

## **Banco CMF S.A.**

**Consolidated financial statements as of December 31, 2019,  
jointly with the Independent Auditors' Report and the  
Statutory Audit Committee's Report**

### **TABLE OF CONTENTS**

- Contents
- Consolidated statements of financial position
- Consolidated statements of profit or loss
- Consolidated statements of other comprehensive income
- Consolidated statements of changes in shareholders' equity
- Consolidated statements of cash flows
- Notes to the consolidated financial statements
- Consolidated exhibits
- Independent auditors' report on the consolidated financial statements
- Statutory Audit Committee's Report

## CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2019

### CONTENTS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS OF DECEMBER 31, 2019 AND 2018 .....	1 -
CONSOLIDATED STATEMENT OF INCOME FOR THE FISCAL YEARS ENDED DECEMBER 31, 2019 AND 2018 .....	3 -
CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 .....	4 -
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED DECEMBER 31, 2019 .....	5 -
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED DECEMBER 31, 2018 .....	6 -
CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2019, AND 2018 .....	7 -
GENERAL INFORMATION - BANCO CMF AND ITS SUBSIDIARIES .....	9 -
SIGNIFICANT ACCOUNTING POLICIES .....	10 -
REPO TRANSACTIONS .....	30 -
FINANCIAL ASSETS DELIVERED IN GUARANTEE AND RESTRICTED ASSETS .....	31 -
ADJUSTMENT DUE TO LOSSES. PROVISION FOR LOSSES FROM LOANS AND OTHER FINANCING FACILITIES .....	32 -
CONTINGENT TRANSACTIONS .....	32 -
DERIVATIVE FINANCIAL INSTRUMENTS .....	32 -
RELATED PARTIES .....	34 -
BANK PREMISES AND EQUIPMENT .....	36 -
EMPLOYEE BENEFITS .....	36 -
ANALYSIS OF FINANCIAL ASSETS TO BE RECOVERED AND FINANCIAL LIABILITIES TO BE SETTLED .....	37 -
SEGMENT REPORTING .....	38 -
INCOME TAX .....	39 -
FOREIGN EXCHANGE DIFFERENCE .....	41 -
OTHER OPERATING PROFIT .....	41 -
ADMINISTRATIVE EXPENSES .....	42 -
OTHER OPERATING EXPENSES .....	42 -
QUANTITATIVE AND QUALITATIVE INFORMATION ON FAIR VALUES AND CATEGORIES OF FINANCIAL ASSETS AND LIABILITIES .....	43 -
LEASES .....	46 -
ADDITIONAL INFORMATION ABOUT THE STATEMENT OF CASH FLOWS .....	46 -
CAPITAL STOCK .....	47 -
DEPOSIT GUARANTEE INSURANCE .....	47 -
TRUST BUSINESS .....	47 -
MUTUAL FUNDS .....	49 -
COMPLIANCE WITH CNV REGULATIONS .....	49 -
SAFEKEEPING OF DOCUMENTATION, ISSUER COMPANIES - CNV GENERAL RESOLUTION NO. 629/2014 AND CNV GENERAL RESOLUTION NO. 632/2014 .....	50 -
ACCOUNTS THAT IDENTIFY COMPLIANCE WITH MINIMUM CASH AND CAPITAL REQUIREMENTS .....	51 -
PENALTIES APPLIED TO THE FINANCIAL INSTITUTION AND SUMMARY PROCEEDINGS INITIATED BY THE BCRA .....	52 -
CORPORATE BONDS ISSUANCE .....	52 -
OFF-BALANCE AMOUNTS .....	54 -
RESTRICTION ON DISTRIBUTION OF EARNINGS .....	54 -
RISK MANAGEMENT AND CORPORATE GOVERNANCE .....	56 -
CHANGES IN THE ARGENTINE MACROECONOMIC ENVIRONMENT, AND THE SITUATIONS OF THE FINANCIAL AND CAPITAL SYSTEM .....	77 -

SUBSEQUENT EVENTS.....	79 -
EXHIBIT "A" .....	80 -
EXHIBIT "B" .....	85 -
EXHIBIT "C" .....	87 -
EXHIBIT "D" .....	88 -
EXHIBIT "F" .....	89 -
EXHIBIT "H" .....	90 -
EXHIBIT "I" .....	91 -
ANEXO "J" .....	92 -
EXHIBIT "L" .....	93 -
EXHIBIT "O" .....	94 -
EXHIBIT "P" .....	95 -
EXHIBIT "Q" .....	97 -
EXHIBIT "R" .....	99 -

<b>BANCO CMF S.A</b>		
<b>Registered office:</b> Macacha Güemes 150, City of Buenos Aires, Argentina		
<b>Main business activity:</b> Commercial bank	<b>C.U.I.T. (Argentine taxpayer identification number):</b> 30-57661429-9	
<b>Organization date:</b> June 21, 1978		
<b>Data of Registration with Buenos Aires City Public Registry of Commerce</b>	<b>Date</b>	(1) <b>Of the articles of incorporation:</b> 06/21/1978
		(2) <b>Of the latest amendment:</b> 08/09/2016
	<b>Book</b>	<b>Stock Corporations Book:</b> 88 – Vol. A
		<b>Number:</b> 1926
<b>Expiry of the articles of incorporation:</b> June 20, 2077		
<b>Fiscal year:</b> No. 43		
<b>Beginning date:</b> January 1, 2019	<b>Closing date:</b> December 31, 2019	
<b>Capital structure</b>		
<b>Number and characteristics of shares</b>	<b>In Argentine pesos</b>	
	<b>Subscribed</b>	<b>Paid-in</b>
323,900,000 book-entry shares of common stock of ARS 1 face value and entitled to five votes each	323,900,000	323,900,000

MARCOS PRIETO  
General Manager

Signed for identification purposes with our report  
dated 02-20-2020  
PISTRELLI, HENRY MARTIN Y ASOCIADOS S.R.L.  
C.P.C.E.C.A.B.A. Vol. 1 – Fo. 13

JOSÉ A. BENEGAS LYNCH  
Chairman

GABRIEL GAMBACORTA  
On behalf of Statutory Audit Committee

JOSÉ A. COYA TESTÓN  
Partner  
Public Accountant (U.B.A.)  
C.P.C.E.C.A.B.A. Vol. 308 – Fo. 61

DANIELA MERSÉ  
Accounting and Reporting System Manager

Bank name: Banco CMB S.A.  
Name of the undersigned auditor: José A. Coya Testón  
Professional firm: Pistrelli, Henry Martin y Asociados S.R.L.  
Report for the year ended 12/31/19:  
Type of report: 1- Unqualified audit report

- 1 -

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS OF DECEMBER 31, 2019 AND 2018

(Translation of separate financial statements originally issued in Spanish – see note 35)  
(Figures stated in thousands of Argentine pesos)

ASSETS	Notes	Exhibits	12/31/2019	12/31/2018
<b>Cash and deposits with banks</b>		P	<b>13,543,324</b>	<b>5,383,105</b>
– Cash			175,671	62,842
– Financial institutions and correspondents			13,367,653	5,320,263
– BCRA (Central Bank of Argentina)			3,793,558	2,211,640
– Other Local and Foreign Entities			9,574,095	3,108,623
<b>Debt securities at fair value through profit or loss</b>				
<b>Derivatives</b>	7	A and P	<b>5,113,641</b>	<b>644,034</b>
<b>Reverse repo transactions</b>	3	P	<b>32,987</b>	<b>196,903</b>
<b>Other financial assets</b>		P and O	<b>5,911,874</b>	<b>291,622</b>
<b>Loans and other financing</b>		P	<b>1,305,715</b>	<b>564,738</b>
		B, C, D, P and R	<b>4,733,783</b>	<b>5,430,456</b>
– BCRA (Central Bank of Argentina)			30	-
– Other financial institutions			11,431	124,710
– Non financial Private Sector and Foreign Residents			4,722,322	5,305,746
<b>Other debt securities</b>		A and P	<b>430,974</b>	<b>2,742,097</b>
Financial assets delivered in guarantee	4	P	247,178	118,513
Current income tax assets	13		4,788	481
Investments in equity instruments		A and P	24,039	463
Investments in subsidiaries			10,195	5,282
Bank premises and equipment	9	F	332,200	329,417
Intangible assets			379	740
Deferred income tax assets	13		113,659	-
Other non financial assets			101,118	114,961
<b>TOTAL ASSETS</b>			<b>31,905,854</b>	<b>15,822,812</b>

JOSÉ A. BENEGAS LYNCH  
Chairman

# **CONSOLIDATED STATEMENT OF FINANCIAL POSITION** **AS OF DECEMBER 31, 2019 AND 2018**

(Translation of separate financial statements originally issued in Spanish – see note 35)  
(Figures stated in thousands of Argentine pesos)

<b>LIABILITIES</b>	<b>Notes</b>	<b>Exhibits</b>	<b>12/31/2019</b>	<b>12/31/2018</b>
<b>Deposits</b>		H, I and P	<b>20,376,472</b>	<b>10,176,082</b>
– Non financial government sector			-	-
– Financial sector			1,166	672
– Non financial private sector and foreign residents			20,375,306	10,175,410
Liabilities at fair value through profit or loss		I and P	<b>1,965</b>	<b>115,585</b>
Derivatives	7	O	<b>15,313</b>	<b>37,112</b>
Repo transactions	3	I and P	-	-
Other financial liabilities		I and P	<b>5,440,265</b>	<b>809,337</b>
Financing received from financial institutions		I and P	<b>1,570,738</b>	<b>1,534,235</b>
Corporate bonds issued	29	I and P	<b>86,060</b>	<b>602,833</b>
Current income tax liabilities	13		<b>311,018</b>	<b>116,473</b>
Provisions		J	<b>1,262</b>	-
Deferred income tax liabilities, net	13		-	<b>20,672</b>
Other nonfinancial liabilities			<b>357,006</b>	<b>236,368</b>
<b>TOTAL LIABILITIES</b>			<b>28,160,099</b>	<b>13,648,697</b>
<b>SHAREHOLDERS' EQUITY</b>				
Capital stock	21		323,900	323,900
Appropriated retained earnings			1,074,799	758,659
Unappropriated retained earnings (accumulated losses)			-	150,289
Other accumulated comprehensive income			1,242,829	613,545
Profit for the year			1,086,086	315,849
Shareholders' equity attributable to the subsidiary's owners			3,727,614	2,162,242
Shareholders' equity attributable to noncontrolling interests			18,141	11,873
<b>TOTAL SHAREHOLDERS' EQUITY</b>			<b>3,745,755</b>	<b>2,174,115</b>

The accompanying notes 1 through 35 and exhibits A, B, C, D, F, H, I, J, L, O, P, Q and R are an integral part of these consolidated financial statements.

JOSÉ A. BENEGAS LYNCH  
Chairman

# **CONSOLIDATED STATEMENT OF INCOME** **FOR THE FISCAL YEARS ENDED DECEMBER 31, 2019 AND 2018**

(Translation of separate financial statements originally issued in Spanish – see note 35)  
(Figures stated in thousands of Argentine pesos)

	Notes	Exhibits	12/31/2019	12/31/2018
Interest income		Q	6,190,206	2,707,885
Interest expense		Q	(3,388,295)	(1,457,144)
<b>Interest income, net</b>			<b>2,801,911</b>	<b>1,250,741</b>
Commission income		Q	169,963	130,770
Commission expense			(5,366)	(1,485)
<b>Commission income, net</b>			<b>164,597</b>	<b>129,285</b>
Net gain on financial instruments at fair value through profit or loss		Q	94,719	220,857
Foreign exchange difference	14		(328,565)	(176,928)
Other operating profit	15		229,637	116,540
Loan loss provision	5		(202,574)	(213,592)
<b>Net operating profit</b>			<b>2,759,725</b>	<b>1,326,903</b>
Employee benefits	10		(560,128)	(351,989)
Administrative expenses	16		(537,179)	(303,038)
Depreciation and amortization of assets			(48,890)	(20,646)
Other operating expenses	17		(269,420)	(201,185)
<b>Operating profit</b>			<b>1,344,108</b>	<b>450,045</b>
Gain on investments in associates and joint ventures			1,826	694
<b>Profit from continuing operations before income tax</b>			<b>1,345,934</b>	<b>450,739</b>
Income tax on continuing operations			(259,467)	(134,393)
<b>Profit on continuing operations, net</b>			<b>1,086,467</b>	<b>316,346</b>
<b>NET PROFIT FOR THE YEAR</b>			<b>1,086,467</b>	<b>316,346</b>
Net profit for the year attributable to the parent company's owners			1,086,086	315,849
Net profit for the year attributable to noncontrolling interest			381	497

The accompanying notes 1 through 35 and exhibits A, B, C, D, F, H, I, J, L, O, P, Q and R are an integral part of these consolidated financial statements.

JOSÉ A. BENEGAS LYNCH  
Chairman

# **CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2019, AND 2018**

(Translation of separate financial statements originally issued in Spanish – see note 35)  
(Figures stated in thousands of Argentine pesos)

## **STATEMENT OF OTHER COMPREHENSIVE INCOME**

	Notes	Exhibits	12/31/2019	12/31/2018
<b>Profit (loss) for the year, net</b>			<b>1,086,467</b>	<b>316,346</b>
Foreign exchange differences on conversion of financial statements			635,641	538,210
<b>Total other comprehensive income</b>			<b>635,641</b>	<b>538,210</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>			<b>1,722,108</b>	<b>854,556</b>
Total comprehensive income attributable to the parent company's owners			1,715,370	848,677
Total comprehensive income attributable to noncontrolling interests			6,738	5,879

The accompanying notes 1 through 35 and exhibits A, B, C, D, F, H, I, J, L, O, P, Q and R are an integral part of these consolidated financial statements.

JOSÉ A. BENEGAS LYNCH  
Chairman



## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED DECEMBER 31, 2019

(Translation of separate financial statements originally issued in Spanish – see note 35)  
(Figures stated in thousands of Argentine pesos)

Changes	Capital stock	Other comprehensive income	Appropriated retained earnings					Shareholders' equity of controlling interests as of 12/31/2019	Shareholders' equity of controlling interests as of 12/31/2019	Shareholders' equity as of 12/31/2019
	Outstanding shares	Foreign exchange differences on conversion of financial statements	Legal reserve	Optional reserves	Statutory reserve - special due to the first-time adoption of IFRS	Unappropriated retained earnings (accumulated losses)				
— Balance at beginning of year	323,900	613,545	336,125	422,534	-	466,138	2,162,242	11,873		2,174,115
— Distribution of unappropriated retained earnings approved by the Shareholders' Meeting of April 15, 2019										
— Reversal of reserves	-	-	-	(422,534)	-	422,534	-	-		-
— Reserves	-		93,228	414,440	231,006	(738,674)	-	-		-
— Cash dividends (1) (2)	-	-	-	-	-	(150,000)	(150,000)	(470)		(150,470)
— Profit for the year, net	-	-	-	-	-	1,086,086	1,086,086	381		1,086,467
— Other comprehensive income	-	629,284	-	-	-	-	629,284	6,357		635,641
— Other changes	-	-	-	-	-	2	2	-		2
— Balance at end of year	323,900	1,242,829	429,353	414,440	231,006	1,086,086	3,727,614	18,141		3,745,755

(1) On April 15, 2019, the Regular and Special Shareholders' Meeting approved the allocation of 150,000 to the payment of cash dividends. On the same date, the Board of Directors decided to make them available to the shareholders.

(2) At the Regular and Special Shareholders' Meeting held on May 09, 2019, Metrocorp Valores approved the distribution of cash dividends for 47,000, which were paid on May 14, 2019.

The accompanying notes 1 through 35 and exhibits A, B, C, D, F, H, I, J, L, O, P, Q and R are an integral part of these consolidated financial statements.

JOSÉ A. BENEGAS LYNCH  
Chairman

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED DECEMBER 31, 2018

(Translation of separate financial statements originally issued in Spanish – see note 35)  
(Figures stated in thousands of Argentine pesos)

Changes	Capital stock	Other comprehensive income	Appropriated retained earnings			Shareholders' equity of controlling interests as of 12/31/2018	Shareholders' equity of noncontrolling interests as of 12/31/2018	Shareholders' equity as of 12/31/2018
	Outstanding shares	Foreign exchange differences on conversion of financial statements	Legal reserve	Optional reserve	Unappropriated retained earnings (accumulated losses)			
– Balance at beginning of year	323,900	80,717	294,175	323,736	360,043	1,382,571	6,637	1,389,208
– Distribution of unappropriated retained earnings approved by the Shareholders' Meeting of April 24, 2018								
– Reserves	-	-	41,950	98,798	(140,748)	-	-	-
– Cash dividends (1) (2)	-	-	-	-	(69,000)	(69,000)	(650)	(69,650)
– Profit for the year, net	-	-	-	-	315,849	315,849	497	316,346
– Other comprehensive income	-	532,828	-	-	-	532,828	5,382	538,210
– Other changes	-	-	-	-	(6)	(6)	7	1
– Balance at end of year	323,900	613,545	336,125	422,534	466,138	2,162,242	11,873	2,174,115

(1) On April 24, 2018, the Regular and Special Shareholders' Meeting approved the allocation of 69,000 to the payment of cash dividends. The BCRA authorized the distribution through a note dated July 06, 2018. On the same date, the Board of Directors decided to make them available to the shareholders. O

(2) At the Regular and Special Shareholders' Meeting held on April 24, 2018, Metrocorp Valores approved the distribution of cash dividends for 65,000, which were paid on May 16, 2018. A

The accompanying notes 1 through 35 and exhibits A, B, C, D, F, H, I, J, L, O, P, Q and R are an integral part of these consolidated financial statements.

JOSÉ A. BENEGAS LYNCH  
Chairman

**CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE YEARS ENDED  
DECEMBER 31, 2019, AND 2018**

(Translation of separate financial statements originally issued in Spanish – see note 35)  
(Figures stated in thousands of Argentine pesos)

	Notes	12/31/2019	12/31/2018
<b>Profit for the year before income tax</b>		<b>1,345,934</b>	<b>450,739</b>
<b>Adjustments to determine cash flows provided by operating activities:</b>			
Amortization, depreciation and impairment in value		48,890	20,646
Loan loss provision		202,574	213,592
Other adjustments		(1,515,692)	(679,761)
<b>Increases/decreases from operating assets, net:</b>			
Debt securities at fair value through profit or loss		2,467,896	462,599
Derivatives		163,916	233,079
Repo transactions		(5,437,274)	(121,332)
Loans and other financing			
Other financial institutions		116,216	(36,999)
Nonfinancial private sector and foreign residents		2,561,864	1,302,568
Subtotal debt securities		(646,979)	(1,257,958)
Financial assets delivered in guarantee		(128,665)	(347,311)
Investments in equity instruments		(23,576)	1,566
Other assets		(526,729)	363,331
<b>Increases/decreases from operating liabilities, net:</b>			
Deposits			
Non financial government sector		-	-
Financial sector		494	(298)
Non financial private sector and foreign residents		7,205,313	3,020,694
Liabilities at fair value through profit or loss		(113,620)	(337,396)
Derivatives		(21,799)	28,851
Repo transactions		(16,427)	(484,705)
Other liabilities		3,435,605	(1,302,800)
<b>Income tax payments</b>		<b>(190,600)</b>	<b>(49,348)</b>
<b>Total operating activities (A)</b>		<b>8,927,341</b>	<b>2,174,379</b>

JOSÉ A. BENEGAS LYNCH  
Chairman

**CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE YEARS ENDED  
AS OF DECEMBER 31, 2019 AND 2018 (CONTD.)**

(Translation of separate financial statements originally issued in Spanish – see note 35)  
(Figures stated in thousands of Argentine pesos)

	Notes	12/31/2019	12/31/2018
<b>Cash flows provided by investing activities</b>			
<b>Payments:</b>			
Purchase of bank premises and equipment, intangible assets and other assets		(62,964)	(9,952)
Purchase of liability or equity instruments issued by other institutions		(4,912)	(3,004)
Obtainment of control in subsidiaries or other businesses		637,466	533,025
Other payments related to investing activities		3	15
<b>Total investing activities (B)</b>		569,593	520,084
<b>Cash flows provided by financing activities</b>			
<b>Payments:</b>			
Dividends		(150,000)	(69,000)
Unsubordinated corporate bonds		(747,400)	(447,612)
Paid-in guarantees		(7)	35
Other payments related to financing activities		3	-
Financing received from financial institutions in Argentina		(110,746)	284,191
<b>Total financing activities (C)</b>		(1,008,150)	(232,386)
<b>Effect of changes in the exchange rate (D)</b>		(328,565)	(176,928)
<b>Total changes in cash flows</b>			
<b>Decrease in cash and cash equivalents, net (A+B+C+D)</b>		8,160,219	2,285,149
<b>Cash and cash equivalents at beginning of year</b>	20	5,383,105	3,097,956
<b>Cash and cash equivalents at end of year</b>	20	13,543,324	5,383,105

The accompanying notes 1 through 35 and exhibits A, B, C, D, F, H, I, L, O, P, Q and R are an integral part of these consolidated financial statements.

JOSÉ A. BENEGAS LYNCH  
Chairman

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2019

(Translation of separate financial statements originally issued in Spanish – see note 35)  
(Figures stated in thousands of Argentine pesos)

### 1. GENERAL INFORMATION - BANCO CMF AND ITS SUBSIDIARIES

Banco CMF S.A. (the “Company”) is a *sociedad anónima* (Argentine business association type akin to a stock corporation) duly organized under Argentine laws on June 21, 1978. Its duration term is 99 (ninety-nine) years, expiring in 2077 and may be extended. The current shareholders purchased the Bank in 1990. Subsequently, on April 10, 1996, through Resolution No. 208/96, and on May 5, 1996, through Communiqué “B” No. 6,010, the BCRA (Central Bank of Argentina) approved its transformation into a commercial bank. Finally, on March 23, 1999, through Communiqué “B”, the BCRA approved the corporate name change and the adoption of the current corporate name, Banco CMF S.A.

Since it is a financial entity governed by Financial Institutions Law No. 21,526, it should meet BCRA provisions because it is its regulatory agency.

These financial statements comprise Banco CMF and its subsidiaries, which are made up of the following companies:

- I. Metrocorp Valores S.A. is a company registered with the CNV (Argentine Securities Commission) as a comprehensive settlement, clearing and trading agent (ALyC y AN - Integral), and mutual funds placement and distribution agent (ACyDI FCI). This company engages in trading securities in Bolsas y Mercados Argentinos S.A. (BYMA) and Mercado a Término de Rosario (ROFEX), rendering services to the Bank and its customers, broadening the portfolio of products.
- II. CMF Asset Management S.A.U. is a mutual fund managing companies registered with the CNV as a managing agent in charge of mutual funds collective investment products. It manages four mutual funds. These mutual funds are traded exclusively through the Bank, which, in turn, operates as a custodial agent of collective investment products.
- III. Eurobanco Bank Ltd. is a financial entity located in Bahamas registered under a “Banking and Trust Business” license granted by the Ministry of Finance of The Commonwealth of the Bahamas and overseen by the Central Bank of Bahamas. Banco CMF S.A. controls 99% of the company. Its transactions mainly comprise the provision of treasury services to customers, corporate credits, credits secured by securities listed on international markets, order execution on account of customers for the purchase and sale of sovereign and corporate securities on the international market and the purchase and sale of sovereign and corporate securities on the international market with proprietary capital to make short-term investments for its own position, and custodial agent services. The source of financing is its own capital and deposit-taking. In addition, Eurobanco Bank Ltd. keeps a record with the Security Commission of The Bahamas (according to “Section 22 of Security Industry Act, 1999) as a Broker Dealer Class II (see exhibit IV(3)) to purchase and sell securities.

On February 26, 2020, the Board of Directors of Banco CMF S.A. approved the issuance of the accompanying consolidated financial statements.

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2019**

(Translation of separate financial statements originally issued in Spanish – see note 35)  
(Figures stated in thousands of Argentine pesos)

### **2. SIGNIFICANT ACCOUNTING POLICIES**

#### **Basis for preparation**

##### Accounting standards applied

The Bank's consolidated financial statements were prepared in accordance with the information framework established by the BCRA (Central Bank of Argentina) (BCRA Communiqué "A" 6114, as supplemented), which is based on International Financial Reporting Standards (IFRS) issued by the IASB (International Accounting Standards Board) and adopted by the FACPCE (Argentine Federation of Professional Councils in Economic Sciences), only subject to the exceptions explained in the following paragraph. Considering these exceptions, the accounting information framework comprises the standards and interpretations adopted by the IASB, which are:

- IFRS,
- International Accounting Standards (IAS) and
- the interpretations originated by the IFRS Interpretations Committee (IFRIC) or the former Standard Interpretations Committee (SIC).

Regarding the preparation and presentation of these consolidated financial statements, the Bank considered the following BCRA exceptions (see also section "New resolutions. Amendments to BCRA accounting information framework" in this note):

- (a) Through BCRA Communiqué "A" No. 6114, the BCRA established specific guidelines within this convergence process, among which it was defined: (i) the temporary exception to the application of section 5.5 "Impairment in value" of IFRS 9 "Financial Instruments" (points 5(1) through B5.5.55) for fiscal years until those beginning as from January 1, 2020, and (ii) that in order to calculate the effective deposit and lending rates required for measurement purposes pursuant to IFRS 9, the effective interest rate of a group of financial assets or liabilities with similar application may be calculated globally. As of the of issuance of these consolidated financial statements, the Bank is reviewing the effect of the application of section 5(5) "Impairment in value" mentioned in point (i) above, but it estimates that it may be material.
- (b) As of December 31, 2019, the conditions for adjusting for inflation the Bank's consolidated financial statements for the year then ended according to IAS 29 "Financial Reporting in Hyperinflationary Economies" were met. However, as detailed in "Measurement unit" in this note, financial institutions should apply this standard as from the years beginning January 1, 2020.

These accounting policies comply with the IFRS that are currently approved and applied in preparing these IFRS annual consolidated financial statements in agreement with the IFRS adopted by the BCRA according to Communiqué "A" No. 6840. In general, the BCRA does not allow for the early adoption of any IFRS, unless otherwise specified.

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2019**

(Translation of separate financial statements originally issued in Spanish – see note 35)  
(Figures stated in thousands of Argentine pesos)

### **2. SIGNIFICANT ACCOUNTING POLICIES (Contd.)**

#### Basis of consolidation

These consolidated financial statements comprise the financial statements of the Company and its subsidiaries as of December 31, 2019.

Subsidiaries are defined as any entity over which the Bank has control, which is evidenced by the simultaneous occurrence of the following elements:

- power over the subsidiary, which is related to the rights that give it the ability to direct the relevant activities, i.e., the activities that significantly affect the subsidiary's returns;
- Exposure, or rights, to variable returns from its involvement with the subsidiary, and
- Ability to use its power over the subsidiary to affect the amount of the subsidiary's return.

This is generally evidenced by an equity interest involving more than half of the shares with voting rights.

However, under specific circumstances, the Bank can still exert control with less than 50% of its equity or may not exert control with more than 50% of a subsidiary's shares. Upon assessing whether it has control over a subsidiary and, hence, controls its variable returns, the Bank considers all the important facts and circumstances, including:

- The purpose and design of the subsidiary.
- The significant activities, how decisions are made concerning these activities and whether the Bank may manage these activities.
- Contractual arrangements, such as purchase, sale and settlement rights.
- If the Bank is exposed to, or has rights over, variable returns of its equity in the subsidiary and it has the power to exert an influence over these returns.

Subsidiaries become wholly consolidated as from the date on which the effective control thereof is transferred to the Bank, and they are no longer consolidated as from the date on which such control ends. The consolidated statements include the assets, liabilities and profit (loss) of Banco CMF S.A. and its subsidiaries. The transactions between related entities are fully eliminated.

Profit (loss) and each component of the statement of comprehensive income are attributed to the parent company and to noncontrolling interests, even if the latter have negative balances as a result.

The subsidiaries' financial statements were prepared as of the same dates and for the same accounting years as those of Banco CMF S.A, consistently using accounting policies similar to those used by the latter. If needed, the subsidiaries' financial statements are adjusted so that their accounting policies are consistent.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2019

(Translation of separate financial statements originally issued in Spanish – see note 35)  
(Figures stated in thousands of Argentine pesos)

### 2. SIGNIFICANT ACCOUNTING POLICIES (Contd.)

The Bank and its subsidiaries Metrocorp Valores S.A. and CMF Asset Management S.A.U., consider the Argentine peso as its functional and disclosure currency. To such end, before the consolidation, the financial statements of its subsidiary Eurobanco Bank Limited, originally issued in US dollars, were converted into Argentine pesos (disclosure currency) using the following method:

- The assets and liabilities were converted at the BCRA's benchmark interest rate effective for such foreign currency at the closing of operations of the last business day of the reporting period or year.
- Profits for the reporting period or year were converted into Argentine pesos every month using the BCRA's average benchmark exchange rate.
- The resulting foreign exchange differences are booked as a separate component in shareholders' equity in the statement of comprehensive income as "Foreign exchange differences on conversion of financial statements".

Furthermore, noncontrolling interests are the portion of profit (loss) and shareholders' equity that does not belong, either directly or indirectly, to the Bank. They are disclosed in these financial statements in a separate line in the statements of financial position, profit and loss, other comprehensive income and changes in shareholders' equity.

As of December 31, 2019 and 2018, the Bank consolidated its financial statements with those of the following companies:

Company	Shares		% to		Activity
	Class	Number	Capital stock	Votes	
Metrocorp Valores S.A.	Common	6,491,430	99%	99%	Comprehensive settlement and clearing agent and trading agent, and mutual funds placement and distribution agent.
Eurobanco Bank Ltd.	Common	2,970,000	99%	99%	Financial institution
CMF Asset Management S.A.U.	Common	5,000,000	100%	100%	Managing agent in charge of mutual funds investment products

The total amounts related to the assets, liabilities, shareholders' equity and profit (loss) of Banco CMF S.A and each of its subsidiaries as of December 31, 2019 and 2018 are disclosed below:



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2019

(Translation of separate financial statements originally issued in Spanish – see note 35)  
(Figures stated in thousands of Argentine pesos)

### 2. SIGNIFICANT ACCOUNTING POLICIES (Contd.)

<u>As of 12/31/2019</u>	<u>Banco CMF</u>	<u>Metrocorp Valores</u>	<u>Eurobanco</u>	<u>CMF Asset</u>	<u>Eliminations</u>	<u>Consolidated</u>
Assets	16,999,039	732,241	16,171,246	57,285	(2,053,957)	31,905,854
Liabilities	(13,271,425)	(664,500)	(14,425,038)	(6,170)	207,034	(28,160,099)
Shareholders' equity attributable to the parent company's owners	3,727,614	67,063	1,728,745	51,115	(1,846,923)	3,727,614
Shareholders' equity attributable to noncontrolling interests	-	678	17,463	-	-	18,141
Profit (loss) for the year, net	1,086,086	2,353	35,807	39,000	(77,160)	1,086,086
Total other comprehensive income	629,284	-	635,641	-	(629,284)	635,641
Total comprehensive income attributable to the parent company's owners	1,715,370	2,329	664,734	39,000	(706,062)	1,715,370
Total comprehensive income attributable to noncontrolling interests	-	24	6,714	-	-	6,738

<u>As of 12/31/2018</u>	<u>Banco CMF</u>	<u>Metrocorp Valores</u>	<u>Eurobanco</u>	<u>CMF Asset</u>	<u>Eliminations</u>	<u>Consolidated</u>
Assets	12,824,882	561,828	3,825,052	46,714	(1,435,664)	15,822,812
Liabilities	(10,662,640)	(449,440)	(2,750,292)	(13,150)	226,825	(13,648,697)
Shareholders' equity attributable to the parent company's owners	2,162,242	111,264	1,064,011	33,564	(1,208,839)	2,162,242
Shareholders' equity attributable to noncontrolling interests	-	1,124	10,749	-	-	11,873
Profit (loss) for the year, net	315,849	43,560	6,677	27,194	(76,934)	316,346
Total other comprehensive income	532,828	-	538,210	-	(532,828)	538,210
Total comprehensive income attributable to the parent company's owners	848,677	43,130	539,438	27,194	(609,762)	848,677
Total comprehensive income attributable to noncontrolling interests	-	430	5,449	-	-	5,879

The Bank's Management considers that there are no other entities or structured entities that should be included in the financial statements as of December 31, 2019 and 2018.

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2019**

(Translation of separate financial statements originally issued in Spanish – see note 35)  
(Figures stated in thousands of Argentine pesos)

### **2. SIGNIFICANT ACCOUNTING POLICIES (Contd.)**

#### **Summary of significant accounting policies**

Below are disclosed the main valuation and disclosure methods followed in the preparation of these consolidated financial statements as of December 31, 2019, and 2018.

#### **Assets and liabilities in foreign currency**

The Bank and its subsidiaries consider the Argentine peso as its functional and disclosure currency. Assets and liabilities denominated in foreign currency, basically in US dollars, have been valued at BCRA's benchmark exchange rate effective for the US dollar at the closing of operations of the last business day of each fiscal year.

In addition, assets and liabilities denominated in other foreign currencies were converted at the exchange rates published by the BCRA. Foreign exchange differences were charged to profit (loss) for each year under "Differences in quoted prices of gold and foreign currency".

#### **Financial instruments**

##### **Initial recognition and measurement**

The Bank recognizes a financial instrument when it becomes a party to its contractual clauses.

Purchases or sales of financial assets requiring the delivery of assets within the term generally established by regulations or market conditions are booked on the transaction negotiation date, i.e. on the date when the Bank and its subsidiaries agree to purchase or sell the asset.

In the initial recognition, financial assets or liabilities were recorded at their fair values. Those financial assets or liabilities that are not booked at fair value through profit or loss were booked at fair value adjusted by the transaction costs that were directly attributable to their purchase or issuance.

Upon initial recognition, the fair value of a financial instrument is normally the transaction price. However, if part of the consideration delivered or received is related to something other than the financial instrument, the Bank and its subsidiaries estimate the fair value of the financial instrument. If this fair value is based on a valuation technique that uses only observable market data, any amounts additional to the consideration will be a lower profit or expense, unless they meet the requirements to be recognized as any other asset type ("day 1" results). Should the fair value be based on a valuation technique that uses nonobservable market data, the Bank will recognize this deferred difference through profit or loss only insofar as it arises from a change in a factor (including time) that the market participants would consider upon determining the price of the asset or liability, or when the instrument is derecognized.

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2019**

(Translation of separate financial statements originally issued in Spanish – see note 35)  
(Figures stated in thousands of Argentine pesos)

### **2. SIGNIFICANT ACCOUNTING POLICIES (Contd.)**

#### Subsequent measurement

Business model:

The Bank and its subsidiaries establish three categories for classifying and measuring its debt instruments based on a business model for managing them, and the characteristics of the contractual flows thereof:

- Amortized cost: the business purpose is to obtain the contractual cash flows of the financial asset.
- Fair values through other comprehensive income: the business purpose is to obtain the contractual cash flows of the financial asset and those arising from the sale thereof.
- Fair value through profit or loss: the business purpose is to generate profit from the purchase and sale of financial assets.

Consequently, the Bank and its subsidiaries measure their financial assets at fair value, except for those that meet these two conditions and are therefore valued at amortized cost:

- They are held within a business model which aim is to maintain assets to obtain contractual cash flows.
- Contractual conditions of financial assets give rise, in specific dates, to cash flows that are only payments of principal and interest on the outstanding principal.

The Bank and its subsidiaries define its business model at the level that best shows how it manages the groups of financial assets to reach a specific business purpose.

The business model is not assessed by instrument, but a higher level of aggregated portfolios, and it is based on observable factors, such as:

- The method for assessing the performance of the business model and the financial assets held within such business model, and the reporting method to key personnel in the Bank and its subsidiaries.
- The risks affecting the performance of the business model (and the financial assets held within such business model) and, in particular, the way of managing these risks.
- The method for compensating key personnel in the Bank and its subsidiaries (for example, if compensation is based on the fair value of the assets managed or collected contractual cash flows).
- The expected frequency, timing and reasons for sales are also important factors.

The assessment of the business model is based on reasonably expected scenarios, without taking into consideration the "worst case" or "stress case" scenarios. If subsequent to initial recognition cash flows are realized in a manner other than that originally expected by the Bank and its subsidiaries, they do not change the classification of the remaining financial assets held within such business model, but rather consider the information to assess the recent purchases or origination.

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2019**

(Translation of separate financial statements originally issued in Spanish – see note 35)  
(Figures stated in thousands of Argentine pesos)

### **2. SIGNIFICANT ACCOUNTING POLICIES (Contd.)**

#### Test of payments of principal and interest only:

As part of the classification process, the Bank assessed the contractual terms of its financial assets to identify whether they originate cash flows at certain dates only consisting in repayments of principal and interest on the outstanding principal.

For the purpose of this assessment, “principal” was defined as the fair value of the financial asset upon initial recognition, which may be modified throughout the life of the instrument; for example, if there are any reimbursements of principal, amortization of a premium or discount.

The main components of interest in a loan agreement usually are: time value of money and credit risk.

To perform the characteristics test, the Bank and its subsidiaries use their own judgment and consider relevant factors, such as the currency in which the financial asset is stated and the term for which the interest rate was set.

On the contrary, the contractual terms introducing an exposure higher than the minimum to risk or volatility in the contractual cash flows not related to a basic loan agreement do not give rise to contractual cash flows only consisting of repayments of principal and interest on the outstanding amount. In such cases, it is required that financial assets be measured at fair value through profit or loss.

Therefore, financial assets were classified on the basis of the considerations made in the preceding paragraphs under “Financial assets measured at fair value through profit or loss”, “Financial assets measured at fair value through other comprehensive income” or “Financial assets at amortized cost”. Such classification is disclosed in Exhibit P “Classification of financial assets and liabilities”.

#### Financial assets and liabilities measured at fair value through profit or loss:

This category is divided into two subcategories: financial assets and liabilities held for trading, and financial assets and liabilities designated at fair value from their initial recognition by Management in accordance with IFRS 9, paragraph 6(7)1.

The Bank and its subsidiaries classify financial assets or liabilities as held for trading when they have been purchased or issued mainly for obtaining short-term benefits through negotiation activities, or when they are part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking.

The Board designates an instrument at fair value when one of the following conditions are met: (i) the designation eliminates or reduces significantly the inconsistent treatment that, otherwise, arises from measuring assets or liabilities, or recognizing profit or losses generated by them on a different basis; (ii) assets and liabilities are part of a group of financial assets, which are managed and assessed on a fair value basis in accordance with a documented risk management or investment strategy; or (iii) liabilities include one or more embedded derivatives, unless they do not significantly modify cash flows. Such designation is made on an instrument-by-instrument basis.

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2019**

(Translation of separate financial statements originally issued in Spanish – see note 35)  
(Figures stated in thousands of Argentine pesos)

### **2. SIGNIFICANT ACCOUNTING POLICIES (Contd.)**

Financial assets and liabilities measured at fair value through profit or loss are booked in the statement of financial position at fair value. Changes in fair value are recognized in the statement of profit or loss under "Net gain (loss) on financial instruments at fair value through profit or loss", except for the changes in fair value of the liabilities designated at fair value through profit or loss due to changes in own credit risk. Such changes in fair value would be booked under other comprehensive income and would not be reclassified through profit or loss. Interest income and expenses, as well as dividends, are charged to "Net gain (loss) on financial instruments at fair value through profit or loss" under the terms of the agreement or when the payment right has been established.

The fair value of these instruments, classified as level 1, was calculated using the listed prices as of each year-end on active markets, if representative. The main market on which the Bank operates is the Mercado Abierto Electrónico (over-the-counter electronic market). In addition, in the case of dividends, both the MAE and the Mercado a Término de Rosario S.A. (ROFEX) are considered active markets.

If there was no active market, the instruments are classified as L2 instruments and valuation techniques were used, including the use of market transactions performed under mutually independence conditions between duly informed and interested parties, provided that they are available, as well as references to the current fair value of another instrument that is substantially similar or the analysis of discounted cash flows. The fair value estimate is further explained in section "Accounting judgments, estimates and assumptions" under this note.

#### Financial assets measured at amortized cost – Effective interest method:

They represent financial assets held to obtain contractual cash flows and the contractual conditions of which give rise, on specific dates, to cash flows only consisting in repayments of principal and interest on the outstanding principal.

Subsequent to initial recognition, these financial assets are booked in the statement of financial position at amortized cost using the effective interest rate method, less the loan loss provision, if applicable.

Interest income and impairment are disclosed in the statement of profit and loss in "Interest income" and "Loan loss provision", respectively. The changes in the provision is disclosed in Exhibit R "Adjustment due to losses – Loan loss provision".

The effective interest rate method uses the rate that allows discounting future cash flows estimated to be paid or received over the life of the instrument or a shorter period, if appropriate, equal to the net carrying amount of this instrument. By applying such method, the Bank identifies the incremental costs that are an integral part of the effective interest rate. To such purpose, interest is defined as the consideration for the time value of money and the credit risk associated to the outstanding principal amount over a specified period.

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2019**

(Translation of separate financial statements originally issued in Spanish – see note 35)  
(Figures stated in thousands of Argentine pesos)

### **2. SIGNIFICANT ACCOUNTING POLICIES (Contd.)**

#### Cash and deposits with banks

They were measured at nominal value, plus accrued interest as of each year-end, if appropriate. Accrued interest was charged to the related statement of profit and loss for each year under "Interest income", if applicable.

#### Repo transactions (purchases and sales with repurchase agreements):

The purchases (sales) of financial instruments with the nonoptional repurchase commitment at a determined price (repos) are booked in the consolidated statement of financial position as a financing granted (received) under "Repo transactions".

The difference between the purchase and sale prices of those instruments is recorded as interest, which is accrued over the effective term of transactions using the effective interest rate method and charged to the statement of profit or loss under "Interest income" and "Interest expense", as the case may be.

#### Loans and other financing:

They are financial assets other than a derivative held by the Bank in a business model aimed at obtaining contractual cash flows and the contractual conditions of which give rise, on specific dates, to cash flows only consisting in repayments of principal and interest on the outstanding principal.

Loans and other financing are booked when funds are disbursed to customers. Subsequent to initial recognition, loans and other financing are valued at amortized cost using the effective interest rate method, less the loan loss provision. Amortized cost is calculated considering any discount or premium incurred upon origination or acquisition, and origination fees, which are part of the effective interest rate. Interest income is allocated to the statement of profit or loss under "Interest income". Impairment losses are included in the consolidated statement of profit and loss under "Loan loss provision" and the changes thereof are disclosed in Exhibit R "Adjustment due to losses – Loan loss provision". The impairment estimate is further explained in section "Accounting judgments, estimates and assumptions" under this note.

The guarantees provided and contingent obligations are disclosed in the notes to the financial statements (off-balance sheet) when the documents supporting these credit facilities are issued and are initially recognized at the fair value of the commission received in "Other financial liabilities" in the statement of financial position. After the legal recognition, the liability for each guarantee is booked at the highest value between the commission amortized and the best expense estimate required to settle any financial obligation arising from the financial guarantee.

Any increase in the liability related to a financial guarantee is booked in profit or loss. The commission received is recognized in "Commission income" in the statement of profit or loss based on its amortization using the straight-line method during the term of the financial guarantee offered.

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2019**

(Translation of separate financial statements originally issued in Spanish – see note 35)  
(Figures stated in thousands of Argentine pesos)

### **2. SIGNIFICANT ACCOUNTING POLICIES (Contd.)**

#### Financial liabilities:

After initial recognition, all the financial liabilities are valued at amortized cost using the effective interest method, except for derivative financial instruments and financial liabilities held for trading or designated at fair value. Interest is charged to profit under "Interest expense".

Such classification is disclosed in Exhibit P "Classification of financial assets and liabilities".

#### Derivatives:

##### Forward transactions without delivery of the underlying asset:

They include forward purchases and sales of foreign currency without delivery of the underlying asset traded, which are not designated as hedge relationships but are aimed at reducing the exchange rate risk for expected purchases and sales. Transactions are measured at the fair value of agreements and are performed by the Bank for the purpose of intermediation for its own account. The Bank mainly operates on the Mercado a Término de Rosario S.A. (ROFEX). The fair value estimate is further explained in section "Accounting judgments, estimates and assumptions" under this note. The resulting profit (loss) is charged to profit (loss) for the year under "Net profit (loss) from financial instruments at fair value through profit or loss".

##### Reclassification of financial assets and liabilities:

The Bank does not reclassify its financial assets after initial recognition, except under exceptional circumstances, when it changes its business model to manage financial assets as a result of significant external or internal changes to the Bank's operations. Financial liabilities are never reclassified. As of December 31, 2019 and 2018, the Bank and its subsidiaries made no reclassifications.

#### Finance leases:

The Bank grants borrowings through finance leases, recognizing the current value of lease payments as an asset, which are booked as "Loans and other financing" in the statement of financial position. The difference between the total value receivable and the present value of the financing is recognized as interest to be earned. This revenue is recognized over the lease term using the effective interest rate method, which shows a constant rate of return and charged to income under "Interest income". Impairment losses are included in the statement of profit or loss under "Loan loss provision" and the changes thereof are disclosed in Exhibit R "Adjustment due to losses – Loan loss provision".

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2019

(Translation of separate financial statements originally issued in Spanish – see note 35)  
(Figures stated in thousands of Argentine pesos)

### 2. SIGNIFICANT ACCOUNTING POLICIES (Contd.)

#### Bank premises and equipment

The Bank and its subsidiaries chose the cost model for all types of assets within the account. These assets are booked at their historical acquisition cost, less the related accumulated depreciation and impairment in value, if applicable. The historical acquisition cost includes expenses directly attributable to the acquisition of assets. Maintenance and repair costs are booked in the statement of profit and loss. Any material improvement and renovation is capitalized solely when it is probable that there will be future economic benefits exceeding the return originally evaluated for the asset.

Depreciation was calculated based proportionately to the estimated months of useful life. The assets were fully depreciated in the month of addition, but were not depreciated in the month of retirement. Additionally, at least as of each year-end, the estimated useful lives of the assets are reviewed to detect significant changes therein, which, upon occurrence, will be adjusted through the related adjustment to the depreciation charge. The depreciation charge is recognized in "Depreciation and impairment in value of assets".

The residual value of these assets, taken as a whole, does not exceed their recoverable value.

#### Intangible assets

Intangible assets purchased separately are initially valued at cost. Following initial recognition, intangible assets are carried at cost less accumulated amortization (if finite useful lives are assigned) and accumulated impairment losses, if any.

The useful lives of intangible assets are assessed as either finite or indefinite.

The intangible assets included in the financial statements of the subsidiary CMF Asset Management S.A.U. have finite lives; therefore, they are amortized over their useful economic lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting fiscal year. Changes in the expected useful life or the expected pattern of consumption of the asset is accounted for by changing the amortization period or method, as appropriate, and are treated prospectively as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the statement of comprehensive income in "Depreciation and impairment in value of assets".

Below is a summary of the accounting policies applied to the Bank's intangible assets:

	Development costs
Useful lives (in months)	36
Amortization method	Straight-line
Internally generated or acquired	Acquired



## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2019**

(Translation of separate financial statements originally issued in Spanish – see note 35)  
(Figures stated in thousands of Argentine pesos)

### **2. SIGNIFICANT ACCOUNTING POLICIES (Contd.)**

#### Impairment in value of nonfinancial assets:

At least as of each year-end, the Bank and its subsidiaries evaluate whether there are events or changes in circumstances that indicate that the value of nonfinancial assets can be impaired or whether there are hints that a nonfinancial asset can be impaired. If there is any hint or when an annual impairment test is required for an asset, the Bank estimates the recoverable value thereof. If the carrying amount of an asset (or cash generating unit) exceeds its recoverable value, the asset (or cash generating unit) is considered impaired and the amount decreases to the recoverable value of the asset.

As of the date of presentation of the financial statements, nonfinancial assets are evaluated as to whether there are any hints that the loss for impairment in value previously recognized may no longer exist or may have decreased. A loss for impairment in value previously recognized is reversed solely if there has been a change in the estimates used to determine the recoverable value of the asset from the recognition of the latter loss for impairment in value. In such a case, the carrying amount of the asset increases to its recoverable value.

Since the Bank has assessed and concluded that there are indications of impairment, it estimated the recoverable value of assets (value in use), which exceeds their carrying amount; therefore, it does not have to recognize any adjustment whatsoever for impairment in value.

#### Provisions:

The Bank and its subsidiaries recognize a provision when and only when: (a) the Bank has a current obligation, as a result of a past event; (b) it is probable (i.e. more likely than not) that an outflow of resources will be required by the Bank and its subsidiaries to settle the obligation; and (c) a reliable estimate can be made of the amount of the related payable.

In order to assess the provisions, the existing risks and uncertainties were considered taking into account the opinion of the Bank's external and internal legal counsel. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When the discount is recognized, the increase in the provision as time elapses is recognized in "Interest expense" in the statement of comprehensive income.

The provisions booked by the Bank and its subsidiaries are reviewed as of each year-end and adjusted to reflect the best estimate available at all times. Additionally, provisions are allocated to a specific item in order to be used only to cover the disbursements for which they were originally recognized.

In the event that: (a) it is a possible obligation, (b) it is probable that a disbursement of resources will be required to settle the obligation, or (c) its present value can be reliably estimated, the contingent liability is not recognized and it is disclosed in the notes. However, when the disbursement requirement is considered to be remote, no disclosure is made.

As of December 31, 2019 and 2018, the Bank and its subsidiaries estimated that no disbursements are likely to be needed to settle other current obligations for these items.

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2019**

(Translation of separate financial statements originally issued in Spanish – see note 35)  
(Figures stated in thousands of Argentine pesos)

### **2. SIGNIFICANT ACCOUNTING POLICIES (Contd.)**

#### Recognition of profit and expenses:

##### Interest income and expense:

Interest income and expense are accounted for based on their accrual period, applying the effective interest method, which is explained in "Financial assets measured at amortized cost – Effective interest method".

Interest income includes yields on fixed-profit investments and securities, as well as the discount and premium on financial instruments.

Dividends are recognized when they are reported.

##### Borrowing commissions:

Commissions collected and direct incremental costs related to financing granted are deferred and recognized adjusting the effective interest rate thereof.

##### Commissions on services:

These profits are recognized when (or as) the Bank and its subsidiaries fulfill each performance obligation through the transfer of the services committed in exchange for an amount reflecting the consideration to which the Bank and its subsidiaries expect to be entitled in exchange for such services.

At the beginning of each agreement, the Bank and its subsidiaries assess the services committed and identify as a performance obligation each commitment to transfer a different service or a series of different services that are substantially the same and share the same transfer pattern.

##### Nonfinance income and expense:

They are booked based on the recognition conditions established in the conceptual framework, such as the requirement that profit (losses) be accrued.

##### Income tax

Income tax is calculated based on the stand-alone financial statements of Banco CMF S.A. and each of its subsidiaries.

The income tax charge comprises current and deferred income tax. Income tax is recognized in the statement of profit and loss, except for items to be recognized directly in other comprehensive income. In this case, each item is disclosed before calculating its income tax impact, which is detailed in the related item.

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2019**

(Translation of separate financial statements originally issued in Spanish – see note 35)  
(Figures stated in thousands of Argentine pesos)

### **2. SIGNIFICANT ACCOUNTING POLICIES (Contd.)**

The current income tax charge is related to the addition of charges of the different Group companies, which were determined by applying the tax rate over taxable profit pursuant to Income Tax Law, or an equivalent regulation, of the countries in which any subsidiary operates.

Deferred income tax reflects the effects of temporary differences between book and tax amounts of assets and liabilities. Assets and liabilities are measured using the tax rate expected to be applied to taxable profit in the years when these differences are recovered or eliminated. The measurement of deferred assets and liabilities reflects the tax consequences derived from the way in which the Bank and its subsidiaries expect to recover or calculate the value of their assets and liabilities as of each year-end.

Deferred income tax assets and liabilities are measured by their nominal amounts without discounting, at the tax rates expected to be applied during the year in which the asset is realized or the liability is settled.

Deferred assets are recognized when future tax benefits sufficient for the deferred asset to be applied are likely to exist.

#### Segment reporting

The Bank considers as a business segment the group of assets and transactions committed in providing services subject to risks and returns that are different from those of other business segments. For those segments there is separate financial information, which is periodically evaluated by those in charge of making the main operating decisions related to the resource assignment and performance evaluation. The information by segments is disclosed in note 12.

#### Investment management and trust activities

The Bank and its subsidiaries provide custody, administration, investment management and advisory services to third parties that give rise to the holding or placement of assets in their name. These assets and profit (losses) therefrom are not included in these financial statements because they are not the Bank's and subsidiaries' assets. Fees arising from these activities are included in the account "Commission income" in the statement of profit or loss.

#### Going concern

The Bank assessed its capacity to continue as a going concern and it has the resources to continue in business in the foreseeable future. As of the date of these financial statements, there are no uncertainties related to events or circumstances that may cast doubt on whether the Bank will continue operating as a going concern. Therefore, these financial statements were prepared on a going concern basis.

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2019**

(Translation of separate financial statements originally issued in Spanish – see note 35)  
(Figures stated in thousands of Argentine pesos)

### **2. SIGNIFICANT ACCOUNTING POLICIES (Contd.)**

#### **Significant judgments, estimates and assumptions**

Preparing the financial statements in accordance with IFRS requires that the Management of the Bank and its subsidiaries make and consider the significant opinions, estimates and assumptions that affect the reported figures for assets and liabilities, revenues and expenses, as well as the assessment and disclosure of contingent assets and liabilities as of the end of the reporting period. The bookings made by the Company are based on the best estimate of the likelihood of different future events occurring. In this sense, the uncertainties related to estimates and assumptions adopted could give rise in the future to final results that could differ from those estimates and require significant adjustments to reported balances of assets and liabilities affected.

The most significant estimates included in the accompanying financial statements are related to the loan loss provision, the measurement of financial instruments at fair value, the provisions, the estimated useful life of fixed assets, the expected recovery amount at the end of its useful life and the income tax charge.

In certain cases, the financial statements prepared in agreement with BCRA Communiqué “A” 6114 require that the assets or liabilities be booked and/or presented at fair value. Fair value is the amount for which an asset could be exchanged, or a liability settled between knowledgeable, willing parties at arm’s length between market participants on the principal (or most advantageous) market in an orderly and current transaction. When market prices on active markets are available, they were used as valuation basis. When the market prices on active markets are not available, the Bank and its subsidiaries estimate these values as values based on the best information available, including the use of models and other assessment techniques.

#### **Fair value measurement of financial instruments**

In the cases when the fair value of the financial assets and liabilities booked in the statement of financial position cannot be measured based on the market prices of these assets, the fair value is assessed by using valuation techniques that include a discounted cash flow model.

When possible, the input data used by these models are taken from observable markets; otherwise, discretionary judgment is required to determine the fair value. Such judgment includes considering input data such as liquidity risk, credit risk and volatility.

The changes in the assumptions related to these factors could affect the fair value of the financial instruments.

The fair value assessment method is explained in detail in note 19.

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2019**

(Translation of separate financial statements originally issued in Spanish – see note 35)  
(Figures stated in thousands of Argentine pesos)

### **2. SIGNIFICANT ACCOUNTING POLICIES (Contd.)**

#### Loan loss provision and provision for contingent commitments

The loan loss provision was booked based on the estimated uncollectibility risk of the Bank's credit assistance, which results from assessing borrowers' compliance and the guarantees supporting the related transactions in conformity with BCRA Communiqué "A" 2,950, as supplemented, and the Bank's provision-setting policies.

In the case of loans with specific provisions that are settled or generate the reversal of provisions booked this year, and if the provisions booked in prior years exceeded those deemed necessary, the surplus in the provision will be reversed with an impact on profit (loss) for the current year.

Impairment losses are included in the statement of profit and loss and the reversals are disclosed in "Other operating profit". The changes in these losses are disclosed in Exhibit R "Adjustment due to losses – Loan loss provision".

As of December 31, 2019 and 2018, the Bank has no provisions for contingent commitments.

#### Figures stated in thousands of Argentine pesos

These consolidated financial statements disclose figures stated in thousands of Argentine pesos and are rounded up to the nearest amount in Argentine pesos, except when otherwise noted.

#### Presentation of the consolidated statement of financial position

The Bank files the consolidated statement of financial position in order of liquidity pursuant to the model established in BCRA Communiqué "A" 6324. The analysis referring to the recovery of assets and settlement of liabilities within the 12 months subsequent to the reporting date and over 12 months subsequent to the reporting date is disclosed in note 12.

Financial assets and liabilities are usually informed using gross amounts in the consolidated statement of financial position. These amounts are only offset and reported in net form when holding the legal and unconditional right to offset them and Management intends to settle those amounts on a net basis or to realize assets and settle liabilities simultaneously.

The accompanying consolidated financial statements were prepared on the basis of their historical amounts, except for the assets disclosed in note 18, which were valued at fair value.

#### Comparative information

These consolidated financial statements are presented comparatively with those of the prior fiscal year-end.

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2019**

(Translation of separate financial statements originally issued in Spanish – see note 35)  
(Figures stated in thousands of Argentine pesos)

### **2. SIGNIFICANT ACCOUNTING POLICIES (Contd.)**

#### Measurement unit

IFRS require the restatement in functional currency of an entity's financial statements when the functional currency used is that of a hyperinflationary economy. To ensure consistency in identifying such an economic context, IAS 29 establishes (i) certain nonexclusive qualitative indicators, such as analyzing the behavior of the population, prices, interest rates and salaries considering the changes in the price indexes and the loss in the purchasing power of the currency, and (ii) a quantitative indicator –which is the condition mostly used in actual facts–, which consists in checking whether the cumulative inflation rate over three years approaches or exceeds 100%. Even though the general level of prices increased over the last few years in Argentina, the inflation rate accumulated over a three-year period remained below such percentage. However, due to different macroeconomic factors, the three-year inflation rate stood above 100% in 2018. Moreover, the Argentine government targets and other available projections show that this trend will not be reversed in the short term.

Consequently, the Argentine economy is currently considered hyperinflationary and the entities under the BCRA's control, which are required to apply the IFRS adopted through Communiqué "A" 6114 and which functional currency is the Argentine peso, should restate their financial statements. This restatement should be made as if the economy had always been hyperinflationary using a general price index that reflects the changes in the purchasing power of the currency. To make such restatement, a series of indexes prepared and published monthly by the FACPCE will be used, which combine the Argentine consumer price index published by the INDEC (Argentine Institute of Statistics and Censuses) as from January 2017 (base month: December 2016) with the wholesale domestic price index published by the INDEC until that date, computing the changes in the consumer price index for the City of Buenos Aires for November and December 2015 since the INDEC published no information concerning the domestic wholesale price index for these months.

Considering this index, inflation stood at 53.83% and 47.64% for the years ended December 31, 2019, and 2018, respectively.

However, as established in BCRA Communiqué "A" 6651, banks should start adopting the method for restating the financial statements into constant currency, as provided for by IAS 29, as from the years beginning January 1, 2020.

The lack of recognition of the changes in the general purchasing power of the currency in a hyperinflationary economy may distort the accounting information; therefore, this situation should be considered upon interpreting the information disclosed by the Bank in the financial statements on the financial position, results of operations and cash flows.

Below is a description of the main potential effects from implementing IAS 29:

- (a) The financial statements should be adjusted to consider the changes in the purchasing power of the currency so that they are restated into the current measuring unit as of the end of the reporting period or year.
- (b) In brief, the general restatement mechanism established in IAS 29 is the following:

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2019**

(Translation of separate financial statements originally issued in Spanish – see note 35)  
(Figures stated in thousands of Argentine pesos)

### **2. SIGNIFICANT ACCOUNTING POLICIES (Contd.)**

- i. Monetary items (those with a fixed nominal value in local currency) will not be restated, as they are no longer stated in the constant currency as of the end of the reporting period or year. In an inflationary period, maintaining monetary assets will lose purchasing power and maintaining monetary liabilities will gain purchasing power, provided that these items are not subject to an adjustment mechanism that somehow offsets these effects. Net monetary gains or losses will be included in profit (loss) for the reporting period or year.
- ii. The assets and liabilities subject to adjustment based on specific agreements will be adjusted based on such arrangements.
- iii. Nonmonetary items measured at their current values as of the end of the reporting period or year will not be restated to be disclosed in the statement of financial position, but the adjustment process should be completed to determine the profit (loss) generated by holding these nonmonetary items in constant pesos.
- iv. The nonmonetary items measured at a historical cost or current cost of a date prior to the end of the reporting period or year will be restated by coefficients that reflect the changes in the general level of prices from the date of acquisition or revaluation until the closing date, and the restated amounts of these assets will then be compared to the recoverable values. The charges to profit for the period or year for the depreciation of bank premises and equipment and the amortization of intangible assets or any other consumption of nonmonetary assets will be determined based on the new restated amounts.
- v. When finance costs are capitalized under nonmonetary assets, the portion of these costs used to offset the creditor for inflation purposes will not be capitalized.
- vi. The restatement of nonmonetary assets in the current unit of measure as of the end of the reporting period or year with no equivalent adjustment for tax purposes gives rise to a taxable temporary difference and the recognition of a deferred tax liability which contra account is recognized in profit (loss) for the period or year. If, in addition to the restatement, nonmonetary assets are restated, the deferred tax amount related to the restatement is recognized in profit (loss) for the period or year and the deferred tax amount related to the revaluation (excess of value restated over the restated value) is recognized in other comprehensive income.
- vii. Expenses and revenues are restated as from their booking, except for (1) the statements of profit or loss accounts that reflect or include in their assessment the consumption of assets measured in the currency of purchasing power of a date prior to booking the consumption, which will be restated based on the date of origin of the asset related to the item, and (2) profit (loss) that arises from comparing two measurements stated in the currency of purchasing power of different dates, which requires identifying the amounts compared, restating them and comparing them separately using the restated amounts.
- viii. At the beginning of the first year of application of the restatement of the financial statements into constant currency, the components of equity, except for retained earnings (accumulated losses) are restated pursuant to IAS 29 and retained earnings (accumulated losses) are determined by difference once the remaining equity components are restated.

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2019**

(Translation of separate financial statements originally issued in Spanish – see note 35)  
(Figures stated in thousands of Argentine pesos)

### **2. SIGNIFICANT ACCOUNTING POLICIES (Contd.)**

As of the date of issuance of these consolidated financial statements, the Bank is undergoing the final review of the potential effects of applying IAS 29, but it estimates that they will be material.

#### New resolutions

- A. As established in BCRA Communiqué “A” 6114, as the new IFRS measures are approved, either by amending or repealing former ones, and once all these changes are adopted through the adoption circulars published by the FACPCE (Argentine Federation of Professional Councils in Economic Sciences, the BCRA will issue an opinion regarding its approval for financial institutions. In general, the early adoption of IFRS will not be allowed, unless it is specifically mentioned upon adoption.

The standards and interpretations issued but not yet in effect as of the date of issuance of separate financial statements are disclosed below. The Bank will adopt these standards, if applicable, as they become effective:

#### **IFRS 17 Insurance Contracts**

In May 2017, the IASB issued IFRS 17 “Insurance Contract”, a new comprehensive accounting standard for insurance contracts, that covers recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4. IFRS 17 applies to all types of insurance contracts (that is, life insurance, general liability insurance, direct insurance and reinsurance), irrespective of the issuer entity. IFRS 17 is effective for years beginning January 1, 2021. This standard does not apply to the Bank.

#### **Amendments to IFRS 3: Definition of a Business**

In October 2018, the IASB amended the definition of a business in IFRS 3 “Business Combinations” to help entities determine whether an acquired set of activities and assets is a business. It clarifies the minimum requirements to be a business; removes the assessment of a market participant’s ability to replace missing elements; adds guidance to assess whether an acquired process is substantive; reduces the definitions of business and products, and introduces an optional fair value concentration test. It also adds illustrative examples. These amendments are effective for fiscal years beginning January 1, 2020, and are not expected to have material effects on the Bank’s financial statements.



## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2019**

(Translation of separate financial statements originally issued in Spanish – see note 35)  
(Figures stated in thousands of Argentine pesos)

### **2. SIGNIFICANT ACCOUNTING POLICIES (Contd.)**

#### **Amendment to IAS 1 and IAS 8: Definition of Material**

In October 2018, the IASB published amendments to IAS 1 “Presentation of Financial Statements” and IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors” to align the definition of “material” across the standards and clarify certain aspects of the definition. The new definition establishes that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general-purpose financial statements make on the basis of such financial statements. These amendments are effective for fiscal years beginning January 1, 2020, and are not expected to have material effects on the Bank’s financial statements.

#### **Amendments to IFRS 9 and IFRS 7: interest rate benchmark reform**

In September 2019, the IASB amended IFRS 9, IAS 39 and IFRS 7, which completed the first phase of its work in response to Interbank Offered Rates (IBOR) reform in the financial reporting.

These amendments offer temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark with an alternate nearly risk-free interest rate.

The amendments include a series of reliefs, that apply to all hedge relations directly affected by the interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainties about the timing and or amount of benchmark-based cash flows of the hedged item or the hedging instrument. The amendments should be applied retrospectively.

However, any hedge relationships that have previously been de-designated cannot be reinstated upon application, nor can any hedge relationships be designated with the benefit of hindsight. Early application is permitted and should be disclosed in the financial statements.

These amendments are effective for fiscal years beginning January 1, 2020, and are not expected to have material effects on the Bank’s financial statements.

#### **Amendments to the financial information framework:**

The IASB issued a new framework in March 2018. This framework includes some new concepts, provides updated definitions and recognition criteria for assets and liabilities, and clarifies some important concepts. The changes in the framework could affect the application of IFRS in situations where no standard applies to a particular transaction or event. This framework applies to fiscal years beginning January 1, 2020, and are not expected to have material effects on the Bank’s financial statements.

#### **B. Amendments to BCRA accounting information framework:**

The BCRA established the following provisions effective for the years beginning January 1, 2020:

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2019**

(Translation of separate financial statements originally issued in Spanish – see note 35)  
(Figures stated in thousands of Argentine pesos)

### **2. SIGNIFICANT ACCOUNTING POLICIES (Contd.)**

- a) Impairment of financial assets according to section 5(5), IFRS 9 (Communiqués “A” 6778 and 6847, as amended and supplemented):
  - i. It establishes the temporary exclusion for the debt instruments of the nonfinancial public sector, and
  - ii. It allows the financial institutions belonging to Group B according to BCRA provisions to opt for a method to prorate the negative impact caused by the impairment calculation according to section 5(5), IFRS 9. In case of opting for such prorating, it should be made within 5 years as from the first quarter ended March 31, 2020.
- b) Classification of debt instruments of the nonfinancial public sector (Communiqués “A” 6778 and 6847, as amended and supplemented): As of January 1, 2020, financial institutions are allowed to reclassify the instruments of the nonfinancial public sector measured at fair value through profit or loss and measured at fair value through other comprehensive income at amortized cost criterion using the accounting value as of that date as the addition value. The accrual of interest and related expenses of the instruments that apply this option will be interrupted provided that the accounting value exceeds its fair value.
- c) Presentation of financial statements in constant currency (Communiqués “A” 6651 and 6849, as amended and supplemented): It established the employment of the method to restate financial statements in constant currency pursuant to IAS 29, as well as specific provisions for financial institutions.

The Bank expects that the impact of the amendments to BCRA accounting information framework will be material on its financial statements.

### **3. REPO TRANSACTIONS**

In the regular course of business, the Bank enters into repo transactions. Under IFRS 9, the securities involved in reverse repo transactions received from do not meet the requirements for recognition or derecognition.

As of December 31, 2019 and 2018, the Bank and its subsidiaries had no repo transactions.

Moreover, as of December 31, 2019 and 2018, the Bank and its subsidiaries have entered into reverse repo transactions involving government securities, private securities and BCRA liquidity bills standing at 5,911,874 and 291,622, respectively, the expiration dates of which will be the immediately following business day of each fiscal year. As of the same dates, the securities received which guarantee reverse repo transactions stand at 4,585,321 and 311,574. The assets received in guarantee are booked under off-balance items.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2019

(Translation of separate financial statements originally issued in Spanish – see note 35)  
(Figures stated in thousands of Argentine pesos)

### 3. REPO TRANSACTIONS (Contd.)

The profit generated by the Bank and its subsidiaries as a result of the repo transactions carried out over the fiscal years ended December 31, 2019 and 2018, stand at 182,978 and 17,196, respectively, and they are booked under "Interest income". Moreover, the losses generated by the Bank and its subsidiaries as a result of the repo transactions carried out over the fiscal years ended December 31, 2019 and 2018, stand at 16,427 and 114,152, respectively, and they are booked under "Interest expense".

### 4. FINANCIAL ASSETS DELIVERED IN GUARANTEE AND RESTRICTED ASSETS

As of December 31, 2019 and 2018, the Bank and its subsidiaries delivered as guarantee the financial assets detailed below:

Description	Carrying amount	
	12/31/2019	12/31/2018
<b>Banco CMF S.A.</b>		
From transactions with the BCRA	243,883	106,770
From transactions with the MAE	2,996	11,176
<b>Metrocorp Valores S.A.</b>		
From transactions with ROFEX	299	567
<b>Total</b>	<b>247,178</b>	<b>118,513</b>

The Bank's subsidiary Metrocorp Valores S.A. carries 299 in custody account No. 16170 on Mercado a Término de Rosario S.A. (ROFEX). This guarantee was created as an initial guarantee to operate on the market and for future transactions.

Besides, as of December 31, 2019, the Bank has in custody account No. 33,976 opened by Banco CMF S.A. on Mercado a Término de Rosario S.A. (ROFEX) booked in "Debt securities at fair value through profit or loss" Treasury bills in US dollars for 84,737 created as an initial guarantee to operate on such market and in guarantee for futures transactions in foreign currency carried out on such market effective as of year-end.

In the same account, as of December 31, 2019, the Bank has 2,995 in account No. 273 on MAE in guarantee for transactions to operate on the MAE effective as of year-end, trading session CPC1.

In addition, as of December 31, 2019, its subsidiary Metrocorp Valores S.A., has in account No. 9080, principal No. 2001, held by the Bank at Caja de Valores S.A., US Treasury Bill ZCP maturing on February 6, 2020, for 350,302 and Treasury bills in US dollars for 4,552 as surety bonds with BYMA (Bolsas y Mercados Argentinos S.A.), effective as of year-end.

As of December 31, 2019, the "Investments in other companies" account includes restricted assets for 4,760 for contributions made as contributory partner by Banco CMF S.A. to Garantizar S.G.R.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2019

(Translation of separate financial statements originally issued in Spanish – see note 35)  
(Figures stated in thousands of Argentine pesos)

### 4. FINANCIAL ASSETS DELIVERED IN GUARANTEE AND RESTRICTED ASSETS (Contd.)

The Bank's Management believes that there will be no losses for the restrictions on the abovementioned assets.

### 5. ADJUSTMENT DUE TO LOSSES. PROVISION FOR LOSSES FROM LOANS AND OTHER FINANCING FACILITIES

The changes in provisions from loans and other financing facilities are disclosed in exhibit R in these consolidated financial statements.

The net loan losses arising from loans and other financing break down below:

	12/31/2019	12/31/2018
Loan loss provision	202,574	213,592
Provisions reversed and receivables recovered (Other operating profit)	(43,077)	(15,496)
Loan losses from loans and other financing, net of recoverable amounts	<b>159,497</b>	<b>198,096</b>

### 6. CONTINGENT TRANSACTIONS

To meet customers' specific financial needs, the credit policy adopted by the Bank and its subsidiaries also includes granting sureties, guarantees, letters of credit and documentary credits. Although these transactions are not recognized in the statement of financial position because they entail an additional responsibility for the Bank and its subsidiaries, they expose it to credit risks additional to those recognized in the statement of financial position and therefore, they are an integral part of the total risk assumed by the Bank and its subsidiaries.

As of December 31, 2019 and 2018, the Bank's contingent transactions are as follows:

	12/31/2019	12/31/2018
Guarantees provided	374,523	393,506
Obligations arising from for foreign-trade transactions – Letters of credit	265,796	136,929
<b>Total</b>	<b>640,319</b>	<b>530,435</b>

These credit facilities are initially recognized at the fair value of the proportion received in "Other financial liabilities". The risks related to the aforementioned contingent transactions are valued and monitored under the Bank's and its subsidiaries' credit risk policy mentioned in note 32.

### 7. DERIVATIVE FINANCIAL INSTRUMENTS

The Bank and its subsidiaries enter into derivative transactions for trading purposes.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2019

(Translation of separate financial statements originally issued in Spanish – see note 35)  
(Figures stated in thousands of Argentine pesos)

### 7. DERIVATIVE FINANCIAL INSTRUMENTS (Contd.)

At the beginning, derivatives only imply a mutual exchange of promises and little or no investments. However, these instruments usually entail high leverage and they are highly volatile. A relatively small change in the value of the underlying asset may have a significant impact on profit (loss). Likewise, over-the-counter derivatives may expose the Bank and its subsidiaries to risks associated to the lack of an exchange market where an open position may be closed. The exposure of the Bank and its subsidiaries resulting from derivative agreements is regularly monitored as part of its general risk framework. The information on the Bank's and subsidiaries' objectives and credit risk management policies is included in note 32.

The chart below shows the notional values of these instruments stated in thousands at the currency of origin. Notional values state the volume of outstanding transactions at the end of the twelve months or year, as applicable; they are not indicative of the market risk or the credit risk, and they are booked as off-balance items. It also includes the fair value consisting in the value in Argentine pesos of the underlying asset (US dollar). The "Derivatives" account in the statement of financial position discloses the amounts pending settlement arising from the related derivatives. The changes in fair values were charged to profit or loss; a breakdown is provided in note 14.

	12/31/2019		12/31/2018	
	Notional value	Fair value	Notional value	Notional value
<b>Derivatives financial assets (amounts in thousands of ARS)</b>				
Forward foreign currency purchase transactions without delivery of the underlying asset - MAE	1,020	61,093	100	3,781
Forward foreign currency purchase transactions without delivery of the underlying asset - ROFEX	4,130	247,366	38,094	1,440,269
Forward foreign currency sale transactions without delivery of the underlying asset - Private	(4,950)	(296,480)	(9,400)	(355,398)
Forward foreign currency sale transactions without delivery of the underlying asset - ROFEX	(200)	(11,979)	-	-
<b>Total derivatives</b>	<b>-</b>	<b>-</b>	<b>28,794</b>	<b>1,088,652</b>

In the case of the Bank and its subsidiaries, forwards and futures are defined as contractual agreements for buying or selling a specific financial instrument at a specific price on a certain future date. Forward contracts are customized agreements traded at an over-the-counter market. Futures contracts are related to transactions involving standardized amounts and performed on a regulated market with central counterparty clearing (secured). The Bank and its subsidiaries, in general, are subject to daily cash margin requirements and guarantees for the transactions conducted through the Mercado Abierto Electrónico (MAE) and Mercado a término de Rosario (ROFEX). The main differences in the risks associated to forward and future contracts are credit risk and liquidity risk. Forward contracts carry counterparty risk; the Bank has credit exposure to the counterparties of the contracts entered into privately and those carried out on the MAE. Credit risk related to futures contracts is considered to be lower because the cash margin requirements and guarantees help guarantee that these contracts are always honored. In addition, forward contracts entered into on the MAE involve daily price differences. Private contracts have higher liquidity risk and expose the Bank to market risk, but the Bank and its subsidiaries are subject to credit risk.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2019

(Translation of separate financial statements originally issued in Spanish – see note 35)  
(Figures stated in thousands of Argentine pesos)

### 7. DERIVATIVE FINANCIAL INSTRUMENTS (Contd.)

The derivatives held by the Bank are futures or forwards conducted at the MAE and/or ROFEX and are generally related to natural hedges of borrowing positions with foreign financing lines and international institutions. The Bank does not apply hedge accounting because transactions carried out on local markets do not involve terms that meet with the Bank's needs. Moreover, the Bank and its subsidiaries maintain positions related to the products offered to their customers. The Bank and its subsidiaries only operate with forward currency derivatives without the delivery of the underlying asset within internal and regulatory limits.

### 8. RELATED PARTIES

A related party is any person or entity that is related to the entity:

- has control or joint control over the entity;
- has significant influence over the entity;
- is a member of the key management personnel of the entity or of a parent of the entity;
- is a member of the same group.
- is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly. The Bank regards the members of the Board of Directors, top management and management as key personnel under IAS 24.

As of December 31, 2019 and 2018, the transactions performed with related parties break down as follows:

	As of 12/31/2018	As of 12/31/2018
<b>Loans</b>	<b>366,542</b>	<b>230,333</b>
Notes	303,652	229,653
Overdrafts	1,573	-
Personal loans	-	180
Import prefinancing	60,817	-
Guarantees provided	500	500
<b>Deposits</b>	<b>510,728</b>	<b>332,287</b>

As of December 31, 2019 and 2018, loans to employees, including those granted to managers, stand at 1,224 and 1,371, respectively.

Loans granted to and deposits with related parties are in line with market conditions for other customers.

The Group has granted no share-backed loans to directors or other key management personnel.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2019

(Translation of separate financial statements originally issued in Spanish – see note 35)  
(Figures stated in thousands of Argentine pesos)

### 8. RELATED PARTIES (Contd.)

The compensation of key management personnel comprising salaries, wages and bonuses, stands at ARS 110,137 and 58,010 as of December 31, 2019, and 2018, respectively. It should be noted that there are no other benefits available to key management personnel.

In addition, as required by Law No. 19,550, as of December 31, 2019 and 2018, the equity amounts related to the transactions performed with companies under section 33 of the abovementioned law are as follows:

	<u>12/31/2019</u>	<u>12/31/2018</u>
<b>Assets - Other financial assets</b>		
Metrocorp Valores S.A.	15,903	3,459
<b>Assets – Derivatives</b>		
Metrocorp Valores S.A.	-	43,328
<b>Liabilities - Deposits</b>		
CMF Asset Management S.A.U.	5,862	21
Metrocorp Valores S.A.	104,134	60,861
<b>Liabilities - Other financial liabilities</b>		
Metrocorp Valores S.A.	36,036	-
<b>Liabilities – Derivatives</b>		
Metrocorp Valores S.A.	-	51,858

In addition, profit (loss) arising from the fiscal years ended as of December 31, 2019 and 2018, regarding the transactions carried out with these companies are as follows:

	<u>12/31/2019</u>	<u>12/31/2018</u>
<b>Profit – Interest income</b>		
Metrocorp Valores S.A.	805	73
<b>Profit – Commission expenses</b>		
Metrocorp Valores S.A.	1,117	9,940
<b>Profit - Foreign exchange difference</b>		
Metrocorp Valores S.A.	2,333	-
<b>Profit – Profit (loss) from the measurement of financial instruments at fair value, net</b>		
Metrocorp Valores S.A.	-	-
<b>Profit – Commission income</b>		
Metrocorp Valores S.A.	780	770
CMF Asset Management S.A.U.	660	660
<b>Profit – Commission expenses</b>		
Metrocorp Valores S.A.	-	132
<b>Profit – Administrative expenses</b>		
Metrocorp Valores S.A.	60	-
CMF Asset Management S.A.U.	90	-
<b>Profit – Other profit</b>		
Metrocorp Valores S.A.	-	60
CMF Asset Management S.A.U.	-	63

Off-balance items are related to transactions carried out with Metrocorp Valores S.A. as of December 31, 2019, and 2018, and stood at 700 and 462, respectively.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
AS OF DECEMBER 31, 2019**

(Translation of separate financial statements originally issued in Spanish – see note 35)  
(Figures stated in thousands of Argentine pesos)

**9. BANK PREMISES AND EQUIPMENT**

The account includes the tangible assets (premises and equipment) owned by the Bank, used for its specific activity.

The changes in these assets as of December 31, 2019 and 2018, are disclosed under Exhibit F "Changes in bank premises and equipment".

**10. EMPLOYEE BENEFITS**

The following chart summarizes the items making up the net expenses related to employee benefits recognized in the statement of profit and loss.

Short-term benefits

	<u>12/31/2019</u>	<u>12/31/2018</u>
Salaries & wages, annual statutory bonus and payroll taxes:	518,159	331,076
Vacation accrual	9,918	5,425
Severance pay, bonuses and other employee benefits	32,051	15,488
	<u><b>560,128</b></u>	<u><b>351,989</b></u>



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2019

(Translation of separate financial statements originally issued in Spanish – see note 35)  
(Figures stated in thousands of Argentine pesos)

### 11. ANALYSIS OF FINANCIAL ASSETS TO BE RECOVERED AND FINANCIAL LIABILITIES TO BE SETTLED

The following tables show an analysis of the amounts of financial assets and liabilities which are expected to be recovered and settled as of December 31, 2019 and 2018:

Item	Without due date	Reduction in assets and liabilities as of 12/31/2019					Total
		Up to 1 month	From 1 to 3 months	From 3 to 6 months	From 6 to 12 months	Over 12 months	
<b>ASSETS</b>							
Cash and deposits with banks	15,543,324	-	-	-	-	-	15,543,324
Debt securities at fair value through profit or loss	-	4,457,665	500,960	-	92,770	62,246	5,113,641
Derivatives	-	32,987	-	-	-	-	32,987
Repo transactions	-	5,911,874	-	-	-	-	5,911,874
Other financial assets	-	1,305,715	-	-	-	-	1,305,715
Loans and other financing	-	2,084,871	677,060	541,720	483,495	946,637	4,733,783
Subtotal debt securities	-	323,703	-	26,780	51,669	28,822	430,974
Financial assets delivered in guarantee	247,178	-	-	-	-	-	247,178
Investments in equity instruments	24,039	-	-	-	-	-	24,039
<b>TOTAL</b>	<b>15,814,541</b>	<b>14,116,815</b>	<b>1,178,020</b>	<b>568,500</b>	<b>627,934</b>	<b>1,037,705</b>	<b>33,343,515</b>
<b>LIABILITIES</b>							
Deposits	13,284,782	5,791,343	90,468	-	299,475	910,404	20,376,472
Liabilities at fair value through profit or loss	-	1,965	-	-	-	-	1,965
Derivatives	-	2,445	10,558	2,310	-	-	15,313
Other financial liabilities	-	5,340,489	21,116	5,536	18,281	54,843	5,440,265
Financing received from the BCRA and other financial institutions	-	1,913	302,699	8,861	293,671	963,594	1,570,738
Corporate bonds issued	-	-	4,346	-	81,714	-	86,060
<b>TOTAL</b>	<b>13,284,782</b>	<b>11,138,155</b>	<b>429,187</b>	<b>16,707</b>	<b>693,141</b>	<b>1,928,841</b>	<b>27,490,813</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2019

(Translation of separate financial statements originally issued in Spanish – see note 35)  
(Figures stated in thousands of Argentine pesos)

### 11. ANALYSIS OF FINANCIAL ASSETS TO BE RECOVERED AND FINANCIAL LIABILITIES TO BE SETTLED (Contd.)

Item	Without due date	Reduction in assets and liabilities as of 12/31/2019					Total
		Up to 1 month	From 1 to 3 months	From 3 to 6 months	From 6 to 12 months	Over 12 months	
<b>ASSETS</b>							
Cash and deposits with banks	5,383,105	-	-	-	-	-	5,383,105
Debt securities at fair value through profit or loss	644,034	-	-	-	-	-	644,034
Derivatives	-	180,976	15,927	-	-	-	196,903
Repo transactions	-	291,622	-	-	-	-	291,622
Other financial assets	2,011	562,727	-	-	-	-	564,738
Loans and other financing	109,010	2,653,062	1,019,376	683,599	343,832	621,577	5,430,456
Other debt securities	-	1,572,887	444,927	344,379	164,195	215,709	2,742,097
Financial assets delivered in guarantee	118,513	-	-	-	-	-	118,513
Investments in equity instruments	463	-	-	-	-	-	463
<b>TOTAL</b>	<b>6,257,136</b>	<b>5,261,274</b>	<b>1,480,230</b>	<b>1,027,978</b>	<b>508,027</b>	<b>837,286</b>	<b>15,371,931</b>
<b>LIABILITIES</b>							
Deposits	8,996,050	1,056,333	123,699	-	-	-	10,176,082
Liabilities at fair value through profit or loss	-	93,990	21,595	-	-	-	115,585
Derivatives	-	31,164	5,948	-	-	-	37,112
Other financial liabilities	-	703,144	13,911	873	18,285	73,124	809,337
Financing received from the BCRA and other financial institutions	-	125,155	146,317	70,014	961,527	231,222	1,534,235
Corporate bonds issued	-	-	256,697	-	231,229	114,907	602,833
<b>TOTAL</b>	<b>8,996,050</b>	<b>2,009,786</b>	<b>568,167</b>	<b>70,887</b>	<b>1,211,041</b>	<b>419,253</b>	<b>13,275,184</b>

### 12. SEGMENT REPORTING

For management purposes, the management of the Bank and its subsidiaries determined that it has only one segment related to the banking business. In this regard, management oversees the profit (loss) of the segment to make decisions in connection with resource allocation and performance assessment, which is measured based on the profits or losses arising from the financial statements.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2019

(Translation of separate financial statements originally issued in Spanish – see note 35)  
(Figures stated in thousands of Argentine pesos)

### 13. INCOME TAX

#### a. Income tax

Income tax should be booked by the liability method, which consists in recognizing (as receivable or payable) the tax effect of temporary differences between the book and tax valuation of assets and liabilities, and in subsequently charging them to profit or loss for the year in which such differences are reversed, having duly considered the likelihood of using NOLs in the future.

The deferred tax assets and liabilities in the statement of financial position are as follows:

	<u>12/31/2019</u>	<u>12/31/2018</u>
<b>Deferred tax assets:</b>		
Other financial assets	-	427
Loans and other financing	81,222	63,820
Noncomputable deductions	12,712	-
Adjustment of the valuation of foreign currency from liabilities	159	-
Provisions	119,632	6,827
<b>Total deferred assets (a)</b>	<u><b>213,725</b></u>	<u><b>71,074</b></u>
<b>Deferred tax liabilities:</b>		
Securities	24,276	2,389
Debt securities	-	9,331
Other financial assets	-	5,397
Currency valuation adjustment	6,441	-
Provisions	264	-
Bank premises and equipment	69,085	74,629
<b>Total deferred liabilities (b)</b>	<u><b>100,066</b></u>	<u><b>91,746</b></u>
<b>Deferred tax assets (liabilities), net (a-b)</b>	<u><b>113,659</b></u>	<u><b>(20,672)</b></u>

As of December 31, 2019, the Bank and its subsidiaries carry specific NOLs for 1,712.

Changes in deferred tax assets (liabilities), net, for the year ended December 31, 2019, and 2018, respectively, are summarized as follows:

	<u>12/31/2019</u>	<u>12/31/2018</u>
Deferred tax liabilities at beginning of year, net	(20,672)	(36,951)
Decrease in deferred taxes recognized through profit or loss	134,331	16,279
<b>Deferred tax assets (liabilities) at end of year, net</b>	<u><b>113,659</b></u>	<u><b>(20,672)</b></u>

The income tax charge disclosed in the statement of profit or loss differs from the income tax charge that would result if the current tax rate had been applied on all profits.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2019

(Translation of separate financial statements originally issued in Spanish – see note 35)  
(Figures stated in thousands of Argentine pesos)

### 13. INCOME TAX (Contd.)

The following table shows a reconciliation between the income tax charge and the amounts arising from the effective tax rate in Argentina to taxable profit.

	<b>12/31/2019</b>	<b>12/31/2018</b>
Accounting profit before income tax	1,345,934	450,739
Statutory income tax rate	30%	30%
Tax on accounting profit	403,780	135,222
Long-term differences, net	(144,313)	(829)
Total income tax	<b>259,467</b>	<b>134,393</b>

As of December 31, 2019 and 2018, the effective income tax rate is 19.28% and 29.82%, respectively.

The Bank and its subsidiaries book current income tax assets for 4,788 and 481 as of December 31, 2019 and 2018, respectively. The Bank and its subsidiaries book current income tax assets for 311,018 and 116,473 as of December 31, 2019 and 2018, respectively.

In the consolidated financial statements, the tax asset (current and deferred) of a Group entity may not be offset with the tax liability (current and deferred) of another Group entity because they are related by income tax borne by different taxpayers who do not hold the legal right before tax authorities to pay or receive any amounts to settle the net position.

#### b. Tax adjustment for inflation

Tax Reform Law No. 27,430, amended by Laws No. 27,468 and No. 27,451, effective for years beginning January 1, 2018, addresses the inflation adjustment for tax purposes and establishes as follows:

- i. This variation will apply to the year in which the variation in the general consumer price index exceeds 100% during the 36 months prior to the end of the year calculated;
- ii. in the first, second and third year beginning as from January 1, 2018, the procedure will apply if the variation of this index calculated from the first of those years through the closing of each year exceeds 55%, 30% and 15% for the first, second and third year of application, respectively;
- iii. the effect of the positive or negative tax adjustment for inflation, as the case may be, for the first, second and third years beginning as from January 1, 2018, is charged one third in that fiscal period and the remaining two thirds should be assigned in equal parts to the immediate tax periods;
- iv. the effect of the positive or negative tax adjustment for inflation for the first and second year beginning as from January 1, 2019, is charged one sixth in the fiscal year in which the adjustment is determined and the remaining five sixths should be assigned to the immediate tax periods; and

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2019

(Translation of separate financial statements originally issued in Spanish – see note 35)  
(Figures stated in thousands of Argentine pesos)

### 13. INCOME TAX (Contd.)

- v. For the years beginning as from January 1, 2021, 100% of the adjustment may be deducted in the year in which it is determined.

As of December 31, 2019, the parameters set forth by Income Tax Law to make the tax adjustment for inflation and the effects from the application of this adjustment were considered upon booking current and deferred income tax according to law.

- c. Income tax corporate rate:

Law No. 27.541 suspends, until the years beginning January 1, 2021, the decline in the income tax corporate rate set forth under Law No. 27,430, and establishes a 30% rate for the stay period. The rate will stand at 25% for the years beginning January 1, 2022.

### 14. FOREIGN EXCHANGE DIFFERENCE

	<u>12/31/2019</u>	<u>12/31/2018</u>
Foreign exchange difference arising from assets and liabilities in foreign currency	(983,101)	(611,713)
Gain from forward purchases and sales of foreign currency	414,368	195,194
Gain from the purchase and sale of foreign currency	240,168	239,591
	<u><b>(328,565)</b></u>	<u><b>(176,928)</b></u>

### 15. OTHER OPERATING PROFIT

	<u>12/31/2019</u>	<u>12/31/2018</u>
Profit on other receivables from financial intermediation	94,806	-
Commissions on services	65,773	39,626
Provisions reversed and receivables recovered	43,077	15,496
Commission on investments in mutual guarantee companies	16,627	56,459
Rentals	5,984	3,461
Punitive interest	3,370	1,383
Profit from investment properties and other nonfinancial assets	-	115
	<u><b>229,637</b></u>	<u><b>116,540</b></u>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
AS OF DECEMBER 31, 2019**

(Translation of separate financial statements originally issued in Spanish – see note 35)  
(Figures stated in thousands of Argentine pesos)

**16. ADMINISTRATIVE EXPENSES**

	<b>12/31/2019</b>	<b>12/31/2018</b>
Other fees	140,192	81,717
Directors' and statutory auditor's fees	104,381	60,433
Taxes	64,113	30,956
Administrative services hired	57,289	35,556
Maintenance, conservation and repair expenses	25,706	14,690
Security services	13,483	7,851
Electric power and communications	10,842	6,317
Entertainment, traveling and living expenses	9,463	6,255
Stationery and office supplies	3,545	2,253
Advertising	3,139	1,382
Insurance	2,262	1,267
Rentals	901	582
Other	101,863	53,779
	<b>537,179</b>	<b>303,038</b>

**17. OTHER OPERATING EXPENSES**

	<b>12/31/2019</b>	<b>12/31/2018</b>
Turnover tax	186,235	179,178
Market fees	16,590	7,097
Contribution to the deposit guarantee fund	19,742	6,658
For-profit agreement charges	4,522	6,894
Charge for other provisions	1,262	-
Donations	1,817	357
Other	39,252	1,001
	<b>269,420</b>	<b>201,185</b>

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2019**

(Translation of separate financial statements originally issued in Spanish – see note 35)  
(Figures stated in thousands of Argentine pesos)

### **18. QUANTITATIVE AND QUALITATIVE INFORMATION ON FAIR VALUES AND CATEGORIES OF FINANCIAL ASSETS AND LIABILITIES**

The fair value is defined as the amount for which an asset could be exchanged or a liability settled under mutually independence conditions between participants to the principal (or most advantageous) market, adequately informed and willing to do so in an orderly and current transaction, as of the measurement date under current market conditions, regardless if the price is directly observable or estimated using a valuation technique, under the assumption that the Bank are going concerns.

When a financial instrument is sold on a liquid and active market, its price on the market in an actual transaction provides the best evidence of its fair value. However, when there is no agreed-upon price on the market or it cannot indicate the fair value of the instrument, to determine such fair value the market value of another instrument of similar characteristics, the analysis of discounted flows or other applicable techniques can be used, which may be significantly affected by the assumptions used.

Although Management has used its best judgment in estimating the fair values of its financial instruments, any technique to make such estimate implies certain inherent fragility.

#### Fair value hierarchy

The Bank uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1: Observable listed (unadjusted) prices on active markets, to which the Bank accesses as of the measurement date, for identical assets or liabilities.
- Level 2: valuation techniques for which data and variables which have a significant effect on the recorded or disclosed fair value are observable, either directly or indirectly. These data include listed prices for similar assets or liabilities on active markets, listed prices for identical instruments on inactive markets and observable data other than listed prices.
- Level 3: valuation techniques for which the data and variables that have a significant effect on the recorded or disclosed fair value are not based on observable market data.

Exhibit P, "Categories of financial assets and liabilities" shows the fair value hierarchy for financial assets and liabilities measured at fair value in the statement of financial position.

#### Description of the measurement process

The fair value of these instruments classified as level 1 was calculated using the listed prices as of the end of the period or year, as the case may be, on active markets, if representative. At present, the two main markets on which the bank operates for government and private securities are the BYMA and the MAE. Furthermore, both the MAE and the ROFEX are considered active markets for derivatives.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2019

(Translation of separate financial statements originally issued in Spanish – see note 35)  
(Figures stated in thousands of Argentine pesos)

### 18. QUANTITATIVE AND QUALITATIVE INFORMATION ON FAIR VALUES AND CATEGORIES OF FINANCIAL ASSETS AND LIABILITIES (Contd.)

In addition, for certain instruments classified as L2 that do not have an active market, certain valuation techniques were used, including the use of market transactions performed under mutually independence conditions between duly informed and interested parties, provided that they are available, as well as references to the current fair value of another instrument that is substantially similar or the analysis of discounted cash flows.

Moreover, certain assets and liabilities included in this classification were valued using the listed prices identified for identical instruments on "less active markets".

As of December 31, 2019 and 2018, the Bank did not change the techniques adopted or assumptions used in estimating the fair values of the financial instruments.

#### Changes in fair value levels

The Bank monitors the availability of market information to assess the classification of the different fair value hierarchies of the financial instruments and the subsequent assessment of transfers between L1, 2 and 3 as of each year-end.

As of December 31, 2019, and 2018, the Bank has booked no transfers between L1, L2 or L3.

#### Financial assets and liabilities not booked at fair value in the statement of financial position

Below is a description of the methodologies and assumptions used in determining the fair value of the financial instruments not booked at fair value in the accompanying financial statements.

- **Assets which fair value is similar to the carrying amount:** For financial assets and liabilities that are liquid or have short-term maturities (less than six months), it is considered that the carrying amount is similar to the fair value. It also applies to deposits in savings and checking accounts.
- **Financial Instruments:** The fair value of financial assets was determined by discounting future cash flows at the current market rates offered for each year for financial instruments of similar characteristics and no estimates on the future variable component were made. The estimated fair value of fixed-interest rate deposits was determined discounting future cash flows by using market interest rates for deposits with similar maturities to those of the Bank's portfolio.
- **Other financial instruments:** In the case of financial assets and liabilities that are liquid and with short-term maturity, it is estimated that their fair value is similar to their carrying amount. It also applies to deposits in savings and checking accounts, among others.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2019

(Translation of separate financial statements originally issued in Spanish – see note 35)  
(Figures stated in thousands of Argentine pesos)

### 18. QUANTITATIVE AND QUALITATIVE INFORMATION ON FAIR VALUES AND CATEGORIES OF FINANCIAL ASSETS AND LIABILITIES (Contd.)

The following tables show a comparison between the carrying amount and the fair value of financial instruments not booked at fair value as of December 31, 2019 and 2018:

12/31/2019					
Financial assets	Carrying amount	Fair value			Total fair value
		Level 1	Level 2	Level 3	
Repo transactions	5,911,874	5,911,874	-	-	5,911,874
Other financial assets	1,305,715	1,305,715	-	-	1,305,715
Loans and other financing	4,733,783	-	-	4,628,092	4,628,092
Other debt securities	430,974	-	430,974	-	430,974
<b>TOTAL ASSETS</b>	<b>12,382,346</b>	<b>7,217,589</b>	<b>430,974</b>	<b>4,628,092</b>	<b>12,276,655</b>
<b>Financial liabilities</b>					
Deposits	20,376,472	-	20,376,472	-	20,376,472
Other financial liabilities	5,440,265	-	5,397,566	-	5,397,566
Financing received from financial institutions	1,570,738	-	1,394,380	-	1,394,380
Corporate bonds issued	86,060	-	55,304	-	55,304
<b>TOTAL LIABILITIES</b>	<b>27,473,535</b>	<b>-</b>	<b>27,223,722</b>	<b>-</b>	<b>27,223,722</b>
12/31/2018					
Financial assets	Carrying amount	Fair value			Total fair value
		Level 1	Level 2	Level 3	
Other financial assets	564,738	564,738	-	-	564,738
Loans and other financing	5,430,456	-	-	5,184,673	5,184,673
Other debt securities	2,742,097	-	2,742,097	-	2,742,097
<b>TOTAL ASSETS</b>	<b>8,737,291</b>	<b>564,738</b>	<b>2,742,097</b>	<b>5,184,673</b>	<b>8,491,508</b>
<b>Financial liabilities</b>					
Deposits	10,176,082	-	10,166,911	-	10,166,911
Other financial liabilities	809,337	-	715,650	-	715,650
Financing received from financial institutions	1,534,235	-	1,434,910	-	1,434,910
Corporate bonds issued	602,833	-	531,857	-	531,857
<b>TOTAL LIABILITIES</b>	<b>13,122,487</b>	<b>-</b>	<b>12,849,328</b>	<b>-</b>	<b>12,849,328</b>

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2019**

(Translation of separate financial statements originally issued in Spanish – see note 35)  
(Figures stated in thousands of Argentine pesos)

### **19. LEASES**

The Company, in its capacity as lessor, entered into finance lease agreements under the usual characteristics for this type of transactions, and there are no differences from the general agreements signed on the Argentine financial market. Effective lease agreements do not account for significant amounts of all the financing granted to the Bank.

As of December 31, 2019 and 2018, finance lease transactions amount to 77,537 and 111,367, respectively.

On January 13, 2016, the IASB issued IFRS 16 that replaces IAS 17 "Leases" for fiscal years beginning January 1, 2019. This standard was adopted by the BCRA through Communiqué "A" 6560. The new standard introduces a single lessee accounting model requiring lessees to recognize assets and liabilities for all leases. A lessee is required to recognize a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments.

The standard mainly affects operating lease accounting in which the Bank participates as a lessee. Regarding lessor accounting, IFRS 16 maintains substantially all the accounting requirements established in IAS 17. Consequently, lessors continue classifying leases into operating and finance leases, and book each type differently.

As of December 31, 2019, the Bank did not recognize right-of-use assets or lease liabilities because the agreements entered into by the Bank are short-term agreements and the underlying assets are low-value assets.

### **20. ADDITIONAL INFORMATION ABOUT THE STATEMENT OF CASH FLOWS**

The statement of cash flows shows the changes in cash and cash equivalents arising from operating, investing and financing activities over the fiscal year. In preparing this statement, the Bank used the indirect method in the case of operating activities, and the direct method for investing and financing activities.

The Bank considers cash and cash equivalents as part of the "Cash and deposits with banks" account. In preparing the statement of cash flows, the following items are considered:

- Operating activities: They are related to the normal activities conducted by the Bank and its subsidiaries, as well as other activities that may not be classified as investing or financing activities.
- Investing activities: They are related to the acquisition, sale or disposal by other means of long-terms assets and other investments not included in cash and cash equivalents.
- Financing activities: They are related to the activities that bring about changes in the size and breakdown of shareholders' equity and the liabilities that do not comprise operating or investing activities.

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2019**

(Translation of separate financial statements originally issued in Spanish – see note 35)  
(Figures stated in thousands of Argentine pesos)

### **21. CAPITAL STOCK**

The Bank's issued, registered and paid-in capital stock as of December 31, 2019 and 2018 stands at 323,900 shares of common stock with 5 votes each.

### **22. DEPOSIT GUARANTEE INSURANCE**

Law No. 24,485 and Presidential Decree No. 540/1995 created a limited and mandatory Deposit Guarantee Insurance System for valuable consideration designed to provide coverage for risks inherent in bank deposits, as a subsidiary and supplementary protection to the one offered by the system of bank deposit privileges and protection created by Financial Institutions Law.

Such law created the company "Seguro de Depósitos Sociedad Anónima" (SEDESA) for the exclusive purpose of managing the deposit guarantee fund, the shareholders of which, as amended by Presidential Decree No. 1,292/96, shall be the BCRA with at least one share, and the trustees of the trust agreement created by financial institutions in the proportion established by the BCRA based on their contributions to the deposit guarantee fund. Such company was organized in August 1985, where the Bank holds 0.2060 % equity interest in agreement with the percentages disclosed by BCRA Comunicado "B" No. 11,816 on February 28, 2019.

This system will comprise the deposits made in Argentine pesos and foreign currency with the institutions involved in checking accounts, savings accounts, certificates of deposit or other types determined by the BCRA, and meeting the requirements of Presidential Decree No. 540/1995 and further requirements established by the enforcement authority.

The system will not include: a) financial institutions' deposits with other intermediaries, including the certificates of deposit acquired through secondary negotiation; b) deposits made by persons related, either directly or indirectly, to the Bank, according to BCRA current or future regulations; c) time deposits of securities, acceptances or guarantees; d) deposits made after July 1, 1995, for which the interest rate agreed upon exceeded by two annual percentage points the BCRA deposit rate for equivalent certificates of deposit, effective on the date before the day the deposit was made. The BCRA may change the benchmark rate established in this section, and e) other deposits to be excluded by applicable authorities.

### **23. TRUST BUSINESS**

On July 6, 2017, through Resolution No. 18,837, the CNV established the Bank's registration as financial trustee No. 64 in the registry kept by the former regulated by section 7, Chapter IV, Title V of CNV standards (as revised in 2013, as amended).

The Bank acts as the trust agent for financial trust "Agrocap II" by virtue of the trust agreement dated July 26, 2018, which is the date when the formalities for authorizing the public offering system with the CNV began. On December 27, 2018, the CNV approved the public offer of the trust securities and made the related bidding and issuance on January 10, 2019, and January 14, 2019, respectively.

In addition, the Bank will act as a trust agent for financial trust "Agrocap III", which is undergoing formalities for authorizing the public offering system with the CNV.

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2019**

(Translation of separate financial statements originally issued in Spanish – see note 35)  
(Figures stated in thousands of Argentine pesos)

### **23. TRUST BUSINESS (Cont.)**

In no case shall the trustee be liable with its own assets or for an obligation deriving from the performance as trustee. Such obligations do not imply any type of indebtedness or commitment for the trustee and they will be fulfilled only through trust assets. Moreover, the trustee will not charge the corpus assets or dispose of them beyond the limits established in the related trust agreements. The commissions earned by the Bank due to its performance as trustee are calculated under the terms and conditions of the related agreements.

Corpus assets are: (a) receivables, (b) the amounts of money for the collection of receivables, and (c) the proceeds from investments in liquids funds available. As of December 31, 2018, assets under custody were booked in off-balance items and amounted to 373,464 and were related to "Agrocap II". Securities held as of December 31, 2018, are disclosed in Exhibit A. On September 23, 2019, the Bank received a note by trustor "Alianzas Semillas", as the sole beneficiary, to request the early settlement of the trust on September 30, 2019.

The Bank also acts as the trust agent for the private financial trust "Sáenz Tarjetas I", batch 2, 3, 4, 5, 6 and 7, in conformity with the trust agreement dated September 24, 2018. Corpus assets are the receivables derived from using the Visa and Mastercard credit cards issued by Banco Sáenz. As of December 31, 2019, the assets managed by the Bank amount to 322,038 for batches 4, 5, 6 and 7, and stood at 259,393 for batches 1 and 2 as of December 31, 2018.

In addition, the Bank also acts as the trust agent for the financial trust "Red Surcos V" pursuant to the trust agreement dated January 16, 2019. On July 31, 2019, the CNV approved the public offer of the trust securities and made the related bidding and issuance on August 6, 2019, and August 8, 2019, respectively. The assets managed by the Bank amount to 35,589 as of December 31, 2019.

Regarding the financial trust "Red Surcos VI", on February 5, 2020, the Bank, in its capacity as the financial trustee, filed with the CNV a request to dismiss its public offer request.

Corpus assets are: (a) receivables, (b) the amounts of money for the collection of receivables, and (c) the proceeds from investments in liquids funds available. As of December 31, 2019, the aforementioned assets under custody were booked in off-balance items and amounted to 357,627.

Besides, Eurobanco Bank Ltd. acts as a trust agent by placing funds received from third parties. According to each trust agreement, such parties appoint the Bank as their trust agent and instruct it to deliver and pay the related amounts to money related to the deposits made to the lender. They also require such delivery and payments to be made to the lender or that the Bank place funds in its own name but on the exclusive account of depositors at their own risk.

As of December 31, 2019, and 2018, Eurobanco Bank Ltd. performed trust transactions amounting to USD 544,000 and USD 567,000, respectively.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2019

(Translation of separate financial statements originally issued in Spanish – see note 35)  
(Figures stated in thousands of Argentine pesos)

### 24. MUTUAL FUNDS

On May 24, 2017, through Resolution No. 18,707, the CNV established the Bank's registration in the registry kept by the former as a custody agent of mutual funds collective investment products (AC PIC FCI) No. 25 .

On August 1, 2017, the Fundcorp Performance and Fundcorp Performance Plus funds started to operate, and the Bank acts as the custody agent of mutual funds collective investment products. On April 20, 2018, two new funds, Fundcorp Long Performance and Fundcorp Long Performance Plus, started operating.

Through the Board of Directors' Meetings Minutes dated January 28, 2019, the Bank decided to create two additional open-end mutual funds, Fundcorp Liquidez and Fundcorp Liquidez Plus. They were approved by the CNV on June 21, 2019, and started operating on July 10, 2019.

As of December 31, 2019, the Bank, in its capacity as depositary company, held membership interests of the Performance, Performance Plus, Long Performance, Long Performance Plus, Fundcorp Liquidez y Fundcorp Liquidez Plus funds in custody as per the following breakdown:

Fund	Shareholders' equity	Number of mutual fund shares
Fundcorp Performance	103,076	45,929
Fundcorp Performance Plus	1,298,728	48,265
Fundcorp Long Performance	97,093	72,486
Fundcorp Long Performance Plus	381,667	8,970
Fundcorp Liquidez	1,057,982	858,549
Fundcorp Liquidez Plus	140,638	1,914

### 25. COMPLIANCE WITH CNV REGULATIONS

In compliance with the provisions to act in the different agent categories defined by the CNV:

For the transactions conducted by Banco CMF S.A.

Considering the transaction currently conducted by Banco CMF S.A., and according to the different agent categories established by CNV regulations (as revised according to General Resolution No. 622/2013, as amended), the Bank is registered with the CNV as a financial trust agent ("FF"); as a comprehensive settlement and clearing agent and negotiation agent No. 63 ("ALyC y AN – Integral"), and as a custody agent of mutual funds collective investment products ("AC PIC FCI").

Moreover, the shareholders' equity of Banco CMF S.A. exceeds the minimum shareholders' equity required by such regulation, which amounts to 66,986 as of December 31, 2019, and the minimum statutory guarantee stands at 33,493 made up by assets available in BCRA account No. 319 in Argentine pesos for 11,500 booked under "Financial institutions and BCRA correspondents - Checking account denominated in Argentine pesos.

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2019**

(Translation of separate financial statements originally issued in Spanish – see note 35)  
(Figures stated in thousands of Argentine pesos)

### **25. COMPLIANCE WITH CNV REGULATIONS (Cont.)**

For the transactions conducted by Metrocorp Valores S.A.

Considering the transaction currently made by Metrocorp Valores S.A., and according to the different agent categories established by CNV regulations (as revised according to General Resolution No. 622/2013, as amended), this bank is registered with the CNV as a comprehensive settlement and clearing agent and negotiation agent No. 55 ("ALyC y AN – Integral"), and as a mutual funds placement and distribution agent ("ACyDI FCI").

In addition, this bank's shareholders' equity exceeds the minimum shareholders' equity required by such regulation, which stands at 24,682 as of December 31, 2019, and the minimum statutory guarantee amounts to 12,341 and is made up of assets in Banco CMF S.A. checking account No. 60560/1 in US dollars.

For the transactions carried out by CMF Asset Management

Considering the transaction currently made by CMF Asset Management S.A.U., and according to the different agent categories established by CNV regulations (as revised in General Resolution No. 622/2013, as amended), this bank is registered with the CNV as a managing agent in charge of mutual funds collective investment products ("AD PIC FCI").

In addition, this bank's shareholders' equity exceeds the minimum shareholders' equity required by such regulation, which stands at 24,682 as of December 31, 2019, and the minimum statutory guarantee amounts to 12,341 is made up of mutual fund shares of "Fundcorp Performance", "Fundcorp Performance Plus", "Fundcorp Long Performance", "Fundcorp Long Performance Plus", "Fundcorp Liquidez" and "Fundcorp Liquidez Plus".

### **26. SAFEKEEPING OF DOCUMENTATION, ISSUER COMPANIES - CNV GENERAL RESOLUTION NO. 629/2014 AND CNV GENERAL RESOLUTION NO. 632/2014**

On August 14, 2014, and September 18, 2014, the CNV issued General Resolutions No. 629/14 and 632/14 (the "Resolutions"), respectively, which establish that issuer companies should archive the documentary support for their management and accounting transactions in appropriate spaces ensuring their preservation and inalterability.

The Bank's criterion is to deliver to third parties for safekeeping certain documentary support regarding its management and accounting transactions of a certain age, understood to be of dates prior to the last completed fiscal year. To comply with the requirements established in the Resolutions, the Bank entrusts Iron Mountain S.A., domiciled in Av. Amancio Alcorta 2482, Buenos Aires City, with the abovementioned documentation for safekeeping. Based on the information provided by the hired company, the documentation received was deposited in its warehouses located in: (I) Parque Patricios plant: (Av. Amancio Alcorta 2482, Buenos Aires City), (II) Barracas plant: (Azara 1245, Buenos Aires City), and (III) Ezeiza plant: (San Miguel de Tucumán 601 – Ezeiza).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2019

(Translation of separate financial statements originally issued in Spanish – see note 35)  
(Figures stated in thousands of Argentine pesos)

### 26. SAFEKEEPING OF DOCUMENTATION, ISSUER COMPANIES – CNV GENERAL RESOLUTION NO. 629/2014 AND CNV GENERAL RESOLUTION NO. 632/2014 (Contd.)

Furthermore, the Bank entrusts the archiving of certain management and accounting records and documents of a certain age, as indicated previously, to ADDOC Administración de Documentos S.A., domiciled at Avenida Del Libertador 5.936, Piso 5° “B”, Buenos Aires City, which has a warehouse located in Av. Luis Lagomarsino 1750 (former RN 8 Km 51,200), Pilar, Buenos Aires Province.

The Bank keeps the documentation given for safekeeping to the abovementioned companies available to the CNV at all times and in its registered place of business.

### 27. ACCOUNTS THAT IDENTIFY COMPLIANCE WITH MINIMUM CASH AND CAPITAL REQUIREMENTS

#### Minimum cash

The items computable by Banco CMF S.A. (the requirement is only for the Argentine financial institution under BCRA requirements) to fulfill the minimum cash requirement in effect for December 2019 are broken down below; the closing amounts of the related accounts are as follows:

<u>Item</u>	<u>BANCO CMF S.A.</u>	
	<u>In Argentine pesos</u>	<u>In foreign currency</u>
Cash and deposits with banks		
– Amounts held in BCRA accounts	582,150	3,211,408
Financial assets delivered in guarantee:		
– BCRA special guarantee accounts	177,100	66,783

#### Minimum capital requirement

Below is a summary of the minimum capital requirements broken down by credit risk, market risk and operational risk measured on consolidated basis together with the payment thereof (computable equity) in accordance with BCRA applicable standards for December 2019.

<u>Item</u>	<u>Banco CMF and subsidiaries</u>
Computable equity	3,384,384
Minimum capital requirement	
Market risk	305,998
Operational risk	63,655
Credit risk	678,136
<b>Total requirement</b>	<b>1,047,789</b>

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2019**

(Translation of separate financial statements originally issued in Spanish – see note 35)  
(Figures stated in thousands of Argentine pesos)

### **28. PENALTIES APPLIED TO THE FINANCIAL INSTITUTION AND SUMMARY PROCEEDINGS INITIATED BY THE BCRA**

On January 8, 2015, the BCRA issued Communiqué “A” 5689 requesting that a note to the financial statement should detail all administrative and/or disciplinary penalties and all criminal penalties ordered by a trial court ruling that were imposed or initiated by the BCRA, the UFI (Financial Information Unit), the CNV and the SSN (Argentine insurance regulatory agency), as well as provide information on the summary proceedings initiated by the BCRA, regardless of its significance.

To date, the Bank does not have administrative and/or disciplinary penalties or criminal penalties ordered by a trial court.

Consequently, to meet the BCRA’s information requirements, we detail below the summary proceedings initiated as of the date of issuance of these financial statements:

Summary proceedings No. 1566. Date of notification of the summary proceedings: 05/02/2020. Imputed charge: Alleged noncompliance with the regulation on the truthfulness of accounting bookings for failing to book transactions as repo transactions. Defendants: Banco CMF S.A. This penalty was rated 2 by the BCRA as “low seriousness”. The penalty that would apply to Banco CMF S.A., should it not be acquitted, based on the significance and weight, would be a disciplinary measure, warning or fine, which cap would stand at 1,091.

The Bank and its legal counsel estimate that the applicable regulations in force were interpreted reasonably and expect a null or minimum effect in this regard.

### **29. CORPORATE BONDS ISSUANCE**

On September 1, 2012, the Bank’s Special General Shareholders’ Meeting approved a global program for the issuance of nonconvertible corporate bonds pursuant to Law No. 23,576, as supplemented, and the CNV regulations for a maximum outstanding amount at any time of up to a face value of ARS 500,000,000 or its equivalent in other currencies.

On September 28, 2012, through Resolution No. 16,923, the CNV authorized the Bank to join the public offering system and create a program to list publicly nonconvertible corporate bonds, the main terms and conditions of which are included in the Program’s offering circular dated October 3, 2012. Its summarized version was published in the Daily Bulletin of the Buenos Aires Stock Exchange on the same date.

As part of the abovementioned program, the Bank issued corporate bond classes No. 1 through 13. As of the date of these financial statements, the principal and interest related to classes No. 1 through 13 were repaid in full, in accordance with the issuance terms thereof.

On September 8, 2015, the Bank’s Special General Shareholders Meeting approved the increase in the amount for the global program for the issuance of short-, medium- or long-term, subordinated or unsubordinated, secured or unsecured corporate bonds nonconvertible into shares and denominated in Argentine pesos for a maximum outstanding amount of ARS 500,000,000 (or its equivalent in other currencies) to ARS 1 billion (or its equivalent in other currencies), and the extension of the term of the program for five more years or the longer term provided for by applicable regulations.



## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2019**

(Translation of separate financial statements originally issued in Spanish – see note 35)  
(Figures stated in thousands of Argentine pesos)

### **29. CORPORATE BONDS ISSUANCE (Contd.)**

On November 5, 2015, through Resolution No. 17,868, the CNV authorized this increase in the amount and the term of the global program, the main terms and conditions of which are included in the program's offering circular dated November 26, 2015. Its summarized version was published in the daily bulletin of the Buenos Aires Stock Exchange on the same date.

On April 24, 2018, the Bank's Special General Shareholders' Meeting approved the adjustment of the prospectus and the increase in the global program amounts for the issuance of short-, medium- or long-term, subordinated or unsubordinated, secured or unsecured corporate bonds denominated in Argentine pesos for a maximum outstanding amount of ARS 1 billion (or its equivalent in other currencies) up to ARS 3 billion (or its equivalent in other currencies), or any other amount as determined by the Bank's Board of Directors.

The Board of Directors, at its meeting held on June 8, 2018, decided to increase the program maximum amount up to an additional amount of ARS 500,000,000; therefore, the total program outstanding amount will be ARS 1.5 billion (or its equivalent in other currencies) at all times. On September 11, 2018, the CNV authorized this increase.

On December 15, 2017, the CNV approved the pricing supplement of classes Nos. 10 and 11 (class No. 11 was not issued) of simple corporate bonds (not convertible into shares) with a variable rate (simple mathematical average of the interest rate for certificates of deposit equal to or higher than ARS 20 million for periods ranging between 30 and 35 days for Argentine private banks published by the BCRA during the period that begins on the seventh business day prior to the beginning of each interest accrual period and ends on the seventh business day prior to the date of payment of the related interest, including the first day but excluding the last) plus a cutoff margin of 3.50%, annual base; however, it was established that in the first interest accrual period, the interest rate to be paid shall not be lower than the minimum interest rate of 28.80%) for a total face value of up to ARS 250,000,000.

The issuance of Class No. 10 was made effective on December 22, 2017, for a total face value of ARS 316,500,000, maturing on June 24, 2019, and with interest payable quarterly in arrears as from the issuance date. The abovementioned funds, net of issuance expenses, were used to grant loans pursuant to BCRA regulations. The terms and conditions of the corporate bonds were approved by the Special Shareholders' Meeting on December 7, 2016, and by the Board of Directors in its meeting held on November 21, 2017. The corporate bond supplement was published in the Buenos Aires stock exchange bulletin on December 15, 2017. On June 24, 2019, it repaid principal and interest.

On February 8, 2018, the CNV approved the pricing supplement of classes Nos. 12 and 13 of simple corporate bonds (not convertible into shares) with a variable rate (simple mathematical average of the interest rate for certificates of deposit equal to or higher than ARS 20 million for periods ranging between 30 and 35 days for Argentine private banks published by the BCRA during the period that begins on the seventh business day prior to the beginning of each interest accrual period and ends on the seventh business day prior to the date of payment of the related interest, including the first day but excluding the last) plus a cutoff margin of 3.00% and 3.50%, annual base, for Class No. 12 and No. 13, respectively; however, it was established that in the first interest accrual period, the interest rate to be paid for both classes shall not be lower than the minimum interest rate of 26.75%) for a total face value of up to ARS 400,000,000. The issuance of Class No. 12 was made effective on February 19, 2018, for a total face value of ARS 250,000,000, maturing on August 19, 2019, and with interest payable quarterly in arrears as from the issuance date.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2019

(Translation of separate financial statements originally issued in Spanish – see note 35)  
(Figures stated in thousands of Argentine pesos)

### 29. CORPORATE BONDS ISSUANCE (Contd.)

In addition, the issuance of Class No. 13 was made effective on February 19, 2018, for a total face value of ARS 150,000,000, maturing on February 19, 2021, and with interest payable quarterly in arrears as from the issuance date. The abovementioned funds, net of issuance expenses, were used to grant loans pursuant to BCRA regulations. The terms and conditions of the corporate bonds were approved by the Special Shareholders' Meeting on December 7, 2016, and by the Board of Directors in its meeting held on January 9, 2018. The corporate bond supplement was published in the Buenos Aires stock exchange bulletin on February 8, 2018. On August 19, 2019, the principal and interest of corporate bonds class No. 12 were repaid.

As of December 31, 2019, and 2018, unsubordinated corporate bonds issued stand at 150,000 and 716,500 as principal and 8,322 and 27,625 as interest, respectively.

In addition, as of December 31, 2019 and 2018, from the total unsubordinated corporate bonds for 150,000 and 716,500, the Bank repurchased 68,286 and 136,500, respectively.

### 30. OFF-BALANCE AMOUNTS

In addition to that mentioned in note 7 and the amounts disclosed in exhibit B, the Bank books different transactions in off-balance accounts according to BCRA regulations.

The main off-balance accounts are made up as follows:

	<u>12/31/2019</u>	<u>12/31/2018</u>
Custody of government securities and other assets owned by third parties	30,084,359	22,861,618
Checks to be debited	620,920	256,264
Futures	616,918	1,903,781
Trust activity	390,216	654,299
Reverse repo transactions involving government securities and monetary regulation instruments	4,585,321	311,574
Certificates of deposit involving government securities and monetary regulation instruments	1,073,378	389,965
Loans involving government securities and monetary regulation instruments	22,685	-
Preferred guarantees received from customers	1,293,482	662,440

### 31. RESTRICTION ON DISTRIBUTION OF EARNINGS

For the transactions conducted by Banco CMF S.A.

- According to BCRA provisions, 20% of earnings for the year plus/minus prior-year profit (loss) adjustments and transfers of other comprehensive income to unappropriated retained earnings, minus accumulated losses as of the prior year end, if any, should be allocated to the legal reserve.
- Under Law No. 25,063, dividends to be distributed, in cash or in kind, in excess of taxable profit accumulated as of the end of the fiscal year immediately preceding the payment or distribution date shall be subject to a 35% income tax withholding as a single and final payment. To such end, the earnings to be considered in each fiscal year will result from adding to the earnings assessed on the basis of general Income Tax Law provisions the

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2019**

(Translation of separate financial statements originally issued in Spanish – see note 35)  
(Figures stated in thousands of Argentine pesos)

dividends or earnings from other stock corporations not computed upon determining such earnings in the same tax period(s), and deducting the tax paid for the tax period(s) giving rise to the earnings being distributed or the related proportional portion. This withholding will not be applied to the distributions of profits accrued for tax years beginning as from January 1, 2018.

### **31. RESTRICTION ON DISTRIBUTION OF EARNINGS (Contd.)**

- Through Communiqué “A” 6464, the BCRA established the general procedure to distribute earnings. This procedure establishes that earnings may only be distributed provided that certain situations take place, such as recording financial assistance from such agency related to illiquidity, presenting outstanding amounts related to capital or minimum cash requirements and being subject to the provisions of sections 34 and 35 bis of Financial Institutions Law (sections related to plans for redressing, remediating and restructuring the Bank), among other conditions detailed in the communiqué that should be met. Besides, based on BCRA Communiqué “A” 6768, the earnings distribution approved by the Bank’s Shareholders’ Meeting may only be made effective once the BCRA’s SEFyC issues the authorization, which will assess, among other elements, the potential effects of the application of IFRS according to Communiqué “A” 6430 (section 5(5) of IFRS 9 “Impairment of financial instruments”) and the restatement of the financial statements according to Communiqué “A” 6651.

In addition, earnings may only be distributed provided that there is profit after deducting on a nonaccounting basis from the unappropriated retained earnings and from the optional reserve for future distribution of earnings: (i) the amounts related to the legal and statutory reserves that should be set, (ii) the total debit balances of each of the items included in “Other comprehensive income”, (iii) the amount arising from the revaluation of property and bank premises, intangible assets and investment property, (iv) with respect to the instruments valued at amortized cost, the net positive difference between the value at amortized cost and the fair value of the BCRA’s government debt and/or regulation instruments, (v) the adjustments identified by the BCRA’s SEFyC or by the external auditor which have not been booked, and (vi) certain deductibles granted by the BCRA. In addition, distributions of earnings may not include profit arising from the first-time application of IFRS, which should be included in a special reserve, which amounts to 231,006 as of December 31, 2019 and is booked under “Unappropriated retained earnings”.

Lastly, the Bank should verify whether upon effecting the proposed distribution of earnings, a capital equivalent to 2.5% of risk-weighted assets has been maintained in addition to the minimum capital requirement established by the regulation, and it should be paid-in with tier 1 common capital net of deductible items.

- According to the provisions in CNV General Resolution No. 593, the Shareholders’ Meeting analyzing the annual financial statements shall decide on a specific use for the Bank’s retained earnings, whether through the actual distribution of dividends, their capitalization with the delivery of bonus shares, the creation of voluntary reserves additional to the legal reserve or a combination of one of these.

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2019**

(Translation of separate financial statements originally issued in Spanish – see note 35)  
(Figures stated in thousands of Argentine pesos)

### **31. RESTRICTION ON THE DISTRIBUTION OF EARNINGS (Contd.)**

For the transactions conducted by Metrocorp Valores S.A. and CMF Asset Management S.A.U.

Under Law No. 25,063, dividends to be distributed generated through December 31, 2018, in cash or in kind, in excess of taxable profits accumulated as of the end of the fiscal year immediately preceding the payment or distribution date shall be subject to a 35% income tax withholding as a single and final payment. To such end, the earnings to be considered in each fiscal year will result from adding to the earnings assessed on the basis of general Income Tax Law provisions the dividends or earnings from other stock corporations not computed upon determining such earnings in the same tax period(s), and deducting the tax paid for the tax period(s) giving rise to the earnings being distributed or the related proportional portion.

- According to IGJ General Resolution No. 7/2015, the Shareholders' Meeting in charge of analyzing the annual financial statements will be required to establish a specific use for the Bank's retained earnings, whether through the actual distribution of dividends, their capitalization through the delivery of bonus shares, the creation of voluntary reserves apart from the legal reserve or a combination of any of these applications.

### **32. RISK MANAGEMENT AND CORPORATE GOVERNANCE**

Risks are inherent in the Bank's and its subsidiaries' activities and are managed through a process for the continuous identification, measurement and control thereof, subject to limits and other risk controls. This risk management process is critical for the Bank's profitability.

The Board of Directors is made up of four members, as set forth by the shareholders' meeting, who are chosen for three-year periods with the possibility of being reelected. This number of directors is proportional to the Bank's size, complexity, economic importance and risk profile. They promote and guarantee an objective and independent judgment for making decisions in the Bank's and its subsidiaries' financial institution's best interest and in line with corporate objectives, avoiding and preventing potential conflicts of interest or decisions contrary to the Bank's interests.

Individuals falling under the disqualifications and incompatibilities set forth in Law No. 19,550 on Argentine Business Associations and in Law No. 21,526 on Financial Institutions may not form part of the Board of Directors either. The background information of the selected Directors is submitted to the BCRA for its respective approval.

The Board of Directors is in charge of performing management functions in the Bank and making the related decisions. It is also responsible for implementing the decisions reached by shareholders' meetings, conducting the tasks especially delegated by shareholders and adopting the business strategy to approve the general and specific policies to ensure proper business management. Its objectives are, among others, coordinating and supervising that the operating performance is consistent with institutional objectives, facilitating the performance of business with efficiency, control and productivity, for the purpose of generating permanent improvement in administrative and commercial processes.

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2019**

(Translation of separate financial statements originally issued in Spanish – see note 35)  
(Figures stated in thousands of Argentine pesos)

### **32. RISK MANAGEMENT AND CORPORATE GOVERNANCE (contd.)**

#### **Risk management structure:**

Additionally, the Bank has structured its risk control based on the Board of Directors' supervision. The Board of Directors is in charge of approving the Bank's effective strategies and policies, provides the general risk management principles and approves the risk control policies for specific areas such as operating, market, liquidity and credit risk. The Board of Director's involvement in the issues addressed by the different committees entail a decrease in the risks that may arise in the course of business.

The abovementioned structure comprises different separate and independent committees. A breakdown of the committees and the functions is included below:

- Audit Committee: Its role is to support the Board of Director's management in implementing and supervising the Bank's and its subsidiaries' internal control. It has its own set of regulations which form part of the Bank's Corporate Governance System.
- Information Asset Protection Committee: This is a multidisciplinary formal body for the protection of information assets, with the purpose of establishing mechanisms to be used by the Information Assets Protection Department's management and control with a comprehensive approach of the security required (physical and logical) and appropriate for each technological environment and information resources. Its mission is to determine the procedure for addressing incidents, policy exceptions and promote awareness and training throughout the organization, pursuant to the guidelines set forth in BCRA Communiqué "A" 4,609, as supplemented.
- IT and Systems Committee: This formal body makes decisions on the different issues that contribute towards the support behind the Bank's and its subsidiaries' business regarding IT, in accordance with the guidelines established by BCRA Communiqué "A" 4609, as supplemented (IT risks.)
- Human Resources and Ethics Committee: It plans and consolidates the potential development of human resources, assesses the evolution and adjustment of the structure in terms of its strategic plans, analyzes the promotion of its human resources, its compensation policy and accompanies the organization through hits change processes.
- Corporate Governance and Compliance Committee: It ensures the actions of its administrators and personnel abide by and are in compliance with the management strategies duly approved by the Board of Directors. It also makes sure the Bank and its subsidiaries have the proper means with which to comply with internal and external regulations.
- Financial Committee: Its purpose is to be the formal decision-making body regarding financial matters and on the different supporting issues of the Bank and its subsidiaries.
- Credit Committee: This is the formal decision-making body regarding credit policies.
- Money Laundering and Terrorism Financing Control and Prevention Committee: It is aimed at supporting the Compliance Officer in adopting the policies and procedures required for the proper operation of the money laundering and terrorism financing prevention system.

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2019**

(Translation of separate financial statements originally issued in Spanish – see note 35)  
(Figures stated in thousands of Argentine pesos)

### **32. RISK MANAGEMENT AND CORPORATE GOVERNANCE (contd.)**

- Comprehensive Risk Management Committee: This committee focuses on the comprehensive management process of all significant risks and ensures that current policies and strategies on this matter which have been approved and set by the Board of Directors are complied with.

- Foreign Trade and Exchange Committee: This is the formal body for defining the policies and guidelines for foreign trade processes under BCRA regulations. It controls and reviews SWIFT code submission requests to and from other countries.

The Bank has implemented an overall risk management process pursuant to Communiqué “A” 5398 as amended, which is also in line with the good banking practices recommended by the Basel Committee.

Comprehensive Risk Management is in charge of the comprehensive management of the risks faced by the Bank and its subsidiaries, acting independently from the business areas.

It is mainly in charge of following up risks, assisting in designing and enforcing policies and procedures, and advising the Comprehensive Risk Management Committee or the liable parties of the risks that may require additional controls. It also gathers information related to the level of exposure of the different types of risks and reports to General Management and the Comprehensive Risk Management Committee, proposing and monitoring related actions plans. It also conducts annual stress tests according to the methodology formally approved and documents the contingency plans to cover the risks that exceed the caps defined by the Board. It also issues the Capital Self-Assessment Report every year.

The main goal of the Comprehensive Risk Management Committee is to propose to the Board the strategy for managing market, rate, liquidity and credit risks, among others, as well as the global limits of exposure to these risks. Also, learning about each risk position and compliance with the policies set. The scope of its functions comprises the Bank and its subsidiaries.

La gestión de los riesgos de la Entidad está inmersa dentro de un proceso continuo de adaptación a las exigencias regulatorias, promovidas por Basilea III y por el B.C.R.A., las cuales son dinámicas y se actualizan en forma constante. Based on these guiding principles, a series of procedures and processes that allow identifying, measuring and valuing the risks to which the Bank is exposed have been defined, always seeking consistency with the Bank’s business model.

Risk management processes are communicated to the whole entity. They are in line with the guidelines set by the Board of Directors and top management of the Bank and its subsidiaries, which, through various committees, define the general objectives expressed in goals and limits to the business units in charge of managing risks.

The risk management information system entitled “Risk Management Panel” provides the Board of Directors and top management with relevant information on the risk profile and the capital requirements of the Bank and its subsidiaries in a clear, accurate and timely manner. This information includes the exposure to all risks, including those arising from off-balance sheet transactions; that is to say, transactions not booked in the statement of financial position. In addition, the management function includes the assumptions and limits inherent in specific risk measures.

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2019**

(Translation of separate financial statements originally issued in Spanish – see note 35)  
(Figures stated in thousands of Argentine pesos)

### **32. GESTION DE RIESGOS Y GOBIERNO CORPORATIVO (Cont.)**

Based on the previous paragraph, the main aspects of the Bank's and its subsidiaries' risk management process are:

- Updating minimum annual credit risk management frameworks and processes (including securitization risk, country risk, counterparty risk and residual risk), liquidity risk, market risk, operational risk, interest rate risk, foreign exchange settlement risk, concentration risk, strategic risk and reputational risk.
- Reviewing the existing risk tolerance limits based on the assessment of the main risks faced by the Bank and its subsidiaries. The limits are monitored periodically and the results are informed to the Bank's and its subsidiaries' Comprehensive Risk Management Committee and Board of Directors.
- Generating periodic reports (Risk Management Panel) to identify, measure, monitor and mitigate the most significant risks assumed by the Bank, and reporting the results to the Bank's Board of Directors and top management.
- Preparing an annual capital self-assessment report using methods in line with the guidelines set out by Basel III to estimate the economic capital required by the Bank and its subsidiaries for each of the significant risks identified.
- Preparing and executing sensitivity tests (stress tests) to measure scenarios of various degrees of severity, for the purpose of assessing the potential impact of stress situations and preparing contingency actions to manage the various risks.

#### **Risk measurement and reporting systems:**

Risks are supervised and controlled primarily based on the limits established by the Bank. These limits reflect the Bank's business strategy and market environment, as well as the risk level the Bank is ready to accept, with further focus on the industries selected. In addition, the Bank and its subsidiaries control and measure the full risk it bears as regards the full risk exposure as to all types of risks and activities.

The different committees document their meetings in formal minutes transcribed into officially-stamped books that are submitted to the Board according to the frequency established, including the significant risk identified, if applicable.

The Bank and its subsidiaries actively use guarantees to mitigate its credit risk.

Excessive risk concentration:

To avoid excessive risk concentrations, the Bank's and its subsidiaries' policies and procedures include specific guidelines to focus on keeping a diversified portfolio. The identified credit risk concentrations are controlled and managed accordingly. The selective coverage is used at the Bank and its subsidiaries to manage risk concentrations both in terms of relationships and industry.

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2019**

(Translation of separate financial statements originally issued in Spanish – see note 35)  
(Figures stated in thousands of Argentine pesos)

### **32. RISK MANAGEMENT AND CORPORATE GOVERNANCE (Contd.)**

In addition, it should be noted that the Bank complies with the provisions established by the BCRA regarding the maximum limits to the financing granted to specific debtor groups in order to atomize the portfolio, thus reducing credit risk concentration.

The policies and processes for identifying, assessing, controlling and mitigating the main risks are described below:

#### **Credit risk**

The credit risk is the existing risk regarding the possibility for the Bank and its subsidiaries to incur a loss because one or several customers or counterparties fail to meet their contractual obligations.

To manage and control credit risk, the Bank and its subsidiaries establish limits on the risk amount it is willing to accept in order to monitor the related indicators.

In addition, the Board of Directors approves the Bank's and its subsidiaries' credit policy and credit assessment in order to provide a framework for the creation of businesses to attain an adequate relationship between the risk assumed and profitability. The Bank and its subsidiaries have procedure manuals containing guidelines in the matter in compliance with current regulations and the limits established. Below are the objectives of those manuals:

- Achieving proper portfolio segmentation by type of client and economic sector.
- Boosting the use of the risk analysis and assessment tools that best adjust to the customer's profile.
- Setting consistent standards for granting loans, following conservative parameters based on the customer's solvency, cash flows and profitability.
- Setting limits to individual powers for granting loans depending on the amount, promoting the existence of specific committees that, according to their sphere of competence, will be in charge of defining assistance levels.
- Optimizing the quality of risks assumed, having appropriate guarantees according to the loan term and the level for the risk involved.
- Monitoring the loan portfolio and the level of customers' compliance permanently.

Credit risk is monitored by the Risk Management area. Such area is in charge of reviewing and managing credit risk, including environmental and social risks for all types of counterparties. The Bank employs specialized analysts who base their work on tools, such as credit risk systems, policies, processes and reports.



## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2019**

(Translation of separate financial statements originally issued in Spanish – see note 35)  
(Figures stated in thousands of Argentine pesos)

### **32. RISK MANAGEMENT AND CORPORATE GOVERNANCE (Contd.)**

To evaluate the credit risk, based on the credit analysis and proposal prepared by the business officer, the Bank has established a credit quality review process aimed at the early identification of potential changes in the debtors' credit solvency. Debtors' limits are established using a credit risk classification method, which assigns a risk classification to each of them (rating). Such classifications are subject to periodic reviews.

Based on the above, the area in charge analyzes the customer's credit and repayment capacity and issues a report in which, among other aspects, mentions the main risks to which the company is exposed and that may affect its payment capacity and findings regarding any litigation deriving from the legal regulations of the financial system or from commercial activities, such as disqualifications, requests for bankruptcy, and litigation in progress. The purpose of the credit quality review process is to allow the Bank and its subsidiaries to evaluate the potential loss resulting from the risks to which it is exposed and to take corrective measures.

Based on the risk report, the business officer prepares a customer credit rating proposal, including the analysis of loans, other receivables, contingent obligations and guarantees granted, which is sent to the Credit Committee in charge of analyzing and approving the related financing.

The Bank does not generate consumer credit portfolios directly; instead, it purchases consumer portfolios to leading companies in the retail sector. At the negotiation stage of the transaction, in addition to the general conditions related to the rate, amount, duration, guarantees, total term and types of credits to be assigned (among others), the specific conditions of the credits are defined to reduce its level of risk: relationship between installments and profits, payment method, review against the database of documents challenged, comparison to the debtor classification on the financial system, number of installments paid, maximum and minimum age and country, among others. Based on these parameters, a credit scoring is performed to choose the credits to be acquired. The assignor's risk is also analyzed. All the information is submitted to the Credit Risk Committee for its analysis and approval. The classification is related to the customers' quality and BCRA provisions on debtor classification and minimum provisions for loan losses.

It is noteworthy that the Bank and its subsidiaries use the request for guarantees for its financing facilities to mitigate the credit risk. The main guarantees received are works certificates, joint and several sureties, bills of exchange and invoices. The Bank has the obligation to return the guarantees received to their holders at the end of the guaranteed financing.

The Bank's Operations Management monitors the market value of guarantees and requests appraisal revaluations frequently.

The classification and periodical monitoring of customers permit to protect the quality of assets and to take corrective actions in advance in order to maintain the Bank's and its subsidiaries' equity.

The main considerations to assess the impairment in value of loans include if there are principal or interest payments past due over 90 days or if there is any known difficulty in the counterparties' cash flows, reduced credit ratings or breach of the original terms of the agreement. The Bank assesses the impairment in value in two areas: provisions individually evaluated and provisions collectively evaluated.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2019

(Translation of separate financial statements originally issued in Spanish – see note 35)  
(Figures stated in thousands of Argentine pesos)

### 32. RISK MANAGEMENT AND CORPORATE GOVERNANCE (Contd.)

The guarantees granted, letters of credit and obligations for foreign trade transactions are assessed and a provision is booked in the same manner as that of the loan portfolio. The credit risk in these transactions is defined as the likelihood of occurrence of a loss because one of the parties to a contingent transaction does not comply with the terms set out in the agreement. The risk for credit losses is represented by the amounts established in the respective instrument agreements.

The financing facilities granted to the nonfinancial government sector and financing facilities with a term of less than 30 days granted to financial sector customers are excluded from the analyses of provisions.

The Bank and its subsidiaries classify all its financing facilities into five risk categories, depending on the degree of the risk of default in payment of each loan.

The following are the classes used by the Bank and its subsidiaries, specifying the appropriate characteristics of each of them:

The following are the classes used by the Bank and its subsidiaries, specifying the appropriate characteristics of each of them:

Debtor classification, loan provisions, other financing and contingent commitments.

The classification of the Bank's debtors is made up of 5 categories which entail different provision levels, also considering the guarantees supporting the various transactions. Such classifications are established by the Bank based on objective or subjective assessments, depending on the portfolio where each debtor is placed.

The criterion used in classifying debtors related to the portfolio of consumer loans and commercial loans similar to consumer loans is based on an objective assessment on the debtor's current compliance based on the days in arrears according to the BCRA's objective segmentation defined in section 7(2) of the regulations on the classification of debtors of the consumer and home-mortgage portfolio, as revised.

As required by BCRA in section 6(5) of the regulations on debtor classification of the commercial portfolio, as revised, the classification is based on a subjective assessment that analyzes the debtor's current and future equity and financial position by conducting a comprehensive analysis of its cash flows, financial statements, post-balance sales and compliance with the BCRA and other financial institutions, among others.

The percentages per debtor classification level for each type of portfolio are disclosed below on a consolidated basis according to BCRA regulations as of December 31, 2019:

Portfolio/Status	1-Performing	2-Low risk	3-Moderate risk	4-High risk	5-Irrecoverable	6-Irrecoverable by virtue of a technical provision
Commercial	96,12%	2,92%	0,0%	0,96%	0,0%	0,0%
Consumer	86,87%	6,95%	1,50%	4,47%	0,21%	0,0%

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2019

(Translation of separate financial statements originally issued in Spanish – see note 35)  
(Figures stated in thousands of Argentine pesos)

### 32. RISK MANAGEMENT AND CORPORATE GOVERNANCE (Contd.)

The percentages per debtor classification level for each type of portfolio are disclosed below on an individual basis according to BCRA regulations as of December 31, 2019:

Portfolio/Status	1-Performing	2-Low risk	3-Moderate risk	4-High risk	5-Irrecoverable	6-Irrecoverable by virtue of a technical provision
Commercial	95,12%	3,66%	0,0%	1,22%	0,0%	0,0%
Consumer	85,97%	7,43%	1,60%	4,78%	0,22%	0,0%

Management is confident about its capacity to continue controlling and maintaining minimum credit risk exposure as a result of its portfolio of credits and financial assets because 98.71% of its loan portfolios are classified in the two higher levels of the internal classification system.

The Bank decided to create additional provisions to the minimum provisions required by the BCRA (global provisions) to be able to bear potential deterioration of the portfolio.

The changes in the global provision are based on the disclosures made in point 5(2)4(iii) of the Bank's policy for classifying debtors and setting up provisions. This limit is monitored by the Board. This policy establishes that "Periodically, at least at the end of every six months, jointly with the General Management, it will be analyzed whether provision levels range between 5% and 8% of the total portfolio, based on an analysis of the economic and financial situation of the different sectors of the economy and the macroeconomic and microeconomic variables that may affect the loan portfolio. This policy should consider in advance the potential future deterioration in solvency levels and changes in the economic variables that may affect the Bank's credit portfolio. The Bank should frequently review its risk assets to ensure proper management, especially when the economic conditions or variables get worse, including the possibility of absorbing these global provisions to reflect the potential deterioration of the portfolio.

The Bank is currently going through the convergence process towards expected losses (IFRS). In 2019, the Bank worked with an interdisciplinary team that included a specialized consulting company and Comprehensive Risk Management, Accounting Management and Credit Risk Management personnel. The estimates were made every month according to the Bank's effective methodology, which is consistent with Communiqué "A" 6590.

Credit risk management in investments in financial assets:

The Bank and its subsidiaries assess credit risk by identifying each financial asset invested and the credit rating defined by the credit rating agency. These financial instruments are mainly concentrated on the amounts deposited in first-level financial institutions, government securities granted by the Argentine government and BCRA bills.

The carrying amount of financial assets is the best way of representing the gross maximum exposure to credit risk. As of December 31, 2019, risk is concentrated in Argentina or in countries rated in investment grades.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2019

(Translation of separate financial statements originally issued in Spanish – see note 35)  
(Figures stated in thousands of Argentine pesos)

### 32. RISK MANAGEMENT AND CORPORATE GOVERNANCE (Contd.)

The maximum credit risk assessment arising from the Bank's financial assets is broken down below:

<b>Banco CMF S.A. Consolidated basis</b>	<b>Maximum gross exposure as of 12/31/2019</b>	<b>Maximum net exposure as of 12/31/2019</b>	<b>Maximum gross exposure as of 12/31/2018</b>	<b>Maximum net exposure as of 12/31/2018</b>
Financial assets valued at fair value	ARS 24,840,056	ARS 24,840,056	ARS 6,437,737	ARS 6,437,737
Financial assets measured at amortized cost	ARS 1,736,689	ARS 1,736,689	ARS 3,306,835	ARS 3,306,835
Derivative financial instruments	ARS 32,987	ARS 32,987	ARS 196,903	ARS 196,903
Loans and other financing	ARS 4,733,783	ARS 1,235,373	ARS 5,430,456	ARS 541,130
<b>TOTAL</b>	<b>ARS 31,343,515</b>	<b>ARS 27,845,105</b>	<b>ARS 15,371,931</b>	<b>ARS 10,482,605</b>

<b>Banco CMF S.A, Individual basis</b>	<b>Maximum gross exposure as of 12/31/2019</b>	<b>Maximum net exposure as of 12/31/2019</b>	<b>Maximum gross exposure as of 12/31/2018</b>	<b>Maximum net exposure as of 12/31/2018</b>
Financial assets valued at fair value	ARS 10,605,168	ARS 10,605,168	ARS 3,223,555	ARS 3,223,555
Financial assets measured at amortized cost	ARS 452,409	ARS 452,409	ARS 2,915,811	ARS 2,915,811
Derivative financial instruments	ARS 32,987	ARS 32,987	ARS 240,231	ARS 240,231
Loans and other financing	ARS 3,538,989	ARS 766,887	ARS 4,806,041	ARS 189,267
<b>TOTAL</b>	<b>ARS 14,629,553</b>	<b>ARS 11,857,451</b>	<b>ARS 11,185,638</b>	<b>ARS 6,568,864</b>

#### Collateral and other credit enhancements

The amount and type of guarantee required for financing facilities granted depend on an assessment of the counterparty's credit risk. The guidelines are implemented according to the capacity of acceptance of the types of guarantee and valuation metrics.

In addition, the Bank and its subsidiaries disclose in exhibit B "Classification of loans and other financing facilities and guarantees received" herein the breakdown of loans and other financing facilities per status and guarantees received.

Below are the types of guarantees received on a consolidated and individual basis:

<b>Types of guarantee – Consolidated basis</b>	<b>Fair value as of 12/31/2019</b>	<b>Fair value as of 12/31/2018</b>	<b>Fair value as of 12/31/17</b>
Pledges on certificates of deposit	519,555	15,993	24,993
Postdated checks	1,164,857	847,097	817,588
Mortgages on real property	216,909	95,941	30,721
Pledges on vehicles and machines	82,945	118,336	113,048
Pledges over other assets	354,911	810,807	531,559

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2019

(Translation of separate financial statements originally issued in Spanish – see note 35)  
(Figures stated in thousands of Argentine pesos)

Types of guarantee – Consolidated basis	Fair value as of 12/31/2019	Fair value as of 12/31/2018	Fair value as of 12/31/17
Other items	1,159,233	3,001,152	892,992
<b>Total</b>	<b>3,498,410</b>	<b>4,889,326</b>	<b>2,410,900</b>

### 32, RISK MANAGEMENT AND CORPORATE GOVERNANCE (Contd,)

Types of guarantee – Individual basis	Fair value as of 12/31/2019	Fair value as of 12/31/2018	Fair value as of 12/31/17
Pledges on certificates of deposit	69,103	15,993	24,993
Postdated checks	1,164,857	847,097	817,588
Mortgages on real property	216,909	95,941	30,721
Pledges on vehicles and machines	82,945	118,336	113,048
Pledges over other assets	229,916	538,255	351,043
Other items	1,008,372	3,001,152	892,992
<b>Total</b>	<b>2,772,102</b>	<b>4,616,774</b>	<b>2,230,384</b>

Below we analyze the Bank's financial assets per activity branch (considering BRCA classification of economic activities) before and after considering the guarantees received, on a consolidated basis:

Activity branch/period	Gross exposure as of 12/31/2019	Net exposure as of 12/31/2019	Gross exposure as of 12/31/2018	Net exposure as of 12/31/2018
C-Manufacturing industry	40.6%	26.6%	36.2%	24.8%
K-Financial intermediation and insurance services	14.8%	17.3%	20.6%	27.4%
G-Wholesale and retail; repair or motor vehicles and motorcycles	7.0%	9.5%	18.2%	20.1%
F-Construction	12.4%	10.8%	9.4%	6.7%
E-Water supply; sewage; waste management, material recovery and public sanitation	5.7%	0.0%	0.7%	1.2%
B-Mine and quarry exploitation	4.2%	7.6%	2.2%	1.4%
R-Artistic, cultural, sport and leisure services	3.9%	8.2%	0.9%	0.0%
N-Administrative activities and support services	3.3%	7.7%	0.3%	0.3%
J-Information and communications	1.8%	0.9%	0.7%	0.0%
A-Agriculture, hunting, forestry and fishing	0.8%	0.4%	1.9%	3.6%
D-Supply of power, gas, heating and cooling	2.6%	6.2%	1.2%	2.2%
Natural persons	1.8%	3.5%	7.4%	12.2%
Other	1.1%	1.3%	0.3%	0.1%
<b>TOTAL</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

NOTES:

- The activity branches that do not exceed individually 1% of the portfolio are disclosed under "Other".
- "NET exposure" is the amounts of guarantees received net of "GROSS exposure".

Below we analyze the Bank's financial assets per activity branch (considering BRCA classification of economic activities) before and after considering the guarantees received, on an individual basis:

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2019

(Translation of separate financial statements originally issued in Spanish – see note 35)  
(Figures stated in thousands of Argentine pesos)

### 32. RISK MANAGEMENT AND CORPORATE GOVERNANCE (Contd.)

Activity branch/period	Gross exposure as of 12/31/2019	Net exposure as of 12/31/2019	Gross exposure as of 12/31/2018	Net exposure as of 12/31/2018
C-Manufacturing industry	37.4%	27.4%	38.5%	25.6%
K-Financial intermediation and insurance services	14.7%	16.9%	16.3%	26.1%
F-Construction	14.6%	11.1%	10.0%	6.9%
G-Wholesale and retail; repair or motor vehicles and motorcycles	8.2%	9.8%	19.4%	20.7%
E-Water supply; sewage; waste management, material recovery and public sanitation	6.7%	0.0%	0.8%	1.3%
R-Artistic, cultural, sport and leisure services	4.5%	8.5%	1.0%	0.0%
N-Administrative activities and support services	3.9%	7.9%	0.3%	0.3%
D-Supply of power, gas, steam and cooling	3.0%	6.3%	1.3%	2.2%
B-Mine and quarry exploitation	2.7%	5.7%	1.7%	0.2%
A-Agriculture, hunting, forestry and fishing	0.9%	0.4%	2.1%	3.7%
Natural persons	1.5%	3.6%	7.6%	12.6%
Other	1.9%	2.4%	1.0%	0.4%
<b>TOTAL</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

#### Liquidity risk

The liquidity risk is the risk that the Bank and its subsidiaries will not be able to meet its payment obligations efficiently at maturity under regular and stress circumstances without affecting its daily transactions or its financial position. To limit this risk, the Board of Directors has agreed on the diversity of financing sources. Apart from its deposits base, Management manages assets considering liquidity and it controls expected cash flows and the availability of first guarantees which could be used to secure additional financing, if necessary.

The Bank and its subsidiaries have liquidity policies in place, the purpose of which is managing such liquidity effectively, optimizing costs and diversifying funding sources, in addition to maximizing the return on placements by managing liquidity in a prudent manner, ensuring sufficient funds for business continuity and complying with effective regulations.

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2019**

(Translation of separate financial statements originally issued in Spanish – see note 35)  
(Figures stated in thousands of Argentine pesos)

### **32. RISK MANAGEMENT AND CORPORATE GOVERNANCE (Contd.)**

The Bank's funds have historically been made up of deposits and, to a lesser extent, repo transactions and interbank loans, as well as funds from correspondents and multilateral financial institutions.

Although the deposits made by natural persons involve significant amounts, the most important sources of financing are corporate and institutional deposits.

The Bank has a sundry assets portfolio with high level of sale that are readily available should flows be interrupted suddenly. Also, the Bank obtained credit lines to which it accesses to meet its liquidity needs.

Concentration is inherent in the type of business conducted by the Bank and its subsidiaries, which is mitigated with the increase in the portion of resources allocated to liquid assets and the short-term collection of its assets. In addition, as from 2012, the Bank started issuing corporate bonds to diversify and stabilize its sources of financing.

The Bank uses the liquidity gap tool to monitor the maturities of its performing and nonperforming portfolio. The liquidity gap is a method consisting of projecting and allocating funds to assets, liabilities, equity accounts –such as dividends– and off-balance sheet transactions –such as derivatives– to various horizons or time bands. On the basis of that projection, the fund flow gap between the various assets, liabilities and off-balance sheet accounts may be determined for each band. The gap analysis between inflows and outflows in the different time bands allows calculating the amount of funds required for each period. To such end, the gap to be analyzed may be a single gap, that is, that related to a specific band, or the accumulated gap, which considers the aggregate of the previous gaps, whether positive or negative. It is calculated by significant currency; in this case, in Argentine pesos and US dollars.

In addition, liquid cash levels with respect to total deposits, the volatility and concentration of deposits and leverage levels are analyzed based on the following caps defined by the Bank's Board:

- Cash + overnight + LEBAC + listed government and private securities over total deposits Lower limit: 20%. Threshold: 10%.
- Cash over total deposits. Lower limit: 15%. Threshold: 10%.
- Deposit concentration: Ten first depositors over total deposits. Cap: 65%. Threshold 5%.
- Leverage. Cap: 7,50%. Threshold: 20%.
- Leverage coefficient. Lower limit: 3%. Threshold: 10%
- Three-year cumulative GAP. Limit: +/- computable equity \* 1.5.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2019

(Translation of separate financial statements originally issued in Spanish – see note 35)  
(Figures stated in thousands of Argentine pesos)

### 32. RISK MANAGEMENT AND CORPORATE GOVERNANCE (Contd.)

The changes in the liquidity ratio (cash + overnight + LEBAC + listed government and private securities over total deposits) over the past few years are disclosed below:

	2019	2018	2017
31/12	91%	73%	62%
Average	92%	68%	68%
Maximum	103%	83%	77%
Minimum	69%	46%	55%

The Financial Committee makes liquidity decisions pursuant to the guidelines defined by the Board of the Bank and its subsidiaries.

To closely follow up the strategy, Finance Management uses reports prepared by Management Control based on proprietary and third-party information used to implement the portfolio and fund management decisions made by the Financial Committee, making adjustment, if needed, depending on the context or business. Management Control prepares a monthly management report that includes the due dates and an analysis of the residual term and rate breakdown.

Liquidity risk is followed up by the Comprehensive Risk Management Unit reporting to the Bank's General Management, which gathers and handles objective information and prepares indicators to be subsequently submitted to the Comprehensive Risk Management Committee at least every month.

Liquidity risk is managed through the centralized IBS (Interbanksys) tool; the Risk Management Panel is prepared every month based on the information stored in such application.

Liquidity risk management is a mature discipline within the structure of the Bank and its subsidiaries.

In the event of a liquidity crisis, the Bank contemplates the following mitigation measures within its contingency plan:

- Low level of leverage with respect to the Argentine financial system.
- The Bank's assets are structured in products which terms (which assets fall due within 90 days) are sufficient to settle a considerable portion of the payable and its deposits.
- Financing structure included in the corporate bond program, which the Bank has added to its sources of financing over the past few years.
- To a lesser extent, the Bank and its subsidiaries obtain financing from repo and call transactions conducted on the market at competitive rates, which are generally underused.
- Position of government securities and Argentine Treasury bills with high liquidity on the market, which are available as a liquidity cushion.



## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2019**

(Translation of separate financial statements originally issued in Spanish – see note 35)  
(Figures stated in thousands of Argentine pesos)

### **32. RISK MANAGEMENT AND CORPORATE GOVERNANCE (Contd.)**

- Contingent line of international institutions.
- Paid-in capital surplus with respect to BCRA minimum capital requirement.

The Bank discloses its financial assets and liabilities broken down by due dates in exhibit D “Breakdown of financial liabilities by terms” and exhibit I “Breakdown of financial liabilities by remaining terms”, respectively.

#### **Concentration risk of funding sources**

As regards liabilities concentration, the concentration of the Bank’s depositors and their financing sources could also adversely affect the Bank’s liquidity in the event of a trust crisis related to the financial system which may give rise to a bank run or a lack of credit.

We believe that the concentration of deposits and financing mainly affects the Bank’s and its subsidiaries’ liquidity. Deposit concentration is a characteristic inherent of Banco CMF S.A.’s business and of the wholesale financial institutions having similar characteristics, so it was included in the “Liquidity risk management framework”. Both CMF S.A.’s Board of Directors and Management has always closely assessed or controlled the concentration risk by developing and implementing permanent mitigation strategies.

The Bank analyzes the concentration of deposits per customer with respect to total deposits, as well as with respect to total liabilities. Furthermore, concentration is analyzed per type of product or instrument in relation to total financing and total liabilities. Finally, the Bank analyzes the breakdown of assets and liabilities per significant currency to identify whether the Bank is able to bear a potential reimbursement of financings concentrated in certain currency.

In this regard, the main mitigating factor for returning deposits when and as due in the event that customers decided to make a significant withdrawal is the type of guaranteed assets. Banco CMF S.A. creates performing portfolios over very-short periods with identified and mostly self-liquidating flows.

#### **Market risk**

Market risk is the risk that the fair value or future cash flows of financial instruments on or off the balance sheet fluctuate owing to changes in market variables related to interest rates, exchange rates and the prices of bonds and shares. The Bank and its subsidiaries have a framework for managing and mitigating this risk.

As part of market risk, the foreign exchange risk is the risk that the value of a financial instrument will fluctuate owing to changes in the foreign currency exchange rate. The Board of Directors established limits on the currency’s position. Positions are controlled on a daily basis by Finance Management and the natural hedging strategy (match of loans and deposits) guarantee that the positions are maintained within the limits established.

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2019**

(Translation of separate financial statements originally issued in Spanish – see note 35)  
(Figures stated in thousands of Argentine pesos)

### **32. RISK MANAGEMENT AND CORPORATE GOVERNANCE (Contd.)**

These risks arise from the size of the Bank's net positions and/or the volatility of the risk factors involved in each financial instrument.

La Entidad y sus subsidiarias han definido una política y un proceso para la gestión de la cartera de negociación. The trading portfolio management was designed based on the profile of risk, dimension, economic relevance and the nature and complexity of the related transactions.

The trading portfolio is made up of positions in financial instruments that are part of the Bank's and its subsidiaries' equity for the purpose of trading them or hedging other items in that portfolio.

A financial instrument may be charged to the trading portfolio if its trading is not subject to any restriction or if it is possible to obtain a full hedging of the instrument.

The trading portfolio is managed actively by the Bank's Financial Management in agreement with the Financial Committee's guidelines and the investment strategy defined annually by the Board in the business plan approved by such management body.

The different positions are valued on a daily basis with proper accuracy at fair market values.

As a general principle, all the financial instruments acquired will be added to the trading portfolio.

The Board has defined that it is not possible to transfer risks from the trading portfolio to the investment portfolio. Besides, risk transfers from the investment portfolio to the trading portfolio should be treated as exceptions (for example, due to changes in market conditions or the structure of the Bank's financial statements) by the Financial Committee, which should disclose the reasons for such decision and be challenged by the Board in the next meeting.

In line with the principles defined, the Bank and its subsidiaries assume a global risk strategy adequate to its specific business structure. The Bank and its subsidiaries keep a conservative policy within its global risk strategy, with proper efficiency levels recorded on a historical basis. It has a low debt-to-capital ratio, maintains good liquidity indicators, a good performance and appropriate profitability levels.

The main tool used by the Bank and its subsidiaries to calculate market risk capital (mainly resulting from its position in foreign currency and securities, in case of having position) is VaR (value at risk). VaR is defined as the maximum change that may be expected statistically in a specific term given a certain level of trust. The parameters used to calculate VaR are: trust level of 99% and 5 days to earmarking capital for the credit rather than investing in BCRA instruments. VaR is also used for comparison purposes with the minimum computable capital requirement.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2019

(Translation of separate financial statements originally issued in Spanish – see note 35)  
(Figures stated in thousands of Argentine pesos)

### 32. RISK MANAGEMENT AND CORPORATE GOVERNANCE (Contd.)

Below is the VaR as of the related cut-off dates:

<b>VaR of trading portfolio</b>	<b>12/31/2019</b>	<b>12/31/2018</b>	<b>31/12/2017</b>
Portfolio VaR/computable equity	7.46%	4.36%	4.27%
Securities trading portfolio VaR/computable equity	1.09%	1.08%	1.05%
Foreign currency portfolio VaR/computable equity	6.38%	3.28%	3.22%

Market risk management is a mature discipline within the structure of the Bank and its subsidiaries.

#### **Sensitivity to interest rate changes:**

The interest rate risk is defined as the potential occurrence of changes in the Bank's and its subsidiaries' financial condition as a result of interest rate fluctuations with adverse consequences in net finance income and its economic value. The Board of Directors established limits on the exchange rate gaps for the periods considered. Positions are monitored on a daily basis.

The Bank and its subsidiaries have a framework and process for determining the controls to be adopted to follow up interest rate risk.

As from 2013, the minimum capital requirement related to the interest rate risk is no longer considered for the calculation of the minimum cash requirements, in accordance with Communiqué "A" 5,369. However, Banco CMF S.A. keeps calculating the capital requirement for this type of risk, and also keeps managing it in accordance with the policy, framework and process approved by the Board of Directors.

The minimum capital requirement related to interest rate risk decreased drastically due to the issuance of corporate bonds and other funding sources, positively increasing the accumulated gaps to one year and changing the funding terms and structure. Moreover, this situation improved coverage of the liquidity gap between assets and liabilities, decreasing the minimum capital requirement related to the interest rate risk.

The BCRA updated the guidelines for managing risks in financial institutions. This was based on the resolutions disclosed through Communiqué "A" 6397 (which replaced section 5 on interest rate risk management in investment portfolios and adjusted section 1 on the process for managing risks), Communiqué "A" 6459 (which added new sections to point 1(3)2 "Assessment" and incorporated considerations related to point 1(3)3 "Simplified methodology") and Communiqué "A" 6475 (which established the terms for enforcing these regulations, among other points). These regulations set forth that for measuring the interest rate risk in investment portfolios based on the economic value, financial institutions should use the standardized methodology described in point 5(4) ( $\Delta$ EVE).

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2019**

(Translation of separate financial statements originally issued in Spanish – see note 35)  
(Figures stated in thousands of Argentine pesos)

### **32. RISK MANAGEMENT AND CORPORATE GOVERNANCE (Contd.)**

Under this regulation, the Bank calculates such risk pursuant to the standardized framework described in point 5(4) “Guidelines for managing risks in financial institutions”, as revised.

The following six cases of perturbation of interest rates are used to capture parallel and nonparallel gap risk in the EVE:

- Parallel upward movement
- Parallel downward movement
- Slope steepening; decrease in short-term interest rates and increase in long-term interest rates
- Slope flattening; increase in short-term interest rates and decrease in long-term interest rates
- Increase in short-term rates
- Decrease in short-term rates

The maximum loss obtained comparing all these cases is EVE risk calculated based on its economic value.

In addition, atypical financial institutions are those which EVE risk exceeds 15% of Tier 1 capital calculated pursuant to the standardized framework of interest rate risk of the investment portfolio. Banco CMF is not an atypical financial institution.

In addition, Banco CMF S.A. makes its own capital requirement calculation related to the interest rate risk based on the impact that a change in this calculation may have on the Entity's equity.

The main risk indicators are based on the assessment of interest rate gaps, which is a simple and basic method focused on the impact analysis of the potential changes in market interest rate levels on net finance income and expense during one year. The impact of interest rate changes (considering +/- 200 basis points) on the Bank's economic assets (assets less liabilities subject to interest rate changes) may also be analyzed. This analysis is performed by significant currency; in this case, in Argentine pesos and US dollars.

Formal monitoring is conducted by the Comprehensive Risk Management Unit reporting to the Bank's General Management, which compiles objective information and manages it submitting it in the form of indicators to the Comprehensive Risk Management Committee at the Risk Management Panel.

#### **Foreign currency exchange rate risk:**

The Bank understands that in the process for settling foreign exchange transactions there is an inherent risk in the method chosen for their delivery.

The Bank, due to the volumes traded on the market, carries out most transactions by delivering a currency and receiving another one without simultaneity. Therefore, when it delivers a currency before receiving the other currency, it assumes a settlement risk that is accepted and monitored by the Board through the related management areas.

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2019**

(Translation of separate financial statements originally issued in Spanish – see note 35)  
(Figures stated in thousands of Argentine pesos)

### **32. RISK MANAGEMENT AND CORPORATE GOVERNANCE (Contd.)**

Financial Management, upon carrying out transactions under this method, verifies the quality of the counter party, whether it is a customer or market, and the amounts involved, and conducts the transaction if it meets the normal, habitual and approved management parameters. Otherwise, the transaction is contingent upon the special Board's approval.

The Bank adopts different processes for settling foreign exchange transactions involving a payment exchange to ensure the proper reimbursement and reception of the currencies involved.

To carry out these transactions, the Bank checks whether the counter party is authorized to perform the related transaction, and that the amount is contemplated in the credit rating.

The related settlements are made following the instructions received by customers or counter parties and there is a reconciliation process to ensure that abnormalities or differences, if any, are detected and redressed immediately.

The Bank and its subsidiaries consider the risk factors in the system for measuring foreign exchange settlement risk arising from:

- Principal risk
- Replacement cost risk
- Liquidity risk
- Operational risk
- Legal risk

The larger proportion of assets and liabilities kept are related to US dollars.

#### **Operational risk**

Operational risk is the loss risk resulting from failures in internal processes, human error or errors in the information systems or external events. This definition includes the legal risk but excludes strategic and reputational risks. Within this framework, legal risk –which may be verified at the Bank both endogenously and exogenously– covers, among other aspects, exposure to fines, penalties or other economic and other consequences based on the failure to comply with regulations and meet contractual obligations.

On the other hand, the Bank and its subsidiaries have implemented an operational risk management system adjusting to BCRA guidelines established in Communiqué “A” 5398, as amended, and Communiqué “A” 5272 established minimum capital requirement under this provision effective February 1, 2012.

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2019**

(Translation of separate financial statements originally issued in Spanish – see note 35)  
(Figures stated in thousands of Argentine pesos)

### **32. RISK MANAGEMENT AND CORPORATE GOVERNANCE (Contd.)**

When controls fail, operational risks may have legal or regulatory impacts or lead to a financial loss. The Bank and its subsidiaries cannot expect to eliminate all operational risks but rather to be in a position to manage risks through a risk identification and control framework and to respond to those possible risks through the appropriate mitigating factors. Controls include effective function segregation, reconciliation procedures, appropriate authorization and access, staff evaluation and training procedures, including the involvement of the internal audit sector. Identification is based on process self-evaluation tasks, in which the individuals in charge evaluating the different activities contemplate their likelihood of generating losses.

The risk associated with information systems, information technology and the related resources is part of the operational IT risk whereby the Risk Management plan will be part of the Comprehensive Operational Risk Management plan.

Additionally, in compliance with BCRA requirements, the Bank reported the “Operational risk events database” and carried out tasks related to the follow-up of mitigation plans.

The risk is inherent to the Bank's and its subsidiaries' activities but it is managed through an identification, measurement, and control process in progress subject to risk limits and other controls. This risk management process is fundamental for the Bank's ongoing profitability and each of the persons working at the Bank and its subsidiaries is accountable for mitigating the risks related to their functions.

Operational risk indicators were defined for aspects related to accounting, laundering of assets, audit, customer care and HR.

Operational risk management, including monitoring the risk on a monthly basis, is managed by the Comprehensive Risk Management Unit reporting to the Bank's General Management. The Bank's process risks self-assessment is carried out on an annual basis, as well as the compilation, analysis, and reporting of the operations risk event base. The Comprehensive Risk Management Unit compiles objective information and manages it submitting it in the form of indicators to the Comprehensive Risk Management Committee at the Risk Management Panel.

Operational risk management is a mature discipline within the structure of Banco CMF S.A. regarding risks which are strictly operational. Based on the incorporation of operational risk management as a function of the Comprehensive Risk Management Unit, the Bank assessed and updated the management of such risk. During 2014, the Bank developed and implemented a new methodology for managing technological risk based on IT assets management and its subsequent integration with operational risk whereby the residual risk of assets is transferred to the business processes it supports. Both methodologies are periodically updated in order to reflect enforcement agency suggestions and process maturity aspects.

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2019**

(Translation of separate financial statements originally issued in Spanish – see note 35)  
(Figures stated in thousands of Argentine pesos)

### **32. RISK MANAGEMENT AND CORPORATE GOVERNANCE (Contd.)**

The operational risk management system is made up by the following aspects:

- a) Organizational structure: the Bank and its subsidiaries have a staff area within General Management in charge of comprehensively managing all risks, including operational and IT risk, and a Comprehensive Risk Management Committee formed by 3 Directors, the General Manager, the Head of the Comprehensive Risk Management Unit, the Credit Risk Manager, the Finance Manager, the Accounting and Information System Manager, the Commercial Manager, the Operations Manager and the Financial Institutions Manager.
- b) Frameworks and processes of the Bank and its subsidiaries: Operational Risk Management Framework and Process and Operational Risk Management Methodology approved by the Board of Directors and defining the main concepts, roles and responsibilities of the Board of Directors, the Comprehensive Risk Management Committee of the Comprehensive Risk Management Unit and of all the areas involved in managing such risk. Similar documentation was prepared to manage IT risk.
- c) Loss events booking: the Bank has in place a procedure to report loss events setting forth the guidelines for the booking thereof based on opening specific accounts thus associating the operational losses booked in such account to the related database.

The Bank also has a procedure establishing the guidelines to prepare risk self-assessments and in the cases of risks exceeding the admitted tolerance levels, guidelines to establish risk indicators and action plans.

- d) IT systems: The Bank has a comprehensive system to manage all the tasks involved in operating and IT risk management: risk self-assessments and action plans, as well as the administration of the operational losses database in a fully integrated manner.
- e) Database: the Bank has an operational events database prepared in conformity with the guidelines under Communiqué "A" 4904 as supplemented.

Especially regarding IT risk management, the IT Risk Management Methodology developed by Banco CMF was boosted, reviewed and approved by Management, which has demanded the joint involvement of the Comprehensive Risk Management Unit, the IT Management and the Information Asset Protection sector to obtain the diagnosis (or IT systems risk situations) and the subsequent analysis thereof and it is formally the party in charge of making decisions on the treatment of the risks identified to protect Banco CMF's business goals compliance.

IT Risks Management Methodology considers the concepts defines in the MAGERIT methodology adapting to the actual status of the Bank.

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2019**

(Translation of separate financial statements originally issued in Spanish – see note 35)  
(Figures stated in thousands of Argentine pesos)

### **32. RISK MANAGEMENT AND CORPORATE GOVERNANCE (Contd.)**

MAGERIT considers the risk as the “estimate of the degree of exposure to a threat that may occur on one or more assets causing damage to the Organization.” Risk analysis is “a systematic process for estimating the magnitude of the risks to which an organization is exposed.” And, finally, the management process per se will focus on resolving the risks identified. The structure of the methodology developed by Banco CMF is made up by two stages: Risk Diagnosis, and Simulation and Mitigation Plans. The technological risk assessment process is developed by the Comprehensive Risk Management Unit.

#### **Corporate governance transparency policy**

The Bank and its subsidiaries understand that transparency is a pillar for good corporate governance and good management; therefore, it clearly, accurately, completely and sufficiently shares the information on policies, decisions, and activities for which it is accountable, including any known and probable impacts on society.

This policy is based on the following principles:

- Maximum access to information: aiming at maximizing access to all the information it generates or keeps, and which is key to the decisions made by the shareholders, the Board, Top Management, customers, and third parties in general. It provides the adequate means to establish a conversation between the interested parties, and the Bank and its subsidiaries.
- Simple and wide access to information: enable access to information through the use of different dissemination channels (web site, notes to the financial statements, letter to the shareholders, intranet, etc.). The published information should be presented clearly and objectively.
- Clear and justified exceptions: Any dissemination exceptions will be based on applicable legal and contractual restrictions that are duly justified.
- Accountability and good corporate governance: it proposes strengthening its responsibility in the light of the shareholders, the Board of Directors, Top Management, customers and third parties in general, as well as applying specific standards in order to achieve good corporate governance and adequate risk management.
- Professionalism: it is indispensable to treat confidential information professionally in order to avoid any potential conflicts of interest.

The Bank and its subsidiaries shall provide access to any information deemed key for decision making and which may guarantee the transparency while conducting its operations.



## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2019**

(Translation of separate financial statements originally issued in Spanish – see note 35)  
(Figures stated in thousands of Argentine pesos)

### **32. RISK MANAGEMENT AND CORPORATE GOVERNANCE (Contd.)**

The process whereby the Bank and its subsidiaries will release information will be carried out observing information confidentiality and criticality levels, and in order to grant access to information to the following parties:

- Shareholders and authorities
- Investors
- Enforcement agencies
- Clients
- Suppliers
- Employees
- the public in general

It shall use the channels allowing all market participants mentioned above to access the necessary information in conformity with the role they have in connection with the Bank and its subsidiaries.

The main channels to disseminate information will be:

- Website ([www.bancocmf.com.ar](http://www.bancocmf.com.ar))
- Intranet;
- Notes to the annual financial statements
- Letter to the shareholders

The dissemination of information, as well as the channels whereby it is published will be managed by the Corporate Governance and Compliance Committee and will be approved by the Board of Directors of the Bank and its subsidiaries.

### **33. CHANGES IN THE ARGENTINE MACROECONOMIC ENVIRONMENT, AND THE SITUATIONS OF THE FINANCIAL AND CAPITAL SYSTEM**

The international and local macroeconomic context generates a certain degree of uncertainty regarding its future progress as a result of the financial assets and foreign exchange market volatility, and, additionally, of political events and economic growth levels, among other issues.

Specifically, in Argentina, as a prior step to presidential elections, the PASO (open primary elections) were held on August 11, 2019. The results were adverse to the party running the Argentine government, which was confirmed with the results of the presidential elections held on October 27, 2019, giving rise to a change in federal authorities on December 10, 2019. The market values of Argentine public and private financial instruments plummeted after the PASO so the country risk and the value of the US dollar also skyrocketed. We are unable to uphold, as of the date of issuance of these financial statements, that these situations have been redressed or stabilized to date.

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2019**

(Translation of separate financial statements originally issued in Spanish – see note 35)  
(Figures stated in thousands of Argentine pesos)

### **33. CHANGES IN THE ARGENTINE MACROECONOMIC ENVIRONMENT, AND THE SITUATIONS OF THE FINANCIAL AND CAPITAL SYSTEM (Contd.)**

Among other measures introduced by the Argentine Executive after the PASO, Decree No. 596/2019 was issued on August 28, 2019, whereby it was set forth that short-term Government debt securities (Letes, Lecaps, Lelinks and Lecer) will be paid according to the following schedule: 15% upon maturity according to the original terms and conditions of its issuance; 25% of the amount owed plus interest within 90 calendar days as from the previous payment; and the remaining 60% plus interest within 180 calendar days as from the first payment. The deferral did not affect natural persons or the Nonfinancial Public Administration for the City of Buenos Aires that invested in these assets.

Then, the new Argentine Executive issued Presidential Decree No. 49/2019 on December 19, 2019, to extend through August 31, 2020, the amortization of treasury bills (Letes) in US dollars. In addition, on January 20, 2020, the Argentine Executive voluntarily swapped Lecaps for about 60% of the stock for the new Lebads, which will pay BADLAR plus a spread with maturity date in 240 and 335 days. Finally, Presidential Decree No. 141/2020 of February 11, 2020, decided to delay through September 30, 2020, the charge for the principal amortization of dual currency Argentine government bonds (F20) to be made on February 13, 2020, without interrupting the payment of interest established in the original terms and conditions, barring natural persons with holdings as of December 20, 2019, up to a nominal value of USD 20,000.

Between August 2019 and the date of issuance of these financial statements, the BCRA issued several regulations that, along with Presidential Decree No. 609/2019 of September 1, 2019, introduced several restrictions with different scopes and particular characteristics for natural and artificial persons, including the acquisition of foreign currency for hoarding purposes, transfers abroad and foreign exchange transactions, among other issues, effective as of the date of issuance of these financial statements according to BCRA Communiqué "A" 6844, as supplemented and amended.

Besides, on December 23, 2019, Social Solidarity and Productive Reactivation Law No. 27,541 was published in the Official Bulletin. Furthermore, on December 28, 2019, Administrative Order No. 99/2019 was published including several economic, financial, tax and other social security, administrative, fee, energy, sanitary and social reforms, and empowered the Executive to complete the formalities and acts needed to recover and secure the sustainability of the government debt as already mentioned and introduced salary increases, among other issues.

Through Law No. 27,541, among other provisions, redressing systems were added, amendments to employer contributions were made and a tax for an inclusive and supportive Argentina (PAIS tax, by its Spanish acronym) was created for five fiscal years at a 30% rate on the acquisition of foreign currency for hoarding purposes, to purchase assets and services in foreign currency and international passenger transportation, among others. Finally, note 13 (b) and (c) explains the amendments introduced pursuant to Income Tax Law.

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2019**

(Translation of separate financial statements originally issued in Spanish – see note 35)  
(Figures stated in thousands of Argentine pesos)

### **33. CHANGES IN THE ARGENTINE MACROECONOMIC ENVIRONMENT, AND THE SITUATIONS OF THE FINANCIAL AND CAPITAL SYSTEM (Contd.)**

Finally, in addition to the aforementioned extension, the Argentine Executive is undergoing formalities to reach a debt restructuring with government debt under Argentine and foreign regulations, considering the powers granted by Law No. 27,541. On February 12, 2020, Law No. 25,544 "Restoration of the sustainability of government debt issued under foreign law" was published in the Official Bulletin which, among other issues, empowers the Argentine Executive to perform transactions to manage liabilities or swaps or restructuring of interest expiry and principal amortization of Argentine public securities issued under foreign law.

Therefore, the Bank's Management permanently monitors the change of the abovementioned situations in international markets and at the local level, to determine the possible actions to adopt and to identify the possible impacts on its financial situation that may need to be reflected in the financial statements for future periods.

### **34. SUBSEQUENT EVENTS**

No events took place between the fiscal year-end and the date of issuance of these consolidated financial statements that could materially affect the financial position or results of operations of the fiscal year which have not been disclosed in the notes to these financial statements.

### **35. ACCOUNTING PRINCIPLES – EXPLANATION ADDED FOR TRANSLATION INTO ENGLISH**

These separate financial statements were prepared in conformity with the accounting standards established by the BCRA. Certain accounting practices applied by the Bank may not conform to accounting principles generally accepted in other countries.

EXHIBIT "A"

DETAIL OF GOVERNMENT AND PRIVATE SECURITIES  
AS OF DECEMBER 31, 2019 AND 2018

(Translation of separate financial statements originally issued in Spanish – see note 35)  
(Figures stated in thousands of Argentine pesos)

Item	Identification	HOLDINGS			POSITION		
		Fair value	Fair value level	Carrying amount 12/31/2019	Position without options	Options	Final position
DEBT SECURITIES AT FAIR VALUE THROUGH PROFIT OR LOSS							
In Argentina							
Government securities							
Treasury bond maturing on 10/03/2021 (TO21)	5,318	-	1	92,770	92,770	-	92,770
Treasury bills in USD maturing on 09/13/2019 (U13S9)	5,285	-	1	57,428	57,428	-	57,428
Treasury bills in USD maturing on 09/27/2019 (U27S9)	5,286	-	1	27,475	27,475	-	27,475
Treasury bills in USD maturing on 08/30/2019 (U30G9)	5,283	-	1	26,609	26,609	-	26,609
Treasury bills in USD maturing on 10/11/2019 (U11O9)	5,291	-	1	23,185	23,185	-	23,185
Bond of the Argentine Republic in USD 6.875% maturing on 04/22/2021 (AA21)	92,582	-	1	17,303	17,303	-	17,303
Treasury bills in USD maturing on 11/15/2019 (U15N9)	5,294	-	1	11,508	11,508	-	11,508
Treasury bills in USD maturing on 10/25/2019 (U25O9)	5,292	-	1	9,311	9,311	-	9,311
Bond of the City of Buenos Aires 7.5% maturing on 06/01/2027 (BUEAIR27)	91,709	-	1	4,366	4,366	-	4,366
Bond of the Province of Buenos Aires 9.125% maturing on 03/16/24 (BP24)	91,143	-	1	1,318	1,318	-	1,318
Coupon Treasury bill maturing on 03/11/2020- (S11M0)	5,351	-	1	393	393	-	393
Treasury bills cap. in ARS Adj. CER maturing on 09/30/2019 (X30S9)	5,293	-	1	160	160	-	160
Debt securities of the Province of Buenos Aires maturing on 05/31/22 (PBY22)	32,911	-	1	124	124	-	124
Bonds with discount in USD Step Up maturing on 2033 (DICY)	40,791	-	1	28	28	-	28
Bond of the Argentine Nation in USD 8.75 % maturing on 2024 (AY24)	5,458	-	1	200	200	-	200
BCRA liquidity bills							
Liquidity bills maturing on 01/06/2020 (Y06E0)	13,553	-	1	1,344,967	1,344,967	-	1,344,967
Liquidity bills maturing on 01/03/2020 (Y03E0)	13,552	-	1	839,047	839,047	-	839,047
Liquidity bills maturing on 01/07/2020 (Y07E0)	13,554	-	1	679,787	679,787	-	679,787
Liquidity bills maturing on 01/08/2020 (Y08E0)	13,555	-	1	439,890	439,890	-	439,890
Liquidity bills maturing on 01/02/2020 (Y02E0)	13,551	-	1	49,897	49,897	-	49,897

JOSÉ A. BENEGAS LYNCH  
Chairman

**EXHIBIT "A"**  
**(Contd.)**

**DETAIL OF GOVERNMENT AND PRIVATE SECURITIES  
AS OF DECEMBER 31, 2019 AND 2018**

(Translation of separate financial statements originally issued in Spanish – see note 35)  
(Figures stated in thousands of Argentine pesos)

Item	Identification	HOLDINGS			POSITION		
		Fair level	Fair value level	Carrying amount 12/31/2019	Position without options	Options	Final position
Abroad							
Government securities							
Treasury bill USA ZCP Vto 06/02/2020	80,611	-	1	551,968	551,968	-	551,968
Treasury bill USA Vto 09/04/2020	80,717	-	1	279,354	279,354	-	279,354
Treasury bill USA Vto 13/02/2020	80,628	-	1	257,103	257,103	-	257,103
Treasury bill USA Vto 09/01/2020	80,026	-	1	109,518	109,518	-	109,518
Treasury bill USA Vto 23/04/2020	94,185	-	1	83,447	83,447	-	83,447
Treasury bill USA Vto 27/02/2020	94,226	-	1	60,036	60,036	-	60,036
Treasury bill USA Vto 20/02/2020	80,619	-	1	59,767	59,767	-	59,767
Treasury bill USA Vto 05/03/2020	80,664	-	1	47,785	47,785	-	47,785
Corporate bonds							
ON CAPEX SA 6.875% maturing on 05/15/24	92,781	-	1	14,226	14,226	-	14,226
ON ARCOR CI 9 Regs. 6% maturing on 07/06/2023	91,923	-	1	12,129	12,129	-	12,129
RAGHSA SA 7.25% maturing on 03/21/2024 USD	90,985	-	1	5,213	5,213	-	5,213
ON Aeropuertos ARG. 2000 6.875% maturing on 01/01/27	80,016	-	1	37	37	-	37
Private securities							
Intesa Sanpaolo S.A. 6,50% Maturity 02/24/2021		-	1	6,394	6,394	-	6,394
Standard & Poors Depositary		-	1	963	963	-	963
Citigroup INC.		-	1	335	335	-	335
DEBT SECURITIES AT FAIR VALUE THROUGH PROFIT OR LOSS		-		5,113,641	5,113,641	-	5,113,641

JOSÉ A. BENEGAS LYNCH  
Chairman

**DETAIL OF GOVERNMENT AND PRIVATE SECURITIES  
AS OF DECEMBER 31, 2019 AND 2018**

(Translation of separate financial statements originally issued in Spanish – see note 35)  
(Figures stated in thousands of Argentine pesos)

Item	Identification	HOLDINGS			POSITION		
		Fair level	Fair value level	Carrying amount 12/31/2019	Position without options	Options	Final position
<b>OTHER DEBT SECURITIES</b>							
<b>Measured at amortized cost</b>							
<b>In Argentina</b>							
<b>Private securities</b>							
VDF FF Privado del Grupo Sáenz	-	-	-	188,752	118,752	-	118,752
Alianza Semillas S.A.	10,500	-	-	94,828	94,828	-	94,828
ON Tarjeta Naranja Cl. 40 S.2 Vto 10/10/2020- (T402O)	53,418	-	-	44,748	44,748	-	44,748
Fideicomisos Financieros del Grupo Sáenz	-	-	-	32,489	32,489	-	32,489
Red Surcos S.A.	10,500	-	-	31,453	31,453	-	31,453
ON Petroagro Cl. 2 Vto. 09/02/2021 U\$S (PAC2O)	54,355	-	-	28,822	28,822	-	28,822
ON Banco Sáenz (BZS90)	52,603	-	-	6,921	6,921	-	6,921
VCP- Credishopp Cl3 Vto 16/03/2020- (DHC3V)	54,116	-	-	5,080	5,080	-	5,080
Provisions		-	-	(2,119)	(2,119)	-	(2,119)
<b>TOTAL OTHER DEBT SECURITIES</b>		-	-	<b>430,974</b>	<b>430,974</b>	-	<b>430,974</b>

JOSÉ A. BENEGAS LYNCH  
Chairman

**EXHIBIT "A"**  
**(Contd.)**

**DETAIL OF GOVERNMENT AND PRIVATE SECURITIES  
AS OF DECEMBER 31, 2019 AND 2018**

(Translation of separate financial statements originally issued in Spanish – see note 35)  
(Figures stated in thousands of Argentine pesos)

Item	Identification	HOLDINGS			POSITION		
		Fair level	Fair value level	Carrying Libros 12/31/2019	Position without options	Options	Final position
EQUITY INSTRUMENTS							
Measured at fair value through profit or loss							
In Argentina							
Mercado Abierto Electrónico S.A.	1133628189159	-	2	24,000	24,000	-	24,000
Olivares de Cuyo S.A.	1130656685790	-	2	37	37	-	37
SEDESA	1130682415513	-	2	2	2	-	2
TOTAL EQUITY INSTRUMENTS		-		24,039	24,039	-	24,039

JOSÉ A. BENEGAS LYNCH  
Chairman

**EXHIBIT "A"**  
**(Contd.)**

**DETAIL OF GOVERNMENT AND PRIVATE SECURITIES**  
**AS OF DECEMBER 31, 2019 AND 2018**

(Translation of separate financial statements originally issued in Spanish – see note 35)  
(Figures stated in thousands of Argentine pesos)

(1) Consolidated holding for comparative purposes:

	<u>12/31/2018</u>
Government securities at fair value through profit or loss	630,039
BCRA bills at fair value through profit or loss	-
Private securities and corporate bonds at fair value through profit or loss	9,422
Private securities at fair value through profit or loss	4,573
<b>DEBT SECURITIES AT FAIR VALUE THROUGH PROFIT OR LOSS</b>	<b>644,034</b>
Government securities at amortized cost	171,777
BCRA liquidity bills at amortized cost	1,428,082
Private securities and corporate bonds at amortized cost	50,376
Private securities and financial trusts debt securities at amortized cost	1,093,023
Provision	(1,161)
<b>OTHER DEBT SECURITIES</b>	<b>2,742,097</b>
Private securities and shares of other unrelated companies at fair value through profit or loss	463
<b>INVESTMENTS IN EQUITY INSTRUMENTS</b>	<b>463</b>

JOSÉ A. BENEGAS LYNCH  
Chairman



**CLASSIFICATION OF LOANS AND OTHER FINANCING  
BY SITUATION AND COLLATERAL RECEIVED  
AS OF DECEMBER 31, 2019 AND 2018**

(Translation of separate financial statements originally issued in Spanish – see note 35)  
(Figures stated in thousands of Argentine pesos)

	12/31/2019	12/31/2018
<b>CORPORATE PORTFOLIO</b>		
<b>Performing</b>	<b>5,567,740</b>	<b>5,480,089</b>
With "A" preferred guarantees and counter-guarantees	1,132,286	319,176
With "B" preferred guarantees and counter-guarantees	94,992	164,759
Without preferred guarantees or counter-guarantees	4,340,462	4,996,154
<b>Subject to special monitoring</b>	<b>168,917</b>	<b>215,444</b>
<b><i>In observation</i></b>	<b>168,917</b>	<b>215,444</b>
With "A" preferred guarantees and counter-guarantees	-	132,331
With "B" preferred guarantees and counter-guarantees	13,320	-
Without preferred guarantees or counter-guarantees	155,597	83,113
<b><i>In negotiation or under refinancing agreements</i></b>	-	-
With "A" preferred guarantees and counter-guarantees	-	-
With "B" preferred guarantees and counter-guarantees	-	-
Without preferred guarantees or counter-guarantees	-	-
<b>Troubled</b>	-	-
With "A" preferred guarantees and counter-guarantees	-	-
With "B" preferred guarantees and counter-guarantees	-	-
Without preferred guarantees or counter-guarantees	-	-
<b>With high risk of insolvency</b>	<b>55,916</b>	<b>11,849</b>
With "A" preferred guarantees and counter-guarantees	-	-
With "B" preferred guarantees and counter-guarantees	23,601	11,503
Without preferred guarantees or counter-guarantees	32,315	346
<b>Irrecoverable</b>	-	-
With "A" preferred guarantees and counter-guarantees	-	-
With "B" preferred guarantees and counter-guarantees	-	-
Without preferred guarantees or counter-guarantees	-	-
<b>Irrecoverable according to BCRA regulations</b>	-	-
With "A" preferred guarantees and counter-guarantees	-	-
With "B" preferred guarantees and counter-guarantees	-	-
Without preferred guarantees or counter-guarantees	-	-
<b>TOTAL</b>	<b>5,792,573</b>	<b>5,707,382</b>

JOSÉ A. BENEGAS LYNCH  
Chairman

**CLASSIFICATION OF LOANS AND OTHER FINANCING  
BY SITUATION AND COLLATERAL RECEIVED  
AS OF DECEMBER 31, 2019 AND 2018**

(Translation of separate financial statements originally issued in Spanish – see note 35)  
(Figures stated in thousands of Argentine pesos)

	<u>12/31/2019</u>	<u>12/31/2018</u>
<b>CONSUMER AND HOME-MORTGAGE PORTFOLIO</b>		
<b>Performing</b>	<b>334,215</b>	<b>812,487</b>
With "A" preferred guarantees and counter-guarantees	6,035	1,529
With "B" preferred guarantees and counter-guarantees	22,815	32,376
Without preferred guarantees or counter-guarantees	305,365	778,582
<b>Low risk</b>	<b>26,740</b>	<b>62,162</b>
With "A" preferred guarantees and counter-guarantees	-	-
With "B" preferred guarantees and counter-guarantees	-	-
Without preferred guarantees or counter-guarantees	26,740	62,162
<b>Medium risk</b>	<b>5,761</b>	<b>21,716</b>
With "A" preferred guarantees and counter-guarantees	-	-
With "B" preferred guarantees and counter-guarantees	-	-
Without preferred guarantees or counter-guarantees	5,761	21,716
<b>High risk</b>	<b>17,200</b>	<b>18,357</b>
With "A" preferred guarantees and counter-guarantees	-	-
With "B" preferred guarantees and counter-guarantees	433	-
Without preferred guarantees or counter-guarantees	16,767	18,357
<b>Irrecoverable</b>	<b>794</b>	<b>1,183</b>
With "A" preferred guarantees and counter-guarantees	-	-
With "B" preferred guarantees and counter-guarantees	-	766
Without preferred guarantees or counter-guarantees	794	417
<b>Irrecoverable according to BCRA regulations</b>	<b>2</b>	<b>116</b>
With "A" preferred guarantees and counter-guarantees	-	-
With "B" preferred guarantees and counter-guarantees	-	-
Without preferred guarantees or counter-guarantees	2	116
<b>TOTAL</b>	<b>384,712</b>	<b>916,021</b>
<b>GRAND TOTAL (1)</b>	<b>6,177,285</b>	<b>6,623,403</b>
 (1) This exhibit discloses the contractual amounts in accordance with BCRA regulations. The reconciliation with the consolidated statement of financial position is broken down below:		
– Loans and other financing	4,733,783	5,430,456
– BCRA not covered	(637)	-
– Provisions	398,385	261,112
– Adjustment to IFRS	4,831	9,297
– Corporate bonds and debt securities from financial trusts at amortized cost	400,604	392,103
– Contingent - Other guarantees provided	374,523	393,506
– Contingent - Other covered by debtor classification standards	265,796	136,929
	<b>6,177,285</b>	<b>6,623,403</b>

JOSÉ A. BENEGAS LYNCH  
Chairman

**EXHIBIT “C”**

**CONCENTRATION OF LOANS AND OTHER FINANCING FACILITIES  
AS OF DECEMBER 31, 2019 AND 2018**

(Translation of separate financial statements originally issued in Spanish – see note 35)  
(Figures stated in thousands of Argentine pesos)

<b>Number of customers</b>	<b>12/31/2019</b>		<b>12/31/2018</b>	
	<b>Outstanding balance</b>	<b>% of total portfolio</b>	<b>Outstanding balance</b>	<b>% of total portfolio</b>
10 largest customers	2,073,128	34%	1,496,061	23%
50 next largest customers	2,997,101	49%	2,940,753	44%
100 next largest customers	953,408	15%	1,527,862	23%
Rest of customers	153,648	2%	658,727	10%
<b>Total (1)</b>	<b>6,177,285</b>	<b>100%</b>	<b>6,623,403</b>	<b>100%</b>

(1) See (1) in exhibit B.

JOSÉ A. BENEGAS LYNCH  
Chairman

**EXHIBIT “D”**

**BREAKDOWN OF LOANS AND OTHER FINANCING BY TERM  
AS OF DECEMBER 31, 2019 AND 2018**

(Translation of separate financial statements originally issued in Spanish – see note 35)  
(Figures stated in thousands of Argentine pesos)

		12/31/2019						
		Terms remaining to maturity						
Item	Matured	Up to 1 month	From 1 to 3 months	From 3 to 6 months	From 6 to 12 months	From 12 to 24 months	Over 24 months	Total as of 12/31/2019
Financial sector	-	7,018	1,903	1,840	1,920	379	6	13,066
Nonfinancial private sector and foreign residents	33,644	2,756,064	1,046,009	779,839	775,023	931,486	652,922	6,674,987
<b>TOTAL</b>	<b>33,644</b>	<b>2,763,082</b>	<b>1,047,912</b>	<b>781,679</b>	<b>776,943</b>	<b>931,865</b>	<b>652,928</b>	<b>6,688,053</b>

		12/31/2018						
		Terms remaining to maturity						
Item	Matured	Up to 1 month	From 1 to 3 months	From 3 to 6 months	From 6 to 12 months	From 12 to 24 months	Over 24 months	Total as of 12/31/2018
Financial sector	-	51,538	45,703	25,494	9,536	5,485	1,660	139,416
Nonfinancial private sector and foreign residents	136,450	3,159,739	1,254,499	1,064,856	699,001	621,482	502,878	7,438,905
<b>TOTAL</b>	<b>136,450</b>	<b>3,211,277</b>	<b>1,300,202</b>	<b>1,090,350</b>	<b>708,537</b>	<b>626,967</b>	<b>504,538</b>	<b>7,578,321</b>

This exhibit discloses the reduction in certain contractual flows, including interest and related charges to be accrued upon the maturity thereof.

JOSÉ A. BENEGAS LYNCH  
Chairman

**EXHIBIT “F”**

**CHANGE OF PROPERTY, PLANT AND EQUIPMENT  
AS OF DECEMBER 31, 2019 AND 2018**

(Translation of separate financial statements originally issued in Spanish – see note 35)  
(Figures stated in thousands of Argentine pesos)

Item	Residual value at the beginning of 12/31/2019	Additions	Retire- ments	Depreciation for the year			Residual value at the end of 12/31/2019
				Years of useful life assigned	Residual value at the end of the useful life	Amount	
Real property	315,496	-	-	59	-	(4,030)	311,466
Furniture and fixtures	17	-	-	10	-	(17)	-
Machinery and equipment	13,904	13,204	-	5	-	(7,716)	19,392
Vehículos	-	1,619	-	5	-	(277)	1,342
<b>Total</b>	<b>329,417</b>	<b>14,823</b>	<b>-</b>		<b>-</b>	<b>(12,040)</b>	<b>332,200</b>

Item	Residual value at beginning of year 12/31/2017	Additions	Retire- ments	Depreciation for the year			Residual value at the end of 12/31/2018
				Years of useful life assigned	Residual value at the end of the useful life	Amount	
Real property	313,045	6,434	-	59	83,425	(3,983)	315,496
Furniture and fixtures	25	18	-	10	-	(26)	17
Machinery and equipment	14,118	4,821	-	5	-	(5,035)	13,904
<b>Total</b>	<b>327,188</b>	<b>11,273</b>	<b>-</b>		<b>-</b>	<b>(9,044)</b>	<b>329,417</b>

JOSÉ A. BENEGAS LYNCH  
Chairman

**EXHIBIT “H”**

**CONSOLIDATED DEPOSIT CONCENTRATION  
AS OF DECEMBER 31, 2019, AND 2018**

(Translation of separate financial statements originally issued in Spanish – see note 35)  
(Figures stated in thousands of Argentine pesos)

<b>Number of customers</b>	<b>12/31/2019</b>		<b>12/31/2018</b>	
	<b>Outstanding balance</b>	<b>% over total portfolio</b>	<b>Outstanding balance</b>	<b>% over total portfolio</b>
10 largest customers	10,616,056	52%	4,435,391	44%
50 next largest customers	6,029,279	30%	3,227,355	32%
100 next largest customers	2,088,715	10%	1,576,089	15%
Rest of customers	1,642,422	8%	937,247	9%
<b>Total</b>	<b>20,376,472</b>	<b>100%</b>	<b>10,176,082</b>	<b>100%</b>

JOSÉ A. BENEGAS LYNCH  
Chairman

**EXHIBIT “I”**

**BREAKDOWN OF FINANCIAL LIABILITIES FOR RESIDUAL TERMS  
AS OF DECEMBER 31, 2019 AND 2018**

(Translation of separate financial statements originally issued in Spanish – see note 35)  
(Figures stated in thousands of Argentine pesos)

Item	Terms remaining to maturity						Total al 12/31/2019
	Up to 1 month	From 1 Up to 3 months	From 3 hasta 6 months	From 6 hasta 12 months	From 12 Up to 24 months	Over 24 months	
<b>Deposits</b>	<b>19,102,691</b>	<b>91,423</b>	<b>-</b>	<b>310,323</b>	<b>931,116</b>	<b>-</b>	<b>20,435,553</b>
- Financial sector	1,166	-	-	-	-	-	1,166
- Nonfinancial private sector	19,101,525	91,423	-	310,323	931,116	-	20,434,387
<b>Liabilities at fair value through profit or loss</b>	<b>1,965</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,965</b>
<b>Derivatives</b>	<b>2,445</b>	<b>10,558</b>	<b>2,310</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>15,313</b>
<b>Repo transactions</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Other financial liabilities</b>	<b>5,347,766</b>	<b>30,693</b>	<b>29,018</b>	<b>73,119</b>	<b>93,516</b>	<b>101,615</b>	<b>5,675,726</b>
<b>Financing received from the BCRA and other financial institutions</b>	<b>1,907</b>	<b>302,699</b>	<b>8,861</b>	<b>293,671</b>	<b>513,821</b>	<b>449,779</b>	<b>1,570,738</b>
<b>Corporate bonds issued</b>	<b>-</b>	<b>9,931</b>	<b>9,715</b>	<b>19,862</b>	<b>91,645</b>	<b>-</b>	<b>131,153</b>
<b>TOTAL</b>	<b>24,456,774</b>	<b>445,304</b>	<b>49,904</b>	<b>696,975</b>	<b>1,630,098</b>	<b>551,394</b>	<b>27,830,449</b>

  

Item	Terms remaining to maturity						Total as of 12/31/2018
	Up to 1 month	From 1 Up to 3 months	From 3 hasta 6 months	From 6 hasta 12 months	From 12 Up to 24 months	Over 24 months	
<b>Deposits</b>	<b>10,109,518</b>	<b>129,504</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>10,239,022</b>
- Financial sector	672	-	-	-	-	-	672
- Nonfinancial private sector	10,108,846	129,504	-	-	-	-	10,238,350
<b>Liabilities at fair value through profit or loss</b>	<b>93,996</b>	<b>21,622</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>115,618</b>
<b>Derivatives</b>	<b>31,164</b>	<b>5,948</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>37,112</b>
<b>Other financial liabilities</b>	<b>710,090</b>	<b>28,816</b>	<b>32,649</b>	<b>59,889</b>	<b>47,499</b>	<b>86,196</b>	<b>965,139</b>
<b>Financing received from the BCRA and other financial institutions</b>	<b>125,155</b>	<b>146,318</b>	<b>70,014</b>	<b>961,527</b>	<b>216,965</b>	<b>14,258</b>	<b>1,534,237</b>
<b>Corporate bonds issued</b>	<b>-</b>	<b>78,638</b>	<b>314,405</b>	<b>296,415</b>	<b>48,789</b>	<b>147,763</b>	<b>886,010</b>
<b>TOTAL</b>	<b>11,069,923</b>	<b>410,846</b>	<b>417,068</b>	<b>1,317,831</b>	<b>313,253</b>	<b>248,217</b>	<b>13,777,138</b>

JOSÉ A. BENEGAS LYNCH  
Chairman

**ANEXO “J”**

**CHANGES IN PROVISIONS  
AS OF DECEMBER 31, 2019 AND 2018**

(Translation of separate financial statements originally issued in Spanish – see note 35)  
(Figures stated in thousands of Argentine pesos)

Item	Balance at beginning of year	Increases	Decreases		As of 12/31/2018
			Reversals	Uses	
<b>PROVISIONS</b>					
Provisions for potential commitments	-	1,262	-	-	1,262
<b>TOTAL PROVISIONS</b>	-	<b>1,262</b>	-	-	<b>1,262</b>

JOSÉ A. BENEGAS LYNCH  
Chairman



EXHIBIT “L”

**FOREIGN CURRENCY AMOUNTS  
AS OF DECEMBER 31, 2019 AND 2018**

(Translation of separate financial statements originally issued in Spanish – see note 35)  
(Figures stated in thousands of Argentine pesos)

ITEMS	Casa Matriz y subsidiarias	Total al 12/31/2019	US dollar	Euro	Other	Total as of 12/31/2018
<b>ASSETS</b>						
Cash and deposits with banks	12,959,508	12,959,508	12,951,613	7,120	775	4,538,614
Debt securities at fair value through profit or loss	1,668,047	1,668,047	1,668,047	-	-	600,802
Repo transactions	4,965,880	4,965,880	4,965,880	-	-	21,237
Derivatives	-	-	-	-	-	170,138
Other financial assets	72,443	72,443	72,443	-	-	151,757
Loans and other financing	1,915,894	1,915,894	1,915,894	-	-	1,808,526
Other debt securities	155,102	155,102	155,102	-	-	96,147
Financial assets delivered in guarantee	70,077	70,077	70,077	-	-	47,283
Receivables from finance leases	-	-	-	-	-	-
Investments in associates and joint ventures	10,194	10,194	10,194	-	-	5,282
<b>Total assets</b>	<b>21,817,146</b>	<b>21,817,145</b>	<b>21,809,250</b>	<b>7,120</b>	<b>775</b>	<b>7,439,786</b>
<b>LIABILITIES</b>						
Deposits	14,455,445	14,455,445	14,455,445	-	-	5,762,558
Liabilities at fair value through profit or loss	-	-	-	-	-	34,749
Other financial liabilities	4,900,618	4,900,618	4,897,323	3,295	-	179,487
Financing received by the BCRA and other financial institutions	1,528,520	1,528,520	1,528,520	-	-	1,464,098
Other nonfinancial liabilities	6,601	6,601	6,601	-	-	10,400
<b>Total liabilities</b>	<b>20,891,184</b>	<b>20,891,184</b>	<b>20,887,889</b>	<b>3,295</b>	<b>-</b>	<b>7,451,292</b>

JOSÉ A. BENEGAS LYNCH  
Chairman

**EXHIBIT "O"**

**DERIVATIVE FINANCIAL INSTRUMENTS  
AS OF DECEMBER 31, 2019**

(Translation of separate financial statements originally issued in Spanish – see note 35)  
(Figures stated in thousands of Argentine pesos)

Type of agreement	Purpose of the transactions	Underlying assets	Type of settlement	Negotiation environment or counter-party	Originally agreed-upon weighted monthly average term	Residual weighted monthly average term	Weighted daily average term of settlement of differences	Amount
Repo transactions	Intermediation – own account	T.P. nacionales	With delivery of underlying asset	Exterior	-	-	1	4,965,880
Repo transactions	Intermediation – own account	Other - Instruments issued by B.C.R.A.	With delivery of underlying asset	MAE	-	-	1	945,994
Forward	Intermediation – own account	Foreign currency	Upon the due date of differences	OTC - Residents in Argentina – Nonfinancial sector	6	2	1	296,480
Future	Intermediation – own account	Foreign currency	Daily settlement of differences	ROFEX	-	-	-	11,979
Future	Intermediation – own account	Foreign currency	Daily settlement of differences	ROFEX	4	2	1	247,366
Forward	Intermediation – own account	Foreign currency	Upon the due date of differences	OTC - Residents in Argentina – Nonfinancial sector	6	1	1	61,093

JOSÉ A. BENEGAS LYNCH  
Chairman

EXHIBIT “P”

**CONSOLIDATED CATEGORIES OF FINANCIAL ASSETS AND LIABILITIES  
AS OF DECEMBER 31, 2019**

(Translation of separate financial statements originally issued in Spanish – see note 35)  
(Figures stated in thousands of Argentine pesos)

Items	Amortized cost	Fair value through profit or loss		Fair value rank		
		Initially measured at fair value or subsequently under IFRS 9, point 6(7)1	Mandatory measurement	Level 1	Level 2	Level 3
FINANCIAL ASSETS						
Cash and deposits with banks	-	13,543,324	-	13,543,324	-	-
Cash	-	175,671	-	175,671	-	-
Financial institutions and correspondents	-	13,367,653	-	13,367,653	-	-
Other	-	-	-	-	-	-
Debt securities at fair value through profit or loss	-	5,113,641	-	5,113,641	-	-
Derivatives	-	32,987	-	32,987	-	-
Repo transactions	-	5,911,874	-	5,911,874	-	-
BCRA (Central Bank of Argentina)	-	945,994	-	945,994	-	-
Other financial institutions	-	4,965,880	-	4,965,880	-	-
Other financial assets	1,305,715	-	-	-	-	-
Loans and other financing	4,733,783	-	-	-	-	-
BCRA (Central Bank of Argentina)	30	-	-	-	-	-
Other financial institutions	11,431	-	-	-	-	-
Overdrafts	1,129,648	-	-	-	-	-
Notes	1,820,948	-	-	-	-	-
Mortgage loans	92,859	-	-	-	-	-
Collateral loans	6,403	-	-	-	-	-
Personal loans	65,758	-	-	-	-	-
Finance leases	3,425	-	-	-	-	-
Other	1,603,281	-	-	-	-	-
Other debt securities	430,974	-	-	-	-	-
Financial assets delivered in guarantee	-	247,178	-	247,178	-	-
Investments in equity instruments	-	24,039	-	-	24,039	-
Total financial assets	6,470,472	24,873,043	-	24,849,004	24,039	-

JOSÉ A. BENEGAS LYNCH  
Chairman

**EXHIBIT "P"**  
(Contd.)

**CONSOLIDATED CATEGORIES OF FINANCIAL ASSETS AND LIABILITIES  
AS OF DECEMBER 31, 2019**

(Translation of separate financial statements originally issued in Spanish – see note 35)  
(Figures stated in thousands of Argentine pesos)

Items	Amortized cost	Fair value through profit or loss		Fair value rank		
		Initially measured at fair value or subsequently under IFRS 9, point 6(7)1	Mandatory measurement	Level 1	Level 2	Level 3
FINANCIAL LIABILITIES						
Deposits	20,376,472	-	-	-	-	-
Financial sector	1,166	-	-	-	-	-
Nonfinancial private sector and foreign residents						
Checking accounts	2,984,285	-	-	-	-	-
Savings accounts	12,770,075	-	-	-	-	-
Certificates of deposit and term investments	4,620,190	-	-	-	-	-
Other	756	-	-	-	-	-
Liabilities at fair value through profit or loss	-	1,965	-	1,965	-	-
Derivatives	-	15,313	-	15,313	-	-
Other financial liabilities	5,440,265	-	-	-	-	-
Financing received by the BCRA and other financial institutions	1,570,738	-	-	-	-	-
Corporate bonds issued	86,060	-	-	-	-	-
Total financial liabilities	27,473,535	17,278	-	17,278	-	-

JOSÉ A. BENEGAS LYNCH  
Chairman

EXHIBIT "Q"

**CONSOLIDATED BREAKDOWN OF INCOME  
AS OF DECEMBER 31, 2019, AND 2018**

(Translation of separate financial statements originally issued in Spanish – see note 35)  
(Figures stated in thousands of Argentine pesos)

Items	12/31/2019	12/31/2018
<b>Interest and adjustment from application of the effective interest rate on financial assets measured at amortized cost</b>		
<b>Interest income</b>		
From government securities	3,485,033	239,608
From private securities	402,624	500,540
From loans and other financing		
Financial sector	-	44,432
Personal loans	93,269	125,024
Overdrafts	782,051	597,700
Notes	916,488	937,287
Mortgage loans	55,131	17,929
Collateral loans	17,920	12,605
Other	165,077	153,710
Finance leases	33,704	39,111
From repo transactions	182,978	17,196
Other	55,931	22,743
<b>Total</b>	<b>6,190,206</b>	<b>2,707,885</b>
<b>Interest expense</b>		
From deposits		
Checking accounts	(2,303,800)	(550,533)
Savings accounts	(55,482)	(39,268)
Certificates of deposit and term investments	(635,301)	(350,050)
From repo transactions	(16,427)	(114,152)
Other financial institutions	(147,254)	(109,734)
Other financial liabilities	-	(27)
From corporate bonds	(230,031)	(293,380)
<b>Total</b>	<b>(3,388,295)</b>	<b>(1,457,144)</b>
<b>Total interest and adjustments by application of rate measured at amortized cost</b>	<b>2,801,911</b>	<b>1,250,741</b>
<b>Arising from the measurement of financial instruments at fair value through profit or loss</b>		
Profit from government securities	85,705	199,701
Profit from the sale or deletion of financial assets at fair value	-	1,986
Profit from private securities	23,794	14,733
(Loss) from investments in equity instruments	(15,461)	3,958
Gain (loss) on derivatives	681	479
<b>Subtotal</b>	<b>94,719</b>	<b>220,857</b>
<b>Total arising from the measurement at fair value through profit or loss</b>	<b>94,719</b>	<b>220,857</b>

JOSÉ A. BENEGAS LYNCH  
Chairman

**CONSOLIDATED BREAKDOWN OF INCOME**  
**AS OF DECEMBER 31, 2019, AND 2018**

(Translation of separate financial statements originally issued in Spanish – see note 35)  
(Figures stated in thousands of Argentine pesos)

<b>Items</b>	<b>12/31/2019</b>	<b>12/31/2018</b>
<b>Commission income</b>		
Commissions related to negotiable securities	72,892	61,728
Commissions for foreign exchange transactions	22,401	10,715
Commission related to receivables	25,138	19,430
Commissions for collection management services	19,354	14,438
Commission for guarantees granted	15,206	12,731
Commissions related to liabilities	14,972	11,728
<b>Total commission income</b>	<b>169,963</b>	<b>130,770</b>

JOSÉ A. BENEGAS LYNCH  
Chairman

EXHIBIT “R”

**VALUE ADJUSTMENT FOR CREDIT LOSSES – ALLOWANCES FOR UNCOLLECTIBILITY RISK  
AS OF DECEMBER 31, 2019 AND 2018**

(Translation of separate financial statements originally issued in Spanish – see note 35)  
(Figures stated in thousands of Argentine pesos)

Items	Saldos al inicio del ejercicio	Increases (1)	Decreases		12/31/2019	12/31/2018
			Desafecta- ciones	Uses		
Loans and other financing	<b>258,957</b>	<b>208,853</b>	<b>27,959</b>	<b>45,096</b>	<b>391,402</b>	<b>258,957</b>
Other financial institutions	5,994	415	5,367	-	1,042	5,994
Nonfinancial private sector and foreign residents	<b>252,963</b>	<b>208,438</b>	<b>25,945</b>	<b>45,096</b>	<b>390,360</b>	<b>252,963</b>
Overdrafts	49,204	75,269	-	9,074	115,399	49,204
Notes	105,731	90,015	9,328	-	186,418	105,731
Mortgage loans	4,686	4,629	-	-	9,315	4,686
Collateral loans	650	218	289	-	579	650
Personal loans	33,685	3,000	16,328	9,064	11,293	33,685
Other	59,007	35,307	-	26,958	67,356	59,007
Finance leases	<b>2,155</b>	<b>4,827</b>	-	-	<b>6,982</b>	<b>2,155</b>
Private securities	<b>1,161</b>	<b>1,255</b>	<b>297</b>	-	<b>2,119</b>	<b>1,161</b>
Contingent	-	<b>1,262</b>	-	-	<b>1,262</b>	-
<b>TOTAL PROVISIONS</b>	<b>262,273</b>	<b>216,197</b>	<b>31,609</b>	<b>45,096</b>	<b>401,765</b>	<b>262,273</b>

(1) Including the loss from the revaluation of the loan loss provision related to the financing portfolio in US dollars, which is disclosed under "Foreign exchange difference".

JOSÉ A. BENEGAS LYNCH  
Chairman

