Consolidated Condensed Interim Financial Statements as of March 31, 2020

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

BANCO Hipotecario

CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS AS OF MARCH 31, 2020

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LIMITED REVIEW REPORT BY THE INDEPENDENT AUDITOR

To the Shareholders and Directors of
Banco Hipotecario S.A.
Registered office: Reconquista 151
Autonomous City of Buenos Aires
CUIT No. 30-50001107-2

Introduction

We have reviewed the consolidated condensed interim financial statements of Banco Hipotecario S.A. (hereinafter, “the Bank”) that comprise the balance sheet as of March 31, 2020, the related statements of income and other comprehensive income for the three-month period ended March 31, 2020 and the statements of changes in shareholders' equity and of cash flow 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 2019 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 reporting framework laid down by the Argentine Central Bank (BCRA).

Scope of our review

Our review was limited to the application of the review procedures established by Technical Pronouncements No. 37 of the Argentine Federation of Professional Councils in Economic Sciences (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, consolidated changes in shareholders’ equity 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 reporting framework set forth by the BCRA.

Emphasis on accounting principles

Without changing our conclusion, we draw attention to Note 3.2, which states that the attached financial statements have been prepared in accordance with the accounting reporting framework set forth by the BCRA. Said regulations differ from the professional accounting standards in force (International Financial Reporting Standards (IFRS) adopted by the

FACPCE). These differences lie in that the accounting reporting framework set forth by the BCRA applicable to financial institutions under Group A of Communication "A" 6847, as amended by the BCRA, excludes non-financial public sector debt instruments from the scope of IFRS 9 "Financial Instruments", and does not provide for the application of item 5.5 "Impairment" of IFRS 9 for debt instruments of consolidated financial institutions under Group B of said rule. The Bank has quantified these differences in a note to these financial statements.

Report on compliance with currently applicable rules and regulations

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

a) As stated in Note 27, except for the lack of transcription into the "Inventory and Balance Sheet" book, Banco Hipotecario S.A.'s consolidated condensed interim financial statements as of March 31, 2020, 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;

b) Banco Hipotecario S.A.'s separate condensed interim financial statements, except for the lack of transcription into the "Inventory and Balance Sheet" book and Daily Ledger for book entries corresponding to January, February and March 2020, arise from accounting records which, in their formal aspects, are kept in accordance with statutory provisions;

c) We have read the information summary and the additional information to the notes to the consolidated condensed interim 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, 2020, the amounts accrued in favor of Banco Hipotecario S.A.'s Argentine Comprehensive Social Security System according to the Bank's accounting records amounted to $64,909,478.97, with no amounts being due and enforceable at that date; and

e) We have read the information provided in Note 24.4 to the consolidated condensed interim financial statements as of March 31, 2020 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, June 3, 2020.

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.
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LIMITED REVIEW REPORT BY THE INDEPENDENT AUDITOR

To the Shareholders and Directors of
Banco Hipotecario S.A.
Registered office: Reconquista 151
Autonomous City of Buenos Aires
CUIT No. 30-50001107-2

Introduction

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, 2020, the related statements of income and other comprehensive income for the three-month period ended March 31, 2020 and the statements of changes in shareholders' equity and of cash flow 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 2019 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 reporting framework laid down by the Argentine Central Bank (BCRA).

Scope of our review

Our review was limited to the application of the review procedures established by Technical Pronouncements No. 37 of the Argentine Federation of Professional Councils in Economic Sciences (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 reporting framework set forth by the BCRA.

Emphasis on accounting principles

Without changing our conclusion, we draw attention to Note 3.1, which states that the attached financial statements have been prepared in accordance with the accounting reporting framework set forth by the BCRA. Said regulations differ from the professional accounting standards in force (International Financial Reporting Standards (IFRS) adopted by the FACPCE). These differences lie in that the accounting reporting framework set forth by the BCRA applicable to financial institutions under Group A of Communication “A” 6847, as amended by the BCRA, excludes non-financial public sector debt instruments from the scope of IFRS 9 “Financial Instruments”, and does not provide for the application of item 5.5 “Impairment” of IFRS 9 for debt instruments of consolidated financial institutions under Group B of said rule. The Bank has quantified these differences in a note to these financial statements.

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a) As stated in Note 27, except for the lack of transcription into the “Inventory and Balance Sheet” book, Banco Hipotecario S.A.’s separate condensed interim financial statements as of March 31, 2020, 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;

b) Banco Hipotecario S.A.’s separate condensed interim financial statements, except for the lack of transcription into the “Inventory and Balance Sheet” book and Daily Ledger for book entries corresponding to January, February and March 2020, arise from accounting records which, in their formal aspects, are kept in accordance with statutory provisions;

c) We have read the additional information to the notes to the separate condensed interim 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, 2020, the amounts accrued in favor of Banco Hipotecario S.A.’s Argentine Comprehensive Social Security System according to the Bank’s accounting records amounted to $64,909,478.97, with no amounts being due and enforceable at that date; and

e) We have read the information provided in Note 24.4 to the separate condensed interim financial statements as of March 31, 2020 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, June 3, 2020.

PRICE WATERHOUSE & CO. S.R.L.

(Partner)

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Public Accountant (UCA)
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BANCO HIPOTECARIO S.A.

Registered office:	Reconquista 151 – City of Buenos Aires – Argentine Republic
Main activity:	Banking
Taxpayer's Code (CUIT):	30 - 50001107– 2
Bylaws' Registration Date with the Public Registry of Commerce:	September 28, 1997
Registration date of latest amendment to the bylaws:	January 23, 2019 (No.1,643 of book 93 of stock companies)
Expiration date of Bylaws:	99 years from the date of incorporation (September 28, 1997)

Stock capital composition as of 03/31/2020						
Shares						
					Subscribed	Paid-in
Number	Type	Face value	No. of votes per share	Class	(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 03/31/2020, comparative as of 12/31/2019

In thousands of Argentine Pesos

ITEM	NOTES	03/31/2020	12/31/2019
ASSETS			
Cash and bank deposits	5 and 6	**23,209,394**	**19,921,492**
Cash		2,109,261	2,376,681
Financial institutions and correspondents		21,100,133	16,673,163
- Argentine Central Bank (B.C.R.A.)		13,803,608	8,168,229
- Other domestic and foreign institutions		7,296,525	8,504,934
Other		-	871,648
Debt securities at fair value through profit or loss	6	**15,663,922**	**7,866,810**
Derivative instruments	6	**5,488**	**4,549**
Repo transactions	6	**1,910,356**	**4,516,502**
Other financial assets	6	**2,591,949**	**1,797,961**
Loans and other financing arrangements (Schedules B, C, D)	6 and 7	**37,919,591**	**41,861,851**
Non-Financial Public Sector		62	40
Other Financial Institutions		10,394	16,364
Non-Financial Private Sector and Foreign Residents		37,909,135	41,845,447
Other debt securities (Schedules B, C, D)	6	**3,357,669**	**5,166,080**
Financial assets pledged as collateral	6 and 24.2	**6,121,376**	**3,495,674**
Current income tax assets	10	**332,615**	**358,514**
Investments in equity instruments	6	**189,707**	**447,817**
Investments in subsidiaries, associates and joint ventures		**6,175**	**6,175**
Bank premises and equipment	9	**4,209,652**	**4,382,301**
Intangible assets	9	**313,558**	**349,884**
Deferred income tax assets	10	**884,243**	**727,978**
Other non-financial assets	9	**1,694,301**	**1,075,599**
Non-current assets held for sale	9	**4,834,003**	**4,930,590**
TOTAL ASSETS		**103,243,999**	**96,909,777**

Lorena C. Morchón
General Accounting Manager

Manuel J.L. Herrera Grazioli
General Manager

See our report dated
June 3, 2020
PRICE WATERHOUSE & Co. S.R.L.

Saúl Zang
Vice-Chairman

Marcelo Fuxman
For the Supervisory Committee

………………………..(Partner)
C.P.C.E.C.A.B.A. Volume 1 - Page 17
Diego Sisto
Public Accountant (UCA)
C.P.C.E.C.A.B.A. Volume 274 – Page 12

BANCO Hipotecario

CONSOLIDATED CONDENSED INTERIM BALANCE SHEET

For the fiscal period ended 03/31/2020, comparative as of 12/31/2019
In thousands of Argentine Pesos

ITEM	NOTES	03/31/2020	12/31/2019
LIABILITIES			
Deposits (Schedules H, I)	6	**42,796,217**	**38,507,921**
Non-financial public sector		3,135,952	3,994,976
Financial sector		70	327
Non-financial private sector and foreign residents		39,660,195	34,512,618
Liabilities at fair value through profit or loss (Schedule I)	6	**1,023,825**	**645,747**
Derivative instruments (Schedule I)	6	**5,935**	**15,383**
Repo transactions (Schedule I)	6	**1,404,410**	**1,080,666**
Other financial liabilities (Schedule I)	6	**7,365,831**	**7,813,729**
Loans from the BCRA and other financial institutions (Schedule I)	6	**1,063,312**	**163,767**
Negotiable obligations issued (Schedule I)	6 and 11	**32,238,624**	**31,300,496**
Current income tax liabilities	10	**884,516**	**132,015**
Provisions	12	**648,627**	**718,419**
Other non-financial liabilities	9	**2,858,231**	**3,085,749**
TOTAL LIABILITIES		**90,289,528**	**83,463,892**
SHAREHOLDERS' EQUITY			
Capital stock		1,500,000	1,500,000
Non-capitalized contributions		139,144	135,907
Capital adjustments		39,337,659	39,337,659
Reserves		11,950,498	11,953,735
Unappropriated retained earnings		(39,793,956)	(36,847,618)
Accumulated other comprehensive income		-	-
Income for the period/year		(498,397)	(2,946,338)
Shareholders' equity attributable to parent's shareholders		**12,634,948**	**13,133,345**
Shareholders' equity attributable to non-controlling interests	13	**319,523**	**312,540**
TOTAL SHAREHOLDERS' EQUITY		**12,954,471**	**13,445,885**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**103,243,999**	**96,909,777**

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

Lorena C. Morchón
General Accounting Manager

Manuel J.L. Herrera Grazioli
General Manager

See our report dated
June 3, 2020
PRICE WATERHOUSE & Co. S.R.L.

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CONSOLIDATED CONDENSED INTERIM STATEMENT OF INCOME

For the fiscal periods ended 03/31/2020 and 03/31/2019

In thousands of Argentine Pesos

ITEM	NOTES	03/31/2020	03/31/2019
Interest and adjustments income	13	4,037,622	6,595,770
Interest and adjustments expense	14	(3,750,489)	(6,138,588)
Net interest income		**287,133**	**457,182**
Fee and commission income	13	1,183,657	1,649,740
Fee and commission expense		(52,753)	(230,014)
Net fee and commission income		**1,130,904**	**1,419,726**
Net income from measurement of financial instruments at fair value through profit or loss		1,681,724	3,816,345
Gold and foreign currency quotation differences		(295,352)	(1,440,142)
Other operating income	15	1,394,856	1,794,195
Loan loss provision (Schedule R)		(365,926)	(1,689,823)
Net operating income		**3,833,339**	**4,357,483**
Employee benefits	17	(1,308,273)	(1,851,293)
Administrative expenses	16	(867,479)	(1,172,833)
Depreciation and impairment of assets		(182,666)	(306,123)
Other operating expenses	15	(1,237,808)	(1,465,887)
Operating income (loss)		**237,113**	**(438,653)**
Share of profit (loss) of subsidiaries, associates and joint ventures		(20,394)	(14,164)
Gain (loss) on net monetary position		(678,357)	(780,133)
Income (loss) before tax		**(461,638)**	**(1,232,950)**
Income tax	10	(29,776)	(33,645)
Net income (loss)		**(491,414)**	**(1,266,595)**
NET INCOME (LOSS) FOR THE PERIOD		**(491,414)**	**(1,266,595)**
Net income (loss) for the period attributable to the parent's shareholders		**(498,397)**	**(1,247,816)**
Net income (loss) for the period attributable to non-controlling interests		**6,983**	**(18,779)**

Lorena C. Morchón
General Accounting Manager

Manuel J.L. Herrera Grazioli
General Manager

See our report dated
June 3, 2020
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BANCO Hipotecario

CONSOLIDATED CONDENSED INTERIM STATEMENT OF INCOME

For the fiscal periods ended 03/31/2020 and 03/31/2019
In thousands of Argentine Pesos

EARNINGS (LOSS) PER SHARE	03/31/2020	03/31/2019
NUMERATOR		
Income (loss) attributable to the parent company's shareholders	(498,397)	(1,247,816)
Income (loss) attributable to the parent company's shareholders adjusted to reflect the effect of dilution	(498,397)	(1,247,816)
DENOMINATOR		
Weighted average of outstanding common shares for the fiscal period	1,470,171	1,466,493
Weighted average of outstanding common shares for the fiscal period adjusted to reflect the effects of dilution	1,470,171	1,466,493
EARNINGS (LOSS) PER BASIC SHARE	**(0.339)**	**(0.851)**
EARNINGS (LOSS) PER DILUTED SHARE	**(0.339)**	**(0.851)**

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

Lorena C. Morchón
General Accounting Manager

Manuel J.L. Herrera Grazioli
General Manager

See our report dated
June 3, 2020
PRICE WATERHOUSE & Co. S.R.L.

Saúl Zang
Vice-Chairman

Marcelo Fuxman
For the Supervisory Committee

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Public Accountant (UCA)
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CONSOLIDATED CONDENSED INTERIM STATEMENT OF OTHER COMPREHENSIVE INCOME

For the fiscal periods ended 03/31/2020 and 03/31/2019
In thousands of Argentine Pesos

Item	03/31/2020	03/31/2019
Net income (loss) for the period	**(491,414)**	**(1,266,595)**
Total other comprehensive income for the period	**-**	**-**
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD	**(491,414)**	**(1,266,595)**

Total comprehensive income (loss) for the period attributable to the parent's shareholders	(498,397)	(1,247,816)
Total comprehensive income (loss) for the period attributable to non-controlling interests	6,983	(18,779)

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
June 3, 2020
PRICE WATERHOUSE & Co. S.R.L.

Saúl Zang
Vice-Chairman

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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 03/31/2020

In thousands of Argentine Pesos

Changes	Capital Stock		Non-capitalized Contributions		Capital adjustments	Profit reserves			Retained earnings	Total Shareholders' Equity controlling interests 03/31/2020	Total Shareholders' Equity non-controlling interests 03/31/2020	Total as of 03/31/2020
	Outstanding	Treasury Stock	Share issuance premium	Stock-based payment		Legal	Stock-based payments	Others				
Opening restated balances for the period	**1,469,931**	**30,069**	**7,826**	**128,081**	**39,337,659**	**2,949,951**	**611,551**	**8,392,233**	**(39,793,956)**	**13,133,345**	**312,540**	**13,445,885**
Stock-based payments under Compensation Plan	257	(257)	-	3,237	-	-	(3,237)	-	-	-	-	-
Net income (loss) for the period	-	-	-	-	-	-	-	-	(498,397)	(498,397)	6,983	(491,414)
Closing balances for the period	**1,470,188**	**29,812**	**7,826**	**131,318**	**39,337,659**	**2,949,951**	**608,314**	**8,392,233**	**(40,292,353)**	**12,634,948**	**319,523**	**12,954,471**

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
June 3, 2020
PRICE WATERHOUSE & Co. S.R.L.

Saúl Zang
Vice-Chairman

Marcelo Fuxman
For the Supervisory Committee

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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		Capital adjustments	Profit reserves			Retained earnings	Total Shareholders' Equity controlling interests 03/31/2019	Total Shareholders' Equity non-controlling interests 03/31/2018	Total as of 03/31/2019
	Outstanding	Treasury Stock	Share issuance premium	Stock-based payment		Legal	Stock-based payments	Others				
Opening restated balances for the period	**1,465,661**	**34,339**	**7,826**	**56,595**	**39,337,659**	**2,402,303**	**683,338**	**6,273,857**	**(32,762,917)**	**17,498,661**	**371,903**	**17,870,564**
Retroactive adjustments									**(1,284,149)**	**(1,284,149)**	**(29,968)**	**(1,314,117)**
Opening adjusted balances for the period	**1,465,661**	**34,339**	**7,826**	**56,595**	**39,337,659**	**2,402,303**	**683,338**	**6,273,857**	**(34,047,066)**	**16,214,512**	**341,935**	**16,556,447**
Stock-based payments under compensation plan	1,397	(1,397)	-	25,729	-	-	(25,729)	-	-	-	-	-
Reduction of non-controlling interest in Tarshop S.A.U.	-	-	-	-	-	-	-	-	116,482	116,482	(122,840)	(6,358)
Net income (loss) for the period	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(1,247,816)**	**(1,247,816)**	**(18,779)**	**(1,266,595)**
Closing balances for the period	**1,467,058**	**32,942**	**7,826**	**82,324**	**39,337,659**	**2,402,303**	**657,609**	**6,273,857**	**(35,178,400)**	**15,083,178**	**200,315**	**15,283,494**

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

Lorena C. Morchón
General Accounting Manager

Manuel J.L. Herrera Grazioli
General Manager

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June 3, 2020
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BANCO Hipotecario

CONSOLIDATED CONDENSED INTERIM STATEMENT OF CASH FLOWS

For the fiscal period ended 03/31/2020 and 03/31/2019

In thousands of Argentine Pesos

ITEM	03/31/2020	03/31/2019
Net income for the period before income tax	**(461,638)**	**(1,232,950)**
Adjustment for total monetary income for the period	678,357	780,133
Adjustments to obtain cash flows from operating activities		
Depreciation and impairment of assets	182,666	306,123
Loan loss provisions, net of recovered loans and reversed provisions	113,825	1,548,003
Provision for loan losses, net of reversed provisions	107,129	(16,880)
Net interest income	(287,133)	(457,182)
Changes in fair value of investments in financial instruments	(1,675,895)	(3,859,320)
Profit from sale of bank premises and equipment/Revaluation of investment property	(58,683)	(92,649)
Other adjustments	-	(5,688)
Net increase /(decrease) from operating assets		
Debt securities at fair value through profit or loss	(6,734,106)	543,295
Derivative instruments	19,462	17,572
Repo Transactions	2,279,367	(461,426)
Loans and other financing arrangements		
Non-financial public sector	(25)	21,457
Financial sector	170,909	608,040
Non-financial private sector and foreign residents	4,135,650	6,956,192
Other debt securities	1,760,050	(106,663)
Financial assets pledged as collateral	(2,878,621)	(576,594)
Investments in equity instruments	225,709	(67,294)
Other assets	(2,046,525)	(2,070,745)
Net increase / (decrease) from operating liabilities		
Deposits		
Non-financial public sector	(569,979)	(151,241)
Financial sector	(233)	(340)
Non-financial private sector and foreign residents	5,818,690	(2,670,251)
Liabilities at fair value through profit or loss	424,799	169,376
Derivative instruments	14,643	(44,625)
Repo transactions	515,943	(28,078)
Other liabilities	944,764	(221,841)
Collections/Payments due to income tax	(24,083)	-
Total from operating activities	**2,655,042**	**(1,113,576)**

Lorena C. Morchón
General Accounting Manager

Saúl Zang
Vice-Chairman

Manuel J.L. Herrera Grazioli
General Manager

Marcelo Fuxman
For the Supervisory Committee

See our report dated
June 3, 2020
PRICE WATERHOUSE & Co. S.R.L.
…………………………..(Partner)
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BANCO Hipotecario

CONSOLIDATED CONDENSED INTERIM STATEMENT OF CASH FLOWS

For the fiscal period ended 03/31/2020 and 03/31/2019

In thousands of Argentine Pesos

ITEM	03/31/2020	03/31/2019
Cash flows from investing activities		
Payments		
Purchase of bank premises and equipment, intangible assets and other assets	(12,549)	(166,765)
Collections		
Sale of bank premises and equipment	106,582	(80)
Total from investing activities	**94,033**	**(166,845)**
Cash flows from financing activities		
Payments		
Dividends	(45)	-
Unsubordinated negotiable obligations	(2,667,605)	(8,079,213)
Loans from domestic financial institutions	(13,030,000)	(16,210,514)
Other payments related to financing activities	(14,142)	(3,848,297)
Changes in share of subsidiaries not resulting in loss of control	-	(5,689)
Collections		
Unsubordinated negotiable obligations	3,504,743	7,857,793
Loans to domestic financial institutions	13,099,466	17,277,838
Other collections related to financing activities	-	732,883
Total from financing activities	**892,417**	**(2,275,199)**
Effect of exchange rate variations	**1,087,772**	**631,472**
Effect of monetary income (loss) in cash and cash equivalents	**(1,441,362)**	**(1,543,427)**
TOTAL VARIATION OF CASH FLOWS		
Net Increase/(Decrease) in cash and cash equivalents	3,287,902	(4,467,575)
Restated cash and cash equivalents at the beginning of the period	19,921,492	14,647,541
Cash and cash equivalents at the end of the period	23,209,394	10,179,966

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

Lorena C. Morchón
General Accounting Manager

Manuel J.L. Herrera Grazioli
General Manager

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1. BANCO HIPOTECARIO SOCIEDAD ANÓNIMA

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

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

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

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

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

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

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

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

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

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

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

The following table shows the composition of the capital stock as of March 31, 2020, 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

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2. ECONOMIC CONTEXT

The Group operates in a complex economic context, the main variables of which have recently suffered strong volatility, both in the domestic and the international scenarios.

Within the domestic scenario, the following circumstances should be noted during the year 2019:

- Accumulated inflation from January 1, 2019 through December 31, 2019 reached 53.8% (CPI);
- The significant devaluation of the Argentine peso since August 2019 has generated a sudden withdrawal of dollar deposits from the financial system (thus resulting in a fall in the Central Bank's reserves) and an increase in the reference interest rate above 80%. As of December 31, 2019, the interest rate was nearly 60%

On December 10, 2019, a new Argentine Government took office and, under these circumstances, implemented a series of measures. Below is a summary of the main actions taken:

- A regime to rectify tax, social security and customs obligations for micro, small and medium companies was established.
- The schedule to consolidate the rate of employer's contributions was suspended.
- The Argentine Executive Branch was granted the power to set forth mandatory minimum salary increases for workers in the private sector (with temporary exemption from payment of contributions to the Argentine social security system for the salary increases resulting from this power or a collective bargaining agreement).
- Hold on the reduction of the rate set forth by Argentine Law 27,430 up to fiscal years beginning on or after January 1, 2021, keeping the 30% rate, and the 7% rate for the related dividends.
- Regarding the tax inflation adjustment, it was set forth that the amount assessed for the first and the second fiscal year beginning on or after January 1, 2019, shall be charged as follows: 1/6 in such fiscal years and the remaining 5/6, on an equal basis, in the 5 immediately following fiscal years. In turn, it is clarified that said provision does not prevent computation of the remaining thirds from previous periods, calculated as per the previous version of section 194 of the Argentine Income Tax Law.
- An increase in exports withholdings (except for hydrocarbons and mining) and the personal assets tax was set forth by decree;
- The Value Added Tax for the basic food basket and the hold on the pension hike bill were reinstated.

In addition, during the period commencing on January 1, 2020 until March 31, 2020, accumulated inflation reached 7.8% (CPI), with GDP being expected to decline in year-on-year terms.

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Furthermore, as of the date of these financial statements, the Argentine Government is in the process of renegotiating Argentina's external debt with foreign creditors.

Volatility and uncertainty still prevail as of the date of these financial statements, also affected by the outbreak of the Covid-19 pandemic, which will be described below.

The Group's management permanently monitors the development of the variables affecting its business to define courses of action and identity potential impacts on its financial position. The Bank's financial statements should be read in the light of these circumstances.

2.1 Impact of COVID-19 on the Bank's operations

The outbreak and dissemination of a virus known as "Coronavirus" (or Covid-19) by the end of 2019 brought about several implications for enterprises and business activities at a global level. Given the scope of the virus spread, in March 2020, several governments around the globe implemented drastic measures to contain the virus dissemination, including, without limitation, border closures and travel restrictions to and from certain parts of the world for a given period, finally mandating social distancing measures, along with the interruption of non-essential business activities. On March 11, the World Health Organization designated the Covid-19 as a global pandemic.

At the local level, the Argentine Government adopted certain measures targeted at curbing the traffic of people, and mandated social distancing commencing on March 20 up to and including June 7, 2020, with traffic being restricted only to individuals engaged in delivering and/or manufacturing essential services and/or products. Social distancing may be extended for as long as deemed necessary to cope with the pandemic.

The final extent of the Coronavirus outbreak and its impact on the global and local economy are still unknown, and governments may take more stringent measures, which are unpredictable at this time. As of the date of these financial statements, the pandemic has not had a substantial impact on the Bank's results of operations. Even though we have faced several challenges which slow down or make our activities more complex, the Bank's operations remain, and are expected to continue, ongoing despite the drawbacks. For instance, branches have opened again since April 3, 2020 to serve certain customers, with previous appointment being required, and subject to stringent health standards to preserve customers' and employees' health. In addition, all customary online service and operation channels are working normally; therefore, we estimate the levels of demand for our products will be maintained.

Against this backdrop, the Argentine Central Bank (BCRA) handed down several Communications providing for certain changes to our products, in an attempt to afford some financial relief to several groups of customers. For instance, the BCRA extended the maturity of financial liabilities, eliminated the fees charged on certain ATM transactions, suspended late payment interest on certain financial liabilities for a given term, regulated maximum and minimum rates on certain lending and borrowing products, and introduced changes to debtors' classification criteria by days of arrears, among other measures.

Some of these measures may have a negative impact on our revenues, while the implications of social distancing on business activities may affect some our customers' ability to repay their borrowings, with the ensuing increase in our loan loss provisions. However, these negative impacts may be offset by certain factors, including lower funding costs which have been declining since the onset of the pandemic-related crisis, and changes to liquidity requirements as a result of the pandemic which could increase the Bank's interest income.
As of the date of these financial statements, we believe the pandemic may potentially affect the following areas of the Bank's financial statements:

- Impairment of the commercial and consumer portfolio, and the macroeconomic variables used in calculating expected losses;
- Recoverability of deferred tax assets;
- Measurement of assets at fair value, and assessment of whether representative market prices exist or not;
- Operation of controls on transactions and processes which shifted from on site to online.

This notwithstanding, we cannot reasonably quantify the extent to which the Coronavirus pandemic will affect the Group's business and results of operations in the future if this situation persists over time.
Management is closely monitoring the situation and taking all possible actions to preserve human life and operations.

3. 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 25.

These consolidated financial statements were approved by the Board of Directors at a virtual meeting held on June 3, 2020.

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3.1. 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". (See note 3.2(b)).

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, except for non-financial public sector's debt instruments, which were temporarily waived from the scope of IFRS 9. Finally, by means of Communication "A" 6938, the BCRA postponed the adoption of item 5.5 of IFRS 9 until January 1, 2021, for financial institutions within Group "B", as it is the case of the subsidiary BACS Banco de Crédito y Securitización S.A.

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.

If the Bank had applied the impairment model set out in item 5.5 of IFRS 9, its shareholders' equity as of December 31, 2019 and March 31, 2020 would have been reduced by Ps. 594,850 thousand and Ps. 415,616 thousand, respectively. Such decrease includes the related impact on deferred income tax.

Pursuant to Communication "A" 6114 issued by the BCRA, the Entity has applied the provisions in Note 3.2.c. 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 financial statements fairly present its financial position, financial performance and cash flows.

3.2. Basis for Preparation

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These consolidated financial statements were prepared in accordance with the accounting reporting framework laid down by the BCRA as disclosed in Note 3.1.

In preparing financial statements, the Group is required to make estimates and assessments affecting the reported amounts of assets and liabilities, the disclosure of contingencies, as well as the reported amounts of income and expenses during the period.

In this sense, estimates are made, for instance, to calculate the allowance for credit risk, 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 labor, civil and commercial lawsuits and the fair value of certain financial instruments. Future actual results may differ from the estimates and assessments made as of the date these consolidated 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 financial statements are described in Note 4.

As of the date of these financial statements, they are pending transcription to the Inventory and Balances Book.

The figures included in the consolidated financial statements of each of the Group's companies are expressed in its functional currency, i.e., in the currency of the main economic environment in which they operate. The consolidated condensed interim financial statements are denominated in pesos, which is the Group's functional and presentation currency.

(a) **Going Concern**

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

(b) **Measurement unit**

IAS 29 "Financial Reporting in Hyperinflationary Economies" requires that the financial statements of an entity whose functional currency is that of a hyperinflationary economy be stated in terms of the current measurement unit as of the reporting period-end, regardless of whether such financial statements are based on the historical or the current cost method. To such end, in general terms, entities are required to account for inflation occurring since the acquisition date or the revaluation date, as applicable, in non-monetary items. Such requirements are also applicable to the comparative information disclosed in the financial statements.

The standard sets out a number of factors that should be considered to conclude that an economy is hyperinflationary 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 was required to qualify as highly inflationary as from July 1, 2018.

In turn, Law No. 27,468 (published in the Official Gazette on December 4, 2018) introduced certain changes to Section 10 of Law No. 23,928, as amended, establishing that the repeal of all such legal and regulatory standards which set or authorize price indexation mechanisms, monetary adjustments, changes in costs or any other form of restatement of indebtedness, taxes, prices or rates for goods, works or services, shall not be applicable to financial statements, which should continue to be subject to the provisions of Section 62 in fine of the Argentine Companies Law No. 19,550 (as amended in 1984) and its amendments. In addition, Law No. 27,468 repealed Decree No. 1269/2002 dated July 16, 2002, as amended, and entrusted the Argentine Executive Branch, through its regulatory authorities, with the duty of setting the date as from which the foregoing provisions would come into force in respect of financial statements filed with such regulatory authorities. Therefore, on February 22, 2019, the BCRA handed down Communication "A" 6651 providing that, effective January 1, 2020, financial statements should be prepared in constant currency. Therefore, these condensed interim financial statements as of March 31, 2020 have been restated accordingly.

In accordance with IAS 29, the financial statements of an entity reporting in the currency of a hyperinflationary economy should be presented in the current unit of measurement as of the end of the reporting period. All balances disclosed in the Bank's balance sheet, other than those stated in the current unit of measurement as of the end of the reporting period, should be adjusted by reference to a general price index. All profit & loss items should be reported in terms of a unit of measurement adjusted as of the end of the reporting period by reference to the changes in the general price index occurring since the date on which revenues and expenses were originally recognized in the financial statements.

The inflation adjustment on opening balances was calculated by reference to the indexes established by the Argentine Federation of Professional Councils in Economic Sciences (FACPCE), which are based on the price indexes released by the Argentine Institute of Statistics and Census ("INDEC").

In this respect, by means of Communication "A" 6849, the BCRA mandated that financial statements should be restated into constant currency on a monthly basis, and that the index entities should rely on for such purpose was the Consumer Price Index (CPI) compiled by INDEC (baseline month: December 2016), with previously originated items having to be restated by the Wholesale Domestic Price Index (IPIM) reported by FACPCE. For retroactive application purposes, the transition date is January 1, 2019.

Below is a detail of the main guidelines for the application of the inflation adjustment:

- Monetary assets and liabilities recognized in the measuring unit current at the end of the reporting period should not be restated, for they are already stated in current currency as of the date of the financial statements.

- Non-monetary assets and liabilities carried at cost at the end of the reporting period and equity items should be restated, by reference to the respective adjustment ratios.

- All profit & loss items are restated by reference to the pertinent restatement factors.

- The effects of inflation on the Group's net monetary position are disclosed in the statement of income in a separate line, under "Gain (loss) on net monetary position".

- Comparative figures were adjusted for inflation, following the same guidelines described in the preceding paragraphs.

Upon the first-time application of the inflation adjustment, equity accounts were restated as follows:

- Capital stock was restated since the latter of the subscription date, or the date of the last inflation adjustment for accounting purposes. The resulting amount was carried in "Capital adjustments".

- Translation differences were restated in real terms (where applicable).

- Other reserves were not restated upon first-time adoption.

(c) **Comparative information**

The information contained in these consolidated condensed interim financial statements and in their respective notes as of December 31, 2019 and March 31, 2019, which was prepared in accordance with applicable standards in force in fiscal year 2019, is presented for comparative purposes only with the information as of March 31, 2020.

Given the retroactive adoption of the impairment model set out in item 5.5 of IFRS 9–other than in respect of non-financial public sector debt's instruments, which were temporarily excluded from the scope of IFRS 9–mandated by the BCRA under Communication "A" 6778, and the required restatement of financial statements pursuant to IAS 29, the Group:

1) retroactively restated the figures disclosed in the balance sheet as of December 31, 2019 to present them as if the new accounting policies had been applied since January 1, 2019, and

2) retroactively restated the figures disclosed in the statements of income, other comprehensive income, changes in shareholders' equity, and cash flows as of March 31, 2019 to present them as if the new accounting policies had been applied since January 1, 2019.

(d) **Changes to existing, and new accounting standards**

As new, or amendments to existing, IFRS are approved or repealed, and once these changes are adopted by way of Approval Circulars issued by FACPCE, the BCRA will decide whether to approve them or not for financial institutions. Generally, early adoption of IFRS will not be admitted, unless otherwise specifically stated at the time of adoption.

Changes introduced during the first quarter of 2020

Below is a detail of the changes during the fiscal quarter ended March 31, 2020:

(i) **Impairment of financial assets (Item 5.5. of IFRS 9):** By means of Communications "A" 6430 and 6847, as amended, the BCRA mandated that Financial Institutions should start adopting the provisions on impairment of financial assets contained in item 5.5 of IFRS 9, since fiscal years commencing on and after January 1, 2020, except in respect of non-financial public sector's debt instruments, which were temporarily waived from the scope of IFRS 9. Finally, by means of Communication "A" 6938, the BCRA postponed the adoption of item 5.5 of IFRS 9 until January 1, 2021, for Group "B" financial institutions, as it is the case of the subsidiary BACS Banco de Crédito y Securitización S.A.

If the Bank had applied the impairment model set out in item 5.5 of IFRS 9, its shareholders' equity as of December 31, 2019 and March 31, 2020 would have been reduced by approximately Ps. 594,850 thousand and Ps. 415,616 thousand, respectively. Such decrease includes the related impact on deferred income tax.

IFRS 9 provides for an expected credit loss (ECL) model which classifies financial assets into three stages of impairment, based on the changes in credit quality since initial recognition, indicating how an entity measures impairment losses and applies the effective interest method. Note 3.11 includes further details on how expected credit losses are measured.
By means of Communication "A" 6778, the BCRA stated that, in adopting the guidelines in item 5.5 of IFRS 9, financial institutions will be required to:

i. rely on internal models fully consistent with all the requirements of IFRS 9, which shall be applied to all assets subject to the scope of such standard, except for the temporary waiver referred to in the first paragraph, and
ii. retroactively apply the standard, with January 1, 2019 being established as transition date.

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Below is a reconciliation between the allowances for loan losses as of December 31, 2019 calculated in accordance with the revised language of the BCRA's guidelines on "Classification of debtors" and "Minimum allowances for loan losses" and the new allowances for loan losses calculated in accordance with the expected credit loss model set out under IFRS 9, considering the temporary waiver referred to in the first paragraph of Note 3.1.(d):

Financial instrument category	Allowance for loan losses under the BCRA's accounting reporting framework in force as of December 31, 2019	Re-measurement	Allowance for credit risk under IFRS 9 (as per scope of Communications "A" 6847 and 6938)
Other financial assets	34,452	-	34,452
Loans and other financing arrangements	3,483,449	1,657,211	5,140,660
Other debt securities	12,906	-	12,906
Off-balance sheet items	-	195,991	195,991
Total	**3,530,807**	**1,853,202**	**5,384,009**

Note 3.3. includes further details on the calculation of the allowance for credit risk under the expected credit loss model established by IFRS 9, within the scope set forth by the BCRA.

(ii) **Restatement of financial statements for inflation (IAS 29):** As mentioned in Note 3.1.(b), on February 22, 2019, the BCRA handed down Communication "A" 6651 providing that, effective since January 1, 2020, financial statements should be prepared into constant currency. Accordingly, these condensed interim financial statements as of March 31, 2020 were restated consistently with the guidelines in IAS 29 "Financial reporting in hyperinflationary economies" and Communication "A" 6849 of the BCRA.

(iii) **Other amendments to the accounting reporting framework established by the BCRA:** By way of Communication "A" 6847, the BCRA mandated that, effective since January 1, 2020, financial institutions may reclassify non-financial public sector's financial instruments measured at fair value through profit or loss, and at fair value through other comprehensive income to measurement at amortized cost, using their respective book values as of such date as acquisition cost. The Group has not availed of the special criteria permitted by the BCRA.

Below is a detail of the new standards, amendments and interpretations that have been released but have not yet come in force for fiscal years beginning on January 1, 2020 and thereafter, and which have not been early adopted:

IFRS 17 "Insurance Contracts": On May 18, 2017, the IASB issued IFRS 17 "Insurance Contracts", providing a comprehensive framework based on measurement and disclosure criteria for all insurance contracts. The new standard will supersede IFRS 4 "Insurance Contracts", and combines current measurement of the future cash flows with the recognition of profit over the period that services are provided under the contract. The standard is effective for annual reporting periods beginning on or after November 1, 2021. The Group is currently assessing the impact of the adoption of this new standard.

There are no other IFRS or IFRIC interpretations which have not come effective yet and which are expected to have a material impact on the Group.

3.3 Impairment of financial assets

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

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

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

(b) the time value of money; and

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

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

• The Group will classify a financial instrument in "Stage 1" if, at the reporting date, such instrument has not experienced a significant increase in credit risk since initial recognition.

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• Stage 2 includes financial instruments that have had a significant increase in credit risk ("SICR") since initial recognition, but that do not have objective evidence of impairment.

• If there is objective evidence of impairment, the financial instrument is moved to “Stage 3.”

• For financial instruments in “Stage 1”, the Group will measure ECLs at an amount equal to the portion of expected credit losses during the asset lifetime that result from default events that are possible within 12 months after the reporting date. For financial instruments in “Stage 2” and “Stage 3”, the Group measures the ECLs during the asset lifetime (hereinafter, “Lifetime”). Note 3.3.1 describes how the Group determines whether or not there was a significant increase in credit risk.

• A common approach in ECL measurement under IFRS 9 is the use of forward-looking information.

• Purchased or originated credit-impaired financial assets are financial assets which are credit impaired at initial recognition. The ECLs from these financial instruments are always measured during the asset lifetime (“Stage 3).

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

Changes in credit quality since initial recognition

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

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

3.3.1 – Significant increase in credit risk

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

The analysis also relies on several criteria, depending on the product at issue.

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For instance, for consumer loans and credit cards, if debtor meets one or both of the following conditions:

- Contractual payments are over 30 days past due;
- Contractual payments are past due, with observable adverse changes in customer's credit scoring.

Generally, for the retail portfolio, the Group considers a financial instrument has experienced a significant increase in credit risk when contractual payments are over 30 days past due.

For the commercial portfolio, a significant increase in credit risk will be presumed to exist if a transaction concurrently meets the following features:

- Transactions from customer on the "watchlist"
- Transactions over 30 days past due but without default

New customers on the "watchlist" are periodically reviewed when an increase in the identified credit risk is perceived due to, for instance, any of the following events: Returned checks, arrears in payment, impaired financial condition and/or changes in management resulting in credit rating downgrades, operating risks, increased risk in customer's business sector, involvement in legal proceedings, breaches of clean-up or other committed covenants, changes in the customary use of credit facilities, or any other element indicating a change in the risk perception.

Given the characteristics inherent to the commercial portfolio, 30 days' arrears in payment is not a sufficient condition to presume a significant increase in credit risk has occurred, since such delay could be attributable to operating or management events, regardless of customer's repayment capacity. To be able to adequately identify an increase in credit risk, customers newly placed on watchlists should also be individually analyzed.

3.3.2 –Individual and collective assessment basis

ECLs are estimated on an individual as well on a collective basis. In estimating ECLs on an individual basis, the Group seeks to calculate expected losses for significant impaired risks or risks classified in Stage 2. In these cases, credit losses are calculated as the difference between expected future cash flows discounted at the effective interest rate of the transaction and the book value of the instrument. In estimating expected losses on a collective basis—the practice used for debtors within the retail portfolio—instruments are classified into groups of assets based on their inherent risk characteristics. Exposures within each group are segmented on the basis of similar credit risk characteristics, which are indicative of debtor's payment ability, according to applicable contractual conditions. Credit risk characteristics may encompass the following factors, among others:

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

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

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

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

Each customer is assigned a PD based on that customer's Credit Rating and segment.

The LGD is assigned to each transaction, based on the related collateral and the segment the respective customer belongs to.

The Wholesale Banking Credit Risk team periodically monitors and reviews that financial instruments within the commercial portfolio are adequately pooled.

3.3.3 – Definition of default and impaired credit

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

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

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

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

Average transition matrix for Mortgage Loans

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

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

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

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

3.3.4 –Measurement of expected credit losses (ECL) - Inputs, assumptions and calculation methods explained

ECLs are measured over a 12-month period or during the instrument lifetime, depending on whether a significant increase in credit risk has occurred since initial recognition or if an asset is deemed credit impaired. ECLs are the discounted product of the PD, EAD and LGD, defined as follows:

• PD represents the probability of a debtor's defaulting on a financial liability (as per the "Definition of default and credit impairment" disclosed in Note 3.3.3), whether over the following 12 months or the financial asset remaining life ("Lifetime PD").

• The EAD is based on the amounts the Group expects to be overdue at the time of the default, during the subsequent 12 months, or otherwise during the financial asset remaining life (Lifetime EAD). For instance, for revolving commitments, the Group includes the current drawn down balance, plus any additional amount expected to be drawn down, up to the current contractual limit at the time of default, if finally occurring.

• The LGD represents the Group's expected loss on any given exposure at default. The LGD will vary depending on the type of counterparty, nature and aging of the claim, and also depending on the availability of collateral or other form of credit enhancement. The LGD is stated as a percentage of loss per EAD unit, and is calculated over a 12-month base period or throughout the instrument lifetime, where the 12-month LGD is the percentage of loss expected to be incurred, if default occurs in the next 12 months, while lifetime LGD is the percentage of loss expected to be incurred if default occurs during the financial instrument lifetime.

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

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

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

• For non-revolving products, EAD is based on contractual payments owing by borrower during a 12-month period or throughout Lifetime.

• For revolving products, EAD is calculated considering the drawn down balance (used up limit) and adding a "credit conversion factor" to calculate to what extent borrower's outstanding debt will increase upon default.

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

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

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

The Group includes forward-looking economic information in the calculation of 12-month PD and Lifetime PD. See Note 3.3.5 for further details on the forward-looking information and how it is considered for ECL calculation purposes.

3.3.5 – Forward-looking information considered in expected credit loss models

The ECL model incorporates macroeconomic forward-looking information in determining the default probabilities associated with the commercial portfolio. The Group carried out certain historical analyses and identified the key economic variables affecting credit risk and expected credit losses for each portfolio segment (Corporate and SMEs), including:

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

These economic variables and their associated impact on PD vary, according to the segment in question. Expert judgment is also required in this process. On a quarterly basis, the Group's Strategic and Commercial Planning team makes available forecasts of these economic variables ("baseline economic scenario"), which depict the best estimate of how the economy will look like over the next 2 years. The impact of these economic variables has been determined by statistical regression in order to understand the impact that the changes in these variables have historically had on default ratios.

Apart from the afore-mentioned baseline economic scenario, the Group's Strategic and Commercial Planning also develops other potential scenarios, together with their respective weightings. The number of other scenarios used by the Group is established by analyzing the main products in order to ensure the nonlinearity effect between the future economic scenario and its associated expected credit losses is duly captured. The number of scenarios and their respective attributes are annually reassessed.

As of January 1, 2020 and March 31, 2020, the Group identified **3** scenarios that were able to duly capture nonlinearities across all portfolios. Scenario weightings are determined by a combination of statistical analyses and expert judgment, taking into account the range of possible outcomes best represented by each selected scenario. Like in any other economic forecast, projections and probabilities of occurrence are subject to a high degree of intrinsic uncertainty. As such, actual results may substantially differ from these forecasts. The Group considers that these forecasts represent its best estimate of possible outcomes, and has assessed the non-lineal and asymmetric impacts within the Group's several portfolios to determine that the chosen scenarios are representative of the range of possible outcomes.

Below is a detail of the weightings assigned to each scenario as of March 31, 2020:

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

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3.3.6 – Maximum exposure to credit risk

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

March 31, 2020				
(in thousands of Ps.)				
Items	Stage 1	Stage 2	Stage 3	Total
<u>Commercial Portfolio</u>				
Other financial assets	1,791,054	-	-	1,791,054
Loans and other financing arrangements				
Other financial institutions	10,467	-	-	10,467
Non-financial private sector and foreign residents				
Overdraft facilities	165,816	54	60,343	226,213
Promissory notes	132,621	-	938	133,558
Mortgage loans	56,595	-	188,214	244,809
Pledge loans	76,405	-	-	76,405
Financial leases	41,398	432	1,438	43,268
Others	7,499,162	1,020	4,436,801	11,936,982
Other debt securities	5,179,148	-	-	5,179,148
Gross book value	**14,952,665**	**1,506**	**4,687,734**	**19,641,905**
Allowance for loan losses	(121,416)	(2)	(2,829,544)	(2,950,963)
Book value	**14,831,249**	**1,504**	**1,858,190**	**16,690,942**
<u>Retail Portfolio (Consumer Portfolio)</u>				
Loans and other financing arrangements				
Non-financial private sector and foreign residents				
Overdraft facilities	19,600	10,146	8,029	37,775

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Mortgage loans	6,698,967	104,897	24,352	6,828,216
Consumer loans	4,122,263	761,719	580,639	5,464,621
Credit cards	16,101,073	521,232	781,769	17,404,074
Others	502,069	7,583	320	509,972
Gross book value	**27,443,972**	**1,405,577**	**1,395,109**	**30,244,658**
Allowance for loan losses	(703,435.98)	(326,680.14)	(1,061,942.44)	(2,092,059)
Book value	**26,740,536**	**1,078,897**	**333,167**	**28,152,599**

3.3.7 – Collateral and other credit enhancements

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

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

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

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

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

Below is a detail of the book value and fair value of the Group's collateral as of March 31, 2020:

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Impaired credit	Gross exposure	Allowance for loan losses	Book value	Collateral fair value
Overdraft facilities	13,626	10,747	2,878	-
Promissory notes	938	750	188	-
Mortgage loans	222,462	38,879	183,584	4,079,594
Consumer loans	580,959	434,755	146,204	-
Credit cards	781,769	574,766	207,003	-
Financial leases	1,728	156	1,572	1,665
Others	4,620,612	2,827,366	1,793,246	1,850,644
Other debt securities	17,552	4,068	13,484	-
Total impaired credit	**6,239,645**	**3,891,486**	**2,348,159**	**5,931,903**

3.3.8 – Allowance for credit risk

The allowance for credit risk recognized for the period is affected by several factors, including:

• Transfers between Stage 1 and Stages 2 or 3 due to the financial instruments having experienced significant increases (or decreases) in credit risk or impairment during the period, and the ensuing "increase" (or "decrease") in 12-month ECLs and Lifetime ECLs;

• Additional allocations for new financial instruments recognized during the period, as well as reversals for financial instruments derecognized during the period;

• Impact of changes in PD, EAD and LGD on ECL measurement over the period, resulting from the periodical adjustment of inputs on models;

• Impacts on ECL measurement due to changes in models and assumptions;

• Impacts due to the passage of time as a consequence of present value adjustments;

• Translation into local currency for foreign-currency denominated assets and other movements; and

• Financial assets derecognized over the period and application of allowances related to assets derecognized during the period (Note 3.3.9).

Schedule R shows the changes in the allowance for credit risks from the beginning of the period until the period end, broken down by stages.

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3.3.9 – Write-off policy

The Group writes off financial assets, in whole or in part, when it has exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include (i) ceasing enforcement activity, and (ii) where the Group's recovery method is foreclosing on collateral and the value of the collateral is such that there is no reasonable expectation of recovery in full.
The Group may write off financial assets which are still subject to enforcement activity. The outstanding contractual amounts of such assets written off during the period ended March 31, 2020 amounted to Ps. 596,265 thousand. The Group still seeks to recover amounts legally owed to it in full, but which have been partially written off since there is no reasonable expectation of full recovery.

	March 31, 2020
	(in thousands of Ps.)
Opening balance	4,627,417
Additions due to write-offs for the period	596,266
Deletions due to recoveries	(116,507)
Deletions due to accounting recognition	(18,084)
Monetary restatement and other movements	(280,830)
Closing balance	4,808,262

3.3.10 – Modification of financial assets

The Group sometimes modifies the contractual terms of loans granted to customers due to commercial renegotiations, or for distressed loans, with a view to maximizing recovery.
Such restructuring activities included extended payment term arrangements, grace periods and payment forgiveness. Restructuring policies and practices are based on indicators or criteria which, in management's judgment, indicate that payment will most likely continue. These policies are constantly monitored.

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

4. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of condensed interim financial statements in accordance with the accounting reporting 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 accounting standards set forth by the Argentine Central Bank to establish the Bank's accounting policies.

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

a- Fair value of derivate instruments and other financial instruments

The fair value of financial instruments not listed in active markets is determined using valuation techniques. Such techniques are validated and reviewed periodically by qualified personnel independent from the area which developed them. All models are assessed and adjusted before being put into use in order to ensure that results reflect current information and comparable market prices. Where possible, models rely on observable information only; however, certain factors, such as the Group's own and the counterparty's credit risk, volatilities and correlations, require the use of estimates. Changes in the assumptions about these factors may affect the reported fair value of financial instruments.
The information concerning instruments which were not measured in accordance with market data is detailed in Note 6.

b- Impairment losses on loans and advances

Effective since January 1, 2020, the Group adopted the guidelines in item 5.5. of IFRS 9 concerning impairment of financial assets, with retroactive effects to January 1, 2019, and within the scope set out in Nota 3.2.d) (i). Accordingly, the Group assesses expected credit losses (ECL) on the basis of a forward-looking approach to the credit risk associated with financial assets measured at amortized cost, debt instruments measured at fair value through other comprehensive income, receivables from lease arrangements, and commitments and pledged collateral not measured at fair value, except for non-financial public sector's debt instruments which were temporarily waived from the scope of IFRS 9. By means of Communication “A” 6938, the BCRA postponed the adoption of item 5.5 of IFRS 9 until January 1, 2021 for Group "B" financial institutions, as it is the case of the subsidiary BACS Banco de Crédito y Securitización S.A. Therefore, BACS's allowance for loan losses was calculated in accordance with the accounting standards set forth by the BCRA.

The measurement of expected credit losses requires the use of complex models and significant assumptions about future economic conditions and credit behavior (such as the probability of a customer's default, resulting in losses for the Group). The inputs, assumptions and techniques used in measuring ECLs are explained in more detail in paragraph 3.3 of Note 3, including the key sensitivities of ECL to changes in such elements.

It should be noted that significant judgment is required in applying accounting requirements for ECL measurement purposes, including:

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- Definition of significant increase in credit risk criteria
- Selection of appropriate models and assumptions for ECL measurement
- Definition of the number and relative weightings for the forward-looking scenarios associated with each portfolio segment and the related ECLs, and
- Definition of groups of similar financial assets for ECL measurement purposes

c- Impairment of non-financial assets

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

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

d- Fair value of Investment Property and Non-current Assets held for sale

The fair value of real property recorded in the Investment property and Non-current assets held for sale items is assessed by independent appraiser experts outsourced to assess the value of each item of real property. Such appraiser experts act as advisors of the Board of Directors and have an obligation to meet the market knowledge, reputation and independence conditions, as well as the applicable professional standards.

The fair value of investment property and a non-current asset held for sale is the price for which it could be exchanged between interested and duly informed parties, in a transaction carried out on an arm's length basis.

Valuations are carried out using the market approach, which assumes a well-informed buyer will not pay for an asset more than the purchase price for a similar asset. When applying this approach, the independent appraiser analyzes recent sales or offers of similar comparable properties. If there are no identical comparables for the asset, the sale price of comparables are adjusted to match the characteristics of the relevant asset.

The periodicity for valuation reviews is based on the findings of monitoring procedures for changes in the fair value of assets carried out before the end of each fiscal year. Valuation reviews shall be carried out at least every 5 years, even if changes in fair value of assets are not significant for prior periods.

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General Manager

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e- Income tax and deferred tax

The assessment of current and deferred tax assets and liabilities requires a significant level of judgment. Current income tax is accounted for according to the amounts expected to be paid, while deferred income tax is accounted for on the basis of the temporary differences between the book value of assets and liabilities and their tax base, at the rates expected to be in force at the time of reversal of such differences.
A deferred tax asset is recognized when future taxable income is expected to exist to offset such temporary differences, based on management's assumptions about the amounts and timing of such future taxable income. Then, management needs to determine whether deferred tax assets are likely to be used and offset against future taxable income. Actual results may differ from these estimates, for instance, changes in the applicable tax laws or the outcome of the final review of the tax returns by the tax authorities and tax courts.

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

f- Provisions for lawsuits

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

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

5. STATEMENT OF CASH FLOWS

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

	03/31/2020	12/31/2019
	(In thousands of Ps.)	
Cash	2,109,261	2,376,681
Financial institutions and correspondents	21,100,133	16,673,163
Others	-	871,648
Cash and cash equivalents	**23,209,394**	**19,921,492**

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	Balance as of 12/31/19	Cash flows		Other non-cash movements	Balance as of 03/31/20
		Collections	Payments		
Negotiable obligations issued	31,300,496	3,504,743	(2,667,605)	100,990	32,238,624
Loans from the BCRA and other financial institutions	163,767	13,099,466	(13,030,000)	830,079	1,063,312
Net debt	**31,464,263**	**16,604,209**	**(15,697,605)**	**931,069**	**33,301,936**

6. FINANCIAL INSTRUMENTS

The Group held the following financial instrument portfolios:

Instrument portfolio as of 03/31/2020	Fair value – Net income (loss)	Amortized cost	Fair value – OCI	Total
	(In thousands of Ps.)			
Assets	**18,873,406**	**72,096,046**	**-**	**90,969,452**
Cash and bank deposits	-	23,209,394	-	23,209,394
Debt securities at fair value through profit or loss	15,663,922	-	-	15,663,922
Derivative instruments	5,488	-	-	5,488
Repo transactions	-	1,910,356	-	1,910,356
Other financial assets (1)	800,895	1,791,054	-	2,591,949
Loans and other financing arrangements	-	37,919,591	-	37,919,591
Other debt securities	-	3,357,669	-	3,357,669
Financial assets pledged as collateral	2,213,394	3,907,982	-	6,121,376
Investments in equity instruments	189,707	-	-	189,707
Liabilities	**(1,029,760)**	**(84,868,394)**	**-**	**(85,898,154)**
Deposits	-	(42,796,217)	-	(42,796,217)
Liabilities at fair value through profit or loss	(1,023,825)	-	-	(1,023,825)
Derivative instruments	(5,935)	-	-	(5,935)
Repo transactions	-	(1,404,410)	-	(1,404,410)
Other financial liabilities	-	(7,365,831)	-	(7,365,831)

Loans from the Argentine Central Bank and other financial institutions	-	(1,063,312)	-	(1,063,312)
Negotiable obligations issued	-	(32,238,624)	-	(32,238,624)
Total	**17,843,646**	**(12,772,348)**	**-**	**5,071,298**

(1) On March 30, 2020, the Shareholders' meeting of BHN Sociedad de Inversión S.A. approved the distribution of dividends on income for fiscal year 2019 for Ps. 1,217,000 thousand (out of the total approved, 99.99% correspond to BHSA), which are pending collection and accounted for under Other financial assets as of March 31, 2020.

Instrument portfolio as of 03/31/2019	Fair value – Net income (loss)	Amortized cost	Fair value – OCI	Total
	(In thousands of Ps.)			
Assets	**9,107,152**	**75,971,584**	**-**	**85,078,736**
Cash and bank deposits	-	19,921,492	-	19,921,492
Debt securities at fair value through profit or loss	7,866,810	-	-	7,866,810
Derivative instruments	4,549	-	-	4,549
Repo transactions	-	4,516,502	-	4,516,502
Other financial assets	573,810	1,224,151	-	1,797,961
Loans and other financing arrangements	-	41,861,851	-	41,861,851
Other debt securities	-	5,166,080	-	5,166,080
Financial assets pledged as collateral	214,166	3,281,508	-	3,495,674
Investments in equity instruments	447,817	-	-	447,817
Liabilities	**(661,130)**	**(78,866,579)**	**-**	**(79,527,709)**
Deposits	-	(38,507,921)	-	(38,507,921)
Liabilities at fair value through profit or loss	(645,747)	-	-	(645,747)
Derivative instruments	(15,383)	-	-	(15,383)
Repo transactions	-	(1,080,666)	-	(1,080,666)
Other financial liabilities	-	(7,813,729)	-	(7,813,729)
Loans from the Argentine Central Bank and other financial institutions	-	(163,767)	-	(163,767)
Negotiable obligations issued	-	(31,300,496)	-	(31,300,496)
Total	**8,446,022**	**(2,894,995)**	**-**	**5,551,027**

Repo transactions
The account is breakdown as follows:

Assets	03/31/2020	12/31/2019
	(In thousands of Ps.)	
Repo transactions	1,956,406	4,510,998

Liabilities	03/31/2020	12/31/2019
	(In thousands of Ps.)	
Repo transactions	(1,561,587)	(1,067,493)

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. 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 03/31/2020	Level 1 Fair Value	Level 2 Fair Value	Level 3 Fair Value
	(In thousands of Ps.)		
Assets	**18,639,223**	**345,940**	**-**
Debt securities at fair value through profit or loss	15,335,654	328,268	-
Derivative instruments	-	5,488	-
Other financial assets	800,021	874	-
Financial assets pledged as collateral	2,213,394	-	-
Investments in equity instruments	178,397	11,310	-
Liabilities	**(1,023,825)**	**(5,935)**	**-**
Liabilities at fair value through profit or loss	(1,023,825)	-	-
Derivative instruments	-	(5,935)	-
Total	**17,615,398**	**340,005**	**-**

Instrument portfolio as of 12/31/2019	Level 1 Fair Value	Level 2 Fair Value	Level 3 Fair Value
	(In thousands of Ps.)		
Assets	**8,985,544**	**121,608**	**-**
Debt securities at fair value through profit or loss	7,762,885	103,925	-
Derivative instruments	-	4,549	-
Other financial assets	572,868	942	-
Financial assets pledged as collateral	214,166	-	-
Investments in equity instruments	435,625	12,192	-
Liabilities	**(645,747)**	**(15,383)**	**-**
Liabilities at fair value through profit or loss	(645,747)		-
Derivative instruments	-	(15,383)	-
Total	**8,339,797**	**106,225**	**-**

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

As of March 31, 2020 and December 2019, the group has not recorded any inter-level transfers.

Valuation Techniques

Valuation techniques to determine fair values include:

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- 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.

Fair value of other financial instruments

The Group has financial instruments that are measured at amortized cost. For cash and bank deposits, repo transactions, other financial assets, financial assets pledged as collateral, deposits, other financial liabilities and loans from the BCRA and other financial institutions, 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 03/31/2020	Amortized cost	Fair Value	
		Amount	Level
	(In thousands of Ps.)		
Loans and other financing arrangements	37,919,591	35,938,234	Level 2
Other debt securities	3,357,669	2,729,134	Level 1 and 2
Negotiable obligations issued	(32,238,624)	(28,369,470)	Level 1 and 2

Instruments as of 12/31/2019	Amortized cost	Fair Value	
		Amount	Level
	(In thousands of Ps.)		
Loans and other financing arrangements	41,861,851	39,790,841	Level 2
Other debt securities	5,166,080	4,487,340	Level 1
Negotiable obligations issued	(31,300,496)	(21,445,163)	Level 1 and 2

Impairment (Schedule R)

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

	03/31/2020
	(In thousands of Ps.)
Balance at the beginning	**5,384,009**
Loan loss provision	365,926
Reversed provisions	(76,421)

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Write-offs	(596,265)
Other changes	130,395
Final balance	**5,207,644**

7. LOANS AND OTHER FINANCING ARRANGEMENTS

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

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

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

Based on the foregoing, the 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:

	03/31/2020	**12/31/2019**
	(In thousands of Ps.)	
To the non-financial public sector	**62**	**40**
Other financial institutions	**10,394**	**16,364**
Other loans to domestic financial institutions	10,450	22,034
Accrued interest, adjustments and quotation differences receivable	17	(5,542)
Provision for loan losses (Schedule R)	(73)	(128)

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To the non-financial private sector and foreign residents	**37,909,135**	**41,845,447**
Overdraft facilities	263,988	313,884
Promissory notes	133,558	160,113
Mortgage loans	7,073,025	7,258,006
Pledge loans	76,405	106,269
Consumer loans	5,464,621	6,808,928
Credit cards	17,404,074	19,340,919
Financial leases	43,268	61,034
Loans to entity's personnel	328,115	345,180
Unallocated collections	(6,842)	(8,452)
Others	11,413,190	12,060,468
Accrued interest and quotation differences receivable	739,072	562,904
Documented interest	(26,581)	(23,274)
Provision for loan losses (Schedule R)	(4,996,758)	(5,140,532)
Total loans and other financing arrangements	**37,919,591**	**41,861,851**

8. TRANSFER OF FINANCIAL ASSETS

The Bank has made transfers of financial assets as described in Note 24.3. 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 (January 1, 2017).

However, the Bank has adopted the IFRS for the first time after its subsidiary Tarshop. Therefore, the book values of this subsidiary's assets and liabilities have been measured in the Bank's consolidated financial statements for the same book values 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, 2020:

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

Furthermore, as of March 31, 2020, the Group maintains the following repo transactions:

- Ps. 1,956,406 thousand in Repos booked under off-balance sheet accounts.
- Ps. 1,561,587 thousand in Repos booked under “Financial assets pledged as collateral”.

9. OTHER NON-FINANCIAL ASSETS AND LIABILITIES

9.1. Bank premises and equipment

Changes in bank premises and equipment for the period ended March 31, 2020 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 03/31/2020	As of 12/31/2019
- Real estate	3,440,475	-	(46,708)	(154,538)	4,281	(23,065)	3,220,445	3,377,021
- Furniture and fixtures	795,468	3,828	(131)	(546,289)	-	(10,474)	242,402	248,421
- Machinery and equipment	3,554,673	966	(5,082)	(3,215,652)	5,645	(47,524)	296,026	341,278
- Vehicles	1,818	-	-	(1,376)	-	(91)	351	442
- Right of use of leased real properties	415,716	28,473	-	(140,673)	-	(35,778)	267,737	274,852
- Right of use of leased properties	75,185	-	-	(56,630)	-	(1,429)	17,126	18,556
- Miscellaneous	114,495	2	(140)	(97,565)	200	(1,450)	15,542	16,930
- Works in progress	213,519	346					213,865	213,517
- Impairment	(108,716)	44,874	-	-	-	-	(63,842)	(108,716)
Total bank premises and equipment	**8,502,633**	**78,489**	**(52,061)**	**(4,212,723)**	**10,126**	**(116,811)**	**4,209,652**	**4,382,301**

Additional information

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	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 real properties	Straight line basis	Within the term of each lease agreement
- Miscellaneous	Straight line basis	5
- Works in progress	-	-

9.2 Intangible assets

Changes in intangible assets, which include expenses for the development of own systems, for the period ended March 31, 2020 were as follows:

	03/31/2020 (In thousands of pesos)
Initial net book value	**349,884**
Increases due to development	102,122
Depreciation fee (1)	(60,154)
Monetary income (loss)	(78,294)
Net book value at period-end	**313,558**
Cost	993,847
Accumulated depreciation	(680,289)
Net book value at period-end	**313,558**

(1) The accounting allocation of depreciations for the period is reported in Note 3.

Additional information

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

9.3. Other non-financial assets

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

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	03/31/2020	12/31/2019
	(In thousands of Ps,)	
Investment property	537,971	579,931
Tax prepayments	764,203	149,657
Prepaid fees to directors' and supervisory committee's members	92,566	75,324
Other prepayments	196,832	164,798
Other miscellaneous assets	102,729	105,889
Total other non-financial assets	**1,694,301**	**1,075,599**

<u>Investment property</u>

For all investment property, the fair value is based in appraisals performed by independent experts with recognized professional capacity and expertise in the place and category of the investment property (level 3). Changes in fair value are recognized in other operating revenues or expenses, as applicable. The Group estimates that, if the other factors remain constant, a 10% reduction in the sale price during the period ended March 31, 2020 would have reduced the value of investment property by Ps. (53,797) thousand and would have impacted in other operating expenses.

Changes in investment property for the period ended March 31, 2020 were as follows:

	Leased real properties	03/31/2020
	(In thousands of Ps.)	
Initial book value	**537,971**	**537,971**
Book value at period-end	**537,971**	**537,971**

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

	03/31/2020	03/31/2019
	(In thousands of pesos)	
Rentals	2,338	2,268
Direct expenses from property management	-	(906)

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Net results from investment property as of March 31, 2020 and December 31, 2019 amount to a profit of Ps. 2,338 thousand, and Ps. 6,132 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, 2020, there were no sales of investment property.

Likewise, there are no contractual obligations to acquire, build or develop investment properties, or for repairs, maintenance or improvements of investment property.

9.4. Other non-current assets held for sale

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.

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

As of March 31, 2020, the referred building is classified as “Non-current asset held for sale” (IFRS 5) and subject to a sales plan prepared by the Department of Comprehensive Development of Housing and has been valued at the lesser between the book value and the market value less sales expenses, amounting to a book value as of March 31, 2020 and December 31, 2019, of Ps. 4,834,003 thousand and Ps. 4,930,590 thousand, respectively.

9.5. Other non-financial liabilities

Balances of other non-financial liabilities are as follows:

	03/31/2020	**12/31/2019**
	(In thousands of Ps.)	
Miscellaneous payables	(56,316)	1,155,999
Salaries and social security charges	927,675	804,953
Other taxes payable	198,424	390,675
Directors’ and Supervisory committee’s members’ fees	180,732	147,860
Tax withholdings and collections payable	254,461	300,641
Employee benefits payable (a)	79,486	218,086
Customers’ loyalty programs	56,191	56,904

Advanced payments for the sale of goods	-	10,008
Dividends payable	217,578	623
Total other non-financial liabilities	**2,858,231**	**3,085,749**

10. INCOME TAX

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

	03/31/2020	12/31/2019
	(In thousands of Ps.)	
Minimum notional income tax credit	330,799	356,599
Income tax prepayments	1,816	1,915
Total current income tax assets	**332,615**	**358,514**

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

	03/31/2020	03/31/2019
	(In thousands of Ps.)	
Income tax recovery charged to the statement of income	29,776	33,645
Income tax recovery charged to the statement of other comprehensive income	-	-
Total income tax recovery	**29,776**	**33,645**

The table below shows a reconciliation of the income tax liability charged to income as of March 31, 2020 and 2019 and the income tax liability resulting from applying the effective tax rate to taxable income:

	03/31/2020	03/31/2019
	(In thousands of Ps.)	
Income for the period before income tax	**(461,638)**	**(1,232,950)**
Effective tax rate	30%	30%
Income for the period at the tax rate	**(138,491)**	**(369,885)**
Permanent differences at the tax rate:		

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Manuel J.L. Herrera Grazioli
General Manager

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- Income (loss) Tierra del Fuego	(3,316)	(759)
- Net income ProCrear	(19,846)	(29,008)
- Donations	528	1,402
- Gain (loss) on net monetary position	203,507	234,040
- Other	(77,684)	197,855
Tax inflation adjustment	65,078	-
Total income tax expense for the period	**29,776**	**33,645**

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, 2020, and to 25% for fiscal years commencing on, and including, January 1, 2021.

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, 2020 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, 2021 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.

Law No. 27,468 amended the transition rules set out by Law No. 27,430 regarding the application of the inflation adjustment for tax purposes under Section 95 of the Income Tax Law, establishing that such adjustment will be applicable for fiscal years commencing on and after January 1, 2018, provided the changes in the Consumer Price Index (CPI), calculated since the beginning until the end of the fiscal year, are in excess of fifty five per cent (55%) during the first fiscal year, thirty per cent (30%) during the second fiscal year, and fifteen per cent (15%) during the third fiscal year. According to such law, one third of the resulting inflation adjustment, whether positive or negative, should be charged during that fiscal year, with the remaining two thirds being chargeable, in equal parts, over the two immediately following fiscal years. As of the date of these financial statements, the Board of Directors, after due consideration, has concluded that the guidelines set forth in the Income Tax Law for the reinstatement of the inflation adjustment for tax purposes would be met at year-end; therefore, taxable income for the year (which resulted in a tax loss) was assessed considering such adjustment. The effect of the deferral of the five sixths of the gain (loss) on net monetary position, as defined in the Income Tax Law, has been recognized as a deferred tax asset.

Deferred tax assets and liabilities

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

	Balance as of 12/31/2019	**Balance charged to income / (loss)**	**Balance as of 03/31/2020**
	(In thousands of Ps.)		
Allowance for loan losses	1,164,791	769,622	1,934,413
Bank premises and equipment and assets held for sale	(1,670,382)	15,646	(1,654,736)
Foreign-currency valuation	(25,314)	(2,007)	(27,321)
Provisions	153,745	(25,056)	128,689
Other	27,149	(24,881)	2,268
Valuation of securities and shares	(92,982)	(77,640)	(170,622)
Tax inflation adjustment	644,655	(65,078)	579,577
Tax losses	526,316	(434,341)	91,975
Total deferred tax assets, net	**727,978**	**156,265**	**884,243**

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

Generation period	**Balance as of 03/31/2020**	**Expiration period**
2018	720	2023
2019	91,255	2024
Total	**91,975**	

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

11. NEGOTIABLE OBLIGATIONS ISSUED

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

					Book value	
	Issue Amount	Issue date	Maturity date	Annual interest rate	03/31/2020	12/31/2019
Banco Hipotecario S.A. (1)					(In thousands of Ps.)	
XXIX tranche I	US$200,000	11/30/15	11/30/20	9.75%		
XXIX tranche II	US$150,000	05/23/16	11/30/20	8.00%	18,633,270	18,222,698
XL	$6,078,320	10/12/16	01/11//20	Badlar+2.50%	-	776,553
XLII	$645,638	02/20/17	02/20/20	Badlar+3.20%	-	287,998
XLIII	UVA54,606	05/08/17	05/08/20	2.75%	1,831,741	2,687,421
XLV	$102,436	05/08/17	05/08/20	Badlar+2.98%	60,007	65,787
XLVIII	$6,300,000	11/07/17	11/07/22	Badlar+4.00%	2,927,366	3,222,616
XLIX	$596,373	02/14/18	02/14/20	Badlar+3.60%	-	307,930
L	UVA23,239	02/14/18	02/14/22	4.90%	1,098,880	1,082,071
Series I	$3,570,141	02/15/19	02/15/21	Badlar+6.15%	3,627,037	3,975,089
Series II	$309,564	02/11/20	08/11/21	Badlar+6.75%	409,516	-
Series III	UVA60,329	02/11/20	02/11/22	5.00%	3,082,258	-
BACS Banco de Crédito y Securitización S.A. (2)						
XIII	$ 201,539	04/28/17	04/28/20	Badlar + 3.50%	54,208	113,117
Series II	$ 294,664	11/29/19	05/29/20	Badlar + 6.00%	305,173	331,584
Series III	$ 203,336	11/29/19	11/29/20	Badlar + 8.50%	209,168	227,632
TOTAL					**32,238,624**	**31,300,496**

(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.

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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.

12. COMMITMENTS AND CONTINGENCIES

Commitments

During the period ended March 31, 2020, the Group has not undertaken any capital commitment.

Contingencies

The Group's main contingencies are described in Note 24.6.

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 24.6 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, 2020 will have to be paid during the following 12 months.

The balances of provisions for the period ended March 31, 2020 were as follows:

	Balances as of 12/31/2019	Increases	Decreases		Monetary gain (loss) generated by provisions	Balances as of 03/31/2020
			Reversals	Uses		
	(In thousands of Ps.)					
Lawsuits	186,111	7,454	-	(761)	(13,466)	179,338
Post-retirement employee benefit plans	217,482	47,234	(20,579)	(23,395)	(12,592)	208,150
Taxes	39,665	-	-	-	(2,870)	36,795
Administrative, disciplinary and criminal sanctions	690	-	-	-	(50)	640
Provision for unused balances of credit cards	183,751	-	(29,009)	-	-	154,742
Provision for unused balances of overdraft agreements	12,240	-	(2,360)	-	-	9,880
Others	78,480	9,572	(15,504)	-	(13,466)	59,082

Total Provisions	**718,419**	**64,260**	**(67,452)**	**(24,156)**	**(42,444)**	**648,627**

13. INTEREST AND ADJUSTMENTS INCOME / FEE AND COMMISSION INCOME

Interest and adjustments income	**03/31/2020**	**03/31/2019**
	(In thousands of pesos)	
Interest on cash and bank deposits	23,716	(7,300)
Interest on loans to the financial sector	607	33,475
Interest on overdraft facilities	22,324	54,597
Interest on promissory notes	16,479	69,118
Interest on mortgage loans	163,627	227,890
Interest on consumer loans	611,062	1,409,419
Interest on pledge loans	7,120	21,539
Interest on credit card loans	1,539,309	3,298,353
Interest on financial leases	4,709	19,916
Interest on other loans	353,471	544,670
Interest on government and corporate securities	325,416	254,887
Income from CER, CVS, UVA and UVI adjustments	589,532	483,791
Other	380,250	185,415
Total	**4,037,622**	**6,595,770**

Fee and commission income	**03/31/2020**	**03/31/2019**
	(In thousands of Ps.)	
Credit card commissions	984,511	1,372,286
Linked to liabilities	120,393	57,814
Linked to receivables	5,482	189,900
Other commissions	73,271	29,740
Total	**1,183,657**	**1,649,740**

14. INTEREST AND ADJUSTMENTS EXPENSE

Interest and adjustments expense	**03/31/2020**	**03/31/2019**
	(In thousands of Ps.)	
Interest on checking accounts deposits	(448,905)	(70,816)
Interest on savings account deposits	(2,934)	(5,010)

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Interest on time deposits	(1,254,669)	(2,153,460)
Interest on interfinancial loans received	(20,992)	(80,587)
Interest on other liabilities resulting from financial transactions	(1,377,114)	(3,351,440)
Expense for CER, CVS, UVA and UVI adjustments	(554,573)	(460,053)
Other	(91,302)	(17,222)
Total	**(3,750,489)**	**(6,138,588)**

15. OTHER OPERATING INCOME / (EXPENSES)

Other operating income	**03/31/2020**	**03/31/2019**
	(In thousands of Ps.)	
Loan servicing	942,943	1,291,146
Borrowing transactions commissions	57,754	38,984
Income from services PRO.CRE.AR	94,155	121,503
Penalty interest	58,026	108,539
Loans recovered	71,412	34,783
Reversal of allowances	76,421	31,968
Rentals	2,655	6,438
Measurement of investment property at fair value	-	60,001
Income from sale of non-financial assets	177	2,423
Income from sale of bank premises and equipment	58,506	26
Adjustments and interest of miscellaneous receivables	20,737	86,584
Other income	12,070	11,800
Total	**1,394,856**	**1,794,195**

Other operating expenses	**03/31/2020**	**03/31/2019**
	(In thousands of Ps.)	
Turnover tax	(347,714)	(635,454)
Loan servicing	(482,937)	(423,561)
Deposit servicing	(72,259)	(43,168)
Other taxes	(72,867)	(75,660)
Debit and credit card rebates	(85,465)	(45,936)
Loan rebates	(24,168)	(76,016)
Contribution to the deposit insurance fund	(18,694)	(19,859)

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Interest from financial leases	(40,013)	(22,649)
Charges for other provisions	(555)	(190)
Donations	(2,507)	(4,907)
Measurement of investment property at fair value	(41,959)	-
Other expenses	(48,670)	(118,487)
Total	**(1,237,808)**	**(1,465,887)**

16. 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	**03/31/2020**	**03/31/2019**
	(In thousands of Ps.)	
Fees and compensation for services	(410,537)	(485,574)
Directors' and statutory auditors' fees	(52,078)	(60,422)
Advertising, promotion and research expenses	(22,591)	(21,825)
Taxes and duties	(91,500)	(163,463)
Maintenance and repairs	(80,233)	(107,807)
Electricity, gas and telephone services	(74,116)	(99,530)
Insurance	(16,980)	(13,968)
Entertainment and transportation expenses	(10,008)	(19,128)
Office supplies	(12,492)	(20,876)
Rentals	(8,981)	(57,882)
Security services	(36,087)	(47,094)
Miscellaneous	(51,876)	(75,264)
Total	**(867,479)**	**(1,172,833)**

17. EMPLOYEE BENEFITS

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

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Employee benefits	**03/31/2020**	**03/31/2019**
	(In thousands of Ps.)	
Salaries and social security charges	(1,031,266)	(1,247,059)
Severance payments and bonuses	(196,090)	(513,816)
Personnel expenses	(80,917)	(90,418)
Total	**(1,308,273)**	**(1,851,293)**

18. EARNINGS (LOSS) PER SHARE

Earnings (loss) per share are calculated by dividing income (loss) 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.

	03/31/2020	**03/31/2019**
	(In thousands of Ps.)	
Income (loss) attributable to the group's shareholders	(498,397)	(1,247,816)
Weighted-average of common shares outstanding (thousand)	1,470,171	1,466,493
Earnings (loss) per share	**(0.339)**	**(0.851)**

19. SEGMENT REPORTING

The Group determines operating segments based on management reports that are used to monitor the performance and allocate resources 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 subsidiary BACS.
(c) Retail Banking – It includes loans granted and other credit products, such as deposit taking from individuals. It also includes the operations of our subsidiary BHN Inversión.

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The column "Other" includes balances of assets, liabilities and results not allocated to the operating segments mentioned above.

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

The results of operations of the Group's several operating segments are monitored separately in order to make decisions on resource allocation and 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, 2020							
		Retail banking		**Wholesale banking**				
	Finance	**Retail Banking**	**Insurance**	**BHSA**	**BACS**	**Other**	**Adjustments**	**Consolidated**
	(In thousands of Ps.)							
Total assets	38,579,711	35,603,181	4,305,035	15,040,437	6,198,822	9,539,784	(6,022,971)	**103,243,999**
Total liabilities	(36,629,138)	(29,299,691)	(2,658,570)	(14,481,586)	(5,362,399)	(6,091,205)	4,233,061	**(90,289,528)**

	December 31, 2019							
		Retail banking		**Wholesale banking**				
	Finance	**Retail Banking**	**Insurance**	**BHSA**	**BACS**	**Other**	**Adjustments**	**Consolidated**
	(In thousands of Ps.)							
Total assets	35,976,674	38,633,746	3,436,744	11,627,547	6,470,811	6,766,895	(6,002,640)	**96,909,777**
Total liabilities	(35,549,473)	(27,476,588)	(856,822)	(11,025,397)	(5,651,555)	(6,086,335)	3,182,278	**(83,463,892)**

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	March 31, 2020							
	Finance	Retail banking		Wholesale banking		Other	Adjustments	Consolidated
		Retail Banking	Insurance	BHSA	BACS			
	(In thousands of Ps.)							
Net interest income	(1,605,962)	1,234,627	177,264	592,126	(8,992)	(129,631)	27,701	287,133
Net commission income	131,252	1,116,358	(123,646)	7,347	10	(417)	-	1,130,904
Net income from measurement of financial instruments at fair value through profit or loss	1,393,635	-	122,030	-	176,644	-	(10,585)	1,681,724
Gold and foreign currency quotation difference	(390,734)	-	25,146	-	8,123	-	62,113	(295,352)
Other operating income	113,166	525,522	848,267	(170,174)	72,258	8,322	(2,505)	1,394,856
Loan loss provision	-	(317,944)	(19,785)	(27,877)	(320)	-	-	(365,926)
Total net operating income	**(358,643)**	**2,558,563**	**1,029,276**	**401,422**	**247,723**	**(121,726)**	**76,724**	**3,833,339**
Operating and administrative expenses	(155,452)	(2,472,124)	(382,858)	(371,381)	(148,544)	(63,320)	(2,547)	(3,596,226)
Income from associates and joint ventures	(22,583)	22,583	(20,394)	-	-	-	-	(20,394)
Gain (loss) on net monetary position	23,812	(232,308)	(185,032)	(232,308)	(53,765)	-	1244	(678,357)
Income tax	-	-	(152,378)	151,668	(29,066)	-	-	(29,776)
Minority interest							(6,983)	(6,983)
Net income/(loss)	**(512,866)**	**(123,286)**	**288,614**	**(50,599)**	**16,348**	**(185,046)**	**68,438**	**(498,397)**

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	March 31, 2019							
	Finance	Retail banking		Wholesale banking		Other	Adjustments	Consolidated
		Retail Banking	Insurance	BHSA	BACS			
	(In thousands of Ps.)							
Net interest income	(2,434,512)	2,415,919	122,190	480,694	(21,134)	(104,708)	(1,267)	457,182
Net commission income	129,855	1,637,114	(184,839)	(31,845)	(10,760)	(1,346)	(118,453)	1,419,726
Net income from measurement of financial instruments at fair value through profit or loss	3,364,019	-	208,323	-	187,274	-	56,729	3,816,345
Gold and foreign currency quotation difference	(1,454,602)	-	23,057	-	(8,597)	-	-	(1,440,142)
Other operating income	(53,465)	700,234	1,102,311	(54,354)	82,992	18,685	(2,208)	1,794,195
Loan loss provision	-	(402,287)	(742)	(1,270,101)	(16,693)	-	-	(1,689,823)
Total net operating income	**(448,705)**	**4,350,980**	**1,270,300**	**(875,606)**	**213,082**	**(87,369)**	**(65,199)**	**4,357,483**
Operating and administrative expenses	(55,835)	(3,693,221)	(473,571)	(252,565)	(180,274)	(261,338)	120,668	(4,796,136)
Income from associates and joint ventures	573,035	(878,046)	-	290,847	-	-	-	(14,164)
Gain (loss) on net monetary position	(40,901)	(196,901)	(228,976)	(196,899)	(72,239)	-	(44,217)	(780,133)
Income tax	(8,970)	65,156	(237,356)	121,847	(11,984)	37,662	-	(33,645)
Minority interest	-	-	-	-	-	-	18,779	18,779
Net income/(loss)	**18,624**	**(352,032)**	**330,397**	**(912,376)**	**(51,415)**	**(311,045)**	**30,031**	**(1,247,816)**

Information on geographic areas:

The Group's operations are entirely conducted in Argentina.

Lorena C. Morchón
General Accounting Manager

Manuel J.L. Herrera Grazioli
General Manager

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Vice-Chairman

Marcelo Fuxman
For the Supervisory Committee

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20. OFF-BALANCE SHEET ACCOUNTS

The Group accounts for different transactions under off-balance sheet accounts, according to the rules issued by the BCRA. There follow the balances of the main off-balance sheet accounts as of March 31, 2020 and December 31, 2019:

	03/31/2020	12/31/2019
	(In thousands of Ps.)	
Guarantees received	24,514,472	26,341,611
Uncollectible loans	4,808,262	4,627,417
Securities in custody	22,719,944	26,013,447
Securities to be collected	22,696	673,066
Securities to be debited	72,114	119,194
Securities to be credited	61,370	98,647
Agreed loans	23,680,844	26,899,154
Guarantees granted	74,140	74,252

21. 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	03/31/2020		12/31/2019	
		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%	29.92%	46.30%	29.92%
ANSES	D	7.64%	4.95%	7.64%	4.94%
Treasury Shares	D	3.08%	1.98%	3.10%	2.00%
Shares in The Bank of New York	D	9.38%	6.06%	9.38%	6.06%
Other	D	6.20%	3.99%	6.18%	3.98%
		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 Group's related parties and the nature of the existing relationship with each of them:

Name	Nature	Percentage interest			
		03/31/2020		12/31/2019	
		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%
CHA Financial Trusts Series VI to XIV	Control	100.00%	100.00%	100.00%	100.00%

All subsidiaries are located in Argentina.

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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.

As of March 31, 2020, the Bank's key personnel is comprised of a general manager and eleven 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.
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.

(a) Controlled by BHN Sociedad de Inversión.

Rental of Offices

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

Lorena C. Morchón
General Accounting Manager

Manuel J.L. Herrera Grazioli
General Manager

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Below is a detail of the most significant balances and transactions with related parties as of March 31, 2020:

Related Party	ASSETS			
	Other debt securities	Investments in equity intruments	Other financial assets	Other non-financial assets
	(In thousands of Ps.)			
IRSA (Includes subsidiaries)	143,831	14,774	1,533	-
Total shareholders	**143,831**	**14,774**	**1,533**	**-**
Directors and statutory auditors	-	-	-	74,588
Total other	**-**	**-**	**-**	**74,588**
Total	**143,831**	**14,774**	**1,533**	**74,588**

Related Party	LIABILITIES			
	Deposits	Derivative instruments	Negotiable obligations issued	Other financial liabilities
	(In thousands of Ps.)			
Zang Bergel y Viñes Law Firm	-	-	-	10
Directors and statutory auditors	-	-	-	96.877
Total other	**-**	**-**	**-**	**96.887**
Total	**-**	**-**	**-**	**162.637**

Related Party	Interest income	Interest expense	Fee and commission income	Other operatin g income	Employee benefits	Administrativ e expenses
	(In thousands of Ps.)					
IRSA (Includes subsidiaries)	8,667	-	-	-	-	5,230
Total Shareholders	**8,667**	**-**	**-**	**-**	**-**	**5,230**
Zang. Bergel y Viñes Law Firm	-	-	-	-	-	3,837
Directors and statutory auditors	-	-	-	-	-	16,763
Key management personnel	-	-	-	-	33,744	-
Total other	**-**	**-**	**-**	**-**	**33,744**	**20,600**
Total	**8,667**	**-**	**-**	**-**	**33,744**	**25,830**

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

Related Party	ASSETS					
	Derivative instruments	Other debt securities	Investments in equity instruments	Loans and other arrangements	Other financial assets	Other non-financial assets
	(In thousands of Ps.)					
IRSA (Includes subsidiaries)	-	145,007	29,565	-	1,625	-
Total shareholders	-	145,007	29,565	-	1,625	-
Directors and statutory auditors	-	-	-	-	-	62,842
Total other	**-**	**-**	**-**	**-**	**-**	**62,842**
Total	**-**	**145,007**	**29,565**	**-**	**1,625**	**62,842**

Related Party	Liabilities			
	Deposits	Negotiable obligations issued	Derivative instruments	Other financial liabilities
	(In thousands of Ps.)			
Directors and statutory auditors	-	-	-	86,869
Total other	**-**	**-**	**-**	**86,869**
Total	**-**	**-**	**-**	**86,869**

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Related Party	Interest income	Interest expense	Fee and commission income	Employee benefits	Administrative expenses	Other operating expenses	Other operating income
	(In thousands of Ps.)						
IRSA (Includes subsidiaries)	1,888	-	-	-	35,378	-	-
Total shareholders	**1,888**	**-**	**-**	**-**	**35,378**	**-**	**-**
Zang Bergel y Viñes Law Firm	-	-	-	-	4,136	-	-
Directors and statutory auditors	-	-	-	-	99,071	-	-
Key management personnel	-	-	-	368,282	-	-	-
Total other	**-**	**-**	**-**	**368,282**	**103,207**	**-**	**-**
Total	**37,502**	**-**	**-**	**368,282**	**138,585**	**-**	**-**

22. 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 28 to the consolidated financial statements as of December 31, 2019. No changes have occurred in management or in the risk management policies applied by the Group after fiscal period-end.

23. CAPITAL MANAGEMENT

The Bank's capital management goals are:

- Fulfilling the requirements established by the BCRA in its Communication “A” 6260, as amended;
- Supporting the Bank's operations to prevent any situation that may endanger them.

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

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

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

	03/31/2020	**12/31/2019**
	(In thousands of Ps.)	
Core Capital		
Tier 1 Ordinary Capital	14,718,466	12,300,075
(Deductible items)	(2,944,370)	(1,990,905)
Tier 1 Additional Capital	11,386	12,519
Supplementary Capital		
Tier 2 Capital	370,206	398,472
(Deductible items)	-	-
Regulatory Capital (*Responsabilidad Patrimonial Computable*)	**12,155,688**	**10,720,161**

Below is a detail of the determined capital requirement:

	03/31/2020	**12/31/2019**
	(In thousands of Ps.)	
Credit risk	4,148,930	4,411,169
Market risk	328,372	376,394
Operational risk	1,541,008	1,588,437
Core requirement	**6,018,310**	**6,376,000**
Payment	**12,155,688**	**10,720,161**
Surplus / (Deficit)	**6,137,378**	**4,344,161**

24. NOTES REQUIRED BY THE ARGENTINE CENTRAL BANK

24.1 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

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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.

24.2 Restricted assets

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

	03/31/2020	12/31/2019
	(In thousands of Ps.)	
Banco Hipotecario		
BCRA special guarantee accounts related to electronic clearing agencies	826,752	859,954
Cash, government securities and instruments issued by the Argentine Central Bank as collateral for OTC ROFEX transactions	313,552	739,909
Government securities and instruments issued by the Argentine Central Bank as collateral for MAE and BYMA transactions	2,829,885	68,314
Government securities and instruments issued by the BCRA as collateral for repo transactions	1,561,587	1,067,493
Cash and deposits in escrow as collateral for Visa credit card transactions	471,818	510,478
Cash and deposits in escrow as collateral for offices and stores leases	1,032	774
Cash and deposits in escrow as collateral for attachments	1,517	1,635
Cash and deposits in escrow as collateral for Red Link losses	3,561	3,200
	6,009,704	**3,251,757**

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BACS		
Instruments issued by the Argentine Central Bank, government securities and Pesos as collateral for OTC ROFEX transactions	55,373	178,868
	55,373	**178,868**
BH Inversión		
Escrow deposits	1,533	1,624
	1,533	**1,624**
CHA Series IX to XIV Financial Trust		
Escrow deposits	54,766	63,425
	54,766	**63,425**
Total	**6,121,376**	**3,495,674**

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

24.3. Fiduciary activities

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

Role as Trustee:

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

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

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

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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, 2020, the Trust's financial position, not restated in constant currency, was as follows:

- Assets: Ps. 94,097,275 thousand.
- Liabilities: Ps. 42,873,408 thousand.
- Shareholders' Equity: Ps. 51,223,867 thousand.

As of March 31, 2020, the PRO.CRE.AR Administrative and Financial trust portfolio was composed of 119,303 mortgage loans for the construction of permanent, single family houses, 205,826 consumer loans and a wholesale loan. The amount disbursed for construction as of such date was Ps. 55,746,606 thousand, Ps. 8,900,602 thousand and Ps. 38,013 thousand, respectively. The committed amounts pending disbursement total Ps. 1,191,659 thousand.

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

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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 March 31, 2020:

	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, 2020, 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 consolidated financial statements, the following series were outstanding:

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	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 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

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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 transferred receivables from credit card consumptions and cash advances to the Financial Trusts Tarjeta Shopping, which in turn issued 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, 2020, 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. Tarshop transferred receivables from credit card consumptions, cash advances and consumer loans. As of December 31, 2018, financial trusts Tarjeta Shopping Privado III, Tarjeta Shopping Privado IV, Tarjeta Shopping Privado V and Tarjeta Shopping Privado VI were in force. As of March 31, 2020, all the financial trusts were settled.

<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.

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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, 2020, all the trusts were settled.

FINANCIAL TRUSTS TARSHOP PRIVADOS

Tarshop was 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. As of March 31, 2020, all the trusts were settled.

FINANCIAL TRUST ADMINISTRATION

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

24.4. 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.

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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 December 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 AF20 government security – Government Bond carried at amortized cost, as per the following detail:

Date	Amount Ps. as per CNV Matrix	Government security	Kind CV	Amount	Listing	Valuation
03/31/2020	9,000,000	TB21	5360	18,000,000	0.71	12,780,000

<u>BACS</u>
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.

24.5. 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

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(according to regulations established by Argentine Central Bank on the matter) and the corresponding average balances as of March 31, 2020:

	Pesos (*)	Dollars	Euro	BONAR in USD 2024	BONAR in $ 2020	Treasury Bill in $ cap 84D 2020	DISCOUNT in USD Argentina Law
	(In thousands in the relevant currency)						
Checking accounts at BCRA	3,435,449	107,468	74	-	-	-	-
Special accounts at BCRA	719,886	1,156	-	-	-	-	-
Payment with BOTE 2020	1,248,650	-	-	-	-	-	-
Payment with Leliq	2,073,378	-	-	-	-	-	-
CRYL account	-	-	-	5,561	52	58,914	436
Total paid-in	**7,477,363**	**108,624**	**74**	**5,561**	**52**	**58,914**	**436**
Total requirement	**9,363,117**	**41,830**	**-**	**1,727**	**44**	**68,293**	**191**
Required deduction (miscellaneous)	1,917,204	-	-	-	-	-	-
Requirement carried forward to following month						**9,379**	
Monthly position	**31,450**	**66,794**	**74**	**3,834**	**8**	**0**	**245**

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

I – Summary proceedings before administrative authorities:

1. On August 30, 2019, the Bank was notified of Resolution No. 250/2019, whereby the Superintendent of Financial and Exchange Institutions had resolved to file summary proceedings in financial matters against Banco Hipotecario S.A. and Messrs. Eduardo Sergio Elsztain, Mario Blejer, Saúl Zang, Fernando Recalde, Ernesto Manuel Viñes, Carlos Bernardo Písula, Jacobo Julio Dreizzen, Mauricio Elías Wior, Adolfo Gregorio Reznik, Martin Juan Lanfranco, Juan Rubén Jure, Francisco Guillermo Susmel, Pablo Daniel Vergara Del Carril, Nora Edith Zylberlicht, Ricardo Flammini, Francisco Daniel Gonzalez, José Daniel Abelovich, Marcelo Héctor Fuxman, Gabriel Andrés Carretero, Manuel Juan Luciano Herrera Grazioli, Mariano Cané de Estrada, Lorena Cecilia Morchón and Ana María Lemmi, for considering *prima facie* that profits would have been distributed while not having reached the additional capital buffers required under applicable laws and without

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having secured the prior consent of the Superintendent of Financial and Exchange Institutions, in violation of the provisions of Section 4.1., Communication “A” 5827 and 6.3, Communication “A” 6464.

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

To date, provided that it is unnecessary to produce the IT expert evidence, the following step will be the rendering of a final decision by the Superintendent of Financial and Exchange Institutions.

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. Marcelo Fuxman; 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,

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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 ("SCJ").

On October 15, 2019, the case file was forwarded to Commission No. 4 of the SCJ.

On December 26, 2019, the case file returned to Clerk's Office No. 7 of the SCJ.

On February 12, 2020, the case file was forwarded to Commission No. 1 of the SCJ.

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At present, we are awaiting CSJ's judgment.

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.

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.

On December 9, 2019, the UIF answered the notice of the direct appeal. Then, on December 10, 2019, the case was forwarded to the Attorney General's Office. On December 13, 2019, the case was returned to the Attorney's Office and is pending resolution since then.

3. On November 25, 2014, the Financial Information Unit (UIF) notified Tarshop S.A.U. of the commencement of summary proceedings identified under Resolution No. 234/14, on grounds of potential formal violations arising from the alleged breach of Section 21, a) of Law No. 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 Cufre 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 booked an allowance for Ps. 360 thousand for the fiscal year ended December 31, 2016. On May 4, 2018, the Company was notified that the UIF had imposed a lower penalty, which will be appealed before the relevant appellate body.

As from September 2, 2019, the date of the merger between Tarshop and Banco Hipotecario (see note 25), all the assets, rights and obligations of Tarshop were transferred to the Bank in its capacity as merging or surviving company; therefore, it is the continuing party to these summary proceedings.

Since September 17, 2019, the case has been awaiting judgment.

Due to the loss of the CD with the administrative proceedings by Room V of the National Court of Appeals, entry of judgment was suspended. On December 13, 2019, the clerk office gave notice to the UIF ordering it to submit a copy of Administrative Case No. 6502/2011.

Finally, on February 7, 2020, Room V received a new CD with Administrative Case No. 6502/2011, which was kept in the court's lockbox.

Accordingly, since March 4, 2020, the case has been again awaiting judgment.

24.7. 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 2.5% 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.

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Communication "A" 6768 provided that effective August 30, 2019, financial institutions shall secure the BCRA's previous consent to distribute profits. In granting its consent, the Superintendent of Financial and Exchange Institutions shall take into account, *inter alia*, the potential effects of applying the international financial reporting standards, pursuant to Communication "A" 6430 (Item 5.5 of IFRS 9 – Impairment of Financial Assets) and the restatement of financial statements contemplated in Communication "A" 6651. Furthermore, Communication "A" 6886, published on January 31, 2020, provided that financial institutions shall secure the BCRA's previous consent to distribute profits. Communication "A" 6939, published on March 19, 2020, suspended the distribution of profits by financial institutions until June 30, 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.

24.8. 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

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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 not entail a change of class and Class B shares are held by the Employee Stock Ownership Plan (*Programa de Propiedad Participada*, or "PPP") for the Bank's employees, the political rights in these shares were exercised by employees entitled to the Employee Stock Ownership Plan.

To strengthen objective decision making and prevent conflicts of interest, the Board considers it advisable that some of its members should be independent directors. Independent directors must satisfy the requirements imposed by Law No. 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.

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Information Technology Committee:

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

Credit Committee:

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

Personnel Incentives Committee:

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

Risk Management Committee:

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

Corporate Governance Committee:

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

Directors' and Personnel's Ethics Committee:

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

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

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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.

The table in Note 1 shows the current composition of the capital stock, specifying the classes of shares, par value and equity percentage as of March 31, 2020.

It should be noted that the main class D shareholders are: (a) private shareholders -Tyrus SA, Ritelco SA, E-Commerce Latina SA, Palermo Invest SA, IRSA Inversiones y Representaciones SA and Inversora Bolívar SA- holding 446.5 million shares, representing approximately 29.8% of the Capital Stock and (b) representative of state political direct and indirect rights - Option Trustee which shall be maintained in the Trust until the disposal thereof pursuant to the instructions received from the Argentine Government, through the Trustee of the Trust of the *Fondo Federal de Infraestructura Regional* Assistance Trust and ANSES, holding 164.9 million shares, representing 11% of the Capital Stock.

3) Organizational structure:

Law No. 24,855 declared Banco Hipotecario Nacional to be subject to privatization and transformed it into an Argentine corporation (*Sociedad Anónima*). Banco Hipotecario Nacional was a state-run entity founded on November 15, 1886. By virtue of Law No. 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 date of issuance of these financial statements:

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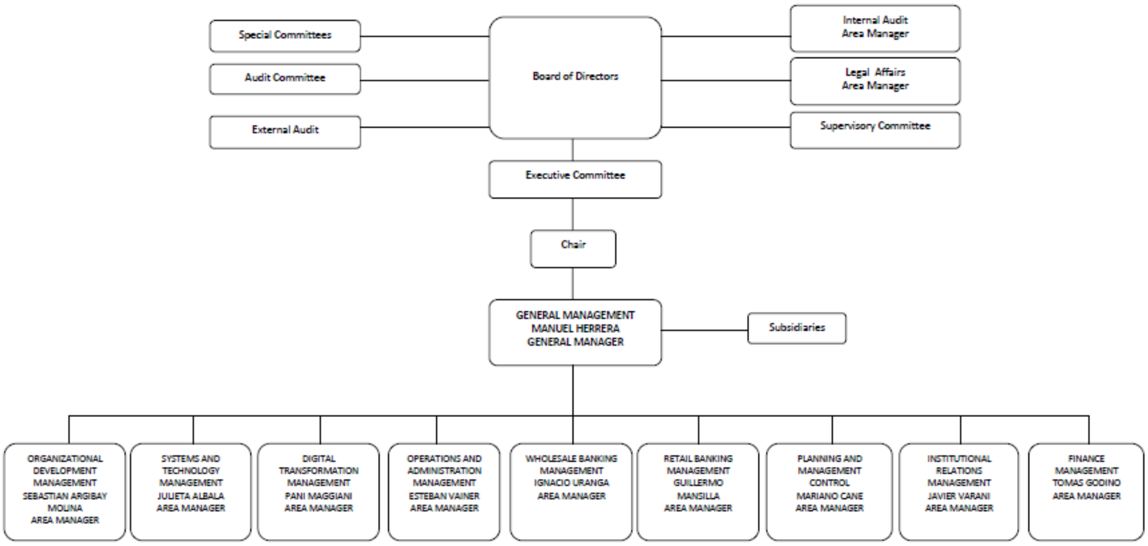

The Bank controls, either directly or indirectly, the companies comprised in its group of subsidiaries: BHN Sociedad de Inversión SA, engaged in the investment business and responsible for managing ownership interests in other companies; BHN Vida SA, an insurance company that carries life insurance;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

4) Information concerning financial incentives to personnel:

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

The Committee's main objective is to monitor the incentive system, and it is responsible for establishing the policies and practices for providing financial incentives to the Bank's personnel involved in risk management (be it credit, liquidity, market, interest rate and/or operational risk), adjusting decisions to the exposure to

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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

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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

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of the main financial intermediation activities and relies on other economic units for the businesses and supplementary services of non-depository merchant banks and insurance companies, 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 Bank's separate financial statements and consolidated financial statements.

25. CORPORATE REORGANIZATION

Acquisition of 20% Equity Interest in Tarshop S.A.U.

On November 15, 2018, the Board of Directors of Banco Hipotecario S.A. resolved to acquire the 20% equity interest in Tarshop S.A.U. held by IRSA Propiedades Comerciales S.A., subject to the fulfillment of the applicable formal requirements.

Subsequently, on December 12, 2018, the Bank's Board of Directors approved the final terms and conditions of purchase of 119,759,288 common, book-entry shares of $1 par value each, entitled to one vote per share, representing 20% of Tarshop's stock capital. In addition, the Board of Directors resolved to make an irrevocable capital contribution of up to Ps. 600,000 thousand in Tarshop, to start working on improvements on its efficiency and provide to it sufficient resources to perform its obligations. Since the acquisition was not consummated, on December 27, 2018, the Bank's Board of Directors resolved to make the committed irrevocable capital contribution of Ps. 480,000 thousand, i.e., *pro rata* to the 80% shareholding interest held by it in Tarshop as of such date.

On February 14, 2019, the acquisition of the 20% equity interest in Tarshop was consummated; therefore, on such date the Bank became holder of 100% of such company's stock capital.

Acquisition of 5% Equity Interest in BH Valores S.A.

On May 23, 2019, the Bank received an offer for sale from BHN Sociedad de Inversión S.A., valid for such day, of 75,000 shares of BH Valores S.A. representing 5% of its stock capital. One of the conditions of the offer was that it would be deemed accepted by means of the payment of Ps. 3,613 thousand, which was transferred on May 23, 2019. On June 5, 2019, the Bank's Board of Directors ratified the action taken by the attorneys-in-fact, approved the acceptance of the offer and the payment of the referred price.

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Corporate Reorganization

On June 5, 2019, Banco Hipotecario S.A.'s Board of Directors approved the Bank's reorganization under the terms of Chapter X, Title II of the CNV's rules. Such reorganization would encompass the merger by acquisition (without liquidation) of its subsidiaries Tarshop S.A.U. and BH Valores S.A. in an attempt to benefit from the synergy achieved among their respective businesses which, following the merger, would be under centralized management.

At the same Board of Directors' meeting, directors also resolved to approve: (i) the merger by acquisition plan and prospectus, by and between the Bank and Tarshop, (ii) the merger by acquisition plan and prospectus, by and between the Bank and BH Valores, (iii) Banco Hipotecario's balance sheet for special purposes as of March 31, 2019, (iv) the consolidated balance sheets for merger purposes of Banco Hipotecario, Tarshop and BH Valores as of March 31, 2019, (v) the Supervisory Committee's reports on the balance sheets for special purposes referred to in paragraphs (iii) and (iv); and (vi) the auditor's reports on the balance sheets for special purposes referred to in paragraphs (iii) and (iv).

On July 24, 2019, the Extraordinary General Unanimous Shareholders' Meeting of Tarshop S.A.U. approved the corporate reorganization process and the early dissolution (without liquidation) of the company by reason of its merger into Banco Hipotecario S.A. On that same date, the Extraordinary General Unanimous Shareholders' Meeting of BH Valores S.A. approved the corporate reorganization process, the early dissolution (without liquidation) of the company by reason of its merger into Banco Hipotecario S.A., and the deregistration of its license as settlement and clearing agent and trading agent in its own, registered with the CNV under No. 189.

On July 24, 2019, the Bank's Extraordinary General Shareholders' Meeting unanimously approved the corporate reorganization process.

On September 2, 2019, the final merger agreements between the Bank, Tarshop and BH Valores were executed, and the merger became effective on such date. In addition, also as of that date, the Board of Directors of Banco Hipotecario has become in charge of the management and representation of the merged companies. Besides, any transactions required to be made by the merged companies, including, without limitation, payments or collections, issuance or deposits of checks, etc., will be deemed made for the order and account of Banco Hipotecario, who undertakes liability therefor.

26. SUBSEQUENT EVENTS

Other than for the comments in Note 2.1 Impact of COVID-19 on the Bank's operations, no events have occurred between period-end and the date of these consolidated financial statements which could significantly affect the Bank's financial position or results of operations for the periods which have not been disclosed in the referred financial statements.

It is further reported that in May 2020, the Bank made payments in respect of Series XLIII and XLV negotiable

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notes issued by BHSA amounting to Ps. 53,422 and 57,121, respectively.

27. RUBRICATION OF BOOKS

At the date of these financial statements, the transactions conducted by the Bank for the period January 1, 2020 through March 31, 2020 are pending transcription in the rubricated books as set forth in the regulations in force due to the current mandatory isolation context provided by the current regulations.

28. 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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29. 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 03/31/2020, comparative as of 12/31/2019

In thousands of Argentine Pesos

Commercial Portfolio	03/31/2020	12/31/2019
Normal situation	**8,209,468**	**9,019,815**
With "A" preferred collateral and counterguarantees	108,134	325,661
With "B" preferred collateral and counterguarantees	1,692,451	1,972,095
Without preferred collateral and counterguarantees	6,408,883	6,722,059
With special follow-up	**744,973**	**1,426,944**
Under observation	**10,198**	**33,616**
With "A" preferred collateral and counterguarantees	-	11,244
With "B" preferred collateral and counterguarantees	10,198	17,461
Without preferred collateral and counterguarantees	-	4,911
Under negotiation or with refinancing agreements	**734,775**	**1,393,328**
With "B" preferred collateral and counterguarantees	727,911	599,158
Without preferred collateral and counterguarantees	6,864	794,170
Troubled	**8,629**	**6,280**
With "A" preferred collateral and counterguarantees	-	2,230
With "B" preferred collateral and counterguarantees	-	-
Without preferred collateral and counterguarantees	8,629	4,050
With high risk of insolvency	**3,973,042**	**3,214,829**
With "A" preferred collateral and counterguarantees	11,375	17,088
With "B" preferred collateral and counterguarantees	184,363	201,451
Without preferred collateral and counterguarantees	3,777,304	2,996,290
Uncollectible	**-**	**12,030**
With "A" preferred collateral and counterguarantees	-	4,541
With "B" preferred collateral and counterguarantees	-	-
Without preferred collateral and counterguarantees	-	7,489
Total commercial portfolio	**12,936,112**	**13,679,898**

Lorena C. Morchón
General Accounting Manager

Manuel J.L. Herrera Grazioli
General Manager

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Saúl Zang
Vice-Chairman

Marcelo Fuxman
For the Supervisory Committee

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

For the fiscal period ended 03/31/2020, comparative as of 12/31/2019

In thousands of Argentine Pesos

Consumer and housing portfolio	03/31/2020	12/31/2019
Normal situation	**28,446,996**	**29,955,556**
With "A" preferred collateral and counterguarantees	166,689	-
With "B" preferred collateral and counterguarantees	6,838,301	6,866,475
Without preferred collateral and counterguarantees	21,442,006	29,955,556
Low risk	**511,284**	**1,007,596**
Low risk	**508,685**	**1,007,596**
With "B" preferred collateral and counterguarantees	35,314	82,338
Without preferred collateral and counterguarantees	473,371	925,258
Special treatment	**2,599**	**-**
Without preferred collateral and counterguarantees	2,599	-
Mid risk	**627,970**	**990,914**
With "A" collateral and counterguarantees	2,435	-
With "B" collateral and counterguarantees	11,311	40,988
Without preferred collateral and counterguarantees	614,224	949,926
High risk	**715,446**	**1,529,727**
With "A" collateral and counterguarantees	282	-
With "B" preferred collateral and counterguarantees	13,034	21,653
Without preferred collateral and counterguarantees	702,130	1,508,074
Uncollectible	**68,299**	**64,091**
With "A" collateral and counterguarantees	1,675	-
With "B" preferred collateral and counterguarantees	22,971	23,263
Without preferred collateral and counterguarantees	43,653	40,828
Uncollectible for technical reasons	**-**	**80**
With "B" preferred collateral and counterguarantees	-	11
Without preferred collateral and counterguarantees	-	69
Total consumer and housing portfolio	**30,369,995**	**33,547,964**
General total (1)	**43,306,107**	**47,227,862**

Lorena C. Morchón
General Accounting Manager

Manuel J.L. Herrera Grazioli
General Manager

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In thousands of Argentine Pesos

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

	03/31/2020	03/31/2019
Loans and other financing arrangements	**37,919,591**	**41,861,851**
Other debt securities	**3,357,669**	**5,166,080**
Off-balance sheet items	**82,780**	**89,788**
plus allowances	5,009,897	5,140,532
less IFRS adjustments not computable for ESD	(24,726)	(24,235)
less items not computable for ESD	(434,222)	(345,180)
less government securities at amortized cost	(2,604,882)	(4,660,974)
TOTAL	**43,306,107**	**47,227,862**

It should be noted that the balances as of March 31, 2020 include the modification in the classification of debtors set forth by Communication "A" 6938 of the BCRA, which modifies the non-performing tranches of normal situation, low risk and mid risk classifications.

Lorena C. Morchón
General Accounting Manager

Manuel J.L. Herrera Grazioli
General Manager

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SCHEDULE C – CONSOLIDATED CONCENTRATION OF LOANS AND OTHER FINANCING ARRANGEMENTS
For the fiscal period ended 03/31/2020,
comparative as of 12/31/2019
In thousands of Pesos

Number of customers	FINANCING			
	03/31/2020		12/31/2019	
	Debt balance	**% of total portfolio**	**Debt balance**	**% of total portfolio**
10 largest customers	7,547,743	17.43%	7,671,085	16.24%
50 following largest customers	4,378,511	10.11%	4,969,400	10.52%
100 following largest customers	709,417	1.64%	720,148	1.52%
Rest of customers	30,670,436	70.82%	33,867,229	71.71%
Total (1)	**43,306,107**	**100.00%**	**47,227,862**	**100.00%**

(1) Reconciliation between Schedule C and the Balance Sheet

	03/31/2020	**12/31/2019**
Loans and other financing arrangements	**37,919,591**	**41,861,851**
Other debt securities	**3,357,669**	**5,166,080**
Off-balance sheet items	**82,780**	**89,788**
plus allowances	5,009,897	5,140,532
less IFRS adjustments not computable for ESD	(24,726)	(24,235)
less items not computable for ESD	(434,222)	(345,180)
less government securities at amortized cost	(2,604,882)	(4,660,974)
TOTAL	**43,306,107**	**47,227,862**

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BANCO Hipotecario

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

For the fiscal period ended 03/31/2020

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	-	62	-	-	-	-	-	62
Financial sector	14	3,587	37,070	12,779	6,065	4,964	604	65,083
Non-financial private sector and foreign residents	6,462,181	3,232,091	6,375,457	6,207,136	7,161,253	4,859,785	9,866,056	44,163,959
Total	**6,462,195**	**3,235,740**	**6,412,527**	**6,219,915**	**7,167,318**	**4,864,749**	**9,866,660**	**44,229,104**

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
June 3, 2020
PRICE WATERHOUSE & Co. S.R.L.

Saúl Zang
Vice-Chairman

Marcelo Fuxman
For the Supervisory Committee

……………………….(Partner)
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SCHEDULE H – CONSOLIDATED CONCENTRATION OF DEPOSITS
For the fiscal period ended 03/31/2020, comparative as of 12/31/2019
In thousands of Argentine Pesos

Number of customers	DEPOSITS			
	03/31/2020		12/31/2019	
	Debt balance	% of total portfolio	Debt balance	% of total portfolio
10 largest customers	11,012,984	25.73%	6,053,838	15.72%
50 following largest customers	7,427,621	17.36%	5,949,154	15.45%
100 following largest customers	2,316,813	5.41%	2,297,556	5.97%
Rest of customers	22,038,799	51.50%	24,207,373	62.86%
TOTAL	**42,796,217**	**100.00%**	**38,507,921**	**100.00%**

Lorena C. Morchón
General Accounting Manager

Manuel J.L. Herrera Grazioli
General Manager

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BANCO Hipotecario

SCHEDULE I – CONSOLIDATED BREAKDOWN OF FINANCIAL LIABILITIES BY MATURITY DATES

For the fiscal period ended 03/31/2020

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	2,847,397	288,789	18,582	-	-	-	3,154,768
Financial sector	70	-	-	-	-	-	70
Non-financial private sector and foreign residents	34,271,199	4,421,539	1,221,772	820,179	132,930	7,537	40,875,156
Liabilities at fair value through profit or loss	1,023,825	-	-	-	-	-	1,023,825
Derivative instruments	5,935	-	-	-	-	-	5,935
Repo transactions							
Other financial institutions	1,404,410	-	-	-	-	-	1,404,410
Other financial liabilities	4,175,104	68,892	106,646	218,599	440,738	2,656,104	7,666,083
Loans from the BCRA and other financial institutions	750,634	309,263	50,049	-	-	-	1,109,946
Negotiable obligations issued	51,909	3,883,492	831,149	23,775,572	6,073,592	3,339,135	37,954,849
TOTAL	**44,530,483**	**8,971,975**	**2,228,198**	**24,814,350**	**6,647,260**	**6,002,776**	**93,195,042**

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

For the fiscal period ended 03/31/2020,
comparative as of 12/31/2019
In thousands of Argentine Pesos

Item	Opening balances	Expected credit loss for the following 12 months	Expected credit loss of remaining life of the financial loss		Monetary gain (loss) generated by provisions	Balance as of 03/31/2020
			Financial instruments with significant increase of credit risk	Financial instruments with credit impairment		
Other financial assets	**34,452**	**1,164**	**-**	**-**	**(2,493)**	**33,123**
Loans and other financing arrangements						
Other financial institutions	**128**	**(46)**	**-**	**-**	**(9)**	**73**
Non-financial private sector and foreign residents	**5,140,532**	**(44,787)**	**(33,590)**	**306,532**	**(371,929)**	**4,996,758**
Overdraft facilities	16,701	(270)	289	219	(1,208)	15,731
Promissory notes	15,731	(12,970)	-	(749)	(1,138)	874
Mortgage loans	78,349	699	(251)	(372)	(5,669)	72,756
Pledge loans	1,149	(301)	-	-	(83)	765
Consumer loans	1,204,093	(51,198)	(22,260)	(214,111)	(87,119)	829,405
Credit cards	1,298,139	(3,336)	(11,144)	(24,020)	(93,923)	1,165,716
Financial leases	3,381	(663)	2	(2,237)	(245)	238
Other	2,522,989	23,252	(226)	547,802	(182,544)	2,911,273
Other debt securities	**12,906**	**639**	**-**	**457**	**(934)**	**13,068**
Eventual commitments	**195,991**	**(17,189)**	**-**	**-**	**(14,180)**	**164,622**
TOTAL PROVISIONS	**5,384,009**	**(60,219)**	**(33,590)**	**306,989**	**(389,545)**	**5,207,644**

Lorena C. Morchón
General Accounting Manager

Manuel J.L. Herrera Grazioli
General Manager

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SEPARATE CONDENSED INTERIM FINANCIAL STATEMENTS
AS OF MARCH 31, 2020

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BANCO Hipotecario

SEPARATE CONDENSED INTERIM BALANCE SHEET

For the fiscal period ended 03/31/2020

Comparative as of 12/31/2019

In thousands of Argentine Pesos

ITEM	NOTES	03/31/2020	12/31/2019
ASSETS			
Cash and bank deposits	5 and 6	**21,552,761**	**19,369,300**
Cash		2,108,165	2,375,769
Financial institutions and correspondents		19,444,596	16,121,883
- Argentine Central Bank (B.C.R.A.)		12,259,937	7,893,006
- Other domestic and foreign institutions		7,184,659	8,228,877
Other		-	871,648
Debt securities at fair value through profit or loss (Schedule A)	6	**13,510,664**	**7,777,274**
Derivative instruments (Schedule O)	6	**630**	**4,549**
Repo transactions	6	**532,814**	**-**
Other financial assets	6	**2,690,374**	**825,566**
Loans and other financing arrangements (Schedules B, C, D)	6 and 7	**36,935,638**	**40,862,523**
Non-financial public sector		62	40
Other financial institutions		197,016	347,009
Non-financial private sector and foreign residents		36,738,560	40,515,474
Other debt securities (Schedules A, B, C, D)	6	**1,699,267**	**3,676,314**
Financial assets pledged as collateral	6 and 24.2	**6,009,704**	**3,251,757**
Current income tax assets	10	**330,799**	**356,599**
Investments in equity instruments (Schedule A)	6	**89,049**	**287,424**
Investment in subsidiaries, associates and joint ventures	11	**2,163,367**	**3,086,622**
Bank premises and equipment	9	**4,121,308**	**4,284,092**
Intangible assets	9	**273,230**	**300,531**
Deferred income tax assets	10	**663,262**	**511,594**
Other non-financial assets	9	**1,022,165**	**988,550**
Non-current assets held for sale	9	**4,834,003**	**4,930,590**
TOTAL ASSETS		**96,429,035**	**90,513,285**

Lorena C. Morchón
General Accounting Manager

Manuel J.L. Herrera Grazioli
General Manager

See our report dated
June 3, 2020
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BANCO Hipotecario

SEPARATE CONDENSED INTERIM BALANCE SHEET

For the fiscal period ended 03/31/2020

Comparative as of 12/31/2019

In thousands of Argentine Pesos

ITEM	NOTES	03/31/2020	12/31/2019
LIABILITIES			
Deposits (Schedules H, I)	6	**39,197,449**	**35,028,391**
Non-financial public sector		3,135,952	3,994,976
Financial sector		24,169	23,423
Non-financial private sector and foreign residents		36,037,328	31,009,992
Liabilities at fair value through profit or loss (Schedule I)	6	**1,023,825**	**645,747**
Derivative instruments (Schedules I, O)	6	**1,749,982**	**1,915,092**
Repo transactions (Schedule I)	6	**1,404,410**	**962,087**
Other financial liabilities (Schedule I)	6	**5,028,915**	**5,147,595**
Loans from the B.C.R.A. and other financial institutions (Schedule I)	6	**750,634**	**66,917**
Negotiable obligations issued (Schedule I)	6 and 12	**31,868,250**	**30,829,227**
Provisions (Schedule J)	13	**594,081**	**652,518**
Other non-financial liabilities	9	**2,176,541**	**2,132,366**
TOTAL LIABILITIES		**83,794,087**	**77,379,940**
SHAREHOLDERS' EQUITY			
Capital stock		1,500,000	1,500,000
Non-capitalized contributions		139,144	135,907
Capital adjustments		39,337,659	39,337,659
Reserves		11,950,498	11,953,735
Unappropriated retained earnings		(39,793,956)	(36,847,618)
Other accumulated comprehensive income		-	-
Income (loss) for the period / year		(498,397)	(2,946,338)
TOTAL SHAREHOLDERS' EQUITY		(498,397)	**12,634,948**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**12,634,948**	**96,429,035**

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

See our report dated
June 3, 2020
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SEPARATE CONDENSED INTERIM STATEMENT OF INCOME

For the fiscal period ended 03/31/2020 and 03/31/2019

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

ITEM	NOTES	03/31/2020	03/31/2019
Interest and adjustments income	14	3,542,117	6,263,988
Interest and adjustments expense	15	(3,419,013)	(5,852,932)
Net interest income		**123,104**	**411,056**
Fee and commission income	14	1,287,264	1,767,616
Fee and commission expense		(26,158)	(26,573)
Net fee and commission income		**1,261,106**	**1,741,043**
Net income from measurement of financial instruments at fair value through profit or loss		1,370,657	3,316,629
Gold and foreign quotation differences		(309,356)	(1,461,196)
Other operating income	16	471,900	607,541
Loan loss provision (Schedule R)		(345,821)	(1,672,388)
Net operating income		**2,571,590**	**2,942,685**
Employee benefits	18	(1,164,783)	(1,690,027)
Administrative expenses	17	(702,627)	(946,570)
Depreciation and impairment of assets		(157,932)	(287,471)
Other operating expenses	16	(1,025,869)	(1,327,714)
Operating income (loss)		**(479,621)**	**(1,309,097)**
Income from subsidiaries, associates and joint ventures	11	294,171	239,388
Gain (loss) on net monetary position		(464,615)	(393,802)
Income (loss) before tax		**(650,065)**	**(1,463,511)**
Income tax	10	151,668	215,695
Net income (loss)		**(498,397)**	**(1,247,816)**
NET INCOME (LOSS) FOR THE PERIOD		**(498,397)**	**(1,247,816)**

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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BANCO Hipotecario

SEPARATE CONDENSED INTERIM STATEMENT OF INCOME

For the fiscal period ended 03/31/2020 and 03/31/2019
In thousands of Argentine Pesos

EARNINGS (LOSS) PER SHARE	03/31/2020	03/31/2019
NUMERATOR		
Net income (loss) attributable to the parent company's shareholders	(498,397)	(1,247,816)
Net income (loss) attributable to the parent company's shareholders adjusted to reflect the effect of dilution	(498,397)	(1,247,816)
DENOMINATOR		
Weighted average of outstanding common shares for the fiscal period	1,470,171	1,466,493
Weighted average of outstanding common shares for the fiscal period adjusted to reflect the effects of dilution	1,470,171	1,466,493
EARNINGS (LOSS) PER BASIC SHARE	**(0.339)**	**(0.851)**
EARNINGS (LOSS) PER DILUTED SHARE	**(0.339)**	**(0.851)**

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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SEPARATE CONDENSED INTERIM STATEMENT OF OTHER COMPREHENSIVE INCOME

For the fiscal period ended 03/31/2020 and 03/31/2019

In thousands of Argentine Pesos

ITEM	03/31/2020	03/31/2019
Net income (loss) for the fiscal period	(498,397)	(1,247,816)
Total other comprehensive income for the fiscal period	-	-
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE FISCAL PERIOD	**(498,397)**	**(1,247,816)**

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

Lorena C. Morchón
General Accounting Manager

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BANCO Hipotecario

SEPARATE CONDENSED INTERIM STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the fiscal period ended 03/31/2020

In thousands of Argentine Pesos

Changes	Capital Stock		Non-capitalized contributions		Capital adjustment	Other Comp. Income	Profit reserves			Retained earnings	Total as of 03/31/2020
	Outstanding	Treasury Stock	Share issuance Premium	Stock-based payment			Legal	Stock-based payment	Other		
Restated opening balances	**1,469,931**	**30,069**	**7,826**	**128,080**	**39,337,659**	**-**	**2,949,951**	**611,551**	**8,392,234**	**(39,793,956)**	**13,133,345**
Stock-based payments under Compensation Plan	257	(257)	-	3,238	-	-	-	(3,238)	-	-	-
Net income (loss) for the fiscal period	-	-	-	-	-	-	-	-	-	(498,397)	(498,397)
Closing balances for the fiscal period	**1,470,188**	**29,812**	**7,826**	**131,318**	**39,337,659**	**-**	**2,949,951**	**608,313**	**8,392,234**	**(40,292,353)**	**12,634,948**

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

Lorena C. Morchón
General Accounting Manager

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BANCO Hipotecario

SEPARATE CONDENSED INTERIM STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the fiscal year ended 03/31/2019

In thousands of Argentine Pesos

Changes	Capital Stock		Non-capitalized contributions		Capital 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 payments	Other		
Restated opening balances	**1,465,661**	**34,339**	**7,826**	**56,595**	**39,337,659**	**-**	**2,402,303**	**683,338**	**6,273,857**	**(32,762,917)**	**17,498,661**
Retroactive adjustments and restatements	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(1,284,149)**	**(1,284,149)**
Adjusted opening balances	**1,465,661**	**34,339**	**7,826**	**56,595**	**39,337,659**	**-**	**2,402,303**	**683,338**	**6,273,857**	**(34,047,066)**	**16,214,512**
Stock-based payments under Compensation Plan	1,397	(1,397)	-	25,729	-	-	-	(25,729)	-	-	-
Acquisition of non-controlling interest in Tarshop (Note 25)	-	-	-	-	-	-	-	-	-	116,482	116,482
Net income (loss) for the fiscal period	-	-	-	-	-	-	-	-	-	(1,247,816)	(1,247,816)
Closing balances for the fiscal period	**1,467,058**	**32,942**	**7,826**	**82,324**	**39,337,659**	**-**	**2,402,303**	**657,609**	**6,273,857**	**(35,178,400)**	**15,083,178**

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

Lorena C. Morchón
General Accounting Manager

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BANCO Hipotecario

SEPARATE CONDENSED INTERIM STATEMENT OF CASH FLOWS

For the fiscal period ended 03/31/2020 and 03/31/2019

In thousands of Argentine Pesos

ITEM	03/31/2020	03/31/2019
Net income(loss) for the period before income tax	**(650,065)**	**(1,463,511)**
Adjustment for total monetary gain (loss) for the period	464,615	393,802
Adjustments to obtain cash flows from operating activities		
Depreciation and impairment of assets	157,932	287,471
Loan loss provisions, net of recovered loans and revered provisions	92,567	1,583,228
Provision for loan losses, net of reversed provisions	106,574	(11,378)
Income/(loss) from investment in subsidiaries	(294,171)	(239,388)
Net interest income/(loss)	(123,104)	(411,056)
Changes in fair value of investments in financial instruments	(1,349,926)	(3,349,712)
Income/(loss) from sale of bank premises and equipment / Revaluation of investment property	(58,683)	(62,450)
Net (increase)/decrease from operating assets		
Debt securities at fair value through profit or loss	(4,946,166)	133,541
Derivative instruments	3,590	30,666
Repo Transactions	(476,015)	(249,209)
Loans and other financing arrangements		
Non-financial public sector	(25)	142,659
Financial sector	149,372	558,210
Non-financial private sector and foreign residents	4,068,756	6,719,388
Other debt securities	1,856,100	(44,461)
Financial assets pledged as collateral	(2,993,219)	(606,048)
Investments in equity instruments	177,579	(50,726)
Other assets	(1,185,122)	394,588
Net increase/(decrease) from operating liabilities		
Deposits		
Non-financial public sector	(569,979)	(151,241)
Financial sector	2,441	(121,905)
Non-financial private sector and foreign residents	5,690,289	(2,923,433)
Liabilities at fair value through profit or loss	424,799	169,376
Derivative instruments	(26,549)	164,137
Repo Transactions	420,630	(19,468)
Other liabilities	524,752	(9,222,224)
Income tax collections	-	91,198
Total from operating activities	**1,466,972**	**(8,257,946)**

Lorena C. Morchón
General Accounting Manager

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BANCO Hipotecario

SEPARATE CONDENSED INTERIM STATEMENT OF CASH FLOWS

For the fiscal period ended 03/31/2020 and 03/31/2019
In thousands of Argentine Pesos

ITEM	03/31/2020	03/31/2019
Cash flows from investing activities		
Payments		
Purchase of bank premises and equipment, intangible assets and other assets	(9,463)	(52,857)
Collections		
Sale of bank premises and equipment	106,583	2,369
Other collections of investing activities (subsidiaries' dividends)	-	222,535
Total from investing activities	**97,120**	**172,047**
Cash flows from financing activities		
Payments		
Unsubordinated negotiable Obligations	(2,563,819)	-
Changes in the ownership interest of subsidiaries not leading to a loss of control	-	(228,223)
Loans from domestic financial institutions	(13,030,000)	(10,912,703)
Other payments related to financing activities	(7,916)	(7,738)
Collections		
Unsubordinated negotiable Obligations	3,504,743	5,296,548
Loans to domestic financial institutions	13,030,000	11,431,965
Total from financing activities	**933,008**	**5,579,849**
Effect of exchange rate variations	**1,087,771**	**425,644**
Effect of monetary gain (loss) of cash and cash equivalents	**(1,401,410)**	**(1,418,964)**
TOTAL VARIATION OF CASH FLOWS		
Net increase/(decrease) in cash and cash equivalents	2,183,461	(3,499,370)
Restated cash and cash equivalents at the beginning of the period	19,369,300	13,466,361
Cash and cash equivalents at the end of the period	21,552,761	9,966,991

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
June 3, 2020
PRICE WATERHOUSE & Co. S.R.L.

Saúl Zang
Vice-Chairman

Marcelo Fuxman
For the Supervisory Committee

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1. BANCO HIPOTECARIO SOCIEDAD ANÓNIMA

Banco Hipotecario S.A. (hereinafter, “the Bank”) is a financial institution subject to the Financial Institutions Law No. 21,526 and, as such, is also required to comply with the regulations laid down by the Argentine Central Bank (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. ECONOMIC CONTEXT

The Bank operates in a complex economic context, the main variables of which have recently suffered strong volatility, both in the domestic and the international scenarios.

Within the domestic scenario, the following circumstances should be noted during the year 2019:

- Accumulated inflation from January 1, 2019 through December 31, 2019 reached 53.8% (CPI);
- The significant devaluation of the Argentine peso since August 2019 has generated a sudden withdrawal of dollar deposits from the financial system (thus resulting in a fall in the Central Bank’s reserves) and an increase in the reference interest rate above 80%. As of December 31, 2019, the interest rate was nearly 60%

On December 10, 2019, a new Argentine Government took office and, under these circumstances, implemented a series of measures. Below is a summary of the main measures:

- A regime to rectify tax, social security and customs obligations for micro, small and medium companies was established.
- The schedule to consolidate the rate of employer’s contributions was suspended.
- The Argentine Executive Branch was granted the power to set forth mandatory minimum salary increases for workers in the private sector (with temporary exemption from payment of contributions to the Argentine social security system for the salary increases resulting from this power or a collective bargaining agreement).
- Hold on the reduction of the rate set forth by Argentine Law 27,430 up to fiscal years beginning on or after January 1, 2021, keeping the 30% rate, and the 7% rate for the related dividends.
- Regarding the tax inflation adjustment, it was set forth that the amount assessed for the first and the second fiscal year beginning on or after January 1, 2019, shall be charged as follows: 1/6 in such fiscal years and the remaining 5/6, on an equal basis, in the 5 immediately following fiscal years. In turn, it is clarified that said provision does not prevent computation of the remaining thirds from previous periods, calculated as per the previous version of section 194 of the Argentine Income Tax Law.
- An increase in exports withholdings (except for hydrocarbons and mining) and the personal assets tax was set forth by decree;
- The Value Added Tax for the basic food basket and the hold on the pension hike bill were reinstated.

Lorena C. Morchón General Accounting Manager	**Manuel J.L. Herrera Grazioli** General Manager	See our report dated June 3, 2020 PRICE WATERHOUSE & Co. S.R.L.
Saúl Zang Vice-Chairman	**Marcelo Fuxman** For the Supervisory Committee	………………………..(Partner) C.P.C.E.C.A.B.A. Volume 1 – Page 17 **Diego Sisto** Public Accountant (UCA) C.P.C.E.C.A.B.A. Volume 274 – Page 12

In addition, during the period commencing on January 1, 2020 until March 31, 2020, accumulated inflation reached 7.8% (CPI), with GDP being expected to decline in year-on-year terms.

Furthermore, as of the date of these financial statements, the Argentine Government is in the process of renegotiating Argentina's external debt with foreign creditors.

Volatility and uncertainty still prevail as of the date of these financial statements, also affected by the outbreak of the Covid-19 pandemic, which will be described below.

The Bank's management permanently monitors the development of the variables affecting its business to define courses of action and identity potential impacts on its financial position. The Bank's financial statements should be read in the light of these circumstances.

2.1 Impact of COVID-19 on the Bank's operations

The outbreak and dissemination of a virus known as "Coronavirus" (or Covid-19) by the end of 2019 brought about several implications for enterprises and business activities at a global level. Given the scope of the virus spread, in March 2020, several governments around the globe implemented drastic measures to contain the virus dissemination, including, without limitation, border closures and travel restrictions to and from certain parts of the world for a given period, finally mandating social distancing measures, along with the interruption of non-essential business activities. On March 11, the World Health Organization designated the Covid-19 as a global pandemic.

At the local level, the Argentine Government adopted certain measures targeted at curbing the traffic of people, and mandated social distancing commencing on March 20 up to and including June 7, 2020, with traffic being restricted only to individuals engaged in delivering and/or manufacturing essential services and/or products. Social distancing may be extended for as long as deemed necessary to cope with the pandemic.

The final extent of the Coronavirus outbreak and its impact on the global and local economy are still unknown, and governments may take more stringent measures, which are unpredictable at this time. As of the date of these financial statements, the pandemic has not had a substantial impact on the Bank's results of operations. Even though we have faced several challenges which slow down or make our activities more complex, the Bank's operations remain, and are expected to continue, ongoing despite the drawbacks. For instance, branches have opened again since April 3, 2020 to serve certain customers, with previous appointment being required, and subject to stringent health standards to preserve customers' and employees' health. In addition, all customary online service and operation channels are working normally; therefore, we estimate the levels of demand for our products will be maintained.

Against this backdrop, the Argentine Central Bank (BCRA) handed down several Communications providing

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for certain changes to our products, in an attempt to afford some financial relief to several groups of customers. For instance, the BCRA extended the maturity of financial liabilities, eliminated the fees charged on certain ATM transactions, suspended late payment interest on certain financial liabilities for a given term, regulated maximum and minimum rates on certain lending and borrowing products, and introduced changes to debtors' classification criteria by days of arrears, among other measures.

Some of these measures may have a negative impact on our revenues, while the implications of social distancing on business activities may affect some our customers' ability to repay their borrowings, with the ensuing increase in our loan loss provisions. However, these negative impacts may be offset by certain factors, including lower funding costs which have been declining since the onset of the pandemic-related crisis, and changes to liquidity requirements as a result of the pandemic which could increase the Bank's interest income.
As of the date of these financial statements, we believe the pandemic may potentially affect the following areas of the Bank's financial statements:

- Impairment of the commercial and consumer portfolio, and the macroeconomic variables used in calculating expected losses;
- Recoverability of deferred tax assets;
- Measurement of assets at fair value, and assessment of whether representative market prices exist or not;
- Operation of controls on transactions and processes which shifted from on site to online.

This notwithstanding, we cannot reasonably quantify the extent to which the Coronavirus pandemic will affect the Bank's business and results of operations in the future if this situation persists over time.
The Bank's management is closely monitoring the situation and taking all possible actions to preserve human life and operations.

3. ACCOUNTING STANDARDS AND BASIS FOR PREPARATION

These separate financial statements were approved by the Board of Directors at its virtual meeting held on June 3, 2020.

3.1. Basis for preparation

These condensed interim financial statements were prepared in accordance with:

(i) i. accounting reporting framework set forth by the Argentine Central Bank, which is based on 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), with the temporary exception for the application of IFRS 9 “Financial Instruments” on Non-financial Public Sector debt instruments. In addition, Communication “A” 6938 set forth the postponement for the application of item 5.5 of IFRS 9 until January 1, 2021 for Group “B” Financial Institutions, as such is the case of the controlled company, BACS Banco de Crédito y Securitización S.A.

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ii. the provisions of International Accounting Standard No. 34 “Interim Financial Information” (IAS 34) and arise from the Bank’s accounting system (See note 27). As set forth in IAS 34, the interim financial information includes an explanation of the events and transactions occurred since the end of the latest annual reporting period, which are significant to understand the changes in the Bank’s financial position, financial performance and cash flows in order to update the information relevant to the latest financial statements for the fiscal year ended December 31, 2019 (hereinafter, the “annual financial statements”). Therefore, these condensed interim financial statements do not include all the information that would be required in complete financial statements prepared in accordance with the International Financial Reporting Standards, accordingly, for a better understanding of the information included therein, they should be read jointly with the annual financial statements.

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

It should be noted that the condensed interim financial statements were prepared applying accounting policies and measurement criteria consistent with those applied by the Bank in preparing the annual financial statements, except as described in note 3.1(d).

In preparing financial statements, the Bank is required to make estimates and assessments affecting the reported amounts of assets and liabilities, the disclosure of contingencies, as well as the reported amounts of income and expenses during the period. In this sense, estimates are made, for instance, to calculate the allowance for credit risk, 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 labor, civil and commercial lawsuits and the fair value of certain financial instruments. Future actual results may differ from the estimates and assessments made as of the date these 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 condensed interim financial statements are described in Note 4.

As of the date of these financial statements, they are pending transcription to the Inventory and Balances Book.

The figures expressed in these condensed interim financial statements are exposed in thousands of Argentine pesos, except as otherwise indicated.

(a) **Going Concern**

As of the date of these 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.

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(b) **Measurement unit**

IAS 29 "Financial Reporting in Hyperinflationary Economies" requires that the financial statements of an entity whose functional currency is that of a hyperinflationary economy be stated in terms of the current measurement unit as of the reporting period-end, regardless of whether such financial statements are based on the historical or the current cost method. To such end, in general terms, entities are required to account for inflation occurring since the acquisition date or the revaluation date, as applicable, in non-monetary items. Such requirements are also applicable to the comparative information disclosed in the financial statements.

The standard sets out a number of factors that should be considered to conclude that an economy is hyperinflationary 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 was required to qualify as highly inflationary as from July 1, 2018.

In turn, Law No. 27,468 (published in the Official Gazette on December 4, 2018) introduced certain changes to Section 10 of Law No. 23,928, as amended, establishing that the repeal of all such legal and regulatory standards which establish or authorize price indexation mechanisms, monetary adjustments, changes in costs or any other form of restatement of indebtedness, taxes, prices or rates for goods, works or services, shall not be applicable to financial statements, which should continue to be subject to the provisions of Section 62 in fine of the Argentine Companies Law No. 19,550 (as amended in 1984) and its amendments. In addition, Law No. 27,468 repealed Decree No. 1269/2002 dated July 16, 2002, as amended, and entrusted the Argentine Executive Branch, through its regulatory authorities, with the duty of setting the date as from which the foregoing provisions would come into force in respect of financial statements filed with such regulatory authorities. Therefore, on February 22, 2019, the BCRA handed down Communication "A" 6651 providing that, effective since January 1, 2020, financial statements should be prepared in constant currency. Therefore, these condensed interim financial statements as of March 31, 2020 have been restated accordingly.

In accordance with IAS 29, the financial statements of an entity reporting in the currency of a hyperinflationary economy should be presented in the current unit of measurement as of the end of the reporting period. All balances disclosed in the Bank's balance sheet, other than those stated in the current unit of measurement as of the end of the reporting period, should be adjusted by reference to a general price index. All profit & loss items should be reported in terms of a unit of measurement adjusted as of the end of the reporting period by reference to the changes in the general price index occurring since the date on which revenues and expenses were originally recognized in the financial statements.

The inflation adjustment on opening balances was calculated by reference to the indexes established by the Argentine Federation of Professional Councils in Economic Sciences (FACPCE), which are based on the price indexes released by the Argentine Institute of Statistics and Census ("INDEC").

In this respect, by means of Communication "A" 6849, the BCRA mandated that financial statements should be restated into constant currency on a monthly basis, and that the index entities should rely on for such purpose was the Consumer Price Index (CPI) compiled by INDEC (baseline month: December 2016), with previously originated items having to be restated by the Wholesale Domestic Price Index (IPIM) reported by

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FACPCE. For retroactive application purposes, the transition date is January 1, 2019.

Below is a detail of the main guidelines for the application of the inflation adjustment:

- Monetary assets and liabilities recognized in the measuring unit current at the end of the reporting period should not be restated, for they are already stated in current currency as of the date of the financial statements.

- Non-monetary assets and liabilities carried at cost at the end of the reporting period and equity items should be restated, by reference to the respective adjustment ratios.

- All profit & loss items are restated by reference to the pertinent restatement factors.

- The effects of inflation on the Bank's net monetary position are disclosed in the statement of income in a separate line, under "Gain (loss) on net monetary position".

- Comparative figures were adjusted for inflation, following the same guidelines described in the preceding paragraphs.

Upon the first-time application of the inflation adjustment, equity accounts were restated as follows:

- Capital stock was restated since the latter of the subscription date, or the date of the last inflation adjustment for accounting purposes. The resulting amount was carried in "Capital adjustments".

- Translation differences were restated in real terms (where applicable).

- Other reserves were not restated upon first-time adoption.

(c) **Comparative information**

The information contained in these condensed interim financial statements and in their respective notes as of December 31, 2019 and March 31, 2019, which was prepared in accordance with applicable standards in force in fiscal year 2019, is presented for comparative purposes only with the information as of March 31, 2020.

Given the retroactive adoption of the impairment model set out in item 5.5 of IFRS 9–other than in respect of non-financial public sector debt's instruments, which were temporarily excluded from the scope of IFRS 9–mandated by the BCRA under Communication "A" 6778, and the required restatement of financial statements pursuant to IAS 29, the Bank:

1) retroactively restated the figures disclosed in the balance sheet as of December 31, 2019 to present them as if the new accounting policies had been applied since January 1, 2019, and
2) retroactively restated the figures disclosed in the statements of income, other comprehensive income, changes in shareholders' equity, and cash flows as of March 31, 2019 to present them as if the new accounting policies had been applied since January 1, 2019.

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(d) **Changes to existing, and new accounting standards**

As new, or amendments to existing, IFRS are approved or repealed, and once these changes are adopted by way of Approval Circulars issued by FACPCE, the BCRA will decide whether to approve them or not for financial institutions. Generally, early adoption of IFRS will not be admitted, unless otherwise specifically stated at the time of adoption.

Changes introduced during the first quarter of 2020

Below is a detail of the changes during the fiscal quarter ended March 31, 2020:

(i) **Impairment of financial assets (Item 5.5. of IFRS 9):** By means of Communications “A” 6430 and 6847, as amended, the BCRA mandated that Financial Institutions should start adopting the provisions on impairment of financial assets contained in item 5.5 of IFRS 9, since fiscal years commencing on and after January 1, 2020, except in respect of non-financial public sector's debt instruments, which were temporarily waived from the scope of IFRS 9.
(ii) Finally, by means of Communication “A” 6938, the BCRA postponed the adoption of item 5.5 of IFRS 9 until January 1, 2021, for Group "B" financial institutions, as it is the case of the subsidiary BACS Banco de Crédito y Securitización S.A.

If the Bank had applied the impairment model set out in item 5.5 of IFRS 9, its shareholders' equity as of December 31, 2019 and March 31, 2020 would have been reduced by approximately Ps. 594,850 thousand and Ps. 415,616 thousand, respectively. Such decrease includes the related impact on deferred income tax.

IFRS 9 provides for an expected credit loss (ECL) model which classifies financial assets into three stages of impairment, based on the changes in credit quality since initial recognition, indicating how an entity measures impairment losses and applies the effective interest method. Note 3.11 includes further details on how expected credit losses are measured.
By means of Communication “A” 6778, the BCRA stated that, in adopting the guidelines in item 5.5 of IFRS 9, financial institutions will be required to:

i. rely on internal models fully consistent with all the requirements of IFRS 9, which shall be applied to all assets subject to the scope of such standard, except for the temporary waiver referred to in the first paragraph, and
ii. retroactively apply the standard, with January 1, 2019 being established as transition date.

Below is a reconciliation between the allowances for loan losses as of December 31, 2019 calculated in accordance with the revised language of the BCRA's guidelines on “Classification of debtors” and “Minimum allowances for loan losses” and the new allowances for loan losses calculated in accordance with the expected credit loss model set out under IFRS 9, considering the temporary waiver referred to in the first paragraph of Note 3.1.(d):

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Financial instrument category	Allowance for loan losses under the BCRA's accounting reporting framework in force as of December 31, 2019	Re-measurement	Allowance for credit risk under IFRS 9 (as per scope of Communications "A" 6847 and 6938)
Other financial assets	34,452	-	34,452
Loans and other financing arrangements	3,437,413	1,657,793	5,095,206
Other debt securities	13	-	13
Off-balance sheet items	-	195,991	195,991
Total	**3,471,878**	**1,853,784**	**5,325,662**

Note 3.2. includes further details on the calculation of the allowance for credit risk under the expected credit loss model established by IFRS 9, within the scope set forth by the BCRA.

(iii) **Restatement of financial statements for inflation (IAS 29):** As mentioned in Note 3.1.(b), on February 22, 2019, the BCRA handed down Communication “A” 6651 providing that, effective since January 1, 2020, financial statements should be prepared into constant currency. Accordingly, these condensed interim financial statements as of March 31, 2020 were restated consistently with the guidelines in IAS 29 “Financial reporting in hyperinflationary economies” and Communication “A” 6849 of the BCRA.

(iv) **Other amendments to the accounting reporting framework established by the BCRA:** By way of Communication “A” 6847, the BCRA mandated that, effective since January 1, 2020, financial institutions may reclassify non-financial public sector's financial instruments measured at fair value through profit or loss, and at fair value through other comprehensive income to measurement at amortized cost, using their respective book values as of such date as acquisition cost. The Bank has not availed of the special criteria permitted by the BCRA.

Below is a detail of the new standards, amendments and interpretations that have been released but have not yet come in force for fiscal years beginning on January 1, 2020 and thereafter, and which have not been early adopted:
IFRS 17 “Insurance Contracts”: On May 18, 2017, the IASB issued IFRS 17 "Insurance Contracts", providing a comprehensive framework based on measurement and disclosure criteria for all insurance contracts. The new standard will supersede IFRS 4 "Insurance Contracts", and combines current measurement of the future cash flows with the recognition of profit over the period that services are provided under the contract. The standard is effective for annual reporting periods beginning on or after November 1, 2021. The Bank is currently assessing the impact of the adoption of this new standard.

There are no other IFRS or IFRIC interpretations which have not come effective yet and which are expected to have a material impact on the Bank.

3.2 Impairment of financial assets

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

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

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

(b) the time value of money; and

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

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

• The Bank will classify a financial instrument in "Stage 1" if, at the reporting date, such instrument has not experienced a significant increase in credit risk since initial recognition.

• Stage 2 includes financial instruments that have had a significant increase in credit risk ("SICR") since initial recognition, but that do not have objective evidence of impairment.

• If there is objective evidence of impairment, the financial instrument is moved to "Stage 3."

• For financial instruments in "Stage 1", the Bank will measure ECLs at an amount equal to the portion of expected credit losses during the asset lifetime that result from default events that are possible within 12 months after the reporting date. For financial instruments in "Stage 2" and "Stage 3", the Bank measures the ECLs during the asset lifetime (hereinafter, "Lifetime"). Note 3.2.1 describes how the Bank determines whether or not there was a significant increase in credit risk.

• A common approach in ECL measurement under IFRS 9 is the use of forward-looking information.

• Purchased or originated credit-impaired financial assets are financial assets which are credit impaired at initial recognition. The ECLs from these financial instruments are always measured during the asset lifetime ("Stage 3).

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

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Changes in credit quality since initial recognition

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

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

3.2.1 – Significant increase in credit risk

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

The analysis also relies on several criteria, depending on the product at issue.

For instance, for consumer loans and credit cards, if debtor meets one or both of the following conditions:

- Contractual payments are over 30 days past due;
- Contractual payments are past due, with observable adverse changes in customer's credit scoring.

Generally, for the retail portfolio, the Bank considers a financial instrument has experienced a significant increase in credit risk when contractual payments are over 30 days past due.

For the commercial portfolio, a significant increase in credit risk will be presumed to exist if a transaction concurrently meets the following features:

- Transactions from customer on the "watchlist"
- Transactions over 30 days past due but without default

New customers on the "watchlist" are periodically reviewed when an increase in the identified credit risk is perceived due to, for instance, any of the following events: Returned checks, arrears in payment, impaired financial condition and/or changes in management resulting in credit rating downgrades, operating risks, increased risk in customer's business sector, involvement in legal proceedings, breaches of clean-up or other committed covenants, changes in the customary use of credit facilities, or any other element indicating a change in the risk perception.

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Given the characteristics inherent to the commercial portfolio, 30 days' arrears in payment is not a sufficient condition to presume a significant increase in credit risk has occurred, since such delay could be attributable to operating or management events, regardless of customer's repayment capacity. To be able to adequately identify an increase in credit risk, customers newly placed on watchlists should also be individually analyzed.

3.2.2 –Individual and collective assessment basis

ECLs are estimated on an individual as well on a collective basis. In estimating ECLs on an individual basis, the Bank seeks to calculate expected losses for significant impaired risks or risks classified in Stage 2. In these cases, credit losses are calculated as the difference between expected future cash flows discounted at the effective interest rate of the transaction and the book value of the instrument. In estimating expected losses on a collective basis—the practice used for debtors within the retail portfolio—instruments are classified into groups of assets based on their inherent risk characteristics. Exposures within each group are segmented on the basis of similar credit risk characteristics, which are indicative of debtor's payment ability, according to applicable contractual conditions. Credit risk characteristics may encompass the following factors, among others:

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

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

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

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

Each customer is assigned a PD based on that customer's Credit Rating and segment.

The LGD is assigned to each transaction, based on the related collateral and the segment the respective customer belongs to.

The Wholesale Banking Credit Risk team periodically monitors and reviews that financial instruments within the commercial portfolio are adequately pooled.

3.2.3 – Definition of default and impaired credit

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

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

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

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

Average transition matrix for Mortgage Loans

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

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

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

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

3.2.4 –Measurement of expected credit losses (ECL) - Inputs, assumptions and calculation methods explained

ECLs are measured over a 12-month period or during the instrument lifetime, depending on whether a significant increase in credit risk has occurred since initial recognition or if an asset is deemed credit impaired. ECLs are the discounted product of the PD, EAD and LGD, defined as follows:

• PD represents the probability of a debtor's defaulting on a financial liability (as per the "Definition of default and credit impairment" disclosed in Note 3.2.3), whether over the following 12 months or the financial asset remaining life ("Lifetime PD").

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• The EAD is based on the amounts the Bank expects to be overdue at the time of the default, during the subsequent 12 months, or otherwise during the financial asset remaining life (Lifetime EAD). For instance, for revolving commitments, the Bank includes the current drawn down balance, plus any additional amount expected to be drawn down, up to the current contractual limit at the time of default, if finally occurring.

• The LGD represents the Bank's expected loss on any given exposure at default. The LGD will vary depending on the type of counterparty, nature and aging of the claim, and also depending on the availability of collateral or other form of credit enhancement. The LGD is stated as a percentage of loss per EAD unit, and is calculated over a 12-month base period or throughout the instrument lifetime, where the 12-month LGD is the percentage of loss expected to be incurred, if default occurs in the next 12 months, while lifetime LGD is the percentage of loss expected to be incurred if default occurs during the financial instrument lifetime.

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

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

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

• For non-revolving products, EAD is based on contractual payments owing by borrower during a 12-month period or throughout Lifetime.

• For revolving products, EAD is calculated considering the drawn down balance (used up limit) and adding a "credit conversion factor" to calculate to what extent borrower's outstanding debt will increase upon default.

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

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

If a customer identified as a "large exposure" under the Expected Loss Policy is moved to Stages 2 or 3, the LGD could be calculated individually, relying on information available to the Bank at the time of the analysis, which allows to estimate expected recovery on such exposure.

The Bank includes forward-looking economic information in the calculation of 12-month PD and Lifetime PD. See Note 3.2.5 for further details on the forward-looking information and how it is considered for ECL calculation purposes.

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3.2.5 – Forward-looking information considered in expected credit loss models

The ECL model incorporates macroeconomic forward-looking information in determining the default probabilities associated with the commercial portfolio. The Bank carried out certain historical analyses and identified the key economic variables affecting credit risk and expected credit losses for each portfolio segment (Corporate and SMEs), including:

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

These economic variables and their associated impact on PD vary, according to the segment in question. Expert judgment is also required in this process. On a quarterly basis, the Group's Strategic and Commercial Planning team makes available forecasts of these economic variables ("baseline economic scenario"), which depict the best estimate of how the economy will look like over the next 2 years. The impact of these economic variables has been determined by statistical regression in order to understand the impact that the changes in these variables have historically had on default ratios.

Apart from the afore-mentioned baseline economic scenario, the Bank's Strategic and Commercial Planning also develops other potential scenarios, together with their respective weightings. The number of other scenarios used by the Bank is established by analyzing the main products in order to ensure the nonlinearity effect between the future economic scenario and its associated expected credit losses is duly captured. The number of scenarios and their respective attributes are annually reassessed.

As of January 1, 2020 and March 31, 2020, the Group identified **3** scenarios that were able to duly capture nonlinearities across all portfolios. Scenario weightings are determined by a combination of statistical analyses and expert judgment, taking into account the range of possible outcomes best represented by each selected scenario. Like in any other economic forecast, projections and probabilities of occurrence are subject to a high degree of intrinsic uncertainty. As such, actual results may substantially differ from these forecasts. The Bank considers that these forecasts represent its best estimate of possible outcomes, and has assessed the non-lineal and asymmetric impacts within the Bank's several portfolios to determine that the chosen scenarios are representative of the range of possible outcomes.

Below is a detail of the weightings assigned to each scenario as of March 31, 2020:

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

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3.2.6 – Maximum exposure to credit risk

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

March 31, 2020 (in thousands of Ps.)				
Items	Stage 1	Stage 2	Stage 3	Total
Commercial Portfolio				
Other financial assets	2,624,027	-	-	2,624,027
Loans and other financing arrangements				
Other financial institutions	197,016	-	-	197,016
Non-financial private sector and foreign residents				
Overdraft facilities	161,431	54	60,343	221,828
Promissory notes	15,757	-	938	16,694
Mortgage loans	56,595	-	188,214	244,809
Pledge loans	745	-	-	745
Financial leases	41,398	432	1,438	43,268
Others	6,967,258	1,020	4,419,249	11,387,526
Other debt securities	1,699,267	-	-	1,699,267
Gross book value	**11,763,493**	**1,506**	**4,670,182**	**16,435,181**
Allowance for loan losses	(73,160)	(2)	(2,825,476)	(2,898,639)
Book value	**11,690,333**	**1,504**	**1,844,706**	**13,536,542**
Retail Portfolio (Consumer Portfolio)				
Loans and other financing arrangements				
Non-financial private sector and foreign residents				
Overdraft facilities	19,600	10,146	8,029	37,775
Mortgage loans	6,208,971	103,290	21,342	6,333,603
Consumer loans	4,113,347	761,719	580,639	5,455,705
Credit cards	16,101,073	521,232	781,769	17,404,074

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Others	502,068	7,583	320	509,971
Gross book value	**26,945,059**	**1,403,970**	**1,392,099**	**29,741,128**
Allowance for loan losses	(691,784)	(326,554)	(1,033,770)	(2,052,108)
Book value	**26,253,275**	**1,077,416**	**358,329**	**27,689,020**

3.2.7 – Collateral and other credit enhancements

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

According to the revised language of the BCRA's guidelines on "Collateral", the Bank's collateral is classified into the following categories:

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

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

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

Below is a detail of the book value and fair value of the Group's collateral as of March 31, 2020:

Impaired credit	Gross exposure	Allowance for loan losses	Book value	Collateral fair value
Overdraft facilities	13,626	10,747	2,878	-
Promissory notes	938	750	188	-
Mortgage loans	219,452	36,399	183,054	4,079,594
Consumer loans	580,959	434,755	146,204	-
Credit cards	781,769	574,766	207,003	-
Financial leases	1,728	156	1,572	1,665
Others	4,574,222	2,801,582	1,772,640	1,850,644

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Total impaired credit	**6,172,693**	**3,859,154**	**2,313,539**	**5,931,903**

3.2.8 – Allowance for credit risk

The allowance for credit risk recognized for the period is affected by several factors, including:

• Transfers between Stage 1 and Stages 2 or 3 due to the financial instruments having experienced significant increases (or decreases) in credit risk or impairment during the period, and the ensuing "increase" (or "decrease") in 12-month ECLs and Lifetime ECLs;

• Additional allocations for new financial instruments recognized during the period, as well as reversals for financial instruments derecognized during the period;

• Impact of changes in PD, EAD and LGD on ECL measurement over the period, resulting from the periodical adjustment of inputs on models;

• Impacts on ECL measurement due to changes in models and assumptions;

• Impacts due to the passage of time as a consequence of present value adjustments;

• Translation into local currency for foreign-currency denominated assets and other movements; and

• Financial assets derecognized over the period and application of allowances related to assets derecognized during the period (Note 3.2.9).

Schedule R shows the changes in the allowance for credit risks from the beginning of the period until the period end, broken down by stages.

3.2.9 – Write-off policy

The Bank writes off financial assets, in whole or in part, when it has exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include (i) ceasing enforcement activity, and (ii) where the Bank's recovery method is foreclosing on collateral and the value of the collateral is such that there is no reasonable expectation of recovery in full.
The Bank may write off financial assets which are still subject to enforcement activity. The outstanding contractual amounts of such assets written off during the period ended March 31, 2020 amounted to Ps. 596,265 thousand. The Bank still seeks to recover amounts legally owed to it in full, but which have been partially written off since there is no reasonable expectation of full recovery.

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	March 31, 2020
	(in thousands of Ps.)
Opening balance	4,605,742
Additions due to write-offs for the period	596,266
Deletions due to recoveries	(116,507)
Deletions due to accounting recognition	(18,084)
Monetary restatement and other movements	(281,449)
Closing balance	4,785,967

3.2.10 – Modification of financial assets

The Bank sometimes modifies the contractual terms of loans granted to customers due to commercial renegotiations, or for distressed loans, with a view to maximizing recovery.
Such restructuring activities included extended payment term arrangements, grace periods and payment forgiveness. Restructuring policies and practices are based on indicators or criteria which, in management's judgment, indicate that payment will most likely continue. These policies are constantly monitored.

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

4. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of these separate financial statements in accordance with the accounting reporting 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 Bank'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 have been identified by the Bank and are described in Note 4 to the consolidated condensed interim financial statements as of March 31, 2020.

5. STATEMENT OF CASH FLOWS

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

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	03/31/2020	12/31/2019
	(In thousands of Ps.)	
Cash	2,108,165	2,375,769
Financial institutions and correspondents	19,444,596	16,121,883
Others	-	871,648
Cash and cash equivalents	**21,552,761**	**19,369,300**

Below is a reconciliation of financing activities as of March 31, 2020:

	Balance as of 12/31/2019	Cash flows		Other non-cash movements	Balance as of 03/31/2020
		Collections	Payments		
	(In thousands of Ps.)				
Negotiable obligations issued	30,829,227	3,504,743	(2,563,819)	98,099	31,868,250
Loans from the BCRA and other financial institutions	66,917	13,030,000	(13,030,000)	683,717	750,634
Total	**30,896,144**	**16,534,743**	**(15,593,819)**	**781,816**	**32,618,884**

6. FINANCIAL INSTRUMENTS

The Bank held the following financial instrument portfolios:

Instrument portfolio as of 03/31/2020	Fair Value - Net Income (Loss)	Amortized Cost	Fair Value – OCI	Total
	(In thousands of Ps.)			
Assets	**15,836,547**	**67,184,354**	**-**	**83,020,901**
Cash and bank deposits	-	21,552,761	-	21,552,761
Debt securities at fair value through profit or loss	13,510,664	-	-	13,510,664
Derivative instruments	630	-	-	630
Repo transactions	-	532,814	-	532,814
Other financial assets (1)	66,347	2,624,027	-	2,690,374
Loans and other financing arrangements	-	36,935,638	-	36,935,638
Other debt securities	-	1,699,267	-	1,699,267
Financial assets pledged as collateral	2,169,857	3,839,847	-	6,009,704
Investments in equity instruments	89,049	-	-	89,049
Liabilities	**(2,773,807)**	**(78,249,658)**	**-**	**(81,023,465)**
Deposits	-	(39,197,449)	-	(39,197,449)
Liabilities at fair value through profit or loss	(1,023,825)	-	-	(1,023,825)

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Derivative instruments	(1,749,982)	-	-	(1,749,982)
Repo transactions	-	(1,404,410)	-	(1,404,410)
Other financial liabilities	-	(5,028,915)	-	(5,028,915)
Loans from the Argentine Central Bank and other financial institutions	-	(750,634)	-	(750,634)
Negotiable obligations issued	-	(31,868,250)	-	(31,868,250)
Total	**13,062,740**	**(11,065,304)**	**-**	**1,997,434**

(1) Include dividends of BHN Inversión declared at the Shareholders' meeting held on March 30, 2020 and pending collection as of the date of issuance of these separate condensed interim financial statements (See note 11).

Instrument portfolio as of 03/31/2019	Fair Value - Net Income (Loss)	Amortized Cost	Fair Value – OCI	Total
	(In thousands of Ps.)			
Assets	**9,263,841**	**66,790,866**	**-**	**76,054,707**
Cash and bank deposits		19,369,300		19,369,300
Debt securities at fair value through profit or loss	7,777,274	-	-	7,777,274
Derivative instruments	4,549	-	-	4,549
Repo transactions	-	-	-	-
Other financial assets	127,100	698,466	-	825,566
Loans and other financing arrangements	-	40,862,523	-	40,862,523
Other debt securities	-	3,676,314	-	3,676,314
Financial assets pledged as collateral	1,067,494	2,184,263	-	3,251,757
Investments in equity instruments	287,424	-	-	287,424
Liabilities	**(2,560,839)**	**(72,034,217)**	**-**	**(74,595,056)**
Deposits	-	(35,028,391)	-	(35,028,391)
Liabilities at fair value through profit or loss	(645,747)	-	-	(645,747)
Derivative instruments	(1,915,092)	-	-	(1,915,092)
Repo transactions	-	(962,087)	-	(962,087)
Other financial liabilities	-	(5,147,595)	-	(5,147,595)
Loans from the Argentine Central Bank and other financial institutions	-	(66,917)	-	(66,917)
Negotiable obligations issued	-	(30,829,227)	-	(30,829,227)
Total	**6,703,002**	**(5,243,351)**	**-**	**1,459,651**

Repo transactions

Breakdown is as follows:

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Assets	**03/31/2020**	**12/31/2019**
	(In thousands of Ps.)	
Repo transactions	579,056	-

Liabilities	**03/31/2020**	**12/31/2019**
	(In thousands of Ps.)	
Repo transactions	(1,561,587)	(1,067,493)

Fair Value

The Bank classifies the fair value of its financial instruments in 3 levels, according to the observability 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. 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 Bank's financial instruments measured at fair value as of the indicated dates:

Instrument portfolio as of 03/31/2020	Level 1 Fair Value	Level 2 Fair Value	Level 3 Fair Value
	(In thousands of Ps.)		
Assets	**15,531,584**	**304,963**	**-**
Debt securities at fair value through profit or loss	13,272,678	237,986	-
Derivative instruments	-	630	-
Other financial assets	-	66,347	-
Financial assets pledged as collateral	2,169,857	-	-
Investments in equity instruments	89,049	-	-
Liabilities	**(1,023,825)**	**(1,749,982)**	**-**
Liabilities at fair value through profit or loss	(1,023,825)	-	-
Derivative instruments	-	(1,749,982)	-
Total	**14,507,759**	**(1,445,019)**	**-**

Instrument portfolio as of 12/31/2019	Level 1 Fair Value	Level 2 Fair Value	Level 3 Fair Value
	(In thousands of Ps.)		
Assets	**9,047,920**	**215,921**	**-**
Debt securities at fair value through profit or loss	7,693,002	84,272	-
Derivative instruments	-	4,549	-
Other financial assets	-	127,100	-
Financial assets pledged as collateral	1,067,494	-	-
Investments in equity instruments	287,424	-	**-**
Liabilities	**(645,747)**	**(1,915,092)**	**-**
Liabilities at fair value through profit or loss	(645,747)	-	-
Derivative instruments	-	(1,915,092)	-
Total	**8,402,173**	**(1,699,171)**	**-**

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

As of March 31, 2020 and December 31, 2019, the Bank has not recorded any inter-level transfers.

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.

Fair Value of Other Financial Instruments

The Bank has financial instruments that are measured at amortized cost. For cash and bank deposits, repo transactions, other financial assets, financial assets pledged as collateral, deposits, other financial liabilities and loans from the BCRA and other financial institutions, 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 03/31/2020	Amortized Cost	Fair Value	
		Amount	Level
	(In thousands of Ps.)		
Loans and other financing arrangements	36,935,638	34,954,281	Level 2
Other debt securities	1,699,267	1,555,600	Level 1 and 2
Negotiable obligations issued	(31,868,250)	(27,999,096)	Level 1 and 2

Instruments as of 12/31/2019	Amortized Cost	Fair Value	
		Amount	Level
	(In thousands of Ps.)		
Loans and other financing arrangements	40,862,523	38,791,513	Level 2
Other debt securities	3,676,314	3,021,506	Level 1
Negotiable obligations issued	(30,829,227)	(20,973,894)	Level 1 and 2

Impairment (Schedule R)

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

	03/31/2020
	(In thousands of Ps.)
Balance at the beginning	**5,325,662**
Loan loss provision	345,821
Reversed provisions	(75,268)
Write offs	(596,265)
Other variations	115,246
Balance at period-end	**5,115,196**

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7. LOANS AND OTHER FINANCING ARRANGEMENTS

As mentioned in Note 3.1.(d) (i), as from January 1, 2020, the Bank started applying the provisions on impairment of financial assets set forth in item 5.5 of IFRS 9, except for Non-financial Public Sector debt instruments, which were temporarily excluded from the scope of such provisions.

IFRS 9 provides for an expected credit loss (ECL) model which classifies financial assets into three stages of impairment, based on the changes in credit quality since initial recognition, indicating how an entity measures impairment losses and applies the effective interest method. Note 3.11 includes further details on how expected credit losses are measured.

By means of Communication “A” 6778, the BCRA stated that, in adopting the guidelines in item 5.5 of IFRS 9, financial institutions will be required to:

i. rely on internal models fully consistent with all the requirements of IFRS 9, which shall be applied to all assets subject to the scope of such standard, except for the temporary waiver referred to in the first paragraph, and
ii. retroactively apply the standard, with January 1, 2019 being established as transition date.

In addition and solely for the purpose of complying with the BCRA’s rules, the Bank continues calculating the minimum allowances for loan losses in accordance with the accounting reporting framework set forth by the BCRA, 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.

All consumer loans that must be fully accounted for in accordance with the accounting reporting framework set forth by the BCRA mentioned in the preceding paragraph are written off from the Bank’s assets one month after the date in which such provision is made.

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

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

	03/31/2020	12/31/2019
	(In thousands of Ps.)	
To the non-financial public sector	**62**	**40**
To the financial sector	**197,016**	**347,009**
Interfinancial - calls granted	-	-
Other loans to domestic financial institutions	196,999	346,989
Accrued interest, adjustments and quotation differences receivable	17	20
To the non-financial private sector and foreign residents	**36,738,560**	**40,515,474**
Overdraft facilities	259,603	313,884

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Promissory notes	16,694	23,137
Mortgage loans	6,578,412	6,717,323
Pledge loans	745	1,087
Consumer loans	5,455,705	6,797,169
Credit cards	17,404,074	19,340,919
Financial leases	43,268	61,034
Loans to entity's personnel	328,115	345,180
Unallocated collections	(4,859)	(4,331)
Other	10,857,294	11,474,437
Accrued interest and quotation differences receivable	717,392	541,813
Documented interest	(444)	(972)
Provision for loan losses (Schedule R)	(4,917,439)	(5,095,206)
Total loans and other financing arrangements	**36,935,638**	**40,862,523**

8. TRANSFER OF FINANCIAL ASSETS

The Bank has made transfers of financial assets as described in Note 24.3. 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, 2020:

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, 2020, the Bank has maintained the following repo transactions:

- Ps. 1,561,587 thousand in Repos booked under “Financial assets pledged as collateral”.
- Ps. 579,056 thousand in Repos booked under Off-balance sheet accounts.

9. OTHER NON-FINANCIAL ASSETS AND LIABILITIES

9.1. Bank premises and equipment

Changes in bank premises and equipment for the period ended March 31, 2020 were as follows:

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Item	Initial value at the beginning of the period	Additions	Withdrawals	Depreciation			Residual value	
				Accumulated	Withdrawal	For the period (1)	As of 03/31/2020	As of 12/31/2019
- Real estate	3,539,578	-	(145,811)	(162,557)	12,299	(23,064)	3,220,445	3,377,021
- Furniture and fixtures	738,569	4,320	-	(507,991)	-	(9,773)	225,125	230,578
- Machinery and equipment	3,491,731	296	(3,634)	(3,154,547)	1,860	(43,855)	291,851	337,184
- Vehicles	1,818	-	-	(1,376)	-	(91)	351	442
- Miscellaneous	82,741	-	-	(76,747)	-	(916)	5,078	5,994
- Right of use of leased real properties	314,551	28,661	-	(105,035)	-	(26,868)	211,309	209,516
- Right of use of leased properties	75,186	-	-	(56,630)	-	(1,430)	17,126	18,556
- Works in progress	213,517	348	-	-	-	-	213,865	213,517
- Impairment	(108,716)	-	44,874	-	-	-	(63,842)	(108,716)
Total bank premises and equipment	**8,348,975**	**33,625**	**(104,571)**	**(4,064,883)**	**14,159**	**(105,997)**	**4,121,308**	**4,284,092**

(1) The accounting allocation of depreciations for the period is reported in Note 3.

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 real properties	Straight line basis	Within the term of each lease agreement
- Right of use of leased properties	Straight line basis	Within the term of each lease agreement
- Miscellaneous	Straight line basis	5
- Works in progress	-	-

9.2 Intangible assets

Changes in intangible assets, which include expenses for the development of own systems, for the period ended March 31, 2020 were as follows:

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	03/31/2020 (In thousands of Ps.)
Initial net book value	**300,531**
Increases due to development	5,246
Depreciation fee (1)	(50,008)
Monetary gain (loss)	17,461
Net book value at period-end	**273,230**
Cost	761,492
Accumulated depreciation	(488,262)
Net book value at period-end	**273,230**

(1) The accounting allocation of depreciations for the period is reported in Note 3.

Additional information

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

9.3. Other non-financial assets

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

	03/31/2020	12/31/2019
	(In thousands of Ps.)	
Investment property	537,971	579,931
Tax prepayments	158,766	119,771
Prepaid fees to Directors' and Supervisory Committee's Members	74,588	62,842
Other prepayments	190,336	163,787
Other	60,504	62,219
Total non-financial assets	**1,022,165**	**988,550**

Investment property

For all investment property, the fair value is based in appraisals performed by independent experts with recognized professional capacity and expertise in the place and category of the investment property (level 3). Changes in fair value are recognized in other operating revenues or expenses, as applicable. The Bank estimates that, if the other factors remain constant, a 10% reduction in the sale

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price during the period ended March 31, 2020 would have reduced the value of investment property by (Ps. 53,797) thousand and would have impacted in other operating expenses.

Changes in investment property for the fiscal period ended March 31, 2020 were as follows:

	Leased property	03/31/2020
	(In thousands of Ps.)	
Initial net book value	**537,971**	**537,971**
Net book value at fiscal period end	**537,971**	**537,971**

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

	03/31/2020	03/31/2019
	(In thousands of pesos)	
Rentals	2,338	2,268
Direct expenses from property management	-	(906)

Net results from investment property as of March 31, 2020 and December 31, 2019 amount to a profit of Ps. 2,338 thousand and Ps. 6,411 thousand, respectively, and are recognized in “Other operating income”, “Administrative expenses” and “Other operating expenses” in the comprehensive income statement.

Likewise, there are no contractual obligations to acquire, build or develop investment properties, or for repairs, maintenance or improvements of investment property.

9.4. Other non-current assets held for sale

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.

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

As of March 31, 2020, the referred building is classified as “Non-current asset held for sale” (IFRS 5) and subject to a sales plan prepared by the Department of Comprehensive Development of Housing and has been valued at the lesser between the book value and the market value less sales expenses, amounting to a book value as of March 31, 2020 and December 31, 2019, Ps. 4,834,003 and Ps. 4,930,590, respectively.

9.5. Other non-financial liabilities

Balances of other non-financial liabilities are as follows:

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	03/31/2020	12/31/2019
Salaries and social security charges	815,808	698,884
Directors' and Supervisory committee's members' fees	96,877	86,869
Tax withholdings payable	246,634	290,391
Other taxes payable	274,662	348,823
Customers' loyalty programs	56,191	56,904
Advanced payments for the sale of goods	-	10,008
Dividends payable	575	620
Miscellaneous receivables	685,794	639,867
Total other non-financial liabilities	**2,176,541**	**2,132,366**

10. INCOME TAX

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

	03/31/2020	12/31/2019
	(In thousands of Ps.)	
Minimum notional income tax credit	330,799	356,599
Income tax prepayments	-	-
Total current income tax assets	**330,799**	**356,599**

The table below shows a breakdown of income tax recovery/expense:

	03/31/2020	03/31/2019
	(In thousands of Ps.)	
Current income tax	-	-
Income tax - deferred method	151,668	215,695
Subtotal – Income tax recovery charged to the Statement of Income	**151,668**	215,695
Subtotal – Income tax recovery charged to the Statement of Other Comprehensive Income	-	-
Total income tax recovery	**151,668**	215,695

The table below shows a reconciliation of the income tax liability charged to income as of March 31, 2020 and 2019 and the income tax liability resulting from applying the effective tax rate to taxable income:

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	03/31/2020	03/31/2019
	(In thousands of Ps.)	
Income for the period before income tax	**(650,065)**	**(1,463,511)**
Effective tax rate	30%	30%
Income for the period at the tax rate	**(195,020)**	**(439,053)**
Permanent differences at the tax rate:		
- Income (loss) from equity investments	(145,394)	(48,445)
- Income (loss) Tierra del Fuego	(3,316)	(759)
- Non-taxable income (loss)	(5,082)	(16,921)
- Net proceeds from ProCreAr	(19,846)	(29,008)
- Gain (loss) on net monetary position	122,433	393,802
- Other		
Provision difference	-	-2
Non-deductible expenses	7,293	1,310
Special capacity and transplanted employees	(254)	(1,157)
Donations	457	1,402
Other	(15,153)	(76,384)
Tax inflation adjustment	**102,214**	**-**
Total Income Tax Expense for the period	**(151,668)**	**(215,665)**
Deferred tax variation	151,668	215,665
Total Income Tax for the period Assessed for Tax Purposes	**-**	**-**
Income tax prepayments	-	-
Income Tax Liability	**-**	**-**

Tax Reform:

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

Income Tax Rate: The income tax rate for Argentine companies will be gradually reduced from 35% to 30% for fiscal years commencing on January 1, 2018 until December 31, 2020, and to 25% for fiscal years commencing on, and including, January 1, 2021.

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, 2020 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, 2021 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).

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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.

Law No. 27,468 amended the transition rules set out by Law No. 27,430 regarding the application of the inflation adjustment for tax purposes under Section 95 of the Income Tax Law, establishing that such adjustment will be applicable for fiscal years commencing on and after January 1, 2018, provided the changes in the Consumer Price Index (CPI), calculated since the beginning until the end of the fiscal year, are in excess of fifty five per cent (55%) during the first fiscal year, thirty per cent (30%) during the second fiscal year, and fifteen per cent (15%) during the third fiscal year. According to such law, one third of the resulting inflation adjustment, whether positive or negative, should be charged during that fiscal year, with the remaining two thirds being chargeable, in equal parts, over the two immediately following fiscal years. As of the date of these separate financial statements, the Board of Directors, after due consideration, has concluded that the guidelines set forth in the Income Tax Law for the reinstatement of the inflation adjustment for tax purposes would be met at year-end; therefore, taxable income for the period (which resulted in a tax loss) was assessed considering such adjustment. The effect of the deferral of the five sixths of the gain (loss) on net monetary position, as defined in the Income Tax Law, has been recognized as a deferred tax asset.

Deferred Income Tax Assets/Liabilities

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

	Balance as of 12/31/2019	**Balance charged to income/(loss)**	**Balance as of 03/31/2020**
	(In thousands of Ps.)		
Allowance for loan losses	1,149,031	768,671	1,917,702
Bank premises & equipment, investment property and non-current assets held for sale	(1,659,030)	4,802	(1,654,228)
Valuation in foreign currency	(24,593)	(2,077)	(26,670)
Provisions	152,024	(27,802)	124,222
Valuation of securities, shares and swaps	(29,727)	(51,428)	(81,155)
Tax inflation adjustment	400,505	(102,214)	298,291
Tax losses	523,384	(438,284)	85,100
Total deferred income tax assets	**511,594**	**151,668**	**663,262**

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

Generation period	**Balance as of 03/31/2020**	**Expiration period**
2019	85,100	2024
Total	**85,100**	

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11. INVESTMENTS IN SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

The Bank has interests in two subsidiaries. The balances as of March 31, 2020 and December 31, 2019 are as follows:

	03/31/2020	12/31/2019
	(In thousands of Ps.)	
BACS S.A.	516,903	506,722
BHN Sociedad de Inversión S.A.	1,646,464	2,579,900
Total investments in subsidiaries	**2,163,367**	**3,086,622**

The table below shows the changes in investments in the Bank's subsidiaries, associates and joint ventures for the fiscal periods ended March 31, 2020 and December 31, 2019:

	03/31/2020	12/31/2019
	(In thousands of Ps.)	
Net Balance at the Beginning of the period/year	**3,086,622**	**3,148,423**
Dividends declared / collected (a)	(1,216,999)	(1,397,690)
Share of profit or loss for the period/year	294,171	1,339,808
Monetary restatement	(427)	(3,919)
Balance at period/year-end	**2,163,367**	**3,086,622**

(a) 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 December 31, 2019, the total amount was collected by means of the transfer of government securities and endorsable checks. On March 30, 2020, the Shareholders' meeting of BHN Sociedad de Inversión S.A. approved the distribution of dividends on income for fiscal year 2019 for Ps. 1,217,000 thousand (out of the total approved, 99.99% correspond to BHSA), which are pending collection and recorded under Other financial assets as of March 31, 2020.

The following is summary financial information for each subsidiary:

Balance Sheet Summary Data

	BACS		BHN Soc. de Inversión	
	03/31/2020	12/31/2019	03/31/2020	12/31/2019
	(In thousands of Ps.)			
Total Assets	6,198,822	6,470,811	4,305,035	3,303,842
Total Liabilities	5,362,399	5,651,554	2,658,570	723,920
Shareholders' equity	**836,423**	**819,257**	**1,646,465**	**2,579,922**

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Statement of Income and Statement of Comprehensive Income Summary Data

	BACS		BHN Soc. de Inversión	
	03/31/2020	**12/31/2019**	**03/31/2020**	**12/31/2019**
	(In thousands of Ps.)			
Ordinary operating income	247,723	213,082	1,029,276	1,270,300
Gain (loss) on net monetary position	(52,947)	(71,624)	(185,032)	(228,976)
Income before income tax	46,232	(38,816)	440,992	567,753
Income tax	(29,066)	(11,984)	(152,378)	(237,356)
Other comprehensive income	-	-	-	-
Total comprehensive income	**17,166**	**(50,800)**	**288,614**	**330,397**
Income attributable to non-controlling interest	**6,475**	**(19,162)**	**-**	**-**

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Statement of Cash Flows Summary Data

	BACS		BHN Soc. de Inversión	
	03/31/2020	12/31/2019	03/31/2020	12/31/2019
	(In thousands of Ps.)			
Cash flows from operating activities	1,134,940	(1,066,387)	312,582	191,073
Cash flows from investing activities	(1)	(1)	(45,842)	345,707
Cash flows from financing activities	(40,546)	(6,677)	-	(232,949)
Net (decrease) / increase in cash and cash equivalents	**1,092,703**	**(1,072,074)**	**266,739**	**303,830**
Cash and cash equivalents at the beginning of the period	509,018	1,252,958	1,616,556	1,567,089
Cash and cash equivalents at period-end	1,601,721	180,884	1,758,618	1,692,895

12. NEGOTIABLE OBLIGATIONS ISSUED

Below is a detail of the issuance of non-convertible simple Negotiable Obligations of the Bank:

Series	Issue Amount (In thousands)	Issue date	Maturity date	Annual interest rate	Book value	
					03/31/2020	12/31/2019
					(In thousands of Ps.)	
XXIX tranche I	US$ 200,000	11/30/15	11/30/20	9.75%		
XXIX tranche II	US$ 150,000	05/23/16	11/30/20	8.00%	18,633,270	18,222,698
XL	$ 6,078,320	10/12/16	01/11/20	Badlar +2.50%	-	776,553
XLII	$ 645,638	02/20/17	02/20/20	Badlar +3.20%	-	287,998
XLIII	UVA 54,606	05/08/17	05/08/20	2.75%	1,831,741	2,724,481
XLV	$ 102,436	05/08/17	05/08/20	Badlar +2.98%	60,007	65,787
XLVIII	$ 6,300,000	11/07/17	11/07/22	Badlar +4.00%	2,927,366	3,222,616
XLIX	$ 596,373	02/14/18	02/14/20	Badlar +3.60%	-	307,930
L	UVA 23,239	02/14/18	02/14/22	4.90%	1,203,637	1,185,111
Series I	$ 3,570,141	02/15/19	02/15/21	Badlar +6.15%	3,682,592	4,036,053
Series II	$ 390,564	02/11/20	08/11/21	Badlar +6.75%	409,515	-
Series III	UVA 60,329	02/11/20	02/11/22	5%	3,120,122	-
Total					**31.868.250**	**30.829.227**

(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.

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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.

13. COMMITMENTS AND CONTINGENCIES

For information about the Bank's commitments, contingencies and provisions, see Note 12 to the consolidated financial statements.

Changes in provisions are included in Schedule J, accompanying these separate financial statements.

14. INTEREST AND ADJUSTMENTS INCOME/FEE AND COMMISSION INCOME

Interest and adjustments income	**03/31/2020**	**03/31/2019**
	(In thousands of Ps.)	
Interest on cash and bank deposits	424	8,035
Interest on loans to the financial sector	18,496	33,479
Interest on overdraft facilities	57,408	54,597
Interest on promissory notes	1,323	39,407
Interest on mortgage loans	149,314	203,715
Interest on consumer loans	609,496	1,403,753
Interest on pledge loans	37	119
Interest on credit card loans	1,539,309	3,298,353
Interest on financial leases	4,709	19,916
Interest on other loans	334,083	502,913
Interest on government and corporate securities	145,042	127,172
Income from CER, CVS, UVA and UVI adjustments	586,974	480,734
Other	95,502	91,795
Total	**3,542,117**	**6,263,988**

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Fee and commission income	**03/31/2020**	**03/31/2019**
	(In thousands of Ps.)	
Card fees	984,511	1,372,286
Insurance fees	106,579	114,519
Commissions linked to liabilities	120,393	57,814
Commissions linked to receivables	2,510	193,257
Other commissions	73,271	29,740
Total	**1,287,264**	**1,767,616**

15. INTEREST AND ADJUSTMENTS EXPENSES

Interest and adjustments expense	**03/31/2020**	**03/31/2019**
	(In thousands of Ps.)	
Interest on checking account deposits	(203,643)	(72,057)
Interest on savings account deposits	(2,934)	(5,010)
Interest on time deposits	(1,254,669)	(2,213,687)
Interest on interfinancial loans received	(16,965)	(67,279)
Interest on other liabilities resulting from financial transactions	(1,386,229)	(3,034,846)
Expenses for CER, CVS, UVA and UVI adjustments	(554,573)	(460,053)
Total	**(3,419,013)**	**(5,852,932)**

16. OTHER OPERATING INCOME / (EXPENSES)

Other operating income	**03/31/2020**	**03/31/2019**
	(In thousands of Ps.)	
Loan servicing	37,388	123,018
Borrowing transactions commissions	55,974	37,278
Income from services PRO.CRE.AR	91,416	116,588
Penalty interest	57,491	106,769
Loans recovered	71,412	34,783
Reversal of allowances	75,268	28,270
Rentals	2,655	6,438
Measurement of investment property at fair value	-	60,001
Income from sale of non-financial assets	58,653	2,499
Adjustments and interest for miscellaneous receivables	20,737	86,584
Other income	876	5,363
Total	**471,900**	**607,541**

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Other operating expenses	**03/31/2020**	**03/31/2019**
	(In thousands of Ps.)	
Turnover tax	(278,875)	(539,603)
Loan servicing	(373,365)	(410,631)
Deposit servicing	(69,997)	(41,407)
Other taxes	(70,603)	21,124
Debit and credit card rebates	(22,479)	(44,013)
Loan rebates	(323)	(72,698)
Contribution to the deposit insurance fund	(17,450)	(19,859)
Interest from financial leases	(31,718)	(18,765)
Donations	(2,270)	(4,907)
Measurement of investment property at fair value	(41,959)	-
Other expenses	(116,830)	(196,955)
Total	**(1,025,869)**	**(1,327,714)**

17. 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	**03/31/2020**	**03/31/2019**
	(In thousands of Ps.)	
Fees and compensation for services	(358,653)	(419,053)
Directors' and statutory auditors' fees	(16,763)	(6,099)
Taxes and duties	(63,249)	(124,771)
Maintenance and repairs	(78,189)	(105,749)
Electricity, gas and telephone services	(65,644)	(86,718)
Entertainment and transportation expenses	(8,546)	(17,133)
Rentals	(8,187)	(48,956)
Insurance	(13,731)	(9,776)
Advertising, promotion and research expenses	(4,605)	(7,799)
Security services	(35,051)	(45,923)
Stationery and supplies	(8,496)	(13,552)
Miscellaneous	(41,513)	(61,041)
Total	**(702,627)**	**(946,570)**

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18. EMPLOYEE BENEFITS

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

Employee benefits	03/31/2020	03/31/2020
	(In thousands of Ps.)	
Salaries and social security charges	(911,254)	(1,118,394)
Severance payments and bonuses	(174,818)	(483,630)
Personnel expenses	(78,711)	(88,003)
Total	**(1,164,783)**	**(1,690,027)**

19. EARNINGS (LOSS) PER SHARE

For information about earnings (loss) per share, see Note 18 to the consolidated financial statements.

20. OFF-BALANCE SHEET ACCOUNTS

The Bank accounts for different transactions under off-balance sheet accounts, according to the rules issued by the BCRA. There follow the balances of the main off-balance sheet accounts as of March 31, 2020 and December 31, 2019:

	03/31/2020	12/31/2019
	(In thousands of Ps.)	
Guarantees received	23,754,853	25,482,098
Uncollectible loans	4,785,967	4,605,742
Securities in custody	11,343,975	16,024,787
Securities to be collected	22,696	673,066
Securities to be debited	72,114	119,194
Securities to be credited	61,370	98,647
Agreed loans	24,611,845	24,954,067
Guarantees granted	74,140	74,252

21. 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**	**03/31/2020**		**12/31/2019**	
		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. (*)	D	46.30%	29.92%	46.30%	29.92%
ANSES	D	7.64%	4.95%	7.64%	4.94%
Treasury Shares	D	3.08%	1.98%	3.10%	2.00%
Shares in The Bank of New York	D	9.38%	6.06%	9.38%	6.06%
Other	D	6.20%	3.99%	6.18%	3.98%
		100.00%	**100.00%**	**100.00%**	**100.00%**

(*) 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			
		03/31/2020		12/31/2019	
		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%
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.

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As of March 31, 2020, the Bank's key personnel was comprised of a general manager and eleven 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.
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.

(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.

Lorena C. Morchón
General Accounting Manager

Manuel J.L. Herrera Grazioli
General Manager

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Saúl Zang
Vice-Chairman

Marcelo Fuxman
For the Supervisory Committee

………………………..(Partner)
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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 balances and transactions with related parties as of March 31, 2020:

Related Party	ASSETS					
	Debt securities at fair value through profit or loss	**Other debt securities**	**Equity instruments**	**Loans and other financing arrangements**	**Other financial assets**	**Other non-financial assets**
	(In thousands of Ps.)					
BACS	-			193,847	13,061	-
BHN Inversión	-			-	1,216,986	-
CHA IX to XIV Financial trusts	72,823			3,292	-	-
Total subsidiaries	**72,823**			**197,139**	**1,230,047**	**-**
IRSA (Includes subsidiaries)	-	143,831	14,774	-	1,533	-
Total shareholders	**-**	**143,831**	**14,774**	**-**	**1,533**	**-**
Directors and statutory auditors	-			-	-	74,588
Total other	**-**			**-**	**-**	**74,588**
Total	**72,823**	**143,831**	**14,774**	**197,139**	**1,231,580**	**74,588**

Lorena C. Morchón
General Accounting Manager

Manuel J.L. Herrera Grazioli
General Manager

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Related Party	LIABILITIES			
	Deposit	Derivative instruments	Negotiable obligations issued	Other financial liabiltiies
	(In thousands of Ps.)			
BACS	20,115	-	-	-
BHN Inversión	254,473	-	198,175	65,750
CHA IX to XIV Financial trusts	3,984	1,744,047	-	-
Total subsidiaries	**278,572**	**1,744,047**	**198,175**	**65,750**
Zang Bergel y Viñes Law Firm	-	-	-	10
Directors and statutory auditors	-	-	-	96,877
Total other	**-**	**-**	**-**	**96,887**
Total	**278,572**	**1,744,047**	**198,175**	**162,637**

Related party	Interest income	Interest expense	Fee and commission income	Other operating expenses	Employee benefits	Administrative expenses
	(In thousands of Ps.)					
BACS	18,428	802	-	325	-	-
BHN Inversión	-	35,132	103,617	2,182	-	-
CHA IX to XIV Financial trust	3,206	11,126	-	-	-	-
Total subsidiaries	**21,634**	**47,060**	**103,617**	**2,507**	**-**	**-**
IRSA (Includes subsidiaries)	8,667	-	-	-	-	5,230
Total Shareholders	**8,667**	**-**	**-**	**-**	**-**	**5,230**
Zang, Bergel y Viñes Law Firm	-	-	-	-	-	3,837
Directors and statutory auditors	-	-	-	-	-	16,763
Key management personnel	-	-	-	-	33,744	-
Total other	**-**	**-**	**-**	**-**	**33,744**	**20,600**
Total	**30,301**	**47,060**	**103,617**	**2,507**	**33,744**	**25,830**

Lorena C. Morchón
General Accounting Manager

Manuel J.L. Herrera Grazioli
General Manager

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

Related Party	ASSETS					
	Derivative instruments	**Other debt securities**	**Equity instruments**	**Loans and other financing arrangements**	**Other financial assets**	**Other non-financial assets**
	(In thousands of Ps.)					
BACS	-			343,311	2,643	-
BHN Inversión	-			-	28,588	-
CHA IX to XIV Financial trust	59,826			**3,115**	**-**	**-**
Total subsidiaries	**59,826**			**346,426**	**31,231**	**-**
IRSA (Includes subsidiaries)	-	145,007	29,565	-	1,625	-
Total shareholders	**-**	**145,007**	**29,565**	**-**	**1,625**	**-**
Zang, Bergel y Viñes Law Firm	-			-	-	-
Directors and statutory auditors	-			-	-	62,842
Total other	**-**			**-**	**-**	**62,842**
Total	**59,826**	**145,007**	**29,565**	**346,426**	**32,856**	**62,842**

Related Party	LIABILITIES			
	Deposits	**Negotiable obligations issued**	**Derivative instruments**	**Other financial liabilities**
	(In thousands of Ps.)			
BACS	18,678	-	-	-
BHN Inversión	206,504	201,066	2,155,420	64,675
CHA IX to XIV Financial trust	4,417	**-**	**-**	**-**
Total subsidiaries	**229,599**	**201,066**	**2,155,420**	**64,675**
Zang, Bergel y Viñes Law Firm	-	-	-	401
Directors and statutory auditors	-	-	-	86,869
Total other	**-**	**-**	**-**	**87,270**
Total	**229,599**	**201,066**	**2,155,420**	**151,945**

Lorena C. Morchón
General Accounting Manager

Manuel J.L. Herrera Grazioli
General Manager

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Related Party	Interest income	Interest expense	Fee and commission income	Employee benefits	Administrative expenses	Other operating expenses	Other operating income
	(In thousands of Ps.)						
BACS	20,682	1,254	-	-	-	581	343
BHN Inversión	-	101,531	370,856	-	-		5,228
CHA IX to XIV Financial trust	14,932	40,541	-	-	-		
Total subsidiaries	**35,614**	**143,326**	**370,856**	**-**	**-**	**581**	**5,571**
IRSA (Includes subsidiaries)	1,888				35,378		
Total shareholders	**1,888**				**35,378**		
Zang Bergel y Viñes Law Firm	-	-	-	-	4,136		
Directors and statutory auditors	-	-	-	-	99,071		
Key management personnel	-	-	-	368,282	-		
Total other	**-**	**-**	**-**	**368,282**	**103,207**		
Total	**37,502**	**145,957**	**370,856**	**368,282**	**138,585**	**581**	**5,571**

22. 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, 2019. No changes have occurred in the management or the risk management policies applied by the Bank as from fiscal year-end.

23. 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.

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.

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

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

	03/31/2020	**12/31/2019**
	(In thousands of Ps)	
Core Capital		
Tier 1 Ordinary Capital	14,665,332	12,241,651
(Deductible items)	(4,555,861)	(4,565,808)
Tier 1 Additional Capital	-	-
Supplementary Capital		
Tier 2 Capital	347,968	374,071
(Deductible items)	-	-
Regulatory Capital (*Responsabilidad Patrimonial Computable*)	**10,457,439**	**8,049,914**

Below is a detail of the determined capital requirement:

	03/31/2020	**12/31/2019**
	(In thousands of Ps.)	
Credit risk	3,979,195	4,122,897
Market risk	247,437	268,611
Operational risk	1,102,193	1,149,231
Core requirement	**5,328,825**	**5,540,739**
Payment	**10,457,439**	**8,049,914**
Surplus / (Deficit)	**5,128,614**	**2,509,175**

24. NOTES REQUIRED BY THE ARGENTINE CENTRAL BANK

24.1. Deposit Insurance

For a description of the deposit insurance, see Note 24.1. to the consolidated financial statements.

24.2. Restricted Assets

Below is a detail of restricted assets as of the dates indicated:

	03/31/2020	12/31/2029
	(In thousands of Ps.)	
BCRA special guarantee accounts related to electronic clearing agencies	826,752	859,954
Cash, government securities and instruments issued by the Argentine Central Bank as collateral for OTC ROFEX transactions	313,552	739,909
Government securities and instruments issued by the Argentine Central Bank as collateral for MAE and BYMA transactions	2,829,885	68,314
Government securities and instruments issued by the BCRA as collateral for repo transactions	1,561,587	1,067,493
Cash and deposits in escrow as collateral for Visa credit card transactions	471,818	510,478
Cash and deposits in escrow as collateral for offices and stores leases	1,032	774
Cash and deposits in escrow as collateral for attachments	1,517	1,635
Cash and deposits in escrow as collateral for Red Link losses	3,561	3,200
Total	**6,009,704**	**3,251,757**

24.3. Trust Activities

For a description of the Bank's trust activities, see Note 24.3. to the consolidated financial statements.

24.4. 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 24.4. to the consolidated financial statements.

24.5. Accounts Showing Compliance with 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, 2020:

	Pesos (*)	Dollars	Euro	BONAR in USD 2024	BONAR in $ 2020	Treasury Bill in $ cap 84D 2020	DISCOUNT in USD Argentina Law
	(In thousands in the relevant currency)						
Checking accounts at BCRA	3,435,449	107,468	74	-	-	-	-
Special accounts at BCRA	719,886	1,156	-	-	-	-	-
Payment with BOTE 2020	1,248,650	-	-	-	-	-	-
Payment with Leliq	2,073,378	-	-	-	-	-	-
CRYL account	-	-	-	5,561	52	58,914	436
Total paid-in	**7,477,363**	**108,624**	**74**	**5,561**	**52**	**58,914**	**436**
Total requirement	**9,363,117**	**41,830**	**-**	**1,727**	**44**	**68,293**	**191**
Required deduction (miscellaneous)	1,917,204	-	-	-	-	-	-
Requirement carried forward to following month	-	-	-	-	-	**9,379**	-
Monthly position	**31,450**	**66,794**	**74**	**3,834**	**8**	**-**	**245**

24.6. 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 24.6. to the consolidated financial statements.

24.7. Restrictions on the Distribution of Profits

For information about the restrictions on the distribution of profits, see Note 24.7. to the consolidated financial statements.

24.8. Capital Management and Corporate Governance Transparency Policy

For an overview of the Bank's capital management and corporate governance transparency policy, see Note 24.8. to the consolidated financial statements.

25. CORPORATE REORGANIZATION

Acquisition of 20% Equity Interest in Tarshop S.A.U.

On November 15, 2018, the Board of Directors of Banco Hipotecario S.A. resolved to acquire the 20% equity interest in Tarshop S.A.U. held by IRSA Propiedades Comerciales S.A., subject to the fulfillment of the applicable formal requirements.

Subsequently, on December 12, 2018, the Bank's Board of Directors approved the final terms and conditions of purchase of 119,759,288 common, book-entry shares of $1 par value each, entitled to one vote per share, representing 20% of Tarshop's stock capital. In addition, the Board of Directors resolved to make an irrevocable capital contribution of up to Ps. 600,000 thousand in Tarshop, to start working on improvements on its efficiency and provide to it sufficient resources to perform its obligations. Since the acquisition was not consummated, on December 27, 2018, the Bank's Board of Directors resolved to make the committed irrevocable capital contribution of Ps. 480,000 thousand, i.e., *pro rata* to the 80% shareholding interest held by it in Tarshop as of such date.

On February 14, 2019, the acquisition of the 20% equity interest in Tarshop was consummated; therefore, on such date the Bank became holder of 100% of such company's stock capital.

<u>Acquisition of 5% Equity Interest in BH Valores S.A.</u>
On May 23, 2019, the Bank received an offer for sale from BHN Sociedad de Inversión S.A., valid for such day, of 75,000 shares of BH Valores S.A. representing 5% of its stock capital. One of the conditions of the offer was that it would be deemed accepted by means of the payment of Ps. 3,613 thousand, which was transferred on May 23, 2019. On June 5, 2019, the Bank's Board of Directors ratified the action taken by the attorneys-in-fact, approved the acceptance of the offer and the payment of the referred price.

<u>Corporate Reorganization</u>
On June 5, 2019, Banco Hipotecario S.A.'s Board of Directors approved the Bank's reorganization under the terms of Chapter X, Title II of the CNV's rules. Such reorganization would encompass the merger by acquisition (without liquidation) of its subsidiaries Tarshop S.A.U. and BH Valores S.A. in an attempt to benefit from the synergy achieved among their respective businesses which, following the merger, would be under centralized management.

At the same Board of Directors' meeting, directors also resolved to approve: (i) the merger by acquisition plan and prospectus, by and between the Bank and Tarshop, (ii) the merger by acquisition plan and prospectus, by and between the Bank and BH Valores, (iii) Banco Hipotecario's balance sheet for special purposes as of March 31, 2019, (iv) the consolidated balance sheets for merger purposes of Banco Hipotecario, Tarshop and BH Valores as of March 31, 2019, (v) the Supervisory Committee's reports on the balance sheets for special purposes referred to in paragraphs (iii) and (iv); and (vi) the auditor's reports on the balance sheets for special purposes referred to in paragraphs (iii) and (iv).

On July 24, 2019, the Extraordinary General Unanimous Shareholders' Meeting of Tarshop S.A.U. approved the corporate reorganization process and the early dissolution (without liquidation) of the company by reason of its merger into Banco Hipotecario S.A. On that same date, the Extraordinary General Unanimous Shareholders' Meeting of BH Valores S.A. approved the corporate reorganization process, the early dissolution (without liquidation) of the company by reason of its merger into Banco Hipotecario S.A., and the deregistration of its license as settlement and clearing agent and trading agent in its own, registered with the CNV under No. 189.

On July 24, 2019, the Bank's Extraordinary General Shareholders' Meeting unanimously approved the corporate reorganization process.

On September 2, 2019, the final merger agreements between the Bank, Tarshop and BH Valores were executed, and the merger became effective on such date. In addition, also as of that date, the Board of Directors of Banco Hipotecario has become in charge of the management and representation of the merged companies. Besides, any transactions required to be made by the merged companies, including, without limitation, payments or collections, issuance or deposits of checks, etc., will be deemed made for the order and account of Banco Hipotecario, who undertakes liability therefor.

26. SUBSEQUENT EVENTS

For information about subsequent events, see Note 26 to the consolidated financial statements.

27. RUBRICATION OF BOOKS

At the date of these financial statements, the transactions conducted by the Bank for the period January 1, 2020 through March 31, 2020 are pending transcription in the rubricated books as set forth in the regulations in force due to the current mandatory isolation context provided by the current regulations.

28. 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 June 3, 2020 PRICE WATERHOUSE & Co. S.R.L.
Saúl Zang Vice-Chairman	**Marcelo Fuxman** For the Supervisory Committee	………………………..(Partner) C.P.C.E.C.A.B.A. Volume 1 Page 17 **Diego Sisto** Public Accountant (UCA) C.P.C.E.C.A.B.A. Volume 274 Page 12

SCHEDULE A – GOVERNMENT AND CORPORATE SECURITIES

For the fiscal period ended 03/31/2020
Comparative as of 12/31/2019
In thousands of Argentine Pesos

Description	Id.	Holding				Position		
		Fair value	Fair value level	Book value as of 03/31/2020	Book value as of 03/31/2019	Position without options	Options	Financial Position
DEBT SECURITIES AT FAIR VALUE THROUGH PROFIT OR LOSS				**13,510,664**	**7,777,274**	**13,510,664**	**-**	**13,510,664**
Argentina								
Government securities								
Argentine Bond in USD due 05/06/24	05458	-	1	285,511	666,997	285,511	-	285,511
Debt security Province of Chubut class 2 in USD due 03/29/21	32487	-	1	85,464	101,860	85,464	-	85,464
Treasury bill in USD		-	1	330,262	4,428	330,262	-	330,262
Other		-	1	227,018	63,807	227,018	-	227,018
BCRA Bills								
BCRA Liquidity Bills	-	-	1	12,344,423	6,855,910	12,344,423	-	12,344,423
Corporate securities								
Debt security Financial Trust CHA series 9 to 14		-	2	72,817	59,824	72,817	-	72,817
Other			2	165,169	24,448	165,169	-	165,169
OTHER DEBT SECURITIES		**1,554,491**		**1,699,267**	**3,676,314**	**1,699,267**	**-**	**1,699,267**
Measured at amortized cost								
Argentina								
Government securities								
Treasury Bond due 11/21/20	05330	1,268,768	2	1,243,646	1,150,332	1,243,646	-	1,243,646
Argentine Bond in USD due 10/08/20	05468	-	2	-	1,054,900	-	-	-
Argentine Bond in USD due 12/30/38	40792	-	2	-	617,766	-	-	-
Argentine Bonds in USD due 02/13/20	05486	-	2	-	535,461	-	-	-
Argentine Bonds in USD due 10/11/28	92.664	-	2	-	51,378	-	-	-
Argentine Bonds in USD due 06/28/17	92.708	34,020	2	59,713	265,203	59,713	-	59,713
Treasury Bonds in $ due 08/05/21	05360	251,703	2	394,799	-	394,799	-	394,799
Corporate securities								
FT debt securities	34630	-	2	1,109	1,274	1,109	-	1,109
EQUITY INSTRUMENTS				**89,049**	**287,424**	**89,049**	**-**	**89,049**
Measured at fair value through profit or loss								
Argentina								
ADR Grupo Financiero Galicia	44891		2	30,907	71,259	30,907	-	30,907
ADR Pampa Energía	44765		2	21,855	31,824	21,855	-	21,855
ADR Grupo Supervielle	92789		2	13,899	32,837	13,899	-	13,899
Grupo Financiero Galicia	00534		1	580	1,310	580	-	580
Pampa Holding	00457		1	785	1,180	785	-	785
Grupo Supervielle	30035		1	383	819	383	-	383
Edenor	00508		1	67	129	67	-	67
Grupo Financiero Valores S.A.	00725		1	-	63,476	-	-	-
Bolsas y Mercados Argentinos S.A.	30038		1	20,573	84,590	20,573	-	20,573

Lorena C. Morchón
General Accounting Manager

Manuel J.L. Herrera Grazioli
General Manager

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Vice-Chairman

Marcelo Fuxman
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 03/31/2020
Comparative as of 12/31/2019
In thousands of Argentine Pesos

Commercial Portfolio	03/31/2020	12/31/2019
Normal Situation	**7,006,916**	**8,181,704**
With “A” preferred collateral and counterguarantees	75,234	290,187
With “B” preferred collateral and counterguarantees	1,692,451	1,972,095
Without preferred collateral and counterguarantees	5,239,231	5,919,422
With Special Follow-up	**744,973**	**1,426,944**
Under observation	**10,198**	**33,616**
With “A” preferred collateral and counterguarantees	-	11,244
With “B” preferred collateral and counterguarantees	10,198	17,461
Without preferred collateral and counterguarantees	-	4,911
Under negotiation or refinancing agreements	**734,775**	**1,393,328**
With “B” preferred collateral and counterguarantees	727,911	599,158
Without preferred collateral and counterguarantees	6,864	794,170
Troubled	**7,662**	**6,280**
With “A” preferred collateral and counterguarantees	-	2,230
With “B” preferred collateral and counterguarantees	-	-
Without preferred collateral and counterguarantees	7,662	4,050
With high risk of insolvency	**3,934,360**	**3,175,889**
With “A” preferred collateral and counterguarantees	11,376	17,087
With “B” preferred collateral and counterguarantees	184,362	201,451
Without preferred collateral and counterguarantees	3,738,622	2,957,351
Uncollectible	**-**	**12,030**
With “A” preferred collateral and counterguarantees	-	4,541
With “B” preferred collateral and counterguarantees	-	-
Without preferred collateral and counterguarantees	-	7,489
Total commercial portfolio	**11,693,911**	**12,802,847**

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General Manager

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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 03/31/2020
Comparative as of 12/31/2019
In thousands of Argentine Pesos

Consumer and housing portfolio	03/31/2020	12/31/2019
Normal situation	**27,893,216**	**29,341,756**
With "A" preferred collateral and counterguarantees	166,689	-
With "B" preferred collateral and counterguarantees	6,292,123	6,260,838
Without preferred collateral and counterguarantees	21,434,404	23,080,918
Low risk	**508,155**	**992,975**
Low risk	**505,556**	**992,975**
With "B" preferred collateral and counterguarantees	32,190	67,934
Without preferred collateral and counterguarantees	473,366	925,041
Special treatment	**2,599**	-
Without preferred collateral and counterguarantees	2,599	-
Mid risk	**625,939**	**985,734**
With "A" collateral and counterguarantees	2,436	-
With "B" collateral and counterguarantees	9,313	36,008
Without preferred collateral and counterguarantees	614,190	949,726
High risk	**712,123**	**1,519,142**
With "A" collateral and counterguarantees	282	-
With "B" preferred collateral and counterguarantees	9,963	11,954
Without preferred collateral and counterguarantees	701,878	1,507,188
Uncollectible	**46,350**	**39,524**
With "A" collateral and counterguarantees	1,676	-
With "B" preferred collateral and counterguarantees	2,121	700
Without preferred collateral and counterguarantees	42,553	38,824
Uncollectible for technical reasons	-	**80**
With "B" preferred collateral and counterguarantees	-	11
Without preferred collateral and counterguarantees	-	69
Total consumer and housing portfolio	**29,785,783**	**32,879,211**
General total (1)	**41,479,694**	**45,682,058**

Lorena C. Morchón
General Accounting Manager

Manuel J.L. Herrera Grazioli
General Manager

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In thousands of Argentine Pesos

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

	03/31/2020	12/31/2019
Loans and other financing arrangements	**36,935,638**	**40,862,523**
Other debt securities	**1,699,267**	**3,676,314**
Off-balance sheet items	**82,780**	**89,787**
plus allowances	4,917,449	5,095,217
less IFRS adjustments not computable for the ESD	(23,061)	(21,564)
less items not computable for the ESD	(434,221)	(345,179)
less government securities at amortized cost	(1,698,158)	(3,675,040)
TOTAL	**41,479,694**	**45,682,058**

It should be noted that the balances as of March 31, 2020 include the modification in the classification of debtors set forth by Communication "A" 6938 of the BCRA, which modifies the non-performing tranches of normal situation, low risk and mid risk classifications.

Lorena C. Morchón
General Accounting Manager

Manuel J.L. Herrera Grazioli
General Manager

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SCHEDULE C – CONCENTRATION OF LOANS AND OTHER FINANCING ARRANGEMENTS
For the fiscal period ended 03/31/2020, comparative as of 12/31/2019
In thousands of Argentine Pesos

Number of customers	Financing			
	03/31/2020		12/31/2019	
	Debt balance	% of total portfolio	Debt balance	% of total portfolio
10 largest customers	7,306,145	17.61%	7,407,347	16.22%
50 following largest customers	4,321,705	10.42%	4,953,806	10.84%
100 following largest customers	692,935	1.67%	682,298	1.49%
Rest of customers	29,158,909	70.30%	32,638,607	71.45%
TOTAL (1)	**41,479,694**	**100.00%**	**45,682,058**	**100.00%**

(1) Reconciliation between Schedule C and the Balance Sheet

	03/31/2020	**12/31/2019**
Loans and other financing arrangements	**36,935,638**	**40,862,523**
Other debt securities	**1,699,267**	**3,676,314**
Off-balance sheet items	**82,780**	**89,787**
plus allowances	4,917,449	5,095,217
less IFRS adjustments not computable for the ESD	(23,061)	(21,564)
less items not computable for the ESD	(434,221)	(345,179)
less government securities at amortized cost	(1,698,158)	(3,675,040)
TOTAL	**41,479,694**	**45,682,058**

Lorena C. Morchón
General Accounting Manager

Manuel J.L. Herrera Grazioli
General Manager

See our report dated
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SCHEDULE D – BREAKDOWN OF LOANS AND OTHER FINANCING ARRANGEMENTS ACCORDING TO MATURITY DATES

For the fiscal period ended 03/31/2020

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	-	62	-	-	-	-	-	62
Financial sector	437	49,974	98,257	50,169	1,224	422	-	200,483
Non-financial private sector and foreign residents	6,461,503	2,895,519	6,281,644	6,095,641	6,677,968	4,524,157	9,159,633	42,096,065
TOTAL	**6,461,940**	**2,945,555**	**6,379,901**	**6,145,810**	**6,679,192**	**4,524,579**	**9,159,633**	**42,296,610**

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
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Marcelo Fuxman
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SCHEDULE H – CONCENTRATION OF DEPOSITS
For the fiscal period ended 03/31/2020
Comparative as of 12/31/2019
In thousands of Argentine Pesos

Number of customers	Deposits			
	03/31/2020		12/31/2019	
	Debt balance	% of total portfolio	Debt balance	% of total portfolio
10 largest customers	7,139,145	18.21%	4,047,704	11.56%
50 following largest customers	7,385,928	18.84%	4,711,477	13.45%
100 following largest customers	2,280,167	5.82%	2,101,662	6.00%
Rest of customers	22,392,209	57.13%	24,167,548	68.99%
TOTAL	**39,197,449**	**100.00%**	**35,028,391**	**100.00%**

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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SCHEDULE I – BREAKDOWN OF FINANCIAL LIABILITIES ACCORDING TO MATURITY TERMS
For the fiscal period ended 03/31/2020
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	2,847,397	288,789	18,582	-	-	-	3,154,768
Financial sector	24,169	-	-	-	-	-	24,169
Non-financial sector and foreign residents	30,648,332	4,421,539	1,221,772	820,179	132,930	7,537	37,252,289
Liabilities at fair value through profit or loss	1,023,825	-	-	-	-	-	1,023,825
Derivative instruments	5,935	-	-	-	-	1,744,047	1,749,982
Repo transactions							
Other financial institutions	1,404,410	-	-	-	-	-	1,404,410
Other financial liabilities	4,256,049	1,446	5,718	5,246	37,614	728,978	5,035,051
Loans from the BCRA and other financial institutions	750,634	-	-	-	-	-	750,634
Negotiable obligations issued	-	3,547,965	713,747	23,863,776	6,073,592	3,339,135	37,538,215
TOTAL	**40,960,751**	**8,259,739**	**1,959,819**	**24,689,201**	**6,244,136**	**5,819,697**	**87,933,343**

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
June 3, 2020
PRICE WATERHOUSE & Co. S.R.L.

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SCHEDULE J – CHANGES IN ALLOWANCES AND PROVISIONS
For the fiscal period ended 03/31/2020, comparative as of 12/31/2019
In thousands of Argentine Pesos

Breakdown	Opening balances	Increases	Decreases		Balance as of 03/31/2020	Balance as of 12/31/2019
			Reversals	Allocations		
Administrative, disciplinary and criminal penalties	690	-	-	-	(50)	640
Post-retirement benefit provisions	95,758	47,234	-	(23,395)	(14,164)	205,433
Other (1)	456,070	7,768	(42,072)	(761)	(32,997)	388,008
TOTAL PROVISIONS	652,518	55,002	(42,072)	(24,156)	(47,211)	594,081

(1) The amount of Other is composed of:

Provisions for application of IFRS 9 on unused balances of cards	154,742
Provisions for application of IFRS 9 on unused overdraft agreements	9,880
Provisions for lawsuits and other claims	223,386

Lorena C. Morchón
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See our report dated
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SCHEDULE L – BALANCES IN FOREIGN CURRENCY
For the fiscal period ended 03/31/2020
Comparative as of 12/31/2019
In thousands of Argentine Pesos

Items	Head office and branches in Argentina	Total as of 03/31/2020	As of 03/31/2020		Total as of 12/31/2019
			Dollar	Euro	
ASSETS					
Cash and bank deposits	17,907,068	17,907,068	17,802,019	105,049	15,077,700
Debt securities at fair value through profit or loss	495,798	495,798	495,798	-	819,643
Other financial assets	3,871	3,871	3,800	71	4,024
Loans and other financing arrangements					
Other financial institutions	193,846	193,846	193,846	-	343,304
Non-financial private sector and foreign residents	7,387,740	7,387,740	7,387,740	-	8,196,514
Other debt securities	60,824	60,824	60,824	-	2,525,983
Financial assets pledged as collateral	3,151,682	3,151,682	3,151,682	-	1,129,112
Investments in equity instruments	66,661	66,661	66,661	-	135,920
TOTAL ASSETS	**29,267,490**	**29,267,490**	**29,162,370**	**105,120**	**28,232,200**
LIABILITIES					
Deposits					
Non-financial public sector	1,027,935	1,027,935	1,027,935	-	1,119,089
Financial sector	13,730	13,730	13,730	-	17,207
Non-financial private sector and foreign residents	9,011,473	9,011,473	9,011,473	-	9,587,557
Liabilities at fair value through profit or loss	1,403,461	1,403,461	1,403,461	-	645,747
Other financial liabilities	355,665	355,665	348,435	7,230	407,321
Loans from the BCRA and other financing arrangements	-	-	-	-	66,505
Negotiable obligations issued	18,633,269	18,633,269	18,633,269	-	18,222,697
Other non-financial liabilities	1,781	1,781	1,781	-	12,507
TOTAL LIABILITIES	**30,447,314**	**30,447,314**	**30,440,084**	**7,230**	**30,078,630**

Lorena C. Morchón
General Accounting Manager

Manuel J.L. Herrera Grazioli
General Manager

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BANCO Hipotecario

SCHEDULE O – DERIVATIVE FINANCIAL INSTRUMENTS
For the fiscal period ended 03/31/2020
In thousands of Argentine Pesos

Kind of agreement	**Purpose of transactions**	**Underlying asset**	**Kind of settlement**	**Trading environment or counterparty**	**Average weighted term originally agreed** (in months)	**Average residual weighted term** (in months)	**Average weighted term for the settlement of differences** (in months)	**Amount**
Futures	Brokerage - own account	Foreign currency	Daily differences	ROFEX	1	1	1	1,528,425
Repo transactions	Brokerage - own account	Government securities	With delivery of underlying asset	OTC - Domestic residents – Financial sector	1	1	2	1,983,223
Swaps	Brokerage - own account	Other	Upon maturity of differences	OTC - Domestic residents – Non-financial sector	212	93	30	378,967
Swaps	Brokerage - own account	Foreign currency	Upon maturity of differences	OTC - Domestic residents – Non-financial sector	211	82	30	126,825

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Saúl Zang
Vice-Chairman

Marcelo Fuxman
For the Supervisory Committee

…………………………………..(Partner)
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Public Accountant (UCA)
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BANCO Hipotecario

SCHEDULE R – CORRECTION OF VALUE FOR LOSSES – PROVISION FOR LOAN LOSSES

For the fiscal period ended 03/31/2020, comparative as of 12/31/2019

In thousands of Argentine Pesos

Description	Opening balances	ECL for the next 12 months	ECL of remaining life of the financial asset		Monetary income (loss) generated by provisions	Balance as of 03/31/2020
			Financial instrument with significant increase of credit risk	Financial instrument with credit impairment		
Other financial assets	**34,452**	**1,164**	**-**	**-**	**(2,493)**	**33,123**
Loans and other financing arrangements						
Other financial institutions	**1,648**	**(640)**	-	-	**(119)**	**889**
Non-financial private sector and residents abroad	**5,093,558**	**(86,608)**	**(33,306)**	**311,435**	**(368,529)**	**4,916,550**
Overdraft facilities	16,701	(270)	289	219	(1,208)	15,731
Notes	15,731	(12,970)	-	(749)	(1,138)	874
Mortgage loans	68,913	(207)	(107)	857	(4,986)	64,470
Pledge loans	3	(2)	-	-	-	1
Consumer loans	1,204,093	(51,198)	(22,260)	(214,111)	(87,119)	829,405
Credit cards	1,298,734	(3,888)	(11,144)	(24,020)	(93,966)	1,165,716
Financial leases	3,381	(663)	2	(2,237)	(245)	238
Other	2,486,002	(17,410)	(86)	551,476	(179,867)	2,840,115
Other debt securities	**13**	**-**	**-**	**-**	**(1)**	**12**
Eventual commitments	**195,991**	**(17,189)**	**-**	**-**	**(14,180)**	**164,622**
TOTAL PROVISIONS	**5,325,662**	**(103,273)**	**(33,306)**	**311,435**	**(385,322)**	**5,115,196**

Lorena C. Morchón
General Accounting Manager

Manuel J.L Herrera Grazioli
General Manager

See our report dated
June 3, 2020
PRICE WATERHOUSE & Co. S.R.L.

Saúl Zang
Vice-Chairman

Marcelo Fuxman
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 separate condensed interim financial statements of Banco Hipotecario S.A. (hereinafter, "the Bank") that comprise the balance sheet as of March 31, 2020, the related statements of income and other comprehensive income for the three-month period ended March 31, 2020 and the 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 2019 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, separate changes in shareholders' equity and separate cash flow. The independent auditors issued their Report on June 3, 2020, 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 review, there has been nothing that could have led us to believe that the separate condensed interim financial statements mentioned in the first paragraph of this report have not been prepared in all their significant aspects in accordance with the accounting framework laid down by the BCRA.

Emphasis on accounting principles

Without changing our conclusion, we draw attention to Note 3.1, which states that the attached financial statements have been prepared in accordance with the accounting framework set forth by the BCRA. Said regulations differ from the professional accounting standards in force (International Financial Reporting Standards (IFRS) adopted by the FACPCE). These differences lie in that the accounting framework set forth by the BCRA applicable to financial institutions within Group A of Communication "A" 6847, as amended by the BCRA, excludes non-financial government sector debt instruments from the scope of IFRS 9 "Financial Instruments", and does not provide for the application of item 5.5 "Impairment" of IFRS 9 to debt instruments of consolidated financial institutions within Group B of said rule. The Bank has quantified these differences in a note to these financial statements.

Report on compliance with currently applicable rules and regulations

In compliance with the applicable rules and regulations, we report that:

a) As stated in Note 27, except for the lack of transcription into the "Inventory and Balance Sheet" book, Banco Hipotecario S.A.'s separate condensed interim financial statements as of March 31, 2020, 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;

b) Banco Hipotecario S.A.'s separate condensed interim financial statements, except for the lack of transcription into the "Inventory and Balance Sheet" book and Daily Ledger for book entries corresponding to January, February and March 2020, arise from accounting records which, in their formal aspects, are kept in accordance with statutory provisions;

c) We have read the information summary and 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 24.4 to the separate condensed interim financial statements as of March 31, 2020 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; and

e) We are in compliance with the provisions of Section 294 of the Argentine Business Companies Law No. 19,550.

City of Buenos Aires, June 3, 2020.

Marcelo Fuxman
Statutory Auditor

SUPERVISORY COMMITTEE'S REPORT

To the Shareholders and Directors of
BANCO HIPOTECARIO S.A.

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 balance sheet as of March 31, 2020, the related statements of income and other comprehensive income for the three-month period ended March 31, 2020 and the 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 2019 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).

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 review procedures established by Technical Pronouncements No. 37 of the Argentine Federation of Professional Councils in Economic Sciences (FACPCE) to review interim financial statements and the auditing 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, consolidated changes in shareholders' equity or consolidated cash flows. The independent auditors issued their Report on June 3, 2020, 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 review, there has been nothing that could have led us to believe that the consolidated condensed interim financial statements mentioned in the first paragraph of this report have not been prepared in all their significant aspects in accordance with the accounting framework laid down by the BCRA.

Emphasis on accounting principles

Without changing our conclusion, we draw attention to Note 3.2, which states that the attached financial statements have been prepared in accordance with the accounting framework set forth by the BCRA. Said regulations differ from the professional accounting standards in force (International Financial Reporting Standards (IFRS) adopted by the FACPCE). These differences lie in that the accounting framework set forth by the BCRA applicable to financial institutions within Group A of Communication "A" 6847, as amended by the BCRA, excludes non-financial government sector debt instruments from the scope of IFRS 9 "Financial Instruments", and does not provide for the application of item 5.5 "Impairment" of IFRS 9 to debt instruments of consolidated financial institutions within Group B of said rule. The Bank has quantified these differences in a note to these financial statements.

Report on compliance with currently applicable rules and regulations

In compliance with the applicable rules and regulations, we report that:

a) In compliance with Necessity and Urgency Decrees (DNU) No. 297, 325, 355 and 408/2020, certain meetings of the Board of Directors and Supervisory Committee were held remotely, and, to the date hereof, their respective minutes have not been transcribed into nor signed in the relevant books. It is put on record that resolutions adopted by Board's meetings held from March 19, 2020 (enactment date of DNU No. 297) up to date have been duly noted.

b) As stated in Note 27, except for the lack of transcription into the "Inventory and Balance Sheet" book, Banco Hipotecario S.A.'s consolidated condensed interim financial statements as of March 31, 2020, 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) Banco Hipotecario S.A.'s separate condensed interim financial statements, except for the lack of transcription into the "Inventory and Balance Sheet" book and Daily Ledger, arise from accounting records which, in their formal aspects, are kept in accordance with statutory provisions;

d) We have read the information provided in Note 24.4 to the consolidated condensed interim financial statements as of March 31, 2020 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; and

e) We are in compliance with the provisions of Section 294 of the Argentine Business Companies Law No. 19,550.

City of Buenos Aires, June 3, 2020.

Marcelo Fuxman
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.

See Note 3 to Banco Hipotecario S.A.'s Separate Condensed Interim Financial Statements.

3. Classification of receivables (extensions of credit) and payables (deposits and obligations) according to their maturity dates.

See Schedule "D" – Breakdown of loans and other financing arrangements by maturity dates and Schedule "I" – Breakdown of financial liabilities by maturity dates in Banco Hipotecario S.A.'s Separate Condensed Interim Financial Statements.

4. Classification of receivables (lending) and payables (deposits and obligations) so as to disclose the financial effects stemming from their maintenance.

See Note 3.1, 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 Condensed Interim Financial Statements.

5. Detail of the ownership interest percentages in the companies governed by Law No. 19,550, Section 33 in the capital stock and in total votes and debit and/or credit balances by company.

See Note 21 - Related party transactions and balances in Banco Hipotecario S.A.'s separate condensed interim 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 March 31, 2020, loans to directors, supervisory committee members, surveillance committee members and their relatives up to, and including, the second degree, amount to Pesos 36,859 thousand with the highest amount lent as of that date being Pesos 36,859 thousand.

Lorena C. Morchón General Accounting Manager	**Manuel J.L Herrera Grazioli** General Manager	See our report dated June 3, 2020 PRICE WATERHOUSE & CO. S.R.L.
Saúl Zang Vice-Chairman	**Marcelo Fuxman** For the Supervisory Committee	……………………………….(Partner) C.P.C.E.C.A.B.A. Volume 1 - Page 17 **Diego Sisto** Public Accountant (UCA) C.P.C.E.C.A.B.A. Volume 274 – Page 12

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 3 and Note 9 to Banco Hipotecario S.A.'s Separate Condensed Interim Financial Statements.

9. Bank premises and equipment that have been technically re-measured

The Bank abides by BCRA's rules in force for the valuation of bank premises and equipment and miscellaneous assets. See Note 3 and Note 9 to Banco Hipotecario S.A.'s Separate Condensed Interim Financial Statements.

10. Bank premises and equipment –unused on grounds of obsolescence

The Bank abides by BCRA's rules in force for the valuation of bank premises and equipment and miscellaneous assets. See Note 3 and Note 9 to Banco Hipotecario S.A.'s Separate Condensed Interim Financial Statements.

IV. Ownership interests in other companies

11. Ownership interests in other companies in excess of what has been admitted by Section 31 of Law No. 19,550 and plans to regularize the situation.

There are none.

V. Recoverable values

12. Criteria applied to determine all significant "recoverable values" for inventories, bank premises and equipment and other assets, used as limits on their respective book values.

The Bank abides by BCRA's rules in force for the valuation of bank premises and equipment and miscellaneous assets. See Note 3 and Note 9 to Banco Hipotecario S.A.'s Separate Condensed Interim Financial Statements.

VI. Insurance

13. Insurance that covers tangible assets.

Insured Property				
Type of Insurance	**Coverage**	**Risk**	**Policy No.**	**Insurance Company**
Banking Comprehensive	Cash, checks and valuables	Fraud, theft, safety box and valuables in transit	216 (Effective term 10/31/19 to 10/31/20)	Hipotecario Seguros
All Operating Risk	Building, machinery, equipment, furniture, fixtures and works of art	Fire, looting and earthquake	152-00218799-01 (Effective term 10/31/18 to 10/31/19)	Mapfre (pilot 65%) Opción Seguros/Swiss Medical and Sancor
Motor Vehicles	Vehicles	Comprehensive risk and third parties with deductibles	11-147149 (Effective term 06/08/19 to 06/08/20)	Zurich

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 "R" and Note 7 – Loans and other financing arrangements in Banco Hipotecario S.A.'s Separate Condensed Interim Financial Statements.

16. Situations that are contingent as of the date of the financial statements, whose likelihood of occurrence is not remote and whose financial effects have not been accounted for, with an indication as to whether they have not been accounted for based on their probability of occurrence or on difficulties in quantifying their effects.

There are none.

Lorena C. Morchón
General Accounting Manager

Manuel J.L Herrera Grazioli
General Manager

See our report dated
June 3, 2020
PRICE WATERHOUSE & CO. S.R.L.

Saúl Zang
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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 24.7– Restrictions on distribution of profits to Banco Hipotecario S.A.'s Separate Condensed Interim Financial Statements.