BANCOPATAGONIA

Consolidated financial statements in accordance with International Financial Reporting Standards as of December 31, 2018 jointly with the Independent Auditors' Report

BANCO PATAGONIA S.A.

CONSOLIDATED FINANCIAL STATEMENTS IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS AS OF DECEMBER 31, 2018

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BANCO PATAGONIA S.A.

CONSOLIDATED FINANCIAL STATEMENTS IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS AS OF DECEMBER 31, 2018

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INDEPENDENT AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

To the directors and shareholders of
BANCO PATAGONIA S.A.
Legal address: Avenida de Mayo 701, 24th floor
City of Buenos Aires
Republic of Argentina

Opinion

We have examined the accompanying consolidated financial statements of BANCO PATAGONIA S.A. (the "Entity") and its subsidiaries (the Group), which comprise the consolidated statement of financial position as of December 31, 2018, and the related consolidated statements of income, comprehensive income, changes in shareholders' equity and cash flows for the year then ended, and a summary of the significant accounting policies and other explanatory notes.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Entity as of December 31, 2018, the consolidated results of its operations and cash flows for the year then ended, in conformity with International Financial Reporting Standards ("IFRS").

Basis of the opinion

We performed this examination in accordance with the International Auditing Standards ("NIA, for its acronym in Spanish"). Our responsibilities in line with these rules are described below in the section "Auditors' responsibilities in relation to the audit of consolidated financial statements" of our report. We are independent from the Group in conformity with the provisions of the Code of Ethics to Accounting Professionals of the International Ethics Standards Board for Accountants ("IESBA"), and we have fulfilled other ethical responsibilities in accordance with the Code of Ethics of the IESBA. We believe that the audit evidence gathered gives a sufficient and appropriate basis to support our opinion.

Key audit issues

The key audit issues are those that, according to our professional judgment, were more significant in our audit of consolidated financial statements to the current fiscal year. These issues were addressed in the context of our audit of consolidated financial statements in its entirety, and in the formation of our opinion on it, and we do not express an opinion separately on these issues.

We have established the following key question to communicate in our report:

Impairment of Loans to Clients

Due to the importance of loans to clients and judgments related to determinate the devaluation, we believe that this is a key audit question.

As mentioned in Note 3.4.c.7 of the consolidated financial statements, in order to measure the impairment of loans to clients, the Bank conducts at the date of the consolidated financial statements the estimation of loss for loan impairment. The determination of loan impairment is documented in internal policies and, by virtue of its very characteristics, demands the use of assumptions and judgments on the part of the Bank. At January 1, 2018 came into force the IFRS 9 "Financial Instruments" amending the classification of financial assets and the calculation of impairment of financial assets. In this context, the Bank structured a new process in order to take care of the new requirements set out in this pronouncement. In the same way, the Bank has takin the disclosures, qualitative and quantitative, related to the most relevant impacts of the change in accounting policies in the explanatory notes to the consolidated financial statements.

Due to the relevance of customer lending operations and the degree of judgment related with the determination of impairment and disclosure of the impacts related with the implementation of the IFRS 9, we consider this as a key audit matter.

Auditing procedures carried out

We assess the design and effectiveness of the internal control and, with the assistance of our in-house specialists in information technology, we assess the general controls of information technology and key automatic controls related with the proceedings concerning the approbation and granting of Loans to Customer,

Also we assess, with the assistance of our specialists in risks management (Financial Risk Management), understanding of the processes implemented by the Bank and the methodology to determine the expected credit losses based on a sample, verifying the assumptions that underpin the decision of the Bank about the recoverable value of the operations, including the analysis of the adequacy of collaterals.

On the other hand, we assess if the disclosures in the consolidated financial statements, described in the notes to the consolidated financial statements, agrees with the applicable rules.

Responsibilities about consolidated financial statements of the Board of Directors and those responsible for corporate governance

The Board of Directors is responsible of the preparation and adequate presentation of consolidated financial statements adjuncts in accordance with the NIIF, and of the internal control as it deems necessary to allow the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In the preparation of the consolidated financial statements, the Board of Directors is responsible for assessment of the group's ability to continue operating as ongoing business, revealing, if applicable, the issues related to its continuity as ongoing entity and, if applicable, accounting criteria based in the principle of ongoing business, unless the intention of the Board of Directors is to settle the Group or to ceasing their transactions, or has no realistic alternative.

The Board of Directors is responsible for the supervision of the process of preparation of Group financial information.

Auditors' responsibilities in relation to the audit of consolidated financial statements

Our goals are to obtain a reasonable certainty of that this consolidated financial statements in its entirety are free from material misstatement, whether due to fraud or error, and to issue an audit report that includes our opinion. Reasonable certainty involves a high level of safety, but it does not guarantee that an audit carried out in conformity with the NIA always detects a significant distortion, if any. Distortions can derive from a fraud or error and are considered to be significant if, individually or in its entirety, it is expected that they can to influence user's economy decisions make on based on present consolidated financial statements.

As part of an audit carried out in conformity with the NIA, we apply our professional judgment and we keep an attitude of professional skepticism throughout the audit. Likewise, in our work:

- We identify and assess the risks of significant distortion in the consolidated financial statements, whether due to fraud or error, we design and apply audit procedures in response to these risks, and we obtain audit evidence sufficient and appropriate to support our opinion professional. The risk of not detect a significant distortion due to fraud is higher than an incorrection due to error, since the fraud may imply collusion, falsification, intentional omission, false statement or circumvention of the internal control.

- We garnered knowledge of relevant internal control for the audit with the aim to design the audit procedures appropriate to the circumstances, but not for the purpose to express an opinion on the effectiveness of Group's internal control. .

- We assess the appropriateness of the accounting policies applied and the reasonableness of the accounting estimates and the disclosures related made by the Board of Directors.

- We conclude about the appropriateness of the application from the Board of Directors, of the accounting principles based in the principle of ongoing business and, based in the audit evidence obtained, we conclude if exist a meaningful uncertainty related with circumstances casting doubt on the group's ability to continue operating. If we conclude que exist a meaningful uncertainty, we must call attention of the auditors in our report on such disclosures contained in the consolidated financial statements, or, if such disclosures are not appropriate, we should alter our opinion. Our conclusions are based in the audit evidence obtained as of the date of our auditors' report. However, future circumstances can cause that the Group ceases to operate as an ongoing business.

- We assess the framework, contents and the presentation of the consolidated financial statements in its entirety, including the disclosures, and if the consolidated financial statements reflect underlying transactions and circumstances with a view to achieving a fair presentation.

- We obtain sufficient appropriate evidence about financial information or businesses of the Group in order to express an opinion on the consolidated financial statements. We are responsible for direction, supervision and execution of the Group audit. We are solely responsible on our audit opinion.

We communicate with those responsible for directing with reference to, among other issues, the scope and timing of realization of the scheduled auditing and findings.

Also, we provide to Board of Directors a statement of that we have complied with applicable ethical requirements, including the independence requirements, and we communicate the relations or affairs that could affect significantly our independence, including, if applicable, the respective safeguards.

Of the affairs subject to communication to responsible for the corporate governance, we identify those that were considered the most significant in the audit of consolidated financial statements to the current fiscal year. We described these affairs in our audit report, except that a law or regulation prohibits the public disclosure of specific topic or when, in unusual circumstances, we determine that the topic should not be included on our report because adverse consequences of disclosure could, from a reasonable point of view, be greater than benefits of communicate publicly.

City of Buenos Aires, Republic of Argentina, March 28, 2019

KPMG

Mauricio G. Eidelstein
Partner

<table>
<tr><td colspan="4">BANCO PATAGONIA S.A.</td></tr>
<tr><td colspan="4">Registered office:</td></tr>
<tr><td colspan="4">Avenida de Mayo 701 24th Floor- City of Buenos Aires - Argentina</td></tr>
<tr><td colspan="2">Main business activity: Commercial bank</td><td colspan="2">Taxpayer Identification number (CUIT): 30-50000661-3</td></tr>
<tr><td colspan="4">Incorporation date: May 4,1928</td></tr>
<tr><td rowspan="4">Registration with the Public Registry of Commerce of the City of Buenos Aires</td><td rowspan="2">Date</td><td colspan="2">(1) Of articles of incorporation: 09/18/1928</td></tr>
<tr><td colspan="2">(2) Of latest amendment: 12/07/2011</td></tr>
<tr><td rowspan="2">Book</td><td colspan="2">Stock Companies Book: 57</td></tr>
<tr><td colspan="2">Number: 30114</td></tr>
<tr><td colspan="4">Expiration of articles of incorporation: August 29, 2038</td></tr>
<tr><td colspan="4">Fiscal year No. 95</td></tr>
<tr><td colspan="2">Beginning date: January 1, 2018</td><td colspan="2">Closing date: December 31, 2018</td></tr>
<tr><td colspan="4">Capital structure (See note 2)</td></tr>
<tr><td rowspan="2" colspan="2">Number and characteristics of shares</td><td colspan="2">In Argentine pesos</td></tr>
<tr><td>Subscribed</td><td>Paid-in</td></tr>
<tr><td colspan="2">719,145,237 registered, common shares, with a nominal value of ARS 1 one vote each</td><td>719,145,237</td><td>719,145,237</td></tr>
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BANCO PATAGONIA S.A.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(In thousands of Argentine pesos)

ASSETS	NOTE	12/31/2018	12/31/2017
Cash and cash equivalents	18	34,940,609	21,287,905
Special guarantee accounts in central banks	19	1,077,553	1,335,778
Financial assets measured at fair value	20	24,891,825	20,712,965
Financial assets measured at amortized cost	20	114,496	-
Derivative financial instruments	21	148,988	9,002
Loans	22	84,178,668	93,474,204
Other receivables	23	1,084,384	930,718
Non-current assets held for sale	24	224,005	50,749
Investment properties	25	25,710	-
Property and equipment	26	5,829,270	5,003,581
Intangible assets	27	118,213	95,300
Deferred tax assets	15	72,611	-
Other assets	28	1,117,186	1,224,499
TOTAL ASSETS		153,823,518	144,124,701
LIABILITIES			
Financing facilities received from financial institutions	29	10,337,787	6,270,997
Financial liabilities at fair value	20	-	33,701
Derivative financial instruments	21	74,331	20,750
Deposits	30	109,117,038	101,938,486
Corporate bonds	31	1,680,053	3,299,136
Other liabilities	32	11,896,702	12,029,473
Deferred tax liability	15	1,156,568	447,755
Provisions	33	402,073	320,917
TOTAL LIABILITIES		134,664,552	124,361,215

Marcelo A. Iadarola
Executive Manager of Administration

Juan M. Trejo
Superintendent
Finance, Administration and Public Sector Area

João Carlos de Nóbrega Pecego
President

BANCO PATAGONIA S.A.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(In thousands of Argentine pesos)

SHAREHOLDERS' EQUITY	NOTE	12/31/2018	12/31/2017
Share capital	2	719,145	719,145
Additional paid-in capital		217,191	217,191
Capital adjustment		8,484,118	8,484,118
Unappropriated retained earnings		(5,611,091)	(1,685,927)
Reserve for financial instruments at fair value with changes in the OCI	34	(78,890)	-
Translation reserve	34	80,776	728
Legal reserve	34	5,540,693	4,582,927
Other reserves	34	8,881,952	7,445,304
Revaluation reserves Property and Equipment	34	925,072	-
SHAREHOLDERS' EQUITY ATTRIBUTABLE TO PARENT COMPANY'S SHAREHOLDERS		19,158,966	19,763,486
NON CONTROLLING INTERESTS (1)		-	-
TOTAL SHAREHOLDERS' EQUITY		19,158,966	19,763,486
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		153,823,518	144,124,701

(1) At December 31, 2018 and 2017, the non-controlling interest rose to $ 90.94 and $ 109.62 (amounts expressed in Argentinian pesos, unrounded to thousands of pesos)

Notes 1 to 46 are an integral part of these Consolidated Financial Statements.

Marcelo A. Iadarola Executive Manager of Administration	Juan M. Trejo Superintendent Finance, Administration and Public Sector Area	João Carlos de Nóbrega Pecego President

BANCO PATAGONIA S.A.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

(In thousands of Argentine pesos)

STATEMENTS OF PROFIT OR LOSS	NOTE	12/31/2018	12/31/2017
Interest income and similar income	5	30,012,894	19.236.511
Interest expenses and similar expenses	6	(13,519,594)	(8.274.206)
Net interest income and similar income		16,493,300	10.962.305
Fee income	7	6,727,230	7.315.505
Fee expenses	7	(1,943,841)	(1.920.376)
Net fee income		4,783,389	5.395.129
Gains on financial assets measured at fair value through profit or loss	8	1,967,081	4.970.235
Net exchange gains	9	1,241,841	586.358
Other operating income	10	214,624	159.898
TOTAL OPERATING INCOME BEFORE IMPAIRMENT LOSS ON FINANCIAL ASSETS		24,700,235	22,073,925
Net impairment loss on financial assets	22	(1,795,433)	(1.138.157)
SUBTOTAL		22,904,802	20,935,768

Marcelo A. Iadarola
Executive Manager of Administration

Juan M. Trejo
Superintendent
Finance, Administration and Public Sector Area

João Carlos de Nóbrega Pecego
President

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

(In thousands of Argentine pesos)

STATEMENTS OF PROFIT OR LOSS	NOTE	12/31/2018	12/31/2017
Personnel expenses	11	(5,768,865)	(5,872,618)
Depreciation	26	(393,476)	(344,903)
Amortization of intangible assets	27	(15,649)	(14,139)
Other receivable losses and provisions	12	(253,898)	(162,071)
Other operating expenses	13	(6,351,336)	(6,283,208)
TOTAL OPERATING EXPENSE		(12,783,224)	(12,676,939)
Loss on net monetary position	14	(4,850,012)	(2,921,811)
INCOME BEFORE INCOME TAX		5,271,566	5,337,018
Income tax expense	15	(3,804,923)	(3,279,459)
NET INCOME		1,466,643	2,057,559
Attributable to:			
Parent company's shareholders		1,466,643	2,057,559
Non-controlling interests (1)	3.1	-	-
Earnings per share:			
Basic earnings per share	16	2.0394	2.8611
Diluted earnings per share	16	2.0394	2.8611

(1) At December 31, 2018 and 2017, the Net income attributable to the non-controlling interest rose to $ 58.83 and $ 67.23 (amounts expressed in Argentinian pesos, unrounded to thousands of pesos).

Notes 1 to 46 are an integral part of these Consolidated Financial Statements.

Marcelo A. Iadarola Executive Manager of Administration	Juan M. Trejo Superintendent Finance, Administration and Public Sector Area	João Carlos de Nóbrega Pecego President

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

(In thousands of Argentine pesos)

STATEMENT OF COMPREHENSIVE INCOME	NOTE	12/31/2018	12/31/2017
NET INCOME		1,466,643	2,057,559
OTHER COMPREHENSIVE INCOME:			
Other comprehensive income that will be reclassified subsequently to profit or loss:			
• Foreign currency translation differences for foreign operations	34	106,730	(14,726)
• Tax effect of the reserve by conversion differences	34	(26,682)	3,681
• Reserve for financial instruments VR with changes in OCI		(164,198)	-
• Tax effect of the reserve for financial instruments at fair value with changes in OCI		26,716	-
Other Comprehensive Income which will not be reclassified subsequently to profits:			
• Revaluation of properties reserves	26	1,236,155	-
• Tax effect of the reserve by revaluation of real estate asset	26	(311,083)	-
OTHER COMPREHENSIVE INCOME, NET OF TAXES		867,638	(11,045)
TOTAL COMPREHENSIVE INCOME		2,334,281	2,046,514
Attributable to:			
The parent company's shareholders		2,334,281	2,046,514
Non-controlling interests	3.1	-	-

(1) At December 31, 2018 and 2017, the Net income attributable to the non-controlling interest rose to $ 58.83 and $ 67,23 (amounts expressed in Argentinian pesos, unrounded to thousands of pesos).

Notes 1 to 46 are an integral part of these Consolidated Financial Statements.

Marcelo A. Iadarola Executive Manager of Administration	Juan M. Trejo Superintendent Finance, Administration and Public Sector Area	João Carlos de Nóbrega Pecego President

BANCO PATAGONIA S.A.

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

(In thousands of Argentine pesos)

Changes	Share capital (1)	Additional paid-in capital	Legal reserve	Capital adjustment	Other reserves	Translation reserve (2)	Revaluation of properties reserves (3)	Reserve for financial instruments at fair value with changes in the OCI	Unappropriated retained earnings	Total attributable to parent company's shareholders	Total non-controlling interests (4)	Total
Balance as of January 1, 2018	**719,145**	**217,191**	**4,582,927**	**8,484,118**	**7,445,304**	**728**	**-**	**-**	**(1,685,927)**	**19,763,486**	**-**	**19,763,486**
Effect of the initial implementation of the expected losses model of the NIIF 9 (2)	-	-	-		-	-	-	58,592	(651,663)	(593,071)	-	(593,071)
Adjusted Balance as of January 1, 2018	**719,145**	**217,191**	**4,582,927**	**8,484,118**	**7,445,304**	**728**	**-**	**58,592**	**(2,337,590)**	**19,170,415**	**-**	**19,170,415**
Net income	-	-	-		-	-			1,466,643	1,466,643	-	1,466,643
Other comprehensive income	-	-	-		-	80,048	925,072	(137,482)	-	867,638	-	867,638
Total comprehensive income	**-**	**-**	**-**		-	80,048	925,072	(137,482)	1,466,643	2,334,281	-	2,334,281
Distribution of earnings, as approved by the Annual Shareholders' Meetings held on 4/25/18:												
Legal reserve	-	-	957.766		-	-	-	-	(957,766)	-	-	-
Other reserves	-	-	-		1,436,648	-	-	-	(1,436,648)	-	-	-
Cash dividends (5)	-	-	-		-	-	-	-	(2,345,730)	(2,345,730)	-	(2,345,730)
Balances as of December 31, 2018	**719,145**	**217,191**	**5.540.693**	**8,484,118**	**8,881,952**	**80,776**	**925,072**	**(78,890)**	**(5,611,091)**	**19,158,966**	**-**	**19,158,966**

(1) See Note 2.
(2) See Note 3.3
(3) See Note 26.
(4) At December 31, 2018 the Non-controlling interest comes to ARS 90,94.
(5) Dividends per share amounts to 3.2618

Marcelo A. Iadarola
Executive Manager of Administration

Juan M. Trejo
Superintendent
Finance, Administration and Public Sector Area

João Carlos de Nóbrega Pecego
President

BANCO PATAGONIA S.A.

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2017

(In thousands of Argentine pesos)

Changes	Share capital (1)	Additional paid-in capital	Capital adjustment	Legal reserve	Other reserves	Translation reserve	Revaluation of properties reserves	Unappropriated retained earnings	Total attributable to parent company's shareholders	Total non-controlling interests (2)	Total
Balance as of January 1, 2017	719,145	217,191	8,484,118	3,477,717	5,787,288	11,773	-	1,779,009	20,476,241	20,690	20,496,931
Net income	-	-	-	-	-	-	-	2,057,559	2,057,559	-	2,057,559
Other comprehensive income	-	-	-	-	-	(11,045)	-	-	(11,045)	-	(11,045)
Total comprehensive income	**-**	**-**	**-**	**-**	**-**	**(11,045)**	**-**	**2,057,559**	**2,046,514**	**-**	**2,046,514**
Acquisition of non-controlling interests (1)	-	-	-	-	-	-	-	3,757	3,757	(20,690)	(16,933)
Distribution of earnings, as approved by the Annual Shareholders' Meetings held on 4/26/17:											
Legal reserve	-	-	-	1,105,210	-	-	-	(1,105,210)	-	-	-
Other reserves - Future distribution of earnings	-	-	-	-	1,658,016	-	-	(1,658,016)	-	-	-
Cash dividends (2)	-	-	-	-	-	-	-	(2,763,026)	(2,763,026)	-	(2,763,026)
Balances as of December 31, 2017	**719,145**	**217,191**	**8,484,118**	**4,582,927**	**7,445,304**	**728**	**-**	**(1,685,927)**	**19,763,486**	**-**	**19,763,486**

(1) See Note 2.
(2) Dividends per share amounts to 3.8421.

Notes 1 to 46 are an integral part of these Consolidated Financial Statements.

Marcelo A. Iadarola
Executive Manager of Administration

Juan M. Trejo
Superintendent
Finance, Administration and Public Sector Area

João Carlos de Nóbrega Pecego
President

BANCO PATAGONIA S.A.

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

(In thousands of Argentine pesos)

	12/31/2018	12/31/2017
Changes in cash and cash equivalents		
Cash and cash equivalents as of January 1	21,287,905	20,050,768
Exchange gains attributable to cash and cash equivalents	16,575,073	(68,966)
Cash and cash equivalents as of December 31	34,940,609	21,287,905
Net increase in cash and cash equivalents	**(2,922,369)**	**1,306,103**
Sources (uses) of cash and cash equivalents		
Operating activities		
Net income	1,466,643	2,057,559
Adjustments:		
Depreciation of Property and equipment	393,476	344,903
Gain on sale of Property and equipment	(70,081)	(9,540)
Amortization of Intangible assets	15,649	14,139
Net Exchange gains	(1,241,841)	(586,358)
Income tax expense	3,804,923	3,279,459
Interest expense on corporate bonds	716,016	482,417
Interest expense on financing facilities received from financial institutions	496,700	420,140
Cash dividends from shares	(202,583)	(93,382)
Interest income on loans	(29,995,286)	(19,227,428)
Interest income on other receivables	(17,608)	(9,083)
Interest expense on deposits	9,880,709	4,101,012
Net of provisions expense	113,459	101,296
Changes in:		
Special guarantee accounts in central banks	258,225	(139,472)
Financial assets measured at fair value	(4,056,928)	2,366,430
Other financial assets at amortized cost	(123,027)	-
Derivative financial instruments – assets	(139,986)	9,993
Loans	50,164,307	1,070,266
Other receivables	(269,750)	(255,358)
Other assets	(91,653)	(518,175)
Financing facilities received from financial institutions	(4,559,365)	1,969,836
Financial liabilities at fair value	(33,701)	33,701
Derivative financial instruments – liabilities	53,581	(628)
Deposits	(29,759,957)	6,065,315
Other liabilities	(1,581,801)	(547,388)
Provisions	(32,303)	(39,430)
Interest paid for financial facilities received from financial institutions	(387,654)	(378,402)
Interest paid on deposits	(8,946,300)	(2,921,652)
Interest received from loans	17,871,258	8,335,979
Interest received from other receivables	133,692	9,133
Interest received from other financial assets at amortized cost	8,531	-
Cash dividends received	202,583	93,382
Income tax paid	(1,895,735)	(1,557,272)
Net cash flows provided by operating activities	**2,174,193**	**4,471,392**

Marcelo A. Iadarola Executive Manager of Administration	Juan M. Trejo Superintendent Finance, Administration and Public Sector Area	João Carlos de Nóbrega Pecego President

BANCO PATAGONIA S.A.

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

(In thousands of Argentine pesos)

	12/31/2018	12/31/2017
Investing activities		
Purchases of property and equipment	(293,802)	(346,675)
Purchases of intangible assets	-	(42,003)
Proceeds from sale of property and equipment	69,790	150,146
Net cash flows used in investing activities	**(224,012)**	**(238,532)**
Financing activities		
Financing facilities received from financial institutions	(191,721)	(48,054)
Proceeds from issuance of corporate bonds	945,640	1,826,181
Payments of corporate bonds	(3,280,739)	(1,924,925)
Dividends paid	(2,345,730)	(2,763,026)
Payment for the acquisition of non-controlling interest	-	(16,933)
Net cash flows used in financing activities	**(4,872,550)**	**(2,926,757)**
Net increase/ (decrease) in cash and cash equivalents	**(2,922,369)**	**1,306,103**

Conciliation of liabilities arising from the funding activities	**12/31/2018**	**Cash flow**		**Different cash flows**			**12/31/2017**
		Charges	**Payments**	**Foreign currency fluctuations**	**Accrued interest**	**Profit sharing**	
Funding received from financial entities	865,998	-	(191,721)	435,975	54,373	-	567,371
Negotiable obligations	1,680,053	945,640	(3,280,739)	-	716,016	-	3,299,136
Dividends paid	-	-	(2,345,730)	-	-	2,345,730	-
Total liabilities for funding activities	**2,546,051**	**945,640**	**(5,818,190)**	**435,975**	**770,389**	**2,345,730**	**3,866,507**

Notes 1 to 46 are an integral part of these Consolidated Financial Statements.

Marcelo A. Iadarola Executive Manager of Administration	Juan M. Trejo Superintendent Finance, Administration and Public Sector Area	João Carlos de Nóbrega Pecego President

NOTE 1: General information - Background of the Bank and its subsidiaries

Banco Patagonia S.A. (the "Bank" or the "Entity") is a corporation organized in Argentina that operates as a universal bank and has a nationwide distribution network. The Bank is controlled by Banco do Brasil S.A.

These Consolidated Financial Statements comprises the Bank and its subsidiaries (collectively, the Group). The Bank's subsidiaries are:

– GPAT Compañía Financiera S.A.U. (GPAT) is a company authorized to act as a financial institution, specialized in wholesale and retail financing for the acquisition of new automobiles, from both dealers - especially in the General Motors network in Argentina— and private customers.

– Patagonia Inversora S.A. Sociedad Gerente de Fondos Comunes de Inversión: it is engaged in the mutual funds management business. Mutual funds are traded exclusively through the Bank, which, in turn, operates as mutual funds custodian.

– Patagonia Valores S.A.: it is in charge of trading securities on the Buenos Aires Securities Market (*Mercado de Valores de Buenos Aires*). At present, the Company has non material activity level.

– Banco Patagonia (Uruguay) S.A. I.F.E.: it is a Uruguayan corporation authorized to conduct financial intermediation activities in Uruguay between nonresidents exclusively and in any foreign currency other than the Uruguayan peso, under the supervision of Banco Central del Uruguay (Uruguayan Central Bank).

Since July 20, 2007, Banco Patagonia S.A.'s shares have been publicly offered and listed on the BYMA (Argentine Stock Exchange and Markets) and BOVESPA (São Paulo Stock Exchange) (b3). Accordingly, the Group prepares Consolidated Financial Statements in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) to be filed with the Comissao de Valores Mobiliários (Brazilian National Securities Commission) (CVM).

At the local level on December 27, 2012, Law No. 26831 on Capital Markets was enforced and regulated by the Executive Branch Decree No. 1023/13 dated July 29, 2013. Such rule, which became effective on January 28, 2013, provides for a comprehensive reform of the current public offering system (Law No. 17811).

Through General Resolution No. 622/13, dated September 9, 2013, and subsequent administrative criteria, the Comisión Nacional de Valores (Argentine National Securities Commission) (CNV) amended its rules to respond to new circumstances, for the purposes of securing the normal performance of the various agents operating in the Capital Market, with the aim of ensuring compliance with the principles established in the new Capital Market Law.

The companies of the Group are registered with the CNV for the purposes of acting in the following capacities:

(In thousands of Argentine pesos)

Banco Patagonia S.A.

- Financial and non-financial trustee: authorized through Resolution No. 17418, issued by the CNV on August 8, 2014.
- Mutual fund custodian: authorized through Order No. 2081 of the CNV dated September 18, 2014.
- Settlement and clearing agent and comprehensive trading agent: authorized through Order No. 2095 of the CNV dated September 19, 2014.

Patagonia Inversora S.A. Sociedad Gerente de Fondos Comunes de Inversión

- Management Agent of Mutual Funds: authorized by CNV Provision No. 2013, dated August 7, 2014.

Patagonia Valores S.A.

- Settlement and clearing agent and comprehensive trading agent: authorized through Order No. 2114 of the CNV dated November 11, 2014.

On March 28 2019, Banco Patagonia S.A.'s Board of Directors approved the issuance of these Consolidated Financial Statements to be filled with the CVM.

These Consolidated Financial Statements are not required to be approved by the Shareholders.

According to the legal regulations in force, the next Annual Shareholders' Meeting must approve the Bank's Separate and Consolidated Financial Statements as of December 31, 2018, prepared under local standards, which have been approved by the Board of Directors and filed with the CNV and with the CVM on February 28, 2019, and with the Banco Central de la República Argentina (Argentina Central Bank) (BCRA) on March 11, 2019.

NOTE 2: Share capital

As of December 31, 2018 and 2017 the share capital structure is as follows:

SUBSCRIBED AND PAID-IN SHARES				ISSUED	
Class	Number	Nominal value (ARS) per share	Votes per share	Outstanding $	Paid-in $
Class "A" common shares	22,768,818	1	1	22,769	22,769
Class "B" common shares	696,376,419	1	1	696,376	696,376
Total of December 31, 2018	719,145,237			719,145	719,145

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(In thousands of Argentine pesos)

SUBSCRIBED AND PAID-IN SHARES				ISSUED	
Class	Number	Nominal value (ARS) per share	Votes per share	Outstanding $	Paid-in $
Class "A" common shares	22,768,818	1	1	22,769	22,769
Class "B" common shares	696,376,419	1	1	696,376	696,376
Total of December 31, 2017	719,145,237			719,145	719,145

$: Thousands of Argentine pesos
ARS: Argentine pesos

1. Capital Structure

The Entity's share capital is made up of 719,145,237 shares, comprising 22,768,818 Class "A" shares and 696,376,419 Class "B" shares, all of them registered, common shares with a nominal value of ARS 1, and one vote per share.

Class "A" shares represent the interest held by the Province of Río Negro, whereas class "B" shares account for the interest held by private companies.

As from April 12, 2011, the Bank's controlling shareholder is Banco do Brasil S.A., which holds an equity interest of 58.9633% of the total Share capital. In accordance as referred to in paragraph 2 following, since September 6, 2018 the controlling shareholder interest increased to 80,39% of the share capital.

2. Treasury shares acquisition plan

On April 12, 2011, under the Share Purchase Agreement entered into between Banco do Brasil S.A. and the group of former controlling shareholders of the Bank (Sellers), both parties signed a Shareholders' Agreement whereby, among other rights and duties, the parties granted certain call and put options to be exercised as from the third anniversary of such date, so that Banco do Brasil S.A. will acquire the equity interest held by the sellers in the Entity, at the strike price equivalent to the US dollar price per share established in the Offering.

On June 15, 2018, the former group of controlling shareholders (Sellers) informed the Bank about the exercise of the put option of the total 154,014,912 shares entitled to them for the purchase by the controlling shareholder at the value agreed in the Shareholders' Agreement referred to above

Finally, having the conditions to exercise the put option been met, on September 6, 2018, the controlling shareholder increased its interest in the Entity, thus holding a total of 578,116,870 registered common class "B" shares with a nominal value of ARS 1 each, one vote per share, representing 80.39% of the outstanding share capital and voting rights.

Marcelo A. Iadarola Executive Manager of Administration	Juan M. Trejo Superintendent Finance, Administration and Public Sector Area	João Carlos de Nóbrega Pecego President

NOTE 3: Basis for presentation of the Financial Statements and accounting policies applied

3.1 Basis for presentation

Comparative information

The Consolidated Statements of Profit or Loss, of Comprehensive Income, of Changes in Shareholders' Equity, of Cash Flows and the Notes as of December 31, 2018, are presented comparatively with the two preceding fiscal years, while the Consolidated Statement of Financial Position is presented comparatively with the previous fiscal year which were restated in the terms of unit of measure as of December 31, 2018, according to what is indicated in the next point.

Functional currency and unit of measure

The Group considers the Argentinian peso as its functional and presentation currency.

In accordance with the IAS 29 "Financial Reporting in Hyperinflationary Economies", the financial statements of an entity whose functional currency is the currency of a hyperinflationary economy, must be expressed in terms of the measuring unit current at the end of the reporting period.

An economy is considered hyperinflationary when, among other criteria, has accumulated inflation of approximately 100% or more over three years. the monitoring of the inflation in Argentina has been difficult due to the lack of consistency of the consumer price index (CPI). The consensus among issuing agencies of Argentinian accounting standards is that the "general price index" for purposes of the IAS 29 be determined taking into account the Internal Wholesale Price Index (IPIM, for its acronym in Spanish) as at December 2016, and from there the Consumer Price Index (CPI) with nationwide coverage. Theses indexes were determined or referred by the National Institute of Statistics and Census (INDEC, for its acronym in Spanish).

The general price index increased 47,6% during 2018 and 24,8% through 2017.

These financial statements were prepared in terms of the measuring unit current as of December 31, 2018, including comparative information of prior periods.

Under the IAS 29, assets and liabilities that are not expressed in terms of the measuring unit current at the end of the reporting period are restated by applying a general price index. The restated amount of an asset is reduced, in accordance with the IFRS applicable, when exceeds its recoverable value. The impact of the application of the IAS 29 at the start of the first implementation exercise is recognized in equity. All the items of the statement of earnings and of the integral earnings statement are expressed in terms of the measuring unit current at the end of the reporting period. The gain or loss on net monetary position is included in the Consolidated Statement of Income.

Because the Group prepares its financial information by applying an approach of historical cost, has applied the IAS 29 as follow:

- It was restated the consolidated statement of financial position as of January 1, 2017, which is the oldest financial report available.
- It was restated the Consolidated Statement of Income and the consolidated statement of other comprehensive income for the years ended as of December 31, of 2018 and 2017, including the calculation and disclosure separately of the gain or loss on net monetary position.

To restate the items of the consolidated statement of financial position, the Group has adopted the following methodology and criteria:

- Non-monetary items were restated by applying the general price index. The restated amounts were reduced to their recoverable amounts by applying the IFRS appropriate, if necessary.
- Monetary items no was restated.
- Assets and liabilities contractually related to changes in price indexes, such as securities or loans with inflation adjustment clauses, were measured in accordance with the contractual terms.
- Measurement of investments under the participation method was determined based on financial information of the associate prepared according to IAS 29.
- Assets and liabilities by deferred tax were recalculated based on the restated amounts.
- As of January 1, 2017, all components of equity, except the accrued results and reserve by revaluation of real estate asset, were restated by applying the general price index at their dates of origin. As of January 1, 2017, the balance of the reserve by revaluation of real estate asset was removed as a whole, and the balance of accrued results was determinate by equity differences. In the next years, all components of equity were restated by applying the general price index since the beginning of the year or the date of the contribution, if later.

To restate the Consolidated Statement of Income and the consolidated statement of other comprehensive income, the Group has applied the following methodology and criteria:

- All the items of the Consolidated Statement of Income and the consolidated statement of other comprehensive income were stated in the current unit of measurement as of December 31, of 2018.
- The gain or loss on net monetary position is included in the Consolidated Statement of Income. The adjustment to assets and liabilities related contractually to changes in price indexes is presented compensating the gain or loss on net monetary position.

Amounts presented in thousands of Argentine pesos

These Consolidated Financial Statements are presented in Argentine pesos and are rounded up to the nearest thousand in Argentine pesos ($), unless otherwise indicated.

Statement of compliance

These Consolidated Financial Statements have been prepared under the IFRS, which are standards and Interpretations issued by the IASB (International Accounting Standards Board), including the following:

(a) the International Financial Reporting Standards (IFRS);

(b) the International Accounting Standard (IAS); and

(c) the interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) or by its predecessor, the Standards Interpretation Committee (SIC).

For its part, the present consolidated financial statements were prepared based on historical amounts restated in terms of the measuring unit current as of December 31, of 2018, except for financial assets at fair value with changes in net income, derivative financial instruments and property included in the category Property and Equipment that were measured at fair value.

Consolidation bases

Subsidiaries:

Subsidiaries are all entities over which the Bank has control. The Bank controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. The Bank reassess whether it keeps the control over the entity when any of the conditions above changes.

The financial statements of the subsidiaries were included in the consolidated financial statements from the date the control commences and until the date the control ceases.

The subsidiaries' financial statements have been prepared as of the same dates and for the same fiscal years as those of Banco Patagonia S.A., and the accounting policies have been consistently applied.

Non-controlling interests:

Non-controlling interests represent profit or loss and equity no attributable, directly or indirectly to the Group, and in the current financial statements are presented in a separate line item in the Consolidated Statements of Profit or Loss, of Comprehensive Income, of Financial Position and of Changes in Shareholders' Equity.

On December 31, 2018 and 2017, the Bank's financial statements were consolidated with the financial statements of the following entities:

(In thousands of Argentine pesos)

Entity	Shares held by the Bank		Percentage of	
	Type	Quantity	Share capital	Voting rights
GPAT Compañía Financiera S.A.U. (*)	Common shares	86,837,083	100.00%	100.00%
Patagonia Valores S.A.	Common shares	13,862,667	99.99%	99.99%
Patagonia Inversora S.A. Sociedad Gerente Fondos Comunes de Inversión	Common shares	13,317,237	99.99%	99.99%
Banco Patagonia (Uruguay) S.A. I.F.E.	Common shares	50,000	100.00%	100.00%

(*) In February 15, 2017 the Bank acquired V$N 836,700 common shares of the book-entry type of GPAT of ARS 1 nominal value each, representative of 1% share capital of the Company, obtaining 100% of capital and possible votes thereof. The operation was paid in cash by ARS 16.933 generating the following records in the Financial Statements as of December 31, 2017:

– a decrease of “Non-controlling interest” for 20,690; and
– an increase of “Unallocated earnings” for 3,757.
–

Banco Patagonia S.A.’s Board of Directors considers that no other companies or structured entities should be consolidated as of December 31, 2018, and 2017.

Mutual funds:

The Group acts as a mutual fund manager (see Note 54). Upon determining whether the Group controls such funds, the Group’s aggregate interest in the mutual fund (including the interest in the mutual fund return and management fees) is assessed and it is also considered that the shareholders are not entitled to remove the manger for no cause. Whenever interest in the mutual fund is lower than 37%, the Group concludes that it acts as an agent of the shareholders and, therefore, such mutual funds are not consolidated.

Loss of control:

When the Group loses the control of any subsidiary, it derecognizes the assets and liabilities of the subsidiary, any non-controlling interest and the other related components of equity. Any surplus or deficit arising from the loss of control is recognized in profit or loss. If the Group holds any interest in the referred subsidiary, such interest is measured at fair value at the date when the control is lost.

Transactions eliminated for consolidation purposes

Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions, are eliminated upon preparing the consolidated financial statements.

Unrealized gains on transactions between the Group and its associates are eliminated to the extent of the group's interest in these entities. Unrealized losses are also eliminated but only to the extent that there is no evidence of impairment.

3.2 Use of judgment and estimates

In preparing the consolidated financial statements, the Bank's Management is required to make judgments, estimates and assumptions that may affect the accounting policies applied and the amounts of assets, liabilities, revenues and expenses reported.

The related estimates and assumptions are based on expectations and other factors deemed reasonable in the circumstances, the results of which are the basis of judgment on the value of assets and liabilities not easily evident from other sources. Actual results may differ from these estimates.

The underlying estimates and assumption are continuously reviewed. The effect of reviews of accounting estimates is prospectively recognized.

Judgments

Information about judgments made in applying accounting policies that have the most significant effect on the amounts recognized in the Consolidated Financial Statements is included in the following Notes:

- Note 3: "Consolidation bases" as to the existence of control over other entities.
- Note 3.4.c.2) "Classification of financial assets".
- Note 3.4.c.7) Impairment of financial assets
- Note 3.4.i) Provisions

Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment to these Consolidated Financial Statements is included in the following Notes:

- Notes 22 Loans and 41 Risk management, in relation with impairment of financial assets and credit risk, respectively.
- Notes 40 Financial assets measured at fair value and 38 Fair value of financial instruments, in relation to the determination of the fair value of financial assets Level 2.
- Note 33 Provisions, in relation to the likelihood and magnitude of an outflow of resources.
- Note 15 Income tax, in relation to the availability of future taxable profit to be used against with deferred tax assets.

Measurement at fair value

The fair value is the price that would be received from the sale of an asset or paid for the transfer of a liability in an orderly transaction between market participants at the measurement date.

When available, the Group measures the fair value of a financial instrument by using the quoted prices in active markets. A market is considered active if there are transactions with sufficient frequency and volume to provide continuous information about prices.

If there are no quoted prices in the active markets, the Group uses valuation techniques, which maximize the use of significant market data and minimize the use of unobservable input. The selection of the valuation technique includes all factors that the market participants would consider in order to define the price of the transaction.

The fair value is categorized in different hierarchy levels based on the input used in the measurement techniques, as detailed below:

- Level 1: Inputs that are quoted prices (unadjusted) for identical instruments.
- Level 2: valuation techniques that use observable market data as significant inputs.
- Level 3: valuation techniques that use unobservable market data as significant inputs.

3.3 Change in accounting policies

Except for changes listed below, the Bank applied the accounting policies detailed in the Note 3.4 in the fiscal years presented in these financial statements.

During the fiscal year, the Group adopted the IFRS 9 Financial Instruments, issued in July of 2014.

Until the prior fiscal year, the Group was implementing the IFRS 9 "Financial Instruments" (2009) and the later versions of the IFRS 9 have not adopted early. As a consequence, the Group valued its financial instruments taking into account the Group's business model to manage their financial assets and their characteristics. in this sense, the Group measured its financial assets at fair value with changes in net income, or at amortized costs.

Financial assets were valued at its amortized cost when remained within of a business model whose goal was to maintain the assets to recover the contractual cash flows, and the flows of funds are only principal and interest payments on the amount of the outstanding capital.

With regard to impairment of financial assets, were still in place the guidelines of the IAS 39 Financial Instruments.

The requirements of IFRS 9 (2014) represent a significant change with regard to the previous rule IAS 39, and of the IFRS 9 (2009). The new standard introduces significant modifications in the accounting of financial assets and minor changes for financial liabilities.

The key changes resulting from the adoption of IFRS 9 (2014) relate to the classification of financial assets and the calculation of impairment of financial assets.

The IFRS 9 (2014) introduces changes in the classification of financial assets, distinguishing those measured at:

- Fair value with changes in net income,
- Fair value with changes in other comprehensive income, and
- Amortized cost.

By other hand, the IFRS 9 (2014) replaces the “incurred losses” model” of the IAS 39 by the “expected losses” model, which applies to the aggregate financial assets.

The changes in the accounting policies resulting from the adoption of IFRS 9 (2014) were recognized retrospectively with impact in the equity, and as consequence, the comparative information was not adjusted.

3.4 Valuation and disclosure criteria

The main valuation and disclosure criteria applied to the preparation of these Consolidated Financial Statements as of December 31, 2018, and 2017 are as follows:

a) Foreign currency conversion

a.1) Transactions in foreign currency

Foreign currency transactions are translated into the functional currency of the Group entities using the exchange rates published by the BCRA at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currency are translated into the functional currency at the benchmark exchange rate prevailing at year-end.

Non monetary assets and liabilities that are measured at fair value in a foreign currency are translated into functional currency using the benchmark exchange rates at the date when the fair value was determined. Non monetary items that are measured at historical cost in foreign currency are translated by using the benchmark exchange rate prevailing at the date of the transaction.

Exchange differences are presented in the Consolidated Statement of Income in the item "Net foreign exchange".

a.2) Foreign operations

Foreign currency transactions are translated into the functional currency of the Group entities using the exchange rates published by the BCRA at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currency at period-end were translated into the functional currency at the exchange rate prevailing at such date. The exchange difference from monetary assets and liabilities is the difference between the amortized cost in functional currency at beginning of the year, adjusted by the effective interest rate, and payments for the year and the amortized cost in foreign currency at the exchange rate prevailing at year-end.

Non monetary assets and liabilities that are measured at fair value in a foreign currency are measured at functional currency using the exchange rates at the date when the fair value was determined. Non monetary items that are measured at historical cost in foreign currency are translated by using the exchange rate prevailing at the date of the transaction.

Foreign exchange differences are recognized in the consolidated statement of comprehensive income in the line "Reserve for conversion differences".

b) Cash and bank deposits

Cash and cash equivalents include cash and unrestricted balances held in the Central Banks and the demand deposit accounts in local and foreign financial institutions.

c) Financial assets and liabilities

c.1) Recognition

The Group initially recognizes loans, deposits, debt securities issued and liabilities at the date they were originated. All other financial instruments (including ordinary purchases and sales of financial assets) are recognized at the transaction trading date, that is, the date on which the Group becomes part of the contractual provisions of the instrument.

The Group recognizes financial Instruments purchases (sales) with the repurchase agreement (non optional) at a price set (swaps) as a financing granted (received) in the items of “Loans” (“Funding received from financial institutions”) in the Consolidated statement of financial position. The difference between the buying and selling prices of those instruments is recorded as an interest, which is accrued during the validity of the operations using the effective interest method.

The financial assets and liabilities are initially recognized at fair value. Those instruments that are not measured at fair value with changes through profit or loss are recognized at their fair value plus (in the case of assets) or less (in the case of liabilities) the transactions costs directly attributable to the acquisitions of assets or the issuance of liabilities.

The transaction price is usually the best evidence of its fair value at initial recognition. However, if the Group determines that fair value at initial recognition differs from the consideration received or paid, when the fair value is determined according to hierarchies 1 or 2, the financial instrument is initially measured at fair value and the different is recognized in profit or loss. If the fair value at initial recognition is determined according to hierarchy 3, the difference between the fair value and the consideration is deferred over the term of the instrument.

c.2) Classification of financial assets

At initial recognition, financial assets are classified and measured at amortized cost, fair value with changes in other comprehensive income (OCI) or at fair value with changes in profit or loss.

Amortized Cost

A financial asset is measured at amortized cost if the following conditions are met:

- it is held within a business model whose objective is to hold assets to collect the contractual cash flows; and
- the contractual terms of the financial asset give rise to cash flows that meet the “solely payments of principal and interest” criterion.

Fair value with changes in other comprehensive income

A debt instrument is measured at fair value with changes through OCI if the following conditions are met:

- it is held within a business model whose objective is to collect the contractual cash flows and sell the financial asset; and
- the contractual terms of the financial asset give rise to cash flows that meet the “solely payments of principal and interest” criterion.

At initial recognition of an equity instrument not held for trading purposes, the Group may elect, for each instrument individually, to present fair value with changes through OCI.

After the initial recognition, the variations in the fair value were recognized in OCI, except the interests and exchange rate differences that were recognized in results.

Fair value with changes through profit or loss

The financial assets held for trading or managed within a portfolio whose performance is measured at fair value are measured at fair value with changes through profit or loss.

The other financial assets are classified as measured at fair value with changes recognized through profit or loss.

This category includes derivative financial instruments.

Assessment of the business model

The Group assesses the business model objective under which it holds an asset at portfolio level. The information considered includes:

- The policies and objectives established for the portfolio and the way in which such policies are implemented. Particularly, if Management is focused on income arising from contractual interest;
- How portfolio income is measured and reported to Management;
- Risks affecting the business model proceeds and how such risks are managed;
- How the portfolio managers are remunerated (based on the fair value of the assets managed or cash flows received); and
- The frequency, volume and timing of the sale in prior periods, the reasons for such sales and the expectations for future sales. However, information about sales is not separately considered but as part of the general assessment of how the Group establishes the objectives for managing the financial assets.

Upon assessing whether the contractual cash flows meet the “solely payments of principal and interest” criterion, the Group defines as “principal”, the fair value of the financial asset at initial recognition date, and as “interest”, the consideration for the time value of money and the credit risks associated with principal pending payment and other risks inherent to a loan. The assessment considers whether the financial asset includes contractual conditions that may change timing or the amount of contractual cash flows leading to noncompliance with the criterion mentioned above.

Financial assets are not reclassified after initial recognition, except for a change in the business model of the Group.

c.3) Classification of financial liabilities

The Group classifies its financial liabilities, other than derivative financial instruments, guarantees issues and loans, as measured at amortized cost.

Derivative financial instruments are measured at fair value with changes through profit or loss.

Financial guarantees are contracts whereby the Group is required to make specific payments to reimburse the holder for any loss to be incurred if a given debtor defaults on payments when due under the contractual conditions of the debt instrument.

The debt arising from financial guarantees issued is initially recognized at fair value. Subsequent to initial recognition, liabilities for each guarantee are recognized at the highest amount between the amortized amount and the present value of any payment required to settle the debt when the referred payment is deemed to be probable.

c.4) Measured at amortized cost

The amortized cost of a financial asset or liability is the amount at initial recognition, less principal reimbursement, plus or less the amortization, using the effective interest rate method, of any difference between the initial amount and the amount at maturity. In the case of financial assets, it also includes any impairment correction (uncollectibility).

c.5) Derecognition of financial assets and liabilities

A financial asset is derecognized by the Group when the rights to receive cash flows from the asset have expired; or if the rights to the cash flows from the asset were transferred within a transaction in which substantially all of the risks and rewards of the asset have been transferred or, otherwise, the control of the asset has been relinquished.

When the Group derecognizes a financial asset, the difference between the book value of the asset and the consideration received and any other balance in OCI is recognized in profit or loss.

The Group performs transactions in which financial assets are transferred but it holds substantially all of the risks and rewards of the asset transferred. In such cases, the financial assets transferred are not derecognized.

A financial liability is derecognized when the payment obligation is either discharged or settled or expires. Where an existing financial liability is exchanged for other of the same borrower with substantially different terms and conditions, or the terms and conditions haven been substantially modified, such exchange or modification are considered as the derecognition of the original financial liability and the recognition of a new financial liability recognizing in results the difference between both.

c.6) Offsetting financial assets and liabilities

Financial assets and liabilities are offset and the net amount is presented in the consolidated statement of financial position, when, and only when, the Group has a legally enforceable right to offset the amounts; and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Income and expenses are reported on a net basis only when allowed by the IFRS, or in the case of gains and losses arising from a group of similar transactions.

c.7) Impairment of financial assets

c.7.1. From January 1, 2018

The requirements of impairment are applied to financial assets measured at amortized costs, VRORI, accounts receivable leasing and certain compromises of loans and financial guarantee contracts.

These financial assets, compromises of loan and financial guarantees that were considered to be in the Stage 1, i.e., those instruments that does not show a significant increase of credit risk, the Group recognizes a provision for expected credit losses (PCE) resulting of default events that were considered as possible over the next 12 months (PCE 12 months).

When a significant increase of the credit risk since the initial recognition occur, the Group considers that the instrument is in the Stage 2, and is required a forecast for the PCE resulting of all default events that is possible that occur during the lifetime of the instrument (PCE, the lifetime).

The Group was defined a significant increase of the credit risk since the initial recognition as an arrear of more than 30 days in the fulfillment of contractual obligations of the debtor/ issuer of the financial asset.

At each closing date, the Group evaluates if the credit risk has increased significantly since the initial recognition, taking into account the change in the default risk during the rest of the instrument´s lifetime, instead of regarding increases in the PCE

The Group conducts an impartial assessment of credit risk and an estimation of the PCE and taking into account a probability weighted, fully incorporating available relevant information about past events, current conditions and a reasonable estimate of the economic conditions at each closing date. In addition to that, considers the value time of the money in the estimation of the PCE.

In case of financial assets in default, the Group measure its estimated recovery value, taking into account the value time of the money.

c.7.2. Before January 1, 2018

The Group recognized provisions for default risks of loans and other credits when there was objective evidence that could not collect the totality of the funded amount in accordance with the contractual conditions. These provisions were recognized on the basis of classification of the associated risks and taking into account the guarantees received.

At closing date, the Group assessed if there was objective evidence of that a financial asset or a group of financial assets were impaired and were generated impairment losses only if:

- there were objective evidences of impairment as result of one or more events after the initial recognition of the asset (a “loss event”) and
- its impact can be reasonably estimated taking into account the estimated and projected cash flows of the financial asset or group of financial assets.

The objective evidence that a financial asset was impaired takes in account: substantial financial difficulties of the issuer (debtor) of the instrument, a breach of contract such as default or delay in payments of the principal or interest; the Group, for legal or financial reasons related with the financial difficulty of the debtor, it gives the debtor a concession that otherwise would not be granted; it becomes viable that the debtor will enter bankruptcy or another way of financial restructuring; the disappearance of an active market for the financial asset due to the financial difficulties; or observable data indicates a mensurable reduction in the future cash flows of a group of financial assets since the initial recognition of said assets, despite that the diminution as yet unidentified with an individual asset of the Group.

For loans and other credits, the Group first individually assessed the individually significant funding, or collectively for those that are not individually significant. For the collective evaluation of impairment, the financial assets were grouped on basis of the Group’s risk rating system, that considers their historical experience based on statistical information, type of guarantee, default situation and other relevant factors.

If there was objective evidence of impairment, the amount of the loss was quantified as the difference between the book value of the asset and the present value of estimated future cash flows. The accounting balance of these assets was reduced through a forecast account and the amount of the loss was recognized in the Consolidated Statement of Income. The interest income will remain recognized about the balance reduced based on original effective interest rate of the asset.

The futures cash flows of a group of financial assets assessed collectively for impairment were estimated based on the historical loss experience for assets with similar features of credit risk in these group, adjusted based on information observable of conditions at the date of measurement.

In the financing portfolio of the Group there are refinanced operations through: a) news agreements where were redefined the conditions of the original schedule of payments, or b) the issuance of negotiable obligations by the debtors. To take in account the impairment of these assets, the valuation of these funding was carried out based on present value of the expected future cash flows discounted at the effective interest rate of the original funding.

If, in a subsequent period, the estimated amount of the impairment loss increased or decreased, was adjusted the forecast account with charge to results.

d) Leases

Contracts including a lease

At beginning of the contract, the Group determines whether it includes a lease. If this is the case, the lease payments are separated between those related to leases and other items, based on the relative fair values.

Classification of leases

When the lease transfers substantially all the risks and rewards incidental to ownership of an asset, it is classified as a finance lease. Otherwise, it is classified as an operating lease.

Operating leases in which the Group is a lessee

In an operating lease, the leased asset is not recognized for accounting purposes. Lease payments under an operating lease shall be recognized in profit or loss on a straight-line basis over the lease term.

In a finance lease, the asset and the liability for the future lease payments are recognized in the statement of financial position. The leased asset is initially recognized at the lower of its fair value and the present value of the minimum lease payments. Then, the leased asset is recorded in accordance with the accounting policy applicable to the related asset

Payments made under a finance lease are separated between interest and the reduction in the liability for lease payments. Interest is recognized over the lease term by applying a constant interest rate. Contingent lease payments are recognized in profit or loss as incurred.

Finance lease leases in which the Group is a lessor

The leased asset under a finance lease is derecognized and a receivable equal to the amount of the net investment in the lease is recognized in the line “Loans”

Payments received under a finance lease are separated between interest and the reduction in the net investment in the lease. Interest is recognized over the lease term by applying a constant interest rate. Contingent leases are not considered to determine the net investment in the lease.

e) Non-current assets held for sale

Non financial assets are classified as held for sale if their carrying amount will be recovered primarily through sale and the asset is available for immediate sale under ordinary sale conditions, and Management is committed to an active plan for trading them at a fair price. Therefore, sales are considered highly probable and it is expected that they will be completed within a year following classification as held for sale.

Such assets are measured at the lower of their carrying amount and fair value less costs to sell upon reclassification.

When an investment in an associate or joint venture measured by applying the equity method is classified as “non current assets held for sale”, the equity method is no longer applied.

f) Investment property

The Group applies the fair value model as the accounting policy to investment property. The fair value is determined based on the appraisal conducted by an independent professional, by applying Level 3 valuation techniques. A market approach is used.

The changes in the fair values of investment properties were recognized as results.

g) Property and equipment

The Group applies the revaluation model as the accounting policy for the real estate classified as property and equipment. For the other class of assets, the cost model is applied.

Based on the significant increases in prices of real estate over the last years, the Group considers that the revaluation model fairly reflects the value of these assets.

According to the revaluation method, after the initial recognition, assets are measured at fair value at the revaluation date less accumulated depreciation and the accumulated impairment losses, if applicable.

Frequency of revaluations will depend on the changes in fair value of the items subject to revaluation. When the fair value of the asset revalued significantly differs from the book value, a new revaluation shall be made.

Measurement at fair value is conducted by independent experts in appraisals, whose selection is made on the basis of their knowledge of the market, reputation, independence and compliance with professional standards.

The increase in the book value of an asset as a consequence of the revaluation is recognized in OCI, under Revaluation of property and equipment. However, due to the implementation of the IAS 29 (see Note 3.1 Functional currency and unit of measure), the balance of the Reserve by Revaluation of Real State Asset as of January 1, 2017 was transferred to Accrued Results.

Depreciation is determined by applying the straight line method in accordance with the fair value and remaining useful life estimated upon revaluation and it is fully recognized in profit or loss. Depreciation methods and useful lives are reviewed at each reporting date and adjusted, if appropriate.

h) Intangible assets

Intangible assets comprise the costs of information systems acquisition and implementation, which are measured at cost less accumulated amortization and any impairment losses, if applicable.

Subsequent disbursements on information systems are capitalized only when they increase the economic benefits embodied in the specific asset to which they relate. All other disbursements are expensed as incurred.

Information systems are amortized on a straight-line basis over its estimated useful life, estimated in five years.

Amortization methods and useful lives are reviewed at each reporting date and adjusted, if appropriate.

i) Other non financial assets

The works of art and collection items are measured at their cost.

j) Provisions

The Group recognizes a provision if and only if: (a) the Group has a present legal or constructive obligation resulting from past events; (b) it is probable (i.e. more likely than not) that an outflow of resources will be required to settle the obligation; and (c) the amount payable can be estimated reliably.

In order to assess the provisions, the existing risks and uncertainties were considered taking into account the opinion of the Group's external and internal legal counsel. Based on the analysis performed, the Group recognized a provision in the amount considered to be the best estimate of the potential expenditure required to settle the present obligation at each reporting date.

The provisions recognized by the Group are reviewed at each reporting date and adjusted to reflect the current best estimate available. Additionally, provisions are allocated to a specific item so that they only be used for the purpose for which they were originally recognized.

In the event a) the obligation is possible; or b) it is not probable that an outflow of resources will be required to settle the obligation; or c) the amount of the obligation cannot be reliably measurable, such contingent liability is not recognized and is disclosed in the notes. However, disclosure is not required if payment is remote.

k) income tax

Income tax expense for each year comprises current and deferred tax. It is recognized in profit or loss except to the extent that it relates to items recognized directly in equity or in Other Comprehensive Income.

- Current tax: Current income tax comprises the tax payable or advances made in connection with the taxable income for the period and any adjustment to the tax payable or receivable related to prior years. The current tax payable (or recoverable) is the best estimate of the amount expected to be paid (or recovered) that is measured using tax rates enacted or substantively enacted at the reporting date.

- Deferred tax: Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is not recognized for:

- Temporary differences on the initial recognition of assets or liabilities in the transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;

- Temporary differences related to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future; and

- Taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets are recognized for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Deferred tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Unrecognized deferred tax assets are reassessed at each reporting date and recognized to the extent that that future taxable income against which they may be used is likely to be available.

Deferred tax assets and liabilities are presented in net amounts in the Consolidated statement of financial position when deferred tax assets and liabilities are related to taxes imposed by the same tax authorities and belong to the same taxpayer.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

In determining the amount of current and deferred tax, the Group considers the impact of different tax legislation interpretation, including any additional taxes and interest that may be due. The assessment relies on estimates and assumptions and may involve a series of value judgments about future events. New information may become available that causes the Group to change its position regarding the adequacy of existing tax liabilities; such changes to tax liabilities would impact tax expense in the period in which such assessment is made.

Tax reform

On December 29, 2017, Tax Reform Law No. 27430 was enacted through Decree No. 1112/2017. Among other aspects, this Law provides for the reduction in the corporate income tax rate applicable to unappropriated retained earnings and affects the measurement of deferred tax assets and liabilities. The reduction in the corporate income tax rate will be gradually implemented over a term of four years from 35% in year 2017 to 25% in 2020. Its effects will be considered as from deferred taxes assessed as of December 31, 2017, as follows: if the reversal takes place as from January 1, 2018 and until December 31, 2019, the applicable rate is 30%. If the reversal takes place as from January 1, 2020 onwards, the applicable rate is 25%.

Uncertain tax exposures

In determining the amounts of current and deferred income tax, the Group considers the impact of uncertain tax exposures involving the income tax, including any additional taxes and interest that may be due. The assessment relies on estimates and assumptions and may involve a series of value judgments about future events. New information may become available that causes the Group to change its value judgments regarding the adequacy of existing tax liabilities; such changes to tax liabilities would impact tax expense in the period in which such assessment is made.

k. Minimum presumed income tax

The minimum presumed income tax was established during fiscal year 1998 by Law No. 25063 for a ten-year term. At present, after successive extensions, and as provided for by Law 27260, such tax is effective for fiscal years ending on December 31, 2018, included. This tax is supplementary to the income tax because, whereas the latter is levied on taxable income for the year, minimum presumed income tax is a minimum levy on the potential income of certain productive assets at a 1% rate. Therefore, each Entity’s tax liability will be represented by the highest of both taxes. In the case of institutions governed by the Financial Institutions Law, the abovementioned law sets forth that they shall consider as taxable income 20% of their taxable assets, after deducting those assets defined as non-computable.

However, should minimum presumed income tax exceed income tax in a given fiscal year, such excess may be computed as a credit towards future income taxes occurring in any of the next ten fiscal years, once the accumulated tax losses are exhausted.

As of December 31, 2018 and 2017, the amounts assessed for income tax were higher than those assessed for minimum presumed income tax for those years.

On the other hand, the tax has been repealed for fiscal years beginning on or after January 1, 2019 as provided for by section 76 of Law No. 27260, published in the Official Gazette on 07/22/2016.

l. Impairment of non financial assets

At least, at each reporting date, the Group assesses whether there are any indications that the value of non-financial assets may be impaired (except for deferred tax assets). If there is an indication, the asset's recoverable amount is estimated.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that is largely independent of the cash inflows of other assets or cash-generating units (CGU).

The "recoverable amount" of an asset or CGU is the greater of its value in use and its fair value less costs to sell. 'Value in use' is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of the money and the risks specific to the asset or CGU.

If the accounting balance of an asset (or CGU) is higher than its recoverable value, the asset (or CGU) is considered impaired, its accounting balance is reduced to its recoverable value and the difference is recognized in profit or loss.

An impairment loss is reversed only to the extent that the carrying amount of assets does not exceed the amount they should have had if the impairment had not been recognized.

The Group has made these estimates and, given that the recoverable value of assets (value in use) exceeds their carrying amount, it has determined that no adjustment for impairment has to be recognized.

m. Interest income and expenses

Interest income and expenses are recognized in profit or loss using the effective interest rate method. The effective interest rate is the rate that exactly discounts contractual cash payments and receipts, throughout the expected life of the financial instrument, from the accounting balance of the financial asset or liability.

The calculation of the effective interest rate includes transaction costs, commissions and other items paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition of a financial asset or the issuance of a financial liability.

Interest income and expenses presented in the Consolidated statement of income include interest on financial assets and liabilities measured at amortized cost and financial assets measured at fair value with changes recognized in OCI.

n. Fee income and expenses

This account includes fee income and expenses related to contracts with customers within the scope of IFRS 15 “Revenue from ordinary activities from customer contracts”.

Commissions, fees and the like that are part of the effective interest rate of a financial asset or liability are included in measuring the effective interest rate.

Other fee income, including fees for services, mutual fund management, service commission is recognized when the related service is provided.

The Bank has a customer loyalty program in place consisting in the accumulation of points through credit and/or debit card consumptions. They can be exchanged for products or services to be furnished by the Bank.

At each reporting date, the Bank measures the rewards to be granted as an identifiable component of the main transaction, the fair value of which, i.e. the amount at which the reward may be sold separately, is recorded under "Other liabilities – Customer loyalty program". (See Note 32).

Other fee expenses are recognized in profit or loss when the related service is received.

o. Employee benefits

Short term employee benefits are recognized in profit or loss when the employee provides the related services. A provision is recognized if the Group has the legal or implied obligation, based on past services provided by the employee, to pay an amount that can be reliably estimated.

p. Fiduciary and investment management activities

The Group provides custody, management, investment management and counseling to third parties services that lead to holding and allocation of assets on their behalf. These assets and related results are not included in the Consolidated financial statements, since those assets don't belong to the bank, (see Notes 42 and 43).

The commissions generated by these activities were included in the item “Commission revenue” of the Consolidated Statement of Income.

q. Earnings per share

Basic and diluted earnings per share are calculated by dividing net income attributable to the shareholders of the Group by the weighted average number of outstanding common shares during each year. In the fiscal years ended December 31, 2018, and 2017, the Group does not hold diluted financial instruments, therefore, basic and diluted earnings per share are the same.

r. Segment information

The Group presents separately information on operating segments. An operating segment is a component of the Group:

- That is involved in business activities whereby can be generated profits and losses might be incurred,
- Whose operating results are revised on a regular basis by the operating decision maker’s highest authority, defined as the Bank Board of Directors, who decide on resource allocation to segments and assess their yields, and
- For which there is available individual data.

The segment information differs from information prepared under IFRS mainly due to that:

- Assets and liabilities are determinate taking into account the average monthly balances, rather than the year-end balance sheets.

- The assets, liabilities, incomes and expenses are presented based on information prepared in accordance with the regulatory requirements (accounting standards of the BCRA).

3.5 New pronouncements and interpretations not adopted yet

The Group has decided not to apply the news rules, changes in current standards and/or interpretations earlier.

The new rules and changes that yet were not effective as of December 31, of 2018 are indicated below.

- IFRS 16 “Leases”: which are effective as of January 1, 2019, replaces the current IAS 17, modifying particularly the accounting treatment of lease contracts by the lessee.

The new standard introduces an accounting model for the lessee that, from the entering into force of the IFRS 16, should recognize in the asset a right to use that represents its right to use the leased asset and a liability related to lease that represents their obligation to carry out lease payments.

As to the lessors' recognition, IFRS 16 substantially keeps the accounting requirements of IAS 17. Consequently, the lessor continues classifying the leases as an operating lease or a finance lease, and each of them are recognized differently.

During year 2018, the Entity has carried out a project for implementing IFRS 16 with the participation of all the areas involved. The Standard will have effects mainly on the recognition of operating leases in which the Bank is a lessee.

Regarding the estimated impact on the Consolidated Financial Statements at transition date, the Bank has opted for applying the modified retrospective method consisting in recognizing lease liabilities in the amount equivalent to the current amount of the future payments agreed as of January 1, 2019. Based on this approach, the Bank estimates it will recognize a right-of-use asset and a lease liability in the amount of approximately 283,724 mainly from 152 lease contracts of offices for its network of branches.

- CINIIF 23 Uncertainty about the treatment for income taxes: it is clarified how are applied the guidelines about the recognition and measurement of the IAS 12 "Income taxes" when there are uncertainties about the treatment for income taxes. This standard becomes operative for fiscal years that beginning on or after January 1, 2019.

NOTE 4: Segment reporting

For the purposes of reporting relevant information, the Group has determined the operating segments listed below, for which discrete financial information is available, which is regularly reviewed by the Bank's chief operating decision maker.

- Individuals: The individuals segment groups transactions of customers that are individuals. These customers mainly acquire the following products, among others, personal loans, credit cards, overdrafts, time deposits and demand deposit accounts.

- Companies: this segment groups the transactions performed by large, micro, small and medium-sized companies that use the credit facilities offered by the Bank, as well as transactional services and deposits as well as the different federal, provincial and municipal government agencies, including the province of Río Negro.

- Treasury and other: agrupa las operaciones de clientes del sector financiero, actividades de inversión, derivados, otras operaciones de fondeo y subsidiarias.

For management information purposes, the asset and liabilities balances are those corresponding to the average month and not those at year-end and profit or loss of each segment were determined by using the internal transfer rate of the Bank.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(In thousands of Argentine pesos)

For the fiscal years ended December 31, 2018 and 2017, there are no transactions with individual customers accounting for 10% or more of the Bank's total revenues, or exploitations in geographical areas significantly different from the country of main residence of the Bank (Argentina).

The following tables show information related to the Bank's business segments:

- As of December 31, 2018, 2017 and 2016 for the information related to the Bank's financial position;
- For the fiscal years ended December 31, 2018 and 2017 for the information related to the Bank's profit or loss.

	Individuals segment	**Companies segment**	**Treasury and Other**	**Total as of 12/31/2018**
Net interest income and similar income	5,200,424	4,912,310	3,911,553	14,024,287
Fee income	1,413,686	1,804,069	176,154	3,393,909
Gains on financial assets measured at fair value through profit or loss	-	113,049	1,889,204	2,002,253
Net exchange gains	479,358	465,189	21,252	965,799
Other operating income	(335,697)	(193,108)	656,873	128,068
Net impairment loss on financial assets	(494,347)	(373,951)	(686,517)	(1,554,815)
TOTAL OPERATING INCOME	6,263,424	6,727,558	5,968,519	18,959,501
Total operating expenses				(10,289,697)
INCOME BEFORE INCOME TAX				8,669,804
Income tax expense				(2,864,308)
NET INCOME				5,805,496

Reconciliation with the statement of income

Net income as of 12/31/2018 as per statement of income	**1,466,643**
Reconciliation between management information and regulatory information	(16,349)
Restatements in closing currency	4,355,202
Total profit or loss reported in segments	**5,805,496**

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Superintendent
Finance, Administration and Public Sector Area

João Carlos de Nóbrega Pecego
President

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The following table shows the segment information from Group's report related with the financial position as of December 31, of 2018:

	Individuals segment	Companies segment	Treasury and Other	Total as of 31/12/2018
Loans	21,799,979	49,932,226	6,862,147	78,594,352
Other assets	1,876,826	960,002	66,373,539	69,210,367
TOTAL ASSETS	**23,676,805**	**50,892,228**	**73,235,686**	**147,804,719**
Deposits	54,132,315	37,902,727	15,065,466	107,100,508
Other liabilities	43,115	20,622	25,060,260	25,123,997
TOTAL LIABILITIES	**54,175,430**	**37,923,349**	**40,125,726**	**132,224,505**

Reconciliation with the statement of financial position

Assets as of 12/31/2018 as per the statement of financial position	**153.823.518**
Reconciliation items from Management to regulatory information :	
- Loans	(5.584.316)
- Other assets	111.012
- Restatements in closing currency	(545.495)
Total assets reported in segments	**147.804.719**
Liabilities as of 12/31/2018 as per the statement of financial position	**134.664.552**
Reconciliation items from Management to regulatory information :	
- Deposits	(2.016.530)
- Other liabilities	(318.138)
- Restatements in closing currency	(105.379)
Total liabilities reported in segments	**132.224.505**

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The following table shows the segment information of Group's report related with the results as of December 31, of 2017:

	Individuals segment	Companies segment	Treasury and Other	Total as of 12/31/2017
Net interest income and similar income	3,286,005	2,523,248	1,254,129	7,063,382
Fee income	1,313,866	1,525,084	88,713	2,927,663
Gains on financial assets measured at fair value through profit or loss	-	73,355	2,896,163	2,969,518
Net exchange gains	223,679	260,322	(102,089)	381,912
Other operating income	(189,382)	(92,906)	433,832	151,544
Net impairment loss on financial assets	(322,666)	(199,374)	(264,551)	(786,591)
TOTAL OPERATING INCOME	**4,311,502**	**4,089,729**	**4,306,197**	**12,707,428**
Total operating expenses				(7,728,049)
INCOME BEFORE INCOME TAX				**4,979,379**
Income tax expense				(1,980,952)
NET INCOME				**2,998,427**

Reconciliación con el Estado de Resultados

Net income as of 12/31/2017 as per statement of income	**2,057,559**
Reconciliation items from Management to regulatory information	(125,192)
Restatements in closing currency	1,066,060
Total profit or loss reported in segments	**2,998,427**

The following table shows the segment information from Group's report related with the financial position as of December 31, of 2017:

	Individuals segment	Companies segment	Treasury and Other	Total as of 12/31/2018
Loans	18,087,187	33,542,594	8,285,501	59,915,282
Other assets	1,345,806	605,508	31,001,172	32,952,486
TOTAL ASSETS	**19,432,993**	**34,148,102**	**39,286,673**	**92,867,768**
Deposits	37,479,959	19,871,841	7,645,327	64,997,127
Other liabilities	40,918	17,792	14,487,741	14,546,451
TOTAL LIABILITIES	**37,520,877**	**19,889,633**	**22,133,068**	**79,543,578**

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Reconciliation with the statement of financial position

Assets as of 12/31/2017 as per the statement of financial position	**144,124,701**
Reconciliation items from Management to regulatory information :	
- Loans	(3,412,816)
- Other assets	(547,845)
- Restatements in closing currency	(47,296,272)
Total assets reported in segments	**92,867,768**
Liabilities as of 12/31/2017 as per the statement of financial position	**124,361,215**
Reconciliation items from Management to regulatory information :	
- Deposits	(4,065,462)
- Other liabilities	(441,031)
- Restatements in closing currency	(40,311,144)
Total liabilities reported in segments	**79,543,578**

NOTE 5: Interest income and similar income

	12/31/2018	12/31/2017
Loans	**23,347,037**	**19,210,099**
Notes	5,515,255	4,188,210
Overdrafts	4,818,334	2,631,673
Personal Loans	4,768,023	4,122,630
Credit cards	2,723,695	2,950,587
Pledge loans	1,613,137	1,746,990
Car loans	1,247,012	711,501
Loans to financial institutions	1,029,492	675,378
Finance lease	390,675	502,537
Interest on swap transactions	338,992	1,309,925
Export pre-financing loans	149,833	80,845
Other loans	752,589	289,823
Other receivables	**16,298**	**15,410**
Other financial assets FV with changes in OCI	**6,548,273**	**-**
Other	**101,286**	**11,002**
	30,012,894	**19,236,511**

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NOTE 6: Interest expenses and similar expenses

	12/31/2018	12/31/2017
Deposits	11,564,274	6,701,274
Corporate bonds	968,645	712,062
Financing facilities received from financial institutions	760,561	660,931
Other	226,114	199,939
	13,519,594	8,274,206

NOTE 7: Fee income and expenses

	12/31/2018	12/31/2017
Fee income		
Credit and debit cards	1,627,880	1,977,655
Checking accounts	1,292,224	1,154,108
Packages of products	911,355	850,867
Insurance	857,646	857,569
Revenues	417,059	330,067
Foreign trade	277,950	269,678
Safe-deposit boxes	247,903	270,608
Trust activity	220,371	233,651
Savings accounts	196,749	199,460
Checks to be collected and items in custody	137,322	292,061
Portfolio management and recovery process	104,962	143,135
Securities Titles	79,672	82,971
Custodian Agent (See Note 39)	40,059	46,992
Other	316,078	606,683
	6,727,230	7,315,505

	12/31/2018	12/31/2017
Fee expenses		
Credit and debit cards	1,404,244	1,362,850
Salary crediting agreement	221,634	163,898
Securities clearing and means of payment	79,093	69,279
Carriage of valuables	43,167	132,127
Other	195,703	192,222
	1,943,841	1,920,376

(In thousands of Argentine pesos)

NOTE 8: Gains on financial assets measured at fair value through profit or loss

	12/31/2018	12/31/2017
Financial assets measured at fair value	1,629,176	4,589,706
Cash dividends from shares	202,863	137,893
Forward foreign currency transactions (see Note 21)	135,381	242,636
Income from interest rate swaps	(339)	-
	1,967,081	4,970,235

NOTE 9: Net exchange gains

	12/31/2018	12/31/2017
Conversion into Argentine pesos of foreign currency assets and liabilities	485,741	(123,833)
Gains from purchase-sale of foreign currency	756,100	710,191
	1,241,841	586,358

NOTE 10: Other operating income

	12/31/2018	12/31/2017
Proceeds from credit card transactions	82,900	43,946
Proceeds from the sale of fixed assets and miscellaneous assets	70,081	14,081
Changes in the fair value of investment properties (Note 45)	5,562	-
Other	56,081	101,871
	214,624	159,898

NOTE 11: Personnel expenses

	12/31/2018	12/31/2017
Salaries	4,486,055	4,545,434
Social security contributions	905,580	971,253
Services to personnel	187,211	176,238
Personnel bonuses	132,024	113,275
Representation and per diem expenses	44,995	47,872
Administrative services hired	10,523	17,673
Severance payments	2,477	873
	5,768,865	5,872,618

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(In thousands of Argentine pesos)

NOTE 12: Other receivable losses and provisions

	12/31/2018	12/31/2017
Net allowances for other losses (see Note 23)	21,165	6,584
Provisions, net (see Note 33)	232,733	155,487
	253,898	162,071

NOTE 13: Other operating expenses

	12/31/2018	12/31/2017
Turnover tax (1)	2,279,774	1,915,542
Maintenance, conservation and repair expenses	748,718	573,197
Sundry taxes	525,690	444,359
Rentals	288,140	297,985
Electric power and communications	274,433	225,382
Armored vehicle services	272,371	372,025
Security services	255,092	342,646
Advertising and marketing	225,323	158,937
Professional fees	217,363	237,089
Contribution to the deposit guarantee fund	162,089	155,901
Tax on bank accounts debits and credits	148,167	194,843
Directors' and supervisory auditors' fees	119,477	129,743
Cleaning expenses	90,400	105,560
Office supplies expenses	82,035	63,964
Courier cost	24,611	168,021
Other	637,653	898,014
	6,351,336	6,283,208

(1) As of December 2018, and 2017, this tax is related to interest income and similar income in the amounts of 1,759,369, and 1,316,336, respectively; to fee income in the amounts of 512,401 and 560,658, respectively; and to other income in the amounts of 8,004 and 38,548, respectively,

NOTE 14: Loss on net monetary position

The main concepts caused by the loss on net monetary position as of December 31, of 2018 and 2017 are detailed bellow:

	31/12/2018	31/12/2017
Cash and cash equivalents	(10.308.747)	(4.607.630)
Financial assets in the fair value and amortized cost	(7.616.937)	(4.124.649)
Loans	(33.442.383)	(19.139.287)
Funding received and negotiable obligations	3.468.681	1.835.103
Deposits	38.959.761	20.505.703
Other liabilities	4.089.613	2.608.949
	(4.850.012)	(2.921.811)

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NOTE 15: Income tax

Amounts recognized as deferred tax assets and liabilities are as follows:

Description:	12/31/2018	Deferred tax (expense) gain	OCI	Restate-ments in constant currency	12/31/2017
Deferred tax assets:					
Loans	274,886	(145,278)	-	(200,011)	620,175
Other receivables	29,188	21,075	-	(3,862)	11,975
Other liabilities	75,492	25,904	-	(23,605)	73,193
Provisions	99,417	45,019	-	(25,895)	80,293
Total deferred assets	478,983	(53,280)	-	(253,373)	785,636
Deferred tax liabilities:					
Financial assets measured at fair value	(7,568)	95,224	26,716	61,650	(191,158)
Other assets	(111,179)	(97,147)	-	6,680	(20,712)
Corporate bonds	(5,158)	(3,233)	-	916	(2,841)
Conversion difference	(26,682)	-	(26,682)	-	-
Property and equipment	(1,412,353)	(411,121)	(311,083)	328,531	(1,018,680)
Total deferred liabilities	(1,562,940)	(416,277)	(311,049)	397,777	(1,233,391)
Net deferred tax liabilities at year-end	**(1,083,957)**	**(469,557)**	**(311,049)**	**144,404**	**(447,755)**

Changes in net deferred tax assets during the years ended December 31, 2018 and 2017, are as follows:

Description	12/31/2018	12/31/2017
Net deferred tax liabilities at beginning of the year	(447,755)	(749,770)
Deferred tax (expense) gain	(469,557)	183,146
Recognized in translation reserve	(311,049)	(3,681)
Restatements in constant currency	144,404	122,550
Net deferred tax liabilities at year-end	**(1,083,957)**	**(447,755)**

The reconciliation of effective tax rate is disclosed as follows:

Description	12/31/2018	12/31/2017
Income before income tax	5,271,566	5,337,018
Exposure to net monetary position	4,850,012	2,921,811
Subtotal	10,121,578	8,258,829
Statutory income tax rate	30%	35%
Tax on net income	**3,036,473**	**2,890,590**
Net permanent differences and other tax effects:	768,450	388,869
Total income tax expense	**3,804,923**	**3,279,459**

The breakdown of the income tax expense follows:

Description	12/31/2018	12/31/2017
Current tax expense	3,335,366	3,462,605
Deferred tax expense (gain)	469,557	(183,146)
Total income tax expense	**3,804,923**	**3,279,459**

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NOTE 16: <u>Earnings per share</u>

Basic and diluted earnings per share were calculated by dividing net income attributable to the shareholders holding common shares of Banco Patagonia S,A, by the weighted average number of outstanding common shares during the year, Capitalization of earnings or other similar forms of increasing the number of shares entail a share split under IFRS and, therefore, they have been considered as if they had been issued from the beginning of the earliest period presented, and such increases were applied retroactively to the calculation of “earnings per share”,

For the weighted average calculation of outstanding common shares, the number of shares at the beginning of year was adjusted by the number of common shares redeemed in the course of the year, if applicable, weighted by the number of days when they were outstanding,

The “diluted earnings per share” measures the yield of common shares considering the effect of other financial instruments that may be converted into shares, Given that the Bank has not issued financial instruments which have a dilutive effect on earnings per share, basic and diluted earnings per share are the same,

The following table shows the calculation of basic and dilutes earnings per share:

	12/31/2018	**12/31/2017**
Numerator:		
Net income attributable to parent company’s shareholders	1,466,643	2,057,559
Denominator:		
Weighted average of number of common shares for the year, adjusted by acquisition of treasury share - Face value	719,145,237	719,145,237
Basic and diluted earnings per share (In pesos)	2.0394	2.8611
Number of outstanding common shares at beginning of the year and as of year-end (see Note 2)	719,145,237	719,145,237

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NOTE 17: Distribution of earnings and restrictions to the distribution of earnings

In accordance with the BCRA rules, 20% of income for the year shall be allocated to the Legal Reserve.

Under the provisions of Law No. 25063, dividends distributed in cash or in kind, in excess of accumulated taxable income determined at the end of the fiscal year immediately prior to the date of payment or distribution will be subject to the income tax withholding at a 35% rate as a one-off payment in accordance with the general rate in force in such year. The amount of income to be considered in each fiscal year shall be that resulting from deducting the amount of taxes paid for the year or years in which such income, or the relevant proportionate amount thereof, was originated or distributed plus dividends or earnings from other stock companies not considered when determining such income in the same fiscal periods. Such distribution of dividends is not subject to the previously mentioned withholding because it does not exceed the earnings determined based on the application of the referred regulations. Notwithstanding the foregoing, the tax reform introduced by Law No. 27430, dated December 29, 2017 stated that it shall not be applicable to dividends or earnings attributable to income accrued in the fiscal years beginning on or after January 1, 2018.

However, the referred Law 27430 reduced the income tax rate applicable to corporations from 35% to 30% during the two fiscal years beginning on or after December 1, 2018. This reduction is supplemented with a 7% income tax withholding on the payment of dividends paid out of income for the year. As from fiscal years beginning on January 1, 2020, the income tax rate applicable to corporations is reduced to 25%, and supplemented with a 13% withholding on the payment of dividends.

BCRA regulations set forth the general procedure for the distribution of earnings. According to such procedure, a distribution may only be made with the express authorization of the BCRA, provided that there are no records of financial assistance from that entity due to illiquidity or shortfalls as regards minimum capital requirements or minimum cash requirements, and other sort of penalties imposed by specific regulators, which are deemed to be material, and/or where no corrective measures had been implemented, among other previous conditions included in the Communication that must be met.

Additionally, earnings may only be distributed as long as a positive balance remains after deducting – on an off-balance sheet basis– from the unappropriated retained earnings and optional reserve for future distribution of earnings, the amounts of the mandatory legal reserves and those set forth by the by-laws, the positive net difference between the carrying amount and market value or present value established by the BCRA, as applicable, of government securities and/or monetary regulation instruments governed by the BCRA that are not valued at market prices and the amounts capitalized as a result of legal actions related to deposits, among others.

On the other hand, the Entity shall verify that after the distribution of earnings is conducted, a capital margin reserve on its assets weighed according to risk be maintained, which is added to the minimum capital requirement, and shall be set up exclusively with level 1 ordinary capital net of deductible items.

As provided for by General Resolution No. 593 of CNV, the Shareholders at the Meeting held to consider the annual financial statements shall resolve on the allocation of accumulated earnings of the Entity, through either the effective distribution of dividends, the capitalization thereof with the delivery of bonus shares, by setting up optional reserves in addition to the Legal Reserve, or a combination of any of the aforementioned.

(In thousands of Argentine pesos)

Banco Patagonia S.A.

As detailed in the paragraphs above, the result of the financial period 2018 of Banco Patagonia S.A., determined in accordance with the BCRA accounting reporting framework, amounted 5.350.670 and it is proposed to assign it, as arises from Profit Sharing Project as follows:

- Legal reserve (20% s/5.350.670)	1,070,134
- Optional Reserve – Future distribution of earnings	1,605,201
- Cash dividends	2,675,335
Total	**5,350,670**

GPAT Compañía Financiera S.A.U.

Distributable results of GPAT Compañía Financiera S.A.U., determined in accordance with the BCRA accounting reporting framework, amounted 17.180 and it is proposed to assign, as arises from Profit Sharing Project including in the Financial Statements of GPAT S.A.U., as follows:

- Legal reserve (20% s/17.180)	3,436
- Optional Reserve – Future distribution of earnings	13,744
Total	**17,180**

The distribution of earnings is subject to the approval of the Annual Shareholders' Meeting.

Patagonia Valores S.A.

The Annual Shareholders' Meeting held to approve the financial statements as of December 31, 2018 shall resolve on the allocation of losses for the year in the amount of 10,385.

Patagonia Inversora S.A. Sociedad Gerente de Fondos Comunes de Inversión

As provided for by section 70 of Law 19550, 5% of income for the year shall be allocated to set up the legal reserve until 20% of the share capital is reached plus the capital adjustment.

It is proposed for consideration of the Ordinary General Meeting of Shareholders that approves the corresponding accounting statements, prepared in accordance with the Argentine Standards for Professional Accountants, the following distribution of results by the fiscal year ended at December 31, 2018:

- Legal reserve	2,034
- To Unappropriated retained earnings	91,437
Total	**93,471**

(In thousands of Argentine pesos)

NOTE 18: Cash and cash equivalents

	12/31/2018	12/31/2017
Cash	4,752,520	4,539,031
BCRA – Current account (1)	29,379,307	16,079,255
Balances with other financial institutions (1)	808,782	669,619
	34,940,609	21,287,905

(1) As of December 31, 2018 and 2017, those accounts did not bear any interest,

The table below includes a breakdown of the main financial institutions in which funds are deposited as of December 31, 2018 and 2017:

	12/31/2018	12/31/2017
Standard Chartered Bank	167,379	41,872
Banco de la Nación Argentina	147,819	275,532
Bank of America	121,427	87,411
J.P. Morgan Chase Bank	112,676	62,421
Citibank N.Y.	79,480	54,563
Banco Central del Uruguay	46,563	939
The Bank of New York Mellon	30,405	1,178
Unicrédito Italiano S.p.A.	22,515	50,290
Euroclear Bank S.A.	18,980	14,275
Other	61,538	81,138
	808,782	669,619

Minimum cash requirements

The BCRA establishes different requirements that should be met by financial institutions regarding solvency, liquidity, maximum amount of loans that may be granted per customer and foreign currency positions, among others (see also Note 35),

The minimum cash requirement establishes that a financial institution shall keep a portion of deposits or obligations available and not appropriated to lending transactions,

The following table shows the items computed by the Bank and GPAT as minimum cash requirements, as provided for by the related BCRA regulations, as of December 31, 2018, and 2017:

Item	12/31/2018	12/31/2017
Due from the BCRA (Argentine Central Bank)		
BCRA – Current account - Unrestricted	29,379,307	16,079,255
BCRA – Special guarantee accounts - Restricted	1,058,649	1,321,922
	30,437,956	17,401,177

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NOTE 19: Special guarantee accounts

The Bank holds special guarantee accounts in the BCRA in connection with clearing house transactions and the like, Additionally, Banco Patagonia Uruguay S,A, I,F,E, holds deposits in the Central Bank of Uruguay in connection with the mandatory placement of assets in the Republic of Uruguay, in compliance with section 221 of the Compilation of Regulatory and Control Rules of the Financial System of the Central Bank of Uruguay (See Note 38),

	12/31/2018	12/31/2017
BCRA – Special guarantee accounts	1,058,649	1,321,922
Central Bank of Uruguay – Special guarantee accounts	18,904	13,856
	1,077,553	1,335,778

NOTE 20: Financial assets measured at fair value and measured at amortized cost

Financial assets measured at amortized cost:

Description	Maturity	Currency	Rate	Amortization	12/31/2018
International Government Bonds of Argentina in US$ - 6.25%, maturity 2019	04/22/2019	USD	0,0625	Upon maturity	60.230
Treasury Bonds in ARS, maturity 01/31/2019	01/31/2019	ARS	0,04	Upon maturity	25.905
Treasury Bonds in ARS, maturity 06/21/2020	06/21/2020	ARS	Monetary Policy Rate	Upon maturity	11.490
Bills of the Municipality of Córdoba in ARS S. 30, maturity 4/28/2019	04/28/2019	ARS	39,75 % quarterly payment	Upon maturity	10.209
Other					6.662
					114.496

Financial assets measured fair value with changes in other comprehensive income:

Description	Maturity	Currency	Rate	Amortization	12/31/2018
BCRA Liquidity Bill	from 01/02/19 to 01/08/19	ARS	Issuance with discount	Upon maturity	17.446.079
Argentine Treasury Bond in ARS - Fixed Rate, maturity 2020	11/21/2020	ARS	Annual at 26%	Upon maturity	3.376.200
Treasury bills in USD, maturity 03/15/2019	03/15/2019	USD	Issuance with discount	Upon maturity	1.356.063
Treasury bills in USD, maturity 05/10/2019	05/10/2019	USD	Issuance with discount	Upon maturity	859.413
Treasury bills in USD, maturity 06/28/2019	06/28/2019	USD	Issuance with discount	Upon maturity	446.064
International bonds of Argentina USD 6.875, maturity 04/22/2021	04/22/2021	USD	6,88% annual with semiannual payment	Upon maturity	444.677
Debt security, Class 1, Province of Rio Negro, maturity 2021	04/18/2021	ARS	var + fixed margin 5% annual	Upon maturity	220.840
Other					556.132
					24.705.468

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Financial assets measured fair value with changes in profit or loss:

Description	Maturity	Currency	Rate	Amortization	12/31/2018
Discount Bonds USD 8.28% 2033	12/31/2033	USD	8,28% annual	20 six-monthly installments	96.900
Treasury Bonds in ARS, maturity 06/21/2020	06/21/2020	ARS	Monetary Policy Rate	Upon maturity	33.088
National Treasury Bonds 2,5% $ 22/07/21	07/22/2021	ARS	8,50% annual	Upon maturity	13.177
Argentine Nation Bonds in ARS maturity 03/06/20	03/06/2020	ARS	TNM 1,601%	Upon maturity	11.353
Debt security, Class 1, Province of Rio Negro, maturity 2020	07/06/2020	ARS	5,00% annual	Upon maturity	5.631
Treasury Letters in USD 05/24/19	05/24/2019	USD	Issuance with discount	Upon maturity	3.479
Treasury Letters in USD 04/26/19	04/26/2019	USD	Issuance with discount	Upon maturity	2.729
Argentine Nation Bonds M.Dual v.06/2019	06/21/2019	USD	2,40% monthly	Upon maturity	2.693
Other					17.307
					186.357
Total Financial assets measured at fair value					**24.891.825**

Financial assets measured at fair value:

Description	Maturity	Currency	Rate	Amortization	12/31/2017
BCRA bills	from 01/17/18 to 09/19/18	ARS	Issuance with discount	Upon maturity	16,834,110
Treasury bills in USD maturity April 2018	04/13/18	USD	Issuance with discount	Upon maturity	710,146
Treasury bills in USD maturity January 2018	01/26/18	USD	Issuance with discount	Upon maturity	675,065
Argentine Government Bond in USD USD 6,875% 2021	04/22/21	USD	6,88%	Upon maturity	401,582
Treasury bills in USD Vto February 2018	02/09/18	USD	Issuance with discount	Upon maturity	375,257
Treasury bills in USD Vto June 2018	06/29/18	USD	Issuance with discount	Upon maturity	313,741
Discount bonds in ARS + negative value GDP ARS	12/31/33	ARS	5,83% + cer	20 six-monthly installments	251,148
Treasury bills in USD maturity, March 2018	03/16/18	USD	Issuance with discount	Upon maturity	210,057
Treasury bills in USD maturity, June 2018	06/15/18	USD	Issuance with discount	Upon maturity	208,631
Argentine Government Bond in ARS Badlar + 250 B,P, (BONAR 2019)	03/11/19	ARS	Badlar + 2,5%	Upon maturity	126,342
Debt Title of the Province of Río Negro in ARS C1	07/06/20	ARS	Badlar + 5,0%	Upon maturity	86,273
Treasury Bills of the Province of Río Negro Guaranteed in ARS C1 S6	05/09/18	ARS	Issuance with discount	Upon maturity	86,027
Treasury Bills of the Province of Neuquén Guaranteed in ARS C1 S1	09/09/20	ARS	Badlar + 4,75%	4 quarterly installment	74,466
Other					360,120
					20,712,965

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Financial liabilities measured at fair value:

Description	Maturity	Currency	Rate	Amortization	12/31/2017
National Treasury Bonus in ARS 2,5% (BONCER 2021)	07/22/21	ARS	2,5% + cer	Upon maturity	4,002
Argentine Government Bond in ARS Badlar + 300 P,B,	04/03/22	ARS	Badlar + 2,0%	Upon maturity	29,699
					33,701

ARS : Argentine pesos
USD: US Dollars

NOTE 21: Derivative financial instruments

In the ordinary course of business, the Group entered into forward instruments with daily or monthly settlement of differences without delivery of the underlying assets, they are measured at fair value, Gains or losses on changes in fair values are recognized in the Consolidated Statement of Profit or Loss, Such transactions do not qualify as hedging.

Notional values as of December 31, 2018 and 2017, in thousands of the original currency, are broken down as follows:

	Notional value as of	
	12/31/2018	**12/31/2017**
Forward purchases of foreign currency	USD 74,102	USD 49,770
Forward sales of foreign currency	USD 64,402	USD 48,886

The fair value of forward transactions with daily settlement is zero because of the difference between the agreed-upon and market values with impact on profit or loss, As of December 31, 2018 and 2017, the fair value of forward transactions with monthly settlement is 148,988, and 9,002, respectively, for the transactions that resulted in balances receivable, and of 74,331 and 20,750, respectively, for the transactions that resulted in balances payable,

Gains on forward foreign currency instruments as of December 31, 2018 and 2017 amounted to 135,381 and 242,636, respectively (see Note 8),

(In thousands of Argentine pesos)

NOTE 22: Loans

Loans are classified as "Financial assets measured at amortized cost":

	12/31/2018	12/31/2017
Notes	29,444,102	27,452,595
Credit cards	12,766,498	15,581,341
Overdrafts	11,167,709	10,793,074
Consumer loans	10,064,009	13,172,877
Car loans	4,135,295	6,811,002
Loans to car dealers	4,069,746	7,443,411
Export pre-financing loans	3,996,906	3,394,876
Loans to financial institutions	3,839,636	3,404,089
Amounts receivable from repo transactions with financial institutions	1,124,919	1,607,638
Mortgage loans	1,029,324	331,660
Finance lease	998,913	1,997,741
Amounts receivable from the sale of securities with financial institutions	286,222	606,925
Loans granted to Public Sector Agencies	158,433	553,951
Other loans	2,268,843	1,214,934
Interest and similar items receivable	1,867,148	1,299,280
Total loans	87,217,703	95,665,394
Allowances for loan losses	(3,039,035)	(2,191,190)
Total	84,178,668	93,474,204

Loans by type as of December 31, 2018 and 2017 are as follows:

	12/31/2018	12/31/2017
Commercial loans	55,899,128	56,120,390
Mortgage loans	1,309,034	331,660
Consumer loans	30,009,541	39,213,344
Total	87,217,703	95,665,394

Interest rates for loans are established based on the existing market rates as of the date on which they are granted,

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Finance lease

The following table shows the total gross investment in finance lease and the present value of minimum payments to be received therefrom:

Finance lease	12/31/2018		12/31/2017	
Term	**Total gross investment**	**Present value of minimum lease payments**	**Total gross investment**	**Present value of minimum lease payments**
Up to 1 year	755,390	530,644	1,280,722	905,452
From 1 to 5 years	602,657	486,628	1,311,608	1,110,340
More than 5 years	-	-	6,654	6,025
	1,358,047	1,017,272	2,598,984	2,021,817

	12/31/2018	12/31/2017
Capital	998,913	1,997,741
Interest receivable	18,359	24,076
Total	1,017,272	2,021,817

As of December 31, 2018 and 2017, unearned finance income amounted to 340,775, and 577,167, respectively.

Allowances for loan losses

The changes in the provisions for default risks by the fiscal year ended at December 31, 2018 and 2017 are showed below:

Changes in allowances by type of loan	Mortgage loans	Consumer loans	Commercial loans	Total
Balances as of January 1, 2017	3,119	2,317,691	468,294	2,789,104
Provisions made during the year	21,825	1,391,987	470,621	1,884,433
Provisions used during the year	(6,828)	(361,262)	(205,861)	(573,951)
Loss on net monetary position	(2,840)	(876,808)	(180,903)	(1,060,551)
Balances as of December 31, 2017	**15,276**	**2,471,608**	**552,151**	**3,039,035**

Changes in allowances by type of loan	Mortgage loans	Consumer loans	Commercial loans	Total
As of January 1, 2017	2,421	1,404,267	514,032	1,920,720
Provisions made during the year	7,510	1,020,046	213,308	1,240,864
Provisions used during the year	(3,441)	(430,257)	(81,599)	(515,297)
Loss on net monetary position	(896)	(338,771)	(115,430)	(455,097)
As of December 31, 2017	**5,594**	**1,655,285**	**530,311**	**2,191,190**

(In thousands of Argentine pesos)

The net impairment loss on financial assets broken down as follows:

	12/31/2018	12/31/2017
Loan losses for the year	(1,884,433)	(1,240,864)
Net charge for uncollectibility generated by other financial instrument	(69,108)	-
Recovery of loans	158,108	102,707
Net impairment loss on financial assets for the year	(1,795,433)	(1,138,157)

Contingent obligations

The Bank's credit policy includes granting guarantees, letters of credit and loan commitments to fulfill customers' specific financial needs, These transactions expose the Bank to additional credit risks,

As of December 31, 2018 and 2017, the Bank has issued guarantees, loan commitments and letters of credit as follows:

	12/31/2018	12/31/2017
Unused agreed overdrafts	100,000	295,206
Unused credit card limits	24,431,191	30,970,007
Guarantees granted	498,615	898,353
Obligations from foreign trade transactions	281,069	234,493
Letters of credit	624,868	232,008
	25,935,743	32,630,067

These instruments are initially recognized at their fair value, which is the fee received, under "Other liabilities",

The risks related to the contingent obligations are evaluated and monitored under the Bank's credit risk policy mentioned in Note 41,

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NOTE 23: Other receivables

Other receivables are classified as "Financial assets measured at amortized cost",

	12/31/2018	12/31/2017
Sundry receivables	656,390	456,824
Corporate bonds purchased (1)	409	1,075
Trust securities (2)	74,029	14,772
Other	396,077	510,673
	1,126,905	983,344
Allowance for other receivables losses	(42,521)	(52,626)
	1,084,384	**930,718**

(1) As of December 31, 2018 and 2017, the corporate bonds purchased in local currency accrue interest at a weighted average rate of 4,22%, and 3,55%, respectively, and have a weighted average term of 45, and 48 months, respectively,

(2) As of December 31, 2018 and 2017, effective trust securities are receivables with fixed installments earning interest at a weighted average, annual, nominal rate of 52,00%, and 26,75%, respectively, the weighted average term of which is 8, and 2 months, respectively,

The following are the changes in the allowance for other receivables losses:

	12/31/2018	12/31/2017
At the beginning of the year	52,626	66,510
Loan losses for the year (see Note 12)	21,165	6,584
Provisions used during the year	(13,134)	(7,684)
Loss on net monetary position	(18,136)	(12,784)
At year-end	**42,521**	**52,626**

NOTA 24: Non-current Assets Held for Sale

	31/12/2018	31/12/2017
Prisma Medios de Pago S.A.	201,965	-
Land and buildings	22,040	50,749
	224,005	**50,749**

As of December 31, 2018, the Entity held a piece of property located in Vicente López, province of Buenos Aires, in the amount of 22,040, which was sold in January 2019.

In the same way, as of December 31, of 2018, the Entity maintained its holding in the company Prisma Medios of Pago S.A. of 201.965 as an asset maintained for sale as approved by the Board of Directors at its November 7, 2017 meeting (see Note 45).

As of December 31, of 2017, the Group maintained a building located at in the Autonomous City of Buenos Aires registered as an asset maintained for sale by 50.749, which was realized in May of 2018.

Marcelo A. Iadarola Executive Manager of Administration	Juan M. Trejo Superintendent Finance, Administration and Public Sector Area	João Carlos de Nóbrega Pecego President

NOTE 25: Investment properties

Hereunder, a summary table with all relevant information of the item Investment properties is presented:

Evolution of balances deriving from investment properties	Total
Balance as of January 1, 2018	**-**
Acquisitions	-
Reclassification of the property and equipment (See Note 26)	20,148
Changes in the fair value	5,562
Balance as of December 31, of 2018	**25,710**

During the first quarter of 2018, the Group has devoted a commodity of properties and equipment for renting to third parties, reclassified them as investment properties.

The fair value of investment properties was determinate by independent external auditors with relevant professional qualification and experience.

To determinate the fair value was used a market-based approach, which assumed that a knowledgeable, willing buyer pay no more than the purchase price of a similar new asset, i.e., that provides an indication of value by comparing similar assets.

The investment properties are frequently negotiated and, at the date of analysis, there were units with a price level known in the market or was possible for the independent auditor to seek opinions of brokers or realtors in the areas of each property. Therefore, there were stable markets of similar used goods offered for purchase - sale for determination of fair value through the focus of the market.

Additionally, the following characteristics were considered to determinate the fair value of each property:

- ✓ Location in the area
- ✓ Location in the block
- ✓ Location in the building
- ✓ Infrastructure services
- ✓ Front
- ✓ Surface
- ✓ Occupied surface
- ✓ Constructive quality
- ✓ Aging
- ✓ Maintenance
- ✓ Marketing

The changes in the fair values of investment properties were recognized as gain in earnings, in the item Other Operating incomes.

NOTE 26: Property and equipment

Additionally, as mentioned in Note 3.4.g) to these financial statements, the Group adopted the revaluation method as the accounting policy applicable to all real estate of its own.

In compliance with the accounting policies and considering the changes in the fair value of real estate for the Entity's own use, the Group hired the services of an independent expert in appraisals for the determination of the fair values and revaluation of the useful life of the real estate as of December 31, 2018.

The increase of the carrying amount of the properties as result of the aforementioned revaluation was recognized in the Statement of Integral earnings, in the item Reserve by Revaluation of Real State Asset, by 1.236.155 that, taking into account the tax effect of 311.083, result in a net balance of 925.072

To determinate the fair value was used the market approach, which starts from the premise that a knowledgeable buyer will not pay for one asset more than the acquisition cost of similar ones, that is to say providing an indication of the value of a property by comparing the price of similar properties,

The assets subject to revaluation are a topic of frequent trading and, on the date of the analysis, there are units with a price level known in the marketplace or was possible to the independent appraiser to obtain opinions of agents or realtors in the areas of each property, Therefore, there are stable markets of similar used properties offered for purchase – sale to determinate the fair value by means of the market approach,

For properties more significant, subject to revaluation, have been considered the following ranges of values by m²:

- ✓ In the autonomous city of Buenos Aires
  - For offices in horizontal property, the reference values vary from 20,000 to 45,000 $/m2,
  - For commercial locations, the values vary from 15,000 to 46,000 $/m2,
  - For other properties, the values vary from 8,500 to 24,000 $/m2,
- ✓ In the Province of Buenos Aires
  - In buildings, the values vary from 16,000 and 40,000 $/m2,
  - For land, the values vary from 2.400 a 28,000 $/m2,
- ✓ In the interior of the country
  - For commercial locations, values vary from 14,000 and 52,000 $/m2,

Additionally, the following characteristics were considered to determine the fair value of each piece of real estate:

- ✓ Location in the area
- ✓ Location in the square
- ✓ Location in the building

(In thousands of Argentine pesos)

- ✓ Infrastructure services
- ✓ Front
- ✓ Surface
- ✓ Construction quality
- ✓ Aging
- ✓ Maintenance
- ✓ Potential sale

Since the revaluation of property (considered a non-recurring valuation) is based in unobservable market data, correspond to a fair value Level 3,

Changes in the account as of December 31, 2018, 2017 and 2016 as well as the residual value of real estate for the Entity's own use compared to the residual value thereof if stated by applying the cost model and also considering the impact of re-estimating the related useful lives are shown in the following tables:

Evolution of balances for properties and equipments	**Land and buildings**	**Furniture and fixtures**	**Machinery and equipment**	**Vehicles and aircraft**	**Other miscellaneous assets(1)**	**Total as of 12/31/2018**
Estimated useful life in years	50	10	5	5	5 - 50	
Cost:						
As of January 1, 2018	4,165,972	837,314	1,637,015	187,246	322,849	7,150,396
Revaluation of Real states	1,071,941	-	-	-	-	1,071,941
Additions	281,141	28,875	80,589	10,751	2,231	403,587
Divestitures	(210,085)	(124)	(814)	(134,200)	(194,240)	(539,463)
Reclassification of the Investment property	(32,770)	-	-	-	-	(32,770)
Transfers	124,742	-	-	-	(124,742)	-
As of December 31, 2018	**5,400,941**	**866,065**	**1,716,790**	**63,797**	**6,098**	**8,053,691**
Accumulated depreciation:						
As of January 1, 2018	(170,042)	(630,186)	(1,173,031)	(151,963)	(21,594)	(2,146,816)
Revaluation of Real states	164,214	-	-	-	-	164,214
Divestitures	2,081	116	814	117,127	18,897	139,035
Reclassification of the Investment property	12,622	-	-	-	-	12,622
Depreciation for the year	(186,009)	(36,765)	(159,022)	(9,476)	(2,204)	(393,476)
As of December 31, 2018	**(177,134)**	**(666,835)**	**(1,331,239)**	**(44,312)**	**(4,901)**	**(2,224,421)**
Residual value at December 31, 2018	**5,223,807**	**199,230**	**385,551**	**19,485**	**1,197**	**5,829,270**

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	Cost model	Revaluation model
Residual value in 1 January 2018	3,995,930	3,995,930
Additions	281,141	281,141
Divestitures	(208,004)	(208,004)
Transfers	124,742	124,742
Revaluation	-	1,236,155
Reclassification of the Investment property	(20,148)	(20,148)
Depreciation for the year	(186,009)	(186,009)
Residual value at December 31, 2018	3,987,652	5,223,807

Evolution of balances for properties and equipments	**Land and buildings**	**Furniture and fixtures**	**Machinery and equipment**	**Vehicles and aircraft**	**Other miscellaneous assets(1)**	**Total as of 12/31/2017**
Estimated useful life in years	50	10	5	5	5 - 50	
Cost:						
As of January 1, 2017	4,084,105	826,459	1,584,332	168,701	389,250	7,052,847
Additions	66,978	24,589	62,998	18,994	73,002	246,561
Divestitures	(20,869)	(13,734)	(10,315)	(449)	(103,645)	(149,012)
Transfers	35,758	-	-	-	(35,758)	-
As of December 31, 2017	**4,165,972**	**837,314**	**1,637,015**	**187,246**	**322,849**	**7,150,396**
Accumulated depreciation:						
As of January 1, 2017	114,487	607,713	1,023,912	145,906	18,415	1,910,433
Divestitures	(44,952)	(2,288)	(1,629)	(723)	(58,927)	(108,519)
Depreciation for the year	100,507	24,761	150,748	6,780	62,106	344,903
As of December 31, 2017	**170,042**	**630,186**	**1,173,031**	**151,963**	**21,594**	**2,146,816**
Residual value at December 31, 2017	**3,995,930**	**207,128**	**463,984**	**35,283**	**301,255**	**5,003,581**

(1) Includes the assets that the Bank does not currently use in branches' operations, amounting to 42,390, as of December 31, 2017, The potential sale of which Management is currently analyzing and that still do not comply with the conditions set forth in IFRS 5 for them to be considered as non-current assets held for sale, The residual value of those assets does not exceed their recoverable value,

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(In thousands of Argentine pesos)

NOTE 27: Intangible assets

Intangible assets relate to the cost of development of systems, the changes of which are shown in the following table:

Evolution of balances for intangible assets	Total as of 12/31/2018	Total as of 12/31/2017
Cost:		
At the beginning of financial year	133,940	64,051
Additions	38,562	69,889
At the end of financial year	**172,502**	**133,940**
Accumulated amortization:		
At the beginning of financial year	38,640	24,501
Amortization for the year	15,649	14,139
At the end of financial year	**54,289**	**38,640**
Balance at the end of the financial year	**118,213**	**95,300**

NOTE 28: Other assets

	12/31/2018	12/31/2017
Financial assets	**634,606**	**750,504**
Security deposits (see Note 38)	474,290	458,541
Other	160,316	291,963
Non-financial assets	**482,580**	**473,995**
Advance payments	295,732	357,917
Prepayments for purchases of assets	49,451	76,717
Works of art	28,779	28,779
Other	108,618	10,582
	1,117,186	**1,224,499**

NOTE 29: Financing facilities received from financial institutions

	12/31/2018	12/31/2017
Central Bank of Argentina	15,603	14,720
Funding received from local financial institutions	1,924,032	4,473,792
Funding received from foreign financial institutions	8,398,152	1,782,485
	10,337,787	6,270,997

They correspond to, mainly, transaction-based balance of passive swap and by funding lines of international organizations, agreed at variable rates, During fiscal years 2018 and 2017, the Bank has not defaulted on the payment of principal and interest relating to the financing received from financial institutions, In addition, it has not defaulted on covenants and other promises related to such financing,

(In thousands of Argentine pesos)

NOTE 30: Deposits

Deposit are classified as "Financial liabilities measured at amortized cost":

	12/31/2018	12/31/2017
Nonfinancial public sector	**11,995,436**	**6,888,480**
Checking accounts	3,949,770	3,533,781
Time deposits	5,793,933	2,512,388
Other	1,936,833	771,822
Interest payable	314,900	70,489
Financial sector	**38,329**	**19,452**
Nonfinancial private sector and foreign residents	**97,083,273**	**95,030,554**
Checking accounts	10,149,168	13,547,829
Savings accounts	44,273,423	44,361,382
Time deposits	37,935,565	33,238,655
Other	3,419,542	3,175,737
Interest and similar items payable	1,305,575	706,951
	109,117,038	101,938,486

Deposit guarantee

Law No, 24485 and Decree No, 540/95 created a Deposit Guarantee Insurance System to provide coverage for risks inherent in bank deposits, supplementary to the bank deposit privileges and protection system established by the Financial Entities Law, This system shall cover the deposits in Argentine pesos and foreign currency with the participating entities, such as checking accounts, savings accounts, time deposits or any other determined by the BCRA, as long as the requirements under Decree No, 540/95 and any other established by the applicable authorities are met,

As of December 31, 2018 and 2017, such deposit guarantee amounts to 23,658,920, and 38,178,991, respectively,

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Juan M. Trejo
Superintendent
Finance, Administration and Public Sector Area

João Carlos de Nóbrega Pecego
President

NOTE 31: Corporate bonds

Hereunder was described the current programs of negotiable obligations:

1, Banco Patagonia S,A,´s corporate bond issuance program approved by CNV on October 25, 2012

The Annual Shareholders' Meeting of Banco Patagonia S,A,, held on April 26, 2012, approved the creation of a Global Program for the Issue of Simple Corporate Bonds for a maximum amount, outstanding at any time, of up to USD 250,000,000 or its equivalent in other currencies,

The Program has a duration of 5 years as from CNV's authorization or for the maximum term that may be established by future applicable regulations; in that case, the Board of Directors of Bank may decide to extend the effective term thereof,

In addition, the Bank's Board of Directors decided that the funds from corporate bonds issued under such Program shall be used for one or more of the purposes under section 36, Law No, 23576, and BCRA Communication "A" 3046, or as established in applicable regulations, depending on the related pricing appendix,

Under the abovementioned program, on December 3, 2012, the Bank issued Class 1 Series 1 of the simple corporate bonds with a face value of ARS 200,000,000, maturing within 18 months and amortized in a single payment on the maturity date, This series accrued interest at a floating annual rate equivalent to the "Private BADLAR Rate" plus a spread rate of 4%, payable quarterly in arrears, The series final maturity was on June 3, 2014,

In virtue of the expiration of Global Program for the Issue of Simple Corporate Bonds in force, the Ordinary General Meeting of Shareholders held in 27 April 2007 approved the extension of this program in accordance with the CNV rules, as well as an increase of maximum amount in circulation, as outlined below:

a) Validity for a period of 5 years from the time of CNV authorization or the maximum deadline as may be fixed by future regulations that might apply;

b) May be issued different classes and/or series of negotiable obligations denominated in US dollars or other currencies and to re-issue the successive classes or series to be amortized;

c) The amount of OR$S 500,000,000 or equivalent in other currencies will be the maximum amount in circulation over the lifetime of the program; and

d) Funding to be obtained by colocation of the negotiable obligations to be issued under the program will be intended to one or more of destination covered by Article 36 of the Law N° 23,576 and its amendments and in the Passive Operations Rules, Section of Placing of Securities Titles and Debt of BCRA, or those set forth in the applicable regulations and as defined in the respective price supplement, Finally, at September 14, 2017 the CNV authorized by means of the Resolution Nº 18933 the increase of maximum amount and the extension of the aforementioned program,

2, GPAT´s Global corporate bond issuance program approved by CNV on February 11, 2011

The Argentine Securities Commission Resolution No, 15868, dated April 30, 2008, authorized the initial public offering of GPAT Compañía Financiera S.A.U. through the establishment of a global program for the issuance of simple, non-convertible into shares, corporate bonds up to the amount of four hundred million pesos (ARS 400,000,000) or the equivalent thereof in other currencies,

On January 4, 2011, the Board of Directors of GPAT, decided to revive the simple corporate bonds program and to make an addendum to the Prospectus authorized on April 30, 2008,

Additionally, the Board decided to apply to the CNV for authorization of the global program of corporate bonds and the issuance of short-term corporate bonds under such Program,

On January 26, 2012, the Board of Directors of GPAT requested the CNV to enlarge the program from 400,000 to 800,000, being approved by the CNV on February 28, 2012,

Lately, on October 25, 2012, the CNV approved the enlargement of GPAT's global program for the issuance of corporate bonds from 800,000 to 1,500,000 and its extension for a 5-year term as from the above date, Funds obtained under this issuance were applied to grant consumer loans,

At January 3, 2017, the Board of Directors of GPAT proposed the ampliation of Global Program for the Issue of Simple Corporate Bonds in force of ARS 1,500,000,000 to ARS 3,000,000,000, and its renovation for a period of 5 year, The ampliation and extension was approved by the Shareholders Meeting convocated at January 18, 2017, has been approved by National Securities Commission in April 12, 2017, The existing emissions are detailed bellow:

(In thousands of Argentine pesos)

Issuance	Currency	Issued value	Annual nominal rate	Issuance date	Maturity date	Balance as of 12/31/2018	Balance as of 12/31/2017
Series XXIII Class B	ARS	188,889	33,00% (09/14/2016)	06/14/16	06/14/19	177,954	266,412
Series XXV	ARS	221,000	Badlar + 350 b,p, 24,00%	11/08/16	05/08/18	-	306,191
Series XXVI Class A	ARS	197,143	22,49%	01/24/17	01/24/18	-	303,044
Series XXVI Class B	ARS	52,857	Badlar + 344 b,p,	01/24/17	01/24/19	58,115	81,602
Series XXVII Class A	ARS	120,556	Badlar + 299 b,p,	05/10/17	11/10/18	-	183,810
Series XXVII Class B	ARS	177,500	Badlar + 350 b,p,	05/10/17	05/10/20	162,450	240,076
Series XXVIII Class A	ARS	276,667	Badlar + 348 b,p,	06/27/17	12/27/18	-	372,038
Series XXVIII Class B	ARS	123,333	Badlar + 397 b,p,	06/27/17	06/27/20	124,161	182,248
Series XXIX	ARS	378,125	26,00%	08/04/17	08/04/18	-	579,975
Series XXX Class A	ARS	308,889	27,45%	10/05/17	10/05/18	-	485,091
Series XXX Class B	ARS	191,111	27,50% (04/05/2018)	10/05/17	10/05/20	215,842	298,649
Serie XXXI Clase A	ARS	500.000	Badlar + 417 b,p, 25,77%	02/06/18	02/06/19	476,842	-
Serie XXXII Clase A	ARS	450.000	25,75%	04/25/18	10/25/19	464,689	-
						1,680,053	3,299,136

b,p,: Basis points

NOTE 32: Other liabilities

	12/31/2018	12/31/2017
Financial liabilities	**7,684,105**	**7,991,805**
Credit card charges payable	4,778,842	4,636,962
Collections on account and on behalf of third parties	1,423,897	875,984
Payables from foreign trade transactions	427,707	1,060,546
Sundry payables	392,961	239,672
Other financial liabilities (1)	660,698	1,178,641
Nonfinancial liabilities	**4,212,597**	**4,037,668**
Taxes payable	2,447,684	2,398,073
Employee benefits	759,291	-
Payroll and social security contributions	351,584	1,260,555
Customer loyalty program (Note 3,3,s))	124,602	164,464
Withholdings on salaries	64,436	64,984
Other nonfinancial liabilities	465,000	149,592
	11,896,702	12,029,473

NOTE 33: Provisions

They have been set up to cover the amounts estimated necessary to face risks of probable occurrence, which, if verified, will result in a loss to the Group, The table below shows a breakdown of changes in those provisions during fiscal years 2018 and 2017:

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	Provisions		
Changes in provisions	**Labor and legal (1)**	**Other (2)**	**Total**
As of January 1, 2018	133,843	187,074	320,917
Net expense for the year (See Note 12)	199,382	33,351	232,733
Provisions used during the year	(5,619)	(16,308)	(21,927)
Gain on the net monetary position	(61,452)	(68,198)	(129,650)
As of December 31, 2018	266,154	135,919	402,073
Maturity of provisions			
Less than 12 months	48,342	1,399	49,741
Over 12 months	217,812	134,520	352,332
As of December 31, 2018	266,154	135,919	402,073

	Provisions		
Changes in provisions	**Labor and legal (1)**	**Other (2)**	**Total**
As of January 1, 2017	162,399	96,652	259,051
Net expense for the year (See Note 12)	9,328	146,159	155,487
Provisions used during the year	(6,384)	(29,698)	(36,082)
Gain on the net monetary position	(31,500)	(26,039)	(57,539)
As of December 31, 2017	133,843	187,074	320,917
Maturity of provisions			
Less than 12 months	15,439	4,889	20,328
Over 12 months	118,404	182,185	300,589
As of December 31, 2017	133,843	187,074	320,917

(1) Due to the nature of its business, the Group has several pending lawsuits, for which provisions are set up when, in the opinion of Management and its legal counsel, it is likely that they may result in an additional liability and the amount may be reasonably estimated, According to the Group's Management and its legal counsel, no provision has been set up for all other legal actions against the Group because they will not result in additional liabilities to those already recorded or will not have a material impact on these consolidated financial statements,

(2) They have been mainly set up to cover the amounts estimated necessary to face tax exposures,

Group's Management and its legal counsel consider that in the cases where the possibility of any outflow in settlement is possible, none of these matters are material and there are no significant effects other than those disclosed in these consolidated financial statements,

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NOTE 34: Shareholders' equity reserves

The reserve for financial Instruments measured at fair value with changes in OCI, includes the accrued net change in the fair value of the financial Instruments measured at fair value with changes in OCI, net of financial effect.

In the Translation reserve, foreign exchange differences arising from the conversion of Banco Patagonia (Uruguay) S,A,I,F,E,'s financial statements are recorded,

The Bank constitutes the Legal reserve in accordance with provisions of the BCRA, which set up that 20% of the result of the fiscal year determined under the BCRA accounting reporting framework was appropriated to aforementioned reserve (See Note 17).

The Optional Reserve was constituted to comply with the RG N° 593/11 of the CNV, which set up that the unallocated earnings (determined under the BCRA accounting reporting framework) as positive, at once reintegrated the legal reserve and totally covered the loss of previous fiscal years, demands a express pronouncement of the shareholder meeting on the effective allocation of them in dividends, its capitalization with delivery of stock split, the constitution of other reserves of the Legal or an eventual combination of the aforementioned possibilities.

The Reserve by Revaluation of Real State Asset was constituted in accordance with the note 3.4.g).

NOTE 35: Minimum Capital Requirements

The BCRA establishes that the financial institutions shall meet, on an individual and consolidated basis, the minimal capital requirements ("minimum capital"), defined for credit, market and operational risks purposes,

The Bank's capital management is primarily focused on ensuring that the Bank meets all externally set capital requirements while keeping strong credit ratings and sound capital ratios to sustain its business and maximize the shareholders' value,

The Bank manages its capital structure and adjusts it to the changes in economic conditions and the risk inherent to its activities, To keep or adjust the capital structure, the Bank may adjust the amount of the dividends paid to shareholders, reimburse the capital to the shareholders or issue securities, There were no changes in goals, policies or processes regarding the previous fiscal years,

Regarding this requirement, the Bank has a surplus, which accounts for the amount in excess of the mandatory consolidated minimum capital established by the BCRA, Consequently, the Bank considers that it has the appropriate capital to meet its current and reasonably foreseeable needs, The Bank's required consolidated minimum capital and consolidated capital calculated under BCRA regulations are broken down in the following table:

(In thousands of Argentine pesos)

Breakdown	12/31/2018	12/31/2017
Credit risk (1)	7,659,221	8,194,790
Market risk (2)	182,119	121,758
Operational risk (3)	1,963,128	2,163,125
Mandatory consolidated minimum capital as per BCRA regulations	**9,804,468**	**10,479,673**
Ordinary Capital Level 1 (4)	16,110,678	15,705,152
Deductible items OC L1 (5)	(1,673,296)	(239,398)
Ordinary Capital Level 2 (6)	821,170	911,579
Consolidated computable equity as per BCRA regulations	**15,258,552**	**16,377,333**
Capital surplus	**5,454,084**	**5,897,660**

(1) It is the capital requirement needed to cover credit risk calculated with a formula based on weighing several financing transactions according to the associated risk,

(2) It represents the addition of different amounts necessary to cover market risk by category of assets, Compliance is daily calculated,

(3) The operational risk-based minimum capital requirement is 15% on the average net interest and fee income, and other profits over the last 36 months, If applicable, extraordinary income from interests in other financial institutions, recovered receivables and the set-up or reversal of miscellaneous provisions shall be deducted from such amount, No deduction of administrative expenses and loan allowances is allowed,

(4) It is made up of Share capital, non-capitalized contributions, adjustments to equity, appropriated retained earnings, unappropriated retained earnings, other income or loss, non-controlling interests held by third parties, and debt instruments with certain issuance conditions,

(5) If applicable, Minimum Presumed Income Tax credit balance, interest related to the application of tax payment deferral, due from correspondents and other demand deposits with banks and other foreign financial institutions not classified with an "investment grade", debt instruments not physically held by the Bank, securities issued by foreign country governments, the classification of which is lower than that assigned to federal government securities, shareholders, real property pending deed of title, organization costs, items pending allocation and other,

(6) Securities issued by the Entity, not included in item (6), additional paid-in capital of such securities, allowances for loan losses related to debtors regularly performing (situation 1) and financing secured with class "A" preferred guarantees, and securities issued by subsidiaries, held by third parties, subject to consolidated supervision,

(In thousands of Argentine pesos)

NOTE 36: Operating leases

The Group leases a number of branch premises under operating leases, The leases typically run for a period of 5 years, with an option to renew the leases after that date, Lease payments are increased every year to reflect market rentals,

As of December 31, 2018 and 2017 the future minimum lease payments under non-cancellable operating leases were payable as follows:

	12/31/2018	12/31/2017
Up to 1 year	201,606	217,170
From 1 to 5 years	134,033	327,128
More than 5 years	4,800	5,207
Total	**340,439**	**549,505**

Operating lease expenses recognized in profit or loss (which includes the contingent rent expense) amounts, to 242.633, and 254.621 as of December 31, 2018 and 2017, respectively, These amounts are part of “Other Operating Expenses – Rentals”,

NOTE 37: Related party information

All transactions and balances with related parties (individuals and companies related to the Bank) are described below,

Banco do Brasil S,A,

Banco do Brasil S,A, is a financial institution organized under the laws of Brazil and is the Entity's majority shareholder, as mentioned in Note 2,1,

(In thousands of Argentine pesos)

	Balances		Highest balance of the year (1)	
	12/31/2018	12/31/2017	12/31/2018	12/31/2017
Cash and cash equivalents - Balances in other financial entities	16,337	7,218	103,597	76,169
Other receivables	338,914	139,887	338,914	384,023
Deposits	30,107	6,639	30,107	31,391
Financing facilities received from financial institutions	378,140	-	378,140	-
Guarantees granted (2)	65,408	25,771	70,751	46,648
Guarantees received (3)	151,233	110,845	163,587	110,845

(1) Due to the high quantity of operations, the Bank considers the highest balance of the year as the better indicator of the transactions made during the year,
(2) Corresponds to guarantees granted to Banco do Brasil,
(3) Corresponds to stand-by letter of credits granted by Banco do Brasil granted to the Banco Patagonia customers,

Transactions with Banco do Brasil are performed on arm's length principle,

The results for the fiscal years ended in December 31, 2018 and 2017 were:

	Highest balance of the year	
	12/31/2018	12/31/2017
Interest income and similar	9,414	5,348
Interest expenses and similar	2,514	-
Commission income	1	4
Commission expenses	12	-
Other operative income	574	710

Province of Río Negro

As provided in the Bank's by laws, the province of Río Negro, sole shareholder holding Class A shares, is empowered to appoint a director for Class A shares, as long as it owns, at least, one share of that class, Since 1996, the Bank has been acting as financial agent (see Note 44) of the Province of Río Negro,

(In thousands of Argentine pesos)

	Balances		Highest balance of the year (1)	
	12/31/2018	12/31/2017	12/31/2018	12/31/2017
Financial assets at fair value - Bonds issued by the Province of Rio Negro,	294,244	173,524	294,244	173,524
Overdrafts	-	-	788,152	1,032,107
Syndicated loan	86,266	213,650	138,691	311,138
Notes	-	-	-	613
Deposits	268,973	68,883	885,436	2,033,515

(1) Due to the high quantity of operations, the Bank considers the highest balance of the year as the better indicator of the transactions made during the year,

The results for the fiscal years ended in December 31, 2018 and 2017 were:

	Highest balance of the year	
	12/31/2018	12/31/2017
Interest income and similar	164,331	153,893
Commission income	58,418	92,506

The transactions carried outs with the Province of Río Negro, were all performed under market conditions,

Key management personnel

Pursuant to IAS 24, “Related Party Disclosures” key management personnel are those persons having authority and responsibility for planning, directing, and controlling the activities of the entity, directly or indirectly,

According to that definition, Directors are deemed as key personnel by the Bank,

The quantity of Directors, ranging from seven to nine, is established by the Shareholders’ Meeting, They are elected for a term of office of three years with the possibility of indefinite reelection, At present, the Bank's Board of Directors is made up of nine members,

Section 9 of the Bylaws sets forth that the Directors’ fees are established by the Shareholders’ Meeting, taking into account their responsibilities, the time devoted to the fulfillment of duties, their experience and professional reputation and the value of services provided by directors for the Bank's performance in the market, Additionally, Directors do not assume any executive positions at the Bank and, therefore, they do not earn any other remuneration, and the Bank's policy does not contemplate the possibility of granting other benefits such as equity participations, In the following table shows transactions and balances with key management personnel of the Bank, including close members of their family, and entities in which these people has control, common control or significant influence,

(In thousands of Argentine pesos)

	Balance		Highest balance for the year (1)	
	12/31/2018	**12/31/2017**	**12/31/2018**	**12/31/2017**
Personal loans	-	-	2	227
Credit cards	2,760	1,216	4,017	2,350
Overdrafts	-	315	8	856
Deposits	48,672	26,231	549,867	81,320

(1) Due to the high quantity of operations, the Bank considers the highest balance of the year as the better indicator of the transactions made during the year,

These loans and deposits were granted subject to market conditions applied to the remaining Bank's customers,

The total fees received by the Bank's Directors during fiscal years 2018, and 2017 amounted to 106,980, and 118,133, respectively,

NOTE 38: Restricted assets

	12/31/2018	12/31/2017
Special guarantee accounts (See Note 19) (1)	1,077,553	1,335,778
Financial assets measured at fair value		
Treasury Bills in USD (1)(1)	975,324	-
Government securities – IADB loan – Global Credit Program for micro-, small- and medium-sized enterprises (2)	270,507	333,304
Liquidity Bills of the BCRA (3)	98,931	-
Bills of the BCRA	-	300,071
Government Bonds as Collateral by swap operations (3)	2,255	4,769
Other (1)	-	435,706
Other assets		
Guarantees at credit card managers	451,702	430,797
Other security deposits	22,588	27,744
Loans	-	54,877
TOTAL	**2,898,860**	**2,923,046**

(1) They are used as security for the transaction with the BCRA and Over-the-Counter Market, Deposits with the Central Bank of Uruguay are used as security for compliance with section 393, Compilation of Central Bank of Uruguay's Financial System Regulation and Control Rules,

(2) Securing the IADB loan No, 1192/OC-AR (Communications "A" 4620, "B" 8920 and supplementary standards of the BCRA) of the Global Credit Program for micro, small- and medium-sized enterprises,

(3) They are used as security for repurchase agreements,

The Bank's Management believes that there will be no losses arising from the restrictions on the abovementioned assets,

(In thousands of Argentine pesos)

NOTE 39: Loans and deposits concentration

Number of customers	Loans			
	12/31/2018		12/31/2017	
	Outstanding amount	%	Outstanding amount	%
10 largest customers	12,922,426	14,8%	9,918,962	10,4%
50 next largest customers	19,792,298	22,7%	15,239,612	15,9%
100 next largest customers	10,542,866	12,1%	10,924,118	11,4%
Rest of customers	43,960,113	50,4%	59,582,702	62,3%
Total (See Note 22)	**87,217,703**	**100,0%**	**95,665,394**	**100,0%**

Number of customers	Deposits			
	12/31/2018		12/31/2017	
	Outstanding amount	%	Outstanding amount	%
10 largest customers	10,839,861	9,9%	11,524,000	11,3%
50 next largest customers	13,632,718	12,5%	11,522,545	11,3%
100 next largest customers	8,585,965	7,9%	5,600,153	5,5%
Rest of customers	76,058,494	69,7%	73,291,788	71,9%
Total (See Note 30)	**109,117,038**	**100,0%**	**101,938,486**	**100,0%**

NOTE 40: Fair value of financial instruments

The fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date,

When a financial instrument is sold on a liquid and active market, the price traded on the market in an actual transaction provides the best evidence of its fair value, When there is no established market price or it does not indicate the fair value of the instrument, the fair value can be determined by using the market value of another instrument of similar characteristics, the analysis of discounted cash flows or other applicable techniques, which may be affected by the assumptions used, Although Management has used its best judgment to estimate the fair value of its financial instruments, any technique to make such estimate implies certain inherent limitations, In conclusion, the fair value could not indicate the net realizable or settlement value,

(In thousands of Argentine pesos)

Determining fair value and its hierarchy

The following table shows the analysis of financial instruments measured at fair value by hierarchy level:

	Level 1	Level 2	Level 3	Total as of 12/31/2018
Financial Instruments measured at fair value	**133,644**	**52,713**	**-**	**186,357**
National Government bonds	126,484	-	-	126,484
National Treasury bonds	7,160	36,567	-	43,727
Provincial Governments bonds	-	5,632	-	5,632
Other	-	10,514	-	10,514
Financial Instruments measured at fair value with changes in other comprehensive income	**19,284,899**	**5,420,569**	**-**	**24,705,468**
BCRA instruments	17,249,619	196,460	-	17,446,079
National Government bonds	444,677	2,724	-	447,401
National Treasury bonds	1,478,289	4,882,137	-	6,360,426
Provincial Governments bonds	228	339,248	-	339,476
US Treasury Bonds	112,086	-	-	112,086
Derivative financial instruments	**-**	**148,988**	**-**	**148,988**
TOTAL ASSETS	**19,418,543**	**5,622,270**	**-**	**25,040,813**

	Level 1	Level 2	Level 3	Total as of 12/31/2018
Derivative financial instruments	-	74,331	-	74,331
TOTAL LIABILITIES	**-**	**74,331**	**-**	**74,331**

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Executive Manager of Administration

Juan M. Trejo
Superintendent
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João Carlos de Nóbrega Pecego
President

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	Nivel 1	Nivel 2	Nivel 3	Total as of 12/31/2017
Financial Instruments measured at fair value	**19,454,032**	**1,258,933**	**-**	**20,712,965**
BCRA instruments	16,834,110	-	-	16,834,110
National Government bonds	1,621,551	988,806	-	2,610,357
National Treasury bonds	910,857	9	-	910,866
Provincial Governments bonds	-	270,118	-	270,118
US Treasury Bonds	69,059	-	-	69,059
BCRA instruments	18,455	-	-	18,455
			-	
Derivative financial instruments	**-**	**9,002**	-	**9,002**
TOTAL ASSETS	**19,454,032**	**1,267,935**	**-**	**20,721,967**

	Nivel 1	Nivel 2	Nivel 3	Total as of 12/31/2017
Liabilities financial	**33,701**	**-**	**-**	**33,701**
National Government Bonds	33,701	-	-	33,701
Derivative financial instruments	-	20,750	-	20,750
TOTAL LIABILITIES	**33,701**	**20,750**	**-**	**54,451**

Below is a description of the financial instruments measured at fair value using valuation techniques based on observable market data:

Financial assets measured at fair value:
As of December 31, of 2018, includes mainly National Treasury Bonds in $ Fixed Rate and Treasury Bills in USD and at December 31, 2017, includes mainly Treasury bills in USD, Debt securities of the Province of Río Negro, and Treasury bills of the Provinces of Río Negro and Neuquén, As of December 31, 2016, this account includes mainly unlisted BCRA Bills, Treasury bills in USD and Argentine Government Bonds in USD 0,75%, and as of December 31, 2015, unlisted BCRA Bills, Debt securities of the Province of Entre Ríos, Chubut and Neuquén, which are measured at fair value using yield curves for securities related to the same type of instrument, with the regular and habitual quoted price and of similar duration,

Derivative financial instruments: As of December 31, 2018 and 2017 it includes forward instruments with monthly settlement estimated as the difference between the agreed-upon values and market prices,

Transfers between hierarchy levels

	Transfers from level 1 to level 2	
	12/31/2018	**12/31/2017**
Financial assets measured at fair value (1)	33,891	-

The amount as of December 31, of 2018, corresponds mainly to National Treasury Bonds in $, it matures in 2020, Bonds of the Argentine Nation in $ Badlar + 325, it matures in 2020, and National Treasury Bonds in $ adjustable by CER, it matures in 2020, included in the level Class 1 at December 31, of 2017, were measured at fair value using yield curves for securities related to the same type of instrument, with the regular and habitual quoted price and of similar duration,

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	Transfers from level 2 to level 1	
	12/31/2018	12/31/2017
Financial assets measured at fair value (1)	227	33,757

The amount at December 31, 2018, corresponds mainly to holdings of Debt Securities of the Province of Chubut Class II, including in the level Class 2 at December 31, 2017 that, at December 31, 2018 were registered at fair value using quotations in active markets,

Fair value of financial assets and liabilities unrecorded at fair value

Below we describe the methodologies and assumptions used to determine the fair values of financial instruments:

Assets whose fair value is similar to the carrying amount
For financial assets and liabilities that are liquid or have short-term maturities (less than three months), it is considered that the carrying amount is similar to the fair value,
Fixed-rate 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, The estimated fair value of fixed-interest rate deposits was determined by discounting future cash flows by using market interest rates for deposits with maturities similar to those of the Bank's portfolio,

For the listed assets and listed liabilities, the fair value is determined based on market prices,

Other financial instruments
In the case of financial assets and liabilities that are liquid or with short-term maturity, it is estimated that their fair value is similar to their carrying amount, This assumption is also applied to savings accounts, checking accounts and other deposits,

The following table shows a comparison between the fair value and the carrying amount of financial instruments not measured at fair value,

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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	Total as of 12/31/2018				
	Level 1	Level 2	Level 3	Fair value Total	Carrying amount
Financial assets					
Cash and cash equivalents	-	-	-	(1)	34,940,609
Special guarantee accounts	-	-	-	(1)	1,077,553
Financial assets at amortized cost	-	115,066	-	115,066	114,496
Loans	-	-	76,879,708	76,879,708	84,178,668
Other receivables	-	-	1,084,068	1,084,068	1,084,384
Other financial assets	-	-	-	(1)	634,606
Financial liabilities					
Financing facilities received from financial institutions	-	-	-	(1)	10,337,787
Deposits	-	-	108,421,483	108,421,483	109,117,038
Corporate bonds	-	-	1,561,863	1,561,863	1,681,053
Other financial liabilities	-	-	-	(1)	7,684,105

	Total as of 12/31/2017				
	Level 1	Level 2	Level 3	Fair value Total	Carrying amount
Financial assets					
Cash and cash equivalents	-	-	-	(1)	21,287,905
Special guarantee accounts	-	-	-	(1)	1,335,778
Loans	-	-	92,532,750	92,532,750	93,474,204
Other receivables	-	-	930,168	930,168	930,718
Other financial assets	-	-	-	(1)	750,504
Financial liabilities					
Financing facilities received from financial institutions	-	-	-	(1)	6,270,997
Deposits	-	-	102,554,572	102,554,572	101,938,486
Corporate bonds	-	-	3,173,488	3,173,488	3,299,136
Other financial liabilities	-	-	-	(1)	7,991,805

(1) The Group has not disclosed the fair value for short-term financial instruments, because their carrying amounts are a reasonable approximation of fair value,

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NOTE 41: Risk management policy

Risks are inherent to the Bank's 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 Bank is managed and controlled by the Board of Directors, The quantity of directors, ranging from seven to nine, is established by the Shareholders' Meeting, They are elected for a term of office of three years with the possibility of indefinite reelection,

The Board of Directors is in charge of managing the Bank and takes all decisions necessary to such end, It is responsible for implementing the decisions adopted by the Shareholders at the Meeting, performing the tasks particularly delegated to it by the shareholders and developing the business strategy by approving the general and particular policies aimed at adequately managing the business, Its objectives are, among others, coordinating and supervising whether operations are consistent with the institutional objectives, facilitating business performance with efficiency, control and productivity, for the purposes of generating permanent improvement in administrative and commercial processes,

Credit risk

Credit risk is defined as the possibility to sustain losses as a result of a debtor's or counterparty's noncompliance with the contractual obligations assumed,

The Board of Directors approves the credit policies in order to provide a framework for the creation of businesses to attain an adequate relationship between the risk assumed and profitability of transactions,

These policies establish limits, procedures, mitigation strategies, and controls to keep exposure to this risk within acceptable limits, These aspects are established in internal manuals and rules (Credits, Guarantees, Recovery and Risk Management), which are regularly reviewed and updated,

In particular, the definition of risk limits is one of the main strategic instruments of credit risk management, the purpose of which is to avoid undesired concentration and levels of exposure,

Moreover, management of this kind of risk is based on an analysis of the transactions and a deep knowledge of the client portfolio, which allows for a detailed follow-up on such risk, minimizing exposure as far as possible,

The procedural manuals that contain the guidelines on the matter, compliance with current regulations, and the prescribed limits have the following purposes, among others:

a) achieving proper portfolio segmentation by type of client and economic sector;
b) boosting the use of the risk analysis and assessment tools that best adjust to the client's profile;
c) To set out uniform guidelines for the granting of loans following conservative parameters based, in the first instance, in the customer's knowledge, on their solvency and capacity to repay for companies, while, in the case of individuals, these guidelines were supported by the credit behavior, and income level;
d) setting limits to individual powers to grant loans depending on the amount, promoting the existence of specific committees that, according to their area of competence, will be in charge of defining assistance levels;
e) optimizing the quality of risks assumed, having appropriate guarantees according to the loan term and the level of risk involved;
f) Monitoring the loan portfolio and the level of clients' compliance on an ongoing basis,

In order to evaluate the credit risk, the Credit Analysis Areas, accountable to the Credit Executive Management, based on the analysis of the Company's financial position, industry sector, repayment capacity, projections and characteristics, among other aspects, issue a report describing the main risks to which the Company is exposed and which may potentially compromise its ability to duly face commitments, Based on that report, the Commercial Area prepares a rating proposal, which is discussed at a Credit Committee,

According to the amounts and guarantees, rating proposals are analyzed by various areas, depending on the credit attributes delegated to each Credit Committee, It is to note that decisions are taken jointly, and at least one officer of the commercial area and another officer of the credit area take part in decisions within the various committees, There are no individual credit attributes,

Specifically, the Standard Segment clients are rated through screening methods resulting from internal and external behavior models, The Bank's policies establish that special cases may be individually analyzed, also requiring the participation of line authority depending on the financing to be agreed upon,

In relation to loan commitments (I,e, overdrafts and credit card limits), the Bank monitors the customers behavior considering the products granted by the Bank and taking into account information provided by the rest of the financial system, with relation to customer engagement, there are specialist areas that manage the backlog through different management tools,

Finally, it is noteworthy that the Bank uses various guarantees for the financing facilities granted to mitigate the credit risk,

The guarantees granted, letters of credit and foreign trade transaction obligations are assessed and an allowance is recorded 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 credit loss risk is represented by the amounts established in the related agreements, *Provisions for Expected credit losses*

In accordance with the Note 3.4 c.7) Impairment of financial assets, the Banco Patagonia determinates the impairment of the financial assets through the expected credit losses model.

The key elements for the measurement of the expected credit loss are indicated below:

EAD: Exposure at Default
PD: Probability of Default
LGD: Loss Given Default

The measurement of the provision corresponding to aforementioned model arise from multiplication of the variables indicated above.

1. EAD – Exposure at Default

The Bank estimates separately the exposure given default for each product, determining this value through the sum of the client exposure of amortized costs and a credit conversion factor (CCF). The aforementioned factor measures the rate of use of the limits available of credit cards and agreements in current accounts at Default.

2. PD – Probability of Default

For calculation of expected losses, the probabilities of default' value to be used are PiT (Point in Time), i.e., that are specifics at a certain point in time, being the last value available used for calculation.

Regarding the Probability of Default, the IFRS 9 set up a distinction between categories based on the client's impairment level (stages):

Clients in normal situation (Stage 1): in the case of assets whose credit risk has not been increased significantly since the initial recognition, was estimated the Probability of Default (PD) for the next 12 months, including in this estimation the consideration of the prospective economic variables effect.

Clients with significant impairment since the origination (Stage 2): for those assets whose credit risk significantly increased since the initial recognition, was estimated a PD for the contract period until maturity, including in this estimation the consideration of the prospective economic variables effect. For products revolving, like credit cards and current accounts, is applicated a PD of 12 months.

Clients in default (Stage 3): For all actives where was detected a default event. For all these cases is allocated a PD of 100%.

Likewise, the standard set up the inclusion of expectations about the future trading conditions in the parameter, this is included as a factor named "forward looking coefficient" as detailed below.

3. LGD: Loss Given Default

The Loss Given Default is defined as the percentage risk of exposure that is not expected to be recovered in the event of default.

The Bank has based the construction of its LGD model in the approach of "historical experience" of the estimations arise from the measurement of the recovered balances during a period of time, discounted by the value time of the money and deducting the costs associated with the recovery management.

Significant increase of the credit risk

By determining if the credit risk of the financial assets was significantly increased since its initial recognition, the Bank considers information reasonably sufficient that is relevant and available without significant cost or effort. The aforementioned analyze includes quantitative and qualitative data, based on the historical experience, the approach of credit risk and contains prospective data.

The clients of the Individuals segment were considered in Stage 2 always that present a delay more than 30 days and less than 91 days in the fulfillment of contractual obligations or, presenting until 30 days of delay, were reported in different situation of standard in the Bank's internal grading system.

The clients of other segments were considered in Stage 2 always that were reported in situation with special monitoring in the Bank's internal grading system.

Definition of Default

The criterion of default varies based on the segment of the client. For clients of the Individuals segment, were considered in default if present delay over 90 days and, for other segments, the default was set up if the client was reported with situation with problems or worse in the Bank's internal grading system.

Incorporation of prospective data

In order to incorporate prospective data, taking in account several keys variables of the macroeconomic context, such as GDP growth, exchange rate, interest rate, inflation rate and unemployment rate, among other, which are projected through an internal macroeconomic model. The aforementioned model generated a projection of these variables under a base scenario, but using stochastic properties of the model, also were obtained additional scenarios, more or less optimistic than this as for expected macroeconomic performance.

Subsequently, based on each prospective scenario, it is computed a systemic default rate through other satellite econometric model that prospectively associates and constrains the set of variables previously mentioned.

As of the projected evolution of the systemic default rate, it is calculated an adjusting coefficient of the internal PDs, made thus conditional upon on the upward or downward variation, in accordance with the expected prospective scenarios.

Specifically, it is calculated Forward-looking adjustment coefficients (CFL), for each scenario, that consist in the relationship between the expected systemic default to an average over the next 12 and 24 months, in relation to its value at beginning of the projection.

Finally, the estimated PD for initial time is “corrected” by the CFL coefficient (whether 12 or 24 months, based on “bucket” of each operation), then resulting a conditional PD to macroeconomic variables paths for each time t+k (with k=1...24), in accordance with the following expression:

$$PD_{t+k} = PD_t * CFL_{t+k}$$

where:

PD_t= Probability of Default at initial time of the projection (t)

CFL_{t+k}= Adjusting coefficient forward-looking until the time t+k, defined as

$CFL_{t+k} = \frac{\frac{\sum_{k=1}^{T} sistemic\,default_{t+k}}{T}}{sistemic\ default}$, where, for this indicator in particular, $k \in \{12,24\}$

The assumptions of the base scenario employed at 12.31.18 derived paths for the key macroeconomic variations that used as input to calculation of the CFL coefficient that are consistent reasonably with the projections of market consensus for these same variables at this date, in accordance with the report issued by the Survey of Market Expectation (REM, for its acronym in Spanish) published by the Central Bank of the Argentina.

Hereunder is detailed the exposure of credit risk as of December 31, of 2018 taking into account the Stages of the expected loss model:

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	Stage 1	Stage 2	Stage 3	31/12/2018
Financial assets measured at fair value with changes in OCI	24,705,468	-	-	24,705,468
Financial assets measured at amortized cost	114,496	-	-	114,496
Loans	83,282,966	2,006,019	1,928,718	87,217,703
Other receivables	1,115,267	3,745	7,893	1,126,905
Other assets	634,606	-	-	634,606
			-	
Total	**109,852,803**	**2,009,764**	**1,936,611**	**113,799,178**

Hereunder is detailed the evolution of the forecast for expected loss as of December 31, of 2018 corresponding to loans:

	Stage 1	Stage 2	Stage 3	31/12/2018
Balance at the start of the fiscal year	**1,514,044**	**406,484**	**868,576**	**2,789,104**
Constitution of provisions	611,449	360,283	912,701	1,884,433
Transfer to Stage 1	135,827	(106,309)	(29,518)	-
Transfer to Stage 2	(64,353)	82,965	(18,612)	-
Transfer to Stage 3	(50,980)	(89,422)	140,402	-
Use of provisions	(201,092)	(84,608)	(288,251)	(573,951)
Effect by restatement in constant currency	(541,475)	(147,417)	(371,659)	(1,060,551)
Total	**1,403,420**	**421,976**	**1,213,639**	**3,039,035**

Hereunder is detailed the evolution of the forecast by incurred loss as of December 31, of 2017 corresponding to loans:

	Established provisions collectively	**Established provisions individually**	**Total**
Balances as of January 1, 2017	1,207,220	713,500	1,920,720
Provisions constituted during the fiscal year	439,801	801,063	1,240,864
Provisions used during the fiscal year	-	(515,297)	(515,297)
Loss on net monetary position	(283,330)	(171,767)	(455,097)
Balances as of December 31, of 2017	**1,363,691**	**827,499**	**2,191,190**

Loan follow-up and review

The verification of the request formal aspects, the implementation of the related guarantees, and the control over payments regularly made are part of the loan follow-up process, In this respect, after 16 days and up to 90 days from the delay in the payment, the collection efforts are delegated to the Default Management area and the Branches network, which –considering the specific characteristics of each case– is required to serve notices and perform the procedures aimed at obtaining the repayment of the loan, as well as propose refinancing subject to the client's repayment capacity,

(In thousands of Argentine pesos)

If this goal is not be achieved, the loan will move through the “delinquency” stage, in which the Bank’s credit recovery management intensifies collection efforts in order to obtain the repayment from debtors, Depending on the loan amount and guarantees, the use of court procedures will be decided,

Credit risk management of investments in financial assets

The Bank evaluates the credit risk identified in each of the financial assets invested by analyzing the risk rating given by a rating agency, These financial instruments are primarily concentrated in deposits at top tier financial institutions and government securities issued by the Argentine Federal Government and bills issued by the BCRA, which are listed on active markets,

Below is the exposure percentage by issuer calculated on the total financial assets disclosed in Note 20:

Security	Issuer	Percentage 2018	Percentage 2017	
Government securities issued by the Argentine government and by provincial governments	Argentine government	30%	19%	a)
Bills issued by the BCRA	BCRA	70%	81%	b)

a) Treasury Bills in USD and International Bonds of the Republic of Argentina in USD are the Bank’s main holding of government securities issued by the Argentine Government, The Argentine Government has timely and duly paid principal and interest in the original currency, as defined in the issuance conditions of such securities, To the date of issuance of these financial statements, there are no indications that make us assume that in the future the Issuer of those securities will fail to meet its obligations,

b) Related to short-term debt instruments issued by the BCRA,

Regarding all financial assets, their book value best represents the maximum credit risk exposure,

Management relies on the capacity to continue to control and keep a minimum credit risk exposure for the Bank as a result of its portfolio of loans and financial assets based on the following:

- ✓ 98% and 99% of the loan portfolio is classified into the two upper levels of the internal classification system as of December 31, 2018 and 2017;

- ✓ 94% and 92% of the loan portfolio is considered not to be past due or impaired as of December 31, 2018, and 2017, Below is shown the maximum credit risk exposure that arises from the Bank´s financial assets:

(In thousands of Argentine pesos)

	Note	12/31/2018	12/31/2017
Financial assets measured at fair value	20	24,891,825	20,712,965
Financial assets measured at amortized cost	20	114,496	-
Derivative financial instruments	21	148,988	9,002
Loans	22	87,217,703	95,665,394
Other receivables	23	1,126,905	983,344
Other financial assets	28	634,606	750,504
Subtotal		114,134,523	118,121,209
Off balance sheet			
Unused agreed overdrafts	22	100,000	295,206
Unused credit card limits	22	24,431,191	30,970,007
Guarantees granted	22	498,615	898,353
Obligations from foreign trade transactions	22	281,069	234,493
Letters of credit	22	624,868	232,008
Subtotal		25,935,743	32,630,067
Total		**140,070,266**	**150,751,276**

Loan quality by sector

The Bank manages the quality of loans through ratings established by the BCRA, as mentioned above,

	Neither delinquent nor impaired	**Delinquent Not impaired**	**Impaired**	**Total as of 12/31/2018**
Commercial loans	53,849,782	1,841,623	207,723	55,899,128
Mortgage loans	1,282,560	21,554	4,920	1,309,034
Consumer loans	26,616,498	1,706,125	1,686,918	30,009,541
Total	**81,748,840**	**3,569,302**	**1,899,561**	**87,217,703**

	Neither delinquent nor impaired	**Delinquent Not impaired**	**Impaired**	**Total as of 12/31/2017**
Commercial loans	53,371,773	2,538,181	210,436	56,120,390
Mortgage loans	327,083	4,314	263	331,660
Consumer loans	34,183,186	3,979,117	1,051,041	39,213,344
Total	**87,882,042**	**6,521,612**	**1,261,740**	**95,665,394**

The other financial assets are neither delinquent nor impaired,

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(In thousands of Argentine pesos)

Aging analysis of delinquent loans but not impaired (in days):

	Delinquent, not impaired				Total as of
	Up to 30	**From 31 to 60**	**From 61 to 90**	**Over 90**	**12/31/2018**
Commercial loans	1,486,901	59,062	42,179	253,481	1,841,623
Mortgage loans	21,409	86	59	-	21,554
Consumer loans	933,934	578,746	193,429	16	1,706,125
TOTAL	**2,442,244**	**637,894**	**235,667**	**253,497**	**3,569,302**

	Delinquent, not impaired				Total as of
	Up to 30	**From 31 to 60**	**From 61 to 90**	**Over 90**	**12/31/2017**
Commercial loans	2,459,885	71,437	3,339	3,520	2,538,181
Mortgage loans	4,036	257	21	-	4,314
Consumer loans	3,440,464	391,941	146,638	74	3,979,117
TOTAL	**5,904,385**	**463,635**	**149,998**	**3,594**	**6,521,612**

Collateral hold by the Bank

The following table shows collaterals kept by the Bank at each reporting period as of December 31, 2018, and 2017,

	12/31/2018	12/31/2017
Financial assets	2,833,580	1,995,819
Non-financial assets	5,925,116	3,969,181

Financial assets hold as collateral consist of cash and cash equivalents, short-term deposits, automatic export reimbursements, guarantees issued by foreign Banks (with high credit rates),

Non-financial assets hold as collateral consist of mortgages and pledged vehicles and machinery,

Any amount received by the sale of the asset in excess of the customer debt at the sale date, should be reimbursed to the customer, *Offsetting of financial assets and financial liabilities*

(In thousands of Argentine pesos)

The following table shows financial liabilities and financial assets subject to offsetting, enforceable master netting arrangements and similar arrangements as of December 31, 2018, and 2017,

December 31, 2018	Gross amounts of recognized financial liabilities	Gross amounts of recognized financial assets offset in the Statement of Financial Position	Net amounts of financial liabilities presented in the Statement of Financial Position	Related amounts not offset in the Statement of Financial Position		Net amount
				Financial instruments (including non-cash collateral)	Cash collateral pledged	
Sale-and-purchase, securities lending and similar agreements	(916,010)	1,011,860	95,850			95,850
Total	(916,010)	1,011,860	95,850			95,850

December 31, 2018	Gross amounts of recognized financial assets	Gross amounts of recognized financial liabilities offset in the Statement of Financial Position	Net amounts of financial assets presented in the Statement of Financial Position	Related amounts not offset in the Statement of Financial Position		Net amount
				Financial instruments (including non-cash collateral)	Cash collateral pledged	
Reverse sale-and-purchase, securities borrowing and similar agreements	663,435	(728,533)	(65,098)			(65,098)
Total	663,435	(728,533)	(65,098)			(65,098)

December 31, 2017	Gross amounts of recognized financial liabilities	Gross amounts of recognized financial assets offset in the Statement of Financial Position	Net amounts of financial liabilities presented in the Statement of Financial Position	Related amounts not offset in the Statement of Financial Position		Net amount
				Financial instruments (including non-cash collateral)	Cash collateral pledged	
Sale-and-purchase, securities lending and similar agreements	2,741,107	3,048,401	(307,295)			(307,295)
Total	2,741,107	3,048,401	(307,295)			(307,295)

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December 31, 2017	Gross amounts of recognized financial assets	Gross amounts of recognized financial liabilities offset in the Statement of Financial Position	Net amounts of financial assets presented in the Statement of Financial Position	Related amounts not offset in the Statement of Financial Position		Net amount
				Financial instruments (including non-cash collateral)	Cash collateral pledged	
Reverse sale-and-purchase, securities borrowing and similar agreements	1,406,436	1,528,635	(122,199)			(122,199)
Total	1,406,436	1,528,635	(122,199)			(122,199)

Liquidity risk

Liquidity risk is defined as the risk of imbalances occurring between assets and liabilities (“mismatches” between payments and collections) that could affect the Bank's ability to meet all of its current and future financial obligations, within various timeframes, taking into consideration the different currencies and settlement terms of rights and obligations, without incurring significant losses,

The Bank has policies on liquidity in place, which are aimed at managing liquidity efficiently, optimizing costs and diversifying funding sources, maximizing profits from placements through a prudent management that secures the funds necessary to continue operating as well as compliance with applicable regulations,

In order to minimize the liquidity risk, the Bank keeps a high-liquidity assets portfolio, and it intends to diversify its liabilities structure as regards sources and instruments, In this respect, the objective is to attract funds from as many clients and in many volumes as possible, offering the greatest diversity of financial instruments,

Moreover, the Bank has implemented a series of risk measurement and control tools, including the regular monitoring of liquidity gaps, broken down by currency, as well as various liquidity ratios, including the LCR (liquidity coverage ratio),

Financial Risks Management monitors compliance with the different limits set by the Board of Directors in relation to liquidity risk management, which include minimum and admissible liquidity levels, maximum concentration levels by type of product, client, and segment,

For the remaining risks, the Bank has contingency planning processes, The following table shows the liquidity ratios during fiscal years 2018, and 2017 which arise from dividing net liquid assets, made up of cash, due from the BCRA, due from other financial institutions, repo transactions involving government securities, BCRA bills and other financial assets measured at fair value, by total deposits,

(In thousands of Argentine pesos)

	12/31/2018	12/31/2017
	%	%
As of December 31	53.9	38.8
Average for the year	43.8	44.1
Higher	53.9	49.6
Lower	36.1	38.8

The following table shows the breakdown of financial assets and liabilities by contractual maturity, considering the total amounts at their due date:

	On demand	Less than 3 months	From 3 to 12 months	From 1 to 5 years	More than 5 years	Total as of 12/31/2018
Cash and cash equivalents	34,940,609	-	-	-	-	34,940,609
Special guarantee accounts in Central Banks	1,077,553	-	-	-	-	1,077,553
Financial assets measured at fair value	12,304,859	7,012,920	2,571,763	5,394,185	138,666	27,422,393
Financial assets measured at amortized cost	-	20,940	76,929	17,291	591	115,751
Derivative financial instruments	-	148,988	-	-	-	148,988
Loans	1,547,525	50,236,044	26,431,817	21,791,430	2,586,766	102,593,582
Other receivables	1,052,467	99,119	120,235,00	1015	-	1,272,836
Other financial assets	634,606	-	-	-	-	634,606
Total	**51,557,619**	**57,518,011**	**29,200,744**	**27,203,921**	**2,726,023**	**168,206,318**
Financing facilities received from financial institutions	1,396,411	4,015,023	3,775,570	1,632,533	378,083,00	11,197,620
Derivative financial instruments	-	74,331	-	-	-	74,331
Deposits	99,868,236	8,436,086	2,382,452	166		110,686,940
Corporate bonds	-	606,673	1,111,435	450,363	-	2,168,471
Other financial liabilities	7,684,105	-	-	-	-	7,684,105
Total	**108,948,752**	**13,132,113**	**7,269,457**	**2,083,062**	**378,083,00**	**131,811,467**

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	On demand	Less than 3 months	From 3 to 12 months	From 1 to 5 years	More than 5 years	Total as of 12/31/2017
Cash and cash equivalents	21,287,905	-	-	-	-	21,287,905
Special guarantee accounts in Central Banks	1,335,778	-	-	-	-	1,335,778
Financial assets measured at fair value	2,440	8,345,701	14,436,915	826,629	50,166	23,661,851
Derivative financial instruments	-	9,002	-	-	-	9,002
Loans	12,050,018	33,927,956	20,308,332	29,804,635	561,929	96,652,870
Other receivables	873,507	56,252	-	959	-	930,718
Other financial assets	739,206	-	-	-	-	739,206
Total	**36,288,854**	**42,338,911**	**34,745,247**	**30,632,223**	**612,095**	**144,617,330**
Financing facilities received from financial institutions	-	4,469,295	468,346	1,333,356	-	6,270,997
Financial liabilities measured at fair value	-	-	5,640	57,729	-	63,369
Derivative financial instruments	-	20,750	-	-	-	20,750
Deposits	61,999,716	37,515,895	4,189,307	181,168	1,553	103,887,639
Corporate bonds	-	587,442	2,279,894	1,326,334	-	4,193,670
Other financial liabilities	7,989,507	381	1,390	525	-	7,991,803
Total	**69,989,223**	**42,593,763**	**6,944,577**	**2,899,112**	**1,553**	**122,428,228**

The following table shows the breakdown of the Bank's contingent obligations by contractual maturity considering the total amounts at their due date:

	Up to 1 month	From 1 to 3 months	From 3 to 6 months	From 6 to 12 months	From 1 to 5 years	From 5 to 10 years	Over 10 years	Total as of 12/31/2018
Unused agreed overdrafts	100,000	-	-	-	-	-	-	100,000
Unused credit card limits	24,431,191	-	-	-	-	-	-	24,431,191
Guarantees granted	68,579	12,086	38,501	53,553	325,612	284	-	498,615
Obligations from foreign trade transactions	105,723	57,414	72,440	13,421	32,071	-	-	281,069
Letters of credit	45,688	78,201	500,979	-	-	-	-	624,868
TOTAL	24,751,181	147,701	611,920	66,974	357,683	284	-	25,935,743

	Up to 1 month	From 1 to 3 months	From 3 to 6 months	From 6 to 12 months	From 1 to 5 years	From 5 to 10 years	Over 10 years	Total as of 12/31/2016
Unused agreed overdrafts	295,206	-	-	-	-	-	-	295,206
Unused credit card limits	30,970,007	-	-	-	-	-	-	30,970,007
Guarantees granted	483,391	15,783	40,706	42,192	316,073	208	-	898,353
Obligations from foreign trade transactions	36,879	66,745	54,486	36,929	39,454	-	-	234,493
Letters of credit	149,265	72,941	9,802	-	-	-	-	232,008
TOTAL	31,934,748	155,469	104,994	79,121	355,527	208	-	32,630,067

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The following table provides the carrying amount of financial assets and financial liabilities expected to be recovered or settled more than 12 months after the reporting date:

	12/31/2017	12/31/2016
Financial assets		
Financial assets measured at fair value with changes in other comprehensive income	4,332,001	1,000,399
Financial assets measured at amortized cost	17,668	-
Loans	19,279,544	30,365,147
Other receivables	409	959
Financial liabilities		
Financing facilities received from financial institutions	1,240,968	1,333,356
Financial liabilities measured at fair value	-	33,695
Deposits	166,152	6,614
Corporate bonds	510,582	1,068,987
Other financial liabilities	-	525

Market risk

Market Risk is defined as the possibility of suffering losses in balance and off-balance sheet positions as a result of the adverse fluctuations in market prices, interest rate or exchange rates, between other.

Price risk

The Bank has policies in place for the management of market risk, which set the processes for monitoring and controlling the risks of changes in the quotation of financial instruments in order to optimize the risk-profit ratio through a structure of adequate management limits, models, and tools, The Global Risk Committee and the Finance Committee regularly control this risk, comprehensively with the other risks,

The use of quantitative models and methodologies applied is generally accepted by best practices, such as “Value at Risk” (VaR) approaches with various parameters to show normal market situations, as well situations under greater stress,

The metric of Value at Risk (VaR) represents the larger loss that, with certain degree of statistical confidence and under given time horizon, would be expected from marketing portfolio under normal market conditions.

The VaR varies in accordance with the framework portfolio of assets exposed to market risk and the volatility of the risk factors,

The permanent monitoring of this risk allows to keep the exposition delimited to establish limits by the Board of Directors at all times, In addition to that, several stress tests were conducts consisting in considerate adverse market situations, unlikely but plausible, in order to identify possible impacts by marketing risk and to facilitate the contingency planning.

Sensitivity to interest rate changes

The interest rate risk is defined as the potential occurrence of changes in the Bank's financial condition as a result of interest rate fluctuations with potential adverse consequences in net financial income and its economic value,

As regards interest rate risk management and control, the Bank uses internal measurement tools, such as interest rate curves, sensitivity analysis of balance sheet items, and interest rate gap, among others, which enable a comprehensive interest rate risk management, including the liquidity risk, implying an assets and liabilities management strategy, conducted by the Financial Management Department within the limits set by the Board of Directors,

Also, for the purposes of interest rate risk management, the Bank has a series of policies, procedures, and internal controls in place, which are included in the Manual of Rules and Procedures, which are regularly reviewed and updated,

The risk of mismatches of interest rates is quantified making a sensitivity analysis of the change in the net asset value in front of an increase of interest rate, taking into account several time horizons and statistical confidence levels, for each relevant currency, this approach is completed additionally with other based on sensitivity to net financial incomes, which allows to quantify the interest rate risk with a horizon of 12 months.

Currency risk

The currency risk or exchange risk arise from foreign currency's net position maintained in each time of the period, which is composed by assets and liabilities on- and off-balance sheet. In foreign currencies, the position of more meaningful corresponds to U.S. dollars.

The following table shows the VaR of 10 days with a confidence level of 99% of risk exposed portfolio as of December 31, of 2018 and 2017.

	12/31/2018	12/31/2017
	(In millions of Argentine pesos)	
Minimum for the year	5.4	11.5
Maximum for the year	42.4	94.5
Average for the year	13.7	54.6
As of December 31	42.4	18.0

(In thousands of Argentine pesos)

Foreign currency transactions are performed at the supply and demand exchange rates, As of December 31, 2018 and 2017, the Bank's open position, denominated in Argentine pesos by currency, is as follows:

ITEMS	Total as of 12/31/2018	Euro	US dollars	Pound sterling	Swiss franc	Other
ASSET POSITION						
Cash and cash equivalents	16,957,027	745,268	16,101,258	5,838	6,384	98,279
Special guarantee accounts	56,420	-	56,420	-	-	-
Financial assets measured at fair value	3,727,163	127	3,727,036	-	-	-
Loans	25,653,089	420,670	25,232,419	-	-	-
Other asset	71,931	21	71,910	-	-	-
Total	**46,465,630**	**1,166,086**	**45,189,043**	**5,838**	**6,384**	**98,279**
LIABILITY POSITION						
Financing facilities received from financial institutions	(8,398,152)	(417,967)	(7,980,185)	-	-	-
Deposits	(34,433,755)	(603,719)	(33,830,036)	-	-	-
Other liabilities	(3,675,054)	(53,562)	(3,570,371)	(47)	(21)	(51,053)
Total	**(46,506,961)**	**(1,075,248)**	**(45,380,592)**	**(47)**	**(21)**	**(51,053)**
DERIVATIVES						
Forward – purchases	3,081,423	-	3,081,423	-	-	-
Forward – sales	(2,687,637)	-	(2,687,637)	-	-	-
Total	**393,786**	**-**	**393,786**	**-**	**-**	**-**
Net position	**352,455**	**90,838**	**202,237**	**5,791**	**6,363**	**47,226**

ITEMS	Total as of 12/31/2017	Euro	US dollars	Pound sterling	Swiss franc	Other
ASSET POSITION						
Cash and cash equivalents	9,021,597	432,946	8,557,334	2,623	4,068	24,626
Special guarantee accounts	37,550	-	37,550	-	-	-
Financial assets measured at fair value	3,140,128	-	3,140,128	-	-	-
Loans	15,841,865	21,668	15,820,197	-	-	-
Other receivables	20,962	16	20,946	-	-	-
Other asset	605	97	508	-	-	-
Total	**28,062,707**	**454,727**	**27,576,663**	**2,623**	**4,068**	**24,626**
LIABILITY POSITION						
Financing facilities received from financial institutions	(1,782,484)	(9,467)	(1,773,017)	-	-	-
Deposits	(23,311,531)	(293,767)	(23,017,764)	-	-	-
Other liabilities	(2,428,636)	(32,551)	(2,330,595)	(43)	(53)	(65,394)
Total	**(27,522,651)**	**(335,785)**	**(27,121,376)**	**(43)**	**(53)**	**(65,394)**
DERIVATIVES						
Forward – purchases	1,416,654	-	1,416,654	-	-	-
Forward – sales	(1,393,913)	-	(1,393,913)	-	-	-
Total	**22,741**	**-**	**22,741**	**-**	**-**	**-**
Net position	**562,797**	**118,942**	**478,028**	**2,580**	**4,015**	**(40,768)**

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NOTE 42: Custodian agent of mutual funds

As of December 31, 2018, and 2017, the Bank, in its capacity as a custodian agent of mutual funds, keeps the custody of shares subscribed by third parties and assets in the following Mutual Funds:

Name	Deposits	Other	Total assets as of 12/31/2018
Lombard Renta en Pesos Fondo Común de Inversión	11,020,675	29,364	11,050,039
Lombard Capital F,C,I,	1,866,639	4,714,049	6,580,688
Fondo Común de Inversión Lombard Renta Fija	1,536	324,906	326,442
Fondo Común de Inversión Lombard Pesos Plus (*)	-	-	-
Fondo Común de Inversión Lombard Ahorro	7,853	-	7,853
Fondo Común de Inversión Lombard Abierto Plus	1,316,155	1,852,756	3,168,911
Fondo Común de Inversión Lombard Acciones Líderes	259	71,805	72,064
Lombard Renta Fija en Dólares FCI	1,268,244	2,176,009	3,444,253
Lombard Ahorro Plus FCI	116,365	777,387	893,752
TOTAL	**15,597,726**	**9,946,276**	**25,544,002**

(*) At the issuance date of these financial Statements, the Board of Directors of the Managing Society is assessing the market conditions to the relaunch of the Lombard Pesos Plus when it considers that are favourable.

Name	Deposits	Other	Total assets as of 12/31/2017
Lombard Renta en Pesos Fondo Común de Inversión	5,626,484	843,526	6,470,010
Lombard Capital F,C,I,	74,808	13,706,608	13,781,416
Fondo Común de Inversión Lombard Renta Fija	16,689	198,412	215,101
Fondo Común de Inversión Lombard Pesos Plus	546	-	546
Fondo Común de Inversión Lombard Ahorro	10,058	-	10,058
Fondo Común de Inversión Lombard Abierto Plus	166,090	886,899	1,052,989
Fondo Común de Inversión Lombard Acciones Líderes	1,110	120,090	121,200
Lombard Renta Fija en Dólares FCI	530,136	2,857,285	3,387,421
Lombard Ahorro Plus FCI	279	3,372,750	3,373,029
TOTAL	**6,426,200**	**21,985,570**	**28,411,770**

Fees earned as a Custodian Agent are recorded under "Fee income – Custodian Agent" in the amounts of 40,059 and 46,992 in the Consolidated Statement of Profit or Loss as of December 31, 2018 and 2017, respectively,

According with the terms and conditions of these agreements, the Group could not be require to provide any financial support to the mutual funds, Moreover, the Group did not incurred in any losses in relation with these mutual funds,

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NOTE 43: <u>Assets in trust and FCI</u>

The Bank executed a number of agreements with other companies, whereby it was appointed trustee of certain financial trusts, The assets held in trust were mainly loans, Those loans were not recorded in the financial statements, since they are not the Bank’s assets and, therefore, they are not consolidated,

At December 31, 2018 and 2017 the Bank was acting as a trustee for 16 and 24 trusts and managed, through Patagonia Inversora S,A, Sociedad Gerente de Fondos Comunes de Inversión, a total of 9 and 7 investment mutual funds (FCI, for its acronym in Spanish and see Note 42), respectively, The Entity does not respond, under no circumstances, with its own property by obligations assumed in the trust implementation; those only will be satisfied with and up to the full amount of the corpus assets and the proceeds therefrom,

The fees earned by the Bank for acting as a trustee are calculated under the terms of the respective agreements,

The income received by the Group for the above activities has been recorded under the caption “Commission income – Trust activity and F,C,I,” and amounted to 220,371 and 233,651 at December 31, 2018 and 2017, respectively,

According with the terms and conditions of these agreements, the Bank could not be require to provide any financial support to the trusts, Moreover, the Bank did not incurred in any losses in relation with these trusts,

NOTE 44: <u>Financial agent of the Province of Río Negro</u>

Under Law No, 2929 of the Province of Río Negro, and the agreement signed on May 27, 1996, the Bank acted as a financial agent of the Provincial Government, being in charge of the banking duties set forth in article1,2 of the aforementioned agreement,

On February 28, 2006, such agreement expired, which remained effective up to December 31, 2006, through successive extensions, under the same terms and conditions as those of the abovementioned agreement,

Thereafter, through bidding process No, 1/2006 conducted by the Department of Finance, Public Works and Services of the Province of Río Negro, the Bank was awarded the financial agent duties, and on December 14, 2006, the Río Negro Province Banking and Financial Services Agreement was signed for a 10-year term, which expired on December 13, 2016,

On December 29, 2016, Law No, 5187 was enacted by the Legislature of the Province of Rio Negro, which extended the application of the agreement signed with the Bank as from December 14, 2016 for a term of 180 days, to be automatically extended, or for a lower term, in case the bidding process for the selection of a bank providing financial agency services ends before such term,

On December 22, 2016, the Executive Branch of the Province of Rio Negro issued Decree 2140 by which it organized a bidding process for the selection and subsequent hiring of the Financial Agent of the Province of Río Negro for a term of ten years, to be extended for a five-year period, unless otherwise decided by any of the parties, The bidding process schedule establishes that the award date is April 6, 2017 and the date of execution of the Agreements is April 28, 2017,

Finally, as result of the process of tender procedure aforementioned, the April 28, 2017 the Entity was again adjudicated to service delivery as Financial Agent of the Province of Río Negro, signing the Banking and Financial Services Contract of the Province of Río Negro, at a 10-year term with a possible extension for another five years,

The function of Financial Agent no includes the obligation to assist financially the province of Río Negro under conditions no compatibles with its character of private bank,

Fee income related to such activity is recorded under “Fee income – Other” in the amounts of 58,418, and 92,506 as of December 31, 2018 and 2017, respectively,

NOTE 45: Subsequent events

On January 22, 2019, Banco Patagonia S.A. accepted an offer for the acquisition of its 51% interest in Prisma Medios de Pago S.A. by AI ZENITH (Netherlands) B.V. (Company related to Advent International Corporation), equivalent to 1,153,706 registered, common shares, with a nominal value of ARS 1 each, one vote per share.

The price offered for such shares amounted to USD 38,520,752 payable as follows: (i) 60% upon transfer of shares and (ii) 40% within the term of 5 years considered as from the transfer. The transaction was completed on February 1, 2019.

To the date of issuance of these financial statements, the Entity is the holder of 1,108,462 shares of Prisma Medios de Pago S.A. that account for 2,6822% of its share capital.

There are no other events or transactions occurred between the closing date of fiscal year and the date of emission of the financial statements that may affect significantly the financial situation or the Group profits at the close of the current fiscal year,

NOTE 46: Explanation added for translation into English

These financial statements are the English translation of those originally issued in Spanish,

They are presented in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), The effects of differences between those standards and the accounting principles generally accepted in the countries in which the accompanying financial statements may be used have not been quantified,

Accordingly, these financial statements are not intended to present financial position, results of operations or changes in financial position in accordance with accounting principles generally accepted in the countries of users of the financial statements, other than those countries that apply IFRS issued by the IASB,