

Basis of preparation of our financial statements for the year ended December 31, 2019

Our financial statements filed quarterly with local regulators and the figures included in our quarterly earnings release, are in accordance with the accounting framework set by the Argentine Central Bank. Since 2018, the Central Bank adopted IFRS for the first time, excluding the impairment of financial instruments method of IFRS 9 (based on expected credit losses) and IAS 29 Financial reporting in hyperinflationary economies. The accounting framework for fiscal year 2019 maintains the same discrepancies with IFRS as in 2018.

Our financial statements included in our annual report 20F filed with the SEC, are prepared in accordance with IFRS as issued by the International Accounting Standards Board (“IASB”).

In consequence, our financial statements included in our annual report 20F differ in certain material aspects related to the adoption of IFRS 9 and IAS 29.

A brief description of the inflation adjustment method of IAS 29, and a reconciliation between financial statements prepared in accordance with Central Bank rules, and with IFRS, is disclosed as follows:

IAS 29 Financial Reporting in Hyperinflationary Economies

IAS 29 establishes specific standards for entities reporting its financial statements in a functional currency that is the currency of a hyperinflationary economy.

In a hyperinflationary environment, financial statements, including comparative information, must be expressed in units of the functional currency current as at the end of the reporting period. Restatement to current units of currency is made using the change in a general price index.

Non-monetary items are restated using the change in the general price index between the date those items were acquired or incurred and the balance sheet date, while monetary items that are already stated at the measuring unit at the balance sheet date are not restated. The gain or loss on the net monetary position must be included in profit or loss for the period and must be disclosed separately.

Argentina met the criteria to be considered a hyperinflationary economy as provided by IAS 29 guidelines, which include, among other characteristics, a cumulative inflation rate over three years that approaches or exceeds 100%. Accordingly, IAS 29 must be applied for financial statements for fiscal years ending on or after July 1, 2018.

The general price index used to restate financial statements in units of the functional currency as at the end of the reporting period is the Consumer Price Index as published by the National Institute of Statistics (“INDEC”) on a monthly basis.

Restatement of financial statements in terms of currency current as of December 31, 2019:

Monetary items are already stated at the measuring unit at the balance sheet date, so they are not restated. Monetary items include cash, government and private securities, loans, other receivables, deposits, financial liabilities and other liabilities.

Non-monetary items are restated by applying the change in the CPI index since the date of acquisition (or latest revaluation) and the balance sheet date. Non-monetary items include fixed assets, goodwill, intangible assets, and shareholders' equity.

Restatement of non-monetary assets increases their value and produces a gain, while restatement of non-monetary liabilities and shareholders' equity increases its value producing a loss. The net gain or loss is disclosed separately in the income statement.

For financial institutions with mainly monetary assets and liabilities in their balance sheet, in most cases the inflation adjustment will produce a net loss, as assets exceed liabilities.

In addition, items of the income statement are also restated in units of the functional currency current as at the end of the reporting period, by applying the change in the CPI index from the date each income or expense was recorded.

Comparative information: Balance sheet and income statements from previous periods, shown as comparative information are also restated in units of the measuring currency at the end of the latest reporting period. Accordingly, figures from fiscal years 2017 and 2018 are expressed in terms of functional currency current as at the end of December 31, 2019.

Income statement and balance sheet for the fiscal year ended December 31, 2019

Our financial statements filed with domestic regulators were prepared in accordance with Central Bank regulations, which adopted IFRS but excluded the adoption of IAS 29 and the impairment model of section 5.5 of IFRS 9

Instead, our 20F annual report include financial statements issued in accordance with IFRS as issued by the IASB.

The differences in our income statement and balance sheet for the fiscal year ended December 31, 2019 are summarized in the following charts (figures in million of pesos):

	Argentine banking GAAP	IFRS 9	IAS 29	full IFRS
Financial assets	134.264	-1.116	-5	133.143
Fixed assets	6.952	-	1.104	8.057
Intangible assets	2.308	-	2.064	4.373
Other assets	2.968	335	-191	3.112
Total assets	146.493	-781	2.973	148.685
Financial liabilities	115.913	-	-56	115.857
Other liabilities	8.882	-	510	9.392
Total liabilities	124.794	-	455	125.249
Shareholders' equity	21.699	-781	2.518	23.435

	Argentine banking GAAP	IFRS 9	IAS 29	Argentine banking GAAP
Net interest income	8.525	-	1.356	9.881
NIFFI & exchange rate diff.	16.449	-	4.188	20.637
Net financial income	24.974	-	5.544	30.518
Net service fee income	5.167	-	1.189	6.356
Income from insurance act.	946	-	447	1.393
Loan loss provisions	-6.479	329	-1.587	-7.737
Personnel & Adm. expenses	-18.844	-	-4.709	-23.553
Other op. income and exp.	-2.536	-	-1.067	-3.603
Results from exposure to changes in the purchasing power of money	-	-	-5.360	-5.360
Profit before income tax	3.228	329	-5.542	-1.985
Income tax	1.033	-99	-1.103	-169
Net income	4.261	230	-6.645	-2.154