate less 20 bps and receives a fixed rate (9.91%). This transaction is periodically settled to reflect financial flow differences without any exchange of the main securities. In addition, this transaction is not subject to early termination and no assets are given as collateral. As of September 30, 2018 and 2017, losses for Ps. 11,073 thousand and Ps. 6,657 thousand, respectively, have been recorded in connection with the transactions described above.

The instruments mentioned in this note meet the requirements imposed by AFIP's General Resolution No. 3421/2012 to be considered as hedging transactions inasmuch as said transactions are: i) directly related to BHSA's main business activities and to their underlying elements; ii) identified as from their inception, and iii) their risks have been evaluated and mitigated.

9. OTHER FINANCIAL ASSETS

The balances of other financial assets are as follows:

	09/30/2018	12/31/2017	01/01/2017
	(In thousands of Ps.)		
Financial trust participation certificates	37,388	59,104	85,027
Shares in mutual funds	442,027	392,061	284,533
Receivables from transactions pending settlement	1,039,765	333,399	794,669
Miscellaneous receivables	1,185,118	999,768	1,002,613
Total other financial assets	**2,704,298**	**1,784,332**	**2,166,842**

10. TRANSFER OF FINANCIAL ASSETS

The Bank has made transfers of financial assets as described in Note 32.3. However, pursuant to IFRS 1, derecognition criteria for financial assets under IFRS 9 were applied on a prospective basis for transactions occurring after the transition date.

However, the Bank has adopted the IFRS for the first time after its subsidiary Tarshop. Therefore, the carrying amounts of this subsidiary's assets and liabilities have been measured in the Bank's consolidated condensed interim financial statements for the same carrying amounts disclosed in the financial statements of that subsidiary (except for Section 5.5. of IFRS 9).

According to IFRS, a transfer of financial assets with the aforementioned features does not qualify for derecognition; accordingly, the Group continues recognizing transferred assets in full and recognizes a financial liability for the consideration it has received.

The table below shows a breakdown of financial trusts which do not qualify for derecognition of financial assets as of September 30, 2018:

Issuer	Financial trust	Created on	Initial trust debt security		Estimated termination of the series
			Type	Amount	
BHSA	CHA UVA Series I	Apr-18	A	8,645 UVA	Oct-24
			B	5,765 UVA	Apr-28
			CP	4,802 UVA	May-32
Tarshop	Series XCIX	Aug-17	A	181,954	Oct-18
			B	28,629	Dec-18
			A	205,022	Nov-18

Tarshop	Series C	Oct-17	B	32,259	Jan-19
Tarshop	Series CI	Jan-18	A	161,820	Jan-19
			B	34,456	Apr-19
Tarshop	Series CII	Mar-18	A	171,948	Feb-19
			B	35,695	May-19
Tarshop	Series CIII	Apr-18	A	170,825	Mar-19
			B	45,455	Aug-19
Tarshop	Series CIV	Jul-18	A	169,647	Feb-19
			B	37,516	Jul-19
Tarshop	Series CIV	Aug-18	A	177,460	Feb-19
			B	43,202	Jun-19
Tarshop	Privado III	Dec-16	A	1,064, 000	Oct-18
Tarshop	Privado IV	Dec-17	A	2,206,000	Jun-19
Tarshop	Privado V	Jul-18	A	1,405,000	May-19

The table below shows a breakdown of financial trusts which do not qualify for derecognition of financial assets as of December 31, 2017:

Issuer	Financial trust	Created on	Initial trust debt security		Estimated termination of the series
			Type	Amount	
Tarshop	Series XCIV	Feb-17	A	177,249	Mar-18
Tarshop	Series XCV	Mar-17	A	175,046	Apr-18
			B	11,460	May-18
Tarshop	Series XCVI	Apr-17	A	168,633	Jun-18
			B	11,740	Jul-18
Tarshop	Series XCVII	Jun-17	A	194,230	Aug-18
			B	28,161	Oct-18
Tarshop	Series XCVIII	Aug-17	A	203,612	Sep-18
			B	29,521	Nov-18
Tarshop	Series XCIX	Aug-17	A	181,954	Oct-18
			B	28,629	Dec-18
Tarshop	Series C	Oct-17	A	205,022	Nov-18
			B	32,259	Jan-19
Tarshop	Privado III	Dec-16	A	2,427,000	Oct-18
Tarshop	Privado IV	Dec-17	A	227,000	Jun-19

The table below shows a breakdown of financial trusts which do not qualify for derecognition of financial assets as of January 1, 2017:

Issuer	Financial trust	Created on	Initial trust debt security		Estimated termination of the series
			Type	Amount	
Tarshop	Series LXXXII	Feb-15	A	87,450	Mar-16
Tarshop	Series LXXXIII	Jul-15	A	111,222	Aug-16
Tarshop	Series LXXXIV	Aug-15	A	104,865	Sep-16
Tarshop	Series LXXXV	Dec-15	A	128,500	Jan-17

Tarshop	Series LXXXVI	Feb-16	A	126,050	Mar-17
Tarshop	Series LXXXVII	Mar-16	A	141,066	May-17
Tarshop	Series LXXXVIII	May-16	A	148,489	Jun-17
Tarshop	Series LXXXIX	Jun-16	A	143,530	Jul-17
Tarshop	Series XC	Jul-16	A	150,025	Aug-17
Tarshop	Series XCI	Oct-16	A	148,300	Nov-17
Tarshop	Series XCII	Nov-16	A	155,700	Dec-17
Tarshop	Series XCIII	Dec-16	A	166,715	Jan-18
Tarshop	Series XCIV	Feb-17	A	177,249	Mar-18
Tarshop	Privado I	Oct-15	A	1,162,400	Sep-17
Tarshop	Privado II	Feb-16	A	1,980,800	Feb-18
Tarshop	Privado III	Dec-16	A	646,000	Jul-18

Furthermore, as of September 30, 2018, the Group maintains the following repo transactions:

- Ps. 468,524 thousand in Repos booked under off-balance sheet accounts.

11. OTHER NON-FINANCIAL ASSETS

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

	09/30/2018	12/31/2017	01/01/2017
	(In thousands of Ps.)		
Prepaid fees to directors' and supervisory committee's members	49,609	46,938	36,229
Tax prepayments	327,708	54,252	92,218
Prepayments for purchase of real estate (see Note 12)	-	-	176,551
Other prepayments	120,117	26,134	43,813
Investment property - leased property	2,405	2,493	2,610
Other	21,527	13,443	28,457
Total other non-financial assets	**521,366**	**143,260**	**379,878**

Changes in investment property are included in Schedule F accompanying these financial statements.

Gains (losses) from investment property are recognized in the statement of comprehensive income under Other income / (expenses), net.

12. BANK PREMISES AND EQUIPMENT

The table below shows the changes in bank premises and equipment for the period ended September 30, 2018 and the year ended December 31, 2017:

	Real estate	Furniture and fixtures	Machinery and equipment	Vehicles	Miscellaneous	Works in progress(2)	09/30/2018
	(In thousands of Ps.)						
Net book value at the beginning	**1,302,203**	**65,755**	**142,914**	**289**	**17,277**	**1,418,308**	**2,946,746**
Increases	-	12,978	37,411	-	6,946	1,802,988	1,860,323

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Impairments	-	-	-	-	-	(55,685)	(55,685)
Decreases, net	(1,106)	-	-	-	-	-	(1,106)
Depreciation expense (1)	(16,788)	(7,971)	(58,320)	(72)	(6,877)	-	(90,028)
Net book value at period end	**1,284,309**	**70,762**	**122,005**	**217**	**17,346**	**3,165,611**	**4,660,250**
Cost (or Fair Value)	1,325,221	130,769	435,094	482	89,050	3,165,611	5,146,227
Accumulated Amortization	(40,912)	(60,007)	(313,089)	(265)	(71,704)	-	(485,977)
Net book value at period end	**1,284,309**	**70,762**	**122,005**	**217**	**17,346**	**3,165,611**	**4,660,250**

	Real estate	**Furniture and fixtures**	**Machinery and equipment**	**Vehicles**	**Miscellaneous**	**Works in progress (2)**	**12/31/2017**
	(In thousands of Ps.)						
Net book value at the beginning	**1.274.212**	**60.968**	**164.859**	**386**	**17.090**	**51.459**	**1.568.974**
Increases	-	14.912	49.424	-	15.936	1.425.334	1.505.606
Reclassifications	51.458	-	-	-	-	(58.485)	(7.027)
Decreases, net		(252)	(237)	-	(17)	-	(506)
Depreciation expense (1)	(23.467)	(9.873)	(71.132)	(97)	(15.732)	-	(120.301)
Net book value at period end	**1.302.203**	**65.755**	**142.914**	**289**	**17.277**	**1.418.308**	**2.946.746**
Cost (or Fair Value)	1.370.621	118.109	400.786	482	81.188	1.418.308	3.389.494
Accumulated Amortization	(68.418)	(52.354)	(257.872)	(193)	(63.911)	-	(442.748)
Net book value at period end	**1.302.203**	**65.755**	**142.914**	**289**	**17.277**	**1.418.308**	**2.946.746**

(1) The accounting allocation of depreciation for the period/year is reported in Note 2.7.

(2) On April 20, 2016, the Bank purchased the building 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. The purchase price was US Dollars sixty-eight million one hundred and fourteen thousand (68,114,000). On April 29, 2016, fifteen percent of the price (15%) was paid. The balance was paid on April 20, 2017. The title deed was executed on April 25, 2017. This building was considered to be a qualifying asset according to the definition of IAS 23, in that it necessarily takes a substantial period of time to get ready for its intended use. Therefore, as described in Note 2.27., the Bank has capitalized Ps. 1,758,039 thousand and Ps. 305,271 thousand as of September 30, 2018 and December 31, 2017, respectively. The referred amounts correspond to financial costs subject to capitalization applicable to series XXIX tranche II negotiable obligation (see Note 15).
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 September 30, 2018, we are monitoring compliance with the requirements set out in IAS 40 for the reclassification of the building as “Investment property.” Therefore, the Bank retained an independent appraiser to make an appraisal of the building, resulting in a fair value of

Ps. 3,116,436 thousand. Hence, as of September 30, 2018, we recognized an impairment loss in the amount of Ps. 55,685 thousand in the Statement of Income under "Depreciation and impairment of assets."

Additional information

	Real estate	Furniture and fixtures	Machinery and equipment	Vehicles	Miscellaneous	Works in progress
Depreciation method	Straight-line basis	Straight-line basis	Straight-line basis	Straight-line basis	Straight-line basis	-
Useful life (in years)	Up to 50	10	Machinery: 5 Equipment: 3	5	5	-

13. INTANGIBLE ASSETS

The table below shows the changes in intangible assets for the period ended September 30, 2018 and the year ended December 31, 2017:

	09/30/2018	12/31/2017
	(In thousands of Ps.)	
Net book value at the beginning	**125,553**	**98,295**
Increases due to development	43,816	57,826
Depreciation expense (1)	(21,799)	(30,568)
Net book value at period end	**147,570**	**125,553**
Cost	411,417	366,750
Accumulated amortization	(263,847)	(241,197)
Net book value at period end	**147,570**	**125,553**

(1) The accounting allocation of amortization and depreciation for the year is reported in Note 2.

Additional information

	Licenses	Other intangible assets
Definite useful life (in years)	5	5
Amortization method	Straight-line basis	Straight-line basis

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14. INCOME TAX

The table below shows a breakdown of "Current Income Tax Assets":

	09/30/2018	12/31/2017	01/01/2017
	(In thousands of Ps.)		
Minimum notional income tax credit	281,808	181,181	110,053
Income tax prepayments	479,673	20,280	2,738
Total current income tax assets	**761,481**	**201,461**	**112,791**

The table below shows a breakdown of the income tax expense:

	09/30/2018	09/30/2017
	(In thousands of Ps.)	
Income tax charged to the statement of income	598,451	343,433
Income tax charged to the statement of other comprehensive income	-	-
Total income tax expense	**598,451**	**343,433**

The table below shows a Conciliation of the income tax liability charged to income as of September 30, 2018 and 2017 and the income tax liability resulting from applying the effective tax rate to taxable income:

	09/30/2018	09/30/2017
	(In thousands of Ps.)	
Income for the period before income tax	**2,165,347**	**1,424,446**
Effective tax rate (*)	30%	35%
Income for the period at the tax rate	**649,604**	**498,556**
Permanent differences at the tax rate	(51,153)	(155,123)
Total income tax expense for the year	**598,451**	**343,433**

Tax Reform:

On December 29, 2017, the National Executive Branch enacted Income Tax Law No. 27430. This law has introduced several changes to the previous income tax treatment. Some of the key changes involved in the reform include:

Income tax rate: The income tax rate for Argentine companies shall be gradually reduced from 35% to 30% for fiscal years commencing on January 1, 2018 until December 31, 2019, and to 25% for fiscal years commencing on, and including, January 1, 2020.

Tax on dividends: The law has introduced a tax on dividends or profits distributed by Argentine companies or permanent establishments, among others, to: individuals, undivided estates or foreign beneficiaries, subject to the following considerations: (i) dividends distributed out of the profits made during fiscal years commencing on January 1, 2018 until December 31, 2019 shall be subject to withholding at a 7% rate; and

(ii) dividends distributed out of the profits made during fiscal years commencing on January 1, 2020 onwards shall be subject to withholding at a 13% rate.

Dividends distributed from profits earned until the fiscal year before that commenced on January 1, 2018 shall remain subject, in respect of all beneficiaries, to withholding at the 35% rate on the amount in excess of tax-free distributable accumulated profits (equalization tax transition period).

Adjusted deductions: Acquisitions or investments made in fiscal years commencing on January 1, 2018 will be adjusted on the basis of percentage changes in the Wholesale Domestic Price Index (IPIM) reported by the INDEC, which would result in an increase in the deductible depreciation and amortization expense and the tax basis in the event of a sale.

Deferred tax assets and liabilities

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

	Balance as of 12/31/2017	**Balance charged to income / (loss)**	**Balance as of 09/30/2018**
	(In thousands of Ps.)		
Allowance for loan losses	65,122	1,611	66,733
Bank premises and equipment	(430,168)	(345,668)	(775,836)
Foreign-currency valuation	(3,320)	(40,955)	(44,275)
Provisions	224,692	(34,653)	190,039
Other	5,799	(293)	5,506
Valuation of securities and shares	(37,399)	35,955	(1,444)
Financial trusts	101,324	99,689	201,013
Tax losses	96,300	271,559	367,859
Total deferred tax assets and liabilities, net	**22,350**	**(12,755)**	**9,595**

As per the analysis performed by the Group, the assets detailed above meet the conditions to be considered recoverable and, accordingly, qualify for recognition.

15. NEGOTIABLE OBLIGATIONS ISSUED

Unsubordinated negotiable obligations

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

	Issue amount	Issue date	Maturity date	Annual interest rate	Carrying amount		
					09/30/18	12/31/17	01/01/17
	(In thousands)				(In thousands of Ps.)		
Banco Hipotecario (1)							
XII	US$ 39,508	08/14/13	08/14/17	3.95%	-	-	469,436
XXIX tranche I	US$ 200,000	11/30/15	11/30/20	9.75%	14,689,353	6,682,142	5,654,936
XXIX tranche II	US$ 150,000	05/23/16	11/30/20	8.00%			
XXX	$ 314,611	09/04/15	03/04/17	9 months 28.25% and 9 months Badlar + 4.50%	-	-	20,052
XXXI	US$ 14,730	09/04/15	09/04/18	2.00%	-	276,959	233,019
XXXII	$ 265,770	11/30/15	05/30/17	3 months 27% and 15 months Badlar + 4.75%	-	-	65,523
XXXIV	$ 264,030	02/10/16	08/18/17	Badlar +4.00%	-	-	272,097
XXXV	$ 235,970	02/10/16	02/10/19	Badlar +4.99%	232,844	239,330	243,258
XXXVI	$ 469,750	05/18/16	11/18/17	Badlar +4.25%	-	-	480,692
XXXVIII	$ 145,200	08/18/16	02/18/18	Badlar +4.00%	-	149,715	148,110
XXXIX	$ 343,241	08/18/16	08/18/19	Badlar+ 3.49%	274,700	352,446	349,879
XL	$ 6,078,320	10/12/16	01/11/20	Badlar +2.50%	4,770,048	5,942,336	5,934,938
XLI	$ 354,162	02/20/17	08/20/18	Badlar +2.89%	-	338,775	-
XLII	$ 645,638	02/20/17	02/20/20	Badlar +3.20%	645,490	651,091	-
XLIII	UVA 54,606	05/08/17	05/08/20	2.75%	1,409,160	1,138,282	-
XLIV	$ 256,644	05/08/17	05/08/18	Badlar +2.75%	258,291	265,327	-
XLV	$ 102,436	05/08/17	05/08/20	Badlar +2.98%	60,215	105,810	-
XLVI	$ 496,855	08/09/17	02/09/19	Badlar +4.25%	436,426	513,888	-
XLVII	U$S 125,263	08/09/17	08/09/19	4.00%	255,528	135,866	-
XLVIII	$ 6,300,000	11/0717	11/0722	Badlar +4.00%	6,418,353	6,487,555	-
XLIX	$ 596,373	02/14/18	02/14/20	Badlar +3.60%	543,635	-	-
L	UVA 23,239	02/14/18	02/14/22	4.90%	567,742	-	-
BACS (2)							
V	$ 150,000	04/17/15	01/17/17	Badlar + 4.50%			52,606
	$ 141,666	07/23/15	04/24/17	9 months 27.50% and then Badlar + 4.50%	-	-	98,832
VII	$ 142,602	02/18/16	11/18/17	Badlar +4.75%	-	-	146,512
VIII	$ 150,000	05/24/16	11/24/17	Badlar +4.39%	-	-	153,168
IX	$ 249,500	07/27/16	07/2718	Badlar + 3.45%	-	260,964	259,253
X	$ 81,000	11/10/16	05/10/18	Badlar + 3.75%	-	94,314	93,602
XI	$ 201,000	11/10/16	11/1019	Badlar + 4.00%	206,422	207,924	206,769

	Issue amount	Issue date	Maturity date	Annual interest rate	Carrying amount		
					09/30/18	12/31/17	01/01/17
	(In thousands)				(In thousands of Ps.)		
XII	$ 98,461	04/28/17	10/28/18	Badlar + 3.00%	52,781	102,660	-
XIII	$ 201,539	04/28/17	04/28/20	Badlar + 3.50%	172,860	210,057	-
XIV	$ 227,886	09/25/17	03/25/19	Badlar + 4.75%	229,025	227,842	-
XV	US$ 10,141	09/25/17	09/25/19	4.40%	414,570	189,670	-
XVI	$ 500,000	02/08/18	08/08/19	Badlar + 3.68%	489,244	-	-
Tarshop (3)							
XIX	$ 6,316	11/26/14	11/26/17	Badlar + 5.25%	-	-	6,449
XXII	$ 126,667	07/30/15	01/30/17	6 months 29.00% and then Badlar+5.00%			132,166
XXIII	$ 160,000	11/16/15	05/16/17	Badlar + 6.00%			164,734
XXVI	$ 156,972	01/26/16	07/26/17	Badlar + 6.50%	-	-	164,142
XXVII	$ 147,288	05/04/16	11/04/17	Badlar + 6.00%	-	-	152,568
I	$ 204,033	09/07/16	03/0718	Badlar + 4.48%	-	207,474	205,584
II	$ 67,360	09/07/16	03/07/19	Badlar + 4.99%	69,139	68,259	67,934
IV	$ 213,031	11/04/16	05/04/18	Badlar + 4.00%	-	221,685	220,994
V	$ 77,818	11/04/16	05/04/19	Badlar + 4.25%	82,156	79,601	78,473
VII	$ 229,000	01/24/17	07/24/18	Badlar + 4.00%	-	239,263	-
VIII	$ 53,237	01/24/17	07/24/19	Badlar + 4.69%	57,121	55,530	-
IX	$ 288,444	04/20/17	10/20/18	Badlar + 4.00%	213,642	301,429	-
X	$ 211,556	04/20/17	10/20/19	Badlar + 4.74%	227,542	220,860	-
XI	$ 346,996	07/12/17	01/12/19	Badlar + 5.00%	361,189	365,010	-
XIII	$ 250,000	11/10/17	05/10/19	Badlar + 6.50%	264,128	257,756	-
XV	$ 354,911	03/28/18	09/28/19	Badlar + 4.75%	353,627	-	-
					33,755,231	**26,589,820**	**16,575,726**

(1) The Bank uses the net proceeds of the placement of Negotiable Obligations for any of the purposes as set forth in Section 36 of the Negotiable Obligations Law, BCRA Communication “A” 3046, as amended and supplemented, and other applicable regulations.

The Ordinary General Shareholders’ Meeting held on May 23, 2008 approved the creation of a new Global Program for the issuance of negotiable obligations, not convertible into shares, secured or unsecured, for up to two billion US dollars (US$2,000,000,000) or an equal amount in Pesos, which was subsequently amended, extended and increased in several opportunities by subsequent Ordinary General Shareholders’ Meetings and Board Resolutions. The current amount authorized to be issued under the Global Note Program is up to US$ 1,500,000,000 (or its equivalent in Pesos).

The Program’s Public Offering was authorized by Resolution No. 16,573 dated May 24, 2011, the increase of the Program amount was authorized by Resolution No. 17,805 dated September 9, 2015, the extension of the Program and the increase of its amount were authorized by Resolution No. 18,145 dated July 28, 2016 and a new increase of its amount was authorized by Resolution No. 18,493 dated February 2, 2017, all of them issued by the CNV.

(2) On March 26, 2012, BACS’ Ordinary General 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 parties, subordinated or unsubordinated, for an aggregate principal amount 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. 17,271. On April 13, 2016, the General

Shareholders' Meeting approved the extension of the Global Note Program from an aggregate principal amount of US$ 150,000,000 to US$ 300,000,000.

(3) The Program was approved by Tarshop's Shareholders' Meeting held on April 11, 2016 for an aggregate amount of up to US$ 400,000,000, amount which was then reduced by resolution of the Company's Board of Directors dated April 11, 2016 to US$ 200,000,000 (or its equivalent in other currencies). Due to the issuance of Series XV Negotiable Obligations, Tarshop has received as payment in kind, Series IV Negotiable Obligations for a principal amount of $ 51,500, Series VII Negotiable Obligations for a principal amount of $ 15,000 and Series IX Negotiable Obligations for a principal amount of $ 90,500.

Subordinated negotiable obligations

At the Extraordinary General Shareholders' Meeting of BACS dated December 12, 2013, the issuance of Convertible Subordinated Negotiable Obligations through private offering was approved for an amount of up to Ps. 100,000 thousand. On June 22, 2015, BACS issued negotiable obligations that are convertible into the Company's common and book-entry shares for a principal amount of Ps. 100,000 thousand.

The private offering of the convertible negotiable obligations was solely addressed to the Company's shareholders. IRSA Inversiones y Representaciones S.A. ("IRSA") subscribed all the convertible negotiable obligations. On June 21, 2016, the Bank was notified by IRSA about the decision to exercise its conversion rights over such securities and the filings made before the Argentine Central Bank and the CNV.

On February 10, 2017, BACS took notice of BCRA's Resolution No. 63, dated February 7, 2017, granting its unqualified authorization for the conversion of the Negotiable Obligations Convertible into Common Shares in favor of IRSA, representing 26.989% of its stock capital. BACS' board meeting held on February 21, 2017 resolved BACS' capital increase for Ps. 87,813 thousand and the issuance of 25,313,251 book-entry common shares with a face value of ($1) and one voting right each in favor of IRSA.

16. OTHER FINANCIAL LIABILITIES

The table below shows the balances of other financial liabilities as of the indicated dates:

	09/30/2018	12/31/2017	01/01/2017
	(In thousands of Ps.)		
Liabilities related to the transfer of financial assets not derecognized (See Note 10)	3,362,789	2,474,568	2,679,804
Credit cards consumptions payable	2,156,254	2,488,493	1,810,155
Payables from transactions pending settlement	1,631,797	700,095	536,966
Others	411,797	403,336	102,860
Total other financial liabilities	**7,562,637**	**6,066,492**	**5,129,785**

17. OTHER NON-FINANCIAL LIABILITIES

The table below shows the balances of other non-financial liabilities as of the indicated dates:

	09/30/2018	12/31/2017	01/01/2017
	(In thousands of Ps.)		
Salaries and social security charges	762,810	746,347	453,266
Employee benefits payable (a)	206,720	286,386	129,297
Directors' and supervisory committee's	185,299	110,684	55,271

members' fees			
Tax withholdings to be deposited	243,640	229,261	212,156
Other taxes payable	649,600	416,366	346,448
Miscellaneous payables	1,178,413	1,082,387	931,447
Others	16,514	9,157	10,314
Total other non-financial liabilities	**3,242,996**	**2,880,588**	**2,138,199**

(a) The Board of Directors of BACS, in its meetings held on December 13, 2012 and July 29, 2013 (with the Corporate Governance Committee's previous consent and following the Risk Committee's review), established a long-term incentive plan for certain executive officers (other than directors). Under such plan, participants will be entitled to receive a payment as part of their variable compensation, tied to the increase in the Bank's capital. The plan is effective for five years, commencing in January 2013.

On August 14, 2013, the Long-term Incentive Plan was endorsed. On August 7, 2014, the Board of Directors of BACS, passed the "Policy for Setting up Provisions for the Long-term Incentive Plan", outlining the "criteria to calculate the provision", the "provision calculation method", "accrual," and "some additional considerations", including the frequency for the calculation review.

Every year, BACS' Board of Directors fixes the incremental amount of the provision accrued in the course of the year, on a monthly basis. The provision is calculated on the basis of the assumption of the concurrent "resignation" of four beneficiaries, as discussed in the Long-term Incentive Plan. The calculation is based on the percentage of beneficiaries resulting from adding each beneficiary's percentage - which totals 16.2% - as per the calculation formulas and explanations outlined in the Long-term Incentive Plan.

The Plan will remain in place throughout its effective term, that is, 5 calendar years from the commencement date (January 1, 2013), or until the occurrence of the earlier of an Event of Liquidity, or a Special Assumption.

Banco Hipotecario, S.A., in its capacity as controlling entity, through a notice dated October 4, 2017, required that BACS' Board of Directors renegotiate the agreement related to the Senior Management Long-term Incentive Plan Policy. Pursuant to such notice, on October 19, 2017, BACS notified the Argentine Central Bank that it would proceed accordingly.

On January 19, 2018, by way of minutes of the Board of Directors' meeting No. 322, a payment arrangement in connection with the Long-term Incentive Plan was agreed upon with the "Beneficiaries", split into three equal payments. The first payment was due within two business days from the subscription date of the arrangement, the second payment is due on January 31, 2019 and the third payment is due on January 31, 2020, plus interest on the third payment only at 50% of the BADLAR rate commencing on the subscription date of the payment arrangement. On January 22, 2018, the Bank disbursed the first payment under this arrangement in an aggregate amount of Ps. 89,629 thousand.

On January 23, 2018, BACS called for an ordinary and extraordinary shareholders' meeting to discuss an increase in capital stock through the issuance of a number of shares representing no less than 30% of, and up to fivefold, the Bank's current capital, and to determine the additional paid-in capital of such shares, with the definition of all other conditions for the issuance to be delegated upon the Board of Directors. Furthermore, as per the negotiations with the "Beneficiaries" of the Long-term Incentive Plan, at this stage, the shareholders' meeting shall consider whether to grant beneficiaries a right to subscribe the shares associated to the capital increase that will be discussed at the shareholders' meeting, under the same conditions as those offered to the current shareholders, in respect of shares representing 16.2% of the BACS' capital stock and voting rights following the increase. To such end, BACS' current shareholders should waive their preemptive subscription rights (Section 197 of the Argentine Corporations Law) in respect of the portion that will be exercised by the plan "beneficiaries." Once the capital increase has been approved and the additional paid-in capital has been determined at the shareholders' meeting, the right will become exercisable at such time as the Board of Directors determine the other conditions for the issue and subscription.

An Ordinary and Extraordinary Shareholders' Meeting was scheduled to be held on February 15, 2018 to discuss the capital stock increase, which was declared void as the required quorum was not present.

On February 7 and March 23, 2018, BACS received two new notices from the Argentine Central Bank and replied to them in due time and form. In its answers, BACS asserted and endorsed its commitment to review any future new long-term incentive policy, agreement or plan for its executives which might be under consideration, in compliance with the Argentine Central Bank's Guidelines on Financial Institutions' Corporate Governance.

As of September 30, 2018 and December 31, 2017, this item was reflected under "Other non-financial liabilities" in the amount of Ps. 179,257 thousand and Ps. 268,886 thousand, respectively. In turn, as of September 30, 2018, the same item includes Ps. 9,448 thousand as adjustment to the third and last payment.

18. COMMITMENTS AND CONTINGENCIES

Commitments
During the period ended September 30, 2018, the Group has not undertaken any capital commitment.

Contingencies
The Group's main contingencies are described in Note 31.6.

Provisions
The balances of provisions are due to:

	09/30/2018	12/31/2017	01/01/2017
	(In thousands of Ps.)		
Taxes	93,225	44,496	11,313
Lawsuits	153,902	179,499	205,514
Administrative, disciplinary and criminal sanctions	1,200	600	600
Post-retirement benefit plans	51,843	45,029	30,782
Customers' loyalty programs	54,086	57,495	58,125
Other	101,627	128,009	28,378
Total Provisions	**455,883**	**455,128**	**334,712**

19. CAPITAL STRUCTURE

The capital stock is fully subscribed, paid-in and registered and is broken down as follows:

	Outstanding shares	Treasury shares	Total shares
	(In thousands of Ps.)		
Balance as of 01/01/2017	**1,463,365**	**36,635**	**1,500,000**

Balance as of 12/31/2017	**1,463,365**	**36,635**	**1,500,000**
Delivery of shares in connection with the stock-based compensation plan (a)	2,087	(2,087)	-
Balance as of 09/30/2018	**1,465,452**	**34,548**	**1,500,000**

(a) During the nine-month period ended September 30, 2018, 2,087 shares were delivered under the stock-based compensation plan described in Note 1. Changes in the associated reserve were as follows:

	Reserve for stock-based payments
	(In thousands of Ps.)
Balance as of 01/01/2017	**-**
Set up of reserve for stock-based compensation plan	439,617
Balance as of 12/31/2017	**439,617**
Shares delivered	(25,044)
Fiscal year 2017 dividends	4,592
Balance as of 09/30/2018	**419,165**

20. NON-CONTROLLING INTEREST

Below is a detail of changes in the Group's significant non-controlling interests as of September 30, 2018 and December 31, 2017:

	09/30/2018	**12/31/2017**
	(In thousands of Ps.)	
Balance at the beginning	**287,921**	**163,892**
Share of profit for the period/year	25,155	20,321
Increases (see note 15)	-	103,708
Balance at period/year-end	**313,076**	**287,921**

21. INTEREST AND ADJUSTMENTS INCOME / FEE AND COMMISSION INCOME

Interest and adjustments income	**09/30/2018**	**09/30/2017**
	(In thousands of Ps.)	
Interest on cash and bank deposits	6,031	175
Interest on loans to the financial sector	111,734	80,553
Interest on overdraft facilities	264,505	92,386
Interest on promissory notes	136,520	130,939
Interest on mortgage loans	339,220	384,763
Interest on consumer loans	2,440,127	1,678,263
Interest on pledge loans	69,767	88,485
Interest on credit card loans	4,942,928	3,629,165
Interest on financial leases	28,670	29,094
Interest on other loans	1,074,149	699,924
Interest on other receivables for financial transactions	11,734	13,276
Interest on government and corporate securities	799,706	434,709
Income from CER, CVS, UVA and UVI adjustments	417,707	291

Other	74,289	355,876
Total	**10,717,087**	**7,617,899**

Fee and commission income	**09/30/2018**	**09/30/2017**
	(In thousands of Ps.)	
Linked to lending transactions	246,223	181,942
Linked to borrowing transactions	2,981,097	2,416,682
Other commissions	24,549	23,191
Total	**3,251,869**	**2,621,815**

22. INTEREST AND ADJUSTMENTS EXPENSE

Interest and adjustments expense	**09/30/2018**	**09/30/2017**
	(In thousands of Ps.)	
Interest on checking accounts deposits	740,155	50,101
Interest on savings account deposits	6,029	3,469
Interest on time deposits	2,095,047	1,625,198
Interest on interfinancial loans received	117,846	99,247
Interest on other liabilities resulting from financial transactions	5,082,211	2,715,118
Expense for CER, CVS, UVA and UVI adjustments	582,816	46,916
Other	3,867	45,967
Total	**8,627,971**	**4,586,016**

23. GOLD AND FOREIGN CURRENCY QUOTATION DIFFERENCES, NET

Originated in:	**09/30/2018**	**09/30/2017**
	(In thousands of Ps.)	
US-dollar denominated assets	12,566,655	901,870
US-dollar denominated liabilities	(12,864,831)	(857,675)
Derivative instruments	99,718	(69,209)
Net assets denominated in euro	65,654	11,133
Quotation differences	**(132,804)**	**(13,881)**

24. OTHER OPERATING INCOME / (EXPENSES)

Other operating income	**09/30/2018**	**09/30/2017**
	(In thousands of Ps.)	
Loan servicing	1,981,961	1,953,898
Income from services PRO.CRE.AR	232,110	74,135
Penalty interest	114,977	84,626
Loans recovered	123,192	118,088
Reversal of allowances	166,676	33,819
Rentals	11,450	9,056
Other income	222,828	172,866
Total	**2,853,189**	**2,446,488**

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Other operating expenses	**09/30/2018**	**09/30/2017**
	(In thousands of Ps.)	
Turnover tax	1,139,300	834,304
Other taxes	132,362	33,565
Loan servicing	695,645	645,645
Contribution to the deposit insurance fund	31,074	25,168
Charges for other provisions	202,707	156,704
Debit card rebates	35,976	12,458
Credit card rebates	19,290	15,294
Donations	44,457	28,862
Other expenses	95,655	186,296
Total	**2,396,466**	**1,938,296**

25. EXPENSES BY FUNCTION AND NATURE

The Group 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 the required additional information about expenses by nature:

Administrative expenses	**09/30/2018**	**09/30/2017**
	(In thousands of Ps.)	
Fees and compensation for services	833,609	676,712
Directors’ fees	163,226	104,674
Advertising, promotion and research expenses	96,322	78,422
Taxes and duties	300,160	277,997
Maintenance and repairs	160,863	159,108
Electricity, gas and telephone services	196,877	152,568
Insurance	17,287	17,239
Entertainment and transportation expenses	38,273	42,160
Office supplies	16,203	35,658
Rentals	175,341	140,609
Miscellaneous	282,661	233,935
Total	**2,280,822**	**1,919,082**

26. EMPLOYEE BENEFITS

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

	09/30/2018	**09/30/2017**
	(In thousands of Ps.)	
Salaries and social security charges	2,056,573	1,768,437
Severance payments and bonuses	507,409	538,688
Personnel expenses	106,307	82,558
Total	**2,670,289**	**2,389,683**

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27. EARNINGS PER SHARE

Earnings per share are calculated by dividing income attributable to the Group's shareholders by the weighted average of outstanding common shares during the period. As the Group does not have preferred shares or debt convertible into shares, basic earnings are equal to diluted earnings per share.

	09/30/2018	09/30/2017
	(In thousands of Ps.)	
Income attributable to the group's shareholders	1,541,741	1,065,800
Weighted-average of common shares outstanding (thousand)	1,464,369	1,463,365
Earnings per share	**1.053**	**0.728**

28. SEGMENT REPORTING

The Group determines operating segments based on management reports that are reviewed by the Board of Directors and key management personnel and updated as they show changes.

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

(a) Finance – Corresponds to 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 advice, as well as asset management and loans to large customers. This segment also includes the operations of our subsidiaries BACS and BH Valores.
(c) Retail Banking – It includes loans granted and other credit products, such as deposit taking from individuals. It also includes the operations of our subsidiaries Tarshop and BHN Inversión.

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 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 any transaction occurs, the transfer pricing among operating segments is at arm's length similarly to transactions carried out with third parties. Income, expenses and income (losses) resulting from transfers among operating segments are then eliminated from consolidation.

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

	September 30, 2018							
		Retail banking		Wholesale banking				
	Finance	Retail Banking	Insurance	BHSA	BACS	Other	Adjustments	Consolidated
Total assets.........................	14,840,854	41,934,254	3,623,775	18,154,380	3,186,796	4,730,972	(3,305,911)	**83,165,120**
Total liabilities........................	12,187,422	37,012,225	2,327,870	16,102,870	2,698,065	4,379,246	(1,116,564)	**73,591,134**

	December 31, 2017							
		Retail banking		Wholesale banking				
	Finance	Retail Banking	Insurance	BHSA	BACS	Other	Adjustments	Consolidated
Total assets.........................	18,503,778	31,405,406	1,773,446	12,333,106	2,362,213	3,348,571	(2,265,998)	**67,460,522**
Total liabilities........................	(14,818,646)	(30,503,347)	(710,767)	(9,952,503)	(1,935,102)	(1,691,742)	353,861	**(59,258,246)**

	January 1, 2017							
		Retail banking		Wholesale banking				
	Finance	Retail Banking	Insurance	BHSA	BACS	Other	Adjustments	Consolidated
Total assets.........................	8,463,549	29,556,896	1,398,941	10,650,167	1,750,824	2,128,337	(1,846,144)	**52,102,570**
Total liabilities........................	(7,308,620)	(27,020,675)	(555,628)	(8,139,897)	(1,406,127)	(1,319,024)	199,582	**(45,550,389)**

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	September 30, 2018							
		Retail banking		Wholesale banking				
	Finance	Retail Banking	Insurance	BHSA	BACS	Other	Adjustments	Consolidated
Financial income	3,402,229	7,779,462	653,588	1,777,993	578,832	-	(42,893)	14,149,211
Financial expenses................................	(2,161,351)	(6,002,589)	85,906	(1,279,481)	(330,174)	(7,303)	42,893	-9,652,099
Net financial margin	**1,240,878**	**1,776,873**	**739,494**	**498,512**	**248,658**	**(7,303)**	**-**	**4,497,112**
Income from services, net..................	(80,979)	2,393,277	1,402,819	52,008	121,008	297,425	5,751	4,191,309
Net revenues	**1,159,899**	**4,170,150**	**2,142,313**	**550,520**	**369,666**	**290,122**	**5,751**	**8,688,421**
Loan loss provision	-	(1,130,785)	(4,698)	(137,380)	(7,443)	-	-	-1,280,306
Administrative expenses	(130,626)	(3,678,677)	(419,757)	(354,589)	(257,351)	(229,299)	5,852	-5,064,447
Income / (loss) from intermediation activities	**1,029,273**	**(639,312)**	**1,717,858**	**58,551**	**104,872**	**60,823**	**11,603**	**2,343,668**
Miscellaneous profits, net......................	6,328	158,190	(174,517)	40,750	(833)	(208,650)	411	-178,321
Non-controlling interest	-	-	-	-	(2,745)	-	(22,410)	-25,155
Income / (loss) before taxes	**1,035,601**	**(481,122)**	**1,543,341**	**99,301**	**101,294**	**(147,827)**	**(10,396)**	**2,140,192**
Income tax.......................	(41,764)	(3,575)	(510,116)	(2,786)	(40,210)	-	-	-598,451
Net income / (loss)	**993,837**	**(484,697)**	**1,033,225**	**96,515**	**61,084**	**(147,827)**	**(10,396)**	**1,541,741**

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	September 30, 2017							
		Retail banking		Wholesale banking				
	Finance	Retail Banking	Insurance	BHSA	BACS	Other	Adjustments	Consolidated
Financial income	1,310,705	5,525,081	265,386	1,063,017	372,947	-	(14,351)	8,522,785
Financial expenses................................	(698,859)	(3,364,470)	6,995	(855,083)	(182,903)	(136,848)	14,351	-5,216,817
Net financial margin	**611,846**	**2,160,611**	**272,381**	**207,934**	**190,044**	**(136,848)**	**-**	**3,305,968**
Income from services, net..................	(49,659)	1,800,097	1,228,426	100,423	137,558	269,467	(150)	3,486,162
Net revenues	**562,187**	**3,960,708**	**1,500,807**	**308,357**	**327,602**	**132,619**	**(150)**	**6,792,130**
Loan loss provision	-	(723,134)	-	(65,723)	(7,805)	-	-	-796,662
Administrative expenses	(113,280)	(3,189,556)	(314,585)	(307,689)	(297,158)	(198,925)	150	-4,421,043
Income / (loss) from intermediation activities	**448,907**	**48,018**	**1,186,222**	**(65,055)**	**22,639**	**(66,306)**	**-**	**1,574,425**
Miscellaneous profits, net......................	27,796	27,359	(134,491)	(957)	7,649	(59,939)	(17,396)	-149,979
Non-controlling interest	-	-	-	-	(2,060)	-	(13,153)	-15,213
Income / (loss) before taxes	**476,703**	**75,377**	**1,051,731**	**(66,012)**	**28,228**	**(126,245)**	**(30,549)**	**1,409,233**
Income tax.......................	(26,397)	61,542	(371,627)	-	(6,951)	-	-	-343,433
Net income / (loss)	**450,306**	**136,919**	**680,104**	**(66,012)**	**21,277**	**(126,245)**	**(30,549)**	**1,065,800**

Information on geographic areas:

The Group's operations are entirely conducted in Argentina.

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29. TRANSACTIONS AND BALANCES WITH RELATED PARTIES

Related parties are entities that, either directly or indirectly through other entities, control, are under common control with, or have significant influence on, another entity's financial or operating decisions.

The Group controls another entity when it has the power over that entity's financial and operating decisions and also has a share of profits of such entities.

In addition, the Group is under common control with another entity when there is an agreement between parties regarding the control of a common business activity.

Finally, the Group has significant influence over an entity when it has the power to direct or cause the direction of that entity's financial and operating decisions, but not control.

In determining these situations, consideration is given to legal aspects, as well as to the nature and substance of the relationship.

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

Controlling entities: principal shareholders

The Bank's principal shareholders are:

Name	Class of shares	09/30/2018		12/31/2017		01/01/2017	
		Votes %	Capital %	Votes %	Capital %	Votes %	Capital %
Fondo Federal de Infraestructura Regional Assistance Trust	A	22.86%	44.30%	22.86%	44.30%	22.89%	44.34%
Employee Stock Ownership Plan	B	1.96%	3.80%	1.96%	3.80%	1.96%	3.80%
Fondo Federal de Infraestructura Regional Assistance Trust	C	2.58%	5.00%	2.58%	5.00%	2.58%	5.00%
IRSA Inversiones y Representaciones S. A. (a)	D	46.31%	29.91%	46.31%	29.91%	46.32%	29.91%
ANSES	D	7.64%	4.94%	7.64%	4.94%	7.63%	4.93%
Treasury Shares	D	3.57%	2.30%	3.78%	2.44%	3.78%	2.44%
The Bank of New York	D	9.38%	6.06%	9.38%	6.06%	9.38%	6.06%
Other	D	5.70%	3.69%	5.49%	3.55%	5.46%	3.52%
		100.00%	**100.00%**	**100.00%**	**100.00%**	**100.00%**	**100.00%**

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(a) IRSA Inversiones y Representaciones ("IRSA") owns these holdings directly and indirectly through the following subsidiaries: Tyrus S.A., Ritelco S.A., E-Commerce Latina S.A., Palermo Invest S.A., and Inversora Bolívar S.A.

Subsidiaries

Below is a detail of the Group's related parties and the nature of the existing relationship with each of them:

Name	Nature	Place of Business	PERCENTAGE INTEREST					
			09/30/2018		12/31/2017		01.01.2017	
			Direct	Direct and Indirect	Direct	Direct and Indirect	Direct	Direct and Indirect
BACS Banco de Crédito y Securitización S.A.	Control	Argentina	68.28%	68.28%	68.28%	68.28%	87.50%	87.50%
BHN Sociedad de Inversión S.A	Control	Argentina	99.99%	100.00%	99.99%	100.00%	99.99%	100.00%
Tarshop S.A.	Control	Argentina	80.00%	80.00%	80.00%	80.00%	80.00%	80.00%
BH Valores S.A.	Control	Argentina	95.00%	100.00%	95.00%	100.00%	95.00%	100.00%

Directors' Fees

According to Law No. 19,550, the fees payable to the Board of Directors, if not established in an entity's by-laws, should be set by the Shareholders' Meeting. 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. 20,744. This law sets forth certain employment conditions, including, without limitation, salaries, income protection, working hours, vacations, paid leaves, minimum age requirements, workers' protection, and manners to suspend or terminate employment contracts. The fees payable every year to our directors are determined in accordance with the guidelines set forth in Law No. 19,550, taking into account whether 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 September 30, 2018, the Bank's key personnel were comprised as follows:

Name	**Position**
Manuel Herrera	General Manager
Gerardo Rovner	Corporate Audit Manager
Ernesto Viñes	Legal Manager
Tomás Godino	Finance Manager
Alejandro Sokol	Risk Manager
Mariano Cané de Estrada	Planning and Management Control Manager
Ignacio Uranga	Corporate Banking Manager
Guillermo Mansilla	Retail Banking Manager
Pedro Ballester	Operations Manager
Julieta Albala	Processes, Systems and Technology Manager
Sebastián Argibay Molina	Organizational Development and Quality Assurance Manager
Javier Eduardo Varani	Institutional Affairs Manager
Esteban Vainer	Housing Development Comprehensive Unit Manager

Corporate Services Contracts

In the 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 in order to reduce the impact of such costs on the results of its operations, leveraging and streamlining the individual efficiencies of each of the companies in the several areas comprising operating management.

This arrangement allows the Bank and its subsidiaries to maintain full independence and confidentiality in their strategic and business decisions, with costs and rewards being allocated on the basis of operating efficiencies and equity, without pursuing individual profits for each of the companies.

BACS

On November 30, 2000, the Bank and BACS entered into a service agreement, which was subsequently amended to adjust service fees.

Under this agreement, the Bank delivers corporate services from the following areas: human resources, financial services, IT services, procurement and contracting, accounts payable, and overall secretarial and legal advice services. The agreement also provides for the exclusive use by BACS of a space within the Bank's vault.

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Tarshop

On April 29, 2015, Tarshop executed a service proposal with the Bank, which was subsequently amended to adjust service fees.

Under this service proposal, the Bank delivers corporate services from the following areas: procurement and general services; asset maintenance, management and administration; fraud prevention and control in connection with credit cards issued by Tarshop; mail; internal audit; oversight and control of agencies and agents; IT security and SAP system maintenance; and finance services.

BHN Vida and BHN Seguros Generales

On July 26, 2007, BHN Vida and BHN Seguros Generales (the "companies") entered into a management agreement with the Bank, which was subsequently amended to adjust service fees.

Under this agreement, the Bank currently delivers corporate services from the following areas: 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.

The agreement further provides that the companies will deliver insurance-related services to the Bank, including operating, claim-processing, and system-related services. As from July 2, 2018, the Bank has managed without these services.

Tarshop VISA

On September 5, 2014, Tarshop entered into an agreement with Prisma Medios de Pago S.A. (former Visa Argentina S.A.) to launch the "Tarjeta Shopping VISA" product. Such loan portfolio is issued under a membership agreement with the Bank, but is identified with a unique and exclusive code assigned to Tarshop.

The services delivered by Prisma Medios de Pago S.A. ("Prisma") in respect of "Tarjeta Visa TarShop" are invoiced to Tarshop. Prisma carries out a cash offsetting by netting balances in accounts held with the Argentine Central Bank between issuing and accrediting entities participating in the Visa Card Program, which will be identified with a unique and exclusive code for operations with Tarjeta Visa Tarshop, operating daily through the Bank. Such cash offsetting includes debits and credits in connection with the activities of Tarjeta Visa Tarshop, the adjustment of the respective Guarantee Fund, and any other credit and/or debit that might apply in respect of the operations of the cards. Tarshop makes available to the Bank the funds required to cover the respective cash offsetting resulting from the operation of Tarjeta Visa Tarshop, on a daily basis.

The Bank will be jointly and severally liable for insufficient funds in the Guarantee Fund to cover contingencies associated with Tarjeta Visa Tarshop. The Bank is entitled to cause Prisma to suspend the operation of Tarjeta Visa Tarshop. In this case, Tarshop will assign to the Bank credit card vouchers pending settlement to merchants and/or collections received from them.

If the Bank did not maintain control over Tarshop, in such manner as to be solely entitled to make ordinary and extraordinary decisions and other decisions requiring a qualified majority pursuant to the Argentine Companies Law in respect of Tarshop, the portfolio of “Tarjeta Visa Tarshop” would be either merged into another portfolio held by the Bank, and/or transferred to a bank participating in the Visa Argentina Network, within 90 days. If the operation was not carried out within such term, the portfolio would be transferred to Prisma at its carrying amount, net of contingencies.

Rental of Offices and Space at Shopping Malls

Tarshop, 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. In addition, Tarshop and BHSA lease certain spaces at shopping malls (stores, booths, storage space, or advertising spots) from IRSA CP.

The agreements provide for terms and conditions and prices similar to those agreed upon with third parties.

Legal Services

The Group 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 inter-company credit facility agreements. The interest rate on these facilities is determined at arm's length.

In addition, BHSA and BACS usually act as placement agents in certain related parties’ transactions carried out in the capital market. We have collection service agreements in place with the shopping malls owned by IRSA CP.

Below is a detail of the most significant balances and transactions with related parties as of September 30, 2018:

Related party	Transaction overview	Other debt securities	Investments in equity instruments	Loans and other financing arrangements	Other financial assets	Other non-financial assets	Deposits	Negotiable obligations issued	Other financial liabilities
		(In thousands of Ps.)							
BACS	Loans	-	-	3,713	-	-	-	-	-
	Deposits	-	-	-	-	-	47,592	-	-
	Services	-	-	-	2,317	-	-	-	-
Tarshop	Loans	-	-	176,594	-	-	-	-	-
	Deposits	-	-	-	-	-	20,479	-	-
	Services	-	-	-	272	-	-	-	-
BHN Inversión	Deposits	-	-	-	-	-	13,704	-	-
	Holding of Negotiable Obligations	-	-	-	-	-	-	92,025	-
	Services	-	-	-	8,446	-	-	-	-
	Dividends receivable	-	-	-	749,998	-	-	-	-
BH Valores	Deposits	-	-	-	-	-	1,425	-	-
Total subsidiarias		**-**	**-**	**180,307**	**761,033**	**-**	**83,200**	**92,025**	**-**
IRSA (Includes subsidiaries)	Holding of shares and negotiable obligations	39,438	23,622	-	-	-	-	-	-
	Services	-	-	-	2,638	-	-	-	15
Total Shareholders		**39,438**	**23,622**	**-**	**2,638**	**-**	**-**	**-**	**15**
Estudio Zang Bergel y Viñes	Legal services	-	-	-	-	-	-	64	-
Directors	Fees	-	-	-	-	49,609	-	-	185,299
Total other		**-**	**-**	**-**	**-**	**49,609**	**-**	**64**	**185,299**
Total		**39,438**	**23,622**	**180,307**	**763,671**	**49,609**	**83,200**	**92,089**	**185,314**

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Related Party	Transaction overview	Interest income	Interest expense	Fee and commission income	Employee benefits	Administrative expenses
		(In thousands of Ps.)				
BACS	Loans	2,184	-	-	-	-
	Services	-	-	762	-	-
Tarshop	Loans	29,948	-	-	-	-
	Services	-	-	3,725	-	-
BHN Inversión	Holding of Negotiable Obligations	-	10,761	-	-	-
	Services	-	-	214,570	-	-
Total subsidiaries		**32,132**	**10,761**	**219,057**	**-**	**-**
IRSA (Includes subsidiaries)	Holding of shares and negotiable obligations	656	-	-	-	-
	Services	-	-	-	-	23.595
Total Shareholders		**656**	**-**	**-**	**-**	**23,595**
Estudio Zang Bergel y Viñes	Legal services	-	-	-	-	1,998
Directors	Fees	-	-	-	-	163,226
Key management personnel		-	-	-	337,614	-
Total other		**-**	**-**	**-**	**337,614**	**165,224**
Total		**32,788**	**10,761**	**219,057**	**337,614**	**188,819**

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Below is a detail of the most significant balances and transactions with related parties as of December 31, 2017:

Related party	Transaction overview	Debt securities at fair value through profit or loss	Investments in equity instruments	Loans and other financing arrangements	Other financial assets	Deposits	Negotiable obligations issued	Other financial liabilities
		(In thousands of Ps.)						
BACS	Loans	-	-	16,098	-	-	-	-
	Deposits	-	-	-	-	156,866	-	-
	Services	-	-	-	1,480	-	-	11,584
Tarshop	Deposits	-	-	-	-	32,755	-	-
	Services	-	-	-	242	-	-	-
BHN Inversión	Deposits	-	-	-	-	6,320	-	-
	Holding of Negotiable Obligations	-	-	-	-	-	53,547	-
	Services	-	-	-	36,771	-	-	36,204
BH Valores	Deposits	-	-	-	-	2,014	-	-
Total subsidiaries		**-**	**-**	**16,098**	**38,493**	**197,955**	**53,547**	**47,788**
IRSA (Incluye subsidiarias)	Holding of shares and negotiable obligations	26,816	17,398	-	-	-	-	-
	Services	-	-	-	1,787	-	-	320
Total Shareholders		**26,816**	**17,398**	**-**	**1,787**	**-**	**-**	**320**
Estudio Zang Bergel y Viñes	Legal services	-	-	-	-	-	-	1
Directors	Fees	-	-	-	46,938	-	-	110,684
Total other		**-**	**-**	**-**	**46,938**	**-**	**-**	**110,685**
Total		**26,816**	**17,398**	**16,098**	**87,218**	**197,955**	**53,547**	**158,793**

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Below is a detail of the most significant balances and transactions with related parties as of January 1, 2017:

Related party	Transaction overview	Debt securities at fair value through profit or loss	Investments in equity instruments	Loans and other financing arrangements	Other financial assets	Deposits	Negotiable obligations issued	Other financial liabilities	Subordinated negotiable obligations
		(In thousands of Ps.)							
BACS	Loans	-	-	33,342	-	-	-	-	-
	Deposits	-	-	-	-	3,426	-	-	-
	Services	-	-	-	9,443	-	-	21,590	-
Tarshop	Deposits	-	-	-	-	51,628	-	-	-
	Services	-	-	-	1,898	-	-	-	-
BHN Inversión	Deposits	-	-	-	-	3,887	-	-	-
	Holding of Negotiable Obligations	-	-	-	-	-	11,987	-	-
	Services	-	-	-	31,317	-	-	31,048	-
BH Valores	Deposits	-	-	-	-	15	-	-	-
Total subsidiaries		**-**	**-**	**33,342**	**42,658**	**58,956**	**11,987**	**52,638**	**-**
IRSA (Includes subsidiaries)	Holding of shares and negotiable obligations	29,005	7,452	-	-	-	-	-	136,838
	Services	-	-	-	1,779	-	-	134	-
Total Shareholders		**29,005**	**7,452**	**-**	**1,779**	**-**	**-**	**134**	**136,838**
Estudio Zang Bergel y Viñes	Legal services	-	-	-	-	-	-	1	-
Directors	Fees	-	-	-	36,229	-	-	55,275	-
Total other		**-**	**-**	**-**	**36,229**	**-**	**-**	**55,276**	**-**
Total		**29,005**	**7,452**	**33,342**	**80,666**	**58,956**	**11,987**	**108,048**	**136,838**

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Below is a detail of the most significant balances and transactions with related parties as of September 30, 2017:

Related Party	Transaction overview	Interest income	Interest expense	Fee and commission income	Employee benefits	Administrative expenses
		(In thousands of Ps.)				
BACS	Loans	5,289	-	-	-	-
	Services	-	-	5,257	-	-
Tarshop	Loans	994	-	-	-	-
BHN Inversión	Deposits	-	4,800	-	-	-
	Services	-	-	154,064	-	-
Total subsidiaries		**6.283**	**4,800**	**159,321**	**-**	**-**
IRSA (Includes subsidiaries)	Holding of shares and negotiable obligations	485	-	-	-	-
	Subordinated negotiable obligations	-	4,321	-	-	-
	Services	-	-	-	-	22,155
Total Shareholders		**485**	**4,321**	**-**	**-**	**22,155**
Estudio Zang Bergel y Viñes	Legal services	-	-	-	-	3,115
Directors	Fees	-	-	-	-	104,674
Key management personnel		-	-	-	151,277	-
Total other		**-**	**-**	**-**	**151,277**	**107,789**
Total		**6,768**	**9,121**	**159,321**	**151,277**	**129,944**

30. 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). As part of this process, the Bank estimates the credit quality of the new loans, considering the sales channels through which they will be granted and the target market, and then forecasts expected arrears and write-off. In line with its business goals, and considering the aforementioned forecasts, the Bank sets a credit risk appetite; in other words, tolerance limits 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.

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 Retail Banking Credit Risk and are approved by the Risk Management Committee and the Board of Directors on an annual basis. The models developed by the Bank or market models (developed by Veraz, Nosis and Visa) are subject to a 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.

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.

Indicators are developed and reported on an ongoing basis to monitor the performance of the several credit portfolios and, in particular, the quality of the new loans. The main indicators in this regard are part of the Risk Scorecard which is developed on a monthly basis by Management Control and submitted to the Risk Management Committee and the Board, at least, on a quarterly basis. In addition, a Main Risk Indicator (PIR, for its Spanish acronym) report is prepared and submitted to Senior Management on a monthly basis, in which changes in arrears and write-off are monitored and sorted out by several criteria aimed at the early detection of departures from expectations. In addition, certain more specific reports are prepared in order for the Area Manager to be able to monitor the origination volume and mix and quality in terms of channels, businesses, segments and other relevant variables on an ongoing basis. In particular, several areas of the Bank continuously develop reports on credit assessment quality, regardless of the controls performed by the Audit area.

Both portfolio maintenance, which is mainly related to credit cards, and arrears management are governed by the aforementioned Credit Policies and Scoring Models. As concerns card portfolio maintenance, the policy mainly sets out the guidelines to manage credit facilities and access to product attributes, including, for instance, cash advances. As concerns arrears management, the policies govern the commencement of the 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 the several divisions.

For credit risk management, that is, management of unexpected losses, the Bank has developed methodologies for the periodical performance of Stress Testing and Economic Capital calculation. The calculation of economic capital provides a measure of the risk assumed which is consistent with all other types of risks and considers the default rate historical volatility, the exposure usually associated with loans at the time of default, and losses upon default in normal and stress scenarios. Stress tests are useful to estimate, by applying predictive models, the impact of substantial impairment in activity and employment levels on an entity's profits. Both instruments provide a criterion to define the aforementioned appetite levels and to develop contingency plans in the face of potential stress scenarios.

Credit Risk Management - Corporate Banking and Public Sector

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.

Corporate 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 Corporate 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 Corporate 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 Corporate 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 and Internal Review Commission comprised by subject-matter specialists.

The Corporate 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 Corporate 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. As concerns arrears management, the policies govern the commencement of the 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 the several business segments. The main indicators in this regard are part of the Risk Scorecard which is developed on a monthly basis by Management Control and submitted to the Risk Management Committee and the Board, at least, on a quarterly basis. 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 corporate banking portfolio credit risk in the face of the 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.

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

	09/30/2018	**12/31/2017**
	(In thousands of Ps.)	
Government and corporate securities	**17,641,540**	**17,855,879**
Measured at fair value through profit or loss	11,327,663	14,867,830
Measured at amortized cost	4,584,421	2,205,501
Investments in equity instruments	198,464	213,616
Financial trust participation certificates	37,388	59,104
Shares in mutual funds	442,027	392,061
Pledged as collateral	1,051,577	117,767
Loans	**47,048,469**	**38,690,075**
Commercial portfolio	15,277,987	13,728,995
Performing	15,143,621	13,718,740
Non-performing	134,366	10,255
Consumer portfolio	31,770,482	24,961,080
Performing	29,616,246	23,561,774
Non-performing	2,154,236	1,399,306
Other financial assets	**4,303,290**	**3,812,234**

Impairment of financial instruments

The Group accounts for Loans according to the type of loan portfolio, by performing an individual analysis of each customer within the “Commercial portfolio” or “Consumer comparable portfolio” and a massive analysis based on days in arrears for customers within the “Consumer portfolio.” The criteria followed by the Group to set up allowances are detailed in Note 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 September 30, 2018 and as of December 31, 2017 amounts to Ps. 1,656,773 thousand and Ps. 949,853 thousand, 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 embraces risks associated with both "linear" and "non-linear" instruments (derivatives).

As required by the new rules handed down 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 the several macroeconomic and market variables, with its ensuing impact on prices for financial assets.
• Allocation of weights to the several classes of assets, optimization of the portfolio risk-return profile, taking into account the 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 Bank's 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. These controls are part of the Audit area's planning.

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 rigorously 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, securities issued by the Argentine Central Bank, local private debt securities, local private trust securities, local equity, currencies and gold. Such limits are annually reviewed by the Finance and Risk Management Committees 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.

As concerns 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, and are also involved in defining the tolerance level to be assumed by the Bank. The Risk Area is responsible for identifying, measuring, controlling and monitoring price and foreign exchange risks.

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

	Balances as of 09/30/2018				Balances as of 12/31/2017			
	Monetary financial assets	Monetary financial liabilities	Derivative instruments	Net Position	Monetary financial assets	Monetary financial liabilities	Derivative instruments	Net Position
	(In thousands of Ps.)							
Dollar	19,634,741	23,886,831	2,983,091	**(1,268,999)**	9,934,384	(11,199,300)	227,245	**(1,037,671)**
Euro	117,058	2	-	**117,056**	72,054	(53)	-	**72,001**
Total	**19,751,799**	**23,886,833**	**2,983,091**	**(1,151,943)**	**10,006,438**	**(11,199,353)**	**227,245**	**(965,670)**

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

Currency	Variation	09/30/2018		12/31/2017	
		Income (loss)	Shareholders' equity	Income (loss)	Shareholders' equity
		(In thousands of Ps.)			
U.S. Dollar	10%	199,114	199,114	31,312	31,312
	-10%	(199,114)	(199,114)	(31,312)	(31,312)
Euro	10%	11,706	11,706	7,200	7,200
	-10%	(11,706)	(11,706)	(7,200)	(7,200)

c) Interest rate risk:

The Bank has a Market Risk Management Policy in place which sets forth the monitoring and control guidelines and methodologies in connection with the price, interest rate and foreign exchange risk it is exposed to; such policy also describes the reporting mechanisms, limits and early alert systems to keep the Finance and Risk Management Committees abreast of the risk profile, as well as of the roles and responsibilities of the several parties involved.

As concerns 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 the several hedging alternatives in order to reduce interest rate gaps.

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The Office of the Risk Manager is the area entrusted with the duties of identifying, measuring, controlling and monitoring interest rate risk. The Finance Committee, the Risk Management Committee, and the Product 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.

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.

Quantitative information

The Bank estimates its interest-rate risk economic capital using a measure referred to as “economic value at risk.” In such estimate, the Bank takes into account its entire portfolio of loans, securities and deposits, including also derivative transactions (swaps and futures). The estimated economic capital will account for the maximum impairment the present value of the portfolio may sustain within one year and with an associated likelihood of no less than 99%.

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.

MANAGEMENT

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 addition, each subsidiary is required to manage liquidity risk, by putting in place the necessary strategies to fulfill their obligations.

The liquidity risk identification, measurement, monitoring and control process also provides the required quantitative and qualitative support to execute the actions required within a limited risk environment.

As part of the liquidity risk identification, measurement, monitoring and control process, several analytic tools are made available to perform these tasks, including an estimate of incoming and outgoing cash flows for several time periods, a periodical analysis of the deposit structure and funding alternatives, the measurement and monitoring of net cash flow requirements under several *ad hoc* scenarios, the monitoring of liquidity coverage and net stable funding ratios, an analysis of asset and liability concentration by several measurements, such as, by counterparty or type of customer, product, and term.

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 LCR and 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. The Finance Area of each Subsidiary will be responsible for identifying their respective funding needs and the illiquidity events that might affect them.

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 period.

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.

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 handed down 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 periods ended September 30, 2018 and December 31, 2017:

	09/30/2018	**12/31/2017**
Average for the period	187%	148%
Higher	239%	220%
Lower	145%	117%

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.

31. 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.

As of December 31, 2017, the Bank's total capital under management and subject to regulation amounted to 1,500,000 (see Note 19).

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.

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

	12/31/2017
Core Capital	
Tier 1 Ordinary Capital	7,652,603
(Deductible items)	(548,946)
Tier 1 Additional Capital	28,590
Supplementary Capital	
Tier 2 Capital	364,322

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(Deductible items)	-
Regulatory Capital (*Responsabilidad Patrimonial Computable*)	**7,496,569**

Below is a detail of the determined capital requirement:

	12/31/2017
Credit risk	3,280,568
Market risk	487,348
Operational risk	891,333
Core requirement	**4,659,249**
Payment	**7,496,569**
Surplus / (Deficit)	**2,837,320**

32. NOTES REQUIRED BY THE ARGENTINE CENTRAL BANK

32.1. Deposit Guarantee Insurance System

According to Law 24,485, Decrees 540/95 and 1127/98, Communication "A" 2337, as supplemented, from the Argentine Central Bank, institutions encompassed by the Financial Institutions Law should make a standard contribution equivalent to 0.03% of their monthly average daily balances of deposits in checking accounts, savings accounts, time deposits, special accounts, fixed-term investments and frozen balances stemming from those deposits. After several changes, through Communication “A” 5641 dated November 6, 2014, the percentage is set at 0.06%. As of the end of these financial statements, the effective rate is 0.015%.

In addition to the standard contribution, institutions are required to make a separate additional contribution, in proportion to the result obtained from weighting several factors.

It is also established that the Argentine Central Bank may require an advance payment of an amount equivalent to 24 minimum standard contributions within at least 30 calendar days to meet the Fund’s needs for resources.

By means of Communication “A” 5943, the Argentine Central Bank resolved that effective May 1, 2016, the maximum limit of the guarantee for deposits is Ps. 450 thousand.

The Argentine Central Bank issued Communication “A” 6435 introducing certain changes applicable to time deposits and fixed-term investments to be made since January 20, 2018 and to all sight deposits.

Among other changes, sight deposits with agreed-upon interest rates above the reference rate and time deposits and fixed-term investments with rates 1.3 times higher than the reference rate will be excluded from the “deposit guarantee insurance system.” The reference rates are periodically released by the Argentine Central Bank through Communications "B". Time deposits and fixed-term investments will also be excluded when these limits on interest rates are distorted by additional incentives or yields.

Deposits denominated in Pesos and in foreign currency are guaranteed for up to Ps. 450 thousand. In the case of transactions in the name of two or more individuals, the guarantee will be apportioned among them. In any case, the total guarantee per individual and per deposit may not exceed Ps. 450 thousand, regardless of the number of accounts and/or deposits. Time deposits taken at a rate higher than the reference rate according to the limits set forth by the Argentine Central Bank, time deposits acquired through endorsement, and time deposits made by persons related to the Bank are excluded.

32.2. Restricted assets

Below is a detail of the restricted assets as of each indicated date:

	09/30/2018	12/31/2017	01/01/2017
		(In thousands of Ps.)	
Banco Hipotecario			
Instruments issued by the Argentine Central Bank as collateral for OTC ROFEX transactions	980,119	117,520	326,789
Instruments issued by the Argentine Central Bank as collateral for MAE transactions	36,156	247	3,989
Cash and deposits in escrow as collateral for Visa credit card transactions	602,023	321,740	364,586
Cash and deposits in escrow as collateral for offices and stores leases	527	1,218	1,027
Cash and deposits in escrow as collateral for Red Link losses	2,014	1,365	810
	1,620,839	**442,090**	**697,201**
BACS			
Pledge loans assigned as collateral	2,452	7,776	26,572
Instruments issued by the Argentine Central Bank, government securities and Pesos as collateral for OTC ROFEX transactions	120,472	153,257	32,214
	122,924	**161,033**	**58,786**
Tarshop			
Cash and deposits in escrow as collateral for commercial stores leases	2,080	1,253	715
Pledge over collection rights under the Series XCIX Tarjeta Shopping financial trust as loan collateral	32,213	32,213	32,205
Funds for contingencies, expenses and other miscellaneous receivables from the financial trusts	152,993	149,004	131,209
Time deposits pledged as collateral for tax liabilities from certain trust series (a)	9,197	7,800	6,531
Loans held in trust as collateral for overdraft facilities (b)	76,000	78,315	84,341
Loans from trusts in process of subscription (c)	27,544	84,476	96,125

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Cash and deposits in escrow as collateral for Tarshop/Visa credit card transactions	43,947	36,240	18,142
Government securities in escrow as collateral for Tarshop/Visa credit card transactions	34,507	26,274	15,991
	378,481	**415,575**	**385,259**
BH Valores			
Share in Mercado de Valores de Buenos Aires pledged for the benefit of Chubb Argentina de Insurance S.A.	-	-	33,200
	-	**-**	**33,200**
Total	**2,122,244**	**1,018,698**	**1,174,446**

(a) The pledge will remain in force up and until there is a resolution to the potential tax contingencies arising from the above-mentioned Financial Trusts in respect of the relevant part.
(b) In October 2015, Industrial and Commercial Bank of China (Argentina) S.A. granted Tarshop S.A. a checking account overdraft facility for up to Ps. 40,000 thousand, which was extended to Ps. 60,000 thousand in June 2016. As security for the performance of its obligations, Tarshop S.A. has assigned and transferred to Banco de Valores S.A., as collateral trustee, fiduciary ownership of the trust receivables. Such receivables and accrued interest will be held and carried in the Tarshop's books of accounts. Therefore, any taxes, duties, rates or similar items, if any, that may be imposed under the different tax laws on account of such holdings and results, will be considered and included in Tarshop's applicable taxable bases, as Tarshop agreed to bear the costs and expenses arising from the defense and any charges that could be imposed by the tax authorities on the trust and/or the trustee.
(c) Tarshop maintains its own portfolio loans from Financial Trusts, whose availability will be restricted until the IPO date, at which time a decision will be made on whether to place such loan portfolios and transfer them to the trust portfolio or to keep them as its own freely available portfolio, as applicable.

As of such dates, BHN Sociedad de Inversión S.A. did not have restricted assets.

32.3. Fiduciary activities

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

Role as Trustee:

PROGRAMA CRÉDITO ARGENTINO DEL BICENTENARIO PARA LA VIVIENDA ÚNICA Y FAMILIAR (Pro.Cre.Ar.)
On June 12, 2012, the Argentine 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 referred 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 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 the credit lines; and (iii) the repayment of the VRDs in accordance with the terms of the agreement that creates the Trust and the provisions of 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).

In addition to the obligations imposed on it under the Trust Law and the Commercial Code, the Trustee is required to:

- Perform the obligations set forth in the Trust Agreement and follow the instructions imparted on it by the Executive Committee;
- Carry out its duties as Trustee with the loyalty, diligence and prudence of a good businessman acting on the basis of the trust placed on such Trustee;
- Exercise the powers granted to it under the Agreement, and preserve the Trust Assets;
- Use the Trust Assets for lawful purposes, in accordance with the provisions of the Agreement and following the Executive Committee's instructions;
- Identify the Trust Property and record it in a separate accounting system, segregated from its own assets or the assets of other trusts held by it at present or in the future in the course of its business;
- Prepare the Trust's financial statements, hire the relevant audit firms and comply with the applicable disclosure regulations;
- Ensure the Trust Assets against risks that could affect their integrity;
- Invest or reinvest the Trust's funds in accordance with the provisions of the Agreement and following the instructions imparted by the Executive Committee.

According to the balance sheet as of September 30, 2018, the Trust's financial position was as follows:

- Assets: Ps. 87,943,335 thousand.
- Liabilities: Ps. 42,323,249 thousand.
- Shareholders' Equity: Ps. 45,620,086 thousand.

As of September 30, 2018, the PRO.CRE.AR Administrative and Financial trust portfolio was composed of 116,822 mortgage loans for the construction of permanent, single family houses and 171,259 consumer loans. The amount disbursed for construction as of such date was Ps. 48,563,791 thousand and Ps. 8,555,975 thousand, respectively. The committed amounts pending disbursement total Ps. 97,946 thousand.

The conditions of these loans vary based on the family income segment involved.

Role as Trustor

GLOBAL MULTI-ASSET MORTGAGE TRUST SECURITIES PROGRAM

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"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 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 corresponding 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 September 30, 2018:

	Debt securities Class A	Debt securities Class B	Certificates of Participation	Total
CHA UVA Series I - Issued on April 23, 2018				
Face value in thousands of 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, transfers the fiduciary ownership of mortgage loans within its loan portfolio to several financial institutions, as trustee. Once the mortgage loans have been transferred to the trustee, it proceeds to issue the respective debt securities and participation certificates and to settle the amount of the loans assigned by the Bank out of the net proceeds from the placement. The trust property is 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 for the financing of housing units for a face value of up to Ps. 500,000,000, which was authorized by CNV Technical Pronouncement No. 14814 dated June 3, 2004.

As of September 30, 2018, fourteen series of Argentine Mortgage Bonds Financial Trusts (CHA) were created, of which eight series fell under the scope of the referred Program, and the other six series were individual issues. As of the closing date of these financial statements, the following series were outstanding:

	Debt securities Class A1/AV	Debt securities Class A2/AF	Debt securities Class B	Participation certificates	Total
BHSA I Issued on 02.01.2002					
Face value in thousands of Ps.				43,412	43,412
Declared maturity date				02.01.2021	
CHA IX Issued on 08.28.2009					
Face value in thousands of Ps.	192,509			10,132	202,641

Declared maturity date	02.07.2027	07.07.2027	
CHA X Issued on 08.28.2009			
Face value in thousands of Ps.		17,224	17,224
Face value in thousands of US$	85,001		85,001
Declared maturity date	01.07.2027	06.07.2028	
CHA XI Issued on 12.21.2009			
Face value in thousands of Ps.	204,250	10,750	215,000
Declared maturity date	03.10.2024	10.10.2024	
CHA XII Issued on 07.21.2010			
Face value in thousands of ARS	259,932	13,680	273,612
Declared maturity date	11.10.2028	02.10.2029	
CHA XIII Issued on 12.02.2010			
Face value in thousands of Ps.	110,299	5,805	116,104
Declared maturity date	12.10.2029	04.10.2030	
CHA XIV Issued on 03.18.2011			
Face value in thousands of Ps.	119,876	6,309	126,185
Declared maturity date	05.10.2030	08.10.2030	

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

FINANCIAL TRUST “FIDEICOMISO FINANCIERO PRIVADO PRENDAS BACS”

Financial trust “Fideicomiso Financiero Privado Prendas BACS” was created on November 28, 2014 for an aggregate principal amount of Ps. 32,098,452, with BACS acting as trustor, arranger and administrator and Rosario Administradora Sociedad Fiduciaria S.A. acting as Financial Trustee. The trust assets were comprised by pledge loans originated by BACS. On December 19, 2014, the second series of the financial trust was issued for an aggregate principal amount of Ps. 13,043,465. On June 29, 2015, the third series of the financial trust was issued for an aggregate principal amount of $ 39,775,200. On November 30, 2017, the financial trust was repaid and settled.

TARSHOP GLOBAL TRUST SECURITIES PROGRAM

The Board of Directors of our subsidiary Tarshop, at the meeting held on April 13, 2009, authorized the creation of a portfolio securitization program (“Programa Global de Valores Fiduciarios Tarshop”). This trust program for the issuance of participation certificates and trust debt securities was developed in accordance with Law No. 24,441 and approved by the CNV through Resolution No. 16,134 dated June 4, 2009, with Banco de Valores S.A. acting as Trustee of Tarjeta Shopping Financial Trusts.

This program is applicable to Financial Trust Tarjeta Shopping Series LI onwards. Commencing upon Financial Trust Tarjeta Shopping Series LX onwards, only trust debt securities are issued in accordance with Law No. 24,441, while the excess of trust receivables over the principal amount of trust debt securities is regarded as over-subscription, and will not be released until the settlement of such securities.

Under the aforementioned securitization programs, Tarshop transfers receivables from credit card consumptions and cash advances to the Financial Trusts Tarjeta Shopping, which in turn issue trust debt securities for public and private investors.

These trusts may issue two types of certificates representing undivided interests therein: trust debt securities ("VDF") and participation certificates ("CP"), the latter of them having been issued up to, and including, Financial Trust Tarjeta Shopping Series LIX. CPs are subordinated securities entitling holders to a proportional interest in cash flows from trade receivables, following the repayment of principal and interest in respect of VDFs, and other fees and expenses.

VDF holders receive periodical payments of principal and interest during the life of the security. The proceeds from the underlying assets are used by the Trust to acquire trade receivables for additional sales during the "revolving" period for series issued under this modality. Upon termination of the "revolving" period, the trust is settled, at which time: (i) no other assets are acquired, (ii) all cash proceeds are used for the service of principal and interest on the remaining VDFs and other expenses, and (iii) the remaining proceeds are used to service principal and interest on CPs, where applicable.

FINANCIAL TRUSTS TARSHOP PRIVADOS

Financial trusts Tarjeta Shopping Privado I and II were created in the last quarter of 2015; financial trust Tarjeta Shopping Privado III was created in the last quarter of 2016, and financial trust Tarjeta Shopping Privado IV was created in the last quarter of 2017, pursuant to the terms of Volume Three, Title IV, Chapter 30 of the Argentine Civil and Commercial Code.

Tarshop transfers receivables from credit card consumptions, cash advances and consumer loans to these financial trusts.

Role as Administrator

FINANCIAL TRUST ADMINISTRATION

BACS is the general administrator of the trust funds BHN II, BHN III, BHN IV, BACS I, BACS Funding I, BACS Funding II, BHSA I 2002, Fideicomiso Hipotecario BACS III, Cédulas Hipotecarias Argentinas (CHA) Series VI, VII, VIII, IX, X, XI, XII, XIII, XIV, and the trustee of Red Mutual XXIV, Red Mutual XXV, Red Mutual XXIX, Red Mutual XXX, Red Mutual XXXI, Red Mutual XXXII, Red Mutual XXXIII, Red Mutual XXXV and Red Mutual XXXVI trust funds, many of which have been settled as of the date of these financial statements.

FINANCIAL TRUST "FIDEICOMISO FINANCIERO PRIVADO PRENDAS BACS"

Financial trust "Fideicomiso Financiero Privado Prendas BACS" was created on November 28, 2014 for an aggregate principal amount of Ps. 32,098,452, with BACS acting as trustor, arranger and administrator and Rosario Administradora Sociedad Fiduciaria S.A. acting as Financial Trustee. On November 30, 2017, the financial trust was repaid and settled.

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

Over-the-counter broker

The Bank's minimum shareholders' equity required by the Argentine Central Bank rules is in excess of that required by the CNV in Technical Pronouncement No. 290, as amended, in order to act as an Over-the-Counter Broker and has been duly paid up at fiscal year-end.

Duty to retain documentation

On August 14, 2014, through its General Resolution No. 629, Article 26, Section VII of Chapter IV under Title II of the Technical Rules, Version 2013 as amended, the CNV imposed a duty to detail in a Note to the Financial Statements, the address and identity of the person responsible for the warehouse accommodating the supporting documentation for issuers' accounting transactions and management.

To comply with the duty described in the preceding paragraph, Banco Hipotecario S.A. reports that the documentation retained in an off-site location is at the warehouses of the company Bank S.A. located in Carlos Pellegrini 1401 (Avellaneda).

Capital Markets Law

Banco Hipotecario

According to the Capital Markets Law No. 26,831 and the regulations handed down by the Argentine Securities Commission ("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.

On May 11, 2018, the Productive Financing Law No. 27,440 was published in the Official Gazette, amending several other laws, including the Capital Markets Law No. 26,831, as regulated by Decree No. 1023/2013. Therefore, the CNV enacted General Resolution No. 731, expected to come into force since October 1, 2018. Such Resolution provides for a comprehensive amendment to the rules and regulations applicable to Agents set out under General Resolution No. 622/2013.

According to Section 13 of such Resolution, Settlement and Clearing Agents and Comprehensive Trading Agents are required to permanently maintain a minimum shareholders' equity amount of Pesos eighteen million (Ps. 18,000,000) as reflected in their annual and interim financial statements covering six-month periods. In this sense, it is reported that Banco Hipotecario'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 September 30, 2018.

On the other hand, Section 15 of General Resolution No. 731 handed down by the CNV sets forth that no less than fifty percent (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. Accordingly, the liquid balancing account is identified – through BONAR 2024 government security – Government Bond carried at fair market value - See Schedule "A" to these Financial Statements, as per the following detail:

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Date	Amount Ps. as per CNV Matrix	Government security	Kind CV	Amount	Listing	Valuation
09/30/2018	10,500,000	AY24	5458	1,000,000	42.25	42,250,000

BACS

Pursuant to CNV's Resolution No. 17,338 dated April 24, 2014, BACS, Banco de Crédito y Securitización S.A., was registered with the Registry of Financial Trustees prescribed by Sections 6 and 7 of Chapter IV, Title V of the Rules, under No. 55. and, on September 19, 2014, CNV communicated to BACS that, in its capacity as Settlement and Clearing Agent - Comprehensive and Trading Agent, the Bank has been assigned License No. 25. It must be noted that BACS' minimum shareholders' equity as of period-end was duly paid-in and as of September 30, 2018, the liquidity requirement takes the form of BCRA Bills Lebacs for Ps. 14,677 thousand.

In addition, as Settlement and Clearing Agent and Trading Agent- Comprehensive, the Company has been entered in the Registry of Agents kept by MERVAL under No. 179, following the resolution adopted by MERVAL's Board of Directors at its meeting dated November 19, 2014. The Company was permitted to operate on April 17, 2015 pursuant to Merval Communication No. 15,739 and was admitted as member of ROFEX (Mercado a Término de Rosario S.A. and Argentina Clearing S.A.), Communication No. 628.

Through Resolution No. 18,381 issued by the CNV on November 24, 2016, BACS was registered in the Registry of Custody Agents of products of Collective Investment of Mutual Funds under No. 247 under the terms of Section 14 of Law 24,083 and Section 11 of Chapter I, Volume V of the CNV Rules.

BH Valores

BH Valores is registered with the CNV as a Settlement and Clearing Agent in its own. According to the minimum requirements laid down, BH Valores' minimum shareholders' equity exceeds the amount prescribed by such resolution and was duly paid-in as of year-end. As to the liquidity requirement, it has been satisfied through BH Valores' account No. 10 at Caja de Valores, depositor No. 10, for a nominal value of Ps. 250,000 as of the date of these financial statements.

At a meeting held on May 6, 2015, the boards of directors of the Bank and BH Valores approved the transfer of most of BH Valores' customer accounts to the Bank, as part of a broader strategy entailing the transfer of all such accounts in order to develop the operations of the Bank's Investment department. As of the date of these financial statements, the accounts have been transferred.

32.5. Accounts that identify the compliance of the minimum cash requirements

Below is a detail of the items computed by the Bank to comply with the minimum cash requirements (according to regulations established by Argentine Central Bank on the matter) and the corresponding average balances as of September 30, 2018:

	Currency / Security				
	Ps.	Dollars	Euro	Bonar USD 2024	Bonar USD 2020
	(Figures in thousands in the relevant currency)				
Checking accounts at BCRA	3,490,168	41,237	95	-	-
Special accounts at BCRA	510,541	574	-	-	-
Payment with BOTE 2020 security	1,001,619	-	-	-	-
Payment with 2020	1,186,865	-	-	-	-
CRYL account	-	-	-	4,913	255
Total paid-in	**6,189,193**	**41,811**	**95**	**4,913**	**255**
Total requirement	**6,749,015**	**41,590**	**-**	**675**	**283**
Required deduction (1)	618,535	-	-	-	-
Monthly position	**58,713**	**221**	**95**	**4,238**	**(28)**

(1) ATM withdrawals, "Ahora 12" plan and "MiPymes" deduction.

32.6. 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 11, 2015, the Bank was notified of Resolution No. 76/15, whereby the Chairman of the Financial Information Unit (UIF) had ordered the start 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 alleged failures to comply with Section 21, a) of Law No. 25,246 and Resolution UIF No. 121/11. According to said 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 other things.

On September 23, 2015, the Bank raised depositions and defenses with the UIF along with documentary evidence, and produced 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, among them, the report issued by the Argentine Central Bank on the risk adjustment and mitigation plan submitted in due time by Banco Hipotecario. At the conclusion of this procedural stage, the attorneys-in-fact of the persons subject to the summary proceedings filed their closing arguments concerning the evidence produced.

Based on the UIF's background on similar cases, the Bank is likely to be imposed an administrative fine. Therefore, it was deemed reasonable to create allowances amounting to Ps. 60 thousand, of which Ps. 40 thousand were booked on October 22, 2015 and Ps. 20 thousand were booked on October 25, 2018.

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2. On February 15, 2016, the Bank was notified of Resolution No. 1014/16 whereby the Superintendent of Financial Institutions ordered the commencement of summary proceedings (Summary Proceedings No. 1486), against Banco Hipotecario and its Chairman, Mr. Eduardo S. Elsztain on grounds of alleged violations of the rules in Communication "A" 4490, including the failure to report the appointment of new authorities and delays in filing the documentation associated with such new authorities. On July 30, 2018, the defendants were notified by electronic means of Resolution No. 371/18 whereby the Superintendent of Financial Institutions imposed warning measures on both Banco Hipotecario S.A. and Mr. Eduardo S. Elsztain.

On August 21, 2018, the Bank and Mr. Eduardo S. Elsztain filed a motion to revoke such resolution pursuant to Section 42 of the Financial Institutions Law within the applicable statute of limitations. On October 25, 2018, the allowance created in due time was reversed.

3. On March 7, 2018, the Bank was notified of Resolution No. 94 handed down on February 22, 2018, whereby the Superintendent of Financial and Foreign Exchange Institutions ordered the commencement of summary proceedings in the terms of Section 41 of the Financial Institutions Law against Banco Hipotecario S.A.; directors Martín Juan Lanfranco; Mauricio Elias Wior; and Gabriel A. Reznik; and managers Julieta Albala and Ricardo Gastón (Summary Proceedings No. 1545 – File No. 100,474/17), on grounds of alleged violation of the rules on transfers of funds set forth in Communication "A" 6242 for "breach of the duty of adding the item "Payroll" to the Transfers menu in Home Banking." On March 21, 2018, the Bank filed its defenses and arguments with the Argentine Central Bank's Department of Contentious Financial Matters.

In light of the likelihood that the Bank could be imposed an administrative fine, it was deemed reasonable to create an allowance for this contingency amounting to Ps. 600 thousand, which was booked on March 28, 2018.

4. On November 25, 2014, the Financial Information Unit (UIF) notified Tarshop S.A. 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. 25,246 and Resolutions UIF No. 27/11 and 2/12. Accordingly, the Company (Tarshop S.A.), 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 defenses. 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, it is estimated that there are chances of imposing an administrative penalty. Accordingly, the Bank has booked an allowance for Ps. 360 thousand in fiscal year ended December 31, 2016. On May 4, 2018, the Company was notified that the UIF has imposed a lower penalty, which will be appealed before the relevant appellate body.

II – Summary proceedings pending court decision.

1. On October 31, 2014, the Bank was notified of Resolution No. 685 dated October 29, 2014 handed down 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 limits of fractioned exposure to credit risk from 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 tardiness in the provision of documentation associated with the directors recently elected by the shareholders' meetings.

Resolution No. 685 then fined Banco Hipotecario S.A. with Ps. 4,040 thousand and also fined 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. Bensadón; Jorge L. March and Jaime A. Grinberg), statutory 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. Saidón and Enrique L. Benitez) for an aggregate amount of Ps. 51,582 thousand. Under this decision, former Statutory Auditor Ms. Silvana M. Gentile was acquitted.

On November 25, 2014, Banco Hipotecario and the other individuals affected by the adverse decision lodged an appeal under Section 42 of the Financial Institutions Law, that was sent by the Argentine Central Bank to the National Appellate Court with Federal Jurisdiction over Contentious and Administrative Matters. Therefore, at present the case is being heard by Panel I of such Appellate Court. Moreover, on December 30, 2014, the Bank and the individuals against whom sanctions were imposed requested the levying of separate injunctions by such court against the enforcements pursued by the Argentine Central Bank for collection of the fines.

Upon being notified of the resolution handed down on June 30, 2016 by the Appellate Court that denied the motion for injunction filed by the Bank and by the directors, managers and some of the statutory auditors and in order to prevent further conflicts and financial damage that could result from the actions to compel payment of fines, the Bank's Executive Committee decided to apply the indemnity rules regarding directors, high ranking officers and statutory 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 corresponding to the fine imposed on the Bank and the respective legal costs, totaled Ps. 57,672 thousand. Out this amount, Ps. 53,632 thousand were expensed for the fiscal year ended December 31, 2015 and Ps. 4,040 thousand were computed as an allowance for the fiscal year ended December 31, 2014.

This notwithstanding, in the brief filed with the court that is hearing the proceedings to compel payment it was sustained 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 term deposits for 180 days in order to ensure the integrity of the funds until the Appellate Court with Federal Jurisdiction over Contentious and Administrative Matters hands down a decision on the appeal lodged against Resolution No. 685/14 of the Argentine Central Bank. The requests for injunction were rejected and the court made progress in the proceedings for enforcing the fines, against each of the defendants. For such reason, the amounts subject to attachment were applied to the payment of the relevant fines. The resolution of the court on the appeal filed in due course is still pending.

2. On February 2, 2018, BACS Banco de Crédito y Securitización S.A. was served notice of summary proceedings in financial matters No. 1539, File No. 100,819/16 pending before the Argentine Central Bank's Department of Contentious Financial Matters, pursuant to Resolution No. 963 dated December 29, 2017 ordering the commencement of summary proceedings against the Bank for late filing (beyond the term set forth in Communication "A" 3700) of the documents related to the appointment of one of its directors during the period spanning from April 9, 2012 to June 21, 2012, date on which the required information was submitted. Accordingly, the Bank is held liable as a legal entity and Mr. Eduardo Elsztain is held liable in his capacity as Chairman. On February 22, 2018, the relevant defenses and arguments were filed, asserting the pertinent rights and exceptions.

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III. Summary proceedings concluded during the period

1. On May 10, 2016, the Bank was notified of Resolution No. 219 dated April 22, 2016, handed down by the Superintendent of Financial and Foreign Exchange Institutions in order to commence summary proceedings (Summary Proceedings' File No. 6845) in the terms of Section 8 of the Foreign Exchange Criminal Regime Law No. 19,359 (as signed into law pursuant to Decree No. 480/95) against Banco Hipotecario S.A., its former Manager Mr. Ricardo José Gonzalez and Mrs. Luciana Sabrina Fusco and Liliana Elisabeth Sabella on grounds of allegedly selling foreign currency for the amount of US$ 69,620 agreed upon under a residential mortgage transaction without fulfilling the requirements set forth in the regulations then in effect (Communications "A" 5318, 5322, as supplemented).

On May 9, 2018, the Bank was notified of Resolution No. 192 dated April 26, 2018, whereby the Superintendent of Financial and Foreign Exchange Institutions dismissed the charges filed against Banco Hipotecario S.A., Mr. Ricardo José Gonzalez, Mrs. Luciana Sabrina Fusco and Mrs. Liliana Elisabeth Sabella, involving alleged violations of the foreign exchange rules set out in Resolution No. 219/16. Therefore, the Superintendent of Financial and Foreign Exchange Institutions ordered that File No. 102.780/13 related to Summary Proceedings No. 6845 be closed.

2. On February 19, 2014, the Bank was notified of Resolution No. 209/13 handed down by the Chairman of the Financial Information Unit (UIF), whereby it ordered to commence summary proceedings against the Bank, its directors (Messrs. Eduardo S. Elsztain; Mario Blejer; Ernesto M. Viñes; Jacobo J. Dreizzen; Edgardo L. Fornero; Carlos B. Písula; Gabriel G. Reznik; Pablo D. Vergara del Carril; Mauricio E. Wior; Saul Zang); the Risk and Controlling Manager, Mr. Gustavo D. Efkhanian and the Manager of the Money Laundering Prevention and Control Unit Manager, Mr. Jorge Gimeno. In these proceedings, an investigation is made into the defendants' liability for alleged violation of the provisions of Section 21 of Law 25,246, as amended, and Resolution UIF No. 228/2007 due to certain defaults detected by the Argentine Central Bank in the inspection of the organization and in internal controls implemented for the prevention of money-laundering derived from illegal activities. On March 25, 2014, the relevant defenses and arguments were filed in support of the Bank and the individuals subject to the summary proceedings. By virtue of a Resolution dated July 7, 2016 Gustavo Daniel Efkhanian and Jorge Gimeno were separated from the summary proceedings and the former regular director Marcelo G. Cufré was summoned to appear before the authorities. Then, in a ruling dated January 24, 2017, the Judge in charge of the preliminary criminal investigation summoned former regular directors Clarisa Diana Lifsic de Estol, Federico León Bensadón and Diego Luis Bossio. All the directors summoned filed their respective defenses.

The Chairman of the Financial Information Unit handed down Resolution No. 179/18 - notice of which was served upon on August 14, 2018 -, declaring that the statute of limitations for the administrative action brought against the Bank and the other defendants had run off. On October 25, 2018, the provision set up in that respect was reversed.

3. On September 13, 2013, the Bank was notified of Resolution No. 611 handed down by the Superintendent of Financial and Foreign Exchange Institutions, ordering to commence summary proceedings against the Bank, the Organization and Procedures Manager, Mr. Christian Giummarra, and the former Systems Manager, Ms. Aixa Manelli (Summary Proceedings No. 5469 on Foreign Exchange Matters – File 100,082/08) charging them with alleged violation of the foreign exchange laws in selling foreign currency to persons prohibited from trading foreign currency by the Argentine Central Bank. The cumulative amount derived from the alleged violation in the sale of foreign currency is around US$ 39.9 thousand and Euro 1.1 thousand. On October 8, 2013, the Bank was notified of Resolution No. 720

whereby the Superintendent of Financial and Foreign Exchange Institutions ordered the commencement of summary proceedings against Banco Hipotecario, and against Mr. Christian Giummarra and Mrs. Aixa Manelli (Summary Proceedings No. 5529 on Foreign Exchange Matters), charging them with alleged violation of the foreign exchange laws in selling foreign currency to persons prohibited from trading foreign currency by the Argentine Central Bank. The cumulative amount derived from the alleged violation in the sale of foreign currency is around US$ 86 thousand. Summary proceedings No. 5469 and Summary Proceedings No. 5529 (File No. 101.327/10) were joined due to the connection between defendants. Upon completion of the summary proceedings, the BCRA submitted the case for judgment to the Federal Criminal Court in Financial Matters No. 2 (Dr. Pablo Yadarola) - Clerk Office No. 3 (Dr. Fernando Stockfisz).

On August 15, 2018, the intervening Court rendered judgment acquitting Banco Hipotecario S.A., Mr. Christian Pablo Giummarra and Mrs. Aixa Lorena Manelli of the charges raised by the BCRA. The judgment is final.

4. BACS has been notified of Resolution No. 401 dated September 7, 2012 handed down by the Argentine Central Bank's Superintendent of Financial and Exchange Institutions, ordering to start summary proceedings against the Bank and its Chairman, due to the late filing of documentation related to the appointment of the Bank's authorities. On October 9, 2012, the defenses and arguments in support of the Bank's rights were filed. Afterwards, the Bank was notified of Resolution No. 729 dated October 23, 2013, whereby a warning was made to the Bank and its Chairman, pursuant to Section 41, subsection 1 of the Financial Institutions Law.

Pursuant to the above-mentioned Resolution, a fine of Ps. 320 thousand was imposed on the Bank and individuals fines amounting to Ps. 393 thousand were imposed to its directors (Eduardo S. Elsztain and Ernesto M. Viñes). Such amounts were expensed in fiscal year ended December 31, 2016.

BACS and the Directors filed an appeal against Resolution No. 690 in due course. The appeals are pending resolution by Panel IV of the National Court of Appeals in Federal Administrative Contentious Matters in the action styled "BACS BANCO DE CRÉDITO Y SECURITIZACIÓN S.A. ET AL V. BANCO CENTRAL DE LA REPÚBLICA ARGENTINA, in re. Financial Institutions Law No. 21,526, Section 42, Direct Appeal" (Case File No. 51,471/2015). On November 8, 2016, the National Court of Appeals dismissed the appeals raised by the defendants and awarded legal costs against the losing parties.

32.7. Restrictions on the distribution of profits

On July 12, 2016, by means of Communication "A" 6013, the Argentine Central Bank published the updated text on "Distribution of profits", effective as from January 1, 2016 by means of Communication "A" 5827 et seq. The provisions of this Communication aim at converging towards international principles and standards, and, among other changes, they establish the creation of an additional capital margin over the minimum capital requirement.

The Argentine Central Bank, through Communication "A" 6327, approved of a broad set of changes to the current accounting standards towards the International Financial Reporting Standards (IFRS). Among other things, the Argentine Central Bank provided for the manner in which retained earnings should be calculated and set forth that financial institutions may not make distributions out of the profits resulting from the first-time adoption of the IFRS, and are required to set up a special reserve which might only be released for capitalization thereof or otherwise to offset negative balances accounted for under "Unappropriated retained earnings."

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32.8. 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 sees its Corporate Governance system as a dynamic process that accompanies its evolution, the results of its performance, all new developments in the applicable legislation and all of the market's recommended best practices tailored to the Bank's needs as a legal entity.

The Bank's Corporate Governance is thus governed by currently applicable laws and regulations, its by-laws 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 enshrining the ethical tenets and principles that are to inspire the behaviors of directors, managers and employees.

1) The Board of Directors: Structure:

Pursuant to Law No. 24,855, Section 21 and Banco Hipotecario's by-laws, 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 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 within the scope of the inabilities set forth in Law No. 19,550, Section 264 and in Law No. 21,526 Section 10; they must have prior experience in financial activities and it is only when the Argentine Central Bank authorizes it that they can take office.

The Central Bank examines Directors' background information looking for the skills and experience for serving in a Board on the basis of: (i) the nominee's professional history in the financial industry and/or (ii) the nominee'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 previous experience in financial activities.

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

a) Class A shares elect 2 regular Directors and 2 alternates.
b) Class B shares elect 1 regular Director and 1 alternate 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 alternates). When neither Class B or Class C were, 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 Class A and Class B and C shareholders' meetings (in so far as their political rights are exercised by the Argentine Government) and whose appointments are made by the Argentine Executive Branch, may take office and serve as directors on a "non commission" basis, subject to the Argentine Central Bank handing down a resolution without prejudice to the validity of the actions that they undertake during that fiscal year.

Class A shares are held by the Argentine Government (or its nominated trustees) who exercises its political rights; 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 the Argentine Government until the passage of Decree 2127/2012 and Resolution 264/2013 issued by the Ministry of Economy and Public Finance (up and until the shares are conferred to the employees, such rights are exercised by the Argentine Government), 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) and 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.

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. 19,550, Law 26,831, the CNV's regulations and the Argentine Central Bank's rules.

Besides, under the Argentine Companies Law No. 19,550 and the Bank's By-laws, the Bank's Supervisory Committee consists of a committee made up by 5 regular statutory auditors and 5 alternate statutory auditors appointed as follows: 3 regular statutory auditors and 3 alternate statutory 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 statutory auditor and one alternate statutory auditor are designated by Class B shares in so far as said Class represents more than 2% of capital stock and 1 regular statutory auditor and 1 alternate statutory 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 statutory auditors to 3 regular statutory auditors and 3 alternate statutory auditors. Two of these regular statutory auditors and two alternate statutory 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 statutory auditor and one alternate statutory auditor being appointed by Class A shares. Given that statutory auditors are appointed by classes of shares, in so far as there are classes of shares, the Company will not be required to elect statutory auditors based on cumulative votes. Statutory 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 statutory auditors are set forth in the Argentine Companies Law, Section 293.

Board Committees:

The Bank's by-laws 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.

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) SMEs Lending Committee, and (5) Real Estate 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 incompatibilities prescribed by Law No. 19,550, Section 264 and by Law No. 21,526, Section 10.

The Bank's General Manager and Senior Management members are liable for compliance with applicable laws and regulations, in particular with Laws No. 24,855, 24,240, 21,526, 19,550 and 26,831, as amended, regulatory and supplementary decrees, the rules of the Argentine Central Bank, the regulations of the CNV and the Bank's by-law.

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 actions 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:

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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 following table. 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 majority Class "D" shareholders are entitled to elect nine of the thirteen members of the Board of Directors.

The following table shows the current composition of the capital stock, specifying the classes of shares, par value and equity percentage as of September 30, 2018:

Class	Shares	Face value	Capital stock
A	664,526,141	1	664,526,141
B	57,009,279	1	57,009,279
C	75,000,000	1	75,000,000
D	703,464,580	1	703,464,580
	1,500,000,000		1,500,000,000

Under Decree 2127/2012 and Resolution 264/2013 issued by the Ministry of Economy and Public Finance, the *Programa de Propiedad Participada* (Employee Stock Ownership Plan) was implemented. Under this plan, in a first stage, out of a total of 75,000,000, 17,990,721 Class B shares were converted into Class A shares, to be allocated among the employees that have withdrawn from the Bank in accordance with the implementation guidelines. Upon delivery to the former employees, the 17,990,721 shares will become Class D shares. As of the date of closing of these financial statements, this process had not yet fully concluded, with the shares allocated to the Bank's current employees being designated as Class B shares, representing the *Programa de Propiedad Participada*.

As of the end of these financial statements, the main Class "D" non-governmental shareholders (Tyrus S.A., Ritelco S.A., E-Commerce Latina S.A., Palermo Invest S.A., IRSA Inversiones y Representaciones S.A. and Inversora Bolívar S.A. held 75,000,000, 75,000,000, 74,861,691, 71,653,517, 75,000,000 and 75,000,000 Class D shares, respectively) were holders of an aggregate of 446,515,208 shares representing 29.8% of the Capital Stock.

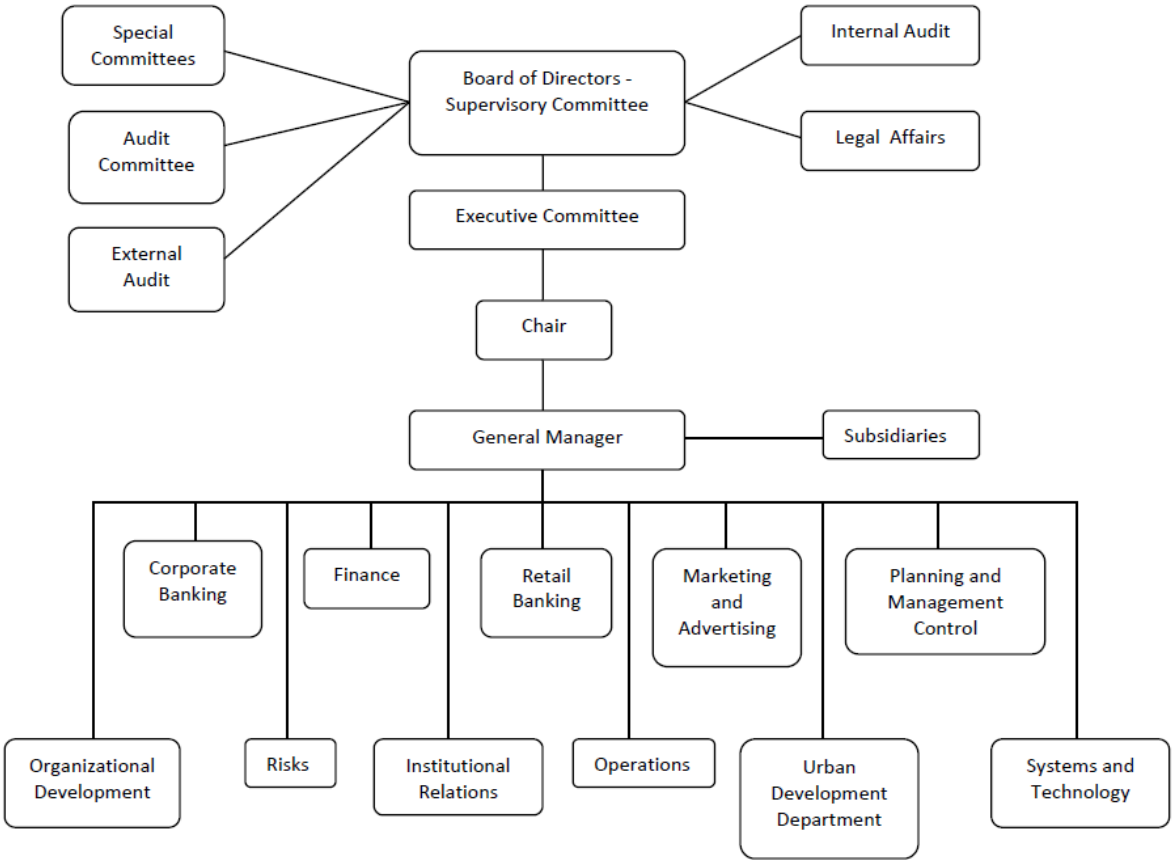
In addition, the following shareholders are holders of Class D shares: (a) 90,905,000 shares are held by the Option Trustee (relating to non-exercised options) which shall be maintained in the Trust until the disposal thereof pursuant to the instructions received from the Selling Shareholder (Argentine Government). During such period, the political rights attaching thereto shall be exercised by the Trustee of the Trust of the *Fondo Federal de Infraestructura Regional* Assistance Trust (Banco de la Nación Argentina); and (b) 74,037,265 shares are held by ANSES, each of them representing 6.1% and 4.9%, respectively.

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. 24,855 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 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 as of the closing of these financial statements:



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 carries life insurance; BHN Seguros Generales SA, which provides insurance against fire and damages to real property; BACS Banco de Crédito y Securitización SA, a non-depository merchant bank; BH Valores SA, engaged in stock brokerage activities; and Tarshop SA, an issuer of credit cards.

4) Information concerning financial incentives to personnel:

1 - The Personnel Incentives Committee is made up of 3 Directors and the highest officer in the

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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 tenure 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.

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 commensurate with tasks performed, whose internal relative value reflects 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 satisfied, 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 individual development and the organization's advancement.

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 reflects 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 the results obtained during the fiscal year to be remunerated.

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 enshrine the ethical tenets 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 of Mercado Abierto Electrónico and through BH Valores S.A., to the Merval's Investor Protection Code.

The Bank 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 aspire to further the Bank's and its customers' best interests and they should never stem 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, insurance companies, stock brokers and the 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 involvement of each company as trustor, trustee or beneficiary is restricted to the sphere 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 separate financial statements and in the Bank's consolidated financial statements.

33. SUBSEQUENT EVENTS

No events have occurred between the period closing date and the issuance of these consolidated condensed interim financial statements that may significantly affect the financial position or results for the period/year, other than those disclosed in the notes to the referred financial statements.

34. RUBRICATION OF BOOKS

At the date of these financial statements, the transactions conducted by the Bank had been recorded in the rubricated books, as called for by the regulations in force.

35. FINANCIAL STATEMENTS PUBLICATION

In line with the guidelines of Communication "A" 760, the prior involvement of the Argentine Central Bank is not required in order to publish these financial statements.

The document drafted pursuant to the provisions of Communication "A" 5394 issued by the Argentine Central Bank discloses information on Banco Hipotecario S.A.'s regulatory capital structure and sufficiency, risk exposure and management, on a stand-alone basis and in consolidated form with its subsidiaries.

Pursuant to the law, the referred document is posted on the Bank's website (http://www.hipotecario.com.ar), by accessing the following link: "Market Discipline – Minimum Disclosure Requirements."

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36. PERSONAL ASSETS TAX

Law No. 25,585 introduced changes in the treatment afforded to the shareholdings and ownership interests in the capital stock of companies governed by Law No. 19,550, effective since the 2002 tax period.

One of these changes was the addition of Section 25.1 to the Personal Assets Law, which levies a tax on the above mentioned shareholdings held by individuals domiciled and undivided estates established in Argentina and foreign individuals, undivided estates and legal entities. The Bank is responsible for acting as substitute taxpayer of Personal Assets Tax.

In the framework of Law No. 27,260, the Bank obtained a benefit on grounds of good tax performance. This benefit exempts shareholdings and ownership interests in the Bank's capital stock from Personal Assets Tax, and it applies to the 2016, 2017 and 2018 tax periods.

BANCO Hipotecario

SCHEDULE B
CONSOLIDATED CLASSIFICATION OF FINANCING ACCORDING TO LOANS AND GUARANTEES RECEIVED

For the fiscal period ended 09/30/2018
Comparative as of 12/31/2017 and 01/01/2017
In thousands of Argentine Pesos

COMMERCIAL PORTFOLIO	09/30/2018	12/31/2017	01/01/2017
Normal Situation	**14,872,725**	**13,681,984**	**11,291,993**
With "B" preferred collateral and counterguarantees	2,959,217	2,331,446	1,290,430
Without preferred collateral and counterguarantees	11,913,508	11,350,538	10,001,563
Potential Risk	**270,896**	**36,756**	**386**
With "B" preferred collateral and counterguarantees	226,415	23,478	-
Without preferred collateral and counterguarantees	44,481	13,278	386
Problematic	**105,186**	**556**	**990**
With "B" preferred collateral and counterguarantees	19,598	-	-
Without preferred collateral and counterguarantees	85,588	556	990
High risk of insolvency	**25,809**	**6,365**	**5,090**
With "B" preferred collateral and counterguarantees	9,434	197	1,229
Without preferred collateral and counterguarantees	16,375	6,168	3,861
Uncollectible	**3,371**	**3,334**	**16,931**
With "B" preferred collateral and counterguarantees	96	-	93
Without preferred collateral and counterguarantees	3,275	3,334	16,838
TOTAL COMMERCIAL PORTFOLIO	**15,277,987**	**13,728,995**	**11,315,390**

Mariano Cané de Estrada
Planning and Management Control Manager

Manuel J.L. Herrera Grazioli
General Manager

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PRICE WATERHOUSE & Co. S.R.L.

Mario Blejer
First Vice-Chairman acting as Chairman

Ricardo Flammini
For the Supervisory Committee

………………………..(Partner)
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SCHEDULE B
CONSOLIDATED CLASSIFICATION OF FINANCING ACCORDING TO LOANS AND GUARANTEES RECEIVED

For the fiscal period ended 09/30/2018
Comparative as of 12/31/2017 and 01/01/2017
In thousands of Argentine Pesos

CONSUMER AND HOUSING PORTFOLIO	09/30/2018	12/31/2017	01/01/2017
Normal Situation	**28,116,942**	**22,828,108**	**18,332,886**
With "B" preferred collateral and counterguarantees	3,894,714	2,680,636	1,704,073
Without preferred collateral and counterguarantees	24,222,228	20,147,472	16,628,813
Low Risk	**1,499,304**	**733,666**	**476,437**
With "B" preferred collateral and counterguarantees	46,528	39,192	20,696
Without preferred collateral and counterguarantees	1,452,776	694,474	455,741
Mid Risk	**913,298**	**480,493**	**276,289**
With "B" preferred collateral and counterguarantees	13,294	11,479	3,616
Without preferred collateral and counterguarantees	900,004	469,014	272,673
High Risk	**1,015,421**	**638,730**	**392,205**
With "B" preferred collateral and counterguarantees	10,496	8,748	2,662
Without preferred collateral and counterguarantees	1,004,925	629,982	389,543
Uncollectible	**224,935**	**279,914**	**69,598**
With "B" preferred collateral and counterguarantees	19,418	15,537	4,837
Without preferred collateral and counterguarantees	205,517	264,377	64,761
Uncollectible for technical reasons	**582**	**169**	**265**
With "B" preferred collateral and counterguarantees	25	41	58
Without preferred collateral and counterguarantees	557	128	207
TOTAL CONSUMER AND HOUSING PORTFOLIO	**31,770,482**	**24,961,080**	**19,547,680**
GENERAL TOTAL	**47,048,469**	**38,690,075**	**30,863,070**

Mariano Cané de Estrada
Planning and Management Control Manager

Manuel J.L. Herrera Grazioli
General Manager

See our report datedd
November 14, 2018
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SCHEDULE C
CONSOLIDATED CONCENTRATION OF FINANCING

For the fiscal period ended 09/30/2018

Comparative as of 12/31/2017 and 01/01/2017

In thousands of Argentine Pesos

Number of customers	FINANCING					
	09/30/ 2018		**12/31/2017**		**01/01/2017**	
	Debt balance	% of total portfolio	Debt balance	% of total portfolio	Debt balance	% of total portfolio
10 largest customers	6,599,054	14.03%	3,511,697	9.08%	3,405,721	11.03%
50 following largest customers	7,313,070	15.54%	5,213,408	13.47%	3,032,365	9.83%
100 following largest customers	1,632,558	3.47%	1,390,530	3.59%	1,072,894	3.48%
Rest of customers	31,503,787	66.96%	28,574,440	73.86%	23,352,090	75.66%
Total	**47,048,469**	**100.00%**	**38,690,075**	**100.00%**	**30,863,070**	**100.00%**

Mariano Cané de Estrada
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Manuel J.L. Herrera Grazioli
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BANCO Hipotecario

SCHEDULE D

CONSOLIDATED BREAKDOWN OF LOANS AND OTHER FINANCING ARRANGEMENTS BY MATURITY DATES

For the fiscal period ended 09/30/2018

In thousands of Argentine Pesos

Item	Past due portfolio	Remaining terms to maturity						
		1 month	3 months	6 months	12 months	24 months	more than 24 months	Total
Non-financial public sector	-	2,889	9,290	13,443	18,074	-	-	43,696
Financial sector	-	276,999	48,395	71,348	18,335	12,572	3,125	430,774
Non-financial private sector and foreign residents	1,870,204	8,712,265	10,807,299	4,998,635	4,390,483	5,821,293	9,973,820	46,573,999
Total	**1,870,204**	**8,992,153**	**10,864,984**	**5,083,426**	**4,426,892**	**5,833,865**	**9,976,945**	**47,048,469**

Mariano Cané de Estrada
Planning and Management Control Manager

Manuel J.L. Herrera Grazioli
General Manager

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BANCO Hipotecario

SCHEDULE F
CONSOLIDATED CHANGES IN BANK PREMISES AND EQUIPMENT
For the fiscal period ended 09/30/2018
(In thousands of Argentine Pesos)

Item	Acquisition cost at the beginning of the fiscal year	Estimated useful life in years	Additions	Transfers	Withdrawals	Impairment		Depreciation	Residual value as of 09/30/2018
						Losses	Reversals	For the period	
Measured at cost									
- Real estate properties	1,302,203	50	-	-	(1,106)			(16,788)	1,284,309
- Furniture and facilities	65,755	10	12,978	-				(7,971)	70,762
- Machinery and equipment	142,914	5	37,411	-	-			(58,320)	122,005
- Vehicles	289	5	-	-	-			(72)	217
- Sundry	17,277	5	6,946	-	-			(6,877)	17,346
- Works in progress (1)	1,418,308	-	1,802,988			(55.685)		-	3,165,611
TOTAL BANK PREMISES AND EQUIPMENT	2,946,746		1,860,323	-	(1,106)	(55,685)	-	(90,028)	4,660,250

(1) See Note 12.

Mariano Cané de Estrada
Planning and Management Control Manager

Manuel J.L. Herrera Grazioli
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SCHEDULE F
CONSOLIDATED CHANGES IN INVESTMENT PROPERTY
For the fiscal period ended 09/30/2018
(In thousands of Argentine Pesos)

Item	Acquisition cost at the beginning of the fiscal year	Estimated useful life in years	Depreciation	Residual value as of 09/30/2018
			For the period	
Measured at cost				
Leased real estate properties	2,493	50	(88)	2,405
TOTAL INVESTMENT PROPERTY	2,493	-	(88)	2,405

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BANCO Hipotecario

SCHEDULE G
CONSOLIDATED CHANGES IN INVESTMENT PROPERTY
For the fiscal period ended 09/30/2018
(In thousands of Argentine Pesos)

Item	Acquisition cost at the beginning of the fiscal year	Estimated useful life in years	Reassessment		Additions	Transfers	Withdrawals	Depreciation	Residual value as of 09/30/2018
			Increase	Decrease				For the period	
Measured at cost									
Goodwill - Combination of business	-	-	-	-	-	-	-	-	-
Trademarks	-	-	-	-	-	-	-	-	-
Licenses	-	-	-	-	-	-	-	-	-
Intangible assets acquired under lease agreements	-	-	-	-	-	-	-	-	-
Other intangible assets	125,553	5	-	-	43,817	-	-	(21,800)	147,570
TOTAL INTANGIBLE ASSETS	**125,553**		**-**	**-**	**43,817**	**-**	**-**	**(21,800)**	**147,570**

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SCHEDULE H
CONSOLIDATED CONCENTRATION OF DEPOSITS

For the fiscal period ended 09/30/2018

Comparative as of 12/31/2017 and 01/01/2017
(In thousands of Argentine Pesos)

Number of customers	DEPOSITS					
	09/30/2018		12/31/2017		01/01/2017	
	Debt balance	% of total portfolio	Debt balance	% of total portfolio	Debt balance	% of total portfolio
10 largest customers	4,211,801	22.93%	3,726,490	17.91%	4,376,170	24.67%
50 following largest customers	2,499,852	15.78%	2,097,891	10.08%	2,616,398	14.75%
100 following largest customers	1,131,446	3.94%	851,690	4.09%	1,003,393	5.66%
Rest of customers	17,265,637	57.35%	14,132,310	67.92%	9,745,843	54.92%
TOTAL	**25,108,736**	**100.00%**	**20,808,381**	**100.00%**	**17,741,804**	**100.00%**

Mariano Cané de Estrada
Planning and Management Control Manager

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General Manager

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BANCO Hipotecario

SCHEDULE I
CONSOLIDATED BREAKDOWN OF FINANCIAL LIABILITIES BY MATURITY DATES
For the fiscal period ended 09/30/2018
(In thousands of Argentine Pesos)

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	3,891,844	185,637	4,627	-	-	-	4,082,108
Financial sector	6,322	-	-	-	-	-	6,322
Non-financial private sector and foreign residents	16,708,524	3,500,538	470,800	193,296	145,763	1,385	21,020,306
	20,606,690	3,686,175	475,427	193,296	145,763	1,385	25,108,736
Liabilities at fair value through profit or loss	207,748	-	-	-	-	-	207,748
Derivative instruments	-	-	-	-	-	1,657,136	1,657,136
Repo transactions	50,095	-	-	-	-	-	50,095
Other financial liabilities	7,562,637	-	-	-	-	-	7,562,637
Loans received from the BCRA and other financial institutions	700,729	-	-	-	-	-	700,729
Negotiable obligations issued	170,105	2,018,161	1,147,159	1,835,390	7,826,445	20,757,971	33,755,231
	8,691,314	2,018,161	1,147,159	1,835,390	7,826,445	22,415,107	43,933,576
TOTAL	29,298,004	5,704,336	1,622,586	2,028,686	7,972,208	22,416,492	**69,042,312**

(*) These figures are stated pursuant to contractual clauses.

Mariano Cané de Estrada
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SCHEDULE P
CATEGORIES OF CONSOLIDATED FINANCIAL ASSETS AND LIABILITIES
For the fiscal period ended 09/30/2018
(In thousands of Argentine Pesos)

Description	Amortized cost	Fair value through other comprehensive income	Fair value through profit or loss		Category of fair value		
			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	**8,081,915**						
Cash	1,315,957						
Financial institutions and correspondents	5,856,156						
Other	909,802						
Debt securities at fair value through profit or loss			**11,327,663**		**11,123,043**	**204,620**	
Derivative instruments			**299,184**			**299,184**	
Repo transactions	**418,307**						
Argentine Central Bank							
Other financial institutions	418,307						
Other financial assets	**2,224,883**		**479,415**		**479,415**		
Loans and other financing arrangements	**47,048,469**						
Non-financial public sector	43,696						
Argentine Central Bank	0						
Other financial institutions	430,774						
Non-financial private sector and foreign residents	46,573,999						
Overdraft facilities	407,369						
Notes	320,659						
Mortgage loans	4,271,884						
Pledge loans	235,516						
Consumer loans	9,397,476						
Credit cards	18,681,852						
Financial leases	140,408						
Other	13,118,835						
Other debt securities	**4,584,421**						
Financial assets pledged as collateral			**2,388,773**		**2,388,773**		
Investment in equity instruments			**198,464**		**198,464**		
TOTAL FINANCIAL ASSETS	**62,357,995**	**-**	**14,693,499**	**-**	**14,189,695**	**503,804**	**-**

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SCHEDULE P
CATEGORIES OF CONSOLIDATED FINANCIAL ASSETS AND LIABILITIES
For the fiscal period ended 09/30/2018
(In thousands of Argentine Pesos)

Description	Amortized cost	Fair value through other comprehensive income	Fair value through profit or loss		Category of fair value		
			Originally designated or pursuant to item 6.7.1 under IFRS 9	Statutory measurement	Level 1	Level 2	Level 3
FINANCIAL LIABILITIES							
Deposits	**25,108,736**						
Non-financial public sector	4,082,108						
Financial sector	6,322						
Non-financial private sector and foreign residents	21,020,306						
Current accounts	742,851						
Savings accounts	6,695,821						
Time deposits and term investments	12,818,188						
Other	763,446						
Liabilities at fair value through profit or loss			**207,748**		**207,748**		
Derivative instruments			**1,657,136**			**1,657,136**	
Repo transactions	**50,095**						
Other financial liabilities	**7,562,637**						
Loans received from the BCRA and other financial institutions	**700,729**						
Negotiable obligations issued	**33,755,231**						
TOTAL FINANCIAL LIABILITIES	**67,177,428**		**1,864,884**		**207,748**		

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BANCO Hipotecario

SCHEDULE Q
BREAKDOWN OF CONSOLIDATED RESULTS
For the fiscal period ended 09/30/2018
In thousands of Argentine Pesos

Items	Net financial income/(expense)		Other Comprehensive Income
	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	3,261,044	-	-
Income from corporate securities	199,168	-	-
Income/(loss) from derivative financial instruments			
Forward transactions	21,319	-	-
Interest rate swaps	(53,658)	-	-
TOTAL	**3,427,873**	-	-

Interest and adjustments due to application of effective interest rate of financial assets measured at amortized cost	
Interest income	
Cash and bank deposits	6,031
Government securities	73,691
Other financial assets	812,038
Loans and other financing arrangements	9,825,327
Non-financial public sector	-
Financial sector	111,734
Non-financial private sector	9,713,593
Overdraft facilities	264,505
Promissory notes	136,520
Mortgage loans	756,927
Pledge loans	69,767
Consumer loans	2,440,127
Credit cards	4,942,928
Financial leases	28,670
Other	1,074,149
TOTAL	**10,717,087**
Interest expense	
Deposits	
Non-financial private sector	(3,014,992)
Checking accounts	(740,155)
Savings accounts	(6,029)
Time deposits and term investments	(2,268,808)
Loans received from the BCRA and other financial institutions	(122,029)
Other financial liabilities	(853,066)
Negotiable obligations issued	(4,637,884)
TOTAL	**(8,627,971)**

Mariano Cané de Estrada
Planning and Management Control Manager

Manuel J.L. Herrera Grazioli
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SCHEDULE R

CONSOLIDATED CORRECTION OF VALUE DUE TO LOSSES - PROVISION FOR LOAN LOSSES

For the fiscal period ended 09/30/2018

Comparative as of 12/31/2017 and 01/01/2017

In thousands of Argentine Pesos

Item	Opening balances	Increases	Decreases		Closing balance as of 09/30/2018	Closing balance as of 12/31/2017	Closing balance as of 01/01/2017
			Reversals	Allocations			
Loans and other financing arrangements							
Other financial institutions							
Non-financial private sector and foreign residents	**1,342,626**	**1,271,303**	**32,372**	**801,095**	**1,780,462**	**1,342,626**	**837,089**
Overdraft facilities	95,496	173,885	34	13,873	255,474	95,496	62,938
Promissory notes	6,447	-	-	4,358	2,089	6,447	5,426
Mortgage loans	33,105	14,792	-	1,228	46,669	33,105	27,674
Consumer loans	327,539	405,341	30,287	179,917	522,676	327,539	173,496
Credit cards	806,800	677,285	2,035	601,011	881,039	806,800	485,245
Financial leases	1,559	-	16	360	1,183	1,559	2,906
Other	71,680	-	-	348	71,332	71,680	79,404
Corporate securities	**25,865**	**9,003**		**-**	**34,868**	**25,865**	**54,846**
Debt securities under financial trusts	25,865	9,003			34,868	25,865	54,846
Total	**1,368,491**	**1,280,306**	**32,372**	**801,095**	**1,815,330**	**1,368,491**	**891,935**

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SEPARATE CONDENSED INTERIM FINANCIAL STATEMENTS
AS OF SEPTEMBER 30, 2018

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SEPARATE CONDENSED INTERIM BALANCE SHEET

For the fiscal period ended 09/30/2018

Comparative as of 12/31/2017 and 01/01/2017

In thousands of Argentine Pesos

ITEM	NOTES	09/30/2018	12/31/2017	01/01/2017
ASSETS				
Cash and bank deposits (Schedule P)	5, 6	**7,612,659**	**3,645,301**	**7,099,631**
Cash		1,291,857	904,482	714,529
Financial institutions and correspondents		5,411,000	2,600,012	6,385,102
- Argentine Central Bank (B.C.R.A.)		5,000,543	2,407,033	5,332,648
- Other domestic and foreign institutions		410,457	192,979	1,052,454
Other		909,802	140,807	-
Debt securities at fair value through profit or loss (Schedules A, P)	6	**8,918,762**	**13,838,629**	**2,645,739**
Derivative instruments (Schedules O, P)	6, 8	**299,184**	**46,217**	**169,717**
Repo transactions (Schedule P)	6	**319,910**	**-**	**-**
Other financial assets (Schedule P)	6, 9	**1,907,366**	**660,612**	**1,295,756**
Loans and other financing arrangements (Schedules B, C, D, P)	6, 7	**40,924,929**	**32,301,214**	**25,579,241**
Non-financial public sector		33,683	69,484	122,899
Other financial institutions		386,400	424,380	532,143
Non-financial private sector and foreign residents		40,504,846	31,807,350	24,924,199
Other debt securities (Schedules A, P)	6	**3,793,148**	**1,628,027**	**1,950,902**
Financial assets pledged as collateral (Schedule P)	6	**2,190,147**	**2,062,126**	**2,868,502**
Current income tax assets	14	**188,799**	**83,713**	**25,126**
Investments in equity instruments (Schedules A, P)	6	**-**	**4,518**	**3,857**
Investment in subsidiaries, associates and joint ventures (Schedule E)	15	**2,195,813**	**1,918,674**	**1,655,950**
Bank premises and equipment (Schedule F)	12	**4,623,395**	**2,912,796**	**1,536,625**
Intangible assets (Schedule G)	13	**123,922**	**106,631**	**81,341**
Other non-financial assets	11	**169,045**	**73,056**	**249,989**
TOTAL ASSETS		**73,267,079**	**59,281,514**	**45,162,376**

Notes and Schedules hereto are an integral part of these separate condensed interim financial statements.

Mariano Cané de Estrada
Planning and Management Control Manager

Manuel J.L. Herrera Grazioli
General Manager

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SEPARATE CONDENSED INTERIM BALANCE SHEET

For the fiscal period ended 09/30/2018

Comparative as of 12/31/2017 and 01/01/2017

In thousands of Argentine Pesos

ITEM	NOTES	09/30/2018	12/31/2017	01/01/2017
LIABILITIES				
Deposits (Schedules H, I, P)	6	**25,191,936**	**21,006,336**	**17,800,760**
Non-financial public sector		4,082,108	2,399,321	1,723,901
Financial sector		53,914	163,274	9,820
Non-financial private sector and foreign residents		21,055,914	18,443,741	16,067,039
Liabilities at fair value through profit or loss (Schedules I, P)	6	**207,748**	**-**	**-**
Derivative instruments (Schedules I, O, P)	6, 8	**1,657,136**	**732,192**	**807,188**
Repo transactions (Schedules I, P)	6	**-**	**1,061,552**	**1,752,267**
Other financial liabilities (Schedules I, P)	6, 17	**4,003,375**	**2,998,999**	**2,162,237**
Loans received from the B.C.R.A. and other financial institutions (Schedules I, P)	6	**26,930**	**160,457**	**265,521**
Negotiable obligations issued (Schedules I, P)	6, 16	**30,653,811**	**23,333,067**	**14,383,925**
Provisions (Schedule J)	19	**413,074**	**410,196**	**299,812**
Deferred income tax liabilities	14	**163,075**	**131,176**	**132,186**
Other non-financial liabilities	18	**1,689,084**	**1,533,184**	**1,170,191**
TOTAL LIABILITIES		**64,006,169**	**51,367,159**	**38,774,087**
SHAREHOLDERS' EQUITY	20			
Capital stock (Schedule K)		1,500,000	1,500,000	1,500,000
Non-capitalized contributions		25,877	834	834
Capital adjustments		717,115	717,115	717,115
Reserves		5,651,110	4,277,900	2,059,361
Unappropriated retained earnings		(174,933)	309,287	1,495,655
Other accumulated comprehensive income		-	-	-
Income for the period/year		1,541,741	1,109,219	615,324
TOTAL SHAREHOLDERS' EQUITY		**9,260,910**	**7,914,355**	**6,388,289**

Notes and Schedules hereto are an integral part of these separate condensed interim financial statements.

Mariano Cané de Estrada
Planning and Management Control Manager

Manuel J.L. Herrera Grazioli
General Manager

See our report dated
November 14, 2018
PRICE WATERHOUSE & Co. S.R.L.

Mario Blejer
First Vice-Chairman acting as Chairman

Ricardo Flammini
For the Supervisory Committee

……………………….(Partner)
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Dr. Diego Sisto
Public Accountant (U.C.A.)
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BANCO Hipotecario

SEPARATE CONDENSED INTERIM STATEMENT OF INCOME

For the fiscal period ended 09/30/2018

In comparative format with the same period of the previous fiscal year

In thousands of Argentine Pesos

ITEM	NOTES	THREE-MONTH PERIOD ENDED		NINE-MONTH PERIOD ENDED	
		09/30/2018	09/30/2017	09/30/2018	09/30/2017
Interest and adjustments income (Schedule Q)	21	3,239,968	1,981,258	8,216,592	5,909,389
Interest and adjustments expense (Schedule Q)	22	(2,922,777)	(1,243,544)	(7,080,686)	(3,582,937)
Net interest income		**317,191**	**737,714**	**1,135,906**	**2,326,452**
Fee and commission income	21	819,869	672,388	2,271,938	1,889,311
Fee and commission expense		(40,033)	(31,711)	(116,083)	(82,938)
Net fee and commission income		**779,836**	**640,677**	**2,155,855**	**1,806,373**
Net income from measurement of financial instruments at fair value through profit or loss (Schedule Q)		705,925	351,416	2,662,083	518,027
Gold and foreign quotation differences	23	381,817	(18,271)	(235,537)	(37,046)
Other operating income	24	248,676	251,725	909,978	767,375
Loan loss provision (Schedule R)		(291,989)	(83,693)	(685,590)	(312,969)
Net operating income		**2,141,456**	**1,879,568**	**5,942,695**	**5,068,212**
Employee benefits	26	(721,734)	(702,481)	(2,049,092)	(1,784,725)
Administrative expenses	25	(508,503)	(389,056)	(1,325,768)	(1,130,343)
Depreciation and impairment of assets		(84,463)	(29,202)	(143,168)	(86,174)
Other operating expenses	24	(743,926)	(577,062)	(1,928,164)	(1,706,034)
Operating income		**82,830**	**181,767**	**496,503**	**360,936**
Income from associates and joint ventures	15	420,987	222,364	1,077,136	724,435
Income before tax		**503,817**	**404,131**	**1,573,639**	**1,085,371**
Income tax	14	37,872	32,016	(31,898)	(19,571)
Net income		**541,689**	**436,147**	**1,541,741**	**1,065,800**
NET INCOME FOR THE PERIOD		**541,689**	**436,147**	**1,541,741**	**1,065,800**

Notes and Schedules hereto are an integral part of these separate condensed interim financial statements.

Mariano Cané de Estrada
Planning and Management Control Manager

Manuel J.L. Herrera Grazioli
General Manager

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BANCO Hipotecario

SEPARATE CONDENSED INTERIM STATEMENT OF INCOME

For the fiscal period ended 09/30/2018
In comparative format with the same period of the previous fiscal year
In thousands of Argentine Pesos

EARNINGS PER SHARE	THREE-MONTH PERIOD ENDED		NINE-MONTH PERIOD ENDED	
	09/30/2018	09/30/2017	09/30/2018	09/30/2017
NUMERATOR				
Net income attributable to the Parent Company's shareholders	541,689	436,147	1,541,741	1,065,800
PLUS: Effects of dilution inherent in potential common shares	-	-	-	-
Net income attributable to the Parent Company's shareholders adjusted to reflect the effect of dilution	541,689	436,147	1,541,741	1,065,800
DENOMINATOR				
Weighted average of outstanding common shares for the fiscal year	1,465,187	1,463,365	1,464,369	1,463,365
PLUS: Weighted average of additional common shares with diluting effects	-	-	-	-
Weighted average of outstanding common shares for the fiscal year adjusted to reflect the effects of dilution	1,465,187	1,463,365	1,464,369	1,463,365
Earnings per basic share	**0.370**	**0.298**	**1.053**	**0.728**
Earnings per diluted share	**0.370**	**0.298**	**1.053**	**0.728**

Notes and Schedules hereto are an integral part of these separate condensed interim financial statements.

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Manuel J.L. Herrera Grazioli
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SEPARATE CONDENSED INTERIM STATEMENT OF OTHER COMPREHENSIVE INCOME

For the fiscal period ended 09/30/2018

In comparative format with the same period of the previous fiscal year

In thousands of Argentine Pesos

ITEM	THREE-MONTH PERIOD ENDED		NINE-MONTH PERIOD ENDED	
	09/30/2018	09/30/2017	09/30/2018	09/30/2017
Net income for the period	**541,689**	**436,147**	**1,541,741**	**1,065,800**
Total other comprehensive income for the period	**-**	**-**	**-**	**-**
Total comprehensive income for the period	**541,689**	**436,147**	**1,541,741**	**1,065,800**

Notes and Schedules hereto are an integral part of these separate condensed interim financial statements.

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SEPARATE CONDENSED INTERIM STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the fiscal period ended 09/30/2018

In thousands of Argentine Pesos

Changes	Capital Stock		Non-capitalized contributions		Equity adjustment	Other Comp. Income	Profit reserves			Retained earnings	Total for the period 09/30/2018
	Outstanding	Treasury Stock	Share issuance Premium	Stock-based payment			Legal	Stock-based payment	Other		
Opening balances	1,463,365	36,635	834	-	717,115	-	1,129,962	439,617	2,708,321	1,418,506	7,914,355
Allocation of retained earnings – Approved by Shareholders' Resolution dated 4/9/2018											
-Legal reserve	-	-	-	-	-	-	318,687	-	-	(318,687)	-
-Other reserves	-	-	-	-	-	-	-	-	1,274,752	(1,274,752)	-
-Dividends in cash	-	-	-	-	-	-	-	-	(199,778)	-	(199,778)
Changes in non-controlling interest	-	-	-	-	-	-	-	-	-	-	-
Stock-based payments under Compensation Plan	2,087	(2,087)	-	25,044	-	-	-	(20,452)	-	-	4,592
Net income for the period	-	-	-	-	-	-	-	-	-	1,541,741	1,541,741
Closing balances for the period	**1,465,452**	**34,548**	**834**	**25,044**	**717,115**	**-**	**1,448,649**	**419,165**	**3,783,295**	**1,366,808**	**9,260,910**

Notes and Schedules hereto are an integral part of these separate condensed interim financial statements.

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Planning and Management Control Manager

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General Manager

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BANCO Hipotecario

SEPARATE CONDENSED INTERIM STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the fiscal period ended 09/30/2017

In thousands of Argentine Pesos

Changes	Capital Stock		Non-capitalized contributions		Equity adjustment	Other Comp. Income	Profit reserves			Retained Earnings	Total for the period 09/30/2017
	Outstanding	Treasury Stock	Share issuance Premium	Stock-based payment			Legal	Stock-based payments	Other		
Opening balances	1,463,365	36,635	834	-	717,115	-	1,006,896	-	1,052,465	2,110,979	6,388,289
Allocation of retained earnings – Approved by Shareholders' Resolution dated 4/4/2017											
-Legal reserve	-	-	-	-	-	-	123,066	-	-	(123,066)	-
Changes in non-controlling interest	-	-	-	-	-	-	-	-	-	(22,772)	(22,772)
Net income for the period	-	-	-	-	-	-	-	-	-	1,065,800	1,065,800
Closing balances for the period	**1,463,365**	**36,635**	**834**	**-**	**717,115**	**-**	**1,129,962**	**-**	**1,052,465**	**3,030,941**	**7,431,317**

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SEPARATE CONDENSED INTERIM STATEMENT OF CASH FLOWS
For the fiscal period ended 09/30/2018
In comparative format with the same period of the previous fiscal year
In thousands of Argentine Pesos

ITEM	09/30/2018	09/30/2017
Income for the period before income tax	1,573,639	1,085,371
Adjustments to obtain cash flows from operating activities		
Depreciation and impairment of assets	143,168	86,174
Provision for loan losses	540,911	214,586
Charge for provision	72,387	133,677
Income (loss) from investment in subsidiaries	(1,077,136)	(747,215)
Net interest income	(1,135,906)	(2,326,452)
Changes in fair value of investments in financial instruments	(2,669,208)	(857,847)
Profit from sale of bank premises and equipment	(2,049)	(59,419)
Net increase/(decrease) from operating assets		
Debt securities at fair value through profit or loss	7,642,733	(3,295,046)
Derivative instruments	(252,967)	160,635
Repo transactions	(308,428)	-
Loans and other financing arrangements		
Non-financial public sector	160,879	450,302
Financial sector	37,980	18,388
Non-financial private sector and foreign residents	(1,722,967)	905,600
Other debt securities	(1,600,529)	703,193
Financial assets pledged as collateral	(128,021)	1,468,532
Investments in equity instruments	4,518	(235)
Other assets	(3,584,490)	524,703
Net increase/(decrease) from operating liabilities		
Deposits		
Non-financial public sector	1,682,787	789,788
Financial sector	(109,360)	11,617
Non-financial private sector and foreign residents	(402,819)	(908,344)
Liabilities at fair value through profit or loss	207,748	-
Derivative instruments	871,286	(183,889)
Repo transactions	(1,170,692)	(1,448,934)
Other liabilities	6,988,915	487,559
Total operating activities	**5,762,379**	**(2,787,256)**

Notes and Schedules hereto are an integral part of these separate condensed interim financial statements.

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C.P.C.E.C.A.B.A. Volume 274 Page 12

BANCO Hipotecario

SEPARATE CONDENSED INTERIM STATEMENT OF CASH FLOWS

For the fiscal period ended 09/30/2018
In comparative format with the same period of the previous fiscal year
In thousands of Argentine Pesos

ITEM	09/30/2018	09/30/2017
Cash flow from investment activities		
Payments		
Purchase of bank premises and equipment, intangible assets and other assets	(113,628)	(1,151,848)
Collections		
Sale of bank premises and equipment, intangible assets and other assets	2,049	81,890
Total from investment activities	**(111,579)**	**(1,069,958)**
Cash flow from financing activities		
Payments		
Distribution of dividends	(195,186)	-
Unsubordinated negotiable obligations	(4,019,965)	(3,034,482)
Loans from domestic financial institutions	(20,832,890)	(16,905,778)
Collections		
Unsubordinated negotiable obligations	1,143,061	3,082,052
Debt securities under financial trusts	369,419	-
Loans to domestic financial institutions	20,672,890	16,740,778
Total financing activities	**(2,862,671)**	**(117,430)**
Effect of exchange rate variations	**1,179,229**	**132,077**

TOTAL VARIATION OF CASH FLOWS	09/30/2018	09/30/2017
Net increase/(decrease) in cash and cash equivalents	3,967,358	(3,842,567)
Cash and cash equivalents at the beginning of the period	3,645,301	7,099,631
Cash and cash equivalents at the end of the period	7,612,659	3,257,064

Notes and Schedules hereto are an integral part of these separate condensed interim financial statements.

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1. BANCO HIPOTECARIO SOCIEDAD ANÓNIMA

Banco Hipotecario S.A. (hereinafter, "the Bank") is a financial institution subject to the Financial Institutions Law No. 21,526 and, as such, is also required to comply with the regulations laid down by the Argentine Central Bank in its capacity as Regulatory Authority of Financial Institutions. The Bank is also required to comply with the regulations handed down by the Argentine Securities Commission ("CNV"), in accordance with Law No. 26,831.

2. ACCOUNTING STANDARDS AND BASIS FOR PREPARATION

These separate condensed interim financial statements were approved by the Board of Directors on November 14, 2018.

2.1. Adoption of International Financial Reporting Standards (IFRS)

The Argentine Central Bank, through Communication "A" 5541, as amended, set forth a convergence plan towards the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and the interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC), to be complied with by entities under the Argentine Central Bank's oversight, except for Section 5.5. (Impairment) of IFRS 9 "Financial Instruments," effective for fiscal years commenced on January 1, 2018. Entities are also required to prepare their opening financial statements since January 1, 2017, which will serve as comparative basis to the financial statements commencing on January 1, 2018, with the interim financial statements as of March 31, 2018 being the first interim financial statements in being prepared under these standards.

On the other hand, on January 12, 2018, the Argentine Central Bank released Communication "A" 6430, pursuant to which financial institutions are required to apply the provisions on Impairment of Financial Assets set out in Section 5.5. of IFRS 9 for fiscal years commencing on January 1, 2020.

Such financial asset impairment model embraces a three-stage scheme, which is based on the changes in the credit quality of financial assets since initial recognition. Assets go through the three stages, depending on the changes in credit risk and the stages indicate the manner in which an entity should measure impairment losses and apply the effective interest method.

- Stage 1 includes financial instruments which have not experienced a substantial increase in credit risk since initial recognition, or that have low credit risk as of the reporting date. For these instruments, 12-month expected credit losses (ECL) are recognized and interest income is calculated on the basis of the gross carrying amount of the asset (that is, without deduction of the allowance for impairment). 12-month ECL are the portion of ECL that result from default events on a financial instrument that are likely to occur within the 12 months after the reporting date.

Mariano Cané de Estrada Planning and Management Control Manager	**Manuel J.L. Herrera Grazioli** General Manager	See our report dated November 14, 2018 PRICE WATERHOUSE & Co. S.R.L.
Mario Blejer First Vice-Chairman acting as Chairman	**Ricardo Flammini** For the Supervisory Committee	………………………..(Partner) C.P.C.E.C.A.B.A. Volume 1 – Page 17 Dr. Diego Sisto Public Accountant (U.C.A.) C.P.C.E.C.A.B.A. Volume 274 Page 12

- Stage 2 includes financial instruments which have experienced a substantial increase in credit risk since initial recognition (unless they have a low credit risk as of the reporting date), but for which there is no objective evidence of impairment. For these items, ECL are recognized throughout the instrument lifetime, but interest income is still calculated over the gross carrying amount of the asset. Lifetime ECL equal to the present value of losses that would result from a default event occurred at any time during the instrument lifetime. It is the default probability-weighted average of the loss an entity would sustain upon an event of default.

- Stage 3 includes financial assets with objective evidence of impairment as of the reporting date. For these items, lifetime ECL are recognized, and interest income is calculated over the net carrying amount of the asset (that is, net of the allowance for impairment).

Our separate condensed interim financial statements for the nine-month period ended September 30, 2018 were prepared in accordance with IAS 34 “Interim Financial Reporting” and IFRS 1 “First-time Adoption of International Financial Reporting Standards.” The separate condensed interim financial statements were prepared in accordance with the criteria the Bank expects to adopt in preparing its annual separate financial statements as of December 31 2018.

Comparative figures and figures as of the transition date (January 1, 2017) were modified to reflect the adjustments to the previous accounting framework.

Note 3 presents a Conciliation of the figures disclosed in the balance sheet, statement of income, the statement of other comprehensive income and the statement of cash flows comprising the financial statements issued under the previous accounting framework to the figures disclosed according to the accounting framework established by the Argentine Central Bank in these separate condensed interim financial statements, as of the transition date (January 1, 2017), as of the adoption date (December 31, 2017) and as of the end of the comparative period (September 30, 2017).

These separate condensed interim financial statements should be read together with the Bank's annual financial statements as of December 31, 2017 prepared in accordance with the preceding accounting framework. Furthermore, Note 3 to the financial statements contains certain information under IFRS as of December 31, 2017 which is required to understand these separate condensed interim financial statements.

The Bank’s management has concluded that these separate condensed interim financial statements fairly present its financial position, financial performance and cash flows.

2.2. Basis for Preparation

These separate condensed interim financial statements were prepared in accordance with the accounting framework laid down by the Argentine Central Bank (“BCRA”). As disclosed in Note 2.1 to the accompanying financial statements, such framework is based on the application of the International Financial Reporting Standards ("IFRS") and, in particular, International Accounting Standard 34, "Interim Financial Reporting" (IAS 34), as approved by the International Accounting Standards Board (IASB). Such standards were adopted by the Argentine Federation of Professional Councils in Economic Sciences (FACPCE) and by the BCRA, and were used in preparing these financial statements, except for paragraph 5.5 of IFRS 9, “Impairment” and International Accounting Standard 29 (IAS 29).

In addition, Section 3 of the regulations handed down by the Argentine Securities Commission ("CNV") sets forth that “entities subject to the CNV’s oversight may not restate their financial statements into constant currency.”

In preparing these separate condensed interim financial statements, the Bank is required to make estimates and assessments affecting the reported amounts of assets and liabilities, and contingent assets and liabilities disclosed as of the date of these separate condensed interim financial statements, as well as the reported amounts of income and expenses for the period.

The Bank makes estimates, for instance, to calculate the allowance for loan losses, the useful life of bank's premises & equipment, depreciation and amortization, the recoverable value of assets, the income tax expense, some labor-related costs, and the provisions for contingencies and lawsuits. Future actual results may differ from the estimates and assessments made as of the date these separate condensed interim 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 condensed interim financial statements are described in Note 4.

(a) Going concern

As of the date of these separate condensed interim financial statements, there are no uncertainties as to developments or circumstances that may call into question the likelihood that the Bank will continue operating normally as a going concern.

(b) Measurement Unit

IAS 29 "Financial Reporting in Hyperinflationary Economies" 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 as of the reporting period-end, regardless of whether such financial statements are based on the historical or the current cost method. To such end, in general terms, entities are required to account for inflation occurring since the acquisition date or the revaluation date, as applicable, in non-monetary items. Such requirements are also applicable to the comparative information disclosed in the financial statements.

The standard sets out a number of factors that should be considered to conclude that an economy is hyperinflationary, including a cumulative inflation rate for three consecutive years close to, or in excess of, 100%. In July 2018, the Argentine Federation of Professional Councils in Economic Sciences ("FACPCE") issued a release stating that, effective since fiscal years ending on or after July 1, 2018, entities reporting under the IFRS would be required to apply the inflation adjustment since the required conditions for such adjustment have been met. In turn, on July 24, 2018, the Argentine Federation of Professional Councils in Economic Sciences (FACPCE) issued a release confirming the aforementioned circumstances. However, as of the date of these financial statements, Decree No. 664/03 handed down by the Argentine Executive Branch was still in full force and effect. According to such decree, entities are not allowed to file restated financial statements with the CNV. Therefore, pursuant to such decree and the accounting framework laid down by the BCRA as described in Note 2.1 above, the Group's management did not apply IAS 29 in preparing these financial statements.

During an inflationary period, entities maintaining an excess of monetary assets over monetary liabilities will lose purchasing power, while entities maintaining an excess of monetary liabilities over monetary assets will gain purchasing power, to the extent such items are not subject to an adjustment mechanism.

In summary, according to the restatement mechanism set forth in IAS 29, monetary assets and liabilities will not be restated for they are already stated in the measuring unit current at the end of the reporting period. Assets and liabilities subject to adjustments on the basis of specific arrangements will be adjusted according to such arrangements. Non-monetary items measured at their current values at the end of the reporting period, such as net realizable value or others, will not require restatement. All other non-monetary assets and liabilities will be restated by applying a general price index. Gains or losses from an entity's net monetary position will be charged to the reporting period's net income or loss in a separate item.

See our report dated November 14, 2018
PRICE WATERHOUSE & Co. S.R.L.

(Partner)
C.P.C.E.C.A.B.A. T° 1 - F° 17

(c) Changes in Accounting Criteria / New Accounting Standards

Below is a detail of the new standards, amendments and interpretations that have been released but have not yet come in force for fiscal years beginning on January 1, 2018 and thereafter, and which have not been early adopted:

IFRS 16 "Leases": In January 2016, the IASB issued IFRS 16 "Leases" which sets out a new accounting model for leases. Under IFRS 16, a contract is or contains a lease if the contract confers the lessee a right to control the use of an identified asset for a period of time, for consideration. IFRS 16 requires that the lessee recognize the liability arising from the lease reflecting the lease future payments and a right of use of the assets for substantially all leases, other than certain short-term leases and leases of low-value assets. Lessor accounting is maintained as provided for in IAS 17. However, the new accounting model for lessees is expected to have an impact on negotiations between lessors and lessees. Entities are required to apply IFRS 16 for fiscal years commencing on or after January 1, 2019. The Bank is assessing the impact the adoption of such standard will have on its financial statements.

IFRS 17 "Insurance Contracts": On May 18, 2017, the IASB issued IFRS 17 "Insurance Contracts," establishing a comprehensive accounting framework based on measurement and disclosure principles for insurance contracts. The new standard supersedes IFRS 4 "Insurance Contracts," and requires that insurance contracts be measured using current fulfillment cash flows and that revenues be recognized as the insurance service is delivered during the term of the coverage. Entities are required to apply IFRS 17 for fiscal years commencing on or after November 1, 2021. The Bank is assessing the potential impact this standard will have on its financial statements.

IFRIC 23 "Uncertainty over Income Tax Treatment": This interpretation sheds light on how the recognition and measurement requirements of IAS 12 "Income Tax" should be applied when there is uncertainty over the income tax treatment. IFRIC 23 was published in June 2017 and entities will be required to apply it for fiscal years commencing on or after January 1, 2019.

To date, there are no other IFRS or IFRIC interpretations which have not yet come into force and which are expected to have a material impact on the Bank.

(d) Accounting criteria

The accounting criteria adopted by the Bank in these separate condensed interim financial statements are detailed in Note 2 to the consolidated condensed interim financial statements.

3. TRANSITION TO IFRS

3.1 Requirements for the transition to IFRS

Note 3.8 presents a conciliation between the shareholders' equity, statement of income, and other comprehensive income amounts related to the financial statements issued according to the accounting framework prior to the transition date (January 1, 2017), the adoption date (December 31, 2017) and the closing date of the comparative period (September 30, 2017) and the amounts presented according to IFRS in these separate condensed interim financial statements, as well as the effects of adjustments to cash flows.

3.2 Optional exemptions under IFRS

Under IFRS 1, first-time adopters are allowed to consider certain one-off exemptions. The IASB has established such exemptions in order to streamline the first-time adoption of certain IFRS, removing the retroactive application requirement.

Below is a detail of the optional exemptions applicable to the Bank under IFRS 1:

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1. Cost allocated to bank premises & equipment and investment property: The fair value of certain items of bank premises & equipment has been adopted as allocated cost as of the transition date to the IFRS.
2. Business combinations: The Bank has decided not to apply IFRS 3 "Business Combinations" retroactively to business combinations consummated before the transition date to the IFRS.
3. Assets and liabilities of subsidiaries that have already adopted the IFRS: The Bank has adopted the IFRS for the first time after its subsidiary Tarshop. Therefore, the carrying amounts of this subsidiary's assets and liabilities have been measured in the Bank's separate condensed interim financial statements for the same carrying amounts disclosed in the financial statements of that subsidiary (except for the application of Section 5.5. of IFRS 9).
4. Investments in subsidiaries, entities under common control and associates: The Bank may, at its option, measure such investments at cost under IFRS 9; or under the equity method described in IAS 28.

The Bank has not relied on the other exemptions available under the IFRS 1.

3.3 Mandatory exceptions under IFRS

Below is a detail of the mandatory exceptions applicable to the Bank under IFRS 1:
1. Estimates: The Bank's estimates under IFRS as of January 1, 2017 (the transition date to the IFRS) are consistent with the estimates as of the same date calculated pursuant to the Argentine Central Bank's accounting standards, considering the comments in Note 2.1 (without applying the impairment chapter under IFRS 9).
2. Derecognition of financial assets and liabilities: The Bank has relied on the derecognition criteria for financial assets and liabilities under IFRS 9 on a prospective basis for transactions occurring subsequent to January 1, 2017.
3. Classification and measurement of financial assets: The Bank has taken into consideration the facts and circumstances prevailing as of January 1, 2017 in assessing whether financial assets are eligible for classification as assets measured at amortized cost, or at fair value through other comprehensive income.

The other mandatory exceptions under IFRS 1 have not been applied for they are not material to the Bank.

3.4 Required conciliation

As required by Communication "A" 5541, as supplemented, below is a detail of the main adjustments resulting from the transition to the IFRS, and of certain conciliation in connection with such transition, as follows:

- Conciliation of shareholders' equity determined under the Argentine Central Bank's rules to shareholders' equity determined under the IFRS, as of January 1, 2017 (transition date to IFRS), as of December 31, 2017 and September 30, 2017; and

- Conciliation of net income for the year determined under the Argentine Central Bank's rules as of December 31, 2017 and the nine-month period ended September 30, 2017, to total comprehensive income determined under IFRS as of such dates.

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- Conciliation of shareholders' equity as of January 1, 2017 (transition date to IFRS)

	Ref.	Balances under Argentine Central Bank's rules	Reclassifications	Valuation adjustments	Balances under IFRS
		(In thousands of Ps.)			
Cash and bank deposits		7,099,631	-	-	7,099,631
Debt securities at fair value through profit or loss	(a)	836,538	1,804,386	4,815	2,645,739
Derivative instruments		169,717	-	-	169,717
Other financial assets		1,295,756	-	-	1,295,756
Loans and other financing arrangements	(b)	25,678,115	-	(98,874)	25,579,241
Other debt securities	(a)	3,774,994	(1,804,386)	(19,706)	1,950,902
Financial assets pledged as collateral		2,868,502	-	-	2,868,502
Current income tax assets		25,126	-	-	25,126
Investments in equity instruments		3,857	-	-	3,857
Investments in subsidiaries, associates and joint ventures	(l)	1,659,556	10,842	(14,448)	1,655,950
Bank premises & equipment	(c)	413,531	-	1,123,094	1,536,625
Intangible assets	(d)	544,917	(10,842)	(452,734)	81,341
Other non-financial assets	(e)	282,543		(32,554)	249,989
TOTAL ASSETS		**44,652,783**	**-**	**509,593**	**45,162,376**
Deposits		17,800,760	-	-	17,800,760
Derivative instruments		807,188	-	-	807,188
Repo transactions		1,752,267	-	-	1,752,267
Other financial liabilities		2,162,237	-	-	2,162,237
Loans from the Argentine Central Bank and other financial institutions		265,521	-	-	265,521
Negotiable obligations issued	(f)	14,448,613	-	(64,688)	14,383,925
Provisions	(i)	299,812	-	-	299,812
Deferred income tax liabilities	(g)	-	-	132,186	132,186
Other non-financial liabilities	(h)	1,060,154	-	110,037	1,170,191
TOTAL LIABILITIES		**38,596,552**	**-**	**177,535**	**38,774,087**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	(j) (k)	**44,652,783**	**-**	**509,593**	**45,162,376**

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- Conciliation of shareholders' equity as of September 30, 2017

	Ref.	Balances under Argentine Central Bank's rules	Reclassifications	Valuation adjustments	Balances under IFRS
		(In thousands of Ps.)			
Cash and bank deposits		3,257,064	-	-	3,257,064
Debt securities at fair value through profit or loss	(a)	5,951,972	874,351	2,978	6,829,301
Derivative instruments		9,082	-	-	9,082
Other financial assets		1,302,778	-	-	1,302,778
Loans and other financing arrangements	(b)	29,611,725	-	(45,914)	29,565,811
Other debt securities	(a)	2,471,979	(874,351)	(15,976)	1,581,652
Financial assets pledged as collateral		1,399,970	-	-	1,399,970
Current income tax assets		83,713	-	-	83,713
Investments in equity instruments		4,092	-	-	4,092
Investments in subsidiaries, associates and joint ventures	(l)	1,661,383	10,842	(64,550)	1,607,675
Bank premises & equipment	(c)	1,683,390	-	1,114,169	2,797,559
Intangible assets	(d)	536,800	(10,842)	(421,793)	104,165
Other non-financial assets	(e)	96,405	-	(36,643)	59,762
TOTAL ASSETS		**48,070,353**	**-**	**532,271**	**48,602,624**
Deposits		19,419,444	-	-	19,419,444
Derivative instruments		653,968	-	-	653,968
Repo transactions		347,948	-	-	347,948
Other financial liabilities		2,045,730	-	-	2,045,730
Loans from the Argentine Central Bank and other financial institutions		100,198	-	-	100,198
Negotiable obligations issued	(f)	16,889,445	-	(51,328)	16,838,117
Provisions	(i)	322,937	-	5,275	328,212
Deferred income tax liabilities	(g)	-	-	151,757	151,757
Other non-financial liabilities	(h)	1,123,253	-	162,680	1,285,933
TOTAL LIABILITIES		**40,902,923**	**-**	**268,384**	**41,171,307**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	(j) (k)	**48,070,353**	**-**	**532,271**	**48,602,624**

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- Conciliation of shareholders' equity as of December 31, 2017

	Ref.	Balances under Argentine Central Bank's rules	Reclassifications	Valuation adjustments	Balances under IFRS
		(In thousands of Ps.)			
Cash and bank deposits		3,645,301		-	3,645,301
Debt securities at fair value through profit or loss	(a)	12,678,267	1,161,897	(1,535)	13,838,629
Derivative instruments		46,217	-	-	46,217
Other financial assets		660,612	-	-	660,612
Loans and other financing arrangements	(b)	32,326,380	-	(25,166)	32,301,214
Other debt securities	(a)	2,806,066	(1,161,897)	(16,142)	1,628,027
Financial assets pledged as collateral		2,062,126	-	-	2,062,126
Current income tax assets		83,713	-	-	83,713
Investments in equity instruments		4,518	-	-	4,518
Investments in subsidiaries, associates and joint ventures	(l)	1,990,985	10,842	(83,153)	1,918,674
Bank premises & equipment	(c)	1,803,784	-	1,109,012	2,912,796
Intangible assets	(d)	517,409	(10,842)	(399,936)	106,631
Other non-financial assets	(e)	73,660		(604)	73,056
TOTAL ASSETS		**58,699,038**	**-**	**582,476**	**59,281,514**
Deposits		21,006,336	-	-	21,006,336
Derivative instruments		732,192	-	-	732,192
Repo transactions		1,061,552	-	-	1,061,552
Other financial liabilities		2,998,999	-	-	2,998,999
Loans from the Argentine Central Bank and other financial institutions		160,457	-	-	160,457
Negotiable obligations issued	(f)	23,333,067	-	-	23,333,067
Provisions	(i)	402,432	-	7,764	410,196
Deferred income tax liabilities	(g)	-	-	131,176	131,176
Other non-financial liabilities	(h)	1,354,332	-	178,852	1,533,184
TOTAL LIABILITIES		**51,049,367**	**-**	**317,792**	**51,367,159**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	(j) (k)	**58,699,038**	**-**	**582,476**	**59,281,514**

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- Conciliation of net income and total comprehensive income for the fiscal year ended December 31, 2017

	Ref.	Balances under Argentine Central Bank's rules	Reclassifications	Valuation adjustments	Balances under IFRS
		(In thousands of Ps.)			
Interest and adjustments income	(b)	8,087,957	733	60,107	8,148,797
Interest and adjustments expense	(f)	(5,246,966)	-	4,436	(5,242,530)
Net interest income		**2,840,991**	**733**	**64,543**	**2,906,267**
Fee and commission income		2,590,399	-	-	2,590,399
Fee and commission expense	(f)	(64,722)	-	(64,688)	(129,410)
Net fee and commission income (expense)		**2,525,677**	**-**	**(64,688)**	**2,460,989**
Net income (loss) from measurement of financial instruments at fair value through profit or loss	(a)	1,279,813	(733)	(10,785)	1,268,295
Gold and foreign currency quotation differences		(137,104)	-	-	(137,104)
Other operating income	(b) (d)	1,070,126	-	(12,963)	1,057,163
Loan loss provision	(b)	(476,704)	-	3,564	(473,140)
Net operating income		**7,102,799**	**-**	**(20,329)**	**7,082,470**
Employee benefits	(h) (j)	(2,456,830)	-	(509,285)	(2,966,115)
Administrative expenses	(d) (e)	(1,479,119)	-	(37,790)	(1,516,909)
Depreciation and impairment of assets	(c) (d)	(254,077)	-	138,822	(115,255)
Other operating expenses	(i)	(2,403,732)	-	(7,764)	(2,411,496)
Operating income (loss)		**509,041**	**-**	**(436,346)**	**72,695**
Share of profit (loss) of associates and joint ventures	(k) (l)	1,084,398	22,780	(71,663)	1,035,515
Income (loss) before tax from continuing activities		**1,593,439**	**22,780**	**(508,009)**	**1,108,210**
Income tax from continuing activities	(g)	-	-	1,009	1,009
Net income (loss) from continuing activities		**1,593,439**	**22,780**	**(507,000)**	**1,109,219**
Income (loss) from discontinued operations		-	-	-	-
Income tax from discontinued activities		-	-	-	-
Net income (loss) for the period		**1,593,439**	**22,780**	**(507,000)**	**1,109,219**

There were no adjustments or reclassifications in other comprehensive income for the fiscal year ended December 31, 2017.

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- Conciliation of net income and total comprehensive income for the nine-month period ended September 30, 2017

	Ref.	Balances under Argentine Central Bank's rules	Reclassifications	Valuation adjustments	Balances under IFRS
		(In thousands of Ps.)			
Interest and adjustments income	(b)	5,870,201	(2,920)	42,108	5,909,389
Interest and adjustments expense	(f)	(3,582,937)	-	-	(3,582,937)
Net interest income		**2,287,264**	**(2,920)**	**42,108**	**2,326,452**
Fee and commission income		1,889,311	-	-	1,889,311
Fee and commission expense	(f)	(69,578)	-	(13,360)	(82,938)
Net fee and commission income (expense)		**1,819,733**	**-**	**(13,360)**	**1,806,373**
Net income (loss) from measurement of financial instruments at fair value through profit or loss	(a)	516,944	2,920	(1,837)	518,027
Gold and foreign currency quotation differences		(37,046)	-	-	(37,046)
Other operating income	(b) (d)	778,609	-	(11,234)	767,375
Loan loss provision	(b)	(316,699)	-	3,730	(312,969)
Net operating income		**5,048,805**	**-**	**19,407**	**5,068,212**
Employee benefits	(h) (j)	(1,731,634)	-	(53,091)	(1,784,725)
Administrative expenses	(d) (e)	(1,070,052)	-	(60,291)	(1,130,343)
Depreciation and impairment of assets	(c) (d)	(189,137)	-	102,963	(86,174)
Other operating expenses	(i)	(1,700,759)	-	(5,275)	(1,706,034)
Operating income (loss)		**357,223**	**-**	**3,713**	**360,936**
Share of profit (loss) of associates and joint ventures	(k) (l)	753,975	22,780	(52,320)	724,435
Income (loss) before tax from continuing activities		**1,111,198**	**22,780**	**(48,607)**	**1,085,371**
Income tax from continuing activities	(g)	-	-	(19,571)	(19,571)
Net income (loss) from continuing activities		**1,111,198**	**22,780**	**(68,178)**	**1,065,800**
Income (loss) from discontinued operations		-	-	-	-
Income tax from discontinued activities		-	-	-	-
Net income (loss) for the period		**1,111,198**	**22,780**	**(68,178)**	**1,065,800**

There were no adjustments or reclassifications in other comprehensive income for the nine-month period ended September 30, 2017.

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- Conciliation of cash flows for the nine-month period ended September 30, 2017

The main difference lies in the fact that the statement of cash flows and cash equivalents presented under IFRS was prepared using the indirect method, as opposed to the direct method under the previous standards.

Under the BCRA's standards, the balance of the account Cash and Cash Equivalents was regarded as cash and cash equivalents. Under IFRS, cash and cash equivalents is comprised of Cash and Bank Deposits, including purchase-sale transactions of foreign currency pending settlement, with original maturity of three months or less.

Adjustments to calculate cash and cash equivalents as of January 1, 2017

	Balances as per BCRA's standards	**Reclassifications and adjustments**	**Balances under IFRS**
	(In thousands of Ps.)		
Cash	714,529	-	714,529
Bank deposits	6,385,102	-	6,385,102
Purchase-sale transactions of foreign currency pending settlement	-	-	-
Total	**7,099,631**	**-**	**7,099,631**

Adjustments to calculate cash and cash equivalents as of September 30, 2017

	Balances as per BCRA's standards	**Reclassifications and adjustments**	**Balances under IFRS**
	(In thousands of Ps.)		
Cash	801,600	-	801,600
Bank deposits	2,459,091	-	2,459,091
Purchase-sale transactions of foreign currency pending settlement	-	(3,627)	(3,627)
Total	**3,260,691**	**(3,627)**	**3,257,064**

- Explanatory notes to the IFRS transition adjustments

Below is a brief review of the main IFRS transition adjustments affecting shareholders' equity as of January 1, 2017 (transition date to the IFRS), as of September 30, 2017 and as of December 31, 2017, net income and total comprehensive income for the year ended December 31 2017 and net income for the nine-month period ended September 30, 2017, which arise from the comparison of the accounting criteria followed by the Bank in preparing its financial statements as of December 31, 2017 (Argentine Central Bank's accounting framework) to the accounting standards applied by the Bank in preparing its financial statements since fiscal year commenced on January 1, 2018 (IFRS).

(a) Debt securities at fair value through profit or loss and other debt securities

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Under the IFRS, financial assets are classified into three categories: financial assets measured at amortized cost, financial assets at fair value through other comprehensive income, and financial assets at fair value through profit and loss, on the basis of the business model and the specific features of the instruments.

The Bank's accounting criteria pursuant to the previous standards differ from the provisions of the IFRS in certain aspects, namely:

- Government securities with no volatility published by the Argentine Central Bank have been valued at their acquisition cost subject to an exponential increase based on the internal rate of return;
- Loans are stated at their acquisition cost, plus accrued interest on the basis of the contractual rate;
- Participation certificates in financial trusts have been valued taking into account the share of liabilities in net assets, as per the financial statements of the respective trusts, adjusted for the effect the application of the Argentine Central Bank's rules may have had on them, where applicable;
- Unlisted negotiable obligations and debt securities of financial trusts have been valued at their acquisition cost subject to an exponential increase based on the internal rate of return.

(b) Loans and other financing arrangements

The Bank's loan portfolio was originated within a business model whose main objective is collecting contractual cash flows (principal and interest). Under IFRS 9 "Financial Instruments," an entity's loan portfolio is required to be carried at amortized cost, using the effective interest method, with fees and commissions earned and incremental direct costs related to lending activities being added to the rate and accrued throughout the term of the loan.

Under the previous standards, interest was accrued on an exponential distribution basis in the period in which such interest was accrued, with fees and commissions earned and direct costs being recognized as generated.

(c) Bank premises & equipment

The Bank availed of the voluntary exemption set forth in IFRS 1 to measure its headquarters and its own branches. This entails measuring such items at their fair value and using such fair value as the cost attributed as of the transition date. The Bank has relied on appraisals in order to estimate the fair value of all such assets.

(d) Intangible assets

Under IFRS, an intangible asset is an identifiable non-monetary asset that has no physical substance. In order for an intangible asset to be eligible for recognition, the Bank must have control over, and future economic benefits are to be derived from, that asset. Under the previous accounting standards, the Bank recognized intangible assets not eligible for recognition as such under IFRS.

(e) Other non-financial assets

Under the previous accounting standards, the Bank capitalized costs associated to stationery and office supplies. According to the IFRS, these costs do not qualify for capitalization.

(f) Negotiable obligations issued

Under IFRS 9 "Financial Instruments," negotiable obligations were carried at amortized cost, using the effective interest method, with direct placement expenses having been recognized as a decrease in liabilities. Under the previous accounting standards, certain series of negotiable obligations were measured at the outstanding balance of principal and accrued interest and expenses were charged to profit or loss at the time of issuance.

(g) Deferred income tax
Under IFRS, the income tax liability for the period encompasses current and deferred taxes. Current income tax is calculated on the basis of enacted, or substantially enacted, laws as of the balance sheet date. Deferred tax is recognized pursuant to the asset-liability method, that is, for the temporary differences arising from the valuation of assets and liabilities for tax and accounting reporting purposes. Deferred tax is assessed using tax rates (and laws) that are, or are about to be, enacted as of the date of the financial statements and that are expected to be applicable upon the realization of the respective deferred tax asset, or upon the settlement of the deferred tax liability.

Under the previous accounting standards, the Bank recognized the current tax liability for the period/year.

(h) Other non-financial liabilities
Under the IFRS, short-term employee benefits, such as, vacations, salaries and wages, and social security contributions, are recognized as a liability for the undiscounted amount the Bank expects to pay for such benefits. Under the previous accounting standards, the Bank set up a vacation accrual for an amount equal to the vacation bonus. The adjustment entails recognizing the vacation accrual for the total amount of the benefit the Bank expects to pay.

(i) Provisions
Under IFRS, the Bank's customer loyalty program must be valued at the fair value of the points that are expected to be exchanged by customers.

(j) Reserve for stock-based compensation plan
The Bank has a stock-based compensation plan in place, pursuant to which employees receive shares of the Bank's capital stock in exchange for their services. Under IFRS, the fair value of the services received is recognized as an expense as of the grant date and such services are not re-measured for subsequent changes in the price of the shares. As of November 30, 2017, the Bank recognized the fair value of the treasury shares set aside for the plan under the line "Employee Benefits," with its related contra-account in shareholders' equity. The plan will not result in subsequent charges to income.

(k) Decrease in the equity interest in BACS
Under the IFRS, a change in an equity interest in a subsidiary, without loss of control, is carried in equity. Under the previous accounting standards, the impact of such change was charged to income for the nine-month period ended September 30, 2017.

(l) Investments in subsidiaries, associates and joint ventures
The Bank booked an adjustment in its separate financial statements to recognize the adjustments under IFRS.

4. SIGNIFICANT ACCOUNTING CRITERIA AND ESTIMATES

The accounting criteria and estimates adopted by the Bank in these separate condensed interim financial statements are detailed in Note 4 to the consolidated condensed interim financial statements.

5. CASH AND BANK DEPOSITS

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The table below shows a breakdown of items comprising cash and cash equivalents:

	09/30/2018	**12/31/2017**	**01/01/2017**
	(In thousands of Ps.)		
Cash	1,291,857	904,482	714,529
Financial institutions and correspondents	5,411,000	2,600,012	6,385,102
Others	909,802	140,807	-
Cash and bank deposits	**7,612,659**	**3,645,301**	**7,099,631**

6. FINANCIAL INSTRUMENTS

The Bank held the following financial instrument portfolios:

Instrument portfolio as of 09/30/2018	Fair Value - Net Income (Loss)	Amortized Cost	Fair Value – OCI
	(In thousands of Ps.)		
Assets	**11,445,481**	**54,520,624**	**-**
Cash and bank deposits	-	7,612,659	-
Debt securities at fair value through profit or loss	8,918,762	-	-
Derivative instruments	299,184	-	-
Repo transactions	-	319,910	
Other financial assets	37,388	1,869,978	-
Loans and other financing arrangements	-	40,924,929	-
Other debt securities	-	3,793,148	-
Financial assets pledged as collateral	2,190,147	-	-

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Instrument portfolio as of 09/30/2018	Fair Value - Net Income (Loss)	Amortized Cost	Fair Value – OCI
	(In thousands of Ps.)		
Liabilities	**(1,864,884)**	**(59,876,052)**	**-**
Deposits	-	(25,191,936)	-
Liabilities at fair value through profit or loss	(207,748)	-	-
Derivative instruments	(1,657,136)	-	-
Other financial liabilities	-	(4,003,375)	-
Loans from the Argentine Central Bank and other financial institutions	-	(26,930)	-
Negotiable obligations issued	-	(30,653,811)	-
Total	**9,580,597**	**(5,355,428)**	**-**

Instrument portfolio as of 12/31/2017	Fair Value - Net Income (Loss)	Amortized Cost	Fair Value – OCI
	(In thousands of Ps.)		
Assets	**16,009,591**	**38,177,053**	**-**
Cash and bank deposits	-	3,645,301	-
Debt securities at fair value through profit or loss	13,838,629	-	-
Derivative instruments	46,217	-	-
Other financial assets	58,101	602,511	-
Loans and other financing arrangements	-	32,301,214	-
Other debt securities	-	1,628,027	-
Financial assets pledged as collateral	2,062,126	-	-
Investments in equity instruments	4,518	-	-
Liabilities	**(732,192)**	**(48,560,411)**	**-**
Deposits	-	(21,006,336)	-
Derivative instruments	(732,192)	-	-
Repo transactions	-	(1,061,552)	-
Other financial liabilities		(2,998,999)	-
Loans from the Argentine Central Bank and other financial institutions	-	(160,457)	-
Negotiable obligations issued	-	(23,333,067)	-
Total	**15,277,399**	**(10,383,358)**	**-**

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Instrument portfolio as of 01/01/2017	Fair Value - Net Income (Loss)	Amortized Cost	Fair Value – OCI
	(In thousands of Ps.)		
Assets	**5,772,842**	**35,840,503**	**-**
Cash and bank deposits	-	7,099,631	-
Debt securities at fair value through profit or loss	2,645,739	-	-
Derivative instruments	169,717	-	-
Other financial assets	85,027	1,210,729	-
Loans and other financing arrangements	-	25,579,241	-
Other debt securities	-	1,950,902	-
Financial assets pledged as collateral	2,868,502	-	-
Investments in equity instruments	3,857	-	-
Liabilities	**(807,188)**	**(36,364,710)**	**-**
Deposits	-	(17,800,760)	-
Derivative instruments	(807,188)	-	-
Repo transactions	-	(1,752,267)	-
Other financial liabilities	-	(2,162,237)	-
Loans from the Argentine Central Bank and other financial institutions	-	(265,521)	-
Negotiable obligations issued	-	(14,383,925)	-
Total	**4,965,654**	**(524,207)**	**-**

Fair Value

The Bank classifies the fair value of its financial instruments in 3 levels, according to the quality of the data used in fair value assessment.

Level 1 Fair Value: The fair value of financial instruments traded in active markets (such as, publicly-traded derivatives, and securities held for trading or available for sale) is based on market listed prices as of the reporting period end. The market price used in financial assets held by the Bank is the current purchase price. These instruments are included in Level 1.

Level 2 Fair Value: The fair value of financial instruments that are not traded in active markets, for example, over-the-counter derivatives, is determined using valuation techniques that maximize the use of observable information and relies, to the least possible extent, on the Bank's specific estimates. If all the material variables to establish the fair value of a financial instrument are observable, the instrument is included in Level 2.

Level 3 Fair Value: If one or more material variables are not based on observable market information, the instrument is included in Level 3. This is the case of unlisted equity instruments.

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The table below shows the Bank's financial instruments measured at fair value as of the indicated dates:

Instrument portfolio as of 09/30/2018	Level 1 Fair Value	Level 2 Fair Value	Level 3 Fair Value
	(In thousands of Ps.)		
Assets	**10,941,678**	**503,803**	**-**
Debt securities at fair value through profit or loss	8,714,143	204,619	-
Derivative instruments	-	299,184	-
Other financial assets	37,388	-	-
Financial assets pledged as collateral	2,190,147	-	-
Liabilities	**(207,748)**	**(1,657,136)**	**-**
Liabilities at fair value through profit or loss	(207,748)	-	-
Derivative instruments	-	(1,657,136)	-
Total	**10,733,930**	**(1,153,333)**	**-**

Instrument portfolio as of 12/31/2017	Level 1 Fair Value	Level 2 Fair Value	Level 3 Fair Value
	(In thousands of Ps.)		
Assets	**15,632,884**	**376,707**	**-**
Debt securities at fair value through profit or loss	13,508,139	330,490	-
Derivative instruments	-	46,217	-
Other financial assets	58,101	-	-
Financial assets pledged as collateral	2,062,126	-	-
Investments in equity instruments	4,518	-	-
Liabilities	**-**	**(732,192)**	**-**
Derivative instruments	-	(732,192)	-
Total	**15,632,884**	**(355,485)**	**-**

Instrument portfolio as of 01/01/2017	Level 1 Fair Value	Level 2 Fair Value	Level 3 Fair Value
	(In thousands of Ps.)		
Assets	**4,644,192**	**1,128,650**	**-**
Debt securities at fair value through profit or loss	1,686,806	958,933	-
Derivative instruments	-	169,717	-
Other financial assets	85,027	-	-
Financial assets pledged as collateral	2,868,502	-	-
Investments in equity instruments	3,857	-	-
Liabilities	**-**	**(807,188)**	**-**
Derivative instruments	-	(807,188)	-
Total	**4,644,192**	**321,462**	**-**

Valuation Techniques

Valuation techniques to determine fair values include:

- Market or listed prices of similar instruments; and
- Estimated present value of instruments.

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All estimates in fair value are included in Level 2, in which fair values were assessed on the basis of present values adjusted for the issuer's or the entity's own credit risk.

Gains (losses) from accrual of the effective rate on the instruments are directly charged to income for the period/year.

Fair Value of Other Financial Instruments

The Bank has financial instruments that are not measured at fair value. For most of them, the fair value does not substantially differ from their amortized cost, since the interest rate payable or receivable is similar to market rates or the instrument is short-term. The following substantial differences were identified as of period/year-end:

Instruments as of 09/30/2018	Amortized Cost	Fair Value	
		Amount	Level
	(In thousands of Ps.)		
Loans and other financing arrangements	40,924,929	39,671,561	Level 2
Negotiable obligations issued	(30,653,811)	(32,031,073)	Level 1 and 2

Instruments as of 12/31/2017	Amortized Cost	Fair Value	
		Amount	Level
	(In thousands of Ps.)		
Loans and other financing arrangements	32,301,214	32,128,276	Level 2
Negotiable obligations issued	(23,333,067)	(22,934,046)	Level 1 and 2

Instruments as of 01/01/2017	Amortized Cost	Fair Value	
		Amount	Level
	(In thousands of Ps.)		
Loans and other financing arrangements	25,579,241	25,288,880	Level 2
Negotiable obligations issued	(14,383,925)	(14,483,025)	Level 1 and 2

Impairment

Below is a breakdown of changes in allowances for loan losses:

	09/30/2018
	(In thousands of Ps.)
Balance at the beginning	**638,935**
Impairment for the period	685,590
Write off	(271,664)
Recovery for the period	(32,372)
Balance at year/period-end	**1,020,489**

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7. LOANS AND OTHER FINANCING ARRANGEMENTS

The allowances for loan losses established by the Bank cover the minimum allowances required by the Argentine Central Bank, which are determined according to the level of compliance of debtors, the guarantees securing the loans and the debtor's economic and financial condition, among others, the allowances set up for individual loans refinanced in accordance with the guidelines described in Communication "A" 4583, and supplementary rules, as amended, and certain estimates concerning the impact of the current economic situation on the recoverability of the loan portfolio which includes self-insurance of risks stemming from death and disability on the debit balance of the financing covered by contracts made with insurance companies.

All consumer loans that must be fully accounted for in accordance with the rules in force are written off from the Bank's assets one month after the date in which such provision is made.

The individual mortgage loans granted and managed by the Retail Banking network, in which the participating banks entirely assume guarantees for cash flows, were classified as normal for purposes of calculating provisioning levels.

Based on the foregoing, the Bank's Board of Directors believes that the allowances for loan losses set up are sufficient to cover the minimum allowances required by the Argentine Central Bank rules on the total amount of the portfolio.

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

	09/30/2018	**12/31/2017**	**01/01/2017**
	(In thousands of Ps.)		
To the non-financial public sector	**33,683**	**69,484**	**122,899**
To the financial sector	**386,400**	**424,380**	**532,143**
Interfinancial - calls granted	200,000	-	30,000
Other loans to domestic financial institutions	155,520	391,273	474,679
Accrued interest, adjustments and quotation differences receivable	30,880	33,107	27,464
To the non-financial private sector and foreign residents	**40,504,846**	**31,807,350**	**24,924,199**
Overdraft facilities	583,963	1,221,539	290,153
Promissory notes	168,768	665,984	557,614
Mortgage loans	4,300,141	3,419,418	2,743,118
Pledge loans	2,169	2,757	466,500
Consumer loans	7,958,938	6,218,537	4,308,516
Credit cards	14,116,639	12,600,373	11,467,777
Financial leases	135,131	159,904	155,775
Loans to entity's personnel	276,838	207,908	188,175
Unallocated collections	(3,722)	(7,613)	(3,050)
Other	13,425,057	7,639,076	4,960,836

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	09/30/2018	12/31/2017	01/01/2017
	(In thousands of Ps.)		
Accrued interest and quotation differences receivable	537,942	333,339	284,426
Documented interest	(9,376)	(31,078)	(15,398)
Allowances (Schedule R)	(987,642)	(622,794)	(480,243)
Total loans and other financing arrangements	**40,924,929**	**32,301,214**	**25,579,241**

8. DERIVATIVE INSTRUMENTS

For information about derivative instruments, see Note 8 to the consolidated condensed interim financial statements.

9. OTHER FINANCIAL ASSETS

The table below shows the balances of other financial assets as of the indicated dates:

	09/30/2018	12/31/2017	01/01/2017
	(In thousands of Ps.)		
Financial trust participation certificates	37,388	58,101	85,027
Receivables from transactions pending settlement	848,769	271,212	794,669
Dividends receivable from subsidiaries (a)	749,997	-	-
Miscellaneous receivables	271,212	331,299	416,060
Total other financial assets	**1,907,366**	**660,612**	**1,295,756**

(a) On March 28, 2018, the Shareholders' Meeting of BHN Sociedad de Inversión S.A. approved the distribution of dividends out of profits for the year 2017 in the amount of Ps. 800,000 thousand, with the Board of Directors being entitled to make such distribution within the current year, in the manner and at the time it might deem appropriate. As of September 30, 2018, the collection of Ps. 749,997 is still pending.

10. TRANSFER OF FINANCIAL ASSETS

The Bank has made transfers of financial assets as described in Note 31.3. However, pursuant to IFRS 1, derecognition criteria for financial assets under IFRS 9 were applied on a prospective basis for transactions occurring after the transition date.

Under the IFRS, such a transfer of financial assets does not qualify for derecognition; accordingly, the Bank still recognizes the financial asset so transferred in its entirety and a financial liability reflecting the consideration it has received in exchange for the transfer.

The table below shows the financial trust not considered as derecognition of financial assets as of September 30, 2018:

Issuer	Financial trust	Created on	Securitized amount	Trust debt security		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

Furthermore, as of September 30, 2018, the Bank has maintained the following repo transactions:

- Ps. 348,053 thousand in Repos booked under off-balance sheet accounts.

11. OTHER NON-FINANCIAL ASSETS

The table below shows the balances of other non-financial assets as of the indicated dates:

	09/30/2018	12/31/2017	01/01/2017
	(In thousands of Ps.)		
Prepaid fees to Directors' and Supervisory Committee's Members	29,372	32,428	25,889
Tax prepayments	21,656	26,512	7,169
Prepayments for purchase of real estate (see Note 12)	-	-	176,551
Other prepayments	110,460	8,270	19,236
Investment property	2,405	2,493	2,610
Other	5,152	3,353	18,534
Total non-financial assets	**169,045**	**73,056**	**249,989**

Changes in investment property are included in Schedule F accompanying these financial statements.

Gains (losses) from investment property are recognized in the statement of comprehensive income under Other income / (expenses), net.

12. BANK PREMISES AND EQUIPMENT

The table below shows the changes in bank premises and equipment for the period ended September 30, 2018 and the year ended December 31, 2017:

	Real Estate	Furniture and Fixtures	Machinery and Equipment	Vehicles	Miscellaneous	Works in Progress (2)	09/30/2018
	(In thousands of Ps.)						
Net book value at the beginning	**1,302,203**	**57,418**	**130,983**	**289**	**3,595**	**1,418,308**	**2,912,796**
Increases	-	10,880	28,662	-	68	1,802,988	1,842,598
Impairments	-	-	-	-	-	(55,685)	(55,685)
Decreases, net	(1,106)	-	-	-	-	-	(1,106)
Depreciation expense (1)	(16,788)	(6,222)	(51,158)	(72)	(968)	-	(75,208)
Net book value at period end	**1,284,309**	**62,076**	**108,487**	**217**	**2,695**	**3,165,611**	**4,623,395**
Cost (or Fair Value)	1,325,221	109,500	392,220	482	10,511	3,165,611	5,003,545
Accumulated Amortization	(40,912)	(47,424)	(283,733)	(265)	(7,816)	-	(380,150)
Net book value at period end	**1,284,309**	**62,076**	**108,487**	**217**	**2,695**	**3,165,611**	**4,623,395**

	Real Estate	Furniture and Fixtures	Machinery and Equipment	Vehicles	Miscellaneous	Works in Progress (2)	12/31/2017
	(In thousands of Ps.)						
Net book value at the beginning	**1,274,212**	**54,337**	**151,485**	**386**	**4,746**	**51,459**	**1,536,625**
Increases	-	11,224	46,429	-	291	1,425,334	1,483,278
Reclassifications	51,458	-	-	-	-	(58,485)	(7,027)
Decreases, net		(252)	(236)	-	(17)	-	(505)
Depreciation expense (1)	(23,467)	(7,891)	(66,695)	(97)	(1,425)	-	(99,575)
Net book value at period end	**1,302,203**	**57,418**	**130,983**	**289**	**3,595**	**1,418,308**	**2,912,796**
Cost (or Fair Value)	1,370,621	98,943	363,559	482	10,443	1,418,308	3,262,356
Accumulated Amortization	(68,418)	(41,525)	(232,576)	(193)	(6,848)	-	(349,560)
Net book value at period end	**1,302,203**	**57,418**	**130,983**	**289**	**3,595**	**1,418,308**	**2,912,796**

(1) The accounting allocation of depreciation for the period/year is reported in Note 2.

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(2) On April 20, 2016, the Bank purchased the building 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. The purchase price was US Dollars sixty-eight million one hundred and fourteen thousand (68,114,000). On April 29, 2016; fifteen percent of the price (15%) was paid. The balance was paid on April 20, 2017. The title deed was executed on April 25, 2017. This building is considered to be a qualifying asset according to the definition of IAS 23, in that it necessarily takes a substantial period of time to get ready for its intended use. Therefore, as described in Note 2, the Bank has capitalized Ps. 1,758,039 thousand and Ps. 305,271 thousand as of September 30, 2018 and December 31, 2017, respectively. The referred amounts correspond to financial costs subject to capitalization under series XXIX tranche II negotiable obligation (see Note 16).

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 September 30, 2018, we are monitoring compliance with the requirements set out in IAS 40 for the reclassification of the building as "Investment property." Therefore, the Bank retained an independent appraiser to make an appraisal of the building, resulting in a fair value of Ps. 3,116,436 thousand. Hence, as of September 30, 2018, we recognized an impairment loss in the amount of Ps. 55,685 thousand in the Statement of Income under "Depreciation and impairment of assets."

Additional information

	Real Estate	Furniture and Fixtures	Machinery and Equipment	Vehicles	Miscellaneous	Works in progress
Depreciation method	Straight-line basis	Straight-line basis	Straight-line basis	Straight-line basis	Straight-line basis	-
Useful life (in years)	Up to 50	10	Machinery: 5 Equipment: 3	5	5	-

13. INTANGIBLE ASSETS

The table below shows the changes in intangible assets for the period ended September 30, 2018 and the year ended December 31, 2017:

	09/30/2018	12/31/2017
	(In thousands of Ps.)	
Net book value at the beginning	**106,631**	**81,341**
Increases due to development	29,068	41,715
Decreases, net	-	(1,056)
Amortization expense (1)	(11,777)	(15,369)
Net book value at period/year-end	**123,922**	**106,631**
Cost	325,345	291,086
Accumulated amortization	(201,423)	(184,455)
Net book value at period/year-end	**123,922**	**106,631**

(1) The accounting allocation of amortization and depreciation for the period/year is reported in Note 2.

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Additional information

	Other intangible assets
Definite useful life (in years)	5 years
Amortization method	Straight-line basis

14. INCOME TAX

The table below shows a breakdown of "Current Income Tax Assets":

	09/30/2018	12/31/2017	01/01/2017
	(In thousands of Ps.)		
Minimum notional income tax credit	188,799	82,693	897
Income tax prepayments	-	1,020	24,229
Total current income tax assets	**188,799**	**83,713**	**25,126**

The table below shows a breakdown of income tax expense:

	09/30/2018	09/30/2017
	(In thousands of Ps.)	
Current income tax	-	-
Income tax - deferred method	31,898	19,571
Subtotal – Income tax charged to the Statement of Income	**31,898**	**19,571**
Subtotal – Income tax charged to the Statement of Other Comprehensive Income	-	-
Total income tax expense	**31,898**	**19,571**

The table below shows a conciliation of the income tax liability charged to income as of September 30, 2018 and 2017 and the income tax liability resulting from applying the effective tax rate to taxable income:

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	09/30/2018	09/30/2017
	(In thousands of Ps.)	
Income for the period before income tax	**1,573,639**	**1,085,371**
Effective tax rate	30%	35%
Income for the period at the tax rate	**472,092**	**379,880**
Permanent differences at the tax rate:		
- Income (loss) from equity investments	(323,141)	(255,353)
- Tax-Exempt Income Law 20,455 (BHN privatization)	(1,558)	(2,376)
- Income (loss) Tierra del Fuego	1,580	(15,753)
- Net proceeds from ProCreAr	(54,873)	(60,917)
- Other	(62,201)	(25,910)
Total Income Tax Expense for the Year	**31,898**	**19,571**
Deferred tax variation	(31,898)	(19,571)
Total Income Tax for the Period Assessed for Tax Purposes	**-**	-
Income tax prepayments	-	-
Income Tax Liability	**-**	**-**

Tax Reform:

On December 29, 2017, the National Executive Branch enacted Income Tax Law No. 27,430. This law has introduced several changes to the previous income tax treatment. Some of the key changes involved in the reform include:

Income Tax Rate: The income tax rate for Argentine companies will be gradually reduced from 35% to 30% for fiscal years commencing on January 1, 2018 until December 31, 2019, and to 25% for fiscal years commencing on, and including, January 1, 2020.

Tax on Dividends: The law has introduced a tax on dividends or profits distributed by Argentine companies or permanent establishments, among others, to: individuals, undivided estates or foreign beneficiaries, subject to the following considerations: (i) dividends distributed out of the profits made during fiscal years commencing on January 1, 2018 until December 31, 2019 will be subject to withholding at a 7% rate; and (ii) dividends distributed out of the profits made during fiscal years commencing on January 1, 2020 and thereafter will be subject to withholding at a 13% rate.

Dividends distributed out of profits earned until the fiscal year before that commenced on January 1, 2018 will remain subject, in respect of all beneficiaries, to withholding at the 35% rate on the amount in excess of tax-free distributable accumulated profits (equalization tax transition period).

Adjusted Deductions: Acquisitions or investments made in fiscal years commencing on January 1, 2018 will be adjusted on the basis of percentage changes in the Wholesale Domestic Price Index (IPIM) reported by the INDEC, which would result in an increase in the deductible depreciation and amortization expense and the tax basis in the event of a sale.

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Deferred Income Tax Liabilities

The table below shows changes in deferred income tax liabilities:

	Balance as of 12/31/2017	Balance charged to income/(loss)	Balance as of 09/30/2018
	(In thousands of Ps.)		
Allowance for loan losses	53,814	81,332	135,146
Bank premises & equipment	(423,348)	(347,126)	(770,474)
Valuation in foreign currency	(3,320)	(39,193)	(42,513)
Provisions	164,715	(3,545)	161,170
Other	4,545	-	4,544
Valuation of securities and shares	(6,172)	(7,930)	(14,101)
Tax losses	78,590	284,563	363,153
Total deferred income tax liabilities	**(131,176)**	**(31,898)**	**(163,075)**

15. INVESTMENTS IN SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

As mentioned in Note 2 to the consolidated condensed interim financial statements, the Bank has interests in several subsidiaries. The table below shows a breakdown of the Bank's investments in subsidiaries as of September 30, 2018, December 31, 2017 and January 1, 2017:

	09/30/2018	12/31/2017	01/01/2017
	(In thousands of Ps.)		
BACS	301,720	263,674	299,854
BHN Sociedad de Inversión	1,295,905	1,062,772	843,224
Tarshop	515,105	508,709	486,946
BH Valores	83,083	83,519	25,926
Total investments in subsidiaries	**2,195,813**	**1,918,674**	**1,655,950**

The table below shows the changes in investments in the Bank's subsidiaries, associates and joint ventures for the periods ended September 30, 2018 and December 31, 2017:

	09/30/2018	12/31/2017
	(In thousands of Ps.)	
Net Balance at the Beginning of the Period	**1,918,674**	**1,655,950**
Dividends received (a)	(50,000)	(749,998)
Dividends receivable (see Note 9)	(749,997)	-
Decrease in equity interest (see Note 16)	-	(22,780)
Share of profit or loss for the period	1,077,136	1,035,502
Balance at Period-end	**2,195,813**	**1,918,674**

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(a) The Shareholders' Meeting of BHN Sociedad de Inversión S.A. held on March 30, 2017 approved the distribution of dividends for Ps. 900,000 thousand, Ps. 150,000 of which were advanced during fiscal year 2016. On November 29, 2017, BHN Sociedad de Inversión S.A. paid dividends to Banco Hipotecario S.A. in the form of government securities, completing the total amount that had been approved.

(b) In October 2018, the referred dividends were collected

The following is summary financial information for each subsidiary:

Balance Sheet Summary Data

	BACS			BHN Sociedad de Inversión			Tarshop			BH Valores		
	09/30/2018	12/31/2017	01/01/2017	09/30/2018	12/31/2017	01/01/2017	09/30/2018	12/31/2017	01/01/2017	09/30/2018	12/31/2017	01/01/2017
	(In thousands of Ps.)											
Total Assets	3,186,796	2,418,427	1,789,539	3,668,075	1,773,446	1,398,941	6,468,653	6,337,343	5,697,817	121,475	123,109	37,210
Total Liabilities	2,702,339	1,995,064	1,446,860	2,372,169	710,767	555,628	5,838,327	5,714,987	5,102,672	34,019	35,194	9,919
Shareholders' equity	**484,457**	**423,363**	**342,679**	**1,295,906**	**1,062,679**	**843,313**	**630,326**	**622,356**	**595,145**	**87,456**	**87,915**	**27,291**

Statement of Income and Statement of Comprehensive Income Summary Data

	BACS		BHN Sociedad de Inversión		Tarshop		BH Valores	
	09/30/2018	09/30/2017	09/30/2018	09/30/2017	09/30/2018	09/30/2017	09/30/2018	09/30/2017
	(In thousands of Ps.)							
Ordinary operating income	418,944	368,436	2,311,042	1,635,736	1,227,859	994,253	795	31,637
Income before income tax	101,294	28,228	1,543,341	1,051,731	11,550	(47,496)	(1,688)	29,879
Income tax	(40,210)	(6,951)	(510,116)	(371,627)	(3,575)	66,283	(12,652)	(11,567)
Other comprehensive income	-	-	-	-	-	-	-	-
Total Comprehensive Income	**61,084**	**21,277**	**1,033,225**	**680,104**	**7,975**	**18,787**	**(14,340)**	**18,312**
Income Attributable to Non-Controlling Interest	**23,041**	**8,026**	**-**	**-**	**1,595**	**3,757**	**-**	**-**

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Statement of Cash Flows Summary Data

	BACS		BHN Sociedad de Inversión		Tarshop		BH Valores	
	09/30/2018	09/30/2017	09/30/2018	09/30/2017	09/30/2018	09/30/2017	09/30/2018	09/30/2017
	(In thousands of Ps.)							
Cash flows from operating activities	(585,123)	(269,502)	725,076	699,542	913,658	(794,555)	(599)	2,524
Cash flows from investing activities	(8,449)	(8,182)	(81,239)	(58,939)	(12,369)	(14,366)	-	-
Net cash flow provided by financing activities	637,028	329,956	(50,000)	-	(1,033,454)	775,495	-	-
Net (Decrease) / Increase in Cash and Cash Equivalents	**43,456**	**52,272**	**593,837**	**640,603**	**(132,165)**	**(33,426)**	**(599)**	**2,524**
Exchange gains/(losses) on cash and cash equivalents	-	-	-	-	-	-	-	-
Cash and Cash Equivalents at the Beginning of the Period	**250,363**	**38,854**	**910,660**	**606,043**	**82,735**	**(45,788)**	**2,052**	**52**
Cash and Cash Equivalents at Period-End	**293,819**	**91,126**	**1,504,497**	**1,246,646**	**(49,430)**	**(79,214)**	**1,453**	**2,576**

16. NEGOTIABLE OBLIGATIONS ISSUED

For information about the Bank's issuance of negotiable obligations, see Note 15 to the consolidated condensed interim financial statements.

17. OTHER FINANCIAL LIABILITIES

The table below shows the balances of other financial liabilities as of the indicated dates:

	09/30/2018	12/31/2017	01/01/2017
	(In thousands of Ps.)		
Liabilities related to the transfer of non-written down financial assets (See Note 10)	365,651	-	-
Credit cards consumptions payable	1,884,590	2,251,420	1,549,661
Payables from transactions pending settlement	1,457,039	633,972	536,966
Other	296,095	113,607	75,610
Total Other Financial Liabilities	**4,003,375**	**2,998,999**	**2,162,237**

18. OTHER NON-FINANCIAL LIABILITIES

The table below shows the balances of other non-financial liabilities as of the indicated dates:

	09/30/2018	12/31/2017	01/01/2017
	(In thousands of Ps.)		
Salaries and social security charges	649,055	637,014	367,321
Directors' and Supervisory Committee's members' fees	93,721	69,637	25,893
Tax withholdings to be deposited	221,234	206,084	192,046
Other taxes payable	323,955	246,204	221,380
Miscellaneous payables	401,119	374,245	363,551
Total Other Non-financial Liabilities	**1,689,084**	**1,533,184**	**1,170,191**

19. COMMITMENTS AND CONTINGENCIES

For information about the Bank's commitments, contingencies and provisions, see Note 18 to the consolidated condensed interim financial statements.

20. CAPITAL STRUCTURE

For information about the Bank's capital structure, see Note 19 to the consolidated condensed interim financial statements.

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21. INTEREST AND ADJUSTMENTS INCOME/FEE AND COMMISSION INCOME

Interest and adjustments income	09/30/2018	09/30/2017
	(In thousands of Ps.)	
Interest on cash and bank deposits	108	118
Interest on loans to the financial sector	113,864	78,963
Interest on overdraft facilities	294,453	92,386
Interest on promissory notes	88,575	89,177
Interest on mortgage loans	338,912	384,303
Interest on consumer loans	2,432,862	1,649,971
Interest on pledge loans	312	14,413
Interest on credit card loans	2,932,605	2,245,402
Interest on financial leases	28,670	29,094
Interest on other loans	973,558	643,222
Interest on other receivables for financial transactions	11,734	13,276
Interest on government and corporate securities	564,592	333,943
Income from CER, CVS, UVA and UVI adjustments	413,759	211
Other	22,588	334,910
Total	**8,216,592**	**5,909,389**

Fee and commission income	09/30/2018	09/30/2017
	(In thousands of Ps.)	
Linked to lending transactions	2,001,166	1,684,178
Linked to borrowing transactions	246,223	181,942
Other commissions	24,549	23,191
Total	**2,271,938**	**1,889,311**

22. INTEREST AND ADJUSTMENTS EXPENSES

Interest and adjustments expense	09/30/2018	09/30/2017
	(In thousands of Ps.)	
Interest on checking account deposits	740,155	50,101
Interest on savings account deposits	6,029	3,469
Interest on time deposits	2,095,047	1,635,748
Interest on interfinancial loans received	31,401	16,382
Interest on other liabilities resulting from financial transactions	3,621,371	1,830,321
Expenses for CER, CVS, UVA and UVI adjustments	582,816	46,916
Other	3,867	-
Total	**7,080,686**	**3,582,937**

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23. GOLD AND FOREIGN CURRENCY QUOTATION DIFFERENCES, NET

Originated in:	09/30/2018	09/30/2017
	(In thousands of Ps.)	
US-dollar denominated assets	12,343,614	881,425
US-dollar denominated liabilities	(12,744,345)	(860,395)
Derivative instruments	99,718	(69,209)
Net assets denominated in Euro	65,476	11,133
Quotation Differences	**(235,537)**	**(37,046)**

24. OTHER OPERATING INCOME / (EXPENSES)

Other operating income	09/30/2018	09/30/2017
	(In thousands of Ps.)	
Loan servicing	115,408	165,854
Income from services PRO.CRE.AR	232,110	224,020
Penalty interest	66,862	48,448
Loans recovered	112,306	86,038
Reversal of allowances	162,213	29,603
Rentals	11,450	9,056
Income from sale of non-financial assets	1,926	58,816
Other income	207,703	145,540
Total	**909,978**	**767,375**

Other operating expenses	09/30/2018	09/30/2017
	(In thousands of Ps.)	
Turnover tax	740,011	546,460
Other taxes	132,362	104,529
Loan servicing	706,492	773,574
Contribution to the deposit insurance fund	31,074	25,168
Charges for other provisions	202,227	150,935
Debit card rebates	35,976	35,656
Credit card rebates	19,290	29,473
Donations	3,678	3,303
Other expenses	57,054	36,936
Total	**1,928,164**	**1,706,034**

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25. 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	09/30/2018	09/30/2017
	(In thousands of Ps.)	
Fees and compensation for services	456,836	391,767
Directors' fees	94,053	48,420
Advertising, promotion and research expenses	44,257	37,507
Taxes and duties	119,016	103,052
Maintenance and repairs	134,341	139,324
Electricity, gas and telephone services	115,432	93,881
Insurance	10,654	12,773
Representation and movility	31,172	34,102
Office supplies	5,569	11,006
Rentals	114,444	93,325
Miscellaneous	199,994	165,186
Total	**1,325,768**	**1,130,343**

26. EMPLOYEE BENEFITS

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

Employee benefits	09/30/2018	09/30/2017
	(In thousands of Ps.)	
Salaries and social security charges	1,561,844	1,352,659
Severance payments and bonuses	394,387	356,501
Personnel expenses	92,861	75,565
Total	**2,049,092**	**1,784,725**

27. EARNINGS PER SHARE

For information about earnings per share, see Note 27 to the consolidated condensed interim financial statements.

28. TRANSACTIONS AND BALANCES WITH RELATED PARTIES

Related parties are entities that, either directly or indirectly through other entities, control, are under common control with, or have significant influence on, another entity's financial or operating decisions.

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The Bank controls another entity when it has the power over that entity's financial and operating decisions and also has a share of profits of such entities.

In addition, the Bank is under common control with another entity when there is an agreement between parties regarding the control of a common business activity.

Finally, the Bank has significant influence over an entity when it has the power to direct or cause the direction of that entity's financial and operating decisions, but not control.

In determining these situations, consideration is given to legal aspects, as well as to the nature and substance of the relationship.

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

Controlling Entities: principal shareholders

The Bank's principal shareholders are as follows:

Name	Class of shares	09/30/2018		12/31/2017		01/01/2017	
		Votes %	Capital %	Votes %	Capital %	Votes %	Capital %
Fondo Federal de Infraestructura Regional Assistance Trust	A	22.86%	44.30%	22.86%	44.30%	22.89%	4.34%
Employee Stock Ownership Plan	B	1.96%	3.80%	1.96%	3.80%	1.96%	3.80%
Fondo Federal de Infraestructura Regional Assistance Trust	C	2.58%	5.00%	2.58%	5.00%	2.58%	5.00%
IRSA Inversiones y Representaciones S. A. (a)	D	46.31%	29.91%	46.31%	29.91%	46.32%	29.91%
ANSES	D	7.64%	4.94%	7.64%	4.94%	7.63%	4.93%
Treasury Shares	D	3.57%	2.30%	3.78%	2.44%	3.78%	2.44%
The Bank of New York	D	9.38%	6.06%	9.38%	6.06%	9.38%	6.06%
Other	D	5.70%	3.69%	5.49%	3.55%	5.46%	3.52%
		100.00%	**100.00%**	**100.00%**	**100.00%**	**100.00%**	**100.00%**

(a) IRSA Inversiones y Representaciones ("IRSA") owns these holdings directly and indirectly through the following subsidiaries: Tyrus S.A., Ritelco S.A., E-Commerce Latina S.A., Palermo Invest S.A., and Inversora Bolívar S.A.

Subsidiaries

Below is a detail of the Bank's related parties and the nature of the existing relationship with each of them:

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Name	Nature	Place of Business	PERCENTAGE INTEREST					
			09/30/2018		12/31/2017		01/01/2017	
			Direct	Direct and indirect	Direct	Direct and indirect	Direct	Direct and indirect
BACS Banco de Crédito y Securitización S.A.	Control	Argentina	68.28%	68.28%	68.28%	68.28%	87.50%	87.50%
BHN Sociedad de Inversión S.A	Control	Argentina	99.99%	100.00%	99.99%	100.00%	99.99%	100.00%
Tarshop S.A.	Control	Argentina	80.00%	80.00%	80.00%	80.00%	80.00%	80.00%
BH Valores S.A.	Control	Argentina	95.00%	100.00%	95.00%	100.00%	95.00%	100.00%

Directors' Fees

According to Law No. 19,550, the fees payable to the Board of Directors, if not established in an entity's by-laws, should be set by the Shareholders' Meeting. 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 Bank's directors were hired under Employment Contract Law No. 20,744. This law sets forth certain employment conditions, including, without limitation, salaries, income protection, working hours, vacations, paid leaves, minimum age requirements, workers' protection, and manners to suspend or terminate employment contracts. The fees payable every year to our directors are determined in accordance with the guidelines set forth in Law No. 19,550, taking into account whether 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 earns 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 results of our operations.

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As of September 30, 2018, the Bank's key personnel were comprised as follows:

Name	Position
Manuel Herrera	General Manager
Gerardo Rovner	Corporate Audit Manager
Ernesto Viñes	Legal Manager
Tomás Godino	Finance Manager
Alejandro Sokol	Risk Manager
Mariano Cané de Estrada	Planning and Management Control Manager
Ignacio Uranga	Corporate Banking Manager
Guillermo Mansilla	Retail Banking Manager
Pedro Ballester	Operations Manager
Julieta Albala	Processes, Systems and Technology Manager
Sebastián Argibay Molina	Organizational Development and Quality Assurance Manager
Javier Eduardo Varani	Institutional Affairs Manager
Esteban Vainer	Housing Development Comprehensive Unit Manager

Corporate Services Contracts

In the 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 in order to reduce the impact of such costs on the results of its operations, leveraging and streamlining the individual efficiencies of each of the companies in the several areas comprising operating management.

This arrangement allows the Bank and its subsidiaries to maintain full independence and confidentiality in their strategic and business decisions, with costs and rewards being allocated on the basis of operating efficiencies and equity, without pursuing individual profits for each of the companies.

<u>BACS</u>

On November 30, 2000, the Bank and BACS entered into a service agreement, which was subsequently amended to adjust service fees.

Under this agreement, the Bank delivers corporate services from the following areas: human resources, financial services, IT services, procurement and contracting, accounts payable, and overall secretarial and legal advice services. The agreement also provides for the exclusive use by BACS of a space within the Bank's vault.

<u>Tarshop</u>

On April 29, 2015, Tarshop and the Bank entered into a service proposal, which was subsequently amended to adjust service fees.

Under this service proposal, the Bank delivers corporate services from the following areas: procurement and general services; asset maintenance, management and administration; fraud prevention and control in connection with credit cards issued by Tarshop; mail; internal audit; oversight and control of agencies and agents; IT security and SAP system maintenance; and finance services.

<u>BHN Vida and BHN Seguros Generales</u>

On July 26, 2007, BHN Vida and BHN Seguros Generales (the “companies”) entered into a management agreement with the Bank, which was subsequently amended to adjust service fees.

Under this agreement, the Bank currently delivers corporate services from the following areas: 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.

The agreement further provides that the companies will deliver insurance-related services to the Bank, including operating, claim-processing, and system-related services. As from July 2, 2018, the Bank has managed without these services.

Tarshop VISA

On September 5, 2014, Tarshop entered into an agreement with Prisma Medios de Pago S.A. (former Visa Argentina S.A.) to launch the “Tarjeta Shopping VISA” product. Such loan portfolio is issued under a membership agreement with the Bank, but is identified with a unique and exclusive code assigned to Tarshop.

The services delivered by Prisma Medios de Pago S.A. (“Prisma”) in respect of “Tarjeta Visa TarShop” are invoiced to Tarshop. Prisma carries out a cash offsetting by netting balances in accounts held with the Argentine Central Bank between issuing and accrediting entities participating in the Visa Card Program, which will be identified with a unique and exclusive code for operations with Tarjeta Visa Tarshop, operating daily through the Bank. Such cash offsetting includes debits and credits in connection with the activities of Tarjeta Visa Tarshop, the adjustment of the respective Guarantee Fund, and any other credit and/or debit that might apply in respect of the operations of the cards. Tarshop makes available to the Bank the funds required to cover the respective cash offsetting resulting from the operation of Tarjeta Visa Tarshop, on a daily basis.

The Bank will be jointly and severally liable for insufficient funds in the Guarantee Fund to cover contingencies associated with Tarjeta Visa Tarshop. The Bank is entitled to cause Prisma to suspend the operation of Tarjeta Visa Tarshop. In this case, Tarshop will assign to the Bank credit card vouchers pending settlement to merchants and/or collections received from them.

If the Bank did wouldn´t maintain control over Tarshop, in such manner as to be solely entitled to make ordinary and extraordinary decisions and other decisions requiring a qualified majority pursuant to the Argentine Companies Law in respect of Tarshop, the portfolio of “Tarjeta Visa Tarshop” would be either merged into another portfolio held by the Bank, and/or transferred to a bank participating in the Visa Argentina Network, within 90 days. If the operation was not carried out within such term, the portfolio would be transferred to Prisma at its carrying amount, net of contingencies.

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 inter-company credit facility agreements. The interest rate on these facilities is determined at an arm's length.

In addition, BHSA and BACS usually act as placement agents in certain related parties’ transactions carried out in the capital market. In addition, we have collection service agreements with the shopping malls owned by IRSA CP.

Below is a detail of the most significant balances and transactions with related parties as of September 30, 2018:

Related Party	Transaction overview	Loans and other financial arrangements	Other financial assets	Other non-financial assets	Deposits	Negotiable obligations issued	Other financial liabilities	Other non-financial liabilities
		(In thousands of Ps.)						
BACS	Loans	3,713	-	-	-	-	-	-
	Deposits	-	-	-	47,592	-	-	-
	Services	-	2,317	-	-	-	-	-
Tarshop	Loans	176,594	-	-	-	-	-	-
	Deposits	-	-	-	20,479	-	-	-
	Services	-	272	-	-	-	-	-
BHN Inversión	Deposits	-	-	-	13,704	-	-	-
	Holdings of negotiable obligations	-	-	-	-	92,025	-	-
	Services	-	8,446	-	-	-	-	-
	Dividends receivable	-	749,998	-	-	-	-	-
BH Valores	Deposits	-	-	-	1,425	-	-	-
Total subsidiarias		**180,307**	**761,033**	**-**	**83,200**	**92,025**	**-**	**-**
Total Shareholders		**-**	**-**	**-**	**-**	**-**	**-**	**-**
Estudio Zang Bergel y Viñes	Legal services	-	-	-	-	-	64	-
Directors	Fees	-	-	29,372	-	-	-	93,721
Total other		**-**	**-**	**29,372**	**-**	**-**	**64**	**93,721**
Total		**180,307**	**761,033**	**29,372**	**83,200**	**92,025**	**64**	**93,721**

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Related Party	Transaction overview	Interest income	Interest expense	Fee and commission income	Employee benefits	Administrative expenses
		(In thousands of Ps.)				
BACS	Loans	2,184	-	-	-	-
	Services	-	-	762	-	-
Tarshop	Loans	29,948	-	-	-	-
	Services	-	-	3,725	-	
BHN Inversión	Holdings of negotiable obligations	-	10,761	-	-	-
	Services	-	-	214,570	-	-
Total subsidiarias		**32,132**	**10,761**	**219,057**	**-**	**-**
Total Shareholders		**-**	**-**	**-**	**-**	**-**
Estudio Zang Bergel y Viñes	Legal services	-	-	-	-	1,998
Directors	Fees	-	-	-	-	94,053
Key management personnel		-	-	-	191,686	-
Total other		**-**	**-**	**-**	**191,686**	**96,051**
Total		**32,132**	**10,761**	**219,057**	**191,686**	**96,051**

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Below is a breakdown of the most significant balances and transactions with related parties as of December 31, 2017:

Related Party	Transaction overview	Loans and other financing arrangements	Other financial assets	Other non-financial assets	Deposits	Negotiable obligations issued	Other financial liabilities	Other non-financial liabilities
		(In thousands of Ps.)						
BACS	Loans	16,098	-	-	-	-	-	-
	Deposits	-	-	-	156,866	-	-	-
	Services	-	1,480	-	-	-	11,584	-
Tarshop	Deposits	-	-	-	32,755	-	-	-
	Services	-	242	-	-	-	-	-
BHN Inversión	Deposits	-	-	-	6,320	-	-	-
	Holdings of negotiable obligations	-	-	-	-	53,547	-	-
	Services	-	36,771	-	-	-	36,204	-
BH Valores	Deposits	-	-	-	2,014	-	-	-
Total subsidiarias		**16,098**	**38,493**	**-**	**197,955**	**53,547**	**47,788**	**-**
Total Shareholders		**-**	**-**	**-**	**-**	**-**	**-**	**-**
Estudio Zang Bergel y Viñes	Legal services	-	-	-	-	-	-	1
Directors	Fees	-	-	32,428	-	-	-	69,637
Total other		**-**	**-**	**32,428**	**-**	**-**	**-**	**69,638**
Total		**16,098**	**38,493**	**32,428**	**197,955**	**53,547**	**47,788**	**69,638**

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Below is a breakdown of the most significant balances and transactions with related parties as of January 1, 2017:

Related Party	Transaction overview	Loans and other financing arrangements	Other financial assets	Other non-financial assets	Deposits	Negotiable obligations issued	Other financial liabilities	Other non-financial liabilities
		(In thousands of Ps.)						
BACS	Loans	33,342	-	-	-	-	-	-
	Deposits	-	-	-	3,426	-	-	-
	Services	-	9,443	-	-	-	21,590	-
Tarshop	Deposits	-	-	-	51,628	-	-	-
	Services	-	1,898	-	-	-	-	-
BHN Inversión	Deposits	-	-	-	3,887	-	-	-
	Holdings of negotiable obligations	-	-	-	-	11,987	-	-
	Services	-	31,317	-	-	-	31,048	-
BH Valores	Deposits	-	-	-	15	-	-	-
Total subsidiarias		**33,342**	**42,658**	**-**	**58,956**	**11,987**	**52,638**	**-**
Total Shareholders		**-**	**-**	**-**	**-**	**-**	**-**	**-**
Estudio Zang Bergel y Viñes	Legal services	-	-	-	-	-	-	1
Directors	Fees	-	-	25,889	-	-	-	25,893
Total other		**-**	**-**	**25,889**	**-**	**-**	**-**	**25,894**
Total		**33,342**	**42,658**	**25,889**	**58,956**	**11,987**	**52,638**	**25,894**

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Below is a breakdown of the most significant balances and transactions with related parties as of September 30, 2017:

Related Party	Transaction overview	Interest income	Interest expense	Fee and Commission income	Employee benefits	Administrative expenses
		(In thousands of Ps.)				
BACS	Loans	5,289	-	-	-	-
	Services	-	-	5,257	-	-
Tarshop	Loans	994	-	-	-	-
	Deposits	-	-	-	-	-
	Services	-	-	-	-	-
BHN Inversión	Deposits	-	4,800	-	-	-
	Services	-	-	154,064	-	-
BH Valores	Deposits	-	-	-	-	-
Total subsidiarias		**6,283**	**4,800**	**159,321**	**-**	**-**
Total Shareholders		**-**	**-**	**-**	**-**	**-**
Estudio Zang Bergel y Viñes	Legal services	-	-	-	-	3,115
Directors	Fees	-	-	-	-	48,420
Key management personnel		-	-	-	91,311	-
Total other		**-**	**-**	**-**	**91,311**	**51,535**
Total		**6,283**	**4,800**	**159,321**	**91,311**	**51,535**

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29. 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 the overview of credit risk management principles, policies and procedures in Note 30.a) to the consolidated condensed interim financial statements.

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

	09/30/2018	12/31/2017
	(In thousands of Ps.)	
Government and Corporate Securities	**13,800,875**	**15,647,042**
Measured at fair value through profit or loss	8,918,762	13,838,629
Measured at amortized cost	3,793,148	1,628,027
Investments in equity instruments	-	4,518
Financial trust participation certificates	37,388	58,101
Pledged as collateral	1,051,577	117,767
Loans	**40,924,929**	**32,301,214**
Commercial Portfolio	14,801,953	11,399,791
Performing	14,667,587	11,389,536
Non-performing	134,366	10,255
Consumer Portfolio	26,122,976	20,901,423
Performing	25,131,311	20,314,874
Non-performing	991,665	586,549
Other Financial Assets	**3,307,732**	**2,593,087**

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Impairment of Financial Instruments

The Bank accounts for Loans according to the type of loan portfolio, by performing an individual analysis of each customer within the "Commercial Portfolio" or "Consumer Comparable Portfolio" and a massive analysis based on days in arrears for customers within the "Consumer Portfolio." The criteria followed by the Bank to set up allowances are detailed in Note 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 balances of loans written-off as of September 30, 2018 and as of December 31, 2017 amounted to Ps. 1,043,103 thousand and Ps. 901,826 thousand, respectively.

b) Market Risk

See the overview of market risk management principles, policies and procedures in Note 30.b) to the consolidated condensed interim financial statements.

The tables below show the Bank's exposure to foreign exchange risk as of September 30, 2018 and December 31, 2017 by type of currency:

	09/30/2018				**12/31/2017**			
	Monetary Financial Assets	**Monetary Financial Liabilities**	**Derivative Instruments**	**Net position**	**Monetary Financial Assets**	**Monetary Financial Liabilities**	**Derivative Instruments**	**Net position**
	(In thousands of Ps.)							
Dollar	18,031,304	(22,837,196)	2,983,091	**(1,822,801)**	9,161,057	(10,831,324)	380,502	(1,289,765)
Euro	116,637	(2)	-	**116,635**	71,857	(53)	-	71,804
Total	**18,147,941**	**(22,837,198)**	**2,983,091**	**(1,706,166)**	**9,232,914**	**(10,831,377)**	**380,502**	**(1,217,961)**

Derivative instruments are measured at the fair value of the respective currency at 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	09/30/2018		12/31/2017	
		Income / (loss)	Shareholders' equity	Income / (loss)	Shareholders' equity
		(In thousands of Ps.)			
U.S. dollar	10%	132,028	132,028	(1,098)	(1,098)
	-10%	(132,028)	(132,028)	1,098	1,098
Euro	10%	11,664	11,664	7,180	7,180
	-10%	(11,664)	(11,664)	(7,180)	(7,180)

c) Interest Rate Risk:

See the overview of interest rate risk management principles, policies and procedures in Note 30.c) to the consolidated condensed interim financial statements.

The table below shows the "Value at Risk" (VaR) for three months, with a 99% confidence level for interest rate risk as of September 30, 2018 and December 31, 2017.

	09/30/2018	***12/31/2017***
Minimum for the Period	210,150	230,818
Maximum for the Period	716,920	501,031
Average for the Period	496,294	349,994
At Year-End	561,811	501,031

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 Variable Rate (Ps.)	Term (in days)					
	Up to 30	30 to 90	90 to 180	180 to 365	Over 365	**Total**
	(In thousands of Ps.)					
As of 12/31/2107						
Total Financial Assets	16,957,508	5,168,220	3,397,180	3,677,001	12,395,762	**41,595,671**
Total Financial Liabilities	(24,489,504)	(3,241,563)	(939,764)	(1,935,145)	(4,763,174)	**(35,369,150)**
Net Amount	**(7,531,996)**	**1,926,657**	**2,457,416**	**1,741,856**	**7,632,588**	**6,226,521**
As of 09/30/2108						
Total Financial Assets	15,648,301	3,067,403	2,750,530	3,112,626	15,798,635	**40,377,495**
Total Financial Liabilities	(23,967,228)	(2,883,885)	(348,552)	(1,870,384)	(5,888,983)	**(34,959,032)**
Net Amount	**(8,318,927)**	**183,518**	**2,401,978**	**1,242,242**	**9,909,652**	**5,418,463**

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Assets and Liabilities at Variable Rate (US dollars)	Term (in days)					
	Up to 30	30 to 90	90 to 180	180 to 365	Over 365	**Total**
	(In thousands of Ps.)					
As of 12/31/2107						
Total Financial Assets	878,219	791,014	387,617	1,335,302	8,044,926	**11,437,078**
Total Financial Liabilities	(986,973)	(871,218)	(202,530)	(400,308)	(8,976,049)	**(11,437,078)**
Net Amount	**(108,754)**	**(80,204)**	**185,087**	**934,994**	**(931,123)**	**-**
As of 09/30/2108						
Total Financial Assets	1,759,702	3,577,935	1,546,367	2,067,864	14,754,749	**23,706,617**
Total Financial Liabilities	(1,773,214)	(759,423)	(169,345)	(527,203)	(20,477,432)	**(23,706,617)**
Net Amount	**(13,512)**	**2,818,512**	**1,377,022**	**1,540,661**	**(5,722,683)**	**-**

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 September 30, 2018 and December 31, 2017.

Sensitivity in shareholders' equity is calculated by means of a revaluation of financial assets, net, before income tax, as of September 30, 2018 and December 31, 2017, for the effects of estimated changes in interest rates:

Currency	**As of September 30, 2018**					
	Changes in Basis Points		**Sensitivity in Shareholders' Equity [(2)]**		**Sensitivity in Net Income (Loss) within 1 Year**	
			(In thousands of Ps.)			
Foreign currency [(1)]	+/-	50	+/-	103,589	+/-	14,299
Foreign currency [(1)]	+/-	75	+/-	154,802	+/-	21,398
Foreign currency [(1)]	+/-	100	+/-	205,631	+/-	28,464
Foreign currency[(1)]	+/-	150	+/-	306,152	+/-	42,496
Peso	+/-	50	+/-	19,945	+/-	35,080
Peso	+/-	75	+/-	29,862	+/-	52,620
Peso	+/-	100	+/-	39,741	+/-	70,160
Peso	+/-	150	+/-	59,388	+/-	105,240

[(1)] In calculating amounts in foreign currency, the Bank used a 7.5% flat curve.
[(2)] Impairment of the Peso-denominated portfolio in shareholders' equity is associated with a rise in interest rates, while impairment of the foreign-currency denominated portfolio is associated with a decline in interest rates.

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Currency	As of December 31, 2017					
	Changes in Basis Points		Sensitivity in Shareholders' Equity (2)		Sensitivity in Net Income (Loss) within 1 Year	
			(In thousands of Ps.)			
Foreign Currency (1)	+/-	50	+/-	19,031	+/-	1,481
Foreign Currency (1)	+/-	75	+/-	28,706	+/-	2,236
Foreign Currency (1)	+/-	100	+/-	38,479	+/-	3,000
Foreign Currency (1)	+/-	150	+/-	58,302	+/-	4,556
Peso	+/-	50	+/-	52,063	+/-	14,116
Peso	+/-	75	+/-	77,734	+/-	21,174
Peso	+/-	100	+/-	103,172	+/-	28,232
Peso	+/-	150	+/-	153,364	+/-	42,348

(1) In calculating amounts in foreign currency, the Bank used a 7.5% flat curve.
(2) Impairment of the Peso-denominated portfolio in shareholders' equity is associated with a rise in interest rates, while impairment of the foreign-currency denominated portfolio is associated with a decline in interest rates.

d) Liquidity Risk

See the overview of liquidity risk management principles, policies and procedures in Note 30.d) to the consolidated condensed interim financial statements.

The table below shows the Bank's liquidity ratios as of September 30, 2018 and December 31, 2017:

	09/30/2018	12/31/2017
Average during the period/Year	176%	148%
Higher	225%	231%
Lower	133%	118%

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.

30. CAPITAL MANAGEMENT

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

As of December 31, 2017, the Bank's total capital under management and subject to regulation amounted to 1,500,000 (see Note 20 to the consolidated condensed interim financial statements).

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.

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

	12/31/2017
Core Capital	
Tier 1 Ordinary Capital	7,408,551
(Deductible items)	(1,621,634)
Tier 1 Additional Capital	-
Supplementary Capital	
Tier 2 Capital	317,752
(Deductible items)	(317,752)
Regulatory Capital (*Responsabilidad Patrimonial Computable*)	**5,786,917**

Below is a detail of the determined capital requirement:

	12/31/2017
Credit risk	2,632,698
Market risk	414,771
Operational risk	639,467
Core requirement	**3,686,936**
Payment	**5,786,917**
Surplus / (Deficit)	**2,099,981**

31. NOTES REQUIRED BY THE ARGENTINE CENTRAL BANK

31.1. Deposit Insurance

For a description of the deposit insurance, see Note 32.1. to the consolidated condensed interim financial statements.

31.2. Restricted Assets

For a description of the Bank's restricted assets, see Note 32.2. to the consolidated condensed interim financial statements.

31.3. Trust Activities

For a description of the Bank's trust activities, see Note 32.3. to the consolidated condensed interim financial statements.

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31.4. Compliance with the Regulations Required by the C.N.V.

For the information required to comply with the regulations handed down by the CNV, see Note 32.4. to the consolidated condensed interim financial statements.

31.5. Accounts Showing Compliance with Minimum Cash Requirements

For information about the Bank's compliance with the minimum cash requirement, see Note 32.5. to the consolidated condensed interim financial statements.

31.6. 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 32.6. to the consolidated condensed interim financial statements.

31.7. Restrictions on the Distribution of Profits

For information about the restrictions on the distribution of profits, see Note 32.5. to the consolidated condensed interim financial statements.

31.8. Capital Management and Corporate Governance Transparency Policy

For an overview of the Bank's capital management and corporate governance transparency policy, see Note 32.8. to the consolidated condensed interim financial statements.

32. SUBSEQUENT EVENTS

For information about subsequent events, see Note 33 to the consolidated condensed interim financial statements.

33. RUBRICATION OF BOOKS

At the date of these financial statements, the transactions conducted by the Bank had been recorded in the rubricated books, as called for by the regulations in force.

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34. FINANCIAL STATEMENTS PUBLICATION

In line with the guidelines of Communication "A" 760, the prior involvement of the Argentine Central Bank is not required in order to publish these financial statements.

The document drafted pursuant to the provisions of Communication “A” 5394 issued by the Argentine Central Bank discloses information on Banco Hipotecario S.A.’s regulatory capital structure and sufficiency, risk exposure and management, on a stand-alone basis and in consolidated form with its subsidiaries.

Pursuant to the law, the referred document is posted on the Bank’s website (http://www.hipotecario.com.ar), by accessing the following link: “Market Discipline – Minimum Disclosure Requirements.”

BANCO Hipotecario

SCHEDULE A
GOVERNMENT AND CORPORATE SECURITIES
For the fiscal period ended 09/30/2018
Comparative as of 12/31/2017 and 01/01/2017
In thousands of Argentine Pesos

Description	Identification	Holding					Position without options	Options	Final position
		Market value	Fair value level	Book value 09/30/2018	Book value 12/31/2017	Book value 01/01/2017			
DEBT SECURITIES AT FAIR VALUE THROUGH PROFIT OR LOSS				8,918,762	13,838,629	2,645,739	8,918,762	-	8,918,762
Argentina									
Government securities									
Argentine Bond in $ Badlar+200bp due 2022	05480			-	13,000	-	-	-	-
Argentine Bond in $ due 02/2019	05323		1	147,902	-	-	147,902	-	147,902
BOGAR 2018	02405			-	7,000	74,671	-	-	-
GDP-linked Negotiable Securities in Argentine Pesos	45698		1	1	1,305	1,038	1	-	1
Discount Bond in Pesos	45696		1	1,982	22,114	(46,750)	1,982	-	1,982
BOCON PRO 13	02420			-	27,853	36,349	-	-	-
BOCON PRO 15	02571		1	17,446	38,076	-	17,446	-	17,446
BONAR 19	05454			-	-	34,794	-	-	-
BONAR 17	05459			-	-	(266,684)	-	-	-
PAR ARS (ARGENTINE LAW)	45695		1	5	9,091	842	5	-	5
Treasury Bond due 05/2117	05477			-	-	164,710	-	-	-
Treasury Bond due 07/2021	05315		1	28	-	881	28	-	28
Treasury Bond due 04/2020 with CER adjustment	05321			-	1,548	23,288	-	-	-
Treasury Bond due 10/2021 – Fixed rate	05318			-	7,745	(219,309)	-	-	-
Treasury Bond due 10/2023	05319			-	-	270,999	-	-	-
Treasury Bond due 10/2026 – Fixed rate	05320			-	-	369	-	-	-
Treasury Bond due 03/2018	05316			-	-	14,330	-	-	-
Treasury Bond due 09/2018	05317			-	-	1,414	-	-	-
Treasury Bond due 06/2020	05327			-	10,783	-	-	-	-
Argentine Bond in $ private Badlar + 325 bp	05476			-	72	77,511	-	-	-
Argentine Bond in $ private Badlar + 275 bp	05475			-	152	(10,158)	-	-	-
Argentine Bond in $ private Badlar + 300 bp	05467			-	-	101,089	-	-	-
Argentine Bond CUASIPAR 2003 due 2045	45697			-	5,932	17,502	-	-	-
Province of Buenos Aires Bond series 3 due 01/2017	32556			-	-	2,145	-	-	-
BONCOR 2017	02556			-	-	1,178	-	-	-
Argentine Bond in dual currency	05329		1	282,686	-	-	282,686	-	282,686
BONAR X due 04/2017	05436			-	-	5,479	-	-	-
Global Bond 2017	44672			-	-	41	-	-	-
BONAD 2017 due June	05466			-	-	19,716	-	-	-
BONAD 2017 due September	05465			-	-	79,760	-	-	-
BONAR 2026 (NY LAW) due 04/2016	92584			-	100,091	158,549	-	-	-
BONAR 2046 (NY LAW) due 04/2017	92580			-	51,600	3,441	-	-	-
BONAR 2021 (NY LAW)	92582		1	331,871	92,859	-	331,871	-	331,871

Mariano Cané de Estrada
Planning and Management Control Manager

Manuel J.L. Herrera Grazioli
General Manager

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PRICE WATERHOUSE & Co. S.R.L.

Mario Blejer
First Vice-Chairman acting as Chairman

Ricardo Flammini
For the Supervisory Committee

………………………..(Partner)
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Public Accountant (U.C.A.)
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SCHEDULE A
GOVERNMENT AND CORPORATE SECURITIES
For the fiscal period ended 09/30/2018
Comparative as of 12/31/2017 and 01/01/2017
In thousands of Argentine Pesos

Description	Identification	Holding					Position without options	Options	Final position
		Market value	Fair value level	Book value 09/30/2018	Book value 12/31/2017	Book value 01/01/2017			
US dollar-linked Argentine Bond due 02/2017	05464			-	-	30,992	-	-	-
Argentine Bond in Dual Currency due 02/2020	05486		1	752,806	-	-	752,806	-	752,806
Discount Bond in dollars – Argentine Law	45700			-	9,066	19,140	-	-	-
Par Bond in US dollars New York Law	40792			-	50,382	119,081	-	-	-
Par Bond in US dollars Argentine Law	45699			-	23,693	40,309	-	-	-
Discount Bond in USD	40791			-	312,791	308,703	-	-	-
Argentine Bond in USD	05458		1	271,341	231,064	(389,024)	271,341	-	271,341
Argentine Bond in USD	05462			-	228,487	79	-	-	-
Argentine Bond in US dollars at 5.75% - 2025	05481			-	34,639	-	-	-	-
Argentine Bond in US dollars at 6.25% - 2019	92581		1	61,860	3,015	-	61,860	-	61,860
Argentine International Bonds in US dollars at 7.125% - 2117	92610			-	78,103	-	-	-	-
Argentine Bond at 7.625% due 04/2037	05482			-	29,711	-	-	-	-
Argentine Bond at 7.125 % due 07/2036	92579			-	20,924	-	-	-	-
Argentine Bond in US dollars due 2033	05443			-	1,402	-	-	-	-
Treasury Bill in US dollars due 02/2018	05234			-	921	-	-	-	-
Treasury Bill in US dollars due 02/2019	05251		1	10,889	-	-	10,889	-	10,889
Treasury Bill in US dollars due 02/2019	05250		1	241,229	-	-	241,229	-	241,229
Treasury Bill in US dollars due 11/2018	05241			-	71,480	-	-	-	-
Treasury Bill in US dollars due 10/2018	05240		1	55	27,577	-	55	-	55
Treasury Bill in US dollars due 09/2018	05237			-	112,908	-	-	-	-
Treasury Bill in US dollars due 05/2018	05239			-	2,371	-	-	-	-
Argentine Bond in USD	05468		1	10,799	56,851	1,679	10,799	-	10,799
Argentine Bond in USD	05451			-	-	887	-	-	-
Argentine Bond in US dollars at 5.625 % due 2022	92583			-	1,532	-	-	-	-
Argentine Bond in US dollars at 6.87 % due 2027	92585			-	24,459	-	-	-	-
Treasury Bill in US dollars due 02/2018	05227			-	232	-	-	-	-
Treasury Bill in US dollars due 06/2018	05225			-	8,601	-	-	-	-
Treasury Bill in US dollars due 07/2018	05233			-	104,769	-	-	-	-
Treasury Bill in US dollars due 07/2019	05258		1	343,648	-	-	343,648	-	343,648
Treasury Bill in US dollars due 03/2018	05235			-	1,872	-	-	-	-
Treasury Bill in US dollars due 03/2019	05261		1	79,491			79,491		79,491
Treasury Bill in US dollars due 05/2018	05221			-	18,804	-	-	-	-
Treasury Bill in US dollars due 01/2017	05193			-	-	2,235	-	-	-
Treasury Bill in US dollars due 01/2019	05249		1	91,855	-	-	91,855	-	91,855
Treasury Bill in US dollars due 04/2019	05254		1	147,885	-	-	147,885		147,885
Treasury Bill in US dollars due 03/2019	05263		1	22,312	-	-	22,312		22,312
Treasury Bill in Argentine Pesos due 01/2019	05265		1	1,982	-		1,982		1,982
Treasury Bill in US dollars due 04/2019	05255		1	73,091	-	-	73,091		73,091
Treasury Bill in US dollars due 01/2018	05230			-	760	-	-	-	-
Treasury Bill in US dollars due 06/2018	05228			-	76,251	-	-	-	-

Mariano Cané de Estrada
Planning and Management Control Manager

Manuel J.L. Herrera Grazioli
General Manager

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PRICE WATERHOUSE & Co. S.R.L.

Mario Blejer
First Vice-Chairman acting as Chairman

Ricardo Flammini
For the Supervisory Committee

………………………..(Partner)
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SCHEDULE A
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For the fiscal period ended 09/30/2018
Comparative as of 12/31/2017 and 01/01/2017
In thousands of Argentine Pesos

Description	Identification	Holding					Position without options	Options	Final position
		Market value	Fair value level	Book value 09/30/2018	Book value 12/31/2017	Book value 01/01/2017			
Argentine Bond at 6.625% due 07/2028	92578			-	20,820	2,388	-	-	-
Argentine State Bill in US dollars due 12/2018	05229			-	58,206	-	-	-	-
Treasury Bill in US dollars due 11/2018	05226			-	30,436	-	-	-	-
Treasury Bill in US dollars due 08/2018	05220			-	37,216	-	-	-	-
Treasury Bill in US dollars due 05/2018	05199			-	-	393,674	-	-	-
Treasury Bill in US dollars due 04/2017	05200			-	-	143,015	-	-	-
Treasury Bill due 10/2018	05231		1	1,377	51,960	-	1,377	-	1,377
Treasury Bill due 04/2018	05217			-	1,375	-	-	-	-
Argentine State Bill in US dollars due 09/2018	05236			-	12,094	-	-	-	-
Argentine State Bill in US dollars due 04/2018	05216			-	324	-	-	-	-
Argentine State Bill in US dollars due 09/2018	05222			-	1,507	-	-	-	-
Treasury Bill in US dollars due 01/2017	05187			-	-	15,800	-	-	-
Treasury Bill in US dollars due 02/2017	05184			-	-	14,063	-	-	-
Treasury Bill in US dollars due 01/2019	05248		1	25,425	-	-	25,425	-	25,425
Treasury Bill in US dollars due 05/2019	05256		2	842	-	-	842	-	842
Treasury Bill in US dollars due 03/2017	05197			-	-	137,825	-	-	-
Province of Neuquén Treasury Bill Series 3 due 11/2017	32611			-	-	8	-	-	-
TVPA – GDP-linked Bond in USD – Argentine Law	45701			-	5,784	4,353	-	-	-
TVPE – GDP-linked Bond in EUROS – English Law	40785			-	36,920	22,460	-	-	-
Province of Neuquén Debt Security due 10/2018	32267		2	47,258	84,186	141,631	47,258	-	47,258
Province of Chubut Debt Security due 10/2019	32271			-	5,691	13,406	-	-	-
Province of Mendoza Debt Security due 10/2018	32277		1	24,045	44,992	75,679	24,045	-	24,045
Province of Mendoza Debt Security due 12/2018	32298		1	22,085	42,326	71,651	22,085	-	22,085
Province of Chubut Debt Security due 03/2021	32487		1	125,106	81,290	84,150	125,106	-	125,106
Province of Buenos Aires Bond due. 12/2019	32831		1	4,850	51,709	50,829	4,850	-	4,850
Province of Buenos Aires Debt Security at variable rate $ due 05/2022	32911		1	274	-	-	274	-	274
Other									
BHSA issued Negotiable Obligations	91947		1	203,504	41,496	-	203,504	-	203,504
BHSA issued Negotiable Obligations	92825		2	76,899	241,606	-	76,899	-	76,899
BHSA issued Negotiable Obligations	52165			-	70,470	-	-	-	-
BCRA Bills									
Other	05226		1	5,407,264	10,901,553	793,531	5,407,264		5,407,264

Mariano Cané de Estrada
Planning and Management Control Manager

Manuel J.L. Herrera Grazioli
General Manager

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Ricardo Flammini
For the Supervisory Committee

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BANCO Hipotecario

SCHEDULE A
GOVERNMENT AND CORPORATE SECURITIES
For the fiscal period ended 09/30/2018
Comparative as of 12/31/2017 and 01/01/2017
In thousands of Argentine Pesos

Description	Identification	Holding					Position without options	Options	Final position
		Market value	Fair value level	Book value 09/30/2018	Book value 12/31/2017	Book value 01/01/2017			
Corporate Securities									
Confederar S.G.R.	CON		1	6,021	-	-	6,021	-	6,021
Mercado Abierto Electrónico S.A.	MAE		1	2,786	-	-	2,786	-	2,786
Financial Trust	52893		2	430	-	-	430	-	430
Financial Trust	53598		2	14,986	-	-	14,986	-	14,986
Financial Trust	36097		2	8,724	-	-	8,724	-	8,724
Financial Trust	35887		2	5,099	-	-	5,099	-	5,099
Financial Trust	53490		1	242	-	-	242	-	242
Financial Trust	35889		2	50,194	-	-	50,194	-	50,194
Elect. System Negotiable Obligations Series 2 due 05/2020 in US dollars	52464			-	94,652	-	-	-	-
YPF S.A. Series 22 Negotiable Obligations in US dollars ESC.	38791		2	187	130	-	187	-	187
OTHER DEBT SECURITIES		**3,820,024**		**3,820,024**	**1,628,027**	**1,950,902**	**3,820,024**	**-**	**3,820,024**
At amortized cost									
Argentina									
Government securities									
TN20- Treasury Bonds - Fixed rate - due 11/2020	05330	1,132,466	2	1,132,466	-	-	1,132,466	-	1,132,466
Corporate securities									
Financial Trusts	TARSHOP	2,619,620	2	2,619,620	1,628,027	1,950,902	2,619,620	-	2,619,620
Financial Trusts	NASA I	1,394	2	1,394	-	-	1,394	-	1,394
Debt Security Underwriting	CGM LEASING	32,867	2	32,867	-	-	32,867	-	32,867
Financial Trusts	BESTCIII	33,677	2	33,677	-	-	33,677	-	33,677
INVESTMENTS IN EQUITY INSTRUMENTS		**-**		**-**	**4,518**	**3,857**	**-**	**-**	**-**
Argentina									
At fair value through profit or loss									
Comercial del Plata	00251			-	-	3,857	-	-	-
Pampa Energía	00457			-	3,129	-	-	-	-
Edenor	00508			-	201	-	-	-	-
YPF	00710			-	1,188	-	-	-	-
TOTAL		**3,820,024**		**12,738,786**	**15,471,174**	**4,600,498**	**12,738,786**	**-**	**12,738,786**

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SCHEDULE B

CLASSIFICATION OF LOANS AND OTHER FINANCING ARRANGEMENTS ACCORDING TO LOANS AND GUARANTEES RECEIVED

For the fiscal period ended 09/30/2018
Comparative as of 12/31/2017 and 01/01/2017
In thousands of Argentine Pesos

COMMERCIAL PORTFOLIO	09/30/2018	12/31/2017	01/01/2017
Normal Situation	**14,415,120**	**11,352,780**	**8,361,556**
With "B" preferred collateral or counter-guarantees	2,959,217	2,331,446	1,290,430
Without preferred collateral or counter-guarantees	11,455,903	9,021,334	7,071,126
Potential Risk	**252,467**	**36,756**	**386**
With "B" preferred collateral or counter-guarantees	226,415	23,478	-
Without preferred collateral or counter-guarantees	26,052	13,278	386
Problematic	**105,186**	**556**	**990**
With "B" preferred collateral or counter-guarantees	19,598	-	-
Without preferred collateral or counter-guarantees	85,588	556	990
High risk of insolvency	**25,809**	**6,365**	**5,090**
With "B" preferred collateral or counter-guarantees	9,434	197	1,229
Without preferred collateral or counter-guarantees	16,375	6,168	3,861
Uncollectible	**3,371**	**3,334**	**16,931**
With "B" preferred collateral or counter-guarantees	96	-	93
Without preferred collateral or counter-guarantees	3,275	3,334	16,838
TOTAL COMMERCIAL PORTFOLIO	**14,801,953**	**11,399,791**	**8,384,953**

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SCHEDULE B

CLASSIFICATION OF LOANS AND OTHER FINANCING ARRANGEMENTS ACCORDING TO LOANS AND GUARANTEES RECEIVED

For the fiscal period ended 09/30/2018

Comparative as of 12/31/2017 and 01/01/2017

In thousands of Argentine Pesos

CONSUMER AND HOUSING PORTFOLIO	09/30/2018	12/31/2017	01/01/2017
Normal Situation	**24,101,246**	**19,806,076**	**16,435,594**
With “B” preferred collateral or counter-guarantees	3,688,703	2,433,860	1,704,073
Without preferred collateral or counter-guarantees	20,412,543	17,372,216	14,731,521
Low risk	**1,030,065**	**508,798**	**356,726**
With “B” preferred collateral or counter-guarantees	25,282	16,635	20,696
Without preferred collateral or counter-guarantees	1,004,783	492,163	336,030
Mid risk	**503,280**	**280,365**	**193,379**
With “B” preferred collateral or counter-guarantees	5,774	4,448	3,616
Without preferred collateral or counter-guarantees	497,506	275,917	189,763
High risk	**480,481**	**283,998**	**199,366**
With “B” preferred collateral or counter-guarantees	1,755	1,923	2,662
Without preferred collateral or counter-guarantees	478,726	282,075	196,704
Uncollectible	**7,387**	**22,024**	**8,964**
With “B” preferred collateral or counter-guarantees	713	873	814
Without preferred collateral or counter-guarantees	6,674	21,151	8,150
Uncollectible for technical reasons	**517**	**162**	**259**
With “B” preferred collateral or counter-guarantees	25	41	58
Without preferred collateral or counter-guarantees	492	121	201
TOTAL CONSUMER AND HOUSING PORTFOLIO	**26,122,976**	**20,901,423**	**17,194,288**
GENERAL TOTAL	**40,924,929**	**32,301,214**	**25,579,241**

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SCHEDULE C

CONCENTRATION OF FINANCING

For the fiscal period ended 09/30/2018

Comparative as of 12/31/2017 and 01/01/2017

In thousands of Argentine Pesos

Number of customers	FINANCING					
	09/30/2018		**12/31/2017**		**01/01/2017**	
	Debt balance	% of total portfolio	Debt balance	% of total portfolio	Debt balance	% of total portfolio
10 largest customers	6,599,054	16.12%	3,511,697	10.87%	3,405,721	13.31%
50 following largest customers	7,065,419	17.26%	5,213,408	16.14%	3,032,365	11.85%
100 following largest customers	1,190,679	2.91%	1,390,530	4.30%	1,072,894	4.19%
Rest of customers	26,069,777	63.71%	22,185,579	68.69%	18,068,261	70.64%
Total	**40,924,929**	**100.00%**	**32,301,214**	**100.00%**	**25,579,241**	**100.00%**

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BANCO Hipotecario

SCHEDULE D

BREAKDOWN OF LOANS AND OTHER FINANCING ARRANGEMENTS BY MATURITY DATES

For the fiscal period ended 09/30/2018

In thousands of Argentine Pesos

Item	Past due portfolio	Remaining terms to maturity						
		1 month	3 months	6 months	12 months	24 months	more than 24 months	Total
Non-financial public sector	-	3,105	6,598	11,142	12,838	-	-	33,683
Financial sector	-	291,226	36,021	56,380	588	1,268	917	386,400
Non-financial private sector and foreign residents	1,274,803	8,817,681	7,806,279	4,371,783	3,528,836	4,876,409	9,829,055	40,504,846
Total	**1,274,803**	**9,112,012**	**7,848,898**	**4,439,305**	**3,542,262**	**4,877,677**	**9,829,972**	**40,924,929**

Mariano Cané de Estrada
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SCHEDULE E
BREAKDOWN OF INVESTMENTS IN OTHER COMPANIES
For the fiscal period ended 09/30/2018
Comparative as of 12/31/2017 and 01/01/2017
In thousands of Argentine Pesos

Item	Shares and/or Units							Information on the Issuer				
									Data of the latest fin. statements			
Description	Class	Face value per unit	Votes per share	Number	Balance as of 09/30/2018	Balance as of 12/31/2017	Balance as of 01/01/2017	Principal line of business	Fiscal period/year closing date	Capital stock	Shareholders' equity	Income/(loss) for the period/year
- In Financial Institutions												
Controlled - Argentina												
- BACS Banco de Crédito y Securitización S.A.	common	1	1	54,687,458	301,720	263,674	299,854	Banking	09/30/2018	87,813	484,457	61,084
- In other companies												
Controlled - Argentina												
- BHN Sociedad de Inversión S.A.	common	1	1	39,131,754	1,295,905	1,062,772	843,224	Investment	09/30/2018	39,132	1,295,905	1,030,456
-Supplementary services												
Controlled - Argentina												
- TARSHOP S.A.	common	1	1	479,036,800	515,105	508,709	486,946	Issuance and marketing of CC	09/30/2018	598,796	630,329	7,975
- BH Valores SA Soc de Bolsa	common	1	1	1,425,000	83,083	83,519	25,926	Brokerage	09/30/2018	1,500	87,456	(14,340)
Total investments in other companies					**2,195,813**	**1,918,674**	**1,655,950**					

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SCHEDULE F
CHANGES IN BANK PREMISES AND EQUIPMENT
For the fiscal period ended 09/30/2018
(In thousands of Argentine Pesos)

Item	Acquisition cost at the beginning of the year	Estimated useful life in years	Additions	Withdrawals	Impairment		Depreciation	Residual value as of 09/30/2018
					Losses	Reversals	For the period	
Measured at cost								
- Real estate properties	1,302,203	50	-	(1,106)	-	-	(16,788)	1,284,309
- Furniture and facilities	57,418	10	10,880	-	-	-	(6,222)	62,076
- Machinery and equipment	130,983	5	28,662	-	-	-	(51,158)	108,487
- Vehicles	289	5	-	-	-	-	(72)	217
- Sundry	3,595	5	68	-	-	-	(968)	2,695
- Works in progress (1)	1,418,308	-	1,802,988	-	(55,685)	-	-	3,165,611
TOTAL BANK PREMISES AND EQUIPMENT	**2,912,796**		**1,842,598**	**(1,106)**	**(55,685)**	**-**	**(75,208)**	**4,623,395**

(1) See Note 12.

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SCHEDULE F
CHANGES IN INVESTMENT PROPERTY
For the fiscal period ended 09/30/2018
(In thousands of Argentine Pesos)

Item	Acquisition cost at the beginning of the year	Estimated useful life in years	Depreciation	Residual value as of 09/30/2018
			For the period	
Measured at cost				
Leased property	2,493	50	(88)	2,405
TOTAL INVESTMENT PROPERTY	2,493	50	(88)	2,405

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SCHEDULE G
CHANGES IN INTANGIBLE ASSETS
For the fiscal period ended 09/30/2018
(In thousands of Argentine Pesos)

Item	Acquisition cost at the beginning of the year	Estimated useful life in years	Additions	Transfers	Withdrawals	Depreciation	Residual value as of 09/30/2018
						For the period	
Measured at cost							
Goodwill - Combination of business	-	-	-	-	-	-	-
Trademarks	-	-	-	-	-	-	-
Licenses	-	-	-	-	-	-	-
Intangible assets under lease agreements	-	-	-	-	-	-	-
Other intangible assets	106,631	5	29,068	-	-	(11,777)	123,922
TOTAL INTANGIBLE ASSETS	**106,631**		**29,068**	**-**	**-**	**(11,777)**	**123,922**

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SCHEDULE H

CONCENTRATION OF DEPOSITS

For the fiscal period ended 09/30/2018

Comparative as of 12/31/2017 and 01/01/2017

(In thousands of Argentine Pesos)

Number of customers	DEPOSITS					
	09/30/2018		12/31/2017		01/01/2017	
	Debt balance	% of total portfolio	Debt balance	% of total portfolio	Debt balance	% of total portfolio
10 largest customers	4,211,801	16.72%	3,732,532	17.77%	4,376,170	24.58%
50 following largest customers	2,550,542	10.12%	2,244,998	10.69%	2,645,444	14.86%
100 following largest customers	1,171,461	4.65%	877,227	4.18%	1,020,246	5.73%
Rest of customers	17,258,132	68.51%	14,151,579	67.37%	9,758,900	54.83%
TOTAL	**25,191,936**	**100.00%**	**21,006,336**	**100.00%**	**17,800,760**	**100.00%**

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BANCO Hipotecario

SCHEDULE I
BREAKDOWN OF FINANCIAL LIABILITIES BY TO MATURITY DATES
For the fiscal period ended 09/30/2018
(In thousands of Argentine Pesos)

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	3,891,844	185,637	4,627	-	-	-	4,082,108
Financial sector	53,914	-	-	-	-	-	53,914
Non-financial private sector and foreign residents	16,744,132	3,500,538	470,800	193,296	145,763	1,385	21,055,914
	20,689,890	3,686,175	475,427	193,296	145,763	1,385	**25,191,936**
Liabilities at fair value through profit or loss	207,748	-	-	-	-	-	207,748
Derivative instruments	-	-	-	-	-	1,657,136	1,657,136
Other financial liabilities	4,003,375	-	-	-	-	-	4,003,375
Loans received from BCRA and other financial institutions	26,583	-	-	-	-	-	26,930
Negotiable obligations issued		1,707,643	635,590	515,487	7,037,120	20,757,971	30,653,811
TOTAL	4,237,706	1,707,643	635,590	515,487	7,037,120	22,415,107	**36,549,000**
	24,927,596	5,393,818	1,111,017	708,783	7,182,883	22,416,492	**61,740,936**

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SCHEDULE J

CHANGES IN ALLOWANCES AND PROVISIONS

For the fiscal period ended 09/30/2018
Comparative as of 12/31/2017 and 01/01/2017
In thousands of Argentine Pesos

Breakdown	Opening balances	Increases	Decreases		Closing balance as of 09/30/2018	Closing balance as of 12/31/2017	Closing balance as of 01/01/2017
			Reversals	Allocations			
LIABILITIES							
Unexpected risks	101,034	59,490	44,206	88,471	72,876	101,034	5,178
Taxes	30,540	51,806	-	638	81,708	30,540	3,132
Litigations	175,496	39,239	600	62,773	151,362	175,496	201,996
Administrative, disciplinary and criminal penalties	600	600	-	-	1,200	600	600
Post-retirement benefit plans	45,029	74,706	-	22,863	51,843	45,029	30,782
Customer loyalty programs	57,497	21,028	-	24,440	54,085	57,497	58,124
Total	**410,196**	**246,869**	**44,806**	**199,185**	**413,074**	**410,196**	**299,812**

Mariano Cané de Estrada
Planning and Management Control Manager

Manuel J.L. Herrera Grazioli
General Manager

See our report dated
November 14, 2018
PRICE WATERHOUSE & Co. S.R.L.

Mario Blejer
First Vice-Chairman acting as Chairman

Ricardo Flammini
For the Supervisory Committee

……………………….(Partner)
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Public Accountant (U.C.A.)
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SCHEDULE K
COMPOSITION OF CAPITAL STOCK
For the fiscal period ended 09/30/2018
In thousands of Argentine Pesos

Shares			Capital Stock					
Class	Number (1)	Votes per share	Issued		Pending issuance or distribution	Allotted	Paid-in	Not yet paid-in
			Outstanding	Treasury stock				
Common Book-entry	1,500,000,000	(1)	1,465,452	34,548	-	-	1,500,000	-
Total			**1,465,452**	**34,548**	-	-	**1,500,000**	-

(1) See Note 1.

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BANCO Hipotecario

SCHEDULE L
FOREIGN CURRENCY BALANCES
For the fiscal period ended 09/30/2018
Comparative as of 12/31/2017 and 01/01/2017
In thousands of Argentine Pesos

CAPTIONS	Head office and branches in Argentina	Total for the period as of 09/30/2018	Total for the period		Total as of 12/31/2017	Total as of 01/01/2017
			US$	EUROS		
ASSETS						
Cash and bank deposits	3,677,137	3,677,137	3,560,500	116,637	1,371,813	4,675,184
Debt securities at fair value through profit or loss	3,018,336	3,018,336	3,018,336	-	2,442,346	684,541
Other financial assets	636,352	636,352	636,352	-	177,870	698,346
Loans – Non-financial private sector and foreign residents	10,530,084	10,530,084	10,530,084	-	4,819,088	2,849,771
Other debt securities	1,380	1,380	1,380	-	34,381	32,262
Escrow deposits	284,652	284,652	284,652	-	126,800	113,603
TOTAL ASSETS	**18,147,941**	**18,147,941**	**18,031,304**	**116,637**	**8,972,298**	**9,053,707**
LIABILITIES						
Deposits – Non-financial public sector	1,336,866	1,336,866	1,336,866	-	2,856,456	2,088,003
Deposits – Financial sector	26,943	26,943	26,943	-	87,428	338
Deposits – Non-financial private sector and foreign residents	5,963,325	5,963,325	5,963,325	-	456,422	74,006
Other financial liabilities	560,410	560,410	560,294	116	65,250	560,680
Loans received from the B.C.R.A. and other financial institutions	26,583	26,583	26,583	-	-	-
Negotiable obligations issued	14,944,881	14,944,881	14,944,881	-	7,094,966	6,364,255
Other non-financial liabilities	4,773	4,773	4,773	-	10,325	11,879
TOTAL LIABILITIES	**22,863,781**	**22,863,781**	**22,863,665**	**116**	**10,570,847**	**9,099,161**

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BANCO Hipotecario

SCHEDULE N

FINANCIAL ASSISTANCE TO RELATED PARTIES

For the fiscal period ended 09/30/2018

Comparative as of 12/31/2017 and 01/01/2017

In thousands of Argentine Pesos

Item - Situation	Normal	Potential risk/inadequate performance	With problems/deficient performance		High risk of insolvency/difficult collection		Uncollectible	Uncollectible for technical reasons	Total		
			Not yet due	Past due	Not yet due	Past due			**09/30/2018**	**12/31/2017**	**01/01/2017**
1. Loans and other financing arrangements	**502,288**	-	-	-	-	-	-	-	502,288	312,135	145,185
- Overdraft facilities	180,821	-	-	-	-	-	-	-	180,821	36,880	41,882
With "B" preferred collateral or counter-guarantees	3,845	-	-	-	-	-	-	-	3,845	-	-
Without preferred collateral or counter-guarantees	176,976	-	-	-	-	-	-	-	176,976	36,880	41,882
- Mortgage and pledge loans	478	-	-	-	-	-	-	-	478	9,592	5,404
With "B" preferred collateral or counter-guarantees	478	-	-	-	-	-	-	-	478	9,592	5,404
- Credit cards	10,998	-	-	-	-	-	-	-	10,998	11,400	8,699
Without preferred collateral or counter-guarantees	10,998	-	-	-	-	-	-	-	10,998	11,400	8,699
- Consumer loans	29	-	-	-	-	-	-	-	29	531	580
Without preferred collateral or counter-guarantees	29	-	-	-	-	-	-	-	29	531	580
- Other	309,962	-	-	-	-	-	-	-	309,962	254,263	88,620
With "B" preferred collateral or counter-guarantees	392	-	-	-	-	-	-	-	392	-	-
Without preferred collateral or counter-guarantees	309,570	-	-	-	-	-	-	-	309,570	254,263	88,620
Total	**502,288**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**502,288**	**312,666**	**145,185**
Allowances	**5,023**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**5,023**	**3,129**	**1,676**

Mariano Cané de Estrada
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General Manager

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SCHEDULE O

DERIVATIVE FINANCIAL INSTRUMENTS

For the fiscal period ended 09/30/2018

In thousands of Argentine Pesos

Kind of Agreement	Purpose of transactions	Kind of coverage	Underlying asset	Kind of settlement	Trading environment or counterparty	Average weighted term originally agreed	Average residual weighted term	Average weighted term for the settlement of differences	Amount
						(days)			
Futures	Foreign Currency Hedge	Not applicable	Foreign currency	Daily differences	ROFEX	1	1	2	4,672,810
Futures	Foreign Currency Hedge	Not applicable	Foreign currency	Daily differences	MAE	1	1	2	(344,000)
Futures	Foreign Currency Hedge	Not applicable	Foreign currency	Daily differences	MAE	1	1	2	344,000
Swap	Brokerage own account	Not applicable	Other	Upon maturity of differences	Domestic residents- Non-financial sector	183	100	1	95,865
Swap	Brokerage own account	Not applicable	Other	Upon maturity of differences	Domestic residents- Non-financial sector	181	99	1	156,221
Swap	Brokerage own account	Not applicable	Other	Upon maturity of differences	Domestic residents- Non-financial sector	179	100	1	67,458
Swap	Brokerage own account	Not applicable	Other	Upon maturity of differences	Domestic residents- Non-financial sector	193	123	1	95,004
Swap	Brokerage own account	Not applicable	Other	Upon maturity of differences	Domestic residents- Non-financial sector	201	134	1	77,049
Swap	Brokerage own account	Not applicable	Other	Upon maturity of differences	Domestic residents- Non-financial sector	203	139	1	79,120

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BANCO Hipotecario

SCHEDULE P

CATEGORY OF FINANCIAL ASSETS AND LIABILITIES

For the fiscal period ended 09/30/2018

(In thousands of Argentine Pesos)

Description	Amortized Cost	Fair value through Other Comprehensive Income	Fair value through profit or loss		Fair value category		
			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	**7,612,659**						
Cash	1,291,857						
Financial institutions and correspondents	5,411,000						
Other	909,802						
Debt securities at fair value through profit or loss			**8,918,762**		**8,714,142**	**204,620**	
Derivative instruments			**299,184**			**299,184**	
Repo transactions	**319,910**						
Argentine Central Bank							
Other financial institutions							
Other financial assets	**1,871,812**		**37,388**		**37,388**		
Loans and other financing arrangements	**40,924,929**						
Non-financial public sector	33,683						
Other financial institutions	386,400						
Non-financial private sector and foreign residents	40,504,846						
Overdraft facilities	583,963						
Notes	168,768						
Mortgage loans	4,263,589						
Pledge loans	2,169						
Consumer loans	7,958,938						
Credit cards	14,115,096						
Financial leases	140,408						
Other	13,271,915						
Other debt securities	**3,793,148**						
Financial assets pledged as collateral			**2,190,147**		**2,190,147**		
TOTAL FINANCIAL ASSETS	**54,520,624**		**11,445,481**		**10,941,677**		

Mariano Cané de Estrada
Planning and Management Control Manager

Manuel J.L. Herrera Grazioli
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November 14, 2018
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SCHEDULE P
CATEGORY OF FINANCIAL ASSETS AND LIABILITIES
For the fiscal period ended 09/30/2018
(In thousands of Argentine Pesos)

Description	Amortized Cost	Fair value through Other Comprehensive Income	Fair value through profit or loss		Fair value category		
			Originally designated or under item 6.7.1. of IFRS 9	Statutory measurement	Level 1	Level 2	Level 3
FINANCIAL LIABILITIES							
Deposits	**25,191,936**						
Non-financial public sector	4,082,108						
Financial sector	53,914						
Non-financial private sector and foreign residents	21,055,914						
Checking accounts	766,812						
Savings accounts	6,695,821						
Time deposits and term investments	12,818,188						
Other	775,093						
Liabilities at fair value through profit or loss			**207,748**		**207,748**		
Derivative instruments			**1,657,136**			**1,657,136**	
Other financial liabilities	**4,003,375**						
Loans received from BCRA and other financial institutions	**26,930**						
Negotiable obligations issued	**30,653,811**						
TOTAL FINANCIAL LIABILITIES	**59,876,052**		**1,864,884**		**207,748**		

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SCHEDULE Q

SEPARATE BREAKDOWN OF RESULTS

For the fiscal period ended 09/30/2018

In thousands of Argentine Pesos

Description	Net financial income/(expense)		Other comprehensive income
	Originally designated or under item 6.7.1. of IFRS 9	Statutory measurement	
Due to measurement of financial assets at fair value through profit or loss			
Government securities income	2,772,262	-	-
Corporate securities income/(loss)	(49,396)	-	-
Income / (loss) from derivative financial instruments			
Forward transactions	(7,125)	-	-
Interest rate swap	(53,658)	-	-
TOTAL	**2,662,083**	**-**	-

Interest and adjustments due to application of effective interest rate of financial assets measured at amortized cost	
Interest income	
Cash and bank deposits	108
Government securities	73,691
Other financial assets	513,384
Loans and other financing arrangements	7,629,409
Financial sector	113,969
Non-financial private sector	7,515,440
Overdraft facilities	294,453
Promissory notes	88,575
Mortgage loans	752,671
Pledge loans	312
Consumer loans	2,432,862
Credit cards	2,932,605
Financial leases	28,670
Other	985,292
TOTAL	**8,216,592**

Interest expense	
Deposits	
Checking accounts	(740,155)
Savings accounts	(6,029)
Time deposits and term investments	(2,268,808)
Loans received from the BCRA and other financial institutions	(31,417)
Other financial liabilities	(184,788)
Negotiable obligations issued	(3,849,489)
TOTAL	**(7,080,686)**

Mariano Cané de Estrada
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November 14, 2018
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BANCO Hipotecario

SCHEDULE R

CORRECTION OF VALUE FOR LOSSES – PROVISION FOR LOAN LOSSES

For the fiscal period ended 09/30/2018
Comparative as of 12/31/2017 and 01/01/2017
In thousands of Argentine Pesos

Description	Opening balances	Increases	Decreases	Decreases	Closing balance as of 09/30/2018	Closing balance as of 12/31/2017	Closing balance as of 01/01/2017
			Reversals	Allocations			
Loans and other financing arrangements							
Other financial institutions							
Non-financial private sector and foreign residents	**622,794**	**674,855**	**32,372**	**271,664**	**993,613**	**622,794**	**480,243**
Overdraft facilities	95,496	160,012	34	-	255,474	95,496	62,938
Notes	6,447	-	-	4,358	2,089	6,447	5,426
Mortgage loans	33,105	14,792	-	1,228	46,669	33,105	27,674
Consumer loans	194,404	263,076	30,287	116,074	311,119	194,404	118,363
Credit cards	220,103	236,975	2,035	149,296	305,747	220,103	195,796
Financial leases	1,559	-	16	360	1,183	1,559	1,453
Other	71,680	-	-	348	71,332	71,680	68,593
				-			
Corporate securities	**16,141**	**10,735**	**-**	**-**	**26,876**	**16,141**	**19,706**
Debt securities under financial trusts	16,141	10,735	-	-	26,876	16,141	19,706
Total	**638,935**	**685,590**	**32,372**	**271,664**	**1,020,489**	**638,935**	**499,949**

Mariano Cané de Estrada
Planning and Management Control Manager

Manuel J.L. Herrera Grazioli
General Manager

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ADDITIONAL INFORMATION REQUIRED BY CHAPTER III, TITLE IV, SECTION 12 OF CNV RULES
(GENERAL RESOLUTION No. 622/13)

I. BHSA's business: General Aspects

1. Significant specific legal regimes that confer benefits which are contingently forfeited and/or granted.

There are none.

2. Significant changes in the Company's businesses or in other similar circumstances occurred in the periods covered by the financial statements and apt to affect their comparability with those presented in previous fiscal years or comparability with financial statements to be presented in the future.

There are none.

3. Classification of receivables (extensions of credit) and payables (deposits and obligations) according to their maturity dates.

See Schedule "D" – Breakdown of loans and other financing arrangements by maturity dates and Schedule "I" – Breakdown of financial liabilities by maturity dates in Banco Hipotecario S.A.'s Separate Condensed Interim Financial Statements.

4. Classification of receivables (lending) and payables (deposits and obligations) so as to disclose the financial effects stemming from their maintenance.

See Note 2, Schedule "D" – Breakdown of loans and other financing arrangements by maturity dates and Schedule "I" – Breakdown of financial liabilities by maturity dates and Schedule "L" – Foreign Currency Balances in Banco Hipotecario S.A.'s Separate Condensed Interim Financial Statements.

5. Detail of the ownership interest percentages in the companies governed by Law No. 19,550, Section 33 in the capital stock and in total votes and debit and/or credit balances by company.

See Schedule "E" – Breakdown of Investments in Other Companies and Note 28 Related party transactions and balances in the financial statements.

6. Trade receivables or loans held against directors, supervisory committee members, surveillance committee members and their relatives up to, and including, the second degree.

As of June 30, 2018, loans to directors, supervisory committee members, surveillance committee members and their relatives up to, and including, the second degree, amount to Pesos 36,787 thousand with the highest amount lent as of that date being Pesos 36,787 thousand. Credit extended to directors, supervisory committee members and their related parties complies with the limits and conditions established in this respect by Section 28, Sub-section d) of the Financial Institutions Law and BCRA's rules (Communications "A" 2140 and supplementary).

ADDITIONAL INFORMATION REQUIRED BY CHAPTER III, TITLE IV, SECTION 12 OF CNV RULES
(GENERAL RESOLUTION No. 622/13)

II. Physical count of inventories

7. Periodicity and scope of physical counts on inventories.

Given the Company's corporate purpose, this does not apply.

III. Current values

8. Current values used to measure inventories, bank premises and equipment and other significant assets.

The Bank abides by BCRA's rules in force for the valuation of bank premises and equipment and miscellaneous assets. See Note 2 and Schedule "F" – Banks premises and equipment in Banco Hipotecario S.A.'s Separate Condensed Interim Financial Statements.

9. Bank premises and equipment that have been technically re-measured

The Bank abides by BCRA's rules in force for the valuation of bank premises and equipment and miscellaneous assets. See Note 2 and Schedule "F" - Bank premises and equipment in Banco Hipotecario S.A.'s Separate Condensed Interim Financial Statements.

10. Bank premises and equipment –unused on grounds of obsolescence

The Bank abides by BCRA's rules in force for the valuation of bank premises and equipment and miscellaneous assets. See Note 2 and Schedule "F" - Bank premises and equipment in Banco Hipotecario S.A.'s Separate Condensed Interim Financial Statements.

IV. Ownership interests in other companies

11. Ownership interests in other companies in excess of what has been admitted by Section 31 of Law No. 19,550 and plans to regularize the situation.

There are none.

V. Recoverable values

12. Criteria applied to determine all significant "recoverable values" for inventories, bank premises and equipment and other assets, used as limits on their respective book values.

The Bank abides by BCRA's rules in force for the valuation of bank premises and equipment and miscellaneous assets. See Note 2 and Schedule "F" - Bank premises and equipment in Banco Hipotecario S.A.'s Separate Condensed Interim Financial Statements.

VI. Insurance

13. Insurance that covers tangible assets.

Insured Property				
Type of Insurance	**Coverage**	**Risk**	**Policy No.**	**Insurance Company**
Banking Comprehensive	Cash, checks and valuables	Fraud, theft, safety box and valuables in transit	11 27257 (Effective term 10/31/17 to 10/31/18)	BERKLEY INTERNATIONAL SEGUROS S.A.
All Operating Risk	Building, machinery, equipment, furniture, fixtures and works of art	Fire, looting and earthquake	00 590078 (Effective term 10/31/17 to 10/31/18)	QBE SEGUROS LA BUENOS AIRES SEGUROS S.A.
Motor Vehicles	Vehicles	Comprehensive risk and third parties with deductibles	COVERAGE CERTIFICATE INSURANCE POLICY TO BE ISSUED (Effective term 06/08/18 to 06/08/19)	QBE

VII. Positive and negative contingencies

14. Elements considered to calculate the loan losses whose balances, considered individually or in the aggregate, are in excess of two per cent (2%) of equity.

15. The Bank abides by BCRA's rules for loan loss provisions. See Schedule "J", Note 7 – Loans and other financing arrangements in Banco Hipotecario S.A.'s Separate Condensed Interim Financial Statements.

16. Situations that are contingent as of the date of the financial statements, whose likelihood of occurrence is not remote and whose financial effects have not been accounted for, with an indication as to whether they have not been accounted for based on their probability of occurrence or on difficulties in quantifying their effects.

There are none.

VIII. Irrevocable advances on account of future subscriptions

1. Status of procedures aimed at capitalization.

There are none.

2. Unpaid cumulative dividends on preferred shares.

There are none.

3. Conditions, circumstances or terms for restrictions on the distribution of unappropriated retained earnings to be lifted.

See Note 32 – Notes required by the Argentine Central BANK in Banco Hipotecario S.A.'s Consolidated Condensed Interim Financial Statements.

SUPERVISORY COMMITTEE'S REPORT

REPORT ON SEPARATE INTERIM FINANCIAL STATEMENTS

To the Chairman and Directors of
BANCO HIPOTECARIO S.A.
Registered office: Reconquista 151
City of Buenos Aires
Taxpayer's Code: 30-50001107-2

Introduction

In accordance with the provisions of subsection 5 of Section No. 294 of the Argentine Business Companies Law No. 19,5.50, we have reviewed the separate condensed interim financial statements of Banco Hipotecario S.A. (hereinafter, "the Bank") that comprise the separate balance sheet as of September 30, 2018, the related separate statements of income and other comprehensive income for the nine-month period ended September 30, 2018 and the separate statements of changes in shareholders' equity and of cash flows for the nine-month period ended on that same date, as well as a summary of the significant accounting policies and all other explanatory information included in the notes and exhibits that supplement them.

The balances and all other information for fiscal year 2017 and interim periods are an integral part of the above-mentioned financial statements and should therefore be considered in connection with these financial statements.

The Board's responsibility

The Bank's Board of Directors is responsible for preparing and presenting the financial statements in conformity with the accounting framework laid down by the Argentine Central Bank (BCRA). As stated in note 2 to the accompanying financial statements, such accounting framework is based on the application of the International Financial Reporting Standards (IFRS) and, in particular, International Accounting Standard 34 "Interim Financial Information" (IAS 34), as approved by the International Accounting Standards Board (IASB). Said standards were adopted by the Argentine Federation of Professional Councils in Economic Sciences (FACPCE) and the BCRA, and were used in the preparation of the financial statements with the temporary exception of Section 5.5 "Impairment" of IFRS 9 and the exception on the application of International Accounting Standard (IAS 29).

Scope of our work

Our work was performed in accordance with standards applicable to statutory auditors currently in force. These standards require statutory auditors to examine the accounting documents detailed in the first paragraph in accordance with auditing standards in force for limited review of financial statements for interim periods and include verifying the reasonableness of the significant information contained in the examined documents and whether they are consistent with the remaining information concerning corporate decisions of which we became aware, disclosed in the minutes of the meetings of the Board of Directors and the Shareholders' Meetings, and evaluating the conformity of those decisions with the law and the by-laws insofar as concerns formal and documentary aspects.

For purposes of our professional work involving the accounting documents detailed in the first paragraph, we reviewed the work performed by the Independent Auditor Price Waterhouse & Co S.R.L., in accordance with the auditing standards currently applicable to the limited review of financial statements for interim periods, in conformity with professional accounting standards and the minimum standards on independent audits issued by the Argentine Central Bank. Said review included verifying the planning of the work, as well as the nature, scope and timing of the procedures applied and the results of the limited review performed by said firm of professional services. A limited review mainly consists in applying analytical procedures to the accounting information and make inquiries to those in charge of accounting and financial matters. This review is performed to a substantially lesser extent than an audit of financial statements, the purpose of which is to render an opinion on the financial statements taken as a whole. Therefore, not all the procedures necessary to render an opinion on the Bank's financial statements were applied. The independent auditors issued their Report on November 14, 2018, the content of which we share. Given that it is not the Supervisory Committee's duty to perform management controls, the examination did not span the business criteria and decisions of the Company's various areas, as these matters are solely within the purview of the Board of Directors.

Conclusion

On the basis of our work, there has been nothing that could have led us to believe that the separate interim financial statements mentioned in the first paragraph of this report have not been prepared in all their significant aspects in accordance with the accounting framework laid down by the BCRA.

Difference between the financial information framework of the BCRA and the IFRS

Without changing our conclusion, we draw attention to note 2.1 to the separate condensed interim financial statements attached, in which the effect that the application of Section 5.5. "Impairment" of IFRS 9 "Financial Instruments" and IAS 29 would have on said financial statements is identified, which standards were excluded by the BCRA from the accounting framework applicable to financial institutions.

First fiscal year of application of IAS 34

Without changing our conclusion, we draw attention to note 2.1 in which it is stated that the separate condensed interim financial statements mentioned in the first paragraph have been prepared in accordance with the accounting framework laid down by the BCRA, pursuant to IAS 34 (with the exception described in the referred note), this being the first fiscal year in which the Bank applies such standards. The effects of the changes arising from the application of this new accounting basis are described in note 3. The items and figures in the conciliations included in such note, are subject to any changes that may arise from variations in the IFRS as finally applied and may only be considered final when the relevant annual financial statements for this fiscal year are prepared.

Report on compliance with currently applicable rules and regulations

In compliance with the applicable rules and regulations, we report that:

a) the Bank's separate condensed interim financial statements arise from accounting records which, in their formal aspects, are kept in accordance with statutory provisions;

b) the Bank's separate condensed interim financial statements as of September 30, 2018, have been transcribed unto the "Inventory and Balance Sheet" book and, insofar as concerns our field of competence, are in compliance with the provisions of the Argentine Business Companies Law and the relevant resolutions issued by the BCRA and the Argentine Securities Commission;

c) we have read the additional information to the notes to the separate financial statements required under Section 12, Chapter III, Title IV of the rules issued by the Argentine Securities Commission, on which we have no comments to make as concerns our field of competence;

d) we have read the information provided in Note 31.4 to the separate financial statements as of September 30, 2018 in connection with the minimum requirements imposed by the Argentine Securities Commission in terms of Minimum Shareholders' Equity and Counterbalancing entry on which we have no comments to make as concerns our field of competence.

e) We are in compliance with the provisions of Section 294 of the Argentine Business Companies Law.

In addition, any member of the Supervisory Committee is authorized to sign this report on behalf of the entire body.

City of Buenos Aires, November 14, 2018.

Ricardo FLAMMINI
SUPERVISORY COMMITTEE
STATUTORY AUDITOR

SUPERVISORY COMMITTEE'S REPORT

REPORT ON CONSOLIDATED INTERIM FINANCIAL STATEMENTS

To the Chairman and Directors of
BANCO HIPOTECARIO S.A.
Registered office: Reconquista 151
City of Buenos Aires
Taxpayer's Code: 30-50001107-2

Introduction

In accordance with the provisions of subsection 5 of Section No. 294 of the Argentine Business Companies Law No. 19,5.50, we have reviewed the consolidated interim financial statements of Banco Hipotecario S.A. (hereinafter, "the Bank") that comprise the balance sheet as of September 30, 2018, the related statements of income and other comprehensive income for the nine-month period ended September 30, 2018 and the consolidated statements of changes in shareholders' equity and of cash flows for the nine-month period ended on that same date, as well as a summary of the significant accounting policies and all other explanatory information included in the notes and exhibits that supplement them.

The balances and all other information for fiscal year 2017 and interim periods are an integral part of the above-mentioned financial statements and should therefore be considered in connection with these financial statements.

The Board's responsibility

The Bank's Board of Directors is responsible for preparing and presenting the financial statements in conformity with the accounting framework laid down by the Argentine Central Bank (BCRA). As stated in note 2 to the accompanying financial statements, such accounting framework is based on the application of the International Financial Reporting Standards (IFRS) and, in particular, International Accounting Standard 34 "Interim Financial Information" (IAS 34), as approved by the International Accounting Standards Board (IASB). Said standards were adopted by the Argentine Federation of Professional Councils in Economic Sciences (FACPCE) and the BCRA, and were used in the preparation of the financial statements with the temporary exception of Section 5.5 "Impairment" of IFRS 9 and the application of the International Accounting Standard (IAS 29).

Scope of our work

Our work was performed in accordance with standards applicable to statutory auditors currently in force. These standards require statutory auditors to examine the accounting documents detailed in the first paragraph in accordance with auditing standards in force for limited review of financial statements for interim periods and include verifying the reasonableness of the significant information contained in the examined documents and whether they are consistent with the remaining information concerning corporate decisions of which we became aware, disclosed in the minutes of the meetings of the Board of Directors and the Shareholders' Meetings, and evaluating the conformity of those decisions with the law and the by-laws insofar as concerns formal and documentary aspects.

For purposes of our professional work involving the accounting documents detailed in the first paragraph, we reviewed the work performed by the Independent Auditor Price Waterhouse & Co S.R.L., in accordance with the auditing standards currently applicable to the limited review of financial statements for interim periods, in conformity with professional accounting standards and the minimum standards on independent audits issued by the Argentine Central Bank. Said review included verifying the planning of the work, as well as the nature, scope and timing of the procedures applied and the results of the limited review performed by said firm of professional services. A limited review mainly consists in applying analytical procedures to the accounting information and make inquiries to those in charge of accounting and financial matters. This review is performed in a substantially lesser extent than an audit of financial statements, the purpose of which is to render an opinion on the financial statements taken as a whole. Therefore, not all the procedures necessary to render an opinion on the Bank's consolidated financial statements were applied. The independent auditors issued their Report on November 14, 2018, the content of which we share. Given that it is not the Supervisory Committee duty to perform management controls, the examination did not span the business criteria and decisions of the Company's various areas, as these matters are solely within the purview of the Board of Directors.

Conclusion

On the basis of our work, there has been nothing that could have led us to believe that the consolidated condensed interim financial statements mentioned in the first paragraph of this report have not been prepared in all their significant aspects in accordance with the accounting framework laid down by the BCRA.

Difference between the financial information framework of the BCRA and the IFRS

Without changing our conclusion, we draw attention to note 2.1 to the consolidated condensed interim financial statements attached, in which the effect that the application of Section 5.5. "Impairment" of IFRS 9 "Financial Instruments" and IAS 29 would have on said financial statements is identified, which standards were excluded by the BCRA from the accounting framework applicable to Financial Institutions.

First fiscal year of application of IAS 34

Without changing our conclusion, we draw attention to note 2.1 in which it is stated that the consolidated condensed interim financial statements mentioned in the first paragraph have been prepared in accordance with the accounting framework laid down by the BCRA, pursuant to IAS 34 (with the exception described in the referred note), this being the first fiscal year in which the Bank applies such standards. The effects of the changes arising from the application of this new accounting basis are described in note 3. The items and figures in the conciliations included in such note, are subject to any changes that may arise from variations in the IFRS as finally applied and may only be considered final when the relevant annual financial statements for this fiscal year are prepared.

Report on compliance with currently applicable rules and regulations

In compliance with the applicable rules and regulations, we report that:

a) the Bank's consolidated condensed interim financial statements arise from accounting records which, in their formal aspects, are kept in accordance with statutory provisions;

b) the Bank's consolidated condensed interim financial statements as of September 30, 2018, have been transcribed unto the "Inventory and Balance Sheet" book and, insofar as concerns our field of competence, are in compliance with the provisions of the Argentine Business Companies Law and the relevant resolutions issued by the BCRA and the Argentine Securities Commission;

c) we have read the additional information to the notes to the financial statements required under Section 12, Chapter III, Title IV of the rules issued by the Argentine Securities Commission, on which we have no comments to make as concerns our field of competence;

d) we have read the information provided in Note 32.4 to the consolidated condensed interim financial statements as of September 30, 2018 in connection with the minimum requirements imposed by the Argentine Securities Commission in terms of Minimum Shareholders' Equity and Counterbalancing entry on which we have no comments to make as concerns our field of competence.

e) We are in compliance with the provisions of Section 294 of the Argentine Business Companies Law.

In addition, any member of the Supervisory Committee is authorized to sign this report on behalf of the entire body.

City of Buenos Aires, November 14, 2018.

RICARDO FLAMMINI
SUPERVISORY COMMITTEE
STATUTORY AUDITOR