BANCO Hipotecario

Consolidated Condensed Interim Financial Statements as of March 31, 2019

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

CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS AS OF MARCH 31, 2019

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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 March 31, 2019, the related consolidated statements of income and other comprehensive income for the three-month period ended March 31, 2019 and the consolidated statements of changes in shareholders' equity and of cash flows for the three-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 2018 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). The Board of Directors is also responsible for the existence of such internal controls as it deems necessary to allow the preparation of financial statements free from significant misstatements arising from mistakes or irregularities.

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 standards set forth by the BCRA.

Emphasis Paragraph

Without changing our conclusion, as stated in Note 2, the attached condensed interim financial statements have been prepared in accordance with the accounting framework set forth by the Argentine Central Bank. Said regulations differ from the professional accounting standards in force. The impact on said financial statements as a result of the different valuation and presentation criteria has been identified by the Bank in said note.

Paragraph on other matters

Without changing our opinion, we draw attention to the fact that these condensed interim financial statements were prepared in accordance with the accounting framework set forth by the BCRA, and that said framework significantly and generally differs from the professional accounting standards in force (International Financial Reporting Standards (IFRS) adopted by the Argentine Federation of Professional Councils in Economic Sciences (FACPCE)). These differences lie in that the accounting framework set forth by the BCRA does not provide for the application of item 5.5 “Impairment” of IFRS 9 “Financial Instruments”, nor of International Accounting Standard No. 29 “Financial reporting in hyperinflationary economies”. The Bank has not quantified these differences in a note to these financial statements. The financial statements should be read, for their correct interpretation, in the light of these circumstances.

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 March 31, 2019, 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 March 31, 2019, the amounts accrued in favor of the Bank’s Argentine Comprehensive Social Security System according to the Bank’s accounting records amounted to $45,105,172.12, with no amounts being due and enforceable at that date;

e) we have read the information provided in Note 21 to the consolidated financial statements as of March 31, 2019 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, May 7, 2019.

PRICE WATERHOUSE & CO. S.R.L.

(Partner)

C.P.C.E.C.A.B.A. Volume 1 – Page 17

Dr. Diego Sisto
Public Accountant (UCA)
C.P.C.E.C.A.B.A.
Volume 274 – Page 12

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 March 31, 2019, the related separate statements of income and other comprehensive income for the three-month period ended March 31, 2019 and the separate statements of changes in shareholders' equity and of cash flows for the three-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 2018 and interim periods are an integral part of the above-mentioned financial statements and should therefore be considered in connection with these financial statements.

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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). The Board of Directors is also responsible for the existence of such internal controls as it deems necessary to allow the preparation of financial statements free from significant misstatements arising from mistakes or irregularities.

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 standards set forth by the BCRA.

Emphasis Paragraph

Without changing our conclusion, as stated in Note 2, the attached condensed interim financial statements have been prepared in accordance with the accounting framework set forth by the Argentine Central Bank. Said regulations differ from the professional accounting standards in force. The impact on said financial statements as a result of the different valuation and presentation criteria has been identified by the Bank in said note.

Paragraph on other matters

Without changing our opinion, we draw attention to the fact that these condensed interim financial statements were prepared in accordance with the accounting framework set forth by the BCRA, and that said framework significantly and generally differs from the professional accounting standards in force (International Financial Reporting Standards (IFRS) adopted by the Argentine Federation of Professional Councils in Economic Sciences (FACPCE)). These differences lie in that the accounting framework set forth by the BCRA does not provide for the application of item 5.5 “Impairment” of IFRS 9 “Financial Instruments”, nor of International Accounting Standard No. 29 “Financial reporting in hyperinflationary economies”. The Bank has not quantified these differences in a note to these financial statements. The financial statements should be read, for their correct interpretation, in the light of these circumstances.

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b) the Bank’s separate condensed interim financial statements as of March 31, 2019, 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 March 31, 2019, the amounts accrued in favor of the Bank’s Argentine Comprehensive Social Security System according to the Bank’s accounting records amounted to $45,105,172.12, with no amounts being due and enforceable at that date;

e) we have read the information provided in Note 21 to the separate financial statements as of March 31, 2019 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, May 7, 2019.

PRICE WATERHOUSE & CO. S.R.L.

(Partner)

C.P.C.E.C.A.B.A. Volume 1 – Page 17

Dr. Diego Sisto
Public Accountant (UCA)
C.P.C.E.C.A.B.A.
Volume 274 – Page 12

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 03/31/2019						
Shares						
Number	Type	Face value	No. of votes per share	Class	Subscribed	Paid-in
					(In thousands of Ps.)	
664,489,424	Book-entry common shares	1	1	A	664,489	664,489
57,009,279		1	1	B	57,009	57,009
75,000,000		1	1	C	75,000	75,000
703,501,297		1	3	D	703,502	703,502
1,500,000,000					**1,500,000**	**1,500,000**

CONSOLIDATED CONDENSED INTERIM BALANCE SHEET

For the fiscal period ended 03/31/19, comparative as of 12/31/2018

In thousands of Argentine Pesos

ITEM	NOTES	03/31/2019	12/31/2018
ASSETS			
Cash and bank deposits	4 and 5	**6,861,734**	**8,832,786**
Cash		1,235,297	1,393,427
Financial institutions and correspondents		5,367,040	6,571,467
- Argentine Central Bank (B.C.R.A.)		4,486,571	4,773,649
- Other domestic and foreign institutions		880,469	1,797,818
Other		259,397	867,892
Debt securities at fair value through profit or loss	5	**21,519,218**	**19,287,877**
Derivative instruments	5	**48,808**	**69,478**
Repo transactions	5	**900,499**	**589,474**
Other financial assets	5	**2,908,572**	**2,311,097**
Loans and other financing arrangements (Schedules B, C, D)	5 and 6	**41,455,955**	**43,566,664**
Non-Financial Public Sector		14,683	29,146
Other Financial Institutions		141,512	415,506
Non-Financial Private Sector and Foreign Residents		41,299,760	43,122,012
Other debt securities (Schedules A, B, C, D)	5	**1,944,074**	**1,700,018**
Financial assets pledged as collateral	5	**2,395,763**	**2,007,114**
Current income tax assets	9	**534,620**	**445,076**
Investments in equity instruments	5	**232,833**	**187,475**
Investments in subsidiaries, associates and joint ventures		**13,364**	**13,364**
Bank premises and equipment	8	**1,655,099**	**1,497,432**
Intangible assets	8	**137,692**	**145,268**
Deferred income tax assets	9	**300,706**	**47,339**
Other non-financial assets	8	**4,350,295**	**3,861,103**
TOTAL ASSETS		**85,259,232**	**84,561,565**

Lorena C. Morchón
General Accounting Manager

Manuel J.L. Herrera Grazioli
General Manager

See our report dated
May 7, 2019
PRICE WATERHOUSE & Co. S.R.L.

Saúl Zang
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

BANCO Hipotecario

CONSOLIDATED CONDENSED INTERIM BALANCE SHEET

For the fiscal period ended 03/31/2019, comparative as of 12/31/2018
In thousands of Argentine Pesos

ITEM	NOTES	03/31/2019	12/31/2018
LIABILITIES			
Deposits (Schedules H, I)	5	**28,974,346**	**29,307,580**
Non-financial public sector		3,523,094	3,625,037
Financial sector		1,278	1,508
Non-financial private sector and foreign residents		25,449,974	25,680,035
Liabilities at fair value through profit or loss (Schedule I)	5	**865,679**	**751,511**
Derivative instruments (Schedule I)	5	**97,376**	**136,281**
Repo transactions (Schedule I)	5	**51,104**	**65,188**
Other financial liabilities (Schedule I)	5	**7,457,847**	**7,547,776**
Loans from the B.C.R.A. and other financial institutions (Schedule I)	5	**1,030,825**	**657,696**
Negotiable obligations issued (Schedule I)	5	**32,126,114**	**31,660,467**
Current income tax liabilities		**596,566**	**434,006**
Provisions		**254,571**	**306,876**
Other non-financial liabilities		**3,686,168**	**3,603,000**
TOTAL LIABILITIES		**75,140,596**	**74,470,381**
SHAREHOLDERS' EQUITY			
Capital stock		1,500,000	1,500,000
Non-capitalized contributions		45,141	28,381
Capital adjustments		717,115	717,115
Reserves		5,627,252	5,644,012
Unappropriated retained earnings		1,979,529	(142,120)
Accumulated other comprehensive income		-	-
Income for the period/year		36,566	2,051,412
Shareholders' equity attributable to parent's shareholders		**9,905,603**	**9,798,800**
Shareholders' equity attributable to non-controlling interests		**213,033**	**292,384**
TOTAL SHAREHOLDERS' EQUITY		**10,118,636**	**10,091,184**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**85,259,232**	**84,561,565**

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

Lorena C. Morchón
General Accounting Manager

Manuel J.L. Herrera Grazioli
General Manager

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May 7, 2019
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Ricardo Flammini
For the Supervisory Committee

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BANCO Hipotecario

CONSOLIDATED CONDENSED INTERIM STATEMENT OF INCOME

For the fiscal periods ended 03/31/2019 and 03/31/2018

In thousands of Argentine Pesos

ITEM	NOTES	03/31/2019	03/31/2018
Interest and adjustments income	12	4,206,193	3,027,492
Interest and adjustments expense	13	(4,043,991)	(2,239,089)
Net interest income		**162,202**	**788,403**
Fee and commission income	12	1,065,496	955,685
Fee and commission expense		(165,299)	(175,801)
Net fee and commission income		**900,197**	**779,884**
Net income from measurement of financial instruments at fair value through profit or loss		2,450,995	804,571
Gold and foreign currency quotation differences		(952,809)	64,173
Other operating income	14	1,603,838	969,060
Loan loss provision (Schedule R)		(1,330,131)	(378,583)
Net operating income		**2,834,292**	**3,027,508**
Employee benefits	16	(1,190,393)	(850,887)
Administrative expenses	15	(753,040)	(700,927)
Depreciation and impairment of assets		(62,350)	(37,354)
Other operating expenses	14	(904,656)	(667,747)
Operating income		**(76,147)**	**770,593**
Share of profit (loss) of subsidiaries, associates and joint ventures		-	-
Income before tax		**(76,147)**	**770,593**
Income tax	9	107,433	(238,862)
Net income		**31,286**	**531,731**
NET INCOME FOR THE PERIOD		**31.286**	**531,731**

Net income for the period attributable to the parent's shareholders	36,566	519,419
Net income for the period attributable to non-controlling interests	(5,280)	12,312

Lorena C. Morchón
General Accounting Manager

Manuel J.L. Herrera Grazioli
General Manager

See our report dated
May 7, 2019
PRICE WATERHOUSE & Co. S.R.L.

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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

CONSOLIDATED CONDENSED INTERIM STATEMENT OF INCOME

For the fiscal periods ended 03/31/2019 and 03/31/2018

In thousands of Argentine Pesos

EARNINGS PER SHARE	03/31/2019	03/31/2018
NUMERATOR		
Net income attributable to the parent company's shareholders	36,566	519,419
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	36,566	519,419
DENOMINATOR		
Weighted average of outstanding common shares for the fiscal period	1,466,493	1,463,488
PLUS: Weighted average of additional common shares with diluting effects	-	-
Weighted average of outstanding common shares for the fiscal period adjusted to reflect the effects of dilution	1,466,493	1,463,488
EARNINGS PER BASIC SHARE	**0.025**	**0.355**
EARNINGS PER DILUTED SHARE	**0.025**	**0.355**

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

Lorena C. Morchón
General Accounting Manager

Manuel J.L. Herrera Grazioli
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May 7, 2019
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For the Supervisory Committee

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BANCO Hipotecario

CONSOLIDATED CONDENSED INTERIM STATEMENT OF OTHER COMPREHENSIVE INCOME

For the fiscal periods ended 03/31/2019 and 03/31/2018
In thousands of Argentine Pesos

ITEM	03/31/2019	03/31/2018
Net income for the period	**31,286**	**531,731**
Total other comprehensive income for the period	**-**	**-**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**31,286**	**531,731**

Total comprehensive income for the period attributable to the parent's shareholders	36,566	519,419
Total comprehensive income/(loss) for the period attributable to non-controlling interests	(5,280)	12,312

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

Lorena C. Morchón
General Accounting Manager

Manuel J.L. Herrera Grazioli
General Manager

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May 7, 2019
PRICE WATERHOUSE & Co. S.R.L.

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Ricardo Flammini
For the Supervisory Committee

…………………………..(Partner)
C.P.C.E.C.A.B.A. Volume 1 Page 17

CONSOLIDATED CONDENSED INTERIM STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the fiscal period ended 03/31/2019

In thousands of Argentine Pesos

Changes	Capital Stock		Non-capitalized Contributions		Equity adjustments	Profit reserves			Retained earnings	Total Shareholders' Equity controlling interests 03/31/2019	Total Shareholders' Equity non-controlling interests 03/31/2019	Total as of 03/31/2019
	Outstanding	Treasury Stock	Share issuance premium	Stock-based payment		Legal	Stock-based payments	Others				
Opening balances for the period	**1,465,661**	**34,339**	**834**	**27,547**	**717,115**	**1,448,649**	**412,070**	**3,783,293**	**1,909,292**	**9,798,800**	**292,384**	**10,091,184**
Stock-based payments under Compensation Plan	1,397	(1,397)	-	16,760	-	-	(16,760)	-	-	-	-	-
Acquisition of non-controlling interest in Tarshop S.A.U.	-	-	-	-	-	-	-	-	70,237	70,237	(74,071)	(3,834)
Net income for the period	-	-	-	-	-	-	-	-	36,566	36,566	(5,280)	31,286
Closing balances for the period	**1,467,058**	**32,942**	**834**	**44,307**	**717,115**	**1,448,649**	**395,310**	**3,783,293**	**2,016,095**	**9,905,603**	**213,033**	**10,118,636**

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

Lorena C. Morchón
General Accounting Manager

Manuel J.L. Herrera Grazioli
General Manager

See our report dated
May 7, 2019
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 CHANGES IN SHAREHOLDERS’ EQUITY

For the fiscal period ended 03/31/2018

In thousands of Argentine Pesos

Changes	Capital Stock		Non-capitalized Contributions		Equity adjustments	Profit reserves			Retained earnings	Total Shareholders’ Equity controlling interests 03/31/2018	Total Shareholders’ Equity non-controlling interests 03/31/2018	Total as of 03/31/2018
	Outstanding	Treasury Stock	Share issuance premium	Stock-based payment		Legal	Stock-based payments	Others				
Opening balances for the period	**1,463,365**	**36,635**	**834**	**-**	**717,115**	**1,129,962**	**439,617**	**2,708,321**	**1,451,316**	**7,947,165**	**287,921**	**8,235,086**
Stock-based payments under compensation plan	369	(369)	-	4,431	-	-	(4,431)	-	-	-	-	-
Net income for the period	-	-	-	-	-	-	-	-	519,419	519,419	12,312	531,731
Closing balances for the period	**1,463,734**	**36,266**	**834**	**4,431**	**717,115**	**1,129,962**	**435,186**	**2,708,321**	**1,970,735**	**8,466,584**	**300,233**	**8,766,817**

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

Lorena C. Morchón
General Accounting Manager

Manuel J.L. Herrera Grazioli
General Manager

See our report dated
May 7, 2019
PRICE WATERHOUSE & Co. S.R.L.

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C.P.C.E.C.A.B.A. Volume 1 Page 17

BANCO Hipotecario

CONSOLIDATED CONDENSED INTERIM STATEMENT OF CASH FLOWS

For the fiscal period ended 03/31/2019, in comparative format with the same period of previous fiscal year
In thousands of Argentine Pesos

ITEM	03/31/2019	03/31/2018
Net income for the period before income tax	**31,286**	**770,593**
Adjustments to obtain cash flows from operating activities		
Depreciation and impairment of assets	62,350	37,354
Loan loss provisions, net of recovered loans	1,255,706	324,121
Provision for loan losses, net of reversed provisions	(21,760)	(16,540)
Net interest income	(162,202)	(788,403)
Changes in fair value of investments in financial instruments	(2,451,632)	(810,358)
Profit from sale of bank premises and equipment/Revaluation of investment property	(424,188)	(3)
Other adjustments	(3,834)	-
Net increase /(decrease) from operating assets		
Debt securities at fair value through profit or loss	220,291	(1,727,724)
Derivative instruments	20,670	28,471
Repo Transactions	(311,025)	(144,676)
Loans and other financing arrangements		
Non-financial public sector	14,463	17,103
Financial sector	412,845	(38,341)
Non-financial private sector and foreign residents	4,382,721	1,227,421
Other debt securities	532	(1,952,890)
Financial assets pledged as collateral	(388,649)	983,009
Investments in equity instruments	(45,358)	(108,110)
Other assets	(1,543,376)	317,216
Net increase / (decrease) from operating liabilities		
Deposits		
Non-financial public sector	(101,943)	461,521
Financial sector	(230)	66,449
Non-financial private sector and foreign residents	(1,736,198)	1,080,713
Liabilities at fair value through profit or loss	114,168	502,119
Derivative instruments	(38,905)	(42,058)
Repo transactions	(18,824)	(826,136)
Other liabilities	(1,036,752)	3,504,042
Collections/Payments due to income tax	180,449	(128,582)
Total from operating activities	**(1,589,395)**	**2,736,311**

Lorena C. Morchón
General Accounting Manager

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C.P.C.E.C.A.B.A. Volume 1 Page 17

BANCO Hipotecario

CONSOLIDATED CONDENSED INTERIM STATEMENT OF CASH FLOWS

For the fiscal period ended 03/31/2019, in comparative format with the same period of the previous fiscal year

In thousands of Argentine Pesos

ITEM	03/31/2019	03/31/2018
Cash flows from investing activities		
Payments		
Purchase of bank premises and equipment, intangible assets and other assets	(96,489)	(1,494,152)
Collections		
Sale of bank premises and equipment, intangible assets and other assets	224	508
Total from investing activities	**(96,226)**	**(1,493,644)**
Cash flows from financing activities		
Payments		
Unsubordinated negotiable obligations	(2,785,506)	(1,811,158)
Loans from domestic financial institutions	(10,913,246)	(5,640,390)
Changes in share of subsidiaries not resulting in loss of control	(3,834)	-
Other payments related to financing activities	(2,591,424)	(976,9652)
Collections		
Unsubordinated negotiable obligations	3,570,140	1,312,312
Loans to domestic financial institutions	11,518,834	5,583,407
Other collections related to financing activities	494,000	1,312,207
Total from financing activities	**(711,036)**	**(220,574)**
Effect of exchange rate variations	**425,655**	**95,297**
TOTAL VARIATION OF CASH FLOWS		
Net Increase/(Decrease) in cash and cash equivalents	(1,971,052)	1,117,390
Cash and cash equivalents at the beginning of the period	8,832,786	3,951,549
Cash and cash equivalents at the end of the period	6,861,734	5,068,939

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

Lorena C. Morchón General Accounting Manager	**Manuel J.L. Herrera Grazioli** General Manager	See our report dated May 7, 2019 PRICE WATERHOUSE & Co. S.R.L.
Saúl Zang 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

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 March 31, 2019, detailing the classes of shares and their face value.

Class	Shares	Fair value	Capital stock
A	664,489,424	1	664,489,424
B	57,009,279	1	57,009,279
C	75,000,000	1	75,000,000
D	703,501,297	1	703,501,297
	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 18.

These consolidated condensed interim financial statements were approved by the Board of Directors on May 7, 2019.

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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 Item 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, except for the application of Item 5.5. (Impairment) of IFRS 9 "Financial Instruments" and IAS 29 "Financial reporting in hyperinflationary economies". .

Impairment of financial assets

By means of Communication "A" 6430, the BCRA established that Financial Institutions shall apply the financial assets impairment provisions in Item 5.5 of IFRS 9 for fiscal years beginning on or after January 1, 2020.

For such purposes, IFRS 9 provides for a model of expected credit losses whereby financial assets are classified into three stages of impairment, based on credit quality changes after initial recognition, indicating how an entity measures impairment losses and applies the effective interest method.

As of the date of these consolidated condensed interim financial statements, the Bank is in the process of quantifying the effect the application of that impairment model would have.

Pursuant to Communication "A" 6114 issued by the BCRA, the Entity has applied the provisions in Note 2.11 to recognize credit losses in these financial statements.

On February 22, 2019, the BCRA published Communication "A" 6651 setting forth that Financial Institutions shall apply IAS 29 for fiscal years beginning on or after January 1, 2020.

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 BCRA as disclosed in Note 2.1.

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.

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 3.

The consolidated condensed interim financial statements are denominated in pesos, which is the Group's functional currency.

(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) **Restatement of inflation of financial statements**

IAS 29 "Financial Reporting in Hyperinflationary Economies" requires that the financial statements of an entity whose functional currency is that of a highly inflationary economy be stated in terms of the current measurement unit as of the reporting year-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 highly inflationary under IAS 29, including a cumulative inflation rate for three consecutive years close to, or in excess of, 100%. Therefore, pursuant to IAS 29, the Argentine economy should qualify as highly inflationary as from July 1, 2018.

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 be restated. 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.

On February 22, 2019, the BCRA published Communication A 6651 setting forth that Financial Institutions shall apply IAS 29 for fiscal years beginning on or after January 1, 2020.

The Group is working on estimating the restatement.

Based on the foregoing, the Group's shareholders' equity and results would significantly differ from currently reported balances if they were restated in constant currency as of the measurement date, pursuant to the restatement mechanism provided for under IAS 29.

(c) **Accounting policies**

The accounting policies adopted in the presentation of these financial statements are consistent with those used in the preparation of the consolidated financial statements as of December 31, 2018, described in Note 2 thereto.

The Group has adopted IFRS 16 "Leases", IFRIC 23 "Uncertainty over income tax treatment" and amendments to IFRS 9 "Financial instruments" and IAS 28 "Investments in associates and joint ventures" for this period using the prospective approach, therefore, the impact of the adoption was recognized in the results for the three-month period ended March 31, 2019, and comparative balances have not been modified due to this adoption.

The main changes are as follows:

<u>IFRS 16 Leases</u>

The standard 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.

<u>IFRIC 23 Uncertainty over Income Tax Treatment</u>

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.

<u>Amendment to IFRS 9 Financial Instruments</u>

This amendment allows entities to measure certain instruments allowing early payment with negative compensation at amortized cost. For such assets, which include certain loans and bonds, to be measured at amortized cost, the negative compensation shall be "reasonable compensation for early termination" and the asset shall be held in a business model as held for collection.

<u>Changes in IAS 28 Investment in associates and joint ventures</u>

The changes introduced clarify long-term accounting of associates and joint ventures for which the equity method shall not apply. Entities shall account for such investments pursuant to IFRS 9 "Financial Instruments" before applying the impairment requirements of IAS 28 "Investment in associates and joint ventures".

The effect on the statement of income for the three-month period ended March 31, 2019 due to the first implementation of IFRS 16 is as follows:

	Pursuant to previous standard	**Implementation of IFRS 16**	**Current statement of income**
	(In thousands of Ps.)		
Interest and adjustments income	4,206,193	-	4,206,193
Interest and adjustments expense	(4,043,991)	-	(4,043,991)
Net interest income	**162,202**	**-**	**162,202**
Fee and commission income	1,065,496	-	1,065,496
Fee and commission expense	(165,299)	-	(165,299)
Net fee and commission income	**900,197**	**-**	**900,197**

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Net income from measurement of financial instruments at fair value through profit or loss	2,450,995	-	2,450,995
Gold and foreign currency quotation differences	(952,809)	-	(952,809)
Other operating income	1,603,838	-	1,603,838
Loan loss provision	(1,330,131)	-	(1,330,131)
Net operating income	**2,834,292**	**-**	**2,834,292**
Employee benefits	(1,190,393)	-	(1,190,393)
Administrative expenses	(774,513)	21,473	(753,040)
Depreciation and impairment of assets	(47,994)	(14,356)	(62,350)
Other operating expenses	(892,008)	(12,648)	(904,656)
Operating loss	**(70,616)**	**(5,531)**	**(76,147)**
Share of profit (loss) of associates and joint ventures	-	-	-
Loss before income tax	**(70,616)**	**(5,531)**	**(76,147)**
Income tax	106,050	1,383	107,433
Net income (loss) for the period	**35,434**	**(4,148)**	**31,286**

Net income (loss) for the period attributable to the parent's owners	40,714	(4,148)	36,566
Net income (loss) for the period attributable to non-controlling interests	(5,280)	-	(5,280)

The adoption of "IFRIC 23 "Uncertainty on income tax treatment" and the amendments to IFRS 9 "Financial instruments" and IAS 28 "Investments in associates and joint ventures" have not effects on the statement of income for the three-month period ended March 31, 209.

3. SIGNIFICANT ACCOUNTING CRITERIA AND ESTIMATES

In the preparation of these condensed interim financial statements, the significant judgments made by Management, in the application of accounting policies and the main sources of uncertainty in the estimates, were the same as those applied in the consolidated financial statements for the fiscal year ended December 31, 2018.

The preparation of these consolidated 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 areas which involve 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 the consolidated financial statements as of December 31, 2018.

4. CASH AND BANK DEPOSITS

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

	03/31/2019	**12/31/2018**
	(In thousands of Ps.)	
Cash	1,235,297	1,393,427
Financial institutions and correspondents	5,367,040	6,571,467
Others	259,397	867,892

Cash and bank deposits	**6,861,734**	**8,832,786**

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5. FINANCIAL INSTRUMENTS

The Group held the following financial instrument portfolios:

Instrument portfolio as of 03/31/2019	Fair value – Net income (loss)	Amortized cost	Fair value – OCI	Total
	(In thousands of Ps.)			
Assets	**23,423,970**	**54,843,486**	**-**	**78,267,456**
Cash and bank deposits	-	6,861,734	-	6,861,734
Debt securities at fair value through profit or loss	21,519,218	-	-	21,519,218
Derivative instruments	48,808	-	-	48,808
Repo transactions	-	900,499	-	900,499
Other financial assets	427,429	2,481,143	-	2,908,572
Loans and other financing arrangements	-	41,455,955	-	41,455,955
Other debt securities	-	1,944,074	-	1,944,074
Financial assets pledged as collateral	1,195,682	1,200,081	-	2,395,763
Investments in equity instruments	232,833	-	-	232,833
Liabilities	**(963,055)**	**(69,640,236)**	**-**	**(70,603,291)**
Deposits	-	(28,974,346)	-	(28,974,346)
Liabilities at fair value through profit or loss	(865,679)	-	-	(865,679)
Derivative instruments	(97,376)	-	-	(97,376)
Repo transactions	-	(51,104)	-	(51,104)
Other financial liabilities	-	(7,457,847)	-	(7,457,847)
Loans from the Argentine Central Bank and other financial institutions	-	(1,030,825)	-	(1,030,825)
Negotiable obligations issued	-	(32,126,114)	-	(32,126,114)
Total	**22,460,915**	**(14,796,750)**	**-**	**7,664,165**

Instrument portfolio as of 12/31/2018	Fair value – Net income (loss)	Amortized cost	Fair value – OCI	Total
	(In thousands of Ps.)			
Assets	**20,699,909**	**57,852,074**	**-**	**78,551,983**
Cash and bank deposits	-	8,832,786	-	8,832,786
Debt securities at fair value through profit or loss	19,287,877	-	-	19,287,877
Derivative instruments	69,478	-	-	69,478
Repo transactions	-	589,474	-	589,474
Other financial assets	256,263	2,054,834	-	2,311,097
Loans and other financing arrangements	-	43,566,664	-	43,566,664
Other debt securities	-	1,700,018	-	1,700,018
Financial assets pledged as collateral	898,816	1,108,298	-	2,007,114
Investments in equity instruments	187,475	-	-	187,475

Liabilities	**(887,792)**	**(69,238,707)**	**-**	**(70,126,499)**
Deposits	-	(29,307,580)	-	(29,307,580)
Liabilities at fair value through profit or loss	(751,511)	-	-	(751,511)
Derivative instruments	(136,281)	-	-	(136,281)
Repo transactions	-	(65,188)	-	(65,188)
Other financial liabilities		(7,547,776)	-	(7,547,776)
Loans from the Argentine Central Bank and other financial institutions	-	(657,696)	-	(657,696)
Negotiable obligations issued	-	(31,660,467)	-	(31,660,467)
Total	**19,812,117**	**(11,386,633)**	**-**	**8,425,484**

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.

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 03/31/2019	Level 1 Fair Value	Level 2 Fair Value	Level 3 Fair Value
	(In thousands of Ps.)		
Assets	**22,637,998**	**785,972**	**-**
Debt securities at fair value through profit or loss	20,793,364	725,854	-
Derivative instruments	-	48,808	-
Other financial assets	427,429	-	-
Financial assets pledged as collateral	1,195,682	-	-
Investments in equity instruments	221,523	11,310	-
Liabilities	**(865,679)**	**(97,376)**	**-**
Liabilities at fair value through profit or loss	(865,679)	-	-
Derivative instruments	-	(97,376)	-
Total	**21,772,319**	**688,596**	**-**

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Instrument portfolio as of 12/31/2018	Level 1 Fair Value	Level 2 Fair Value	Level 3 Fair Value
	(In thousands of Ps.)		
Assets	**20,454,431**	**245,478**	**-**
Debt securities at fair value through profit or loss	19,123,187	164,690	-
Derivative instruments	-	69,478	-
Other financial assets	256,263	-	-
Financial assets pledged as collateral	898,816	-	-
Investments in equity instruments	176,165	11,310	-
Liabilities	**(751,511)**	**(136,281)**	**-**
Liabilities at fair value through profit or loss	(751,511)	-	-
Derivative instruments	-	(136,281)	-
Total	**19,702,920**	**109,197**	**-**

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.

Repo transactions

The account is breakdown as follows:

Assets	03/31/2019	12/31/2018
	(In thousands of Ps.)	
Repo transactions	969,446	630,037

Liabilities	03/31/2019	12/31/2018
	(In thousands of Ps.)	
Repo transactions	56,750	(59,224)

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 03/31/2019	Amortized cost	Fair value	
		Amount	Level
	(In thousands of Ps.)		
Loans and other financing arrangements	41,455,955	39,405,428	Level 2
Negotiable obligations issued	(32,126,114)	(30,912,373)	Level 1 and 2

Instruments as of 12/31/2018	Amortized cost	Fair value	
		Amount	Level
	(In thousands of Ps.)		
Loans and other financing arrangements	43,566,664	41,371,752	Level 2
Negotiable obligations issued	(31,660,467)	(29,623,295)	Level 1 and 2

Impairment

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

	03/31/2019
	(In thousands of Ps.)
Balance at the beginning	**2,079,570**
Impairment for the period	1,330,131
Write off	(33,990)
Recovery for the period	(542,712)
Balance at period-end	**2,832,999**

6. 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 Group'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:

	03/31/2019	12/31/2018
	(In thousands of Ps.)	
To the non-financial public sector	**14,683**	**29,146**
Other financial institutions	**141,512**	**415,506**
Interfinancial - calls granted	103,450	250,000

Other loans to domestic financial institutions	50,450	148,477
Accrued interest, adjustments and quotation differences receivable	(12,040)	17,455
Provision for loan losses (Schedule R)	(348)	(426)
To the non-financial private sector and foreign residents	**41,299,760**	**43,122,012**
Overdraft facilities	252,335	595,096
Promissory notes	299,029	303,493
Mortgage loans	5,602,597	5,386,310
Pledge loans	173,651	209,348
Consumer loans	8,106,422	8,537,289
Credit cards	17,440,472	18,241,934
Financial leases	105,841	122,322
Loans to entity's personnel	289,245	285,741
Unallocated collections	(8,970)	(6,259)
Others	11,311,385	10,931,906
Accrued interest and quotation differences receivable	598,683	626,375
Documented interest	(58,865)	(71,785)
Provision for loan losses (Schedule R)	(2,812,065)	(2,039,758)
Total loans and other financing arrangements	**41,455,955**	**43,566,664**

On January 16, 2019, Tarshop S.A.'s Board of Directors resolved to assign to the Bank the contractual position over the credit card issuance agreement and the agreements related to the operation of such business originally started by Tarshop, which were acquired on February 1, 2019.

On March 27, 2019, the bank acquired up-to-date receivables and receivables in arrears for a principal amount of Ps. 47 million and Ps. 79 million, respectively.

7. TRANSFER OF FINANCIAL ASSETS

The Bank has made transfers of financial assets as described in Note 22.3. 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 Item 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 March 31, 2019:

Issuer	Financial trust	Created on	Initial trust debt security		Estimated termination of the series
			Type	Amount (in thousands)	
BHSA	**CHA UVA Series I**	**Apr-18**	**A**	**8,645 UVA**	**Oct-24**
			B	**5,763 UVA**	**Apr-28**
			CP	**4,802 UVA**	**May-32**
Tarshop	**Privado VI I**	**Jan-19**	**A**	**494,000**	**Apr-19**

The table below shows a breakdown of financial trusts which do not qualify for derecognition of financial assets as of December 31, 2018:

Issuer	Financial trust	Created on	Initial trust debt security		Estimated termination of the series
			Type	Amount (in thousands)	
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 C	Oct-17	B	32,259	Jan-19
Tarshop	Series CI	Jan-18	B	34,456	Jan-19
Tarshop	Series CII	Mar-18	B	35,695	Feb-19
Tarshop	Series CIII	Apr-18	B	45,455	Feb-19
Tarshop	Series CIV	Jul-18	A	169,647	Feb-19
			B	37,516	Feb-19
Tarshop	Series CV	Aug-18	A	177,460	Feb-19
			B	43,202	Feb-19
Tarshop	Series CVI	Aug-18	A	177,525	Feb-19
			B	17,678	Feb-19
Tarshop	Privado III	Dec-16	A	799,000	Feb-19
Tarshop	Privado IV	Dec-17	A	1,979,000	Feb-19
Tarshop	Privado V	Jul-18	A	1,405,000	Feb-19
Tarshop	Privado VI	Oct-18	A	993,000	Feb-19

Furthermore, as of March 31, 2019, the Group maintains the following repo transactions:

- Ps. 969,446 thousand in Repos booked under off-balance sheet accounts.
- Ps. 56,750 thousand in Repos booked under “Financial assets pledged as collateral”.

8. OTHER NON-FINANCIAL ASSETS

8.1. Bank premises and equipment

Changes in bank premises and equipment for the period ended March 31, 2019 were as follows:

Item	Initial value at the beginning of the period	Additions	Withdrawals	Depreciation			Residual value	
				Accumulated	Withdrawal	For the period (1)	As of 03/31/19	As of 12/31/18
- Real estate	1,191,595	-	-	(38,010)	-	(5,105)	1,148,480	1,153,585
- Furniture and fixtures	142,293	2,439	(281)	(62,909)	136	(3,269)	78,409	79,384
- Machinery and	493,348	22,046	-	(335,827)	-	(18,457)	161,110	157,521
- Vehicles	482	-	-	(289)	-	(24)	169	193
- Right of use of leased properties	-	171,547	-	-	-	(19,395)	152,152	-
- Miscellaneous	76,772	1,674	(40)	(58,739)	11	(3,236)	16,442	18,033
- Works in progress	88,716	9,621	-	-	-	-	98,337	88,716
Total bank premises and equipment	**1,993,206**	**207,327**	**(321)**	**(495,774)**	**147**	**(49,486)**	**1,655,099**	**1,497,432**

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

Additional information

	Depreciation method	Useful life (in years)
- Real estate	Straight line basis	Maximum 50
- Furniture and fixtures	Straight line basis	10
- Machinery and equipment	Straight line basis	Machinery: 5 Equipment: 3
- Vehicles	Straight line basis	5
- Right of use of leased properties	Straight line basis	Within the term of each lease agreement
- Miscellaneous	Straight line basis	5
- Works in progress	-	-

8.2 Intangible assets

Changes in intangible assets for the period ended March 31, 2019 were as follows:

	03/31/2019 (In thousands of pesos)
Initial net book value	**145,268**
Increases due to development	3,581
Depreciation fee (1)	(11,157)
Net book value at period-end	**137,692**
Cost	421,858
Accumulated depreciation	(284,166)
Net book value at period-end	**137,692**

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

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Additional information

	Intangible assets
Defined useful life (in years)	5 years
Depreciation method	Straight-line basis

8.3. Other non-financial assets

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

	03/31/2019	**12/31/2018**
	(In thousands of Ps.)	
Prepaid fees to directors' and supervisory committee's members	79,645	95,428
Tax prepayments	410,363	387,091
Other prepayments	179,391	113,807
Investment property	3,666,678	3,244,135
Other	14,218	20,642
Total other non-financial assets	**4,350,295**	**3,861,103**

Changes in investment property for the period ended March 31, 2019 were as follows:

	Leased properties	**Other investment property** (1)	**03/31/2019**
	(In thousands of pesos)		
Initial book value	**363,043**	**2,881,092**	**3,244,135**
Net (loss) / income from measurement at fair value	-	422,543	422,543
Book value at period-end	**363,043**	**3,303,635**	**3,666,678**

(1) 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 28, 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 10).

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 a result of the Board of Directors' decision, we started to monitor 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. 2,881,092 thousand. Hence, as of December 31, 2018, we recognized an impairment loss in the amount of Ps. 291,029 thousand in the Statement of Income under "Depreciation and impairment of assets. During December 2018, the works in the property were discontinued and communication of change of use to third parties was concluded. As result, the property was reclassified to "Investment property".

The figures included in the result for the period for Investments property are as follows:

	03/31/2019	03/31/2018
	(In thousands of pesos)	
Rentals	1,529	1,090
Direct expenses from property management	(611)	(2,935)

Net results from investment property as of March 31, 2019 and 2018 amount to a profit of Ps. 918 thousand, and a loss of Ps. 1,845 thousand, respectively, and are recognized in “Other operating income”, “Administrative expenses” and “Other operating expenses” in the comprehensive income statement.

During the fiscal period ended March 31, 2019, there were no sales of investment property.

As of March 31, 2019, there are no restrictions to the disposal of the property included in this item. Likewise, there are no contractual obligations to acquire, build or develop investment properties, or for repairs, maintenance or improvements of investment property.

9. INCOME TAX

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

	03/31/2019	12/31/2018
	(In thousands of Ps.)	
Minimum notional income tax credit	277,398	277,398
Income tax prepayments	257,222	167,678
Total current income tax assets	**534,620**	**445,076**

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

	03/31/2019	03/31/2018
	(In thousands of Ps.)	
Income tax charged to the statement of income	107,433	(238,862)
Income tax charged to the statement of other comprehensive income	-	-
Total income tax expense	**107,433**	**(238,862)**

The table below shows a reconciliation of the income tax liability charged to income as of March 31, 2019 and 2018 and the income tax liability resulting from applying the effective tax rate to taxable income:

	03/31/2019	03/31/2018
	(In thousands of Ps.)	
Income for the period before income tax	**(76,147)**	**770,593**
Effective tax rate (*)	30%	30%
Income for the period at the tax rate	**22,844**	**(231,178)**

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Permanent differences at the tax rate	84,589	(7,684)
Total income tax expense for the period	**107,433**	**(238,862)**

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 12/31/2018	Balance charged to income / (loss)	Balance as of 03/31/2019
	(In thousands of Ps.)		
Allowance for loan losses	183,647	188,870	372,517
Bank premises and equipment	(779,522)	(102,838)	(882,360)
Foreign-currency valuation	(17,048)	11	(17,037)
Provisions	133,779	(44,864)	88,915
Other	3,259	5,655	8,914
Valuation of securities and shares	64,433	(165,839)	(101,406)
Financial trusts	212,834	103,578	316,412
Tax losses	245,957	268,794	514,751
Total deferred tax assets, net	**47,339**	**253,367**	**300,706**

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

10. NEGOTIABLE OBLIGATIONS ISSUED

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

	Issue amount	Issue date	Maturity date	Annual interest rate	Book value 03/31/19	Book value 12/31/18
	(In thousands)				(In thousands)	
Banco Hipotecario (1)						
XXIX tranche I	US$ 200,000	11/30/15	11/30/20	9.75%	12,614,834	12,780,205
XXIX tranche II	US$ 150,000	05/23/16	11/30/20	8.00%		
XXXV	$ 235,970	02/10/16	02/10/19	Badlar +4.99%	-	236,740
XXXIX	$ 343,241	08/18/16	08/18/19	Badlar+ 3.49%	275,290	278,378
XL	$ 6,078,320	10/12/16	01/11/20	Badlar +2.50%	2,452,716	4,456,505
XLII	$ 645,638	02/20/17	02/20/20	Badlar +3.20%	655,725	653,818
XLIII	UVA 54,606	05/08/17	05/08/20	2.75%	1,792,527	1,638,423
XLV	$ 102,436	05/08/17	05/08/20	Badlar +2.98%	60,455	61,288
XLVI	$ 496,855	08/09/17	02/09/19	Badlar +4.25%	-	444,099
XLVII	U$S 125,263	08/09/17	08/09/19	4.00%	271,370	236,447
XLVIII	$ 6,300,000	11/0717	11/0722	Badlar +4.00%	6,327,868	6,426,759
XLIX	$ 596,373	02/14/18	02/14/20	Badlar +3.60%	549,374	551,926
L	UVA 23,239	02/14/18	02/14/22	4.90%	721,935	660,263
Series I	$3,570,141	02/15/19	05/15/21	Badlar +6.15%	3,687,202	-
BACS (2)						
XI	$ 201,000	11/10/16	11/1019	Badlar + 4.00%	72,598	139,541
XIII	$ 201,539	04/28/17	04/28/20	Badlar + 3.50%	173,108	176,274
XIV	$ 227,886	09/25/17	03/25/19	Badlar + 4.75%	-	68,393
XV	US$ 10,141	09/25/17	09/25/19	4.40%	439,775	383,391
XVI	$ 500,000	02/08/18	08/08/19	Badlar + 3.68%	554,824	496,981
Series I	$ 500,000	11/15/18	11/15/19	Badlar + 9.22%	529,917	533,855
Tarshop (3)						
II	$ 67,360	09/07/16	03/07/19	Badlar + 4.99%	-	69,713
V	$ 77,818	11/04/16	05/04/19	Badlar + 4.25%	82,840	84,115
VIII	$ 53,237	01/24/17	07/24/19	Badlar + 4.69%	46,702	53,106
X	$ 211,556	04/20/17	10/20/19	Badlar + 4.74%	211,941	233,839
XI	$ 346,996	07/12/17	01/12/19	Badlar + 5.00%	-	372,399
XIII	$ 250,000	11/10/17	05/10/19	Badlar + 6.50%	264,956	269,252
					340,157	354,757
XV	$ 354,911	03/28/18	09/28/19	Badlar + 4.75%		
					32,126,114	**31,660,467**

(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).

11. COMMITMENTS AND CONTINGENCIES

Commitments

During the period ended March 31, 2019, the Group has not undertaken any capital commitment.

Contingencies

The Group's main contingencies are described in Note 22.6.

Provisions

It includes the estimated amounts to pay probable liabilities which, in case of occurrence, would generate a loss for the Group.

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. These include potential claims from tax authorities for various taxes, potential administrative penalties from supervisory entities, among others.
- Estimates related to pre-retirement plans for employees and related medical expenses are included as a provision for post-employment benefits.
- Note 22.6 includes, at the request of the BCRA, all administrative, disciplinary and criminal penalties with a lower court judgment or not, applied or initiated by the BCRA and the Financial Reporting Unit, regardless of whether they are probable, likely to occur or remote.

Based on the Management's estimate, it is probable that less than 50% of the amounts of provisions as of March 31, 2019 will have to be paid during the following 12 months.

The balances of provisions are due to:

	03/31/2019	12/31/2018
	(In thousands of pesos)	
Taxes	48,667	48,284
Lawsuits	94,687	152,466
Administrative, disciplinary and criminal sanctions	640	640
Post-retirement benefit plans	55,665	52,052
Other	54,912	53,434
Total Provisions	**254,571**	**306,876**

12. INTEREST AND ADJUSTMENTS INCOME / FEE AND COMMISSION INCOME

Interest and adjustments income	03/31/2019	03/31/2018
	(In thousands of pesos)	
Interest on cash and bank deposits	2,243	1,278
Interest on loans to the financial sector	21,111	23,641
Interest on overdraft facilities	35,099	89,435
Interest on promissory notes	44,476	46,923
Interest on mortgage loans	147,036	137,212
Interest on consumer loans	782,014	734,119
Interest on pledge loans	13,862	23,658
Interest on credit card loans	1,996,584	1,512,964
Interest on financial leases	12,920	9,167
Interest on other loans	471,268	302,489
Interest on government and corporate securities	244,588	41,540
Income from CER, CVS, UVA and UVI adjustments	312,916	84,452
Other	122,076	20,614
Total	**4,206,193**	**3,027,492**

Fee and commission income	03/31/2019	03/31/2018
	(In thousands of Ps.)	
Credit card commissions	924,990	608,832
Linked to liabilities	34,220	10,880
Linked to receivables	86,596	324,613
Other commissions	19,690	11,360
Total	**1,065,496**	**955,685**

13. INTEREST AND ADJUSTMENTS EXPENSE

Interest and adjustments expense	03/31/2019	03/31/2018
	(In thousands of Ps.)	
Interest on checking accounts deposits	(44,461)	(135,227)
Interest on savings account deposits	(3,226)	(1,641)
Interest on time deposits	(1,393,633)	(567,971)
Interest on interfinancial loans received	(42,578)	(47,257)

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Interest on other liabilities resulting from financial transactions	(2,250,938)	(1,364,988)
Expense for CER, CVS, UVA and UVI adjustments	(297,836)	(103,139)
Other	(11,319)	(18,866)
Total	**(4,043,991)**	**(2,239,089)**

14. OTHER OPERATING INCOME / (EXPENSES)

Other operating income	**03/31/2019**	**03/31/2018**
	(In thousands of Ps.)	
Loan servicing	833,672	696,672
Borrowing transactions commissions	25,127	19,465
Debit card commissions	-	10,121
Income from services PRO.CRE.AR	78,586	74,109
Penalty interest	69,855	32,633
Loans recovered	22,561	22,223
Reversal of allowances	82,596	72,239
Rentals	4,152	2,966
Measurement of investment property at fair value	422,544	-
Income from sale of non-financial assets	1,633	-
Other income	63,112	38,632
Total	**1,603,838**	**969,060**

Other operating expenses	**03/31/2019**	**03/31/2018**
	(In thousands of Ps.)	
Turnover tax	(409,405)	(351,378)
Other taxes	(48,918)	(41,321)
Loan servicing	(300,006)	(195,288)
Contribution to the deposit insurance fund	(12,814)	(9,566)
Interest from financial leases	(14,098)	-
Charges for other provisions	(9,092)	(14,740)
Debit and credit card rebates	(29,667)	(18,647)
Loan rebates	(49,002)	(4,205)
Donations	(3,149)	(12,659)
Other expenses	(28,505)	(19,943)
Total	**(904,656)**	**(667,747)**

15. 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	**03/31/2019**	**03/31/2018**
	(In thousands of Ps.)	
Fees and compensation for services	(317,097)	(253,640)

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Directors' and statutory auditors' fees	(37,942)	(55,616)
Advertising, promotion and research expenses	(13,980)	(21,479)
Taxes and duties	(104,860)	(103,892)
Maintenance and repairs	(65,406)	(42,819)
Electricity, gas and telephone services	(64,295)	(63,174)
Insurance	(9,039)	(7,229)
Entertainment and transportation expenses	(12,316)	(12,773)
Office supplies	(13,550)	(4,779)
Rentals	(35,824)	(51,647)
Miscellaneous	(78,731)	(83,879)
Total	**(753,040)**	**(700,927)**

16. EMPLOYEE BENEFITS

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

	03/31/2019	03/31/2018
	(In thousands of Ps.)	
Salaries and social security charges	(803,180)	(641,976)
Severance payments and bonuses	(328,914)	(178,870)
Personnel expenses	(58,299)	(30,041)
Total	**(1,190,393)**	**(850,887)**

17. 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 fiscal period. As the Group does not have preferred shares or debt convertible into shares, basic earnings are equal to diluted earnings per share.

	03/31/2019	03/31/2018
	(In thousands of Ps.)	
Income attributable to the group's shareholders	36,566	519,419
Weighted-average of common shares outstanding (thousand)	1,466,493	1,463,488
Earnings per share	**0.025**	**0.355**

18. 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.

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(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:

	March 31, 2019							
		Retail banking		**Wholesale banking**				
	Finance	**Retail Banking**	**Insurance**	**BHSA**	**BACS**	**Other**	**Adjustments**	**Consolidated**
Total assets..........................	25,660,760	40,858,065	3,082,336	13,788,715	4,006,391	3,990,104	(6,127,139)	**85,259,232**
Total liabilities.........................	(23,687,478)	(36,833,401)	(2,072,489)	(12,085,559)	(3,450,733)	(1,045,950)	4,035,014	**(75,140,596)**

	December 31, 2018							
		Retail banking		**Wholesale banking**				
	Finance	**Retail Banking**	**Insurance**	**BHSA**	**BACS**	**Other**	**Adjustments**	**Consolidated**
Total assets..........................	24,915,139	41,721,167	2,678,102	15,146,179	3,633,882	4,916,152	(8,449,056)	**84,561,565**
Total liabilities.........................	(21,581,671)	(36,149,560)	(1,129,220)	(13,394,838)	(3,103,623)	(4,741,419)	5,629,950	**(74,470,381)**

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	March 31, 2019							
		Retail banking		Wholesale banking				
	Finance	Retail Banking	Insurance	BHSA	BACS	Other	Adjustments	Consolidated
Net interest income	(386,077)	633,947	74,916	(122,078)	(10,268)	(1,289)	(26,949)	162,202
Net commission income	(40,754)	1,115,596	(118,380)	27,670	(7,277)	275	(76,933)	900,197
Net income from measurement of financial instruments at fair value through profit or loss	2,085,563	99,047	137,533	-	118,670	-	10,182	2,450,995
Gold and foreign currency quotation difference	(967,900)	(2,011)	15,528	-	1,574	-	-	(952,809)
Other operating income	4,097	340,993	711,620	27,530	53,647	468,391	(2,440)	1,603,838
Loan loss provision	(890)	(463,394)	(1,068)	(834,194)	(10,853)	-	(19,732)	(1,330,131)
Total net operating income	**694,039**	**1,724,178**	**820,149**	**(901,072)**	**145,493**	**467,377**	**(115,872)**	**2,834,292**
Operating and administrative expenses	(261,348)	(2,110,641)	(305,328)	(215,137)	(112,538)	(29,547)	124,100	(2,910,439)
Income from associates and joint ventures	(592)	-	-	-	-	-	592	-
Income tax from continuing activities	74,967	119,806	(153,859)	-	(7,553)	74,072	-	107,433
Net income	**507,066**	**(266,657)**	**360,962**	**(1,116,209)**	**25,402**	**511,902**	**8,820**	**31,286**

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	March 31, 2018							
		Retail banking		Wholesale banking				
	Finance	Retail Banking	Insurance	BHSA	BACS	Other	Adjustments	Consolidated
Net interest income	(387,822)	964,847	17,473	161,173	28,360	-	4,372	788,403
Net commission income	(22,506)	946,062	(98,710)	17,732	170	146	(63,010)	779,884
Net income from measurement of financial instruments at fair value through profit or loss	774,678	18,249	70,436	-	30,079	-	(88,871)	804,571
Gold and foreign currency quotation difference	83,435	(23,489)	6,148	(10,650)	8,729	-	-	64,173
Other operating income	3,938	301,118	614,100	27,867	57,832	22,100	(57,895)	969,060
Loan loss provision	(1,188)	(349,475)	-	(26,390)	(1,530)	-	-	(378,583)
Total net operating income	**450,535**	**1,857,312**	**609,447**	**169,732**	**123,640**	**22,246**	**(205,404)**	**3,027,508**
Operating and administrative expenses	(174,163)	(1,690,727)	(232,572)	(161,277)	(113,244)	(26,798)	141,866	(2,256,915)
Income from associates and joint ventures	10,678	-	(2)	-	1	-	(10,677)	-
Income tax from continuing activities	(69,600)	(27,325)	(135,206)	(2,408)	(4,283)	-	-	(238,862)
Net income	**217,450**	**139,260**	**241,667**	**6,007**	**6,114**	**(4,552)**	**(74,215)**	**531,731**

Information on geographic areas:

The Group's operations are entirely conducted in Argentina.

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19. 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 determining this situation, 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.

Principal shareholders

The Bank's principal shareholders are:

Name	Class of shares	03/31/2019		12/31/2018	
		Votes %	Capital %	Votes %	Capital %
Fondo Federal de Infraestructura Regional Assistance Trust	A	22.86%	44.30%	22.86%	44.30%
Employee Stock Ownership Plan	B	1.96%	3.80%	1.96%	3.80%
Fondo Federal de Infraestructura Regional Assistance Trust	C	2.58%	5.00%	2.58%	5.00%
IRSA Inversiones y	D	46.30%	29.91%	46.30%	29.91%
ANSES	D	7.64%	4.94%	7.64%	4.94%
Treasury Shares	D	3.40%	2.20%	3.54%	2.30%
Shares in The Bank of New York	D	9.38%	6.06%	9.38%	6.06%
Other	D	5.88%	3.79%	5.74%	3.69%
		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.

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Controlled entities / Subsidiaries

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

Name	Nature	Percentage interest			
		03/31/2019		12/31/2018	
		Direct	Direct and indirect	Direct	Direct and indirect
BACS Banco de Crédito y Securitización S.A.	Control	62.28%	62.28%	62.28%	62.28%
BHN Sociedad de Inversión S.A.	Control	99.99%	100.00%	99.99%	100.00%
Tarshop S.A.U.	Control	100.00%	100.00%	80.00%	80.00%
BH Valores S.A.	Control	95.00%	100.00%	95.00%	100.00%
CHA Financial Trusts Series VI to XIV	Control	100.00%	100.00%	100.00%	100.00%

All subsidiaries are located in Argentina.

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 directors are determined in accordance with 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.

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As of March 31, 2019, the Bank's key personnel is comprised of a general manager and thirteen area managers.

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 streamlining the individual efficiencies of each of the companies in the several areas comprising operating management.

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

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

Entity	Services area
BACS	Human resources, financial services, IT services, procurement and contracting, accounts payable, overall secretarial, legal advice services and exclusive use by BACS of a space within the Bank's Vault.
Tarshop	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 y BHN Seguros Generales (a)	Human resources; procurement and contracting; maintenance; internal audit; asset management; general services; accounts payable; overall secretarial services; legal advice and supervision; supply, maintenance and administration of communication and IT items; SAP maintenance, and sale of insurance policies through call centers. Furthermore, the companies provided insurance-related services to the Bank, including operating, claim-processing, and system-related services until July 2, 2018.
BH Valores	Human resources; overall secretarial services; legal advice and supervision; maintenance; asset management; general services; internal audit; money laundering prevention and control; terrorism financing and operation monitoring; technology, help desk; communications; operations; hosting and ESCO system management; regulatory compliance supervision and investor relations.

(a) Controlled by BHN Sociedad de Inversión.

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.

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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 related party 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.

Below is a detail of the most significant balances and transactions with related parties as of March 31, 2019:

Related Party	Debt securities at fair value through profit or loss	Other debt securities	Investments in equity instruments	Loans and other financing arrangements	Other financial assets	Other non-financial assets	Deposits	Derivative instruments	Negotiable Obligations issued	Other financial liabilities
	(In thousands of Ps.)									
BACS	-	-	-	-	8,147	-	14,534	-	-	-
Tarshop	-	510,959	-	614,282	-	-	212,997	-	-	12,806
BHN Inversión	-	-	-	-	766,637	-	73,741	-	150,101	43,125
BH Valores	-	-	-	-	-	-	47	-	-	-
Financial Trusts CHA IX to XIV	52,133	-	-	3,122	-	-	4,100	1,542,021	-	-
Total subsidiaries	**52,133**	**510,959**	**-**	**617,404**	**774,784**	**-**	**305,419**	**1,542,021**	**150,101**	**55,931**
IRSA (Includes subsidiaries)	-	50,327	20,603	-	2,570	-	-	-	-	687
Total shareholders	**-**	**50,327**	**20,603**	**-**	**2,570**	**-**	**-**	**-**	**-**	**687**
Zang Bergel y Viñes Law Firm	-	-	-	-	-	-	-	-	-	1
Directors and statutory auditors	-	-	-	-	-	79,645	-	-	-	199,073
Total other	**-**	**-**	**-**	**-**	**-**	**79,645**	**-**	**-**	**-**	**199,074**
Total	**52,133**	**561,286**	**20,603**	**617,404**	**777,354**	**79,645**	**305,419**	**1,542,021**	**150,101**	**255,692**

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Related party	Interest income	Interest expense	Fee and commission income	Fee and commission expense	Income / (loss) from measurement of financial instruments at fair value through profit or loss	Other operating income	Loan loss provision	Employee benefits	Administrative expenses
	(In thousands of Ps.)								
BACS	2	806	-	-	-	222	-	-	-
Tarshop	73,233	2,959	-	40,335	(4,489)	982	19,732	-	(335)
BHN Inversión	-	39,116	76,932	-	-	1,212	-	-	(414)
BH Valores	-	-	-	-	-	24	-	-	-
Financial Trusts CHA IX to XIV	3,554	7,844	-	-	5,113	-	-	-	-
Total subsidiaries	**76,789**	**50,725**	**76,932**	**40,335**	**624**	**2,440**	**19,732**	**-**	**(749)**
IRSA (Includes subsidiaries)	506	-	-	-	-	-	-	-	11,720
Total Shareholders	**506**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**11,720**
Zang Bergel y Viñes Law Firm	-	-	-	-	-	-	-	-	2,486
Directors and statutory auditors	-	-	-	-	-	-	-	-	37,942
Key management personnel	-	-	-	-	-	-	-	128,902	-
Total other	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**128,902**	**40,428**
Total	**77,295**	**50,725**	**76,932**	**40,335**	**624**	**2,440**	**19,732**	**128,902**	**51,399**

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Below is a detail of the most significant balances and transactions with related parties as of December 31, 2018:

Related Party	Derivative instruments	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	-	-	-	1,264	2,769	-	96,333	-	-
Tarshop	-	2,396,018	-	619,529	1,809	-	789,937	-	-
BHN Inversión	-	-	-	-	42,014	-	202,966	103,778	-
BH Valores	-	-	-	-	-	-	912	-	-
Financial Trusts CHA IX to XIV	1,360,536	-	-	-	-	-	4,242	-	-
Total subsidiaries	**1,360,536**	**2,396,018**	**-**	**620,793**	**46,592**	**-**	**1,094,390**	**103,778**	**-**
IRSA (Includes subsidiaries)	-	40,313	18,685	-	3,034	-	-	-	1
Total shareholders	**-**	**40,313**	**18,685**	**-**	**3,034**	**-**	**-**	**-**	**1**
Zang Bergel y Viñes Law Firm	-	-	-	-	-	-	-	-	1
Directors and statutory auditors	-	-	-	-	-	95,428	-	-	225,596
Total other	**-**	**-**	**-**	**-**	**-**	**95,428**	**-**	**-**	**225,597**
Total	**1,360,536**	**2,436,331**	**18,685**	**620,793**	**49,626**	**95,428**	**1,094,390**	**103,778**	**225,598**

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Below is a detail of the most significant balances and transactions with related parties as of March 31, 2018:

Related Party	Interest income	Interest expense	Fee and commission income	Other operating income	Employee benefits	Administrative expenses
	(In thousands of Ps.)					
BACS	1,046	-	-	264	-	-
Tarshop	123,572	-	-	-	-	-
BHN Inversión	-	3,714	63,040	57,631	-	-
Financial Trusts CHA IX to XIV	3,937	4,372	-	-	-	-
Total subsidiaries	**128,555**	**8,086**	**63,040**	**57,895**	**-**	**-**
IRSA (Include subsidiaries)	186	-	-	-	-	6,477
Total Shareholders	**186**	**-**	**-**	**-**	**-**	**6,477**
Zang Bergel y Viñes Law Firm	-	-		-	-	989
Directors and statutory auditors	-	-	-	-	-	55,616
Key management personnel	-	-	-	-	111,354	-
Total other	**-**	**-**	**-**	**-**	**111,354**	**56,605**
Total	**128,741**	**8,086**	**63,040**	**57,895**	**111,354**	**63,082**

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20. FINANCIAL RISK FACTORS

These consolidated condensed interim financial statements do not include all the information and disclosures on financial risk management, therefore, they should be read jointly with Note 30 to the consolidated financial statements as of December 31, 2018. No changes have occurred in management or in the risk management policies applied by the Group after fiscal year-end.

21. 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, 2018, the Bank’s total capital under management and subject to regulation amounted to 1,500,000 (see Note 19 to the consolidated financial statements as of such date).

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:

	12/31/2018
	(In thousands of Ps.)
Core Capital	
Tier 1 Ordinary Capital	9,791,707
(Deductible items)	(1,182,054)
Tier 1 Additional Capital	15,681
Supplementary Capital	
Tier 2 Capital	418,832
(Deductible items)	
Regulatory Capital (*Responsabilidad Patrimonial Computable*)	**9,044,166**

Below is a detail of the determined capital requirement:

	12/31/2018
	(In thousands of Ps.)
Credit risk	4,153,045
Market risk	420,234
Operational risk	1,238,127
Core requirement	**5,811,406**
Payment	**9,044,166**
Surplus / (Deficit)	**3,232,760**

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22. NOTES REQUIRED BY THE ARGENTINE CENTRAL BANK

22.1 Deposit Guarantee Insurance System

Law 24485 and Decrees 540/95 created the Deposit Insurance System for the purpose of providing coverage for bank deposits in addition to the privileges and protection system provided for under the Financial Entities Law. Through Communication "A" 5943, the authority established that as from May 1, 2016, the cap for deposit insurance is 450 thousand pesos until February 28, 2019. As from March 1, 2019, the cap increased to 1,000 thousand pesos through Communication "A" 6654.

Deposits denominated in Pesos and in foreign currency are guaranteed for up to Ps. 1,000 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. 1,000 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.

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

The contribution that entities shall make on a monthly basis to the Fund is 0.015% over the monthly average of deposits involved. In addition to the normal deposit, entities shall make an additional contribution according 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.

22.2 Restricted assets

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

	03/31/2019	12/31/2018
	(In thousands of Ps.)	
Banco Hipotecario		
BCRA special guarantee accounts related to electronic clearing agencies	571,156	537,232
Instruments issued by the Argentine Central Bank as collateral for OTC ROFEX transactions	1,061,248	768,874
Government securities and instruments issued by the Argentine Central Bank as collateral for MAE transactions	45,441	39,017
Cash and deposits in escrow as collateral for Visa credit card transactions	478,691	420,184

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	03/31/2019	12/31/2018
Cash and deposits in escrow as collateral for offices and stores leases	624	527
Cash and deposits in escrow as collateral for Red Link losses	2,303	2,083
	2,159,463	**1,767,917**
BACS		
Instruments issued by the Argentine Central Bank, government securities and Pesos as collateral for OTC ROFEX transactions	45,069	62,159
Securities pledged for repo transactions	314,582	176,347
	359,651	**238,506**
Tarshop		
Cash and deposits in escrow as collateral for commercial stores leases	2,853	2,038
Pledge over collection rights under the Series XCIX Tarjeta Shopping financial trust as loan collateral	-	32,202
Funds for contingencies, expenses and other miscellaneous receivables from the financial trusts	59,678	149,557
Time deposits pledged as collateral for tax liabilities from certain trust series	10,620	9,197
Loans held in trust as collateral for overdraft facilities	-	79,000
Cash and deposits in escrow as collateral for Tarshop/Visa credit card transactions	-	49,377
Government securities in escrow as collateral for Tarshop/Visa credit card transactions	-	36,369
Guarantee fund for collection management	66,043	-
Guarantee fund for collections received	32,473	-
	171,667	**357,740**
Total	**2,690,781**	**2,364,163**

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

22.3. 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.

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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.

As of March 31, 2019, the Trust's financial position, not restated in constant currency, was as follows:

- Assets: Ps. 89,264,274 thousand.
- Liabilities: Ps. 43,178,671 thousand.
- Shareholders' Equity: Ps. 46,085,603 thousand.

As of March 31, 2019, the PRO.CRE.AR Administrative and Financial trust portfolio was composed of 118,272 mortgage loans for the construction of permanent, single family houses and 178,003 consumer loans. The amount disbursed for construction as of such date was Ps. 51,150,969 thousand and Ps. 8,437,521 thousand, respectively. The committed amounts pending disbursement total Ps. 49,031 thousand.

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

Role as Trustor

GLOBAL MULTI-ASSET MORTGAGE TRUST SECURITIES PROGRAM

"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 December 31, 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 March 31, 2019, 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
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 Ps.	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.

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.

As of March 31, 2019, all financial trusts issued under the program have been settled.

FINANCIAL TRUSTS TARSHOP PRIVADOS

As from 2015, private financial trusts were created pursuant to the terms of Volume Three, Title IV, Chapter 30 of the Argentine Civil and Commercial Code. As of December 31, 2018, financial trusts Tarjeta Shopping Privado III, Tarjeta Shopping Privado IV, Tarjeta Shopping Privado V and Tarjeta Shopping Privado VI are in force. As of March 31, 2019, only financial trust Tarjeta Shopping Privado VII was in force.

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

<u>Role as Administrator</u>

CHA UVA SERIES 1 FINANCIAL TRUST

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

TARSHOP GLOBAL TRUST SECURITIES PROGRAM

Tarshop acted as administrator of the trusts included in its portfolio securitization program ("*Programa Global de Valores Fiduciarios Tarshop*"), apart from having acted as trustor of such trust. As of March 31, 2019, all the trusts of the program have been settled.

FINANCIAL TRUSTS TARSHOP PRIVADOS

Tarshop is the administrator of the private financial trusts issued under the terms of Book III, Title IV, Chapter 30 of the Argentine Civil and Commercial Code, apart from being trustor of such trusts.

The Company transfers receivables from credit card consumptions, cash advances and consumer loans.

FINANCIAL TRUST ADMINISTRATION

BACS is the general administrator of the trust funds BACS Funding I, Fideicomiso Hipotecario BACS III, Cédulas Hipotecarias Argentinas (CHA) Series IX, X, XI, XII, XIII, XIV, and Red Mutual 45 to 54 trust fund.

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

Duty to retain documentation

On August 14, 2014, through its General Resolution No. 629, the Argentine Securities Commission ("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 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 March 31, 2019.

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, as per the following detail:

Date	Amount Ps. as per CNV Matrix	Government security	Kind CV	Amount	Listing	Valuation
03/31/2019	10,500,000	AY24	5458	1,000,000	41.31	41,310,000

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 fiscal period-end.

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.

<u>BH Valores</u>
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 period-end. As to the liquidity requirement, it has been satisfied through Bolsas y Mercados Argentinos S.A.'s shares, for a nominal value of 250,000, equivalent to Ps. 80,250 thousand as of March 31, 2019.

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 consolidated interim financial statements, the accounts have been transferred.

22.5. 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 March 31, 2019:

	Currency / Security				
	Ps.	Ps.	Ps.	Bonar USD 2024	Bonar USD 2020
	(Figures in thousands in the relevant currency)				
Checking accounts at BCRA	3,050,464	36,547	95	-	-
Special accounts at BCRA	522,622	1,064	-	-	-
Payment with BOTE 2020 security	981,451	-	-	-	-
Payment with Leliq	2,202,188	-	-	-	-
CRYL account	-	-	-	2,001	1,486
Total paid-in	**6,756,725**	**37,611**	**95**	**2,001**	**1,486**
Total requirement	**7,082,553**	**37,334**	**-**	**1,997**	**1,486**
Required deduction (“Ahora 12”)	324,169	-	-	-	-
Requirement carried forward to following month	1,659	-	-	-	-
Monthly position	**-**	**277**	**95**	**4**	**-**

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

22.6. 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 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.

On March 11, 2019, Resolution BCRA No. 97/2019 was notified whereby it was resolved to impose a penalty on the persons subject to summary proceedings on grounds of the violation of Communication “A” 6242 – SINAP 1 – 6.1, Item 2.2.2.4. The respective fines were imposed as follows: 1) a fine for Ps. 819 thousand on Banco Hipotecario S.A.; 2) a fine for Ps. 220 thousand on Mr. Gabriel Reznik; 3) a fine for Ps. 189 thousand on Mr. Mauricio Wior, 4) a fine for Ps. 157 thousand on each one of Messrs. Martín Lanfranco and Ricardo Gastón, and Mrs. Julieta Albala.

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May 7, 2019
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(Partner)
C.P.C.E.C.A.B.A. T° 1 - F° 17

On April 14, 2019, the fines applied were paid and on April 1, 2019, an appeal was lodged with the BCRA against Resolution No. 97/2019. At present, the appeal – jointly with the administrative proceedings – is pending submission to the National Appellate Court with Federal Jurisdiction over Contentious and Administrative Matters for hearing and settlement of the appeal filed.

2. On November 25, 2014, the Financial Information Unit (UIF) notified Tarshop S.A.U. of the commencement of summary proceedings identified under Resolution No. 234/14, on grounds of potential formal violations arising from the alleged breach of Section 21, a) of Law No. 25,246 and Resolutions UIF No. 27/11 and 2/12. Accordingly, the Company (Tarshop S.A.U.), its Compliance Officer (Mauricio Elías Wior) and the then Directors (Eduardo Sergio Elsztain, Saúl Zang, Marcelo Gustavo Cufré and Fernando Sergio Rubín) were summoned to file 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.

On February 22, 2019, Division I of the National Appellate Court with Federal Jurisdiction over Contentious and Administrative Matters resolved the following, with one negative vote from a judge: "1) Partially sustain the appeal filed by BHSA, its directors –Mrs. Lifsic de Estol and Messrs. Elsztain, Bensadón, Dreizzen, Fornero, Grinberg, March, Písula, Reznik, Vergara del Carril, Viñes, Zang and Wior- and its managers – Benitez, Saidón and Efkhanian – and, therefore, order the file to be returned to the BCRA to issue a grounded decision on the amounts for the penalties applied to said officers within sixty (60) days, pursuant to the provisions in paragraph XIII; and 2) order each party to pay its court costs, given the complexity of the issues involved and the resolution process (Section 68, paragraph two of the Argentine Civil and Commercial Code of Procedure)".

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

On April 11, 2019. Room I issued the resolution whereby it awards both extraordinary appeals – the one of Banco Hipotecario S.A. and the one of the BCRA – as regards the federal matter invoked and the arbitrariness of judgment. It only rejects BCRA's appeal as regards the institutional seriousness invoked. At present, the file is pending submission to the Argentine Supreme Court of Justice.

2. On August 11, 2015, the Bank was notified of Resolution No. 76/15, whereby the Chairman of the Financial Information Unit (UIF) had ordered the commencement of summary proceedings against Banco Hipotecario S.A., its directors (Eduardo S. Elsztain, Mario Blejer, Jacobo Julio Dreizzen, Carlos B. Písula, Ernesto M. Viñes, Gabriel G. Reznik, Pablo D. Vergara del Carril, Mauricio Wior, Saúl Zang, Edgardo Fornero, Diego Bossio, Mariana Gonzalez and Ada Maza) and its Compliance Officer (Ernesto M. Viñes) in connection with 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.

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

On April 16, 2019, a direct appeal was filed before with National Appellate Court with Federal Jurisdiction over Contentious and Administrative Matters, with the action being heard by Room IV, under case file No. 19717/2019.

III. Summary proceedings concluded during the period

1. 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.

On March 1, 2019, Resolution BCRA No. 93/2019 was issued, whereby the Superintendent of Financial Institutions dismissed the motion to revoke filed in due time. Such resolution has not been notified yet, but it should be noted that it is not subject to appeal in court, therefore, the process shall be deemed concluded.

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. On February 26, 2019, under final resolution No. 79, the Management Department on Financial Contentious Matters of the BCRA resolved to impose on the Bank and its Chairman, Eduardo Elsztain, a “warning” as set forth in section 41, subsection 1 of Law No. 21,526 of Financial Institutions. To that effect, the Bank has decided not to appeal said resolution.

22.7. Restrictions on the distribution of profits

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

In accordance with the conditions set forth by the BCRA, profits may be distributed, to the extent there are positive results after off-balance deduction of unappropriated retained earnings, legal reserves, reserves provided for in the bylaws and/or special reserves, for the following items: the difference between the book value and the market value of government bonds and/or monetary regulation bonds of the BCRA valued at amortized cost, amounts recorded in assets for lawsuits related to deposits, the result from valuation reviews for property, plant & equipment and intangibles and investment properties, among others.

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

In addition, the technical ratio of minimum capitals shall be met as a requirement to distribute profits.

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

As from January 2016, the BCRA provided for a capital preservation margin in addition to the minimum capital requirement equivalent to 3.5% of risk-weighted assets. Said margin shall be fully set up with level 1 ordinary capital, net of deductibles. The distribution of profits shall be limited when the level and composition of the Entity's Regulatory Capital (Responsabilidad Patrimonial Computable) is within the capital preservation margin range.

No prior authorization from the SEFyC shall be required to distribute profits, except when a financial institution is within the capital preservation margin and, to determine the distributable result, the level 1 ordinary capital range, net of deductibles, has not increased by 1 percent point. Said restriction was set forth until March 31, 2020.

In accordance with the provisions in General Resolution No. 593 issued by the CNV, the Shareholders' Meeting considering the annual financial statements shall resolve on a specific allocation of the Entity's accumulated income, whether through effective distribution of dividends, capitalization with delivery of free shares, setting up optional reserves in addition to the Legal Reserve, or a combination thereof.

22.8. 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, B and C shareholders' meetings in so far as their political rights are exercised by the Argentine Government (Classes A and C) and/or by the Bank's Employees under the Employee Stock Ownership Plan (*Programa de Propiedad Participada*) 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 C shares are meant to be initially offered to legal entities engaged in the construction of homes or in real estate activities (up and until the shares are sold, the political rights in these shares are exercised by the Argentine Government), Class D shares, which are transferred in exclusive, perpetual and absolute ownership to private capital. The subscription or acquisition of Class D shares by the Argentine Government, another legal entity run by the State or by the personnel covered by the PPP does

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not entail a change of class and Class B shares are held by the Employee Stock Ownership Plan (*Programa de Propiedad Participada*, or “PPP”) for the Bank’s employees, the political rights in these shares were exercised by employees entitled to the Employee Stock Ownership Plan. Furthermore, on December 12, 2018, the first Meeting for the Creation of the Employee Stock Ownership Plan was held, in which the members of the Executive Committee, one Regular Director and one Alternate Director and finally, one Regular and one Alternate Statutory Auditor were appointed on the Syndication of Shares. Such Program also set forth the specific allocation of shares among its 320 members. All the Meeting’s resolutions are contingent upon the final resolution of the Argentine Executive Branch.

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:

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, (5) Real Estate Committee, and (6) Crisis Committee.

Senior Management:

The Bank's General Manager and Senior Management members must have the experience and skills required by financial activities. None of them can be within the scope of the disqualifications and 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:

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.

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The following table shows the current composition of the capital stock, specifying the classes of shares, par value and equity percentage as of December 31, 2018:

Class	Shares	Face value	Capital stock	Ownership Interest %
A	664,489,424	1	664,489,424	44.30%
B	57,009,279	1	57,009,279	3.80%
C	75,000,000	1	75,000,000	5.00%
D	703,501,297	1	703,501,297	46.90%
	1,500,000,000		1,500,000,000	100.00%

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 being designated as Class B shares, representing the *Programa de Propiedad Participada*. Furthermore, on December 12, 2018, the first Meeting for the Creation of the Employee Stock Ownership Plan was held, in which the members of the Executive Committee, one Regular and one Alternate Director and finally, one Regular and one Alternate Statutory Auditor were appointed on the Syndication of Shares. Such Program also set forth the specific allocation of shares among its 320 members. All the Meeting's resolutions are contingent upon the final resolution of the Argentine Executive Branch.

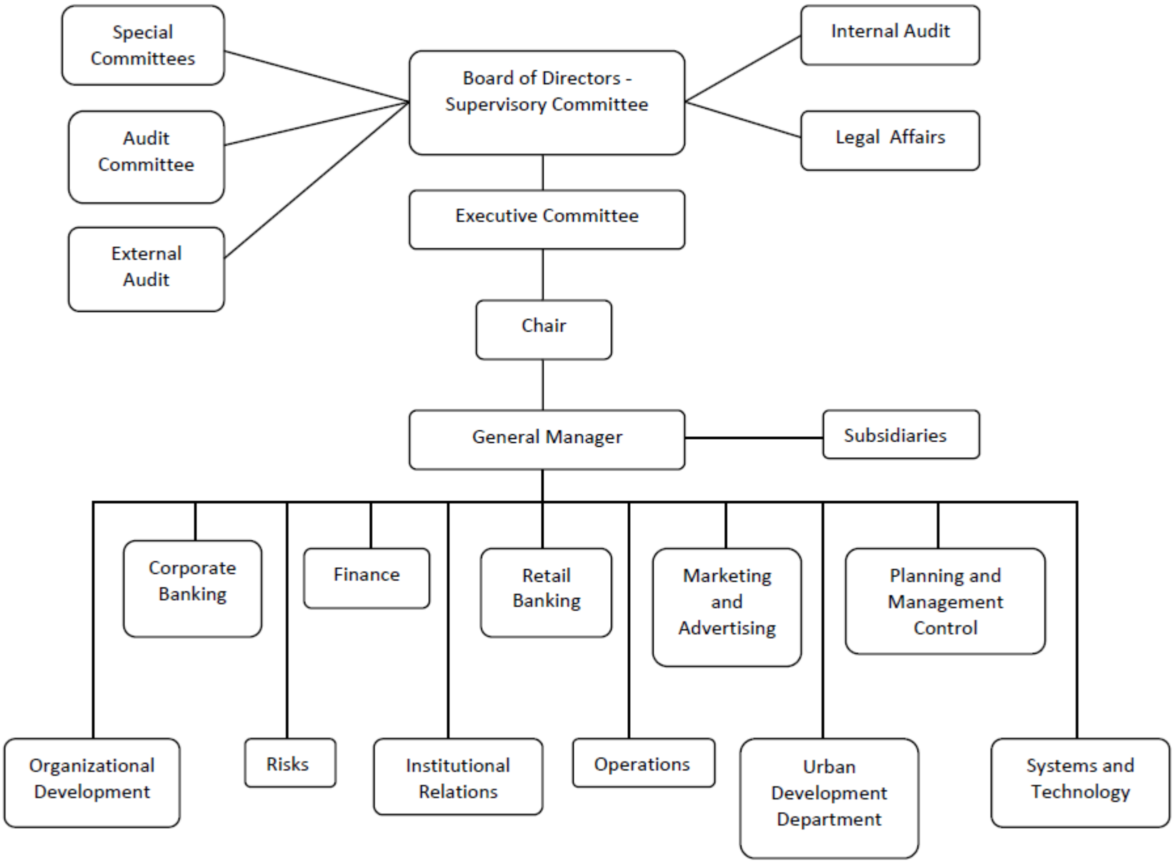
As of the end of these financial statements, the main Class "D" non-governmental shareholders (Tyrus S.A., Ritelco S.A., E-Commerce Latina S.A., Palermo Invest S.A., IRSA Inversiones y Representaciones S.A. and Inversora Bolívar S.A. held 75,000,000, 75,000,000, 74,861,691, 71,653,517, 75,000,000 and 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 SAU, 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 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

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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.

23. SUBSEQUENT EVENTS

General Ordinary Shareholders' Meeting

The General Ordinary Shareholders' Meeting unanimously approved the distribution of retained earnings for Ps. 1,909.3 million recorded as of December 31, 2018, as follows: a) to the legal reserve, 20%, i.e., Ps. 381.9 million; b) to cash dividends on common shares, Ps. 250 million and c) the balance, i.e., Ps. 1,277.4 million to the optional reserve for future dividend distributions.

Cash dividends for Ps. 250,000 thousand were made available on April 22, 2019.

Assignment of receivables of Tarshop S.A.U.

On April 30, 2019 and May 3, 2019, the Bank acquired up-to-date receivables and receivables in arrears for a principal amount of Ps. 529 million and Ps. 33 million, respectively.

24. 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.

25. 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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26. 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.

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

For the fiscal period ended 03/31/2019,
comparative as of 12/31/2018
In thousands of Argentine Pesos

En miles de pesos

Commercial Portfolio	03/31/2019	12/31/2018
Normal situation	**11,994,937**	**15,500,340**
With "A" preferred collateral and counterguarantees	411,666	565,375
With "B" preferred collateral and counterguarantees	2,041,236	1,966,708
Without preferred collateral and counterguarantees	9,542,035	12,968,257
With special follow-up	**102,999**	**1,106,223**
Under observation	**102,999**	**1,099,978**
With "A" preferred collateral and counterguarantees	78,400	23,331
With "B" preferred collateral and counterguarantees	21,458	202,631
Without preferred collateral and counterguarantees	3,141	874,016
Under negotiation or with refinancing agreements	**-**	**6,245**
Without preferred collateral and counterguarantees	-	6,245
Troubled	**1,952,230**	**88,053**
With "A" preferred collateral and counterguarantees	5,749	15,259
With "B" preferred collateral and counterguarantees	-	1,646
Without preferred collateral and counterguarantees	1,946,481	71,148
With high risk of insolvency	**311,381**	**75,139**
With "A" preferred collateral and counterguarantees	27,425	14,372
With "B" preferred collateral and counterguarantees	183,039	2,224
Without preferred collateral and counterguarantees	100,917	58,543
Uncollectible	**3,482**	**687**
With "B" preferred collateral and counterguarantees	-	96
Without preferred collateral and counterguarantees	3,482	591
Total commercial portfolio	**14,365,029**	**16,770,442**

Lorena C. Morchón
General Accounting Manager

Manuel J.L. Herrera Grazioli
General Manager

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Saúl Zang
First Vice-Chairman acting as Chairman

Ricardo Flammini
For the Supervisory Committee

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

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

For the fiscal period ended 03/31/2019,
comparative as of 12/31/2018
In thousands of Argentine Pesos

En miles de pesos

Consumer and housing portfolio	03/31/2019	12/31/2018
Normal situation	**26,518,750**	**27,101,092**
With "B" preferred collateral and counterguarantees	5,253,685	4,956,612
Without preferred collateral and counterguarantees	21,265,065	22,144,480
Low risk	**1,771,568**	**1,941,552**
With "B" preferred collateral and counterguarantees	69,319	73,089
Without preferred collateral and counterguarantees	1,702,249	1,868,463
Mid risk	**1,354,240**	**1,354,238**
With "B" collateral and counterguarantees	21,792	24,966
Without preferred collateral and counterguarantees	1,332,448	1,329,272
High risk	**1,516,057**	**1,149,599**
With "B" preferred collateral and counterguarantees	18,467	13,325
Without preferred collateral and counterguarantees	1,497,590	1,136,274
Uncollectible	**307,088**	**266,330**
With "B" preferred collateral and counterguarantees	16,560	24,443
Without preferred collateral and counterguarantees	290,528	241,887
Uncollectible for technical reasons	**167**	**167**
With "B" preferred collateral and counterguarantees	19	24
Without preferred collateral and counterguarantees	148	143
Total consumer and housing portfolio	**31,467,870**	**31,812,978**
General total (1)	**45,832,899**	**48,583,420**

(1) Reconciliation between Schedule B and the Balance Sheet:

	03/31/19	03/31/18
Loans and other financing arrangements	**41,455,955**	**43,566,664**
Other debt securities	**1,944,074**	**1,700,018**
Off-balance sheet items	**1,021,614**	**221,563**
plus allowances	2,825,890	2,071,525
plus IFRS adjustments not computable for ESD	17,366	(22,607)
less items not computable for ESD	(289,245)	(285,741)
less government securities at amortized cost	(1,142,755)	1,331,998
TOTAL	**45,832,899**	**48,583,420**

Lorena C. Morchón
General Accounting Manager

Manuel J.L. Herrera Grazioli
General Manager

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For the Supervisory Committee

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BANCO Hipotecario

En miles de pesos

SCHEDULE C – CONSOLIDATED CONCENTRATION OF LOANS AND OTHER FINANCING ARRANGEMENTS

For the fiscal period ended 03/31/2019,
comparative as of 12/31/2018
In thousands of Pesos

Number of customers	FINANCING			
	03/31/19		12/31/18	
	Debt balance	% of total portfolio	Debt balance	% of total portfolio
10 largest customers	7,030,125	15.34%	5,322,887	10.96%
50 following largest customers	6,054,164	13.21%	5,705,431	11.74%
100 following largest customers	929,384	2.03%	891,851	1.84%
Rest of customers	31,819,226	69.42%	36,663,251	75.46%
Total (1)	**45,832,899**	**100.00%**	**48,583,420**	**100.00%**

(1) Reconciliation between Schedule C and the Balance Sheet

	03/31/19	03/31/18
Loans and other financing arrangements	**41,455,955**	**43,566,664**
Other debt securities	**1,944,074**	**1,700,018**
Off-balance sheet items	**1,021,614**	**221,563**
plus allowances	2,825,890	2,071,525
plus IFRS adjustments not computable for ESD	17,366	(22,607)
less items not computable for ESD	(289,245)	(285,741)
less government securities at amortized cost	(1,142,755)	1,331,998
TOTAL	**45,832,899**	**48,583,420**

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

For the fiscal period ended 03/31/2019

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	-	3,533	11,839	-	-	-	-	15,372
Financial sector	-	4,239	6,939	74,301	60,694	15,826	765	162,764
Non-financial private sector and foreign residents	4,584,421	14,540,089	3,556,119	3,743,717	4,580,669	5,308,777	10,006,155	46,319,947
Total	**4,584,421**	**14,547,861**	**3,574,897**	**3,818,018**	**4,641,363**	**5,324,603**	**10,006,920**	**46,498,083**

The decrease in future contractual flows is exposed, including interest and accessories to be accrued until maturity of not discounted agreements.

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SCHEDULE H – CONSOLIDATED CONCENTRATION OF DEPOSITS
For the fiscal period ended 03/31/2019, comparative as of 12/31/2018
In thousands of Argentine Pesos

Number of customers	DEPOSITS			
	03/31/19		12/31/18	
	Debt balance	% of total portfolio	Debt balance	% of total portfolio
10 largest customers	4,547,168	15.69%	4,326,931	14,76%
50 following largest customers	3,278,548	11.32%	4,488,781	15,32%
100 following largest customers	1,463,987	5.05%	1,464,235	5,00%
Rest of customers	19,684,643	67.94%	19,027,633	64,92%
TOTAL	**28,974,346**	**100.00%**	**29,307,580**	**100,00%**

Lorena C. Morchón
General Accounting Manager

Manuel J.L. Herrera Grazioli
General Manager

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For the Supervisory Committee

………………………..(Partner)
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SCHEDULE I – CONSOLIDATED BREAKDOWN OF FINANCIAL LIABILITIES BY MATURITY DATES
For the fiscal period ended 03/31/2019
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	2,548,462	967,922	64,287	4,974	-	-	3,585,645
Financial sector	1,278	-	-	-	-	-	1,278
Non-financial private sector and foreign residents	19,339,165	4,677,292	827,046	200,954	615,775	3,557	25,663,789
Liabilities at fair value through profit or loss	865,679						865,679
Derivative instruments	97,376	-	-	-	-	-	97,376
Repo transactions							
Other financial institutions	51,104	-	-	-	-	-	51,104
Other financial liabilities	4,900,475	33,691	67,728	148,119	263,963	2,063,548	7,477,524
Loans from the BCRA and other financial institutions	379,845	142,613	372,603	263,837	-	-	1,158,898
Negotiable obligations issued	326,538	2,702,327	4,116,755	6,983,143	23,344,210	10,953,286	48,426,259
TOTAL	**28,509,922**	**8,523,845**	**5,448,419**	**7,601,027**	**24,223,948**	**13,020,391**	**87,327,552**

The decrease in future contractual flows is exposed, including interest and accessories to be accrued until maturity of not discounted agreements.

Lorena C. Morchón
General Accounting Manager

Manuel J.L. Herrera Grazioli
General Manager

See our report dated
May 7, 2019
PRICE WATERHOUSE & Co. S.R.L.

Saúl Zang
First Vice-Chairman acting as Chairman

Ricardo Flammini
For the Supervisory Committee

…………………………(Partner)
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BANCO Hipotecario

SCHEDULE R – CONSOLIDATED CORRECTION OF VALUE DUE TO LOSSES – PROVISION FOR LOAN LOSSES

For the fiscal period ended 03/31/2019, comparative as of 12/31/2018

In thousands of Argentine Pesos

Item	Opening balances	Increases	Decreases		Balance as of 03/31/2019	Balance as of 12/31/2018
			Reversals	Allocations		
Other financial assets	**8,472**	-	-	**1**,364	7,108	8,472
Loans and other financing arrangements						
Non-financial private sector and foreign residents	**2,039,757**	**1,330,131**	**33,884**	**523,590**	**2,812,414**	**2,039,757**
Overdraft facilities	269,046	859,301	606	1,497	1,126,244	269,046
Promissory notes	1,916	-	-	299	1,617	1,916
Mortgage loans	56,200	1,670	1,241	5,345	51,284	56,200
Consumer loans	578,744	208,120	17,243	113,099	656,522	578,744
Credit cards	1,044,576	224,875	11,472	402,864	855,115	1,044,576
Financial leases	1,375	-	266	334	775	1,375
Other	87,900	36,165	3,056	152	120,857	87,900
Corporate securities	**31,341**	**-**	**106**	**17,758**	**13,477**	**31,341**
TOTAL PROVISIONS	**2,079,570**	**1,330,131**	**33,990**	**542,712**	**2,832,999**	**2,079,570**

Lorena C. Morchón
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Manuel J.L. Herrera Grazioli
General Manager

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BANCO Hipotecario

SEPARATE CONDENSED INTERIM FINANCIAL STATEMENTS
AS OF MARCH 31, 2019

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Schedule R – Correction of Value for Losses – Provision for Loan Losses

BANCO Hipotecario

SEPARATE CONDENSED INTERIM BALANCE SHEET

For the fiscal period ended 03/31/2019

Comparative as of 12/31/2018

In thousands of Argentine Pesos

ITEM	NOTES	03/31/2019	12/31/2018
ASSETS			
Cash and bank deposits	4 and 5	**6,702,673**	**7,952,630**
Cash		1,221,572	1,378,117
Financial institutions and correspondents		5,221,704	5,706,621
- Argentine Central Bank (B.C.R.A.)		4,477,516	4,710,310
- Other domestic and foreign institutions		744,188	996,311
Other		259,397	867,892
Debt securities at fair value through profit or loss (Schedule A)	5	**19,277,217**	**17,106,724**
Derivative instruments (Schedule O)	5	**48,808**	**69,478**
Repo transactions	5	**585,917**	**413,127**
Other financial assets	5	**1,759,262**	**1,237,300**
Loans and other financing arrangements (Schedules B, C, D)	5 and 6	**38,657,239**	**38,223,614**
Non-financial public sector		11,326	22,438
Other financial institutions		3,623	379,885
Non-financial private sector and foreign residents		38,642,290	37,821,291
Other debt securities (Schedules A, B, C, D)	5	**1,679,033**	**3,367,251**
Financial assets pledged as collateral	5	**2,272,135**	**1,811,172**
Current income tax assets	9	**188,799**	**188,799**
Investments in equity instruments (Schedule A)	5	**34,467**	**-**
Investment in subsidiaries, associates and joint ventures	10	**2,084,169**	**2,801,241**
Bank premises and equipment	8	**1,550,145**	**1,442,371**
Intangible assets	8	**118,134**	**123,043**
Other non-financial assets	8	**3,915,442**	**3,452,801**
TOTAL ASSETS		**78,873,440**	**78,189,551**

Lorena C. Morchón
General Accounting Manager

Manuel J.L. Herrera Grazioli
General Manager

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Ricardo Flammini
For the Supervisory Committee

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

SEPARATE CONDENSED INTERIM BALANCE SHEET

For the fiscal period ended 03/31/2019

Comparative as of 12/31/2018

In thousands of Argentine Pesos

ITEM	NOTES	03/31/2018	12/31/2018
LIABILITIES			
Deposits (Schedules H, I)	5	**29,279,765**	**30,401,970**
Non-financial public sector		3,523,094	3,625,037
Financial sector		19,912	102,083
Non-financial private sector and foreign residents		25,736,759	26,674,850
Liabilities at fair value through profit or loss (Schedule I)	5	**865,679**	**751,511**
Derivative instruments (Schedules I, O)	5	**1,639,397**	**1,496,817**
Repo transactions (Schedule I)	5	**51,104**	**53,662**
Other financial liabilities (Schedule I)	5	**4,546,889**	**4,584,605**
Loans from the B.C.R.A. and other financial institutions (Schedule I)	5	**491,889**	**57,105**
Negotiable obligations issued (Schedule I)	5 and 11	**29,559,398**	**28,528,629**
Provisions (Schedule J)	12	**207,299**	**262,462**
Deferred income tax liabilities	9	**142,533**	**291,417**
Other non-financial liabilities		**2,183,884**	**1,962,573**
TOTAL LIABILITIES		**68,967,837**	**68,390,751**
SHAREHOLDERS' EQUITY			
Capital stock		1,500,000	1,500,000
Non-capitalized contributions		45,141	28,381
Capital adjustments		717,115	717,115
Reserves		5,627,252	5,644,012
Unappropriated retained earnings		1,979,529	(142,120)
Other accumulated comprehensive income		-	-
Income for the period / year		36,566	2,051,412
TOTAL SHAREHOLDERS' EQUITY		**9,905,603**	9,798,800
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**78,873,440**	**78,189,551**

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

Lorena C. Morchón
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General Manager

See our report dated
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For the Supervisory Committee

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BANCO Hipotecario

SEPARATE CONDENSED INTERIM STATEMENT OF INCOME

For the fiscal period ended 03/31/2019

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

ITEM	NOTES	03/31/2019	03/31/2018
Interest and adjustments income	13	3,736,159	2.362.055
Interest and adjustments expense	14	(3,607,965)	(1.904.003)
Net interest income		**128,194**	**458.052**
Fee and commission income	13	1,070,640	711.196
Fee and commission expense		(65,218)	(37.654)
Net fee and commission income		**1,005,422**	**673.542**
Net income from measurement of financial instruments at fair value through profit or loss		2,129,541	745.384
Gold and foreign quotation differences		(972,269)	(40.026)
Other operating income	15	771,119	297.739
Loan loss provision (Schedule R)		(1,121,870)	(172.933)
Net operating income		**1,940,137**	**1.961.758**
Employee benefits	17	(864,909)	(666.022)
Administrative expenses	16	(478,816)	(389.432)
Depreciation and impairment of assets		(47,210)	(28.703)
Other operating expenses	15	(770,367)	(583.704)
Operating income		**(221,165)**	**293.897**
Income from subsidiaries, associates and joint ventures	10	108,847	290.471
Income before tax		**(112,318)**	**584.368**
Income tax	9	148,884	(64.949)
Net income		**36,566**	**519.419**
NET INCOME FOR THE PERIOD		**36.566**	**519,419**

Lorena C. Morchón
General Accounting Manager

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General Manager

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Ricardo Flammini
For the Supervisory Committee

…………………………(Partner)
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SEPARATE CONDENSED INTERIM STATEMENT OF INCOME

For the fiscal period ended 03/31/2019

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

In thousands of Argentine Pesos

EARNINGS PER SHARE	03/31/2019	03/31/2018
NUMERATOR		
Net income attributable to the parent company's shareholders	36,566	519,419
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	36,566	519,419
DENOMINATOR		
Weighted average of outstanding common shares for the fiscal period	1,466,493	1,463,488
PLUS: Weighted average of additional common shares with diluting effects	-	-
Weighted average of outstanding common shares for the fiscal period adjusted to reflect the effects of dilution	1,466,493	1,463,488
EARNINGS PER BASIC SHARE	**0.025**	**0.355**
EARNINGS PER DILUTED SHARE	**0.025**	**0.355**

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

Lorena C. Morchón
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Manuel J.L. Herrera Grazioli
General Manager

See our report dated
May 7, 2019
PRICE WATERHOUSE & Co. S.R.L.

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For the Supervisory Committee

………………………..(Partner)
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SEPARATE CONDENSED INTERIM STATEMENT OF OTHER COMPREHENSIVE INCOME

For the fiscal period ended 03/31/2019

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

ITEM	03/31/2019	03/31/2018
Net income for the fiscal period	36,566	519,419
Total other comprehensive income for the fiscal period	-	-
TOTAL COMPREHENSIVE INCOME FOR THE FISCAL PERIOD	**36,566**	**519,419**

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

Lorena C. Morchón
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General Manager

See our report dated
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Chairman

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BANCO Hipotecario

SEPARATE CONDENSED INTERIM STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the fiscal period ended 03/31/2019

In thousands of Argentine Pesos

Changes	Capital Stock		Non-capitalized contributions		Equity adjustment	Other Comp. Income	Profit reserves			Retained earnings	Total as of 03/31/2019
	Outstanding	Treasury Stock	Share issuance Premium	Stock-based payment			Legal	Stock-based payment	Other		
Opening balances	**1,465,661**	**34,339**	**834**	**27,547**	**717,115**	**-**	**1,448,649**	**412,070**	**3,783,293**	**1,909,292**	**9,798,800**
Stock-based payments under Compensation Plan	1,397	(1,397)	-	16,760	-	-	-	(16,760)	-	-	-
Acquisition of non-controlling interest in Tarshop (Note 10)	-	-	-	-	-	-	-	-	-	70,237	70,237
Net income for the fiscal period	-	-	-	-	-	-	-	-	-	36,566	36,566
Closing balances for the fiscal period	**1,467,058**	**32,942**	**834**	**44,307**	**717,115**	**-**	**1,448,649**	**395,310**	**3,783,293**	**2,016,095**	**9,905,603**

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

Lorena C. Morchón
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Manuel J.L. Herrera Grazioli
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BANCO Hipotecario

SEPARATE CONDENSED INTERIM STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the fiscal year ended 03/31/2018

In thousands of Argentine Pesos

Changes	Capital Stock		Non-capitalized contributions		Equity adjustment	Other Comp. Income	Profit reserves			Retained Earnings	Total as of 03/31/2018
	Outstanding	Treasury Stock	Share issuance Premium	Stock-based payment			Legal	Stock-based payments	Other		
Opening balances	**1,463,365**	**36,635**	**834**	**-**	**717,115**	**-**	**1,129,962**	**439,617**	**2,708,321**	**1,451,316**	**7,947,165**
Stock-based payments under Compensation Plan	369	(369)	-	4,431	-	-	-	(4,431)	-	-	-
Net income for the fiscal period	-	-	-	-	-	-	-	-	-	519,419	519,419
Closing balances for the fiscal period	**1,463,734**	**36,266**	**834**	**4,431**	**717,115**	**-**	**1,129,962**	**435,186**	**2,708,321**	**1,970,735**	**8,466,584**

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

Lorena C. Morchón
General Accounting Manager

Manuel J.L. Herrera Grazioli
General Manager

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For the Supervisory Committee

……………………….(Partner)
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SEPARATE CONDENSED INTERIM STATEMENT OF CASH FLOWS

For the fiscal period ended 03/31/2019

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

In thousands of Argentine Pesos

ITEM	03/31/2019	03/31/2018
Net income for the period before income tax	**(112,318)**	**584,368**
Adjustments to obtain cash flows from operating activities		
Depreciation and impairment of assets	47,210	28,703
Loan loss provisions, net of recovered loans	1,056,266	123,616
Provision for loan losses, net of reversed provisions	(21,760)	(16,660)
Income/(loss) from investment in subsidiaries	(108,847)	(290,471)
Net interest income/(loss)	(128,194)	(458,052)
Changes in fair value of investments in financial instruments	(2,129,541)	(748,424)
Income/(loss) from sale of bank premises and equipment / Revaluation of investment property	(424,194)	-
Net increase/(decrease) from operating assets		
Debt securities at fair value through profit or loss	(10,510)	(1,604,608)
Derivative instruments	20,670	40,871
Repo Transactions	(168,123)	-
Loans and other financing arrangements		
Non-financial public sector	88,345	41,923
Financial sector	376,262	(73,464)
Non-financial private sector and foreign residents	1,618,868	699,607
Other debt securities	1,846,344	(38,459)
Financial assets pledged as collateral	(460,963)	993,495
Investments in equity instruments	(34,467)	(89,868)
Other assets	(352,105)	865,560
Net increase/(decrease) from operating liabilities		
Deposits		
Non-financial public sector	(101,943)	461,521
Financial sector	(82,171)	(90,620)
Non-financial private sector and foreign residents	(2,486,109)	1,126,453
Liabilities at fair value through profit or loss	114,168	502,119
Derivative instruments	112,138	(27,979)
Repo Transactions	(12,850)	(837,035)
Other liabilities	(2,024,891)	1,360,255
Total from operating activities	**(3,378,715)**	**2,552,851**

Lorena C. Morchón
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Manuel J.L. Herrera Grazioli
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BANCO Hipotecario

SEPARATE CONDENSED INTERIM STATEMENT OF CASH FLOWS

For the fiscal period ended 03/31/2019
In comparative format with the same period of the previous fiscal year
In thousands of Argentine Pesos

ITEM	03/31/2019	03/31/2018
Cash flows from investing activities		
Payments		
Purchase of bank premises and equipment, intangible assets and other assets	(35,629)	(1,489,325)
Collections		
Sale of bank premises and equipment, intangible assets and other assets	1,596	505
Other collections related to investing activities	150,000	-
Total from investing activities	**115,967**	**(1,488,820)**
Cash flows from financing activities		
Payments		
Unsubordinated negotiable Obligations	(2,379,363)	(1,211,847)
Loans from domestic financial institutions	(10,899,246)	(5,640,390)
Changes in the ownership interest of subsidiaries not leading to a loss of control	(3,834)	-
Other payments related to financing activities	(5,216)	-
Collections		
Unsubordinated negotiable Obligations	3,570,140	1,121,812
Loans to domestic financial institutions	11,304,666	5,580,390
Total from financing activities	**1,587,147**	**(150,035)**
Effect of exchange rate variations	425,644	95,297
TOTAL VARIATION OF CASH FLOWS		
Net increase/(decrease) in cash and cash equivalents	(1,249,957)	1,009,293
Cash and cash equivalents at the beginning of the period	7,952,630	3,645,301
Cash and cash equivalents at the end of the period	6,702,673	4,654,594

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

Lorena C. Morchón General Accounting Manager	**Manuel J.L. Herrera Grazioli** General Manager	See our report dated May 7, 2019 PRICE WATERHOUSE & Co. S.R.L.
Saúl Zang 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

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 (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 ("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 May 7, 2019.

2.1. Adoption of International Financial Reporting Standards (IFRS)

The BCRA, 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 Item 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, except for the application of item 5.5. (Impairment) of IFRS 9 "Financial Instruments" and International Accounting Standard (IAS) 29 "Financial reporting in hyperinflationary economies".

Impairment of financial assets

By means of Communication "A" 6430, the BCRA established that Financial Institutions shall apply the financial assets impairment provisions in Item 5.5 of IFRS 9 for fiscal years beginning on or after January 1, 2020.

For such purposes, IFRS 9 provides for a model of expected credit losses whereby financial assets are classified into three stages of impairment, based on credit quality changes after initial recognition, indicating how an entity measures impairment losses and applies the effective interest method.

As of the date of these separate condensed interim financial statements, the Bank is in the process of quantifying the effect the application of that impairment model would have.

Pursuant to Communication "A" 6114 issued by the BCRA, the Entity has applied the provisions in Note 2.11 to recognize credit losses in these financial statements.

On February 22, 2019, the BCRA published Communication "A" 6651 setting forth that Financial Institutions shall apply IAS 29 for fiscal years beginning on or after January 1, 2020.

These separate condensed interim financial statements should be read together with the Bank's financial statements as of December 31, 2018.

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 BCRA as disclosed in note 2.1.

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.

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 3.

The separate condensed interim financial statements are denominated in Pesos, which is the Bank's functional currency.

(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) Restatement of financial statements for inflation

IAS 29 "Financial Reporting in Hyperinflationary Economies" requires that the financial statements of an entity whose functional currency is that of a highly-inflationary economy be stated in terms of the current measurement unit as of the reporting fiscal year-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 whether an economy is highly-inflationary under the terms of IAS 29, including a cumulative inflation rate for three consecutive years close to, or in excess of, 100%. That is way, pursuant to IAS 29, the Argentine economy should be considered as highly-inflationary as from July 1, 2018.

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 be restated. All other non-monetary assets and liabilities will be restated by applying a general price index. Gains or losses from an entity's net

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monetary position will be charged to the reporting period's net income or loss in a separate item.

On February 22, 2019, the BCRA published Communication A 6651 setting forth that Financial Institutions shall apply IAS 29 for fiscal years beginning on or after January 1, 2020.

The Group is working on estimating the restatement.

Based on the foregoing, the Group's shareholders' equity and results would significantly differ from currently reported balances if they were restated in constant currency as of the measurement date, pursuant to the restatement mechanism provided for under IAS 29.

(c) Accounting policies

The accounting policies adopted in the presentation of these financial statements are consistent with those used in the preparation of the separate financial statements as of December 31, 2018, described in Note 2 thereto.

The Bank has adopted IFRS 16 "Leases", IFRIC 23 "Uncertainty over income tax treatment" and amendments to IFRS 9 "Financial instruments" and IAS 28 "Investments in associates and joint ventures" for this period using the prospective approach, therefore, the impact of the adoption was recognized in the results for the three-month period ended March 31, 2019, and comparative balances have not been modified due to this adoption.

The main changes are as follows:

IFRS 16 Leases
The standard 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.

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.

Amendment to IFRS 9 Financial Instruments
This amendment allows entities to measure certain instruments allowing early payment with negative compensation at amortized cost. For such assets, which include certain loans and bonds, to be measured at amortized cost, the negative compensation shall be "reasonable compensation for early termination" and the asset shall be held in a business model as held for collection.

Changes in IAS 28 "Investment in associates and joint ventures
The changes introduced clarify long-term accounting of associates and joint ventures for which the equity method shall not apply. Entities shall account for such investments pursuant to IFRS 9 "Financial Instruments" before applying the impairment requirements of IAS 28 "Investment in associates and joint ventures".

The effect in the statement of income for the three-month period ended March 31, 2019 due to the first implementation of IFRS 16 is as follows:

	Pursuant to previous standard	**Implementation of IFRS 16**	**Current statement of income**
	(In thousands of Ps.)		
Interest and adjustments income	3,736,159	-	3,736,159
Interest and adjustments expense	(3,607,965)	-	(3,607,965)
Net interest income	**128,194**	**-**	**128,194**
Fee and commission income	1,070,640	-	1,070,640
Fee and commission expense	(65,218)	-	(65,218)
Net fee and commission income	**1,005,422**	**-**	**1,005,422**
Net income from measurement of financial instruments at fair value through profit or loss	2,129,541	-	2,129,541
Gold and foreign currency quotation differences	(972,269)	-	(972,269)
Other operating income	771,119	-	771,119
Loan loss provision	(1,121,870)	-	(1,121,870)
Net operating income	**1,940,137**	**-**	**1,940,137**
Employee benefits	(864,909)	-	(864,909)
Administrative expenses	(500,289)	21,473	(478,816)
Depreciation and impairment of assets	(32,854)	(14,356)	(47,210)
Other operating expenses	(757,719)	(12,648)	(770,367)
Operating loss	**(215,634)**	**(5,531)**	**(221,165)**
Share of profit of associates and joint ventures	108,847	-	108,847
Loss before income tax	**(106,787)**	**(5,531)**	**(112,318)**
Income tax	147,501	1,383	148,884
Net income (loss) for the period	**40,714**	**(4,148)**	**36,566**

The adoption of "IFRIC 23 "Uncertainty on income tax treatment" and the amendments to IFRS 9 "Financial instruments" and IAS 28 "Investments in associates and joint ventures" have not effects on the statement of income for the three-month period ended March 31, 209.

3. SIGNIFICANT ACCOUNTING CRITERIA AND ESTIMATES

In the preparation of these separate interim financial statements, the significant judgments made by Management, in the application of accounting policies and the main sources of uncertainty in the estimates, were the same as those applied in the separate financial statements for the fiscal year ended December 31, 2018.

The preparation of these separate 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 areas which involve 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 the separate financial statements as of December 31, 2018.

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4. CASH AND BANK DEPOSITS

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

	03/31/2019	12/31/2018
	(In thousands of Ps.)	
Cash	1,221,572	1,378,117
Financial institutions and correspondents	5,221,704	5,706,621
Others	259,397	867,892
Cash and bank deposits	**6,702,673**	**7,952,630**

5. FINANCIAL INSTRUMENTS

The Bank held the following financial instrument portfolios:

Instrument portfolio as of 03/31/2019	Fair Value - Net Income (Loss)	Amortized Cost	Fair Value – OCI	Total
	(In thousands of Ps.)			
Assets	**20,555,739**	**50,461,012**	**-**	**71,016,751**
Cash and bank deposits	-	6,702,673	-	6,702,673
Debt securities at fair value through profit or loss	19,277,217	-	-	19,277,217
Derivative instruments	48,808	-	-	48,808
Repo transactions	-	585,917	-	585,917
Other financial assets	32,908	1,726,354	-	1,759,262
Loans and other financing arrangements	-	38,657,239	-	38,657,239
Other debt securities	-	1,679,033	-	1,679,033
Financial assets pledged as collateral	1,162,339	1,109,796	-	2,272,135
Investments in equity instruments	34,467	-	-	34,467
Liabilities	**(2,505,076)**	**(63,929,045)**	**-**	**(66,434,121)**
Deposits	-	(29,279,765)	-	(29,279,765)
Liabilities at fair value through profit or loss	(865,679)	-	-	(865,679)
Derivative instruments	(1,639,397)	-	-	(1,639,397)
Repo transactions	-	(51,104)		(51,104)
Other financial liabilities	-	(4,546,889)	-	(4,546,889)
Loans from the Argentine Central Bank and other financial institutions	-	(491,889)	-	(491,889)
Negotiable obligations issued	-	(29,559,398)	-	(29,559,398)
Total	**18,050,663**	**(13,468,033)**	**-**	**4,582,630**

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Instrument portfolio as of 12/31/2018	Fair Value - Net Income (Loss)	Amortized Cost	Fair Value – OCI	Total
	(In thousands of Ps.)			
Assets	**18,060,255**	**52,121,041**	**-**	**70,181,296**
Cash and bank deposits	-	7,952,630	-	7,952,630
Debt securities at fair value through profit or loss	17,106,724	-	-	17,106,724
Derivative instruments	69,478	-	-	69,478
Repo transactions	-	413,127	-	413,127
Other financial assets	32,908	1,204,392	-	1,237,300
Loans and other financing arrangements	-	38,223,614	-	38,223,614
Other debt securities	-	3,367,251	-	3,367,251
Financial assets pledged as collateral	851,145	960,027	-	1,811,172
Liabilities	**(2,248,328)**	**(63,625,971)**	**-**	**(65,874,299)**
Deposits	-	(30,401,970)	-	(30,401,970)
Liabilities at fair value through profit or loss	(751,511)	-	-	(751,511)
Derivative instruments	(1,496,817)	-	-	(1,496,817)
Repo transactions	-	(53,662)		(53,662)
Other financial liabilities	-	(4,584,605)	-	(4,584,605)
Loans from the Argentine Central Bank and other financial institutions	-	(57,105)	-	(57,105)
Negotiable obligations issued	-	(28,528,629)	-	(28,528,629)
Total	**15,811,927**	**(11,504,930)**	**-**	**4,306,997**

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 03/31/2019	Level 1 Fair Value	Level 2 Fair Value	Level 3 Fair Value
	(In thousands of Ps.)		
Assets	**19,796,727**	**759,012**	**-**
Debt securities at fair value through profit or loss	18,567,013	710,204	-
Derivative instruments	-	48,808	-
Other financial assets	32,908	-	-
Financial assets pledged as collateral	1,162,339	-	-
Investments in equity instruments	34,467	-	-
Liabilities	**(865,679)**	**(1,639,397)**	**-**
Liabilities at fair value through profit or loss	(865,679)	-	-
Derivative instruments	-	(1,639,397)	-
Total	**18,931,048**	**(880,385)**	**-**

Instrument portfolio as of 12/31/2018	Level 1 Fair Value	Level 2 Fair Value	Level 3 Fair Value
	(In thousands of Ps.)		
Assets	**17,841,737**	**218,518**	**-**
Debt securities at fair value through profit or loss	16,957,684	149,040	-
Derivative instruments	-	69,478	-
Other financial assets	32,908	-	-
Financial assets pledged as collateral	851,145	-	-
Liabilities	**(751,511)**	**(1,496,817)**	**-**
Liabilities at fair value through profit or loss	(751,511)	-	-
Derivative instruments	-	(1,496,817)	-
Total	**17,090,226**	**(1,278,299)**	**-**

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 year.

Repo transactions

The item is breakdown as follows:

	03/31/2019	12/31/2018
	(In thousands of Ps.)	
Repo transactions	646,547	453,918

	03/31/2019	12/31/2018
	(In thousands of Ps.)	
Repo transactions	(56,750)	(59,224)

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 03/31/2019	Amortized Cost	Fair Value	
		Amount	Level
	(In thousands of Ps.)		
Loans and other financing arrangements	38,657,239	37,173,492	Level 2
Negotiable obligations issued	(29,559,398)	(28,345,657)	Level 1 and 2

Instruments as of 12/31 /2018	Amortized Cost	Fair Value	
		Amount	Level
	(In thousands of Ps.)		
Loans and other financing arrangements	38,223,614	36,737,107	Level 2
Negotiable obligations issued	(28,528,629)	(26,491,457)	Level 1 and 2

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Impairment

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

	03/31/2019
	(In thousands of Ps.)
Balance at the beginning	**1,183,781**
Impairment for the period	1,121,870
Write off	(30,732)
Recovery for the period	(168,493)
Balance at period-end	**2,106,426**

6. 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 Group'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:

	03/31/2019	12/31/2018
	(In thousands of Ps.)	
To the non-financial public sector	**11,326**	**22,438**
To the financial sector	**3,623**	**379,885**
Interfinancial - calls granted	-	250,000
Other loans to domestic financial institutions	3,604	103,634
Accrued interest, adjustments and quotation differences receivable	19	26,251
To the non-financial private sector and foreign residents	**38,642,290**	**37,821,291**
Overdraft facilities	252,364	595,096
Promissory notes	127,882	150,210
Mortgage loans	5,036,661	4,805,430

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Pledge loans	1,733	1,956
Consumer loans	7,239,109	7,413,161
Credit cards	15,717,688	14,017,790
Financial leases	105,841	122,322
Loans to entity's personnel	288,846	285,220
Unallocated collections	(2,406)	(4,046)
Other	11,389,586	11,013,991
Accrued interest and quotation differences receivable	590,715	598,360
Documented interest	(11,828)	(26,974)
Provision for loan losses (Schedule R)	(2,093,901)	(1,151,225)
Total loans and other financing arrangements	**38,657,239**	**38,223,614**

On January 16, 2019, Tarshop S.A.'s Board of Directors resolved to assign to the Bank the contractual position over the credit card issuance agreement and the agreements related to the operation of such business originally started by Tarshop, which were acquired on February 1, 2019.

On March 27, 2019, the bank acquired up-to-date receivables and receivables in arrears for a principal amount of Ps. 47 million and Ps. 79 million, respectively.

7. TRANSFER OF FINANCIAL ASSETS

The Bank has made transfers of financial assets as described in Note 22.3. 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 March 31, 2019:

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 March 31, 2019, the Bank has maintained the following repo transactions:

- Ps. 646,547 thousand in Repos booked under off-balance sheet accounts.
- Ps. 56,750 thousand in Repos booked under "Financial assets pledged as collateral".

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8. OTHER NON-FINANCIAL ASSETS

8.1. Bank premises and equipment

Changes in bank premises and equipment for the period ended March 31, 2019 were as follows:

Item	Initial value at the beginning of the period	Additions	Withdrawals	Depreciation			Residual value	
				Accumulated	Withdrawal	For the period (1)	As of 03/31/19	As of 12/31/18
- Real estate	1,191,595	-	-	(38,010)	-	(5,105)	1,148,480	1,153,585
- Furniture and fixtures	116,232	1,281	(54)	(49,622)	49	(2,341)	65,545	66,610
- Machinery and	430,565	21,903	-	(300,296)	-	(17,324)	134,848	130,269
- Vehicles	482	-	-	(289)	-	(24)	169	193
- Right of use of leased properties	-	114,440	-	-	-	(14,356)	100,084	-
- Miscellaneous	11,124	6	-	(8,126)	-	(322)	2,682	2,998
- Works in progress	88,716	9,621	-	-	-	-	98,337	88,716
Total bank premises and equipment	**1,838,714**	**147,251**	**(54)**	**(396,343)**	**49**	**(39,472)**	**1,550,145**	**1,442,371**

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

Additional information

	Depreciation method	Useful life (in years)
- Real estate	Straight line basis	Maximum 50
- Furniture and fixtures	Straight line basis	10
- Machinery and equipment	Straight line basis	Machinery: 5 Equipment: 3
- Vehicles	Straight line basis	5
- Right of use of leased properties	Straight line basis	Within the term of each lease agreement
- Miscellaneous	Straight line basis	5
- Works in progress	-	-

8.2 Intangible assets

Changes in intangible assets for the period ended March 31, 2019 were as follows:

	03/31/2019 (In thousands of pesos)
Initial net book value	**123,043**
Increases due to development	2,818
Depreciation fee (1)	(7,727)
Net book value at period-end	**118,134**
Cost	332,556
Accumulated depreciation	(214,422)
Net book value at period-end	**118,134**

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

Additional information

	Intangible assets
Defined useful life (in years)	5 years
Depreciation method	Straight-line basis

8.3. Other non-financial assets

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

	03/31/2019	12/31/2018
	(In thousands of Ps.)	
Prepaid fees to Directors' and Supervisory Committee's Members	54,643	41,186
Tax prepayments	44,036	66,009
Other prepayments	145,663	97,038
Investment property	3,666,678	3,244,135
Other	4,422	4,433
Total non-financial assets	**3,915,442**	**3,452,801**

Changes in investment property for the fiscal period ended March 31, 2019 were as follows:

	Leased property	Other investment property (1)	03/31/2019
	(In thousands of Ps.)		
Initial net book value	**363,043**	**2,881,092**	**3,244,135**
Net (Loss) / income due to measurement at fair value	-	422,543	422,543
Net book value at fiscal period-end	**363,043**	**3,303,635**	**3,666,678**

(1) 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 28, 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 11).

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 a result of the decision of the Board of Directors, we have started to monitor 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. 2,881,092 thousand. Hence, as of December 31, 2018, we recognized an impairment loss in the amount of Ps. 291,029 thousand in the Statement of Income under “Depreciation and impairment of assets.” During December 2018, the works in the property were discontinued and communication of change of use to third parties was concluded. As result, the property was reclassified to “Investment property”.

The figures included in the result for the period for Investments property are as follows:

	03/31/2019	03/31/2018
	(In thousands of pesos)	
Rentals	1,529	1,090
Direct expenses from property management	(611)	(2,935)

Net results from investment property as of March 31, 2019 and 2018 amount to a profit of Ps. 918 thousand, and a loss of Ps. 1,845 thousand, respectively, and are recognized in “Other operating income”, “Administrative expenses” and “Other operating expenses” in the comprehensive income statement.

During the fiscal period ended March 31, 2019, there were no sales of investment property.

As of March 31, 2019, there are no restrictions to the disposal of the property included in this item. Likewise, there are no contractual obligations to acquire, build or develop investment properties, or for repairs, maintenance or improvements of investment property.

9. INCOME TAX

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

	03/31/2019	12/31/2018
	(In thousands of Ps.)	
Minimum notional income tax credit	188,799	188,799
Income tax prepayments	-	-
Total current income tax assets	**188,799**	**188,799**

The table below shows a breakdown of income tax expense:

	03/31/2019	03/31/2018
	(In thousands of Ps.)	
Current income tax	-	15,695
Income tax - deferred method	(148,884)	49,254
Subtotal – Income tax charged to the Statement of Income	**(148,884)**	**64,949**
Subtotal – Income tax charged to the Statement of Other Comprehensive Income	-	-
Total income tax expense	**(148,884)**	**64,949**

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The table below shows a reconciliation of the income tax liability charged to income as of March 31, 2019 and 2018 and the income tax liability resulting from applying the effective tax rate to taxable income:

	03/31/2019	03/31/2018
	(In thousands of Ps.)	
Income for the period before income tax	**(112,318)**	**584,368**
Effective tax rate	30%	30%
Income for the period at the tax rate	**(33,695)**	**175,310**
Permanent differences at the tax rate:		
- Income (loss) from equity investments	(32,654)	(87,437)
- Tax-Exempt Income Law 20,455 (BHN privatization)	(306)	(482)
- Income (loss) Tierra del Fuego	(511)	(3,636)
- Net proceeds from ProCreAr	(19,553)	(16,787)
- Other	(62,165)	(2,019)
Total Income Tax Expense for the period	**(148,884)**	**64,949**
Deferred tax variation	148,884	(49,254)
Total Income Tax for the period Assessed for Tax Purposes	**-**	**15,695**
Income tax prepayments	-	-
Income Tax Liability	**-**	**15,695**

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 Assets/Liabilities

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

	Balance as of 12/31/2018	Balance charged to income/(loss)	Balance as of 03/31/2019
	(In thousands of Ps.)		
Allowance for loan losses	151,024	258,269	409,293
Bank premises & equipment	(773,471)	(103,837)	(877,308)
Valuation in foreign currency	(15,100)	(319)	(15,419)
Provisions	104,372	(34,854)	69,518
Other	(444)	8,822	8,378
Valuation of securities and shares	(716)	(26,361)	(27,077)
Tax losses	242,918	47,164	290,082
Total deferred income tax liabilities	**(291,417)**	**148,884**	**(142,533)**

10. INVESTMENTS IN SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

The Bank has interests in four subsidiaries. The table below shows a breakdown of the Bank's investments in subsidiaries as of March 31, 2019 and December 31, 2018:

	03/31/2019	12/31/2018
	(In thousands of Ps.)	
BACS S.A.	342,627	327,400
BHN Sociedad de Inversión S.A.	1,009,847	1,548,878
Tarshop S.A.U.	656,253	848,930
BH Valores S.A.	75,442	76,033
Total investments in subsidiaries	**2,084,169**	**2,801,241**

The table below shows the changes in investments in the Bank's subsidiaries, associates and joint ventures for the fiscal period ended March 31, 2019 and the fiscal year ended December 31, 2018:

	03/31/2019	12/31/2018
	(In thousands of Ps.)	
Net Balance at the Beginning of the Period	**2,801,241**	**1,918,674**
Dividends received (a)	(150,000)	(799,997)
Dividends receivable (a)	(749,998)	-
Irrevocable contributions (b)	-	480,000
Decrease in non-controlling interest (c)	74,079	-
Share of profit or loss for the period/year	108,847	1,202,564
Balance at period/year-end	**2,084,169**	**2,801,241**

(a) On March 28, 2018, the shareholders' meeting of BHN Sociedad de Inversión S.A. approved the distribution of dividends on income for fiscal year 2017 for Ps. 800,000 thousand. Said distribution was made on October 12, 2018 by means of the transfer of Lebacs (Species I1708). On February 28, 2019, the shareholders' meeting of BHN Sociedad de Inversión S.A. approved the distribution of dividends on income for fiscal year 2018 for Ps. 900.000 thousand, of which as of March 31, 2019, Ps. 150,000 thousand have been collected by means of the transfer of capitalizable bills in pesos.

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(b) On December 27, 2018, the Bank's Board of Directors approved an irrevocable capital contribution for Ps. 480,000 thousand to Tarshop S.A.U. On December 28, 2018, the transfer of said contribution was made by means of a transfer of cash.

(c) On February 14, 2019, the transaction for the acquisition of 20% of the capital stock in Tarshop was consummated and as from such date, the Bank has become holder of 100% of the capital stock in said company.

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The following is summary financial information for each subsidiary:

Balance Sheet Summary Data

	BACS		BHN Sociedad de Inversión		Tarshop		BH Valores	
	03/31/2019	12/31/2018	03/31/2019	12/31/2018	03/31/2019	12/31/2018	03/31/2019	12/31/2018
	(In thousands of Ps.)							
Total Assets	4,006,392	3,633,882	3,117,421	2,702,304	3,314,231	6,705,507	110,061	110,905
Total Liabilities	3,456,255	3,108,191	2,107,574	1,153,423	2,667,688	5,777,897	30,649	30,870
Shareholders' equity	**550,137**	**525,691**	**1,009,847**	**1,548,881**	**646,543**	**927,610**	**79,412**	**80,035**

Statement of Income and Statement of Comprehensive Income Summary Data

	BACS		BHN Sociedad de Inversión		Tarshop		BH Valores	
	03/31/2019	03/31/2018	03/31/2019	03/31/2018	03/31/2019	03/31/2018	03/31/2019	03/31/2018
	(In thousands of Ps.)							
Ordinary operating income	145,493	123,640	820,149	609,447	46,360	433,079	132	16,894
Income before income tax	32,001	9,512	514,821	376,872	(400,881)	52,406	(778)	16,057
Income tax	(7,553)	(4,283)	(153,859)	(135,206)	119,806	(15,724)	155	(18,700)
Other comprehensive income	-	-	-	-	-	-	-	-
Total Comprehensive Income	**24,448**	**5,229**	**360,962**	**241,666**	**(281,075)**	**36,682**	**(623)**	**(2,643)**
Income Attributable to Non-Controlling Interest	**9,222**	**1,972**	**-**	**-**	**(15,451)**	**7,336**	**-**	**-**

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Statement of Cash Flows Summary Data

	BACS		BHN Sociedad de Inversión		Tarshop		BH Valores	
	03/31/2019	03/31/2018	03/31/2019	03/31/2018	03/31/2019	03/31/2018	03/31/2019	03/31/2018
	(In thousands of Ps.)							
Cash flows from operating activities	(761,866)	(422,260)	263,281	254,751	2,017,888	(318,285)	(865)	(944)
Cash flows from investing activities	(57,752)	(2,636)	82,821	(119,325)	249	(967)	-	-
Net cash flow provided by financing activities	185,955	395,368	(150,000)	-	(2,541,703)	321,722	-	-
Net (Decrease) / Increase in Cash and Cash Equivalents	**(633,663)**	**(29,528)**	**196,102**	**135,426**	**(523,566)**	**2,470**	**(865)**	**(944)**
Cash and Cash Equivalents at the Beginning of the Period	**755,518**	**250,363**	**944,992**	**910,660**	**770,916**	**82,734**	**939**	**2,052**
Cash and Cash Equivalents at Period-End	**121,855**	**220,835**	**1,141,094**	**1,046,086**	**247,350**	**85,204**	**74**	**1,108**

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11. NEGOTIABLE OBLIGATIONS ISSUED

For information about the Bank's issuance of negotiable obligations, see Note 10 to the consolidated condensed interim financial statements.

12. COMMITMENTS AND CONTINGENCIES

For information about the Bank's commitments, contingencies and provisions, see Note 11 to the consolidated condensed interim financial statements.

13. INTEREST AND ADJUSTMENTS INCOME/FEE AND COMMISSION INCOME

Interest and adjustments income	03/31/2019	03/31/2018
	(In thousands of Ps.)	
Interest on cash and bank deposits	71	30
Interest on loans to the financial sector	21,113	23,587
Interest on overdraft facilities	108,332	89,435
Interest on promissory notes	25,259	31,141
Interest on mortgage loans	134,860	123,105
Interest on consumer loans	770,009	730,936
Interest on pledge loans	77	111
Interest on credit card loans	1,694,120	875,114
Interest on financial leases	12,920	9,167
Interest on other loans	439,615	264,184
Interest on government and corporate securities	158,126	127,165
Income from CER, CVS, UVA and UVI adjustments	310,941	83,414
Other	60,716	4,666
Total	**3,736,159**	**2,362,055**

Fee and commission income	03/31/2019	03/31/2018
	(In thousands of Ps.)	
Credit card fees	924,990	608,832
Insurance fees	77,192	63,010
Commissions linked to liabilities	34,220	10,880
Commissions linked to receivables	14,808	17,114
Other commissions	19,430	11,360
Total	**1,070,640**	**711,196**

14. INTEREST AND ADJUSTMENTS EXPENSES

Interest and adjustments expense	03/31/2019	03/31/2018
	(In thousands of Ps.)	
Interest on checking account deposits	(45,267)	(135,227)
Interest on savings account deposits	(3,226)	(1,641)

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Interest on time deposits	(1,435,708)	(567,971)
Interest on interfinancial loans received	(21,093)	(5,467)
Interest on other liabilities resulting from financial transactions	(1,804,835)	(1,071,692)
Expenses for CER, CVS, UVA and UVI adjustments	(297,836)	(103,139)
Other	-	(18,866)
Total	**(3,607,965)**	**(1,904,003)**

15. OTHER OPERATING INCOME / (EXPENSES)

Other operating income	03/31/2019	03/31/2018
	(In thousands of Ps.)	
Loan servicing	29,375	60,327
Borrowing transactions commissions	25,127	19,465
Income from services PRO.CRE.AR	78,586	74,109
Penalty interest	60,511	18,519
Loans recovered	16,892	19,783
Reversal of allowances	79,444	69,534
Rentals	4,152	2,966
Measurement of investment property at fair value	422,544	-
Income from sale of non-financial assets	1,633	-
Other income	52,855	33,036
Total	**771,119**	**297,739**

Other operating expenses	03/31/2019	03/31/2018
	(In thousands of Ps.)	
Turnover tax	(302,523)	(223,721)
Loan servicing	(290,177)	(260,387)
Other taxes	(48,918)	(41,321)
Debit and credit card rebates	(29,667)	(18,647)
Loan rebates	(49,002)	(4,205)
Contribution to the deposit insurance fund	(12,814)	(9,566)
Interest from financial leases	(12,648)	-
Charges for other provisions	(8,972)	(14,620)
Donations	(3,149)	(1,822)
Other expenses	(12,497)	(9,415)
Total	**(770,367)**	**(583,704)**

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16. 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	03/31/2019	03/31/2018
	(In thousands of Ps.)	
Fees and compensation for services	(223,057)	(129,839)
Directors' and statutory auditors' fees	-	(32,387)
Taxes and duties	(49,649)	(39,415)
Maintenance and repairs	(57,261)	(34,314)
Electricity, gas and telephone services	(45,148)	(36,490)
Entertainment and transportation expenses	(10,173)	(10,432)
Rentals	(12,093)	(34,289)
Insurance	(5,691)	(4,960)
Advertising, promotion and research expenses	(4,118)	(8,325)
Miscellaneous	(71,626)	(58,981)
Total	**(478,816)**	**(389,432)**

17. EMPLOYEE BENEFITS

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

Employee benefits	03/31/2019	03/31/2018
	(In thousands of Ps.)	
Salaries and social security charges	(628,220)	(497,376)
Severance payments and bonuses	(181,470)	(141,455)
Personnel expenses	(55,219)	(27,191)
Total	**(864,909)**	**(666,022)**

18. EARNINGS PER SHARE

For information about earnings per share, see Note 17 to the consolidated condensed interim financial statements.

19. 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 determining this situation, 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.

Principal shareholders

The Bank's principal shareholders are as follows:

Name	Class of shares	03/31/2019		12/31/2018	
		Votes %	Capital %	Votes %	Capital %
Fondo Federal de Infraestructura Regional Assistance Trust	A	22.86%	44.30%	22.86%	44.30%
Employee Stock Ownership Plan	B	1.96%	3.80%	1.96%	3.80%
Fondo Federal de Infraestructura Regional Assistance Trust	C	2.58%	5.00%	2.58%	5.00%
IRSA Inversiones y Representaciones S. A. (a)	D	46.30%	29.91%	46.30%	29.91%
ANSES	D	7.64%	4.94%	7.64%	4.94%
Treasury Shares	D	3.40%	2.20%	3.54%	2.30%
Shares in The Bank of New York	D	9.38%	6.06%	9.38%	6.06%
Other	D	5.88%	3.79%	5.74%	3.69%
		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.

Controlled entities / 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	PERCENTAGE INTEREST			
		03/31/2019		12/31/2018	
		Direct	Direct and indirect	Direct	Direct and indirect
BACS Banco de Crédito y Securitización S.A.	Control	62.28%	62.28%	62.28%	62.28%
BHN Sociedad de Inversión S.A	Control	99.99%	100.00%	99.99%	100.00%
Tarshop S.A.U.	Control	100.00%	100.00%	80.00%	80.00%
BH Valores S.A.	Control	95.00%	100.00%	95.00%	100.00%
CHA Financial Trusts Series IX to XIV	Control	100.00%	100.00%	100.00%	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.

As of March 31, 2019, the Bank's key personnel was comprised of a general manager and thirteen area managers.

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 streamlining the individual efficiencies of each of the companies in the several areas comprising operating management.

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

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

Entity	Services area
BACS	Human resources, financial services, IT services, procurement and contracting, accounts payable, overall secretarial, legal advice services and exclusive use by BACS of a space within the Bank's Vault.
Tarshop	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 y BHN Seguros Generales (a)	Human resources; procurement and contracting; maintenance; internal audit; asset management; general services; accounts payable; overall secretarial services; legal advice and supervision; supply, maintenance and administration of communication and IT items; SAP maintenance, and sale of insurance policies through call centers. Furthermore, the companies provided insurance-related services to the Bank, including operating, claim-processing, and system-related services until July 2, 2018.
BH Valores	Human resources; overall secretarial services; legal advice and supervision; maintenance; asset management; general services; internal audit; money laundering prevention and control; terrorism financing and operation monitoring; technology, help desk; communications; operations; hosting and ESCO system management; regulatory compliance supervision and investor relations.

(a) Controlled by BHN Sociedad de Inversión.

Legal Services

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

Trading of Financial Assets

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

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Financial Transactions

In the ordinary course of business, the Bank enters into related party credit facility agreements. The interest rate on these facilities is determined at an arm's length.

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

Below is a detail of the most significant balances and transactions with related parties as of March 31, 2019:

Related Party	Debt securities at fair value through profit or loss	Other debt securities	Loans and other financing arrangements	Other financial assets	Other non-financial assets	Deposits	Derivative instruments	Other financial liabilities	Negotiable Obligations issued	Other non-financial liabilities
	(In thousands of Ps.)									
BACS	-	-	-	8,147	-	14,534	-	-	-	-
Tarshop	-	510,959	614,282	-	-	212,997	-	12,806	-	-
BHN Sociedad de Inversión	-	-	-	766,637	-	73,741	-	43,125	150,101	-
BH Valores	-	-	-	-	-	47	-	-	-	-
Financial Trusts CHA IX to XIV	52,133	-	3,122	-	-	4,100	1,542,021	-	-	-
Total subsidiaries	**52,133**	**510,959**	**617,404**	**774,784**	**-**	**305,419**	**1,542,021**	**55,931**	**150,101**	**-**
Zang Bergel y Viñes Law Firm	-	-	-	-	-	-	-	-	-	1
Directors and statutory auditors	-	-	-	-	54,643	-	-	-	-	125,886
Total other	**-**	**-**	**-**	**-**	**54,643**	**-**	**-**	**-**	**-**	**125,887**
Total	**52,133**	**510,959**	**617,404**	**774,784**	**54,643**	**305,419**	**1,542,021**	**55,931**	**150,101**	**125,887**

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Below is a detail of the most significant balances and transactions with related parties as of March 31, 2019:

Related Party	Interest income	Interest expense	Fee and commission income	Fee and commission expense	Income/(loss) from measurement of financial instruments at fair value through profit or loss	Other operating income	Loan loss provision	Employee benefits	Administrative expenses
	(In thousands of Ps.)								
BACS	2	806	-	-	-	222	-	-	-
Tarshop	73,233	2,959	-	40,335	(4,489)	982	19,732	-	(335)
BHN Sociedad de Inversión	-	39,116	76,932	-	-	1,212	-	-	(414)
BH Valores	-	-	-	-	-	24	-	-	-
Financial Trusts CHA IX to XIV	3,554	7,844	-	-	5,113	-	-	-	-
Total subsidiaries	**76,789**	**50,725**	**76,932**	**40,335**	**624**	**2,440**	**19,732**	**-**	**(749)**
Zang Bergel y Viñes Law Firm	-	-	-	-	-	-	-	-	2,486
Key management personnel	-	-	-	-	-	-	-	23,131	-
Total other	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**23,131**	**2,486**
Total	**76,789**	**50,725**	**76,932**	**40,335**	**624**	**2,440**	**19,732**	**23,131**	**1,737**

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Below is a detail of the most significant balances and transactions with related parties as of December 31, 2018:

Related party	Derivative instruments	Other debt securities	Loans and other financing arrangements	Other financial assets	Other non-financial assets	Deposits	Negotiable obligations issued	Other non-financial liabilities
	(In thousands of Ps.)							
BACS	-	-	1,264	2,769	-	96,333	-	-
Tarshop	-	2,396,018	619,529	1,809	-	789,937	-	-
BHN Sociedad de Inversión	-	-	-	42,014	-	202,966	103,778	-
BH Valores	-	-	-	-	-	912	-	-
Financial Trusts CHA IX to XIV	1,360,536	-	-	-	-	4,242	-	-
Total subsidiaries	**1,360,536**	**2,396,018**	**620,793**	**46,592**	**-**	**1,094,390**	**103,778**	**-**
Zang Bergel y Viñes Law Firm	-	-	-	-	-	-	-	1
Directors and statutory auditors	-	-	-	-	41,186	-	-	125,886
Total other	**-**	**-**	**-**	**-**	**41,186**	**-**	**-**	**125,887**
Total	**1,360,536**	**2,396,018**	**620,793**	**46,592**	**41,186**	**1,094,390**	**103,778**	**125,887**

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Below is a detail of the most significant balances and transactions with related parties as of March 31, 2018:

Related Party	Interest income	Interest expense	Fee and commission income	Other operating income	Employee benefits	Administrative expenses
	(In thousands of Ps.)					
BACS	1,046	-	-	264	-	-
Tarshop	123,572	-	-	-	-	-
BHN Sociedad de Inversión	-	3,714	63,040	57,631	-	-
Financial Trusts CHA IX to XIV	3,937	4,372	-	-	-	-
Total subsidiaries	**128,555**	**8,086**	**63,040**	**57,895**	**-**	**-**
Zang Bergel y Viñes Law Firm	-	-	-	-	-	989
Directors and statutory auditors	-	-	-	-	-	32,387
Key management personnel	-	-	-	-	15,998	-
Total other	**-**	**-**	**-**	**-**	**15,998**	**33,376**
Total	**128,555**	**8,086**	**63,040**	**57,895**	**15,998**	**33,376**

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20. FINANCIAL RISK FACTORS

These separate condensed interim financial statements do not include all the information and disclosures of the financial risk management, therefore, they should be read jointly with Note 29 to the separate financial statements as of December 31, 2018. No changes have occurred in the management or the risk management policies applied by the Bank as from fiscal year-end.

21. 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, 2018, the Bank’s total capital under management and subject to regulation amounted to 1,500,000 (see Note 20 to the consolidated financial statements as of such date).

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:

	12/31/2018
Core Capital	(In thousands of Ps.)
Tier 1 Ordinary Capital	9,543,966
(Deductible items)	(2,858,579)
Tier 1 Additional Capital	-
Supplementary Capital	
Tier 2 Capital	374,800
(Deductible items)	(374,800)
Regulatory Capital (*Responsabilidad Patrimonial Computable*)	**6,685,387**

Below is a detail of the determined capital requirement:

	12/31/2018
	(In thousands of Ps.)
Credit risk	3,504,015
Market risk	345,432
Operational risk	759,203
Core requirement	**4,608,650**
Payment	**6,685,387**
Surplus / (Deficit)	**2,076,737**

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22. NOTES REQUIRED BY THE ARGENTINE CENTRAL BANK

22.1. Deposit Insurance

For a description of the deposit insurance, see Note 22.1. to the consolidated condensed interim financial statements.

22.2. Restricted Assets

For a description of the Bank's restricted assets, see Note 22.2. to the consolidated condensed interim financial statements.

22.3. Trust Activities

For a description of the Bank's trust activities, see Note 22.3. to the consolidated condensed interim financial statements.

22.4. 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 22.4. to the consolidated condensed interim financial statements.

22.5. Accounts Showing Compliance with Minimum Cash Requirements

For information about the Bank's compliance with the minimum cash requirement, see Note 22.5. to the consolidated condensed interim financial statements.

22.6. 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 22.6. to the consolidated condensed interim financial statements.

22.7. Restrictions on the Distribution of Profits

For information about the restrictions on the distribution of profits, see Note 22.7. to the consolidated condensed interim financial statements.

22.8. Capital Management and Corporate Governance Transparency Policy

For an overview of the Bank's capital management and corporate governance transparency policy, see Note 22.8. to the consolidated condensed interim financial statements.

23. SUBSEQUENT EVENTS

For information about subsequent events, see Note 23 to the consolidated condensed interim financial statements.

See our report dated
May 7, 2019
PRICE WATERHOUSE & Co. S.R.L.

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

24. 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.

25. 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.”

Lorena C. Morchón General Accounting Manager	**Manuel J.L. Herrera Grazioli** General Manager	See our report dated May 7, 2019 PRICE WATERHOUSE & Co. S.R.L.
Saúl Zang 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

SCHEDULE A – GOVERNMENT AND CORPORATE SECURITIES

For the fiscal period ended 03/31/2019
Comparative as of 12/31/2018
In thousands of Argentine Pesos

Description	Identification	Holding				Position		
		Fair value	Fair value level	Book value as of 03/31/19	Book value as of 12/31/18	Position without Options	Options	Final position
DEBT SECURITIES AT FAIR VALUE THROUGH PROFIT OR LOSS				**19,277,217**	**17,106,724**	**19,277,217**	**-**	**19,277,217**
Argentina								
Government securities								
Treasury Bills in USD		-	1	1,186,020	284,726	1,186,020	-	1,186,020
Argentine Bond in USD due 06/21/19	05329	-	1	530,692	228,283	530,692	-	530,692
Argentine Bond in USD due 10/08/20	05468	-	1	214,258	206,433	214,258	-	214,258
Argentine Bond in USD due 05/06/24	05458	-	1	185,373	392,060	185,373	-	185,373
Debt security Province of Chubut cl. 2 in USD due 03/29/21	32487	-	1	115,076	105,574	115,076	-	115,076
Argentine Bond in USD due 04/01/19	92581	-	1	110,993	170,792	110,993	-	110,993
CER-adjusted Treasury Bill	05290	-	1	68,660	-	68,660		68,660
Other		-	1	16,724	1,051,366	16,724	-	16,724
BCRA Bills								
BCRA Liquidity Bills	-	-	1	15,828,682	14,562,795	15,828,682	-	15,828,682
Corporate securities								
BHSA Negotiable Obligations		-	1	310,535	-	310,535	-	310,535
BHSA Negotiable Obligations		-	2	645,386	8,248	645,386	-	645,386
Debt security Financial Trust CHA series 9 to 14		-	2	52,192	55,011	52,192	-	52,192
Other	-	-	2	12,626	41,436	12,626	-	12,626
OTHER DEBT SECURITIES		**1,684,450**		**1,684,450**	**3,391,336**	**1,684,450**	**-**	**1,684,450**
Measured at amortized cost								
Argentina								
Government securities								
Treasury Bond due 11/21/20	05330	1,142,755	2	1,142,755	982,905	1,142,755	-	1,142,755
Corporate securities								
Debt security Financial Trust Tarshop	-	510,958	2	510,958	2,396,017	510,958	-	510,958
Other Financial Trusts debt securities	-	30,737	2	30,737	12,414	30,737	-	30,737
EQUITY INSTRUMENTS				**34,467**	**-**	**34,467**	**-**	**34,467**
Measured at fair value through profit or loss								
Argentina								
ADR Grupo Financiero Galicia	44891		1	30,517	-	30,517		30,517
Grupo Financiero Galicia	00534		1	1,106	-	1,106		1,106
Pampa Holding SA	00457		1	1,057	-	1,057		1,057
ADR Grupo Supervielle	92789		1	859	-	859		859
Grupo Supervielle	30035		1	713	-	713		713
Edenor SA	00508		1	215	-	215		215

Lorena C. Morchón
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General Manager

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First Vice-Chairman acting as Chairman

Ricardo Flammini
For the Supervisory Committee

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

SCHEDULE B – CLASSIFICATION OF LOANS AND OTHER FINANCING ARRANGEMENTS ACCORDING TO LOANS AND GUARANTEES RECEIVED

For the fiscal period ended 03/31/2019
Comparative as of 12/31/2018
In thousands of Argentine Pesos

Commercial Portfolio	03/31/2019	12/31/2018
Normal Situation	**11,588,906**	**14,190,463**
With “A” preferred collateral and counterguarantees	411,666	565,375
With “B” preferred collateral and counterguarantees	2,041,236	1,966,708
Without preferred collateral and counterguarantees	9,136,004	11,658,380
With Special Follow-up	**102,999**	**1,088,398**
Under observation	**102,999**	**1,082,153**
With “A” preferred collateral and counterguarantees	78,400	23,331
With “B” preferred collateral and counterguarantees	21,458	202,631
Without preferred collateral and counterguarantees	3,141	856,191
Under negotiation or refinancing agreements	**-**	**6,245**
Without preferred collateral and counterguarantees	-	6,245
Troubled	**1,910,087**	**88,053**
With “A” preferred collateral and counterguarantees	5,749	15,259
With “B” preferred collateral and counterguarantees	-	1,646
Without preferred collateral and counterguarantees	1,904,338	71,148
With high risk of insolvency	**311,381**	**54,253**
With “A” preferred collateral and counterguarantees	27,425	14,372
With “B” preferred collateral and counterguarantees	183,039	2,224
Without preferred collateral and counterguarantees	100,917	37,657
Uncollectible	**3,482**	**687**
With “B” preferred collateral and counterguarantees	-	96
Without preferred collateral and counterguarantees	3,482	591
Total commercial portfolio	**13,916,855**	**15,421,854**

Lorena C. Morchón
General Accounting Manager

Manuel J.L. Herrera Grazioli
General Manager

See our report dated
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Ricardo Flammini
For the Supervisory Committee

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

For the fiscal period ended 03/31/2019
Comparative as of 12/31/2018
In thousands of Argentine Pesos

Consumer and housing portfolio	03/31/2019	12/31/2018
Normal situation	**24,599,876**	**23,544,926**
With "A" preferred collateral and counterguarantees	-	-
With "B" preferred collateral and counterguarantees	4,568,540	4,228,019
Without preferred collateral and counterguarantees	20,031,336	19,316,907
Low risk	**1,508,411**	**1,303,082**
With "B" preferred collateral and counterguarantees	45,833	44,607
Without preferred collateral and counterguarantees	1,462,578	1,258,475
Mid risk	**1,104,643**	**800,636**
With "B" collateral and counterguarantees	11,839	11,141
Without preferred collateral and counterguarantees	1,092,804	789,495
High risk	**889,604**	**608,166**
With "B" preferred collateral and counterguarantees	5,012	3,190
Without preferred collateral and counterguarantees	884,592	604,976
Uncollectible	**15,716**	**17,782**
With "B" preferred collateral and counterguarantees	421	771
Without preferred collateral and counterguarantees	15,295	17,011
Uncollectible for technical reasons	**145**	**94**
With "B" preferred collateral and counterguarantees	19	24
Without preferred collateral and counterguarantees	126	70
Total consumer and housing portfolio	**28,118,395**	**26,274,686**
General total (1)	**42,035,250**	**41,696,540**

(1) Reconciliation between Schedule B and the Balance Sheet:

	03/31/2019	12/31/2018
Loans and other financing arrangements	**38,657,239**	**38,223,614**
Other debt securities	**1,679,033**	**3,367,251**
Off-balance sheet items	**1,010,762**	**221,097**
plus allowances	2,099,317	1,175,310
plus IFRS adjustments not computable for the ESD	20,500	(22,607)
less items not computable for the ESD	(288,846)	(285,220)
less government securities at amortized cost	(1,142,755)	(982,905)
TOTAL	**42,035,250**	**41,696,540**

Lorena C. Morchón
General Accounting Manager

Manuel J.L. Herrera Grazioli
General Manager

See our report dated
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PRICE WATERHOUSE & Co. S.R.L.

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For the Supervisory Committee

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SCHEDULE C – CONCENTRATION OF LOANS AND OTHER FINANCING ARRANGEMENTS

For the fiscal period ended 03/31/2019, comparative as of 12/31/2018

In thousands of Argentine Pesos

Number of customers	Financing			
	03/31/2019		12/31/2018	
	Debt balance	% of total portfolio	Debt balance	% of total portfolio
10 largest customers	6,808,736	16.20%	5,621,385	13.48%
50 following largest customers	5,558,965	13.22%	6,004,478	14.40%
100 following largest customers	706,306	1.68%	914,174	2.19%
Rest of customers	28,961,243	68.90%	29,156,503	69.93%
TOTAL (1)	**42,035,250**	**100.00%**	**41,696,540**	**100.00%**

(1) Reconciliation between Schedule C and the Balance Sheet

	03/31/2019	12/31/2018
Loans and other financing arrangements	**38,657,239**	**38,223,614**
Other debt securities	**1,679,033**	**3,367,251**
Off-balance sheet items	**1,010,762**	**221,097**
plus allowances	2,099,317	1,175,310
plus IFRS adjustments not computable for the ESD	20,500	(22,607)
less items not computable for the ESD	(288,846)	(285,220)
less government securities at amortized cost	(1,142,755)	(982,905)
TOTAL	**42,035,250**	**41,696,540**

Lorena C. Morchón
General Accounting Manager

Manuel J.L. Herrera Grazioli
General Manager

See our report dated
May 7, 2019
PRICE WATERHOUSE & Co. S.R.L.

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Ricardo Flammini
For the Supervisory Committee

……………………………….(Partner)
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SCHEDULE D – BREAKDOWN OF LOANS AND OTHER FINANCING ARRANGEMENTS ACCORDING TO MATURITY DATES
For the fiscal period ended 03/31/2019
In thousands of Argentine Pesos

Item	Past due portfolio	Remaining terms to maturity						Total
		1 month	3 months	6 months	12 months	24 months	More than 24 months	
Non-financial public sector	-	3,533	7,875	-	-	-	-	11,408
Financial sector	-	291	407	350	728	1,569	278	3,623
Non-financial private sector and foreign residents	4,572,635	13,120,339	3,305,354	3,424,668	4,099,967	4,497,046	9,083,490	42,103,499
TOTAL	**4,572,635**	**13,124,163**	**3,313,636**	**3,425,018**	**4,100,695**	**4,498,615**	**9,083,768**	**42,118,530**

The decrease in future contractual flows is exposed, including interest and accessories to be accrued until maturity of not discounted agreements.

Lorena C. Morchón
General Accounting Manager

Manuel J.L. Herrera Grazioli
General Manager

See our report dated
May 7, 2019
PRICE WATERHOUSE & Co. S.R.L.

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Ricardo Flammini
For the Supervisory Committee

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BANCO Hipotecario

SCHEDULE H – CONCENTRATION OF DEPOSITS
For the fiscal period ended 03/31/2019
Comparative as of 12/31/2018
In thousands of Argentine Pesos

Number of customers	Deposits			
	03/31/19		12/31/18	
	Debt balance	% of total portfolio	Debt balance	% of total portfolio
10 largest customers	4,547,168	15.53%	5,030,946	16.55%
50 following largest customers	3,480,344	11.89%	5,063,553	16.66%
100 following largest customers	1,520,268	5.19%	1,545,560	5.08%
Rest of customers	19,731,985	67.39%	18,761,911	61.71%
TOTAL	**29,279,765**	**100.00%**	**30,401,970**	**100.00%**

Lorena C. Morchón
General Accounting Manager

Manuel J.L. Herrera Grazioli
General Manager

See our report dated
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Ricardo Flammini
For the Supervisory Committee

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

SCHEDULE I – BREAKDOWN OF FINANCIAL LIABILITIES ACCORDING TO MATURITY TERMS

For the fiscal period ended 03/31/2019

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	2,548,462	967,922	64,287	4,974	-	-	3,585,645
Financial sector	19,912	-	-	-	-	-	19,912
Non-financial sector and foreign residents	19,625,950	4,677,292	827,046	200,954	615,775	3,557	25,950,574
Liabilities at fair value through profit or loss	865,679						865,679
Derivative instruments		-	-	-	-	-	
Repo transactions	84,317	-	-	-	-	1,555,080	1,639,397
Other financial institutions	51,104	-	-	-	-	-	51,104
Other financial liabilities	4,108,058	-	-	-	-	443,368	4,551,426
Loans from the BCRA and other financial institutions	252,881	11,158	303,136				567,175
Negotiable obligations issued	270,592	1,865,816	2,827,739	6,004,038	23,285,596	10,953,286	45,207,067
TOTAL	**27,826,955**	**7,522,188**	**4,022,208**	**6,209,966**	**23,901,371**	**12,955,291**	**82,437,979**

The decrease in future contractual flows is exposed, including interest and accessories to be accrued until maturity of not discounted agreements.

Lorena C. Morchón
General Accounting Manager

Manuel J.L. Herrera Grazioli
General Manager

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May 7, 2019
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For the Supervisory Committee

……………………………………(Partner)
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ANEXO J – CHANGES IN ALLOWANCES AND PROVISIONS
For the fiscal period ended 03/31/2019, comparative as of 12/31/2018
In thousands of Argentine Pesos

Breakdown	Opening balances	Increases	Decreases		Balance as of 03/31/2019	Balance as of 12/31/2018
			Reversals	Allocations		
LIABILITIES						
Administrative, disciplinary and criminal penalties	640	-	-	-	640	640
Post-retirement benefit provisions	52,052	12,500	(8,887)	-	55,665	52,052
Other	209,770	17,387	(68,712)	(7,451)	150,994	209,770
TOTAL PROVISIONS	**262,462**	**29,887**	**(77,599)**	**(7,451)**	**207,299**	**262,462**

Lorena C. Morchón
General Accounting Manager

Manuel J.L. Herrera Grazioli
General Manager

See our report dated
May 7, 2019
PRICE WATERHOUSE & Co. S.R.L.

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For the Supervisory Committee

…………………………………..(Partner)
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SCHEDULE L – BALANCES IN FOREIGN CURRENCY
For the fiscal period ended 03/31/2019
Comparative as of 12/31/2018
In thousands of Argentine Pesos

Items	Head office and branches in Argentina	Total as of 03/31/2019	As of 03/31/2019		Total as of 12/31/2018
			Dollar	Euro	
ASSETS					
Cash and bank deposits	3,369,818	3,369,818	3,302,431	67,387	3,971,195
Debt securities at fair value through profit or loss	2,476,704	2,476,704	2,476,704	-	2,036,483
Other financial assets	191,739	191,739	191,691	48	356,786
Loans and other financing arrangements					
Non-financial private sector and foreign residents	8,625,048	8,625,048	8,625,048	-	7,922,176
Other debt securities	1,214	1,214	1,214	-	1,168
Financial assets pledged as collateral	1,308,242	1,308,242	1,308,242	-	949,841
TOTAL ASSETS	**15,972,765**	**15,972,765**	**15,905,330**	**67,435**	**15,237,649**
LIABILITIES					
Deposits					
Non-financial public sector	359,314	359,314	359,314	-	327,495
Financial sector	9,273	9,273	9,273	-	85,759
Non-financial private sector and foreign residents	7,009,572	7,009,572	7,009,572	-	5,681,369
Liabilities at fair value through profit or loss	865,679	865,679	865,679	-	751,511
Other financial liabilities	546,914	546,914	546,600	314	131,847
Loans from the BCRA and other financing arrangements	320,814	320,814	320,814	-	56,712
Negotiable obligations issued	12,886,205	12,886,205	12,886,205	-	13,016,652
Other non-financial liabilities	5,264	5,264	5,264	-	4,325
TOTAL LIABILITIES	**22,003,035**	**22,003,035**	**22,002,721**	**314**	**20,055,670**

Lorena C. Morchón
General Accounting Manager

Manuel J.L. Herrera Grazioli
General Manager

See our report dated
May 7, 2019
PRICE WATERHOUSE & Co. S.R.L.

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BANCO Hipotecario

SCHEDULE O – DERIVATIVE FINANCIAL INSTRUMENTS

For the fiscal period ended 03/31/2019
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 (in months)	Average residual weighted term (in months)	Average weighted term for the settlement of differences (In days)	Amount
Futures	Brokerage – own account	Not applicable	Foreign currency	Daily Differences	ROFEX	1	1	1	6,162,975
Repo transactions	Brokerage – own account	Not applicable	Government securities	With delivery of underlying asset	OTC – Domestic residents – financial sector	1	1	3	56,750
Swaps	Brokerage – own account	Not applicable	Other	Upon maturity of differences	OTC – Domestic residents – Non-financial sector	212	105	30	400,550
Swaps	Brokerage – own account	Not applicable	Foreign currency	Upon maturity of differences	OTC – Domestic residents – Non-financial sector	211	95	30	145,653

Lorena C. Morchón
General Accounting Manager

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General Manager

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PRICE WATERHOUSE & Co. S.R.L.

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For the Supervisory Committee

……………………………………..(Partner)
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SCHEDULE R – CORRECTION OF VALUE FOR LOSSES – PROVISION FOR LOAN LOSSES

For the fiscal period ended 03/31/2019, comparative as of 12/31/2018

In thousands of Argentine Pesos

Description	Opening balances	Increases	Decreases		Balance as of 03/31/2019	Balance as of 12/31/2018
			Reversals	Uses		
Other financial assets	**8,472**	**-**	**-**	**1,364**	**7,108**	**8,472**
Loans and other financing arrangements						
Non-financial private sector and foreign residents	**1,151,225**	**1,121,870**	**30,732**	**148,462**	**2,093,901**	**1,151,225**
Overdraft facilities	268,912	858,233	606	487	1,126,052	268,912
Notes	1,916	-	-	299	1,617	1,916
Mortgage loans	55,604	1,611	1,241	5,195	50,779	55,604
Consumer loans	374,857	132,752	17,074	87,297	403,238	374,857
Credit cards	372,949	93,607	11,472	54,850	400,234	372,949
Financial leases	1,375	-	266	334	775	1,375
Other	75,612	35,667	73	-	111,206	75,612
Corporate securities	**24,084**	-	-	18,667	5,417	**24,084**
TOTAL PROVISIONS	**1,183,781**	**1,121,870**	**30,732**	**168,493**	**2,106,426**	**1,183,781**

Lorena C. Morchón
General Accounting Manager

Manuel J.L Herrera Grazioli
General Manager

See our report dated
May 7, 2019
PRICE WATERHOUSE & Co. S.R.L.

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Ricardo Flammini
For the Supervisory Committee

…………………………………..(Partner)
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SUPERVISORY COMMITTEE'S REPORT

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. 19,550, 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 March 31, 2019, the related consolidated statements of income and other comprehensive income for the three-month period ended March 31, 2019 and the consolidated statements of changes in shareholders' equity and of cash flows for the three-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 2018 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). The Board of Directors is also responsible for the existence of such internal controls as it deems necessary to allow the preparation of financial statements free from significant misstatements arising from mistakes or irregularities.

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 consolidated financial position, consolidated comprehensive income and consolidated cash flow were applied. The independent auditors issued their Report on May 7, 2019, 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 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.

Emphasis Paragraph

Without changing our conclusion, as stated in Note 2, the attached consolidated condensed interim financial statements have been prepared in accordance with the accounting framework set forth by the Argentine Central Bank. Said regulations differ from the professional accounting standards in force. The impact on said financial statements as a result of the different valuation and presentation criteria has been identified by the Bank in said note.

Paragraph on other matters

Without changing our opinion, we draw attention to the fact that these consolidated condensed interim financial statements were prepared in accordance with the accounting framework set forth by the BCRA, and that said framework significantly and generally differs from the professional accounting standards in force (International Financial Reporting Standards (IFRS) adopted by the Argentine Federation of Professional Councils in Economic Sciences (FACPCE)).

These differences lie in that the accounting framework set forth by the BCRA does not provide for the application of item 5.5 "Impairment" of IFRS 9 "Financial Instruments", nor of International Accounting Standard No. 29 "Financial reporting in hyperinflationary economies". The Bank has not quantified these differences in a note to these financial statements. The financial statements should be read, for their correct interpretation, in the light of these circumstances.

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 March 31, 2019, 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 31.4 to the consolidated condensed interim financial statements as of March 31, 2019 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, May 7, 2019.

For the Supervisory Committee

Ricardo FLAMMINI
Statutory Auditor

SUPERVISORY COMMITTEE'S REPORT

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 balance sheet as of March 31, 2019, the related separate statements of income and other comprehensive income for the three-month period ended March 31, 2019 and the separate statements of changes in shareholders' equity and of cash flows for the three-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 other information for fiscal year 2018 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). The Board of Directors is also responsible for the existence of such internal controls as it deems necessary to allow the preparation of financial statements free from significant misstatements arising from mistakes or irregularities.

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 separate financial position, separate comprehensive income and separate cash flow. The independent auditors issued their Report on May 7, 2019, 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 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.

Emphasis Paragraph

Without changing our conclusion, as stated in Note 2, the attached separate condensed interim financial statements have been prepared in accordance with the accounting framework set forth by the Argentine Central Bank. Said regulations differ from the professional accounting standards in force. The impact on said financial statements as a result of the different valuation and presentation criteria has been identified by the Bank in said note.

Paragraph on other matters

Without changing our opinion, we draw attention to the fact that these separate condensed interim financial statements were prepared in accordance with the accounting framework set forth by the BCRA, and that said framework significantly and generally differs from the professional accounting standards in force (International Financial Reporting Standards (IFRS) adopted by the Argentine Federation of Professional Councils in Economic Sciences (FACPCE)).

These differences lie in that the accounting framework set forth by the BCRA does not provide for the application of item 5.5 "Impairment" of IFRS 9 "Financial Instruments", nor of International Accounting Standard No. 29 "Financial reporting in hyperinflationary economies". The Bank has not quantified these differences in a note to these financial statements. The financial statements should be read, for their correct interpretation, in the light of these circumstances.

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 March 31, 2019, 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 condensed interim 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 condensed interim financial statements as of March 31, 2019 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, May 7, 2019.

For the Supervisory Committee

Ricardo FLAMMINI
Statutory Auditor

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 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 2.1, 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 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 Note 19 - Related party transactions and balances in Banco Hipotecario S.A.'s separate interim condensed 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 December 31, 2018, loans to directors, supervisory committee members, surveillance committee members and their relatives up to, and including, the second degree, amount to Pesos 15,030 thousand with the highest amount lent as of that date being Pesos 15,030 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).

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 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 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 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 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	COVERAGE CERTIFICATE POLICY PENDING ISSUANCE (Effective term 10/31/18 to 10/31/19)	Hipotecario Seguros
All Operating Risk	Building, machinery, equipment, furniture, fixtures and works of art	Fire, looting and earthquake	2800-0010106-01 (Effective term 10/31/18 to 10/31/19)	La Caja
Motor Vehicles	Vehicles	Comprehensive risk and third parties with deductibles	Policy No. 1097809 (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" and Note 6 – Loans and other financing arrangements in Banco Hipotecario S.A.'s Separate Interim Condensed 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.

Lorena C. Morchón
General Accounting Manager

Manuel J.L Herrera Grazioli
General Manager

See our report dated
May 7, 2019
PRICE WATERHOUSE & Co. S.R.L.

Saúl Zang
First Vice-Chairman acting as Chairman

Ricardo Flammini
For the Supervisory Committee

…………………………………..(Partner)
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ADDITIONAL INFORMATION REQUIRED BY CHAPTER III, TITLE IV, SECTION 12 OF CNV RULES
(GENERAL RESOLUTION No. 622/13)

VIII. Irrevocable advances on account of future subscriptions

17. Status of procedures aimed at capitalization.

There are none.

18. Unpaid cumulative dividends on preferred shares.

There are none.

19. Conditions, circumstances or terms for restrictions on the distribution of unappropriated retained earnings to be lifted.

See Note 22.7– Distribution of profits to the Separate Interim Condensed Financial Statements.