

BANCOPATAGONIA

Integrated annual shareholders' letter as of December
31, 2019

BANCO PATAGONIA S.A.

Integrated annual shareholders' letter 2019

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INTEGRATED ANNUAL SHAREHOLDERS' LETTER 2019

1. CHAIRMAN'S LETTER

I hereby submit the Integrated annual shareholders' letter 2019 of Banco Patagonia, whereby we inform our shareholders, clients, employees, suppliers and the society, as a whole, how we add economic, social and environmental value. In line with the best practices at a worldwide level, this publication was prepared on the basis of the International Integrated Reporting Framework (IIRC) and the Global Reporting Initiative (GRI).

At present, Banco Patagonia is recognized as a relevant social actor as well as in connection with its contribution to the sustainable development in Argentina. We focused our actions on fostering –with our products and financial services–the growth of regional economies, by empowering big companies even more, encouraging the development of SMEs as well as the agribusiness segment, driving progress in technological and educational matters within the university sector and assisting the government sector by increasing its investment in local developments. Additionally, we are near every client that needs to have a bank to resolve everyday issues and to project their future. To sum up, we are a Bank recognized by its more than 1,200,000 clients, respected by the local and international competition and widely praised by our 3,300 employees.

Year 2019 has been a great year for us. We obtained, the Best Bank Prize in Argentina granted by *Revista Fortuna* and Editorial Perfil, we achieved excellent treasury results; the campaign for the sale of insurance beat the record; we implemented the HUB Patagonia as a lab to connect people to ideas, and we made progress in the process of digitalization that helps us reduce our carbon footprint. The agile methodologies are part of the Bank and they are gradually penetrating the organization to become digital references. Additionally, it is important to mention that our staff has received more than 44,000 hours of training to face the challenges posed by year 2020.

In order to add efforts and maximize impacts all over the chain value of the Argentine financial system, this year, we signed the Sustainable Finance Protocol of the InterAmerican Development Bank and Fundación Vida Silvestre Argentina and became part of the Sustainable Finance Committee of the Argentine Banks' Association (ABA). Additionally, we participate in each of the working committees of this association.

In pursuance of becoming one of the main banks in client's experience and innovation in the traditional banking system, we approved our Digital Transformation Strategy together with the Digital Business Plan for the next years. This will allow us to offer tools and methodologies to generate efficiency, best client and employee's experience, and more business possibilities.

We have also continued focusing on actions to promote the wellbeing and growth of regional communities by implementing initiatives related to education, entrepreneurship, volunteering and culture. We have more than 17,000 beneficiaries in alliance with other organizations of both the state and civil society. It is worth mentioning that the province of Río Negro, our shareholder and one of our main clients, has done an excellent job by fostering different actions targeted at the educational and productive development in the region. The commitment of many employees during this year is worth noting, who engaged in organizing more than 50 workshops about the financial system and saving alternatives for more than 2000 students in 15 provinces of the country and in the City of Buenos Aires, while promoting the corporate volunteering work in the community.

With an unwavering commitment to the prevention of and fight against corruption, in 2019, we renewed our strategy for the prevention of corruption by preparing the Integrity Program. On the other hand, committed to involve our procurement chain in our move to more sustainable practices, we made a progress in the final stage of the development of the Code of Ethics for vendors. Furthermore, we will continue including social and environmental criteria in the selection process.

Beyond these achievements, I would like to express my gratitude for the work, dedication and commitment of each of our people, as well as the total support of Banco do Brasil, our main shareholder, to build a stronger and more important financial institution in Argentina. I have great expectations for the future of the Bank and I know that we are prepared to seize the opportunities to come.

João Carlos de Nobrega Pecego
Chairman

Brazilian, born on March 12, 1964, is the Chairman of the Board of Directors of the Bank since 2014. He is also an alternate director of the Board of Directors of GPAT Compañía Financiera S.A.U., Patagonia Valores S.A. and Banco Patagonia (Uruguay) S.A.I.F.E., member of the Board of Directors of Banco Latinoamericano de Comercio Exterior S.A. (Bladex) since 2010 and Vice-president of the Argentine Banks' Association (ABA) since 2019. He started his career in Banco do Brasil in 1978 and held different executive positions as Commercial Superintendent, Corporate Executive Manager, and Regional Manager for Latin America, among others. In 2011, he was appointed Vice-president of Banco Patagonia. Mr. Pecego has a degree in Business Administration. He has also completed postgraduate studies in Business Management and two MBA in International Business and Marketing in the Pontificia Universidad Católica de Río de Janeiro and Fundación Dom Cabral in Minas Gerais.

2. ABOUT THIS LETTER TO SHAREHOLDERS

In compliance with the legal provisions in force and the bylaws, the Board of Directors of Patagonia S.A. (either "Banco Patagonia" or "the Bank" or "the Entity") prepares to be submitted for the consideration of the Shareholders, this Letter to shareholders for the fiscal year No. 96 ended December 31, 2019.

This Integrated annual shareholders' letter 2019 informs about the performance of Banco Patagonia in terms of economic, social and environmental matters from January 1 to December 31, 2019. Thus, the Entity consolidates financial and non-financial information in only one document, in answer to the information and transparency requirements from markets and key stakeholders.

For the second year in a row, the International Integrated Reporting Framework issued by the International Integrated Reporting Council (IIRC) was used for reference. Accordingly, information about the Bank's business, and its programs and initiatives is presented for the broad base of six capitals: Financial, industrial, intellectual, human, social, relationship and natural. In addition, the report has been prepared in accordance with the GRI Standards of the Global Reporting Initiative ("GRI"): core option.

A Limited Assurance Report has been issued in connection with this Letter to shareholders by KPMG, as independent auditors, and in compliance with the legal provisions, it has been reviewed by the Supervisory Committee, as stated in the Report on the Financial Statements as of December 31, 2019.

3. ECONOMIC AND FINANCIAL SYSTEM CONTEXT

3.1. Economic overview at a worldwide level

At a worldwide level, 2019 was a year of uncertainties mainly due to two specific events: the conflict between USA and China and the so-called Brexit. The conflict between USA and China revolved around the commercial and technological areas but entails a broader battle between both great powers. The commercial disputes engaged by president Donald Trump reached other USA partners, such as the European Union, Mexico and Canada and had an impact on global growth both directly as a result of the trade slowdown and indirectly through an increased uncertainty in the financial arena. Additionally, the uncertainties around the exit of Great Britain from the European Union (EU) seemed to be reduced when Boris Johnson succeeded in the latest elections and announced the exit implementation as from

January 31, although negotiations about subsequent relations with the EU will be further discussed in 2020. On the other hand, the Middle East continued as a source of tensions, focused on the conflicts between Iran and USA and their related alliances, showing a sharp peak in early 2020 with the assassination of a high-rank military leader of Iran and the attack on a US military base in Iraq by such Asian country.

In macroeconomic terms, the global economy grew by 2.9% (IMF estimate as of January 2020), which shows a slowdown in relation to the 3.6% growth achieved in 2018, while trade fell by 0.5% on a year-on-year basis (data as of October). The reduced global growth rate was explained by the slowdown in advanced economies (2.2% in 2018 and 1.7% in 2019) as well as in emerging economies (4.5% to 3.7%, respectively). In this last case, China, which has already achieved the GDP per capita of intermediate developed countries and is going through a process for changing the investment growth drivers and exports to consumption, showed the lowest growth in almost 30 years (6.1%), triggering the yellow lights in a country where high rates of growth warranted the political and social stability of the last decades. India, with internal social tensions, conflicts in Pakistan and an untraditional crisis in the bank sector, showed a considerable slowdown (6.8% to 4.8%) while Latin America is going through a period of stagnation with a slight growth of 0.1% in a year and some incidents of social turmoil in different countries (e.g. Bolivia, Chile and Ecuador). Brazil could eventually stabilize its economy after global adverse scenarios that started in 2018 and sustain the 1.2% (1.3% in 2018) growth in the area. In addition, the country seeks to approve some structural reforms (in social security matters), which, according to the government, will help reduce macroeconomic distortions and increase the potential growth rate.

In the financial arena, the variable yield ratios in the advanced economies maintained historical peaks against the monetary policies that kept up with a world holding high levels of indebtedness. During year 2019, and despite the fact that USA has unemployment rates near the minimum thresholds recorded (3.5% in December), the Federal Reserve provided for a 75 basis points decrease in the benchmark rate, and the year ended with a target rate that ranged from 1.5% to 1.75%.

3.2. Economic overview of the Republic of Argentina

In Argentina, 2019 was a presidential election year, which influenced considerably the financial and economic ratios and enhanced the volatility sustained during the year. Finally, on December 10th, there was a change of administration, after the triumph of the opposing party in the general elections dated October 27th.

The EMBI+ index, which started the year in the range of 700/800 basis points, achieved a maximum amount of 2,500 basis points by the end of September, and the year ended in 1,700 basis points, with a market expecting the first signals of the economic plan of the new administration, in general, and the decisions about the Argentine liabilities. The benchmark exchange rate varied from \$37.80 to \$59.89 (+58.4%). This accounted for an aggregate nominal increase of 219% since year ended 2017. The increase in the US dollar took place within a context of drop in the stock of international reserves, which decreased by USD 21,025 million in the year (up to USD 44,781 million by the end of the year) as a consequence of the BCRA interventions, the fall in private deposits in foreign currency and the payments of the Treasury debt. After the primary elections, the first restriction on the exchange market was established in September as well as a new reduction in the limits to purchase foreign currency for hoarding purposes after the October elections. The increase in the exchange rate and the fall in the demand for money accelerated the inflation, which led to an increase in the general level of prices to 53.8% by the end of the year, in excess of the increase recorded in 2018 (47.6%).

In this context, the financial intermediation activity shrank during 2019. Total deposits in pesos increased by 20.3% on a year-on-year basis (-21.8% year-on-year in real terms), while private deposits in local currency increased by 34.9% year-on-year (-12.3% in real terms), time deposits accounted for +26.3% year-on-year (-17.9% real terms) and transactional deposits accounted for +44.2% (-6.2% in real terms). In the case of intermediation in foreign currency, the deposits to the private sector fell by 35.6% year-on-year, within a downward trend starting with the exchange volatility after the primary elections and it was sustained up to the placement of restrictions on the market exchange.

On the other hand, loans in pesos to the private sector increased to 17.5% year-on-year (-23.6% in real terms), with 28% increases year-on-year (-16.8% in real terms) and 19.6% year-on-year (-22.2% in real terms) in the commercial and consumer segments, respectively and a 4.4% year-on-year reduction in secured financing (-37.9% in real terms). In the foreign currency segment, upon the accelerated withdrawal of deposits as from August, the financial system focused on sustaining the liquidity in US dollars and started to reduce the portfolio, while loans to the private sector fell by 31.3% year-on-year.

The increase in the exchange rate, in interest rates and the recessionary context led to a reversal of the external sector balance from a current account deficit of almost 5% of GDP in 2017 to levels lower than 1% of GDP in 2019, to a current account surplus, when analyzed from the viewpoint of the exchange balance. When this indicator is analyzed, the exchange current account, which had recorded deficits of USD17,052 million and USD11,329 million in 2017 and 2018, shows a surplus of USD 6,277 million in 2019. The balance of trade recorded a surplus of USD15,990 million: exports increased by 5.4% and imports decreased by 25%.

Finally, the adjustment to the balance of payments and its impact on the real salary, loans and expectations led to a downward trend for second year in a row. Based on the information available, to this reporting date, the Monthly Economic Activity Indicator

(EMAE) showed a 2.3% decrease year-on-year during the first eleven months of the year.

4. INTRODUCTION TO THE BANK

Banco Patagonia is highly customer oriented. It is focused on customer services and offering distinct products, services and channels with the aim of becoming a universal bank for people and entities of different profiles and needs to create sustained value for them and for the shareholders, employees, suppliers and the society as a whole.

4.1. Introduction to the Bank

Banco Patagonia has an integral proposal of value for each of the market segments: Individuals, Corporate, SMEs, agribusiness and public entities. It is one of the main players in the business units related to payroll payment within the Argentine financial system. Additionally, it offers products and services to teaching entities, financial institutions, either banking and non banking, public entities, either national, provincial or municipal.

Within a framework of constant changes and transformation of the financial services, the Bank invests in technology and focuses on the continuous innovation of processes, systems, products and services. Additionally, driven by its customer-oriented purpose, efficient customer assistance channels have been developed to create an agile, distinct and effective link.

4.2. Capital structure

From April 2011, Banco do Brasil S.A. is the majority shareholder of Banco Patagonia, with an ownership interest of 80.39% as of December 31, 2019.

At such date, the capital structure was as follows:

- Banco do Brasil S.A. 80.39 %
- Market 16.44 %
- Province of Río Negro 3.17 %

4.3. Subsidiaries

Banco Patagonia is the parent company of the following companies:

- Patagonia Inversora S.A. S.G.F.C.I.: 99.99 %
- Patagonia Valores S.A.: 99.99 %
- Banco Patagonia (Uruguay) S.A. I.F.E.: 100 %
- GPAT Compañía Financiera S.A.U.: 100 %

4.4. Banco Patagonia in figures

Item	Description	2019 M\$	2018 M\$
ECONOMIC VALUE DIRECTLY GENERATED REVENUES (1)	Financial income plus revenues from services. Including gain/loss from financial instruments, gold and foreign currency quoted price difference, other operating income and charge for loan losses, gain/loss on associates and joint ventures.	62,609,670	29,360,111
ECONOMIC VALUE DISTRIBUTED (1)		(39,250,326)	(21,231,362)
Operating costs	Total administrative expenses less salaries and employees' benefits, taxes and amortization and depreciation. Including contribution to the Deposit Guarantee Fund, teller machine related expenses, credit cards and other	(6,072,501)	(3,556,120)
Employees' salaries and benefits (personnel expenses, under administrative expenses)	Personnel expenses, under administrative expenses.	(6,853,939)	(4,555,788)
Payments to capital suppliers	Financial expenses	(22,972,387)	(10,780,447)
Payments to the government	Payment of taxes. Not including the payment of income tax. (2)	(3,351,499)	(2,339,007)
Withholdings	Economic value directly generated less the economic value distributed.	23,359,344	8,128,749
(1) Data arises from the financial statements audited by the independent accountant as of December 31, 2019 and 2018.			
(2) Not including the payment of income tax. Total income tax paid by the Bank in 2018 was M\$ 3,164,402.-. For year 2019, M\$ 6,874,059.-.			

4.5. Framework for the Bank's performance

Mission: becoming a universal bank, next to its customers, present all over the country and growth oriented, constantly in search of creating value for its shareholders, employees and the society as a whole.

Vision: becoming a bank recognized for its customer service experience and achieving a position within the main private banks of the Argentine Financial System.

Values: ethics, sense of ownership, competence, innovation, human power, sustainability, efficiency and agility.

4.6. Strategic alliances

In order to multiply the impact of our business and the role of the financial sector in the sustainable development of the country, we built strategic alliances with key players to work jointly in value proposals.

- Argentine Banks' Association (ABA). Banco Patagonia holds the 4th vice-presidency.
- Argentine Civil Association of Brazilian companies (Brazil Group), in which Banco Patagonia holds the Presidency.
- Argentine Leasing Association .
- Bolsa y Mercados Argentinos S.A. (BYMA).
- Argentine - Chilean Chamber of Commerce (CCACH)
- Chamber of Commerce, Industry and Services of San Lorenzo and its related area.
- Research and Social Action Center (CIAS)
- Inter-American Council of Commerce and Production.
- Institute for Argentine Corporate Development (IDEA).
- International Accreditation Forum (IAF).
- Foundation for Latin American Economic Research (FIEL)
- RAP Foundation – Network of politic action.
- GDFE – Group of foundations and companies

4.7. HISTORY

Banco Patagonia has more than 90 years in the Argentine financial market built on the former entities of which the Bank is the surviving entity.

Banco Patagonia gathers the experience of its former banks, among which, we can mention Banco Mercantil Argentino (pioneer in the salary plan business), which in 1999 merges with Banco Caja de Ahorro (early forerunner of the inclusion of the insurance business in the banking sector) and adopts the name of the latter. In year 2000, there is a merger with Banco Sudameris Argentina and the surviving entity adopts this corporate name.

In year 2003, Banco Patagonia S.A. merges into Banco Sudameris Argentina. Banco Patagonia S.A. is dissolved without going through the liquidation process and changes its name to Banco Patagonia Sudameris.

Such Banco Patagonia had been formed as a result of the merger between Banco Mildesa and Banco Río Negro in 1997, and the corporate name of the latter was maintained until year 2000 when the name is changed to Banco Patagonia (whose dissolution without liquidation is registered in September 2004).

In year 2004, Banco Patagonia Sudameris acquires the business of Lloyds TSB Bank plc Sucursal Argentina, with more than 140 years in the country, and reinstates the name of Banco Patagonia.

In 2007, Banco Patagonia lists its shares on the Buenos Aires and Sao Paulo Stock Exchanges. It is the first entity in listing shares in the BOVESPA, without operations in Brazil, up to 2019.

In year 2010, the Bank acquires the ownership interest of GPAT Compañía Financiera S.A. (formerly, GMAC Compañía Financiera S.A.) in order to extend its business.

During 2011, 58.96% of the capital stock of Banco Patagonia was transferred to the majority shareholder, Banco do Brasil S.A., a financial institution with more than 200 years of history in the Brazilian financial market, operating also in other countries.

In 2018, the sale option was exercised by the non-controlling shareholders to Banco do Brasil S.A., thus, increasing its interest in Banco Patagonia S.A. It became the owner of 80.39% of the capital stock and voting stock.

The legacies of these institutions and others that are currently part of Banco Patagonia account for a high value asset for the Entity as well as a competitive and differentiating feature.

4.8. BANCO DO BRASIL

It is the first bank set up in Brazil and also the first entity that listed its shares on the Brazilian capital market. With over 200 years of age, it has the largest geographical distribution network; 64,811 customer desks in Brazil and it has establishments in 17 countries.

It is one of the most important financial institutions in Latin America in terms of total assets. It operates in all segments: banking, credit cards, third-party management, insurance, capital markets, with an important portfolio of products and services.

It employs more than 93,000 people, who meet the demand of more than 69.58 million customers.

The institutional and financial information of Banco do Brasil is available at the website www.bb.com.br.

5. SUBSIDIARIES

Banco Patagonia is the parent company of the following companies: Patagonia Inversora S.A. S.G.F.C.I., Patagonia Valores S.A., Banco Patagonia (Uruguay) S.A.I.F.E. and GPAT Compañía Financiera S.A.U.; the financial reporting of which is conducted in accordance with the applicable standards.

The Entity is the parent company of the companies described below: They meet the objectives of providing services in addition to those offered by the Bank, which centralizes in its planning the main guidelines for the corporate management of such companies.

Note 34 to the Financial Statements details the assets and liabilities balances as well as the results of the operations conducted by the subsidiaries, which are performed on an arm's length basis.

Subsidiaries:

- PATAGONIA INVERSORA S.A. S.G.F.C.I.: it is a stock company registered with the Argentine Securities and Exchange Commission (CNV) as a Management Agent of Mutual Funds, whose purpose is to promote and manage mutual funds. Mutual funds are traded exclusively through the Bank, which, in turn, operates as a mutual funds custodian.
- PATAGONIA VALORES S.A.: it is a stock company registered with the CNV as Settlement and Clearing Agent and Comprehensive Trading Agent. Its sole purpose is acting in the settlement and clearing of transactions— in first issue and secondary trading, on its own account or on account of third parties.
- Banco Patagonia (Uruguay) S.A. I.F.E.: it is a Uruguayan company performing financial intermediation activities in Uruguay, exclusively between non-residents. Its commercial and administrative operations are conducted under the supervision of the Central Bank of Uruguay.
- GPAT Compañía Financiera S.A.U.: it is a sort of sole proprietorship, specialized in wholesale and retail financing in the automotive industry, by granting pledge loans for the acquisition of new and pre-owned automobiles sold especially by the General Motors de Argentina S.R.L. network of dealers. It is also engaged in the supply of management services of the portfolio of loans granted by Banco Patagonia to the dealers of General Motors de Argentina. It is supervised by the Argentine Central Bank (BCRA). It is also supervised by the CNV, as it is authorized to issue corporate bonds for public offer.

SUBSIDIARIES IN NUMBERS

PATAGONIA INVERSORA S.A. S.G.F.C.I.

The open-end mutual fund industry achieved a considerable growth in Argentina during year 2019. The net equity managed by the mutual fund companies stated the year with the amount of \$ 598,545 MM and by December 2019, it had amounted to 825,992 MM, which accounts for an increase of 38% during the year.

As to the investments by type of mutual fund, by the end of 2019, the equity managed by Money Market Funds accounted for 42.3% of total equity managed, while by the end of 2018, only 25.4% of the total equity of the industry was managed. Fixed income funds decreased their share in the market, and accounted for 33.1% of the Mutual Funds industry by the end of year 2019, while by the end of year 2018, they accounted for 55.2% (Source: CAFCI - Argentine Chamber of Mutual Funds).

The remaining share by type of mutual fund is as follows:

- Multi-asset income fund: 12.1%
- Fondos PYME: 5.3%
- Variable income fund: 3.2%
- Infrastructure investment fund 2.3%
- Absolute return funds: 1.7%

As of December 31, 2019, the Company discloses a total equity managed in the amount of \$ 25,991.5 MM. Such equity has decreased by 33.4% in relation to the equity managed as of December 31, 2018, as restated to reflect the effects of inflation (\$ 39,037.2 MM). As of December 31, 2019, the Company ranks 12 among equity managed by manager companies with a market share of 3.1%.

Patagonia Inversora S.A. Sociedad Gerente de Fondos Comunes de Inversión discloses income in the amount of \$ 97,8 MM as of December 31, 2019, which accounts for a 32% decrease compared to the prior year (\$ 143.8 MM). Such variation was mainly due to the increase in financial and holding gains/losses provided by assets by 1.7% while management fees decreased by 12% with respect to the prior year, and operating expenses decreased by 13.6%. The Company has assets in the amount of \$ 587.6 MM and its net equity amounts to \$ 505.6 MM.

PATAGONIA VALORES S.A.

The S&P Merval index and S&P Byma General index, stated in USD showed a downward trend for the second year in a row. This situation resulted from the exchange rate depreciation, as both of them had raises in pesos. After the 21.5% rise in USD until the primary elections, S&P Merval fell 58.5% until 09/03/2019. After such date, it started to increase again.

Out of the 5 raises during the year in USD, 4 correspond to S&P ByMA General and only 1 to S&P Merval.

The best 10 shares traded explained 65.2% of total volume, in line with 67.3% of the prior year. As in the last three years, GGAL was the best traded share, although during this year, its participation increased to 24.2% unlike 15.2% for 2018.

ByMA's share was the sixth best traded with 3.7% of total volume, while Tenaris and Petrobras, which became unlisted and were traded as Cedear, explained 16% of the total volume of the year.

Following the same trend of prior years, AY24 was the best trade bond in USD, which explained 50% of total volume and was followed by TC20 with 4.9%. TC20 (adjusted by CER) was the best traded bond in pesos.

The effective volume in pesos grew by 151% (36% as measured in USD) and beat the record both in pesos and USD. In pesos, the volume traded amounted to \$10,467MM, equivalent to USD 207,342M.

No instruments with volumes lower than the prior year were recognized. The shares trading remained stable with respect to the prior year, with a position variation of 0.5%. The volume of government securities increased by 125.6% and explained 72.5% of total volume. The effect of the exchange rate depreciation reflected an effective increase in the volume in pesos.

Out of total placements in senior secured notes (USD 1,839M), the three main sectors were the Oil and Gas industry (USD 457M), Banks (USD 449M) and Telecommunications (USD 403M).

The Company disclosed a loss of \$ 11.5 MM in year 2019, mainly due to the recognition of the impact of the inflation adjustment. As of December 31, 2019, the Company's total assets amounted to \$ 47.3 MM, which accounts for a decrease of 31.5% in relation to the prior year (\$ 64.3 MM). This variation arises mainly from the decrease in investments.

Regarding liabilities, they decreased in relation to the prior year from \$ 6.3 MM to \$ 0.8 MM, mainly due to the decrease in tax payables.

BANCO PATAGONIA (URUGUAY) S.A. I.F.E.

At fiscal year ended 2019, the Company disclosed income in the amount of USD 231,6 M. The portfolio of non-residents in Uruguay was USD 45.7 MM, which accounted for an increase of 81.07% (USD 20.5 MM) compared to the prior year (USD 25,2 MM). As of December 31, 2019, the Entity has assets in the amount of USD 52.5 MM and a net equity in the amount of USD 6.0 MM, and maintains a surplus of USD 1.5 M to meet the minimum capital requirements according to the regulations of the Uruguayan Central Bank.

At the same date, the funds managed that include demand deposit accounts and securities in custody stated at market price, both the clients' and the bank's own, amounted to USD 224 MM, which accounts for an additional 17.26% compared to the balance as of December 31, 2018 (USD 191 MM).

GPAT COMPAÑIA FINANCIERA S.A.U.

The registration of private and commercial vehicles decreased by 42.99% at the end of 2019 (452,201 registrations versus 793,167 in 2018). This decrease is due to the rise in prices explained, mainly, by the inflationary context, and by the increase in the USD/ARS exchange rate. (Source: Acara as of 02.13.20. It does not include the registration of trailers, semi-trailer, or else). The production level decreased considerably by 32.5%, and 314,787 vehicles were manufactured. As to the level of exports, at year ended 2019, there was a volume of 224,248 vehicles, which accounts for a 16.7% decrease compared to the prior year. This decrease was mainly due to the economic instability that was translated into changes in rates and exchange rates, added to the stagnation of Brazil, the main destination of exports (Source: ADEFA). The volume of financing recorded 183,631 transactions, which accounts for a significant drop by 51.83% compared to the prior year. The factors that led to these figures were the increase in the price of vehicles and the high market interest rates. As to the share in total pledges issued by type of creditor, the banks and the financial institutions of the brands accounted for 41.69% while the Savings plans accounted for 55.33%. On the other hand, the pledge market share in relation to vehicles registrations was 40.61% including the Savings Plans financing.

To sum up, GPAT will continue maintaining the leadership in providing financing to Chevrolet, with an 85% volume of pledge-secured loans granted. During year 2019, the total volume of vehicles through the wholesale program totaled 25,918 units in the amount exceeding \$ 23 billion. All these results were somehow affected by the Argentine economic context.

Income for fiscal year 2019 amounted to \$ 145.6 MM, which accounted for an increase of 747.4% (\$ 128.4 MM) compared to 2018 (\$ 17.2 MM). ROE was 19.34% compared to 2.1% of the prior year. The Company's financial income amounted to \$ 1,713.1 MM with a variation of 16.2% (\$ 238.7 MM) compared to the prior year (\$ 1,474.4 MM). The Company's financial expenses amounted to \$ 1,549.7 MM with a variation of 14.4% (\$ 194.9 MM) compared to the prior year (\$ 1,354.9 MM). The main variations correspond to interest on inter-financial loans (Call) that increased in the amount of \$ 328.4 MM and interest on the senior secured notes issued by the Company that decreased by 20.3% (\$ 155.6 MM), amounting to \$ 608.6 MM compared to \$ 764.2 MM for the prior year.

6. FINANCIAL AND INCOME/LOSS ANALYSIS OF THE ENTITY

For the preparation of this analysis, Banco Patagonia consolidated its statement of financial position and statement of income on a line-by-line basis with the financial statements of its subsidiaries: Patagonia Valores S.A., Patagonia Inversora S.A. Sociedad Gerente de Fondos Comunes de Inversión, Banco Patagonia (Uruguay) S.A.I.F.E. and GPAT Compañía Financiera S.A.U.

The consolidated financial statements have been prepared in accordance with the regulations of the Argentine Central Bank (BCRA), which state that the institutions under its supervision should submit financial statements prepared under the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), subject to the following exceptions:

- a) Application of the impairment model of section 5.5. "Impairment of Value" of IFRS 9 "Financial Instruments", applicable to "Allowance for loan losses".
- b) Application of International Accounting Standard 29 (IAS 29) "Financial Reporting in Hyperinflationary Economies" due to the effectiveness of Communication "A" 6651 issued by the BCRA
- c) Regarding the valuation of Prisma Medios de Pago S.A., the Entity follows the guidelines established by the BCRA, whereby the accounting treatment to be given to the remaining investment held in such company is stated, which is recorded in "Investments in equity instruments".

It should be noted that a) and b) will be applicable to fiscal years beginning on or after January 1, 2020.

The existence of an inflationary context affects the financial position, income/loss and cash flows, and, therefore, the effects of inflation should be considered upon interpreting this analysis and the financial statements of the Group.

Income for year 2019

Income for fiscal year 2019 amounted to \$ 17,631.6 MM, which accounted for an increase of 229.5 % (\$ 12,280.9 MM) compared to 2018 (\$ 5,350.7 MM). The main variations in income for the year are as follows:

Interest income/loss amounted to \$ 31,283.0 MM, which accounted for an increase of 128.7 % (\$ 17,606.4 MM) compared to the prior year (\$ 13,676.6 MM).

Interest income amounted to \$ 54,913.1 MM, which accounted for an increase of 117.0 % (\$ 29,606.9 MM) compared to the prior year (\$ 25,306.2 MM). The main variation is related to interest on the portfolio of securities measured at fair value with changes through OCI, which increased to \$20,709.1 MM (\$26,368.5 MM vs. 5,659.4 MM) as a result of the increase in the portfolio of securities issued by the BCRA as well as the increase in the interest rate from an average annual nominal rate of 48.3% to 66.7% arising from the monetary policy implemented by the BCRA.

Additionally, interest on loans to the nonfinancial private sector increased due to an increase in the portfolio of \$ 6,335.1 MM (\$ 88,862.6 MM vs \$ 82,527.5 MM, before allowances) and the increase in the average annual interest rate from 27.1% to 33.0%.

Regarding interest on loans, most of revenues were related to financial facilities granted to companies by means of advances in the amount of \$ 2,418.9 M (\$ 6,524.8 MM vs. 4,105.9 MM) and notes in the amount of \$ 1,633.7 MM (\$ 6,287.1 MM vs. \$ 4,653.4 MM). In the consumer portfolio, there was an increase in the line credit cards in the amount of \$ 1,614.1 MM (\$ 4,041.0 MM vs. 2,426.9 MM)

Interest expense amounted to \$ 23,630.1 MM, which accounted for an increase of 103.2 % (\$ 12,000.5 MM) compared to the prior year (\$ 11,629.6 MM), mainly as a result of a higher accrual of interest on time deposits in the amount of \$ 11,147.7 (\$ 19,731.6 vs. \$ 8,583.9 MM), as a consequence of the increase in the average annual interest rate for time deposits from 26.8 % to 39.8 %.

Fee income/loss amounted to \$ 4,615.4 MM, which accounted for an increase of 18.5% (\$ 719.1 MM) compared to the prior year (\$ 3,896.3 MM).

Fee income amounted to \$ 6,404.2 MM, which accounted for an increase of 29.4% (\$ 1,455.0 MM) compared to the prior year (\$ 4,949.2 MM) due to the increase in fees related to credit and debit cards in the amount of \$ 350.3 MM, product bundling in the amount of \$ 285.9 MM, insurance in the amount of \$ 281.8 MM and collections in the amount of \$ 229.3 MM.

Fee expenses amounted to \$ 1,788.8 MM, which accounted for an increase of 69.9% (\$ 735.9 MM) compared to the prior year (\$ 1,052.9 MM) mainly due to the increase in fees related to credit and debit cards (\$ 423.3 MM).

The charge for loan losses was \$ 3,357.0 MM compared to \$ 2,409.8 MM of the prior year, which accounted for an increase of 39.3% (\$ 947.2 MM) on a year-on-year basis. It was mainly due to the increase in the loan portfolio and the additional allowances set up as provided for by the BCRA. Additionally, there was an increase in the delinquency rate from 2.1% in 2018 to 2.5% in 2019.

Finally, the allowances for the irregularly performing portfolio was 2011.7% as of December 31, 2019, compared to 207.2% as of December 31, 2018.

Benefits to personnel amounted to \$ 7,001.6 MM, which accounted for a variation of 50.0 % (\$ 2,332.7 MM) compared to the prior year (\$ 4,668,9 MM) and are mainly explained by the salary raises agreed for banks during year 2019.

Administrative expenses amounted to \$ 4,927.9 MM, which accounted for a variation of 52.1 % (\$ 1,687.7 MM) compared to the prior year (\$ 3,240.2 MM). The main variations occurred in maintenance, conservation and repair expenses (\$ 400.4 MM), taxes (\$ 240.0 MM) and fees (\$ 203.0 MM).

On the other hand, other operating expenses amounted to \$ 4,825.3, which accounted for an increase of 64.6 % (\$ 1,894.5 MM) compared to the prior year (\$ 2,930.8 MM), mainly due to an increase in allowances (\$ 847.2 MM), and the increase in turnover tax (\$ 783.9 MM) as a consequence of the rise in interest and fee income.

Other comprehensive income (OCI)

OCI amounted to \$ 580.1 MM, which accounted for a decrease of 74.3 % (\$ 1,676.8 MM) compared to \$ 2,257 MM for the prior year, mainly due to the decrease in gain on financial instruments at fair value with changes through OCI in the amount of \$ 1,006.5 MM as well as the decrease in the adjustment related to the revaluation of real estate of the Group in the amount of \$ 660.1 MM (\$ 1,592.9 MM compared to \$ 2,253.0 MM for the prior year).

ROE (Return on equity)

As of December 31, 2019, the return (total comprehensive income) on average equity for the year was 75.4% compared to 54.3% for the prior year.

ROA (return on assets)

As of December 31, 2019, the return (total comprehensive income) on average assets for the year was 10.3% compared to 6.5 % for the prior year.

Statement of financial position

Total assets of the Entity amounted to \$ 192,388.1 MM, which accounted for a variation of 24.5% (\$ 37,893.1 MM) compared to the prior year (\$ 154,495.0 MM), while total liabilities amounted to \$ 159,000.8 MM, which accounted for a variation of 16.7 % (\$ 22,799.0 MM) compared to the prior year (\$ 136,201.8 MM).

Changes in loans and other financing facilities

The portfolio of loans and other financing facilities granted to the nonfinancial private sector before allowances amounted to \$ 88,862.6 MM, which accounted for a variation of 7.7% (\$ 6,335.1 MM) compared to the prior year (\$ 82,527.5 MM).

In the commercial loan portfolio, the overdraft line had the highest growth in the amount of 71.0 % (\$ 7,924.3 MM), which added up to \$ 19,091.8 MM at fiscal year-end.

As to the consumer loan portfolio, there is an increase in credit cards by 23.7 % (\$ 3,024.1 MM), which added up to \$ 15,790.6 as of December 31, 2019.

Changes in deposits

Total deposits amounted to \$ 122,194.3 MM, which accounted for a variation of 12.0% (\$ 13,077.3 MM) compared to the prior year (\$ 109,117.0 MM).

The nonfinancial private sector deposits amounted to \$ 109,472.0 MM, which accounted for an increase of \$ 12,388.7 MM (12,8%) compared to the prior year (\$ 97,083.3 MM). The main increases were noted in the savings accounts and checking accounts in the amounts of \$ 5,198.0 MM and \$ 4,964.1 MM, respectively.

Liquidity ratio

The liquidity ratio was 70.2% of total deposits compared to 53.6% for the prior year. Liquid assets (cash and bank deposits, debt securities and investments in equity instruments (net of repo transactions) increased by 49.6 % (\$ 29,166.5 MM) compared to the prior year.

Solvency ratio

The solvency ratio measured in terms of net equity over total liabilities was 21.0%, compared to 13.4% of the prior year, 15.0% for the total financial system and 17.2% (1) for private entities.

Net equity over assets

The leverage calculated by dividing net equity by total assets was 17.4%, compared to 11.8% of the prior year, while it accounted for 13.1% for the total financial system and 14.6 % (1) for private entities.

Non current assets

Non current assets ratio understood as fixed assets (property, plant and equipment and intangible assets) over total assets was 4.2% compared to 3.6% of the prior year.

(1) Source: BCRA, October 2019

Regulatory framework

The Entity meets the regulations established by the BCRA. As of December 31, 2019, it meets the consolidated minimum capital requirements in excess in the amount of \$ 14,713.4 MM with respect to the requirements of the BCRA, which accounts for an increase of 169.8% (\$ 9,259.3 MM) compared to the prior year (\$ 5,454.1 MM). Accordingly, the capitalization ratio that relates the Computable equity (RPC) to the assets weighted according to their risk was 17.8 % compared to 12.5% for the prior year.

Consolidated structure of financial position and income/loss

Below we include the consolidated statement of financial position of the Group as of December 31, 2019, comparative with the fiscal years ended December 31, 2018 and 2017.

Consolidated financial position items (in thousands of \$)	2019	2018	2017
Cash and bank deposits	44,626,956	34,940,609	14,422,402
Debt securities measured at fair value with changes through profit or loss	343,498	182,928	438,106
Derivative financial instruments	77,248	148,988	34,201
Repo transactions	-	663,435	952,850
Other financial assets	2,056,266	3,158,092	1,725,203
Loans and other financing facilities	88,135,001	82,549,304	61,623,720
Other debt securities	42,131,753	23,649,064	13,184,641
Financial assets granted as collaterals	3,581,283	2,797,674	1,736,636
Current income tax assets	37,344	40,396	188
Investments in equity instruments	843,108	6,347	13,673
Investments in subsidiaries, associates and joint ventures	231,202	146,853	188,710
Property, plant and equipment	8,030,525	5,494,066	2,595,416
Intangible assets	130,825	62,630	46,774
Deferred income tax assets	1,409,482	72,611	60,337
Other non financial assets	753,609	347,178	262,928
Non-current assets held for sale	-	234,831	34,383
TOTAL ASSETS	192,388,100	154,495,006	97,320,168

Consolidated financial position items (in thousands of \$)	2019	2018	2017
Deposits	122,194,308	109,117,039	69,062,590
Liabilities measured at fair value with changes through profit or loss	-	-	124,934
Derivative financial instruments	248,669	74,331	14,058
Repo transactions	-	916,010	1,857,080
Other financial liabilities	8,384,103	9,321,695	6,020,069
Financing facilities received from the BCRA and other financial institutions	16,555,429	9,358,048	2,372,762
Senior secured notes issued	1,035,147	1,678,055	2,231,014
Current income tax liabilities	4,708,164	1,757,878	871,381
Provisions	1,384,068	402,073	214,139
Deferred income tax liabilities	-	184,956	-
Other nonfinancial liabilities	4,490,929	3,391,701	2,088,859
TOTAL LIABILITIES	159,000,817	136,201,786	84,856,886
SHAREHOLDERS' EQUITY	33,387,283	18,293,220	12,463,282
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	192,388,100	154,495,006	97,320,168

Below we include the consolidated statement of income of the Group for the fiscal year ended December 31, 2019 comparative with the prior year.

Consolidated income items (in thousands of \$)	2019	2018
Interest income	54,913,119	25,306,178
Interest expense	-23,630,088	-11,629,570
Interest income/loss	31,283,031	13,676,608
Fee income	6,404,217	4,949,158
Fee expenses	-1,788,814	-1,052,937
Fee income/loss	4,615,403	3,896,221
Net gain on financial instruments measured at fair value through profit or loss	1,124,106	1,278,077
Gold and foreign currency quoted price difference	2,513,413	1,064,621
Other operating income	3,379,049	1,168,575
Charge for Loan Losses	-3,357,019	-2,409,842
Net operating income	39,557,983	18,674,260
Benefits to personnel	-7,001,578	-4,668,876
Administrative expenses	-4,927,889	-3,240,171
Assets depreciation and impairment of value	-474,713	-202,130
Other operating expenses	-4,825,299	-2,930,813
Operating income	22,328,504	7,632,270
Gain/loss on associates and joint ventures	543,256	373,032
Income before taxes	22,871,760	8,005,302
Income tax	-5,240,111	-2,654,632
Net income	17,631,649	5,350,670
Other comprehensive income	580,072	2,256,874
Total comprehensive income	18,211,721	7,607,544

Consolidated cash flow items

Below we include the consolidated cash flow items for the fiscal year ended December 31, 2019 comparative with the prior year.

CHANGES IN CASH (in thousands of \$)	2019	2018
Cash provided by operating activities	4,440,150	46,647,859
Cash provided by (used in) investing activities	386,429	(164,949)
Cash (used in) financing activities	(5,184,901)	(3,238,302)
Effects of exchange rate variations	10,044,669	(22,726,401)
NET INCREASE IN CASH AND CASH EQUIVALENTS	9,686,347	20,518,207

7. POLICY AND PROJECT FOR THE DISTRIBUTION OF EARNINGS**7.1. Procedure for the payment of dividends according to the applicable regulations**

The BCRA regulations provide for the criteria applicable for the distribution of earnings by the financial institutions without affecting their liquidity and solvency. A special procedure is established to determine the distributable earnings and prove that the distribution of dividends does not affect the solvency and liquidity of the Entities.

Through the provisions of BCRA Communication "A" 6768 dated August 30, 2019, it was stated that the distribution of earnings by financial institutions shall be previously authorized by the BCRA. Within the authorization process, the Supervisory Board of Financial and Exchange Institutions (SEFyC) will consider, among other elements, the potential effects of IFRS 9, paragraph 5.5. - Impairment of financial assets (Communication "A" 6430) and of the restatement of financial statements provided for by Communication "A" 6651.

As provided for by the CNV, the Shareholders at the Meeting held to consider the annual financial statements shall resolve on the allocation of accumulated earnings of the Bank, 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.

7.2. Project for the distribution of earnings

The dividends declaration, amount and payment are decided by the majority vote of shareholders at Meeting, usually, as proposed by the Board of Directors.

It was defined, as a policy, that the Board of Directors of the Entity shall propose to the Shareholders at Meeting the distribution of up to 50% of liquid and realized earnings for the year as dividends, which shall be paid in cash, depending on income for the year, the financial position of the Bank at such moment, the potential requirements of liquidity and additional capital margin and other factors that are considered to be relevant by the Board of Directors of the Bank and the Shareholders to maintain the Entity's solvency.

The following table details the dividends paid in cash to the shareholders of the Bank in connection with the fiscal years ended December 2015, 2016, 2017 and 2018:

Fiscal year	Dividends as per outstanding shares (in pesos)	Total payment of dividends (in thousands of pesos)	Percentage of earnings
2015 (*)	2.3851	1,715,261	70,81%
2016	2.2728	1,634,497	50,00%
2017	2.4718	1,777,606	50,00%
2018 (**)	4.3352	3,117,658	58,27%

(*) During the Annual Shareholders' Meeting held on April 27, 2016, it was decided that a cash dividend be approved in the amount of thousands of \$ 52,728. Furthermore, the Shareholders' Meeting held on July 25, 2016 resolved to increase the amount of cash dividends in thousands of \$ 1,662,533, to reach the total amount requested of thousands of \$ 1,715,261. The amount shall be transferred from the Optional Reserve for future distribution of earnings. Finally, on September 13, 2016, the SEFyC of the BCRA authorized the payment of cash dividends, which were made available to the Bank's shareholders on September 30, 2016. It is explained that the dividends paid were related to the amount of dividends not distributed for fiscal years 2011, 2012, 2013, 2014 and part of fiscal year 2015.

(**) During the Annual Shareholders' Meeting held on April 25, 2019, it was decided that a cash dividend be approved in the amount of thousands of \$ 2,675,335, for fiscal year 2018 (50% of earnings), which were made available to the Bank's shareholders on May 10, 2019. Furthermore, the Shareholders' Meeting held on July 15, 2019 resolved to increase the amount of cash dividends in thousands of \$ 442,323, related to the amount outstanding for fiscal 2015, which were made available to the Bank's shareholders on July 29, 2019, to reach the total amount requested of thousands of \$ 3,117,656. The amount shall be transferred from the Optional Reserve for future distribution of earnings.

The project for the distribution of earnings for the fiscal year ended December 31, 2019 is as follows:

Item	Amount in thousands \$
Unappropriated retained earnings (1)	23,813,127
To Retained earnings	
- Legal Reserve (20% of 17,631,649)	3,526,330
Subtotal 1	20,286,797
Less: Off-balance sheet adjustment under point 2 – BCRA compiled text "Distribution of earnings".	-
Subtotal 2	20,286,797
Distributable balance for the year	14,105,319
To be allocated by the Annual Shareholders' Meeting (2)	14,105,319

(1) It includes the optional reserve for future distribution of earnings in the amount of thousands of \$ 6,181,478.

The Board of Directors will make the proposals for the distribution of earnings at the meeting in which the next Shareholders' Meeting is convened.

8. STRATEGY FOR CORPORATE SOCIAL RESPONSIBILITY

Banco Patagonia is fully committed to the integral development of Argentina and its role as financial institution. Accordingly, it is working on a triple-impact strategy from its own actions and indirectly through financing and investment, seeking to empower the regional economies, the SMEs and people welfare.

Banco Patagonia develops programs and initiatives of corporate social responsibility together with and for the benefit of its stakeholders in order to:

- Offer simple and clear answers to the needs of the stakeholders.
- Ensure the transparency of the corporate governance.
- Promote the organization sustainability value.
- Encourage a sense of belonging among employees.
- Work together with the regional economies.

Execution of Sustainable Finance Protocol

As part of the commitment to the sustainable development and the role of the financial sector in the social and environmental improvement of communities in Argentina, in 2019, Banco Patagonia – together with other 18 local financial institutions– signed the Sustainable Finance Protocol aimed at creating products and services that help mitigate the climate change and promote environmental care, while developing inclusion, diversity and equality perspectives across the whole organization.

In 2019, Banco Patagonia was awarded the prize to the Best Bank in Argentina, in the 15th edition of “Premios Fortuna 2019 a las Mejores y Mayores Empresas”

8.1. Identification and relationship with the stakeholders

Banco Patagonia identifies its stakeholders in order to hold a dialogue and maintain a fluent contact, understand their needs and expectations with respect to the business, their products and services. This stakeholders' mapping is based on the following criteria: legal, financial and operating responsibilities, influence in the achievement of its goals, nearness, dependence and representation of other people, such as the leaders of the local communities.

Banco Patagonia stakeholders

SHAREHOLDERS

Commitment: To protect the interests of the shareholders through the ethical, transparent management while abiding by the regulations in force.

Means of communication:

- Shareholders' meetings
- Relation to investors function
- Conference calls

EMPLOYEES

Commitment: To promote their integral development with benefits, possibilities for internal promotion and training, through an adequate communication.

Means of communication:

- Yammer
- Intranet
- Billboards
- Visits, contact on the telephone, by e-mail or personally with the Executive Management of Human Development and Corporate Climate
- Survey of suggestions by the Quality sector
- Ethics line

SOCIETY

Commitment: To provide simple and clear answers to the needs of the society, ensure the transparency of the corporate governance, promote the corporate volunteer work and work together with the regional economies for growth.

Means of communication:

- Direct contact with the communities
- alliances with civil society organizations
- E-mail
- Telephone customer services
- Corporate website

SUPPLIERS

Commitment: To comply with the contractual relations, forge long-term relationships and provide benefits as from the opening of free-of-charge accounts.

Means of communication:

- E-mail
- Telephone customer services

CUSTOMERS²

Commitment: To provide quality products and services, personalized customer services and effective answers to their needs.

Means of communication:

- Email Marketing (EMM)
- Social media
- Mass media
- Market surveys and studies
- Personal contact in branches and quality customer services –Av. de Mayo 701, City of Buenos Aires.
- Telephone assistance “Patagonia en línea”, number 0810 888 8500, from Monday to Friday, 9 am to 7 pm, Saturdays and Sundays 10 am to 2.00 pm and toll free number 0800 777 8500.
- Corporate website

8.2. Model for the creation of value

Capitals	Resources	Business model for the creation of value	Performance	Results	Material issues
Financial capital	Own funds Investments Capital stock	Mission Vision Values	Profitability Robustness Liquidity	<ul style="list-style-type: none"> • 73.0% ROE (Return on equity) • 72.0% ratio of liquidity 	<ol style="list-style-type: none"> 1. Ethics and transparency 3. Comprehensive risk management
Intellectual capital	Processes and systems Innovation Technology	Organizational structure: Board of directors, Supervisory Committee, Committees, Superintendencies and Managements Stakeholders: shareholders, employees, customers, suppliers and society	Customer experience Customized products and services Secure management of data Digital banking Presence all over the country Accessibility Physical security	<ul style="list-style-type: none"> • 21% average NPS of the Bank • 90 initiatives related to the Digital Transformation Plan 	<ol style="list-style-type: none"> 2. Customer service experience 5. Customer security and privacy
Industrial capital	The network Customer service channels Products and services	Internal codes, guidelines and regulations Risk management and control systems		<ul style="list-style-type: none"> • 186 branches all over the country • 264 ATMs tailored to be used by people with visual impairment • 100% of internal, external and ISO 27001 audits about physical security fulfilled 	<ol style="list-style-type: none"> 2. Customer service experience 5. Customer security and privacy 8. Financial inclusion
Human capital	Employees Ongoing training Climate management		Labor opportunities Development Labor climate	<ul style="list-style-type: none"> • 81 employees promoted • 44,013 hours of training to employees • 97.55% employees assessed • +165 visits to branches and meetings with +1800 employees through individual interviews 	<ol style="list-style-type: none"> 4. Development and training with employees
Social and relations capital	Community programs Multisector alliances		Education Entrepreneurship Volunteering work	<ul style="list-style-type: none"> • 4988 students, teachers and people over 60 years of age 	<ol style="list-style-type: none"> 7. Programs for the development of the local community

² All products, services and operations of the Entity are mainly subject to the regulations of BCRA, CNV, Financial Information Unit, Argentine Insurance Regulator as well as the Code of Best Banking Practices, among others.

	Relations with the government Value chain	Local development	participated in the education initiatives	9. Education programs 10. Criteria for hiring suppliers
Natural capital	Materials and resources Energy Investment in the environment	Recycling Sale without paper Digital file Loans with environmental value Awareness	<ul style="list-style-type: none"> 471 employees empowered 12,536 people benefited from volunteering work 2600 proposals of loans classified by environmental issues decrease in the use of paper A\$ 	6. Rational use of resources

9. CORPORATE GOVERNANCE

Banco Patagonia follows corporate governance best practices, where the Board of Directors and Senior management are responsible for ensuring compliance. They are committed to lead and control that the activities and businesses are conducted under ethical, transparent criteria in accordance with the regulations in force.

9.1. Corporate governance best practices

The implementation of Corporate governance best practices is aimed at protecting the Company's, shareholders' and stakeholders' interests, laying the basis of an ethical and transparent management within an adequate risk management.

The CNV General Resolution No. 797/2019 defines Corporate governance as the set of practices, processes and structures whereby companies are led and controlled, and it is added that the Organization for Economic Cooperation and Development (OECD) states that corporate governance "involves a number of relations between the Company's management, its Board of Directors, shareholders and other stakeholders".

As provided for by this Resolution, the Corporate Governance Code 2019 is attached as Exhibit III to this Integrated Annual Shareholders' Letter.

9.2. Board of Directors of the Bank

Responsible for the Entity's strategy

The Board of Directors is ultimately responsible for the implementation of the decisions adopted by the Shareholders at meetings and for the development of the strategic management of the Bank in compliance with the tasks especially delegated by the Shareholders. It is in charge of the management and strategy of the Bank and takes all decisions related to this end, as well as those decisions expressly established by the Companies Law No. 19550, the Bank's bylaws and other applicable regulations.

BOARD OF DIRECTORS**Members of the Board of Directors****Chairman**

 João Carlos de Nobrega Pecego
Vice-presidents

 Oswaldo Parré dos Santos
 Rubén Miguel Iparraguirre
 Delano Valentim de Andrade
 Marcio Hamilton Ferreira
Regular directors:

 Marvio Melo Freitas
 Ernesto Juan Cassani (Independent Director)
 Giovanna María Matilde Cristóforo (Class "A" shares – Independent Director)
Alternate directors:

 Thompson Soares Pereira Cesar
 Camilo Buzzi
 José Ricardo Fagonde Forni
 Mauricio Nogueira
 Juan Manuel Trejo
 Alejandro Damián Mella
 Luis Carlos Cerolini (Independent Director)
9.3. Characteristics of the Board of Directors**Responsibilities**

The Board of Directors is responsible for establishing the global strategy of the business, approving the general policies to such end, while considering the Bank's liquidity and solvency, and instructing Senior management in the implementation of the risk management procedures and controls. As provided for by the Bylaws, the Board of Directors shall meet, at least, once a month. During year 2019, 30 Board of Directors' meetings were held.

Board's structure

The number of regular directors of the Board is established by the Shareholders' Meeting, and ranges from seven to nine directors, appointed for a term of three fiscal years, with the possibility of being reappointed indefinitely.

The BCRA considers that a Board's structure that enables an independent judgment for decision-making is a best practice. Both independence and objectivity can be secured by including independent and qualified Directors. The CNV requires that Independent Directors be included to constitute majority in the CNV Audit Committee.

Banco Patagonia has two regular and independent directors in its Board, which constitutes the majority in the CNV Audit Committee.

None of the Board members has executive offices.

Appointment

The BCRA evaluates the legal capacity, performance, competence, probity, experience in the financial sector, and availability to perform inherent duties of the proposed members of the Board of Directors. These conditions shall be maintained during the whole term of office. The related background information is submitted for the approval of the BCRA, within a period 60 days prior to the date scheduled for holding the Shareholders' meeting that will deal with the appointment or within 30 calendar days subsequent to the appointment thereof.

Until the Director's approval by the BCRA is notified to the Bank, the prospective director shall not take office. However, the Director appointed by the holder of Class "A" shares, belonging to the Province of Río Negro, provided that the related provincial decree designating the related office has been issued, can take office while the authorization proceedings are pending at the BCRA. The appointment thereof shall be considered *ad referendum* of the resolution of the authorization proceedings, and any acts in which the referred Director is involved shall be valid pursuant to the BCRA regulations. If there is no new evaluation by the BCRA, annually, the financial institutions shall certify that their Directors still meet the BCRA requirements applicable to their offices.

Training

All the Bank's members are considered within the organizational teaching approach, known as the 70-20-10 Model for Learning and Development, whereby, it is held that individuals obtain 70 percent of their knowledge from experiences and challenges, 20 percent from interactions with others (leaders, peers) and 10 percent from formal educational events. The Training and Development sector provides for activities devised to favor this teaching approach under the assumption of self-development and growth of all employees.

Particularly, for Directors and Managers, such activities are aimed at providing updated information and training in the new market trends. During 2019, the following activities were performed:

- Participation in the VISA Payment Forum 2019 in Chicago.
- Attendance of the program *Leading and Sustaining a culture of innovation*, at Northwestern University – Kellogg School of Management.
- Conferences on economic matters on a monthly basis organized by an external consultant.
- Training in Anti-money laundering issues.
- Annual convention of Managers dealing with current business issues and of general interest for Management.
- Program for language training.
- Meetings of specialists' commissions at Argentine Banks' Association (ABA).
- Leadership program designed together with the IAE Business School.
- Program involving the visit to innovation leaders and leading startups and companies in Silicon Valley (San Francisco – USA).

Evaluation

The Board of Directors displays its management results in the Integrated Annual Shareholders' Letter, the annual report of corporate governance and the quarterly and annual financial statements.

Management of conflict of interest

The conflict of interest takes place when a person fails to comply with a duty inherent to the organization for the benefit of other interests for personal reasons.

The Board of Directors of Banco Patagonia has considered the question of "conflict of interest" in the following documents:

- Code of Ethics: it identifies the potential cases of conflict between personal interests and business interests or the clients' interests, which shall be avoided. Additionally, the Code addresses the confidentiality of information applicable to the performance of all the Bank's members.

- Code of conduct: it defines the duties of loyalty required from all the persons while discharging their duties related to the roles of Settlement and Clearing Agent and Comprehensive Trading Agent in order to avoid conflicts of interest. It also defines the aspects related to the use of privileged or reserved information and the confidentiality duty.
- Policy for performing acts or entering into contracts between Banco Patagonia and a related party involving a significant amount: it defines the concepts of "related party" and "significant amount", and it states the procedure to be followed for the approval of the transaction.
- Advertising and communication of information policy: it considers the duty of all persons to maintain strict confidentiality when, as a result of their position, activity or relations, they have information about the performance of the Bank or its business or of its subsidiaries, provided that such information has not been publicly disclosed and whether the importance thereof may affect the placement of securities or the business development in the markets.
- Corporate governance code: it considers the conflict of interest between shareholders and the Bank upon dealing with a specific issue at the Shareholders' meetings. This code also considers the duties of loyalty and effectiveness that shall be adopted by the Directors as to the public offering, and states that they shall abstain from making decisions when a conflict of interests exist, which may prevent them from discharging their duties adequately and impartially.
- Integrity program: it is a system of actions, mechanisms and procedures in place at Banco Patagonia aimed at promoting integrity and preventing, detecting and correcting and, eventually, imposing penalties on misconduct or wrongful acts, particularly those under Law 27401 of Criminal Responsibility of Legal Entities that may be carried out by an officer or third party in the interest or benefit of the Bank.

Communication to stakeholders

Banco Patagonia communicates its financial information through its corporate website (www.bancopatagonia.com.ar) besides the information that should be periodically filed with the CNV through the Financial Information Highway to the entities where its securities are listed and to the BCRA.

The Shareholders' meeting is a key forum for the communication with the shareholders and decision-making. Accordingly, the participation of shareholders in the meetings is strongly encouraged, which is done by applying the procedures provided for by the local legislation relating to convening notice and disclosure of information. The progress made during the year in terms of sustainability is informed through the annual report.

In order to maintain a fluent communication with shareholders or potential investors, the Bank has considered in its structure the "Relation to investors function" (investors@bancopatagonia.com.ar). For the purpose of submitting the quarterly or annual financial statements of the Bank, a conference call is held to inform all investors about the contents of each period.

BOARD OF DIRECTORS' SECRETARY

The Executive Management of the Board of Directors is the area that assists the Board of Directors, the Shareholders and the members of the Supervisory Committee with the formal aspects of the bodies in which they operate, by discharging administrative and organizational duties relating to the corporate aspects of the Bank and its subsidiaries.

9.4. Supervisory Committee

It is responsible for the administrative supervision of the Entity

The Bank's bylaws provided for the creation of a Supervisory Committee that will have three regular supervisory auditors and three alternate supervisory auditors. They are appointed by the Annual Shareholders' Meeting to hold office for one year with the possibility of reelection.

Those individuals included in the incapacities and conflicts of interests provided for by sections 264 and 286 of the Companies' Law No.19550; section 10 of Financial Institutions Law No. 21526; the BCRA regulations about Financial Institutions Authorities or those provisions of the CNV regulations will not be able to act as supervisory auditors. Additionally, the Companies' Law requires that those acting as supervisory auditors should be lawyers or accountants. The new members of the Supervisory Committee shall be subject to evaluation by the BCRA and until such entity notifies the approval thereof, they shall not take the positions for which they were designated.

As required by the Capital Markets Law No. 26831, all the members of the supervisory Committee shall be independent. This independent nature is assessed by considering the provisions of the Technical Resolutions issued by the Argentine Federation of Professional Councils of Economic Science.

The main prerogatives and duties of the Supervisory Committee are established by the Companies' Law. It is mainly engaged in the administrative supervision of the Company. To such effect, it will examine the books and documentation to the extent that is considered necessary, at least, one every three months. During such term, it will verify cash and securities as well as obligations and compliance therewith.

On the other hand, it has voice but not vote at the Shareholders' meetings and at the Board of Directors' meetings. It may convene Extraordinary Shareholders' Meetings when it is considered necessary and Annual and Special Shareholders' Meetings when they were not convened by the Board of Directors.

Upon an Annual Shareholders' Meeting, it will submit a written and grounded report about the financial position of the Entity, and it will issue an opinion on the Letter to Shareholders, Inventory, Statement of financial position and Statement of income.

Another of the Supervisory Committee's function is to enforce compliance with the law and other regulations applicable to the Entity, as well as the issuance of the reports they may require and the analysis of the complaints submitted in writing by the shareholders that account for less than 2% of the capital stock.

Below we include a detail of the members of the Supervisory Committee appointed by the Shareholders' meetings held on April 25, 2019, who will hold office up to the Shareholders' meeting to be held to deal with the annual fiscal year ended December 31, 2019.

MEMBERS OF THE SUPERVISORY COMMITTEE

Regular supervisory auditors

Mónica María Cukar
Héctor Osvaldo Rossi Camilión
Alberto Mario Tenaillon

Alternate supervisory auditors

María Cristina Tapia Sasot
Jorge Héctor Lorenzo
Julio Alberto Pueyrredón

9.5. Bank's committees

Banco Patagonia has different committees created by its Board of Directors, which are under its supervision and in which there is, at least, one Director, in the role of Vice-president or President and a person responsible for the related area. The purpose of the committees is to keep the adequate organization, control and follow-up to the activities inherent to the Entity's management.

9.5.1. Committees required or recommended by the controlling authorities

CNV Audit Committee

The CNV Audit Committee, provided for in section 109 of the Capital Markets Law No. 26831 and in the bylaws, is in line with CNV regulations regarding its selected members and powers. The members of this Committee are appointed by the Board of Directors, in compliance with CNV independence requirements. This Committee is mainly responsible for supervising how the internal control and administrative and accounting systems operate.

BCRA Audit Committee

It is mainly responsible for the proceedings that help ensure that the Entity's systems and internal control procedures operate adequately in accordance with the guidelines defined by the Board of Directors.

IT Security Committee

It is mainly responsible for analyzing and proposing to the Board of Directors the policy and Information Technology Plan supporting the Bank's strategic objectives. It is further responsible for reviewing the degree of compliance with such policy and Plan on a regular basis. It shall also ensure there is a Contingency Plan in place, supervise the result of periodic tests of such Plan, and verify its ongoing update.

IT security and IT asset protection Committee

It is responsible for proposing to the Board of Directors policies on information security and protection of information technology assets, and monitoring their compliance. This Committee is also in charge of preparing proposals to the Board of Directors regarding preventive and/or corrective measures tending to minimize IT security risks.

Committee on Control and Prevention of Money Laundering and Terrorist Financing

It is in charge of planning, coordinating and securing compliance with the anti-money laundering policies established by the Board of Directors. It also assists the Bank and the Compliance officer regarding the prevention or detection in due time and manner of suspected transactions involving the laundering of money from unlawful activities, in accordance with BCRA, Financial Information Unit ("UIF"), and CNV standards.

Committee for the Protection of Financial Service Users

It is responsible for adequately supervising the processes related to the protection of financial service users as well as contributing to the improvement thereof.

Operational Risk Committee

It is responsible, among others, for proposing policies, strategies, and manuals relating to the operational and reputational risk management as well as the follow-up to the activities aimed at ensuring an appropriate operational risk management.

Global Risk Committee

The main purposes of this Committee include proposing to the Board of Directors the strategy to manage market, interest rate, liquidity, and credit risks, as well as global limits of exposure to those risks, and the related contingency plans. It also becomes aware of each risk position and of compliance with related policies on limits. It proposes to the Board of Directors the policies and procedures that will be used for the validation of models and approves its annual plan.

Human Development Committee

It assesses the issues relating to remunerations, bonuses, salary raises and ranges, promotions, management positions internal changes and issues arising from the organizational climate.

9.5.2. Other committees

Even though it is not required by law, the Bank, based on its size and corporate governance best practices has the following committees:

Management Committee

It is responsible for analyzing and approving credit facilities in excess of the credit attributes of the rest of committees and different financing approval levels within the Bank, and it monitors management of the different business segments.

Business Committee

It analyzes and approves commercial proposals, defines commercial strategies to be adopted by the various segments and analyzes the strengths and weaknesses of potential new products.

Finance Committee

It is responsible for making decisions in issues concerning the management of financial assets and liabilities of the Bank. Additionally, it proposes policies and procedures regarding management of the main financial risks.

Ethics Committee

It is responsible for deciding on issues related to the construction and scope of the Code of Ethics, which establishes the different principles related to all Bank members' ethical behavior. Moreover, it must review the reports arising from the "Ethics Line" reporting channel, or from the different sources of detection of behaviors affecting the institutional integrity principles.

Quality Committee

It is responsible for evaluating and proposing to the Board of Directors the policies and strategies oriented to the Bank's Quality Management. It also reviews programs, actions and training inherent to Quality Management, including attitude, process, product, service and image components relating to customer care. The Committee carries out the planning of and follow-up to improvement actions and action plans defined, resulting from the various client analyses and surveys regularly performed. The matters dealt with by the Quality Committee are focused on the improvement of Customer Experience.

Committee for the architecture, security and management of assets

It analyzes all matters associated with the Bank's building structure and furniture. It is responsible for proposing to the Board of Directors all repairs or refurbishment of the customer service offices as well as the acquisition or sale of real estate involved in the business or accepted as collaterals. Additionally, it is responsible for enforcing the security standards and municipal and national regulations affecting the Bank's own assets and fixed assets and approves the Physical security Annual Plan that is submitted for the approval of the Board of Directors.

9.6. Board of Directors' compensation and Management compensation policy

As provided for by the bylaws, the Board of Directors' fees are annually determined by the Shareholders' meeting in accordance with section 261 of the Companies Law.

The remuneration level should be sufficient to attract, retain, and motivate directors and superintendents meeting the conditions required to hold office.

The Bylaws do not contemplate the possibility of granting other benefits, such as equity interests. In connection with the compensation of Management, it should be noted that based on the compensation for similar positions in the market, performance noted and professional development as well as the income/loss for the year, the Bank grants variable and fixed remunerations, which are approved by the Human Development Committee and are informed to the Entity's Board of Directors. During fiscal year 2019, the provisions for the payment of such variable remunerations have been set up.

9.7. Organizational structure

The organizational structure of Banco Patagonia is in line with the business progress and enables the adequate performance of administrative, operating and commercial activities.

The current structure has been designed for the purposes of improving decision-making, creating value for the customer, addressing the recommendations around corporate governance and fostering the organizational commitment of Banco Patagonia with its stakeholders. At present, Senior management, responsible for implementing the strategies and policies approved by the Board of Directors is made up of seven Superintendencies and five executive managements and three managements reporting directly to the Board, as follows:

- Superintendence of business with companies
- Superintendence of network of branches and Business with Individuals
- Superintendence of finance, administration and government sector
- Superintendence of receivables and foreign trade
- Superintendence of transactions
- Superintendence of internal controls and risk management
- Superintendence of digital business

Managements reporting directly to the Board of Directors are as follows:

- Executive management of legal affairs
- Executive management of the Board of Directors' Secretariat
- Executive management of planning, branding and communication
- Executive management of human development and corporate climate
- Executive management of technology, communications and systems
- Internal audit management
- Anti-money laundering management
- IT security and IT asset protection management

The Entity serves all customer segments through a model structured in business units: Individuals, Companies, Finance and Government sector; each of them focuses the relations of the Bank on the different customers' segments.

10. INTERNAL CONTROL AND RISK MANAGEMENT

Banco Patagonia manages the business risk through policies and processes that are a strategic part of its management. The Board of Directors defines the appetite and tolerance for risk and the areas meet these parameters from the identification, continuous measurement and control thereof.

10.1. Risk management

Banco Patagonia identifies different types of risks relating to banking activity. Such as credit risk, liquidity risk, market risk, interest rate risk, operational risk, reputational risk, corruption practices risk, strategic risk, technology risk, model risk and environmental risk, among others. Additionally, there are other specific devices for risks relating to information security and money laundering and terrorist financing.

Based on the foregoing, the Bank has implemented a comprehensive risk management process in accordance with the guidelines established by the BCRA and pursuant to the best practices recommended by the Basel Committee. These guidelines have helped define a series of procedures and processes to identify, measure and value the risks to which the Bank is exposed, in line with its business strategy.

The integral risk management is led by the Superintendence of internal controls and risk management by means of the different specialized areas included therein, which acts independently from other business areas.

Risk management processes are communicated to the whole Bank, and are in accordance with the definitions of the Board of Directors and Senior Management which, through the committees, define the global objectives expressed as goals and limits business units, within the framework of a risk appetite and control process.

During 2019, progress was made in connection with the integration of risk and business benefit ratios, known as risk-adjusted performance metrics. In addition, the set of methodologies and tools for financial risk management kept on strengthening, and progress was made with the implementation of new information technology and data solutions including the most updated standards.

Furthermore, the Entity worked on the methodological development of internal models that help calculate the Expected Credit Loss (Allowances IFRS 9), and a flowchart of processes was designed to conduct activities in due time and manner in order to secure the availability of information and the safekeeping thereof in the Entity's system.

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, by establishing the specific limits to reduce the exposure within the precise tolerance margins.

Liquidity Risk

Liquidity risk is defined as the risk of mismatches occurring between assets and liabilities 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 receivables and payables, 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.

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 or similar risk factors.

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.

Interest Rate Risk

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.

For management and control, internal measurement tools are used that enable an integrated risk management of interest rate risk together with the liquidity risk, within the strategy for managing assets and liabilities.

Operational risk

Operational Risk is defined as the risk of loss resulting from inadequate or failed internal processes, staff performance, and/or internal systems, or else from external events. This definition includes legal risk but excludes strategic risk and reputational risk.

The Entity has implemented a management system adjusted to the guidelines established by the BCRA, which includes an adequate organizational structure, policies and procedures approved by the Board of Directors and an integral system that enables the management of all tasks related to risk management. Additionally, the BCRA provided for a minimum capital requirement in this regard.

Accordingly, the Entity has a Special investigations sector engaged in fraud prevention that reports directly to the Internal audit management, which is responsible for receiving reports of alleged fraud and assessing the validity thereof. Such sector coordinates the necessary actions to detect, analyze and resolve cases in order to avoid economic losses and mitigate potential reputational impacts.

Reputational Risk

The reputational Risk is associated with a potential negative perception of the Bank by customers, counterparties, shareholders, investors, bondholders, market analysts and other stakeholders. This risk might affect the regular capacity to maintain existing or establish new commercial relations as well as the continuous and regular access to funding sources.

The Entity has implemented a management system adjusted to the guidelines established by BCRA Communication "A" 5398 and supplementary regulations, which includes an adequate organizational structure, policies and procedures approved by the Board of Directors and an integral system that enables the management of all tasks related to risk management.

Corruption practices risk

The corruption practices risk is understood as the possibility of occurrence, directly or indirectly, of any of the conducts described in section 1 of Law of Criminal Responsibility of Legal Entities No. 27401 in the name, interest or for the benefit of the Bank, thus incurring in criminal or administrative liability.

Based on the provisions of such law, Banco Patagonia renewed its strategy for preventing corruption, by adjusting its policies to the international standards in force in terms of integrity and fight against corruption. In this regard, during year 2019, an Integrity Program was prepared applicable across the

whole organization and with the synergy of all areas involved. Supported by the Board of Directors, the Bank has developed some action plans to consolidate the “zero tolerance” policy against corruption events.

Strategic Risk

Strategic risk is that resulting from an inadequate business strategy or an adverse change in provisions, parameters, objectives and other functions supporting that strategy. It is associated with the likelihood of incurring in losses with a current or future impact on income as a result of a departure from the projected business plan. To manage this risk, a continuous follow-up to the strategic and business plans and to goals attained as therein set is conducted. Additionally, different stress testing is applied to assess the impact of the potential scenarios that may result in impacts from strategic risk and to design contingent mitigation plans.

Model risk - Independent validations

The Entity develops and uses models as one of the supports for decision-making in different management areas, including risks. In order to mitigate the model risk and take care of the adequate performance thereof, the Bank has in place an independent validation process for models conducted by the Model Validation Management. Such Management reports to the Superintendence of internal controls and risk management and it is governed by the policies approved by the Board of Directors aimed at implementing the best practices.

IT security and IT asset protection risk

The Bank through a specific area protects the Entity against security threats and risks that may impair the continuity of the competitiveness and profitability levels as well as the legal adequacy necessary to attain the goals set by the business, securing data and information by means of an Information Security Management System (SGSI).

The implementation of SGSI, its maintenance and subsequent certification/recertification (ISO 27001:2013) has been converted into a management tool that secures the protection of the Entity's information assets.

There is a process in place for the development and implementation of strategies and plans used to attain the goals timely set.

The Information Security Strategy is a key component to achieve high-level leadership in the protection of information assets. This practice helps the Entity to:

- Develop the executive visibility of the protection measures implemented,
- Disclose and foster an information security culture based on a reasonable management of assets risks, and
- Work against cyberattacks.

This model is capable of supporting current and future needs of the Entity by analyzing the objectives approved by the Board of Directors and setting processes that will be necessary for the continuing improvement of SGSI; to effectively adapt to the changes in the Business plan, providing IT security and IT assets protection support with a competitive advantage and sustainable over time.

Money Laundering and Terrorist Financing risk

The Entity has policies, procedures and tools necessary to secure compliance with the regulations in force about control and prevention of money laundering and terrorist financing. It has implemented all changes required by UIF Resolution 20/2017. They are permanently updated based on the regulatory or context changes as well as on the development or modification of products and services provided by the Entity.

The Committee on Control and Prevention of Money Laundering and Terrorist Financing and the Board of Directors participate in the definitions of prevention and are part of the Prevention structure and internal control in this regard, as well as the commercial areas, the business support areas and other control areas.

The Anti-money laundering management reports, for functional purposes, to the Board of Directors of the Bank, in particular to the Compliance Officer and has a matrix-based relationship with the Superintendence of internal controls and risk management. This Management implements the guidelines proposed by the Board of Directors, particularly, by the Compliance Officer in connection with prevention, by coordinating the mechanisms and controls necessary to prevent the Bank from being used for criminal purposes.

The prevention of money laundering and terrorist financing policies as well as the anticorruption principles and Code of Ethics are mandatory for every member of the Entity, who are continuously trained in this regard.

Finally, this Management is responsible for the implementation, control, monitoring and reporting of FATCA and OCDE-CRS standards, by virtue of which, the Entity shall identify its American customers and non-resident customers, respectively.

Environmental and social risks

The environmental and social risk System of Banco Patagonia seeks to boost and consolidate the introduction of these criteria in the process for the analysis of credit transactions.

In connection with the Operational risk management, during 2019, the working plan established at beginning of the year, which consists in updating the process mappings for risk self-assessment, and the identification and evaluation of risks and controls, was met, together with the definition of action plans and key risk indicators (KRI). Additionally, the database of Operational Risk events has been prepared, including the regular reporting to the Board of Directors through the Operational Risk Committee and the BCRA by means of the information regime.

Banco Patagonia has improved the internal procedures and tools used in order to continue strengthening the operational risk management.

In connection with the Financial Risk management, in line with the guidelines established by BCRA Communication "A" 5398 as amended and supplementary regulations and best practices, a set of indications and limits to each type of financial risk is in place, which is continuously monitored; and the definition of which is annually reviewed based on the risk tolerance limits stated by the Board of Directors of the Bank. In order to identify, measure, monitor and mitigate the financial risks faced by the Entity, the Financial Risk Management has different reports, which are forwarded to the members of the Global Risk Committee on a daily, weekly and monthly basis.

10.2. Internal controls

Within the development framework of the Strategic Plan of the Bank, the Board of Directors defined as one of its strategic goals the creation of a second layer of internal controls and the risk management strengthening. To attain this goal, the creation of a Policy and a specific area of internal controls reporting to the Operational risk Management, Internal control and Compliance was boosted.

This Management developed a methodology for the evaluation of the internal control in line with the international standards, named COSO, *Committee of Sponsoring Organizations of the Treadway Commission*. Its purpose is to evaluate the Bank internal controls environment, to reasonably secure compliance with efficiency and effectiveness of controls, the reliability of the financial information and compliance with the applicable laws and regulations, while contributing to the strengthening of controls and mitigation of risks.

This methodology uses as input different sources of information, such as the process mapping of the Bank, the self-assessment of Risks and Controls, and the incident basis, among others. It includes 3 control structures to be assessed:

- General controls: It consists in the review of those controls run in the corporate environment in order to prevent and detect weaknesses that may compromise the control environment of the whole organization.
- Controls at the process level: It consists in the review of the operations and process flowchart to, then, assess and test the design and implementation of controls identified.
- IT general controls: it consists in assessing whether the controls secure the reliability and integrity of the data processing environment and application systems that operate in such environment and are related to the different processes of the Bank.

During year 2019, the Internal controls area, in compliance with the Annual Plan set, conducted different evaluation of the controls at the Entity level and at the level of processes and IT of the Bank.

These evaluations are part of the elements that support the opinion reports about the Internal control environment prepared by the Bank and filed with the CNV and BCRA.

10.3. Control activities

Banco Patagonia defines and secures the type and quality of the information generated that shall be identified, gathered and communicated in due time and manner to allow the related personnel to comply with their responsibilities. This information is related to both internal and external aspects. Both aspects are necessary conditions for decision-making and for filing the reports with third parties.

During year 2019, the updated Minimum Internal control Standards (Com. "A" 6552) became effective, whereby the BCRA included new requirements for General Management (or equivalent authority), the Audit Committee and the Internal Audit, focusing on the Consolidated Supervision, Corporate Governance and Risk-based Management.

Among the new requirements for the Audit Committee, the following should be mentioned: the evaluation and opinion on the effectiveness of the internal control of the Entity, the monitoring of the process for the preparation and publication of Financial Statements, the review of the transactions in which there is conflict of interest with members of the corporate bodies or majority shareholders. Regarding the members of the Audit Committee, the referred rule recommends the implementation of Training Programs.

During 2019, the BCRA Audit Committee of Banco Patagonia approved the modification of its regulations and Internal Audit Manual to adjust such documents to the new provisions included in the BCRA "Minimum Internal control Standards". Such modification was then approved by the Entity's Board of Directors.

Additionally, the Audit Committee approved the modification of the Audit Manual of the Quality Management System, which is aimed at stating the basic principles and basic activities performed by Internal Audit for the evaluation of the Quality Management System of the Organization.

In addition, the Internal audit management continued participating in the exchange of communications with the controlling authorities, which conduct audit activities regarding the Entity and its subsidiaries in the country and request information, documentation and issue recommendations about control improvements.

The Internal audit management participation in the exchange mentioned is aimed at providing support to the answers given to the observations received, as to the quality and timing thereof.

Furthermore, over the year, the BCRA Audit Committee became aware of the changes in the Project for the Digital Transformation of the Entity by means of the Superintendent of Digital Business participation at some meetings, who detailed the main guidelines and actions to be developed and the application of the Agile methodology. The project mentioned is based on the organizational culture, continuous improvement of the user experience, innovation, digital positioning, operating efficiency and IT infrastructure.

10.4. Monitoring

Banco Patagonia monitors its internal control system through a process that assesses its quality and performance. This is achieved through the monitoring activities in progress, separate evaluations or a combination of both.

Monitoring through the Continuous Audit covers the whole network of branches and the centralized processes of the Entity. Additionally, it enables to obtain a better timing of the works performed by the internal auditors, which supplements the audits conducted personally, and helps detect in due time and manner undesirable events or situations as well as analyze trends, identify process weaknesses, improve existing processes and verify the regulatory compliance.

Within the new requirements for the Audit Committee introduced by the updated Minimum Standards about internal controls, there are some standards related to the external auditors' tasks, such as recommending the external audit candidates to the Board of Directors as well as the engagement terms and conditions; providing for the mechanisms so that the external and internal auditors' reports do not contain limitations to the scope of their tasks and be submitted in due time and manner; holding frequent meetings to analyze the exposure to risks; verifying the adequate performance of the external auditor and monitoring the process for the preparation and publication of the financial statements.

Based on the information above, during year 2019, the external auditor and the accounting and information regime manager of the Entity participated in the Audit Committee meetings held before the issuance of the financial statements in order to disclose the most relevant data, the main assets and liabilities and income/loss variations for each period, the different accounting criteria applied and the main financial ratios recorded.

Furthermore, during 2019, the internal audit management continued participating in the process for the treatment of External audit reports, by conducting analytical reviews of their contents and of the answers provided by the areas involved, before the issuance thereof.

During the year, the Audit Committee of Banco Patagonia S.A. became aware of the External audit planning memorandum issued on 06.28.19, whereby the tasks to be performed by the External Auditors during year 2019 are detailed, focusing on the analysis of the significant risks of the business.

Regarding the Internal audit management activity, during year 2019, works were planned subject to a multiannual approach for both the branches and the critical processes of the Organization, considering regular follow-up and reviews based on the results obtained from the preparation of the risk matrix.

By 2020, it is expected that remote audits of branches can be conducted, which will improve control and efficiency.

Main projects conducted by the Internal audit management in 2019

- The design and development of indicators and alerts continued within the project of the Continuous Audit Methodology through the creation of interdisciplinary work desks made up of representatives of the different areas of the Internal audit management.
- The works aimed at the development of the scorecard of the indicators and alerts were initiated in production in connection with Branches, Special investigations and Exchange.
- A remote monitoring system was implemented for the verification of controls made by the personnel of the branch related to the application of Minimum Security Measures that allow a more effective and timely control over compliance therewith, such as the opening of the branch, opening and close-down of the treasury, ATM and TAS matching.

- The Purchase and payment to suppliers process was reviewed, whereby compliance with the Entity policies was verified, among others, in line with the regulations in force as to engagement of suppliers, the existence and completeness of documentation supporting the purchases and payments and the authorization levels in order to ensure the transparency of such processes and the controls in place upon adding new suppliers.
- In connection with the Protection of financial service users, controls and procedures implemented by the Entity were verified relating to customers' claims addressed and compliance with regulations issued by the controlling authorities.
- Regarding Prevention of Money Laundering and Terrorist Financing and other unlawful acts, control activities were performed, such as audits of the control procedures implemented by the Entity and of the information systems involved in this transaction, in order to ensure the integrity of the monitoring of transactions, compliance with the internal control guidelines and with the controlling authorities– BCRA and UIF– applicable to the transaction.
- Compliance with the obligations of the Entity arising from the Credit Programs for the development of Production and Regional Economies was verified for the purpose that the controlling authorities allowed Banco Patagonia to continue participating in such programs.
- The efficient monitoring of different transactions increased based on the development of indicators oriented to their follow-up, such as risks associated with different lines of loans and exchange controls, verifying compliance with the limits proposed by the BCRA for the sale of foreign currency through the authorized channels (Branch, Patagonia e-bank, Mobile and ATM).
- Reviews were conducted in connection with the electronic channels, such as e-bank and Mobile Banking and with the systems for the transfer of funds. These services seek to facilitate the performance of bank transactions online without going to the branches, thus contributing to save time and costs for the customer as well as the use of forms or printed vouchers. The purpose of these reviews is to verify that the necessary security conditions and minimum functionalities required by the regulations are met.
- The adequate operation of the Commercial Platform System was verified as well as its correct use by the branches. The implementation of this platform helps branches manage new customers and products by implementing the digital file and signature methodology and avoiding the use and filing of different printed forms.
- An audit of the Personal Data Protection and adoption of cybersecurity best practices was conducted in order to verify that personal data obtained by the Entity is adequately processed, saved and recorded in accordance with the legal requirements in force.

During year 2019, all works issued by the Internal audit management (181 planned works) have the "digital file" structure; a methodology for the reference of working papers and information storage that helped save consumption of paper, energy and documentation filing costs.

On the other hand, the visits to the branches scheduled three times a year continued in order to conduct the audit according to a working program, updated and approved by the Audit Committee. This organization of visits helps optimize the work timing, as well as save auditors' travel and lodging expenses.

10.5. Internal codes

A set of internal documents, regulations and policies approved by the Board of Directors guides the actions of Banco Patagonia. The following documents can be mentioned, among others:

- Bylaws: It governs the operation of the Entity, including the Board of Directors' and Supervisory Committee's roles and responsibilities.
- Rules of the Board of Directors: They govern the operation and activities of the Board of Directors, their roles and responsibilities.
- Supervisory Committee's rules They govern the operation and activities of the Supervisory Committee, their roles and responsibilities.
- Code of Corporate Governance It describes the corporate governance policy approved by the Board of Directors and Senior Management, who are responsible for compliance therewith.
- Annual report of the Code of Corporate Governance In compliance with the CNV regulations, this Report is attached as Exhibit III to this Integrated Annual Shareholders' Letter.

- Code of Ethics: It provides for the ethical and behavior principles to be abided by all the Bank's members in line with the behavior standards, working with efficiency, quality and transparency as the basis for the ethical behavior with customers, suppliers, controlling entities, and the community as a whole.
- Code of Conduct: It supplements the Code of Ethics and states the policies and procedures related to legal and ethical standards applicable to the Bank's role as Settlement and Clearing Agent and Comprehensive Trading Agent.
- Integrity Program: The Integrity program is a system of actions, mechanisms and procedures aimed at promoting integrity and preventing, detecting and correcting and, eventually, imposing penalties to misconduct or wrongful acts, particularly those under Law 27401 of Criminal Responsibility of Legal Entities.
- Manual of human development and corporate climate: It describes the functions, processes and practices related to the selection, evaluation and remunerations of all the Bank's employees.
- Code of Banking practices: Banco Patagonia abides by this code prepared by the Argentine Associations of Banks and Financial Institutions for the purpose of protecting and securing the rights of financial service and product users.
- Personal Data protection: It provides for the regulatory framework for the integral protection of personal data entered to the databases of the Bank and subsidiaries, to secure that the personal information provided by customers is adequately processed.
- Policy for the quality of individuals and customers data: It states the guidelines and procedures for the identification, registry, storage and updating of individuals and customers' data in order to secure availability, completeness and reliability.
- Policy for the prevention and control of money laundering and terrorist financing: As the Board of Directors is responsible for instructing and approving the implementation of the Anti-money laundering and terrorist financing system, Banco Patagonia adopts the policies, procedures and controls to mitigate the risk of being used by third parties for criminal purposes involving assets laundering and terrorist financing and it encourages all the Bank's members to prevent and fight this sort of actions.
- Advertising and communication of information policy: It provides for the guidelines to provide all relevant information in due time and manner in accordance with the legal requirements applicable to the markets where shares and other securities of the Bank are authorized for public offering.
- Policy about minimum information disclosure requirements: it provides for the guidelines for the publication of necessary information securing an appropriate transparency of the Bank and its subsidiaries' management as well as the measurement of risks and the capital sufficiency, as requested by the BCRA Market Discipline Rules.
- Code of investor protection applicable to its role as financial trustee: Code adopted by Banco Patagonia in its role as financial trustee in the Public Offering Trusts.
- Code of investor protection applicable to its role as custodian agent of mutual funds: Code adopted by Banco Patagonia applicable to its role as custodian agent of mutual funds.

Policy for managing the ethics line

Banco Patagonia ethics line is aimed at allowing all employees and suppliers to report any irregularities that may affect the institutional integrity principles, whether occurring in the past or at present. Any irregularity can be reported anonymously or by disclosing the whistle blower's identity and will be managed under secure and confidential conditions.

In 2019, the Policy for managing the ethics line was updated within the framework of an annual review. Accordingly, the Audit Committee was responsible for defining the processes and procedures for the implementation and operation of the ethics line management. Additionally, it was resolved that the Special investigations sector and the Organization climate management would be responsible for the implementation and control of this policy. These modifications were approved by the Audit Committee and then by the Board of Directors of the Entity.

Upon receiving the reports, the following principles will be considered:

- Total confidentiality for processing thereof
- Presumption of innocence and respect of human rights of the individuals allegedly involved.

- Strict investigations by means of a detailed analysis of the facts reported to ensure the truth of the alleged irregularities.
- The events to be reported may be related to: anything against the Code of Ethics and the Organizational Climate; potential events of fraud and/or corruption; conflict of interests; misleading acts or misuse of the Entity's assets; and mobbing.

During 2019, internal and external reports were received about alleged fraud and the related investigations were conducted on a professional, objective and detailed basis, by interacting with the Managements/Sectors of the Bank, as applicable. All investigations were conducted by the Special investigations sector, by providing a confidential treatment to the information and the respect of the human rights of individuals and organizational climate.

Means of communication:

All individual may contact the Ethics line by phone (toll free number 0800-999-4636), website form (www.resguarda.com/bancopatagonia) or e-mail (LineaEtica@resguarda.com).

Reporting claims by external stakeholders

By means of the corporate website of the Bank or the telephone customer services, the external stakeholders may submit any claim that shall be recorded and forwarded to the related sector.

10.6. Prevention of money laundering and terrorist financing

The policies and procedures in this regard are communicated to the employees of the Entity.

Over year 2019, Banco Patagonia continued implementing the necessary tools for the control and prevention of money laundering and terrorist financing. Accordingly, the Entity developed a new application for linking customers recorded in its database and maintained an updated internal rule that includes the amendments introduced to the external legislation.

Internal training to employees in anti-money laundering and terrorist financing was as follows:

- Implementation of an e-learning course mandatory to the whole staff.
- Participation of senior Management, Central managements and all members of the Management of anti-money laundering and terrorist financing in face-to-face refresher courses and seminars given by external specialists about anti-money laundering.
- Induction courses to newly hired employees.
- Conference calls with the different regions about file updating and new regulations relating to Obligated Parties.

As to the external training about this matter, in 2019, several events were attended, such as:

- 9th South American Congress on Prevention of Money Laundering and Terrorist Financing Forum.
- 15th Annual meeting Prevention of Money Laundering and Terrorist Financing FAPLA.
- Annual conference on "Data privacy & cyber security compliance 2019" Forum.
- Smart Business Solutions S.A.

11.BANK MANAGEMENT

Banco Patagonia is one of the main financial institutions in Argentina focused on customer service, that works by using a customer and digital business oriented management approach, including an offer of innovative services meeting the needs of stakeholders and markets.

11.1. Projected commercial policy and relevant aspects of business, financial and investment planning

Banco Patagonia asserts its goal of achieving a position within the main private banks of the Argentine Financial System. To this end, it works on the strategic projects that are the pillars for the development

of the business, and continues focusing on all the business segments by means of its network of branches, settled in all the provinces of the country, its specialized corporate assistance centers, and its online, mobile and telephone banking platforms.

It enhances its development through the growth all its businesses, always ensuring compliance with policies to minimize risks, optimizing its resources, boosting human potential and digital transformation, among others.

11.2. Digital business

Redefinition of the Strategic Plan initiatives related to Digital Transformation, led by the Superintendence of Digital Business

Starting this year, the activities of the new Superintendence of Digital Business started, mainly aimed at offering the Bank the tools and methodologies required for the digital transformation process, generating operational efficiency, improving customer and employee experience and providing greater business opportunities.

The first step taken was the creation of the structure together with the definition of the different roles of the members of the Superintendency, which was composed by the current Management of Electronic Channels and Alternative Sales Channels and the creation of the new Innovation Management, both aimed at achieving the guidelines defined in the mission of the area.

As part of the collaborative work together with the other areas of the Bank, in April this year the Bank's Digital Transformation Strategy for the upcoming years was approved.

The development of the Digital Transformation Strategy was based on the definition of essential baselines with specific objectives, goals and indicators based on the execution of a comprehensive action plan that will allow the Bank to carry out the Digital Transformation process with the ambition of being recognized for:

- Having an agile, innovative and competitive organizational culture within the Argentine financial market.
- Consolidating digital channels as the main transactional channel with current customers, as well as the main source of new customer generation.
- Being one of the leading banks in customer experience and innovation in traditional banking.
- Being a company that promotes the automation of its processes and the implementation of new technologies naturally and habitually.

In this context, the following lines of action were defined as part of the main challenges and projects for the year:

Mindset/Organizational Culture	User experience	Innovation
Promote changes in the Bank's organizational culture linked to new agile work methodologies, with the creation of new spaces, the development of multidisciplinary teams and new ways of collaborative work in order to be at the forefront to implement the Digital Transformation Plan defined by the Bank.	Continue adding more and better functionalities in the current bank's digital platforms (Patagonia e-bank and Patagonia Mobile App), giving all users the possibility to self-manage many transactions and have daily interaction with the Entity.	Develop new digital solutions/tools adding value to current customers and driving new business for the bank.

During 2019, within the framework of the Digital Transformation project, the Bank made a very important investment in hiring new talents, training them, adding service providers to accelerate the implementation processes of the different working methodologies, as well as implementing new tools and/or technological solutions.

Among the main initiatives executed and implemented, linked to the Digital Transformation Plan, the following stand out.

The main actions carried out were the following:

- Inauguration of the HUB Banco Patagonia, with 6 agile rooms operating simultaneously, a lab where people can connect and share ideas.
- Implementation of new methodologies and agile working systems, with the corresponding training, involving more than 100 Bank employees.
- Implementation of new agile rooms aimed at improving customer UX in current digital channels (e-bank Personas, App Patagonia Móvil e-bank Empresas).
- Approval of new Innovation and UX projects linked to new platforms and/or digital solutions for current and potential clients. Addition of new talents and creation of multidisciplinary teams, with new user-focused working techniques such as Service Design/Design Thinking.
- Launching of the 1st MeetUp in the Banco Patagonia Hub
- Bank Executives missions in Silicon Valley.
- Strengthening of the Bank's image based on the performance of the internal and external digital positioning plan. Launching of the first campaign on social media for customers, to encourage conversion to digital clients.
- The process of digitalizing customer data and documentation continued.
- New RPA projects.
- "Digital Mentality" Module within the framework of the Leadership Training Program for Senior Management implemented at the IAE.

12. CUSTOMERS

Banco Patagonia works to establish its presence in various regions of the country and all business segments by tailoring its products and services to the profile of each customer, focused on digital channels and innovative customer care.

2019 HIGHLIGHTS

+600,000 sales of package, insurance and card products through the Branch Network
120 million digital deliveries to customers including emails, SMS and Push messages.

12.1. Customer Profile

Banco Patagonia works to achieve customized assistance allowing it to effectively respond to the needs of its customers, ensuring them quality services and products tailored to their profiles.

The Bank segments its customers into the following categories:

- People: young individuals, students, professionals, who work under a labor relationship, are engaged in a business, senior adults and retirees.
- Customers: Corporate, Large Companies, SMEs and Agribusinesses.
- Public sector, financial institutions: teaching entities, banking and non banking institutions and national, provincial or municipal governmental entities.

Number of customers by business unit	2019	2018
Business with the government sector, financial institutions and institutional entities		
- Finance and government sector	843	826
Business with companies		
- Companies	48,035	46,387
Business with individuals	1,155,072	1,200,544

Total	1,203,950	1,247,757
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12.1.1. The network

During 2019, Banco Patagonia continued to strengthen its presence at a national level. It opened the branch Fernández Oro in the Province of Río Negro and two service centers (CAT Universidad de La Rioja and CAT Universidad Lomas de Zamora), it relocated the branches of Cinco Saltos (Province of Río Negro) and Parque Centenario (City of Buenos Aires) and set up an exclusive High Income service center in the branches of Córdoba, Rosario and Mendoza. In addition, he worked to improve customer service by implementing appointment management systems in more than 30 branches.

The Network in numbers:

- 186 branches
- 23 service centers
- 606 ATM
- 397 self-service terminals
- 600,000 sales of package, insurance and card products
- 2.005 employees in the Branch Network
- 11,040 m² under construction

12.1.2. Digital channels

The Bank has different digital and self-management channels aimed at meeting the needs of each customer segment.

- Patagonia Móvil to operate through mobile devices
- Patagonia e-bank to operate through the Internet
- Patagonia 24 ATM Network
- Self-Service Terminals (SST)

Patagonia Móvil and Patagonia e-bank

Through the Patagonia Mobile App, the Bank offers various functionalities for inquiries, financial transactions and product purchase. On the other hand, through online banking platforms - one oriented to the People segment and the other to the Business segment - the Bank allows its clients to easily access their products through the Internet.

+560,000 digital users active in Patagonia e-bank and Patagonia Móvil
37% growth in users of the Patagonia Mobile App

Patagonia 24 ATMs and Self-Service Terminals

The Patagonia 24 ATM network is made up of 606 ATMs, out of which 523 are installed in branches, agencies and on-site Banks and 83 outside the branches, in different places of the country.

On the other hand, the Bank has 397 self-service terminals (SST), an exclusive service for clients at branch lobbies.

Customer Contact Center

2019 was a year of great progress in contact with customers. In this period, Banco Patagonia was able to:

- Fully adapt and implement the Commercial Action Model throughout the Contact Center.
- Fully train in and adapt to the new telephone service model, with measurement of results enabling to improve the learning curve time and operators' performance.

- Apply technological improvements, such as the implementation of stop debit to the IVR and payment methods, and a new system for measuring adherence to the Schedule to improve the efficiency of resources (login/logout time)

The Contact Center in numbers:

- 7,398,364 of total calls for Self-Management (IVR)
- 556,525 calls answered by call center operators
- 162,996 emails
- 15,880 insurance products sold

Presence in social media

In 2019, the Bank increased its presence in the main social media. In some of them, such as LinkedIn and Instagram, it increased by 110% and 87%, respectively. In Instagram, the growth was mainly due to the generation of *stories* and the higher delivery of inquiries and claims.

Presence in social media	Description	Number of followers in 2019
Facebook	Platform more used by the Bank's audience It works as a two-way channel and campaigns, shows, benefits and tutorials are communicated.	169,370
Twitter	Dynamic channel that has ephemeral content that presents constant opportunities to participate in current affairs. This platform is mainly used to resolve inquiries made directly to the Bank's profile.	13,920
LinkedIn	Social network oriented to commercial and professional relationships. Its objective is to promote the Bank's image as a workplace that meets the needs of its current and future employees. Currently, institutional and commercial content is published.	71,765
YouTube	As the main platform for audiovisual content, it is used as a repository for materials generated in such a format in a one-way basis. The main issues that are reported are Bank tutorials and advertisements.	2,690
Instagram	Main platform where the contents of shows and entertainment and benefits are communicated. It works as a two-way channel redirecting conversations to private messages for the resolution of complaints.	9,302

Claims management

Banco Patagonia follows up on complaints, inquiries and concerns received, and their management, analysis, resolution and the corresponding communication to customers. For these purposes, all areas of the Entity are involved in order to achieve a comprehensive approach and a solution to customer inquiries. Complaints are managed based on the claims tracking tool (SSR) and the Workflow system.

Considering complaints received, the improvement actions carried out were:

- Automatic completion by sending an email: progress was made towards automation ensuring that mails are sent to customers to inform them about the management and completion of their complaints.
- Resolution of complaints within 10 days: a 5-day decrease in the resolution of complaints was implemented in July. The resolution period was 15 days and from August it was reduced to 10 days.

Number of inquiries per channel		2019
Telephone assistance		69,836
Attention to inquiries and complaints		6,457
Branch network		60,189
Managers		11,360
Total		147,842

12.2. Business with individuals

During 2019, Banco Patagonia focused on consolidating its strategy of gaining new customers through digital channels, providing the best user experience. In addition, it proposed to strengthen its business relations with the main strategic partners, such as Mercado Pago, in such a way as to be able to find innovative solutions for its clients, in a collaborative work environment.

In line with market developments, in 2020 Banco Patagonia will focus its strategy on acquiring new customers, based on innovation and user experience.

In line with this, the objectives are focused on maximizing customer experience, as well as prioritizing the development of new customer acquisition channels based on digital and self-managed solutions, with disruptive value propositions enabling to add value.

Accounts and packages

Seeking to reach more clients with better experience options, this year the Bank launched Patagonia para Menores and ECHEQ.

Banco Patagonia updated the offer with the launch of Patagonia para Menores, a new product consisting of a savings account in pesos and a debit card intended to be used by a minor as an authorized person, which encourages banking from an early age. It also introduced ECHEQ, a new electronic payment method similar to physical checks, but 100% digital. This facilitates greater traceability and security in the management of checks, transparency in the payment chain and fewer reasons for rejection due to formal defects.

In addition, it developed channels that allow the capture of customers by digital means, such as University Patagonia, with digital acceptance to provide services specially designed for the Community of University Students, and added new alerts enabling greater transparency of the processes by informing customers about their payments and maturities, and also news when a transaction is identified, thus reducing the possibility of fraud.

Cards

Card offer update: launching of the Amex Black product and progress towards the implementation of cards with contactless technology.

In relation to Credit Cards, Banco Patagonia expanded the offer of American Express products with the launching of Amex Black as of August 2, 2019, offering its High Income segment customers a new alternative to enjoy benefits.

Regarding debit cards, more than 70% of the Bank's portfolio now use EMV (chip) technology, achieving more secure transactions. On the other hand, from August 2019, the Contactless technology has been added to all new cards, further enhancing this payment option. New limits for withdrawal of funds, purchase, payment of services and transfers for all segments were also implemented, meeting each customer's needs.

Loans

Banco Patagonia focused on expanding its offer including better conditions for clients, adding digital features into its services

Regarding loans, the Bank launched a new UVA (Units of Purchasing Power) line that allows customers to take out a loan subject to a lower initial payment. It also provided for the registration of Consumer

Loans in the Commercial Platform of Branches with a 100% digital file and established differential rate strategies for the Patagonia e-bank and Patagonia Móvil electronic channels.

Investments

Regarding investments, the Bank maintained the strategy promoting the use of digital channels through differential rates for specific terms. In this way, it achieved a 48% participation in electronic channels.

Business with Insurance

In 2019, insurance sales were 19% higher than those for the prior year

Strengthening its mission to have a comprehensive insurance offering aimed at different customer segments, the Bank sought to provide solutions tailored to the social and economic context. Thus, the Business Insurance Model was consolidated and the launching of insurance for Agro was completed, including this segment in the product offering.

With the aim of including the Insurance Business within the current regulatory framework, Banco Patagonia fully complied with the continuous and compulsory training of the Argentine Insurance Regulator conducted by those responsible for insured customer service at each of the points of sale.

High Income

52.3% growth in the High Income segment

Different actions promoted the growth of the High Income Customers segment, which went from 8,023 by December 2018 to 12,218 customers by December 2019. On the one hand, customers were invited to hold dinners in all regions, with Exclusive Customer Service Centers. Moreover, breakfasts were organized in these centers with the main investors and there was a launching event for the Amex Black product at Hotel Llao Llao, in Bariloche. In addition, there was a careful selection and training of advisers engaged in the preferential assistance provided to this type of customers in the Contact Center.

12.3. Business with companies

With a focus on digital transformation, the Bank trained its employees for them to assist customers of the business segment in the application of new tools enabling the financial operation of their businesses.

In 2019 Banco Patagonia sought to promote the joint development of the different profiles that make up the business customer segment, thereby providing a higher level of service. This differential allowed the Bank to deepen its proximity to customers, strengthen its relationship with strategic partners and mitigate risk in those most vulnerable sectors. As a consequence, the Entity was able to decrease the default ratio even below the financial system.

In line with the digital development, the Bank also carried out various initiatives aimed at providing the commercial force with information on the behavior of clients within the financial system. This, together with more training and education, enabled greater experience acquired by employees to face their challenges.

Banco Patagonia provided tools to officials engaged in companies and SMEs, which allow them to access reports on their current and potential customers before developing new businesses, thus mitigating credit management risks and facilitating visualization.

Additionally, Banco Patagonia continued to strengthen its business relationships with strategic customers through fairs, sports events, musical shows and exclusive meetings at the Bank's Headquarters.

Corporate

The specialization of this segment creates the challenge of making competitive and valued offers available to customers. Taking this challenge into account, the Bank provided the commercial team with specific training along with adequate tools and information, which made it possible to increase closeness with customers in years of constant change. In this line, the volume of collections and payments increased by more than 50%, excluding the payment of wages.

The Bank also continued to grow in the capital market with loans and issues with the main customers under a new modality. The good performance of this segment is seen in its considerable increase in gross profits.

Large Companies, Agribusiness and SMEs

The Bank continued to focus its efforts on linking and enhancing the value chain of its customers. This comprehensive service allowed it to consolidate its relationship with strategic customers and be their partner in expanding their businesses.

In line with this objective, the Bank launched Redes Empresas, a new digital platform relating potential customers and showing their connections with current Bank customers. The network of contacts and information that this platform provides favors the subsequent connection with potential clients. In addition to a renewed and competitive value offer, the new approach improved performance in recontact with new Business customers: with more than 280 new customers since its launching in May 2019, it increased the registration ratio by 80% compared with 2018.

Banco Patagonia also sought to promote commercial synergy among Brazilian companies, suppliers of products and services, and Argentine importing companies. This resulted in important financing operations and events in conjunction with Brazil Group.

With the purpose of consolidating itself in the Agricultural segment - showing a great performance in 2019 -, the Bank participated in different regional events throughout the year. In this sense, the presence in Agroactiva –one of the most important fairs in the sector– stands out, where the Bank had its own stand and a particularly competitive commercial offer. This resulted in a record of financing agreements with automotive terminals and agricultural dealers, allowing the Bank to conduct transactions bringing significant income to the segment.

At the same time, the Bank also strengthened its relationship with CREA, a leading civil association in the agricultural field. On the one hand, it supported the association's training sessions in the interior of the country and, on the other, it carried out training in commercial management and technical knowledge of the segment oriented to officials engaged in SMEs, business and the agricultural sector, and employees at headquarters.

New products aimed at the customer

Regarding cross sell, the participation of business insurance stands out. Thanks to alliances with AON and SURA, the Bank reached 1,000 insurance registrations for large companies and consolidated the offer for SMEs. In addition, it undertook various actions to deepen the transactional relationship of its customers. For example, the offer of express ATM continued and reached 35% of the market share in this product. It also implemented the new API (Application Program Interface) technology in cash management collection and payment products, implemented a new way of connection under new technology and developed the most agile and efficient ECHEQ operation.

12.4. Finance and government sector

Capital market

In 2019, Banco Patagonia created seven financial trusts together with Mercado Libre for more than \$ 2.9 billion.

During 2019, the Bank participated in the placement of corporate bonds of all the automotive-related financial companies that made a public offering of securities. In addition, Mercado Libre, the leading e-commerce company in Latin America and the largest in Argentina, has chosen the Bank once again as trustee, arranger and broker of two new types of financial trusts (securitization of future credit rights and consumer loans within its platform). During 2019, Banco Patagonia entered into seven financial trusts with the company for an amount greater than \$ 2.9 billion.

In addition, the Bank participated for the first time in the placement of YPF, Volkswagen Financial Services, John Deere Credit Cía. Financiera and Cresud, for an issue amount of \$ 4,000 million, \$ 750 million, \$ 1,740 million and USD 59 million, respectively, and in the placement of two series of financial trusts of Cordial Compañía Financiera SA (Grupo Supervielle) for an issue amount of \$ 1,594 million.

On the other hand, during 2019 two series of Treasury bills of the Province of Río Negro were placed for an amount of USD 43.7 million and \$ 3 billion, respectively. 15 series of trusts were also placed for an amount greater than \$ 6.1 billion and the Entity participated in the placement of nine issues of corporate bonds for an amount greater than \$ 12.9 billion.

Business with Government Sector and Universities

New alliances with universities allowed Banco Patagonia to add 1,500 new clients of the Salary Plan business.

Banco Patagonia continued to consolidate its leadership in the Universities segment. With the inclusion of Universidad Nacional de Tierra del Fuego and Universidad Abierta Interamericana, it added more than 1,500 new clients of the Salary Plan business.

In its role as Financial Agent of the Province of Río Negro, the Bank opened the Gral. Fernández Oro branch. Thus, it reached 32 service points in the Province. In addition, the Entity continued to support Río Negro in its main events of the year. It also offered products and services providing social benefits through registration and banking of accounts for assistance in the Province.

Banco Patagonia achieved one of the most relevant mass migrations in recent years: 14,000 clients retired from the Argentine Naval Prefecture to the Argentine Police Retirement and Pension Fund. Furthermore, the Bank achieved great commercial synergy by deepening the penetration of the Salary Plan service among its partner institutional clients.

Institutional clients and structured products

Within a context of high rates –and, therefore, of low use of credit lines–, the Bank was able to place a new product for institutional clients adjustable by the Indexation Rate (CER) that shows the consumer price index is stated in Units of Purchasing Power (UVA). Thus, it managed to diversify the offering of Active Products and achieved customer loyalty among financial institutions in the automotive sector, which led to the possibility of greater cross-selling.

Likewise, the Bank deepened its business relationship with the main banks in the country, which allowed its growth in specialized lines. Various events were held in the market and this essential to consolidate the relationship with institutional clients.

In order to improve commercial efficiency, the Bank added an insurance company to the custody service portfolio. Thus, it achieved a market share of around 18%. The increase in commercial efficiency (from 32% to 34%) shows the cross selling also promoted in this segment.

Another priority was to continue the Bank's penetration in the guarantees received from Reciprocal Guarantee Entities (SGR). As of October 2019 and without any corporate relationship with any of the entities at issue, Banco Patagonia was ranked number 10 among the total number of banks with the highest volume of guarantees.

The Bank also advanced towards a new global custody module in Patagonia e-bank Companies, by which the Global Custody function is enabled so that customers can give instructions immediately. This function is aimed at insurance companies and any companies requesting it. It also allows access to online monitoring of the different states of the instructions and their credit.

Banco Patagonia also implemented the addition of client's accounts through the telephone channel. In this way, clients can open their client's account through the Investment Center and thus place their orders daily. It also added the telephone and email channels for Mutual Funds, so that clients may process their subscriptions or redemptions of mutual funds.

12.5. Receivables and Foreign Trade

Banco Patagonia certified its quality management system for Foreign Trade and Exchange processes in accordance with ISO 9001:2015 standards and became the only Argentine bank doing so.

The economic situation during 2019 required the adoption of actions that could improve delinquency levels and credit analysis processes.

In this sense, the Bank enhanced differentiated origination strategies and reinforced monitoring and follow-up practices for customers with active credit ratings. It also made monthly presentation to the Management Committee of the main credit rating process, including proposals for improvements aimed at optimizing the qualified consumer portfolio and minimizing the impact of the crisis on the delinquency rate; it rated UVA consumer loans, which were made available in each of the core platforms, and optimized the massive customer rating processes, while promoting the renewal of lines rated by traditional methods.

To optimize the credit analysis processes, the Bank carried out various actions. On the one hand, it built dashboards with management indicators that enabled monitoring, measuring and taking corrective actions on customer profiles with a greater probability of default and that enhanced the rating of those who contribute to the reduction of default rates upon a change in market interest rate conditions. On the other hand, it promoted the publication of the new Internal Procedures manual, which describes in an orderly and methodological manner the various daily actions related to the classification and management of the universe of customers who are part of the Bank's portfolio. In this way, the formal regulatory framework necessary for the development of a uniform internal credit management was completed, and the guidelines resolved by the Board for credit treatment and decision were communicated within the Bank.

All these measures made it possible that, even in this complex macroeconomic context, the default ratio of the Total Portfolio and the Commercial Loan Portfolio of the Bank achieved the third position among best performing banks in the competitive environment (according to information available by the BCRA as of 12/2019).

On the other hand, the Bank fulfilled its strategic objective of remaining within the ranking of the five best banks in the competitive environment in terms of the ratio of irregular portfolio to total financing. This improved 2 positions 1 position compared to 12/2018.

In December, the Bank obtained a recognition that no other Argentine bank has obtained so far: the certification on the quality management system of Foreign Trade and Exchange processes according to ISO 9001:2015 standards, focusing on risk management and customer satisfaction. Other commercial actions and developments that stood out during the year are the launching of foreign trade functionalities in the new Patagonia e-bank Companies platform, the adherence to the Exporta Simple program, the creation of Comunidad JCB for the acquisition of capital goods within the framework of the PROEX/BNDES lines and the affinity groups with SMEs. Given that more than 50% of foreign trade transactions are carried out electronically, the Bank also initiated, jointly with the managements of the different segments and electronic channels, the strategic plan for the migration of customers to the new electronic channel.

Finally, and in line with prior years, the Bank continued the internal training cycles for employees in order to consolidate the professional level achieved. The estimated launching in

early 2020 of a new tool to systematize the management of credit ratings will make the rating process more efficient and speed up response to internal and external customers of the Bank.

The foreign trade segment also involved specific measures due to changes in regulations. In September 2019, the Executive Branch established certain extraordinary and temporary rules in force until December 31. Moreover, the BCRA made the new exchange control regulation effective by issuing different standards and thus regulated the new local exchange market and its operations. Among other general provisions, the re-implementation of the obligation to enter and settle the collections of exports of goods and services, and of the system for monitoring the payment of imports of goods, the monthly requirements and limits for the creation of external assets and the prior consent of the BCRA to access the local exchange market for certain operations stand out.

In order to provide advice regarding these changes, the Bank organized a breakfast to discuss news on exchange matters with customers from the Corporate and Large Business segments, and worked on the permanent updating of the information available on the institutional site. It also sent trade news to customers to communicate the different regulatory changes and their impact on the implementation of operations.

Additionally, it created adjustments and new automatic controls in the systems and in the "electronic request" function of the Patagonia e-bank Companies electronic channel. It also tailored the procedures, forms and procedures manuals for each of the Foreign Trade and Exchange processes as well as risk mapping. Furthermore, it conducted permanent training for Comex analysts and Comex officers, and actively participated in ABA's Foreign Operations commission.

The Bank fulfilled its strategic objective of remaining within the ranking of the five best banks in the competitive environment in terms of the ratio of irregular portfolio to total financing. It thus improved 1 position with respect to 2018.³

Credit recovery

The Credit Recovery Management has the mission to regularize and/or settle, in Court or out of Court, any credit granted by the Bank through its different segments: Individuals, SMEs, Agribusiness, Companies, Corporate, among others. It also includes advice and support to the Branch Network and commercial and credit managements for the management of active customers upon the first difficulties in fulfilling their obligations.

Management is also made up of a specific area of Guarantees, which ensures the viability of implementing the guarantees required and granted by the Bank, as well as their corresponding effectiveness in the event of foreclosure. In this way, it provides advice and support to the different business areas.

During 2019, this Management focused on the management tools and models available aimed at continuing to improve default management among customers with difficulties to reduce and mitigate their possible impact on arrears. To this end, the Bank worked with the Individuals segment in omnichanneling, giving late payment customers the possibility of contacting them through an e-mail box specifically created to answer their inquiries. It also implemented the online chat service and made WhatsApp available as an alternative response channel to the SMS sent by customers.

The Companies segment emphasized advice to the commercial and credit sectors. As a result, it improved the volumes of collection and recovery of credits relating to the massive segment of legal entities.

Moreover, the Guarantees area continued to work together with the commercial areas not only in business development - such as the line of Loans with Assignment of Mipyme Electronic Credit Invoice

³ In accordance with information published by the BCRA.

and pledge-secured Financing Agreements for the agricultural sector- but also supporting debt restructuring operations of large companies, with the implementation of guarantees of different types, in order to improve the Bank's position vis-à-vis the credit portfolio. In this line, the foreclosure systems and procedures were optimized within the framework of the agreements signed with different reciprocal guarantee entities in order to achieve the prompt payment of guarantees foreclosed with a positive impact on the delinquency rates of the Branch Network.

Management's challenges for the next year focus on technology improvements and management systems aimed at achieving more agile times. The main objective will be the digitization of the processes involved in the area of Guarantees and the inclusion of new payment channels in the Individuals Recovery sector.

12.6. Benefits

In 2019, Banco Patagonia consolidated a federal benefits strategy reaching all clients in the country, from well-known brands to shopping malls, with more than 2,000 affiliated stores and focusing on special dates.

The Bank was present in Las Grutas and Bariloche to provide various seasonal benefits, as well as in Bariloche a la Carta, one of the most important food events in the area.

Falabella platform joined Club Patagonia, and the Bank became the first Bank in the market to have a platform of this size. Smiles Argentina also joined, offering a better miles exchange proposal with accessible offers.

During 2019, the Bank also worked to achieve more efficient and effective communication, seeking the best channel to connect with the customer, by automating delivery processes and optimizing the segmentation base. More than 120 million digital deliveries were reached during the year including emails, SMS and Push messages.

On the other hand, Banco Patagonia developed its first national mainstream campaign, at points of sale, public roads, radio and digital media. Four audiovisual pieces were produced, which communicated different selected products and services.

Banco Patagonia won the Mercurio Award 2019 for Marketing Excellence in the Large Companies Division, Banks category, thanks to T4F Strategic Alliance.

Among the different events of networking, recruitment and customer loyalty carried out, the following stand out:

- 12 tennis events for more than 400 clients.
- 8 dinner events in the City of Buenos Aires, San Isidro, La Plata, Salta, Corrientes and Neuquén, for approximately 250 High Income customers.
- 12 STC 2000 races in different places in the country.
- Winter season actions in Bariloche and Las Grutas in summer, with more than 2,000 clients received in the exclusive spaces.
- 2nd Edition of Snow Run Cathedral with more than 400 marathoners.
- Launching of Amex Black at Hotel Llao Llao, in Bariloche
- Breakfasts and lunches with speakers from the economic and political sphere exclusively for customers.
- T4F shows by Paul McCartney, Serrat and Sabina, Stone Temple Pilots and Bush, MINE, with a total of approximately 350 guests.
- Shows in the interior of the country of Divididos, Coti and Iván Noble, with approximately 40 guests in each one.
- Three marathons with the Runners Club for approximately 550 customers.

12.7. Customer experience

Quality of customer care and efficiency in services were the attributes highlighted by Banco Patagonia customers

The Bank implemented a weekly measurement of customer satisfaction with each of the service channels with which they communicate on a daily basis. This is in addition to the telephone measurement system that it performs annually in two phases, in which it interviews anonymously 1,200 clients to measure the aspects and variables that make up their customer satisfaction, in addition to determining areas for improvement to improve the relationship.

Moreover, the Branch Service Quality survey was redirected towards a measurement of customer satisfaction in each of the service channels: Branch, Mobile, e-bank and Customer Contact Center. The purpose is to evaluate the highlights and areas for improvement in each of these channels immediately after use, and thus improve the customer experience. The Bank also added a daily internal survey of customer satisfaction levels with the Customer Contact Center, which enables to obtain direct information on services provided by the operator.

The result of the Net Promoter Score (NPS) indicator for the second half of 2019 did not change significantly compared to the prior year. In relation to the main highlights, the Bank's customers continue to mention the quality of customer care and the efficiency of its services. During 2019, the indicators related to the Mobile and e-bank channels improved, demonstrating the importance and good results of digital transformation plans.

Quality management

During 2019 and aligned with ISO 9001:2015, the Bank carried out the Quality Management System (QMS) audits program.

In this sense, the certifying company Bureau Veritas carried out the recertification audit of all the processes of the Comex Business Support Management and Comex Operations: Foreign Transfers, Payment Orders, Letters of Credit, Collections and Financing.

Furthermore, the company TÜV Rheinland Argentina conducted the following audits:

- Cash Management-Payments
- Salary Plan
- Attention to inquiries and complaints
- Securities Custody

All audits were completed with successful results: both companies recommended the maintenance of certificates.

With respect to the certification of the Information Security Management System (ISMS) aligned to the ISO 27001 standard, the company TÜV Rheinland Argentina conducted the audit on logical access to the information assets, monitoring and maintenance of the necessary controls for the adequate provision of confidentiality and integrity services to internal and external customers. As a consequence of the successful audit result, the company recommended the maintenance of the certificate.

Finally, the rating of "excellent" with a "stable" outlook was also renewed, issued by Standard & Poor's regarding the activity of Banco Patagonia as a Financial Trustee.

On the other hand, throughout the year, Banco Patagonia implemented process improvements to offer clients more agile processes focused on optimizing their experience with the Bank. The most important projects are:

- **LEAN methodology:** during 2019, the Bank continued with the LEAN project -started in 2016- based on the efficiency and continuous optimization of processes. The processes of the Asset Management area were reviewed and improvements were made by eliminating printings. This methodology was also applied to the Operational Emergency of Architecture and Maintenance process, obtaining an improvement in response times and a decrease in the number of procedures by 23%. This represented savings of 53% in the amount disbursed.
- **BPM and Operating Efficiency:** Business Process Management (BPM) and Operating Efficiency help the Bank improve and optimize the efficiency of business processes. In 2019, the processes implemented were Person and Customer, Account Registration, Pension Inquiry, Product Package, Consumer Loans and UVA Loans. 95% of operations are carried out through the commercial platform. For loans, 70% of the Digital File is used and in Packages, 40%.
- **Process robotization:** During 2019, the Bank began the process robotization analysis. The objective was to implement a CoE (Center of Excellence) enabling this technology to be deployed throughout the organization. By May 2020, the Bank expects to have 6 robotic processes. On the other hand, six employees are being trained so that they can receive certification in RPA (Robotic Process Automation) as ROM Architects and Developers. This team will lead the Digital Workforce (bots) and drive the overall automation strategy, operation, and governance by redefining processes to achieve greater efficiency.
- **Desktop virtualization:** Progress was made in this initiative that allows access to the usual workplace from any device connected to the Bank's network and thus facilitates operational continuity. In addition, it simplifies maintenance because only the new virtual platform must be attended and no settings and applications are shared among users, which avoids errors and unintended changes. During the course of the year, the Bank made progress in the purchase of the equipment and software necessary to implement the solution, as well as in preliminary tests carried out in a testing environment, which enables the start of application virtualization.

12.8. Technology, communications and systems⁴

Through the evolution of systems, the Bank made new functionalities available in electronic channels in order to increase customer self-management and thus improve their experience. Some of the new features implemented include: Global Custody in Patagonia e-bank Companies, APIs for Payments and Collections Cash Management, and Salary Plan that enables companies to combine their systems with those of the Bank for these operations, push notifications of benefits on mobile devices.

Likewise, in order to comply with the regulator's requirements, the following functionalities were developed in digital channels: EChq, visualization of the latest account and credit card statements, payments in dollars spent by credit card, rescheduling of short-term national public debt national and foreign exchange market restrictions, among others.

Furthermore, to strengthen the objective of focusing on the customer and valuing its experience, Banco Patagonia adopted agile work frames aimed at accelerating response to business needs and optimizing the potential of work groups.

The Entity executed, with satisfactory results, a "comprehensive" Disaster Recovery Plan. It consisted of simulating the suspension of the Bank's Primary Data Center to verify whether 100% of critical services continue to provide services in the Secondary Data Center.

In addition, the core telecommunications infrastructure was redesigned, unifying services at a speed of 10 Gb. This allowed it to provide up to 10 times more data transfer capacity. Additionally, it extended the DWDM (Dense Wavelength Division Multiplexing) topology to the Data Center located in one of the Bank's buildings and thus created a telecommunications ring that provides greater resilience, unified technology, symmetrical configuration and is scalable in the future.

⁴ For more information, see section 11.2 Digital business.

In compliance with the program launched by the Swift Client Security Program, which aims to strengthen infrastructure and mitigate vulnerabilities in the IT environment, the Bank managed to implement the Swift application architecture based on a new security framework, which included new hardware, software and services.

12.9. Accessibility

Banco Patagonia carries out improvements in premises in terms of accessibility, either by opening branches or refurbishing them.

Accessibility	2019	2018
ATMs tailored to be used by people with visual impairment	264	234
Special restrooms	108	103

12.10. Physical security

Using technology as an efficiency enabler, the Entity made progress in remote monitoring of the Branch Network.

With approximate savings of 40%, the Bank carried out technology development that makes it possible to distribute the operators of the Remote Monitoring Center more efficiently to support the Branch Network.

Results of the actions implemented to increase physical security in branches:

- 209 branches audited by the Workers Compensation Insurance Company
- Preparation of the RAR (Risk Agent Survey) of 100% of the branches and update of all the RGRL (General Survey of Labor Risks) for the new Workers Compensation Company Galeno
- 34 branches inspected by the Ministry of Labor in safety and health matters
- 36 branches where lighting was measured
- 100% of branches with a general evacuation plan drawn
- 78 branches with updated evacuation plans
- 45 branches surveyed in terms of safety and health matters
- 17 anti-loss analyses prepared for branch qualification/ re-qualification
- 173 branches inspected by the BCRA through the jurisdictional police, which had no observations

2,315 employees participated in the e-learning on first aid, fire prevention and extinction. In addition, 85 training sessions were offered to 510 employees in handling emergency situations in branches. Likewise, 100% of the guards who provide private surveillance services took the basic initial training course to provide private surveillance services. The subjects with greatest training hours are security and surveillance, legal, human rights and first aid.

12.11. Secure management of data

Banco Patagonia successfully passed internal, external and ISO 27001 audits, demonstrating compliance and control over processes protecting information assets.

During 2019, the Bank worked on various assessments associated with cybersecurity in line with the business dynamics. In addition, in order to optimize security measurement processes in different environments, the Bank managed to automate controls and measure their effectiveness.

Likewise, Banco Patagonia has "Information Security" e-learning, which covers the following topics: access control, clean desks, email, social engineering, social networks, malware and safe browsing. In addition, during the year presentations on information security were made to external and internal employees through a virtual classroom and induction courses were offered to new employees. The

Bank also held internal campaigns related to information security through e-mail, the digital billboard, induction courses to new employees and the internal social network, complying with the Training and Awareness plan.

On the other hand, the renewal of the ISO27001 certification was achieved, thus maintaining adequate security levels for the Bank's information security management.

13.EMPLOYEES

In order to favor a work environment where employees may develop, relate to each other and feel part of the organization, Banco Patagonia promotes internal communication, training, granting of benefits and recognition actions, and different spaces for meeting and dialogue, with the focus on respect for the person and the generation of diverse spaces with equal opportunities.

2019 HIGHLIGHTS

- 103 new employees joined, out of which 43 were assigned to the Branch Network.
- 1,402 internal communication pieces published, representing 46% more than in 2018.
- 44,013 training hours provided to employees through the Patagonia Campus and external training

13.1. Employee Profile

Banco Patagonia promotes a work environment that favors diversity and equal opportunities for its employees. Thus, the Bank enriches its experience based on various profiles of its workforce.

EMPLOYEES IN NUMBERS	2019	2018
Total employees	3,302	3,407
By gender:		
Men	1,684	1,733
Women	1,618	1,674
By category:		
Superintendents	7	7
Senior Management	68	78
Mid-management positions	291	287
Employees	2,936	3,035
By age:		
Up to 30 years	596	608
From 30 to 50 years	2,140	2,207
Over 50 year	566	592
By region:		
Main areas	1,174	1,231
City and Province of Buenos Aires branches Buenos Aires	935	970
Branches in the provinces	1,193	1,206
By type of contract:		
Temporary	0	0
Permanent	3,302	3,407
Average seniority (in years):		
Superintendents	13	12
Senior Management	16	15
Mid-management positions	15	14
Employees	12	11
Average age:		
Superintendents	50	51
Senior Management	47	46
Mid-management positions	45	44

Employees	39	38
Turnover rate:		
Total turnover rate	0,77 %	1,23 %
Undesired turnover rate	0,94 %	0,71 %
Other indexes:		
Average salary (in pesos)	104,010	67,918
Personnel under union agreements	98,10 %	97,70 %

EMPLOYEES IN NUMBERS BY GENDER	2019		2018	
	Men	Women	Men	Women
By type of contract:				
Permanent employment contract (i)	1,684	1,618	1,733	1,674
Temporary employment contract	0	0	0	0
By region:				
Main areas	618	553	651	580
City and Province of Buenos Aires branches Buenos Aires	385	549	417	553
Branches in the provinces	699	498	691	515
By type of employment contract:				
Full time	1,684	1,618	1,733	1,674
Part time	0	0	0	0
(i) The breakdown by region is as follows: 2,105 employees in the City and Province of Buenos Aires and 1,197 employees in the interior country.				

13.2. Jobs and job opportunities

Banco Patagonia launched the Country Talent Program to meet university students who are interested in working at the Entity.

To improve the candidate selection process, Selection Workshops by Skills were held for managers and middle management positions of branches.

In 2019 efforts were devoted to improve the candidate selection processes and communication with candidates. Throughout this period, the Bank:

- Implemented the **Virtual Assistant EMI**, an artificial intelligence software that facilitates agile and digital recruitment through the institutional website and other external search portals.
- It continued to position itself as an employer brand. He participated in five **Job Fairs** related to the main universities in the country. At these events, 8,668 students approaching the stand and the Bank managed to attract solid IT and Economic Sciences profiles.
- It launched the **Country Talent** Program, by which the Bank seeks to meet students from different universities in Argentina who are interested in joining the organization.
- It offered **Selection Workshops by Skills** to Branch Managers and middle management positions to professionalize and facilitate the selection of candidates in the external or internal search processes.
- It participated in "My first job and preparing a Resume" talks to students from universities in the interior of the country with the aim of strengthening its relationship with those universities and with young people from different educational communities.
- It implemented **written feedback** to candidates not selected in the internal search process, with suggestions for improvement for their next applications.

In addition, 103 new employees joined the organization, out of which 43 were assigned to the Branch Network. On the other hand, 81 employees were promoted.

Banco Patagonia participated in job fairs, where it received more than 8,668 students.

Additions and turnover in 2019				
	Additions	Retirements	Turnover (1)	New hiring rate (2)
Total	103	208	-3.18 %	3.12 %
By age:				
Up to 30 years	65	68	-0.09 %	1.97 %
From 30 to 50 years	36	107	-2.15 %	1.09 %
Over 50 year	2	33	-0.94 %	0.06 %
By region				
Main areas	58	96	-1.15 %	1.76 %
City and Province of Buenos Aires branches	7	53	-1.39 %	0.21 %
Branches in the provinces	38	59	-0.64 %	1.15 %
By gender				
Women	36	93	-1.73 %	1.09 %
Men	67	115	-1.45 %	2.03 %

(1) Formula = Additions/Total employees

(2) Formula = Additions/Total employees

13.3. Ongoing training

The Bank implemented Campus Patagonia, an integrated platform with face-to-face and virtual offerings, which promotes and encourages the self-development of employees and allows leaders to support the training and development of their teams.

The implementation of the platform required collaborative work between different areas for the integration and migration of learning records. The training strategy followed in 2019 was focused on employees and their training needs. After processing different surveys and paying attention to the demands, the Bank developed Patagonia Campus, being the training offer updated half-annually. With voluntary participation, the courses can be taken both in face-to-face and online by employees at Headquarters and in the interior of the country. By 2020, the objective is to strengthen the offer by focusing on virtual training and proposing new formats for face-to-face meetings. Banco Patagonia was recognized with the international recognition "Totara Award" to the "Best Project in Finance and Insurance 2019" for the implementation of the platform.

Including modules specially engaged in helping leaders in contexts of change, Banco Patagonia and the IAE Business School designed a leadership development program for Senior Management.

News in courses and training during 2019:

- **Induction:** induction course for hires- a welcome space and an approach to the culture, mission and vision of the Bank - is given once a month, lasts 4 hours, and was readjusted in 2019. It is carried out on a face-to-face basis at the Headquarters and it is transmitted via streaming for employees across the country. Speakers are different internal referents of the Executive Management of Human Development and Organizational Climate, Information Security and Anti-Money Laundering.
- **Internal training:** the internal training program is based on the Patagonia Campus, where the Bank publishes the different cycles that make up the total offer. On the one hand, the Open Catalog, which aims to provide generic development tools for all employees - such as communication and self-development, among others-. And, on the other, the "Patagonia Agil" cycle, which frames the workshops related to agile methodologies, a new work format that the Bank seeks to promote, and "Compartí lo que Sabes", a cycle of short talks given by internal referents, specialized in a specific issue, which are also broadcast via streaming throughout the country. During 2019, topics were personal finance, cryptocurrency and blockchain, home security, artificial intelligence, and the new consumer in the digital age.

- Online training: within the framework of the Patagonia Campus, the Bank also develops online training proposals. Throughout 2019, it launched different e-learning available to employees across the country, based on soft skills - such as teamwork or communication - and other more technical topics, such as safety on public roads or updates on Anti-Money Laundering and Fight Against Corruption or Foreign Trade.
- External training: under this format, each employee chooses training options in external educational institutions, which the Bank evaluates according to the job position and performance plan. The employee must also have the support of its boss. The most chosen topics for this type of course are those of regulatory, tax or legal updating, which are provided outside the Bank.
- **Knowledge of rules and regulatory processes:** this content is taught through different regulatory courses, mostly in virtual format via Campus.
- **Scholarship Program:** this year, the Program supported 79 employees from different provinces of the country in both graduate (72%) and postgraduate (28%) majors. 65% more scholarships were awarded compared to the prior year.
- **Training workshop for new leaders:** with contents structured in nine biweekly meetings of 4 hours each, the workshop aimed to help build a leadership model that could motivate and align the team in contexts of change.
- **Leadership development program for senior management:** designed in conjunction with the IAE Business School, it is a program for Superintendents, Executive Managers, Regional Managers and Area Managers. Likewise, Business Center, Corporate and Branch Network Managers participated. Its purpose was to promote the development of participants through experimental learning that encourages them to generate their own solutions, applying concepts and theories to real-world situations.

Number of training hours	2019	2018
Internal training	40,499	37,968
- languages	1,474	2,660
- face to face and virtual offerings	21,196	17,054
- Online	17,829	18,254
External training	3,514	2,699
Total	44,013	40,667

Number of training hours/employee	2019	2018
Hours/employees by gender		
Training hours/women trained	14.70	12.05
Training hours/men trained	11.90	12.32
Hours/employees by category		
Senior Management	10,186	1,887
Mid-management positions	6,896	5,275
Other employees	26,931	33,505

Number of employees trained	2019	2018
Total	3,302	3,335
By gender		
Women	1,617	1,634
Men	1,685	1,701
By age		
Up to 30 years	593	596
From 31 to 50 years	2,140	2,159
Over 51 years	569	580
By region		
Main areas	1,172	1,234
City and Province of Buenos Aires branches Buenos Aires	961	982
Branches in the provinces	1,169	1,119

The Bank offered the course "Introduction to Environmental and Social Risks, and Value Creation in Financial Institutions" with the involvement of employees from different areas.

To advance towards the digitization strategy, the Bank also offered a course - mandatory for officials engaged in Business with Individuals, Administrative Heads and Branch Managers - that adds the possibility of estimating and registering consumer loans virtually. In 2019, 254 employees took that course.

13.4. Performance management

During 2019, the Bank focused on updating its skills to measure employee performance. Thus, the assessment was divided into skills required from those who have staff accountable to them and those who do not. The objective was to encourage leaders to develop high-performance teams and employees to reach their maximum potential with greater autonomy.

Regarding the assessment of Senior Management, the Bank worked with the consulting firm Korn Ferry in the analysis of potential. Based on the information obtained, it carried out a team and individual coaching process enabling it to prepare an action plan to optimize the career development of Superintendents and Executive Managers with the consequential improvement in business results.

13.5. Climate management

Based on the conviction that dialogue generates the best links, the Bank promoted more than 165 visits to branches and meetings with different teams from the main areas. Thus, it contacted more than 1,800 employees with individual interviews.

To enhance the working environment, the Bank began working with Great Place To Work.

In 2019, Banco Patagonia began working with **Great Place To Work** to enhance the working environment. In a first stage, it used this well-known tool to investigate the perception of the climate by employees and, based on this diagnosis, prepare the action plan.

Likewise, Banco Patagonia invited 54 employees of the Branch Network to participate and learn about the daily activity of Headquarters areas with which they interact daily. These participants carry out their tasks both in the Customer Contact Center and in Branches throughout the country. During the next year Superintendents and Executive Managers will take part of the Knowing the Network program, which will allow taking to another level the knowledge of the Branch Network dynamics.

As part of its commitment to the well-being of its employees, the Bank also signed a protocol against **gender and domestic violence**. Its implementation entails offering support in detecting cases of gender violence and proposes help with a specific approach to this problem. In this sense, the Organizational Climate management makes available assistance and protection measures to employees and their family group to support them and ease the situation they are going through.

Banco Patagonia offered different integration and relationship actions with employees, with the following baselines:

- **WE ARE CLOSE**

With the objective of reviewing employees' opinions and expectations, the Bank continued the **Visits to Branches Program**. With more than 165 visits to branches throughout the country, it was able to learn about the perception of the work climate in each business unit. In 2019, the methodology included individual meetings with more than 1,800 employees so that meetings could be deeper. The dynamics of personal interviews was replicated in different teams at Headquarters.

By means of the Employee Assistance Program, in 2019 Banco Patagonia supported 141 employees and direct family members who were facing various difficulties, such as health problems or accidents, among others. It also undertook supporting actions with the work teams of two branches due to the deaths of employees or clients. It provided assistance in dealing with health care plans, health insurance companies, life insurance and workers compensation insurance companies. Likewise, special leaves, payments of accommodation and transportation in medical cases, as well as the payment of expenses due to natural disasters and burial, among others, were offered.

In addition, it launched the **Welcome Process** for new employees. Taking into account that the first moments in a new workplace are key to a good insertion, the Climate team is close to new hires to improve their experience at the Bank.

- **WE ARE INTEGRATED**

In order to continue encouraging teamwork, the Bank promoted various integration activities. **Banco Patagonia Games** were held, this time in a renewed version: from being a sports proposal, focused on soccer and volleyball, it became a proposal focused on recreational integration. In this way, it fulfilled the objective of being an attractive experience for all employees and, at the same time, of promoting greater diversity in groups. In total, there were 13 events in strategic cities - for which the Bank was present in the different regions - for more than 1,200 people. After each meeting, the employees gave their feedback and suggestions for improvement, and photos and experiences of the day were shared on the exclusive website of the Games.

There was also a new edition of **Banco Patagonia Cup** for men and women soccer. The 18 men teams competed for the trophy in an exciting tournament, which favors the integration of employees in an environment of healthy competition. Women were the main characters of the sport: the women soccer team - made up of employees who compete in different teams - became champion in the SportClub Tournament and in Copa Grupo Brasil.

In addition, the **After Banco Patagonia** initiative was organized, with meeting points between employees of headquarters and branches of the City of Buenos Aires and Greater Buenos Aires, based on different themes, such as sustainability and innovation.

Actions were also taken aimed at leaders, for whom the Bank held the **2019 Managers Meeting**. At such meeting, Managers from all over the country shared experiences and received training and conferences on team management, innovation, technology, and collaborative work by the best specialists. On that occasion, they also learned about the main guidelines for the year defined by the Board, so that they are well prepared for the future.

By means of the **Patagonia Volunteer Program**, the Bank maintained its commitment to solidarity, particularly in those communities where it is present. More than 790 employees have participated in different actions throughout the year and across the country, thus adding their time and effort to the resources, coordination and logistics that the Bank provided.

- **WE CELEBRATE**

For the children of Banco Patagonia employees, **A Different Day** was also held with various activities. Thus, more than 200 children visited the Headquarters, where they participated in different science workshops and played in the square. In addition, more than 650 children visited the branches where their parents work and enjoyed a very entertaining snack, with games and surprises. Finally, more than 1,500 people attended the Bioparque Temaikén to live a day in contact with nature.

Banco Patagonia **closed the year with celebrations** along the country, in which 1,200 people participated. Another 1,200 attended the party in Buenos Aires, shared by the branches and the different sectors of the Headquarters.

13.6. Internal communication

During 2019, internal communications for collaborators were strengthened. Seeking to innovate and achieve better ways to reach employees, the Bank issued more than 1,402 pieces of communication, 46% more than in 2018. The process of digital transformation was also strengthened with the development of an internal communication strategy with different tactics to fulfill the six baselines of the plan.

This year, the Bank was also characterized by its audiovisual production, with 25 videos specifically intended to give visibility to the various projects carried out.

In 2019, Banco Patagonia received the Eikon Award, one of the most important recognitions for institutional communication, in the “Web” category, for the restyling of the intranet and the corporate site.

In order to provide more tools to the leaders within the organization so that they may communicate their projects more effectively and give them greater visibility, the Bank offered training in mobile audiovisual production. After four days where they had to carry out their own production projects, attendees were able to pre-produce, film and edit information, from a cell phone.

In addition, to include all employees in activities and partnerships with clients, the Bank systematized internal competitions. Thus, tickets for Niceto and T4F shows, Runners Club races, shows in the interior country and TC2000 were raffled. In the 64 contests launched during 2019, more than 230 employees won.

Main internal communication campaigns

- Digital transformation: more than 50 actions aimed at communicating how the Bank is transforming into a digital bank
- Interactive: commercial campaign focused on the objectives of the Branch Network
- Music: alliances with T4F, Niceto and shows in the interior country, through which the Bank deployed its brand and communicated its actions along the country
- Cross Center: campaign focused on the objectives of the call center to provide an increasingly better experience for customers
- Information security: annual campaign with monthly recommendations and tips
- Training: communication of all new training programs

3,083 logged-in users (accounting for 93% of payroll) in Yammer, the internal corporate social network. +130 videos were published on Headquarters TV and the Contact Center.

13.7. Benefits

For You

- Discount agreements: the Bank offers discount agreements to its employees in different areas throughout the country.
- Products for collaborators: The bank offers its employees the Plus, Plus Premium and High Income packages. It also allows them to access credit products under preferential terms.

Your Development

- Graduation gift: in order to recognize professional growth, the Bank gives a special gift to recent university graduates.
- Discount agreements with universities: discount agreements with different entities for undergraduate and postgraduate courses, language courses.
- Gifts: Banco Patagonia offers a gift to employees upon important events in their lives. Thus, more than 150 employees received a gift for the birth of their children. On the way back to school, more than 1,900 children received school kits, and on Children's Day, more than 1,800 toys were granted.
- Special subsidies: the Bank grants a subsidy to all employees with children up to 11 years old for summer camp. It also provides a subsidy to those with disabled children and in the event of death of direct relatives of employees.

Health & Wellness

- Health insurance: the Bank provides health insurance to employees and their family group through a corporate agreement with a recognized health company.
- Life insurance: the Bank provides additional coverage through a corporate agreement.
- Discount agreements: the Bank offers employees discounts in gym lessons, various recreational activities and beauty and health centers across the country. Thus, more than 400 employees access to gym lessons paying a preferential fee.
- Healthy Parenting Program: under the Program, the Breastfeeding Room continued to work and was used by more than ten employees. Throughout the year, there talks and workshops were held

on reference topics (breastfeeding and returning to work; alcohol, drugs and adolescence; parenting and family limits).

- **Preventive check-ups:** during the first half of the year, conferences were held where breast ultrasound exams were performed, providing results. Also, within the framework of World Vision Day, vision checks and advice on visual prevention were carried out.

In 2019 Banco Patagonia added two new benefits: the online platform for choosing a Children's Day gift, through which parents could choose among more than three options the gift for their child, and the discount at Universidad Argentina de la Empesa (UADE).

Leaves and re-joining		
	Women	Men
Number of employees taking maternity/paternity leave in 2019	98	72
Number of employees rejoining after maternity or paternity leave in 2019	95	72
Number of employees taking maternity/paternity leave in 2018	93	78
Number of employees taking maternity/paternity leave in 2018 who kept their job after 12 months following rejoining	88	74
Rejoining rate (1)	97.95 %	100 %
Retention rate (2)	94.62 %	94,87 %
(1) Formula = Employees who returned to work after their termination in 2019/employees who took a leave in 2019 * 100		
(2) Formula = Employees who took a leave in 2018, and retained their job twelve months after rejoining/ Employees who took a leave in 2018 * 100		

13.8. Health and security

Banco Patagonia also worked in 2019 so that employees may have a safe and healthy work environment. In this sense, it offered a CPR workshop for 37 employees who work as Floor Leaders. It also provided a CPR course open to employees from different parts of the country, in which 120 people participated.

- 176,857.5 hours of sick leave
- 53.56 annual hours on the average for sick leave by employee
- 2.87 % sick rate
- 42 reports to workers compensation company

14.SOCIETY

Banco Patagonia develops and cooperates with social impact programs in order to boost the wellbeing and growth of people, entrepreneurs and organizations for the sustainable development of regional economies. It works together with social and government sector organizations to multiply the impact of its investment in the community.

2019 HIGHLIGHTS

2155 students from 12 to 18 years of age participated in 58 face-to-face workshops named "Aprendamos a Ahorrar"

455 participants in the Entrepreneur Program of Río Negro

More than 17% of staff participated in volunteering activities.

14.1. Strategy for private social investment

Education, Entrepreneurship, Volunteering activity and Culture are the basis for the strategy for private social investment of Banco Patagonia. They include the projects that the Entity aids in order to add sustained economic, social and environmental value in the areas in which it operates. Thus, the Bank contributes to the wellbeing and growth of the regional communities together with civil society organizations and the government sector.

Private social investment	2019	2018
Participants and beneficiaries	17,607	19,530
Allied organizations	22	21
Amount of private social investment (in millions of Pesos)	17.5	13.5

Allied organizations, beneficiaries and scope of the private social investment actions			
Basis	Allied organizations	Beneficiaries	Provinces impacted
Education	ANSES, Banco Central de la República Argentina (BCRA), Foro 21, Fundación Cimientos, Fundación Cruzada Patagónica, Fundación Junior Achievement, Fundación Ruta 40, Ministerio de Educación de la Provincia de Río Negro, Socialab	4988 students and teachers of primary and high schools, university students and adults over 60 years of age.	National scope
Entrepreneurship	Fundación Nobleza Obliga, Nxtp Labs	455 entrepreneurship 80 financial innovation entrepreneurship	National scope
Volunteering work	Asociación civil Un Árbol para mi Vereda, Banco de Alimentos Tandil, Fundación Huerta Niño, Fundación Sí, Hábitat para la Humanidad Argentina, Nochebuena para Todos, Fundación Nobleza Obliga, Fundación Junior Achievement	12,536 socially vulnerable children, teenagers and adults.	National scope
Culture	Programa de Mecenazgo Cultural de la Ciudad Autónoma de Buenos Aires	7 projects for the conservation of historical and cultural heritage	National scope

14.2. Diagnosis and scope of the social impact

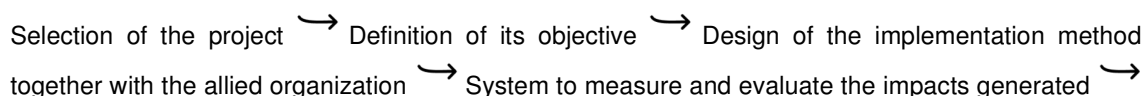
By means of its network of branches, the enthusiasm of its volunteers and specific support to the local development, Banco Patagonia invests and works to be near the communities in which it operates.

When assessing the programs, the Bank considers both its own internal strategy and the impact—in terms of quantity and type of beneficiaries, and the scope of the transformation— they will have, in the long run, on the communities.

In addition, and for an orderly and transparent management, it receives projects from three main channels:

1. Initiatives or programs designed by the Bank together with the specialists to address issues considered of interest for the society.
2. Identification of projects through the network of branches to detect the needs and support local organizations that provide solutions to problems within the social investment areas of the Entity.
3. Support to civil society organizations and entities of the government sector by forging strategic alliances.

Cycle of implementation of projects



Identification of learnings and recommendations for improvement → Communication of results →
 Redesign and strengthening of the program

14.3. Education

During 2019, Banco Patagonia continued focusing on education as the basis for private social investment, particularly, on financial education, investment in equipment for educational institutions, access to formal education, training for the future and higher education.

Support to formal education

Scholarship program

During 2019, support to the formal education continued by means of the scholarship program conducted together with national-scope organizations. Aid was provided to 28 students attending the integral education center of Fundación Cruzada Patagónica. The purpose of this alliance is to offer to young people and others the possibility of an extended education so that they can be fully capable of exercising their rights as citizens; encourage a critical and innovative spirit and expand their growth and development horizons. On the other hand, the Bank contributed to help 15 high-school students by means of the scholarship program of Fundación Cimientos to improve their course of studies and build a life project by providing a personalized approach and working directly with their families.

Projects and programs

In addition, during 2019, Banco Patagonia supported different educational projects:

- It sponsored 5 projects that related technical education to employment and technological development through the Tax Credit Regime of Instituto Nacional de Educación Tecnológica (INET), Ley No. 22317, AFIP GR 547/99. Based on this support, the institutions were provided with new agricultural, technological and scientific equipment as well as furniture and fixture to strengthen the educational programs.
- It launched the second edition of Programa Desafío Banco Patagonia, together with Socialab Argentina and in cooperation with the Ministry of Education of the Province of Río Negro to foster the social commitment, creative talent and team work among the youth in Bariloche, Gral. Roca and Cipolletti. In those cities, three ideathons were conducted, which received 78 projects. The winner team of the Andean area was CET No. 28 of Bariloche that proposed an idea for an alarm of sonic events that improve the resting of hearing-impaired people. In Alto Valle, school No. 9 of Cipolletti was the winner by developing a braille printer that help inclusion of visually impaired people.
- Together with Fundación Ruta 40, the Bank continued with the program for strengthening reading and writing in primary schools in Villa Manzano, Sargento Vidal and San Isidro, in the province of Río Negro. The program seeks to promote contact with books and develop literacy through activities within the rural and social context where the schools are based. More than 850 students and 190 teachers were involved in these projects.

Support to financial education

Through the workshops and trainings, Banco Patagonia advised more than 3500 young people, teachers and adults over 60 in their personal finance management and use of electronic media.

Personal finance program

Together with Junior Achievement and the Ministry of Education of the province of Río Negro, the Bank run this program in 15 schools of the province. Based on different exercises and dynamics at the classroom, students learnt on a practical basis how to prepare budgets, manage their personal and family finance, recognize the functions of the bank, the important of savings, planning purchases and the features of credit facilities.

In order to meet the schools' needs and the interest of the Secondary Education Department of the Ministry of Education and Human Rights of the Province of Río Negro, the program was implemented in the 3rd year courses of high schools, focused on economy and business administration in Bariloche, Cipolletti, Viedma and General Roca. The courses were attended by 849 students and 35 teachers who received a certificate that helps increase their professional scores. Through this program, not only has Banco Patagonia succeeded in strengthening the financial education of hundreds of young students but also schools were provided with installed capacity in terms of teachers trained and the public-private synergy.

Program *Un Click de Confianza*

With this initiative, Banco Patagonia took on the challenge of spreading the benefits of e-banking. The program was specially aimed at adults over 60 years of age in order to provide them with tools to become familiar with the electronic media to operate on an effective and secure basis and achieve greater autonomy and a better quality of life.

By means of the face-to-face workshops and the exercises with simulations installed in tablets, they were instructed on how to use ATMs, debit cards, e-bank and Patagonia Movil. The workshops were developed together with the Program for Adults over 60 years of age of the General Management of Institutional Relations and the Community of ANSES to approach contents to the different elderly people centers. By means of this alliance, Banco Patagonia consolidated its program that was replicated in different parts of the country.

It also included the website www.unclickdeconfianza.com.ar, whereby the residents of the province of Río Negro were invited to interact with the contents about e-banking and answer a trivia game to then enter into a raffle and win the tablets. During 2019, 207 people participated in the workshops of Viedma, El Bolsón, San Carlos de Bariloche, General Roca, Trelew and CABA. In addition, 321 people answered the trivia game correctly and entered into the raffle. The program achieved a total of 528 elderly people.

Workshop *Aprendamos a Ahorrar*

Banco Patagonia promoted the financial education of 2155 high-school and university students in Buenos Aires, Chaco, Chubut, Córdoba, Jujuy, La Pampa, La Rioja, Mendoza, Neuquén, Río Negro, Salta, San Juan, Santa Cruz, Santa Fe and City of Buenos Aires. The employees of different sectors and branches go to the classrooms to give 58 face-to-face workshops in different educational institutions of the country, where they could share their knowledge about the financial system and promote savings among the youngest.

14.4. Support to entrepreneurship

Banco Patagonia commits to the development of social impact projects to empower communities and promote their sustainable economic growth. Based on the multi-sectors alliances, during 2019, the Bank push the following initiatives:

Entrepreneur Program of Río Negro

Together with Fundación Nobleza Obliga and the support of local players and the municipalities of the province of Río Negro, the Bank developed the fourth edition of the Entrepreneur Program of Río Negro. By means of this program, the Bank aids, trains, finance and draws attention to entrepreneurs in this province while fostering the economic and social development of the region.

The training session offered was free of charge and face to face provided by local partners and tailored to the features of each city. Then, it is continued with a virtual session with tools and knowledge to improve the development of the different business plans. The participants had access to the website www.buenaseconomias.org, whereby they could access to training modules about strategic planning, communication, sustainability, monitoring and finance.

Year after year, the Program grows in number of participants and local partners that endorse the proposal, which helps offer better training sessions and facilitates the participation of more

entrepreneurs. In 2019, the Program was supported by the Ministry of Tourism of the province of Río Negro, Universidad de Río Negro, Universidad Nacional del Comahue, Municipality of Cipolletti, CREAR Cipolletti, UFLO Cipolletti, Fundación INVAP, Asociación Norte Sur, Fundesur, Fundación Emprender Patagonia, Municipality of Bariloche, CREAR Bariloche, Punto Pyme, CREAR Valle Medio, Chamber of Commerce of Valle Medio, Municipality of Viedma, CREAR Viedma, Chamber of Commerce of Viedma, CREAR San Antonio Oeste, Chamber of Commerce of Villa Regina, CREAR Villa Regina, Municipality of Allen, CREAR Allen, CAIC General Roca and the Chamber of Commerce of General Roca.

Out of the 455 entrepreneurs, the best 60 were promoted to the face-to-face business accelerator stage in the regional nodes. Among them, the best three of each region were selected. They travelled to the final stage to compete for the seed money that would help drive their business. The ending event took place in the city of Cipolletti and was attended by the municipal and provincial authorities.

The three winning projects were:

- **“Masas Arcoiris” of Paola Villanueva (Cipolletti):** an entrepreneurship that manufactures and sells modelling compounds for children to play. It is manufactured with non-toxic, edible and biodegradable raw materials.
- **“Mutech Microsystem” of Lucas Neñer and Martín Sirena (San Carlos de Bariloche):** an entrepreneurship engaged in the sale and development of projects, systems and equipment for the promotion of science, technology and education in areas of microfabrication and nanotechnology.
- **“Mar Patagónico” of Gerardo Gabriel Feltaño (San Antonio Oeste):** manufacture of value-added seafood-based products. It has a sales store and distribution in fisheries and restaurants of the region.

Banco Patagonia Emprende

By means of the program, Banco Patagonia Emprende, the Bank invited students of 18 national universities, clients of the Bank, to develop projects that may contribute innovation to the financial sector. Among the projects proposed, payment platforms, mobile banking, e-wallet, e-commerce, crowdfunding, loans, marketing, bitcoin, blockchain, financial inclusion, big data, online and sales markets were included.

In this new edition, besides the virtual training, workshops were fostered in four national universities that encourage students to convert the idea into a business. More than 80 initiatives were put forward and 10 projects with the best potential were selected to provide them with a business training and acceleration plan in Buenos Aires. During three entire sessions, the young entrepreneurs selected participated in discussions, visits to companies, chats with entrepreneurs and innovation leaders and pitch workshops that helped them improve the presentation of their projects to be exposed the last day in front of a panel made up of authorities of the BCRA, Nxtp Labs and Banco Patagonia. The winners received seed money to drive their projects. They were:

- **First position: Alquilerium (Universidad Nacional del Sur):** Team members: Maximiliano Rodríguez, Juan Ignacio Martínez and Nicolás Elías. They designed a P2P platform consisting in a *marketplace* specialized in earnings from assets promoting the efficient use of resources. The project is aligned to environmental care, the new trends of consumption and business models.
- **Second position: GestorApp (Universidad Nacional de Río Negro):** The project conducted by Nahirlcare and Alfonso Ovalle is an application for mobile devices that seeks to connect independent agents with potential clients. The purpose is to facilitate the search of agents when initiating any dealings and allow the agent to provide the service without the need of searching for clients.
- **Third position: La Canazta (Universidad Nacional de Río Negro):** The team members: Daniel Lisman and Nahuel Torres Arata designed this application which seeks to connect the producer of food directly with the consumer, thus eliminating different steps in the distribution channel through the use of internet and innovative techniques, such as the use of collaborative transportation. Thus, families are provided with better prices.

14.5. Volunteering work

Through the Corporate Volunteering Program and the contribution of more than 790 employees of the whole country, the Bank provided aid to more than 12000 direct beneficiaries.

2019 highlights

Building of dwellings: together with Fundación Hábitat para la Humanidad Argentina, an organization that offers opportunities to obtain one's own home and improve people's quality of life, Patagonia volunteers helped with the building of five homes for families of the neighborhoods Los Ceibos in González Catán and Ing. White in Bahía Blanca.

Partners for a day: the Bank supported again this initiative of Fundación Junior Achievement, in each of the provinces in which it is operating. Based on the method "learn by doing", the purpose of this project is to guide last-year-high-school students by providing them with experiences that may help them develop skills and competencies to face the labor environment. During this year, Patagonia Volunteers participated in both the interviews stage and the visits to the companies' sites. In the interview stage, they had the opportunity for conducting groups dynamics and individuals interviews to guide the students in the selection of professions and universities. During the second stage, they received more than 50 students who visited the headquarters and 30 branches of Buenos Aires, Santa Fe, Salta, Mendoza and Córdoba, to share experiences and knowledge and advice for the future.

Campaign *Nochebuena para Todos* ["Christmas' Eve for everyone"] and participation in the Manufacture of Toys: this initiative of the Bank was aimed at changing the meaning of the year end celebrations. It consisted in inviting employees to team up and prepare a box of food, gifts and letters. Then, they delivered the boxes to the families or institutions the teams have previously selected. For each of the boxes prepared by the employees, the Bank donated another one to the organization *Nochebuena para Todos*. The contributions of the employees and the Bank reached more than 624 families.

The Bank also boosted the participation in the Manufacture of Toys of Fundación Sí, both at the foundation and Bank's headquarters. Patagonia Volunteers worked on the manufacture of more than 250 toys that were given to children of different community organizations of the country.

To promote the right of children to play, the Bank boosted ***Campaña Solidaria por el Día del Niño*** [Child's day campaign]. The proposal consisted in the introduction by the related teams of different institutions to give children the toys purchased by the Bank on such special occasion. In addition, the teams gathered money and added toys. At the headquarters, three days were devoted to the classification and preparation of orders to be sent to the provinces of the country. In the branches, each team conducted the classification and delivery to each of the organizations. More than 240 employees participated in this initiative, which provided 8322 toys to children of different places of the country.

On the other hand, the Bank launched the fourth edition of the contest of charitable projects 2019 *¡Con ganas de ayudar!* [Willing to help] in order to support initiatives of social organizations to which the employees may be acquainted with. Projects were proposed through an online platform, in which more than 1500 employees of the whole country cast their votes. Out of the 38 initiatives submitted, the eight most voted projects received a donation of \$ 30,000 each, to purchase equipment, make buildings improvements, employment initiative programs and awareness campaigns, among others. These donations impacted more than 1155 direct beneficiaries of Quilmes, Esteban Echeverría, Colonia El Potrero, Trevelin, San Lorenzo, Neuquén, Córdoba and City of Salta.

Purpose of the project	Organization	Location	Type of beneficiaries
Kitchen equipment for the community meal center La Canchita	Personas Voluntarias Unidas A. C.	Córdoba	60 children and teenagers attending the organization
Purchase of 50 square meters of synthetic grass and equipment for exercises similar to the work-out sites	Fundación Ainhep	Quilmes	60 children and teenagers attending the Fundación, ranging from 4 to 16 years of age.
Purchase of wood, ironwork, locks and doors for the manufacture of furniture and storing rooms.	Sonrisas para los Chicos Asociación Civil	Esteban Echeverría	780 children and 80 adults who participated on a weekly basis in different activities proposed by the Social center.
Refurbishment of the building to build a spare room and bathroom for the girls.	La Casita de Belén, home for children	Salta	45 children
Improvement to the quality of life of disabled people	Fundación Educación Universal Patagonia Argentina	Trevelin	60 children, families and elderly people with disabilities in Trevelin and the near places (Aldea Escolar, Lago Rosario, Los Cipreses, Corcovado)
Provision of emergency medicinal oxygen tank with flushometer valve and special mask with oxygen reservoir for epileptic seizures.	Asociación de Padres de Parálíticos Cerebrales Antú Dañé	Neuquén	30 beneficiaries, from 2 to 40 years of age
Painting and renewal of the electricity circuit of the building of a rural school No. 107 in the province of Entre Ríos.	Escuela Rural 107 de Gualeguaychú	Colonia El Potrero	20 children from kindergarten to seventh level of the primary school.
Purchase of crockery, tablecloth and kitchen cutlery for the workshops on pastry, bread and catering service	#INCLÚYETE!	San Lorenzo	20 intellectually disabled persons over 18 years of age

Summary of the actions of Patagonia Volunteers 2019

Allied organization	Initiative	Quantity of beneficiaries	Direct beneficiary	Location and province
Fundación Nobleza Obliga	Employees are invited to propose projects to win an amount of money to carry them out. The eight most voted projects of the contest "Con Ganas de Ayudar" received a donation of \$ 30,000 each	1155	Children, teenager, elderly people and shelter animals	Córdoba, Salta, Trevelin (Chubut), Neuquén, Colonia del Potrero (Entre Ríos), San Lorenzo (Santa Fe), Quilmes y Esteban Echeverría (Buenos Aires), cities of Córdoba, Salta and Neuquén.
Banco de Alimentos Tandil	Recovery of food suitable for consumption that is then distributed to local social organizations	18	Citizens of Tandil	Tandil (Buenos Aires)
Fundación Huerta Niño	Building and preparation of seven new spaces for planting in rural schools	603	Young students of rural primary schools	El Frutillar (Bariloche), Puerto González (Corrientes), la ciudad de Neuquén, Cobos (Salta), Paraje Monte Bagual (Viedma), Paraje El Fortín (Villa Mercedes) and Gran Buenos Aires.
Hábitat para la Humanidad Argentina	Building and repair of five definitive dwellings for families	15	The members of five families	González Catán and Ing. White (Buenos Aires)
Several organizations	Campaign whereby the employees propose institutions to donate toys on Children's day. The Bank purchased toys to contribute to those gathered by the employees, which were delivered to 81 charitable institutions. Additionally, toys were classified and prepared at headquarters and in the Customer Contact Center.	8322	Children at social organizations of different places of the country	National scope
Fundación Junior Achievement	Visit to the branches of the Bank from the students of the program <i>Partners for a day</i> , where they spent a financial industry typical day.	239	Last-year-high- school students	City of Buenos Aires, Mendoza, Salta, Córdoba and Santa Fe
Un Árbol para mi Vereda	Planting of 60 native trees species in Reserva Urbana Costanera Sur	Action with a positive environmental impact	Community in general	City of Buenos Aires
Several organizations	Story-telling and activities for children in order to promote new readers.	808	Children and teenagers of shelters, community meal centers, kindergartens and primary schools	Catriel, Viedma, Los Menucos, Cipolletti (Río Negro), Gral. Pico (La Pampa), Mar del Plata, Luján (Buenos Aires), Caleta Olivia (Santa Cruz), Ciudad de Ushuaia, Tucumán and Catamarca.
Fundación Sí	Participation in the manufacture of toys by building games and toys for Christmas	180	children	City of Buenos Aires

Nochebuena para Todos	Campaign whereby all employees were invited to donate a box with unperishable food and gifts for institutions and families defined by the team. The Bank equaled the 312 donations of the employees by delivering 624 boxes to the organization <i>Nochebuena para Todos</i> .	624	Families	National scope
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New systematization of the volunteering activities

During 2019, the Bank developed a new procedure for the measurement of actions to report not only the quantity of volunteers who participated over the year in the different activities but also the quantity of single volunteers. By means of this new methodology of recording, it was evidenced that 17% of total employees participated in, at least, one of the 41 activities performed during the year. It was also possible to identify who are the most willing to participate in the Patagonia Volunteering Program and recognize their sustained charitable commitment.

Volunteering activities in numbers	2019	2018
Number of volunteers	795	685
Hours involved in volunteering activities	330	365

14.6. Culture

Within the Regime for the Cultural Promotion of the City of Buenos Aires and based on the Patronage Law, during 2019, Banco Patagonia supported seven projects aimed at refurbishing cultural buildings, equipment for cultural promotion, access to artistic events and inclusion projects through art.

Upon the World Art Day, the Bank carried out different activities, including, guide tours to Teatro San Martín and the Costume Center of Complejo Teatral de Buenos Aires, as well as raffles of tickets for several theater shows. In addition, it organized the contest “Mostrá tu Arte”, whereby it invited all employees of the Bank of the whole country to exhibit their paintings, audiovisual art or literary works through the internal social media, Yammer, by posting an image, video or text file. A total of 54 employees were part of this initiative and a panel of experts, including directors of well-known art organizations, selected the three best works considering originality, techniques and performance.

15.SUPPLIERS

Banco Patagonia selects its suppliers with responsibility and transparency and understands that a service of excellence depends also of its purchases and contracts with third parties. To that end, it sets up standardized hiring tools and adopts measures that warrant quality and sustainable practices over the supply chain.

2019 HIGHLIGHTS

98% of local supplier
 \$ 6,074,625,916 paid to suppliers

15.1. Profile of Banco Patagonia suppliers

Most of the suppliers of Banco Patagonia are local SMEs. The main areas are:

- a) Building companies
- b) *Marketing y merchandising*
- c) Graphic designers
- d) Consultants
- e) Technology
- f) Cleaning
- g) Surveillance

During year 2019, the Bank maximized compliance with the internal regulations of the procurement sector and its amendments involving suppliers, such as:

- It is mandatory that the supplier be a client of the Bank by opening a free-of-charge account of suppliers.
- It is mandatory to use the RFI form (request of first-time information) for the analysis and evaluation of suppliers before conducting any type of transactions. The company Fidelitas (specialized in the analysis and evaluation of suppliers) conducts a detailed analysis of a sample of 100 suppliers defined as critical.
- Upon initiating the relationship with the supplier, it is considered whether such supplier provides also goods or services to Governmental entities or whether any of its shareholders, owners or the president thereof hold any public office. The code of Ethics for suppliers, to be implemented, is also considered.
- The amendment to the sample contracts to be used in different transactions involving the purchase of goods and services, which included the Integrity clause.
- Amendments applicable to suppliers related to the Management of Architecture and Maintenance mainly engaged in the management, dealing and approval of the operating urgencies.

In 2019, the Bank made progress with the development of the Code of Ethics for suppliers that should be signed and accepted by them.

During 2019, the Bank made progress with the development of the Code of Ethics for suppliers.

Profile of suppliers	2019	2018
Current suppliers	1,958	2,061
% of local suppliers	98 %	99 %
Payment to suppliers	\$ 6,074,625,916	\$ 3,772,393,662
Percentage of payments made abroad	2 %	3 %

15.2. Process for the selection and hiring of suppliers

To secure transparency and in order to hire the services of organizations that meet its standards and values, Banco Patagonia has a standardized selection process. It starts with a technical proposal that is assessed, approved, implemented and subsequently subject to a control of the quality of service.

In 2019, the Bank continued implementing the request of first-time information form for the analysis and assessment of suppliers before starting any sort of transaction. The information requested includes data about the accounting, financial, legal and tax position of the supplier; its skills; its main five clients; labor related aspects; quality certifications; actions against money laundering, its social responsibility programs and environmental aspects related to waste management and sustainability.

The Bank continued including an environmental responsibility clause in the contracts with suppliers, relating to management, transfer, collection, use or disposal of hazardous materials or waste.

It also included request of information about the Code of Ethics and aspects related to public offices to be considered when assessing the supplier. In addition, it included amendments applicable to suppliers related to the Management of Architecture and Maintenance mainly engaged in the management and dealing with operating urgencies. Finally, in order to counteract any corruption event, the Bank adds to the sample contracts a termination clause that provides for immediate termination of the relationship with suppliers that may breach any of the provisions of Law 27401 and supplementary rules and amendments.

15.3. Evaluation process

Banco Patagonia includes issues related to sustainability and social responsibility in the requests of first-time information to assess suppliers.

The evaluation of suppliers is guided by the Manual of Purchases and Contracts that describes the evaluation process in accordance with the Quality Management System of the Bank and ISO 9001.

During the process, the accounting, financial, legal and tax position of the supplier is examined. There is also a control of the labor related documentation under section 30 of the Labor Law and the aspects related to sustainability criteria are as well assessed.

The services hired from an external company for the evaluation of suppliers during 2018 was a success. Thus, in 2020, the Bank is considering to broaden the scope—currently, 200 key suppliers—to increase the number.

15.4. Responsible attitude towards the value chain

The companies that provide the surveillance services are one of the key suppliers of the Bank. They have to meet all requirements listed in Decree 1002/99, such as, the obligation of surveillance personnel to complete a training course in which they are instructed about security and surveillance, legal aspects, human rights and first aids.

The Bank also requires surveillance staff to comply with their related operating and mandatory rules. The purpose of this is to establish and segregate duties, responsibilities and prohibitions of surveillance personnel at branches. The instructions include general rules, the procedures for ATMs replenishment and balancing, the procedure for accessing the branches, opening hours and the communication channels they are required to be aware of.

As a trustee, the Bank continued supporting SMEs by providing them with financing facilities. It has also actively participated in the Fideicomiso Plan Castello with the province of Río Negro in the initial amount of USD 580,000,000, as an alliance with the province and to support the infrastructure of the country.

Responsible consumption

In the pursuit of hiring sustainable suppliers, during 2019, Banco Patagonia included new suppliers such as Los Perejiles Eventos, an enterprise in the meal business undertaken by young people with Down syndrome. It also continued working with Movimiento Darte, a social entrepreneurship related to education. Its proposal is to provide more vulnerable children with personalized paper notebooks so that they can learn, write, draw and paint. Each paper notebook purchased is equaled to another donation to any needy child.

15.5. Means of communication

The Bank ensures that all suppliers have a frequent contact with the Administrative and General Service Manager, the Head of Procurement and the team. The Procurement sector has been appointed an individual responsible for type of purchase so that the communications with the supplier is better organized.

To foster a fluent communication, Banco Patagonia contacts the suppliers periodically on the phone, by e-mail or personally. It also continues with the Ethics line for suppliers implemented some years ago with the Superintendence of internal controls and risk management. No reports have been received by means of this channel since it became operative.

15.6. Benefits

The Bank offers the following benefits to its suppliers:

- Opening of free-of-charge accounts and bundles of products of the Bank.
- Reference to other financial institutions to broaden the sale of its services or products.
- Advice as to the preparation of proposal for services or contracts to operate with the Bank.
- Review of prices and rates periodically, specifically, in inflationary contexts.

16. ENVIRONMENT

Aware of the fact that its operation has both a direct and indirect environmental impact, Banco Patagonia works specially to achieve a responsible management of resources and waste. Additionally, as a financial institution, by means of its policies, credit analysis, training and multisector alliances, it seeks to add clients and other stakeholders to this environmental care commitment.

2019 HIGHLIGHTS

2600 credit proposals classified according to environmental and social terms, out of which 100% met the requirements.

6.3 % decrease in the consumption of annual energy, in excess of the goal set.

16.1. Commitment to the environment

Through its **Triple E program (Efficiency, Effectivity and Effectiveness)**, Banco Patagonia is committed to the conscious and efficient use of resources and responsible waste management. This is carried out by following three lines of action: administrative, operative and technical. In 2019, 25 initiatives were launched aimed at efficiency and profitability by obtaining approximately a saving of \$205,489,787.

In 2019, Banco Patagonia was part of the Committee of Sustainable Finance of the Argentine Banks' Association (ABA), set up during the year, and signed the Sustainable Finance Protocol promoted by the InterAmerican Development Bank and Fundación Vida Silvestre Argentina.

Banco Patagonia adhered to the Sustainable Finance Protocol promoted by the InterAmerican Development Bank and Fundación Vida Silvestre Argentina in order to work on four strategic lines of action: develop internal policies to implement sustainability strategies; create products and financial services to support the financing of projects with a positive environmental and social impact, optimize the current systems for risk analysis environmentally and socially focused, and promote a sustainability culture. Additionally, the Entity also participated in the open seminar of Sustainable Finances offered by ALIDE.

16.2. Management of indirect impacts

In line with its commitment to the relation between environmental care and value chain and in order to minimize the indirect environmental impact, Banco Patagonia includes the risk analysis and assessment of clients' activities. This analysis is conducted based on its Social and Environmental Management System, included in the Credit Analysis Policy applicable to clients with credit lines of multilateral organizations committed to the environment and society, and large projects of over 10 million dollar investments in companies, whose financing enables the extension of plants or technology improvement for production or distribution processes.

The system allows the identification, assessment and management of environmental risk and impacts of the investment projects it finances, and it controls whether the client has the agreed mitigation, management and supervision measures in place to eliminate, compensate or decrease the adverse effects to an acceptable level. Thus, this tool analyzes the risks according to the type and extent of the activity in line with the ISIC Code (International Standard Industrial Classification) of the United Nations, pursuant to the following categories:

<p>Category A: it includes activities that pose different adverse, irreversible or unparalleled risks or impacts.</p>	<p>Category B: it includes activities that pose adverse risks or impacts but in minimum cases. They are usually located in specific sites, and they are mostly reversible and easily addressable by implementing mitigation measures.</p>	<p>Category C: it includes activities that pose minimal or small environmental and social risks or impacts.</p>
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In line with the recommendation of the InterAmerican Development Bank (IADB Invest), the Bank received external advice about social and environmental impact. The consultant reviewed the System of Environmental and social risks analysis (SARAS) and issued a report of recommendations for functional improvement. When the task was completed, it provided training to our employees about detection, analysis and estimate of the social and environmental responsibility impact on different activities. Such training was attended by the members of different areas.

2600 credit proposals classified in 2019 according to the guidelines of the International Standard Industrial Classification Code (ISIC) provided by the United Nations about environmental and social aspects.

100% of the proposals met the requirements.

Credit lines with value for the environment

The development banks and the multilateral entities increased, year on year, their environmental requirements. Therefore, environmental and social risk management is important from both sides, credit supply and demand. The inappropriate management of these risks by the companies has a potential effect on energy costs resulting in more expensive raw materials and may imply reputational issues, litigation from social impact and discontinuance of the value chain, among other issues that may directly affect the activity of the clients or eventually the banks operating with them.

Consequently, it is noted that the monitoring and requirements upon requesting financing facilities to these entities have increased, while there is a greater focus by the multilateral and development banks on financing renewable energy projects. In this context, Banco Patagonia has credit lines for these purposes that include clauses, compliance requirements and internal and external practices environmentally responsible.

During 2019, the Bank had access to a credit line granted by Banco de Inversión y Comercio Exterior (BICE) and the World Bank, jointly.

By 2020, it estimates to obtain funding from the IADB or from Proparco (French Development Bank), according to the existing demand.

16.3. Management of direct impacts

To decrease its negative direct environmental impact, Banco Patagonia implements best practices of reasonable use of resources at its offices and branches.

Customer desks at biodiversity value areas

The Bank assists clients at places near biodiversity value areas. The buildings and signs of these sites have been designed to respect as much as possible the environment. The criterion of applying an architectural style in line with the region and landscape is also followed in case of refurbishment or extensions. The customer desks located in these areas are:

- Chilecito, La Rioja (Branch)
- Calafate, Santa Cruz (Branch)
- Ushuaia, Tierra del Fuego (Branch)
- San Martín de los Andes, Neuquén (Branch)
- Villa La Angostura, Neuquén (Branch)
- El Bolsón, Rio Negro (Branch)
- Ingeniero Jacobacci, Rio Negro (Branch)
- Beltrán, Rio Negro (Branch)
- Campo Grande, Rio Negro (Branch)
- Los Menucos, Rio Negro (Branch)
- Fernández Oro, Rio Negro (Branch)
- Enrique Godoy, Rio Negro (Branch)
- Dina Huapi, Rio Negro (Customer desk)
- Playas Doradas, Rio Negro (ATM)
- Las Grutas, Rio Negro (Customer desk)
- Municipalidad de Norquincó, Rio Negro (ATM)

Management of consumption of paper

In 2019, Banco Patagonia continued progressing with the responsible consumption of paper. This was carried out by the implementation of the following projects:

Consumption of paper (in tons)	2019	2018
Ream of letter size paper	128	119
Ream of A4 size paper	3.1	3.5
Ream of legal size paper	0.75	1.1
Total	131.85	123.6

Digital options to minimize the impact

In the search for continuous improvement of processes, the Bank introduced improvements in the digitalization of Legal entities' files.

Banco Patagonia continued implementing the graphometric signature technology and personal identification system, which help reduce the use of paper, logistics, room and time and improves the customer experience when acquiring a product. Thus, it is possible to conduct the process of adding consumer portfolio products entirely on a digital basis while eliminating the use of paper in the preparation of the client's file. This process allows an annual saving of more than 8 million sheets.

In addition, in 2019, the Bank developed the digital file of legal entities. This process implied the uploading of digital financial statements, including the terms and conditions of the products for SMEs, Entities and Corporate in the website as well as the digitalization and improvement of the endorsement of merchants and the inclusion of commercial cards.

1,419,099 digitalized clients
1,305,362 digitalized people
13,770,762 digitalized documents

While in 2018, 43% transactions related to bundles of products were processed by means of the digital file, in 2019, this process accounted for 55% of transactions.

Quantity of transactions performed during 2019	
Processing	Quantity
With printed forms	121,881
Digital file-digital signature	106,020
Digital file-handwritten signature	40,253
Total	268,154

Highlight process digitalization projects of the Bank that decrease the use of paper

- **Implementation of the product ECHEQ** to issue a check through electronic media.
- **Implementation of Web time deposit:** to set up time deposits at any bank with funds from the accounts located at an entity other than that issuing the time deposit certificate.
- **Improvement to the verification process⁵ based on digitalized legal documentation:** it implies improvements to the process, transportation costs savings and decrease in processing timing and operational/reputational risk upon the loss of documentation.
- **Digital adherence and modification of the service Patagonia e-bank Empresas:** through the Sharepoint, the new process for delivering forms of the Branch to Web Support is published and implemented.
- **Implementation of a remote process for opening mutual fund client's account and mutual fund transactions:** it allows the opening of mutual fund client's accounts to operate with securities and shares on the phone without the need for appearing personally at the Branch. The telephone and e-mail are added for the subscription and redemption of mutual funds
- **Improved commercial card forms:** new versions that help save printing, since, up to three types of commercial cards with three holders each could be requested in only one form, while formerly, the execution of two or more copies was required.
- **Uploading of Global Custody instructions and Reporting from Patagonia e-bank Empresas:** functionality for the client to initiate transactions involving Global Custody of securities from this channel, to be subsequently uploaded and settled by the Bank. It also adds all the transactions reporting currently requested to the Bank. This helps reduce the operating workload and improve the customer experience.

DIGITAL ACCOUNT STATEMENT	2019
Savings accounts- monthly	402,783
Savings account – four-month period	656,263

Energy consumption

Banco Patagonia made great progress with the initiatives on efficiency in the consumption of energy for all its operations. In 2019, the Entity continued using air conditioning equipment at 24° C, the installation of air conditioning by sectors (VRF), the rational use of electricity in light signposts and branches –by controlling that they were switched off when not necessary–, and the control over the use of armor vehicles to streamline processes and reduce the journey.

⁵ Process that implies the verification by the bank of compliance with a number of requirements necessary to operate at such entity.

Additionally, this year, the Bank continued with the process for changing to led lightening in two headquarters, seven branches and 30 window shades, and replaced all the central air conditioning systems by more efficient equipment in six branches.

On the other hand, Banco Patagonia purchases, on a monthly basis, 20% of electricity for the building of Av. de Mayo 701 from the sustainable energy company La Genoveva that obtains energy from a wind farm located in Viedma.

As a direct result of the initiatives involving conservation and efficiency, in 2019, the Bank obtained an energy saving of 7.7 % in 164 branches and 3.5 % in three headquarters sites.

Internal energy consumption	2019	2018
Electricity (i)	19,638 MWh	20,966 MWh

(i) Total annual 2019 consumption for headquarters and branches

Power in KWh/m2	2019	2018
Branches (i)	15.91	16.91
Headquarters (i)	18.97	19.49

(i) The consumption calculation is for the whole year.

As an energy goal for 2020, the Bank proposed a decrease in the level of consumption by 0.5 Kw/m2 per year.

16.4. Waste management

The responsible management of waste, such as paper, cardboard and plastic is a key aspect of the commitment of Banco Patagonia to the environment. Therefore, the separation of waste generated by the headquarters and branches is carried out in line with the procedures and requirements of the related municipalities. In 2019, the Bank hired the services of an integral waste treatment company for the removal of wet and recyclable waste from the headquarters and the branches of the financial district area of the City of Buenos Aires.

The Bank has also made a great progress during the year with reutilization. Thus, 60 workstations were manufactured with hardboard, which were transformed into desks and dividers for the project of temporary relocation of the customer service center of the building located at Perón 500, which will be later used as contingency workstations. Metallic modules were likewise used for the opening of the Service Center Universidad de La Rioja, to be able to relocate them, if necessary.

Furthermore, Banco Patagonia continued supporting Fundación del Hospital Garrahan. In order to contribute to such project and generate value from the waste generated, the Bank continued gathering and donating plastic caps. It also continues with the program for the donation of technological equipment no longer used to Asociación Civil Basura Cero, an entity engaged in recycling and reusing such waste for social and environmental purposes.

16.5. Awareness and training

Taking as a reference key dates associated with the environmental care, the Bank conducted a campaign of internal communication in order to raise awareness about the importance of separating waste correctly at work sites and promote the responsible use of resources. It consisted in inviting employees of all the country to answer a trivia game with questions about environmental issues. Raffles were made among those providing the correct answers. The proposal was to transfer knowledge through a game that may facilitate some learning.

Moreover, on the World Environment Day, plants were distributed to the teams of the headquarters, together with a message that prompts environmental care. Finally, a sustainable after-office event was held for all employees of headquarters and branches of the City of Buenos Aires and the District area of Greater Buenos Aires. At such meeting, the attendees were able to learn from practical experience

and gauge the importance of reducing the use of plastics, recycling and becoming aware of better consumption practices.

17. Conclusion

The Board of Directors wishes to express its gratitude to clients, suppliers, financial institutions and particularly the personnel of the Bank for the support and effective cooperation provided during the year.

February 19, 2020.

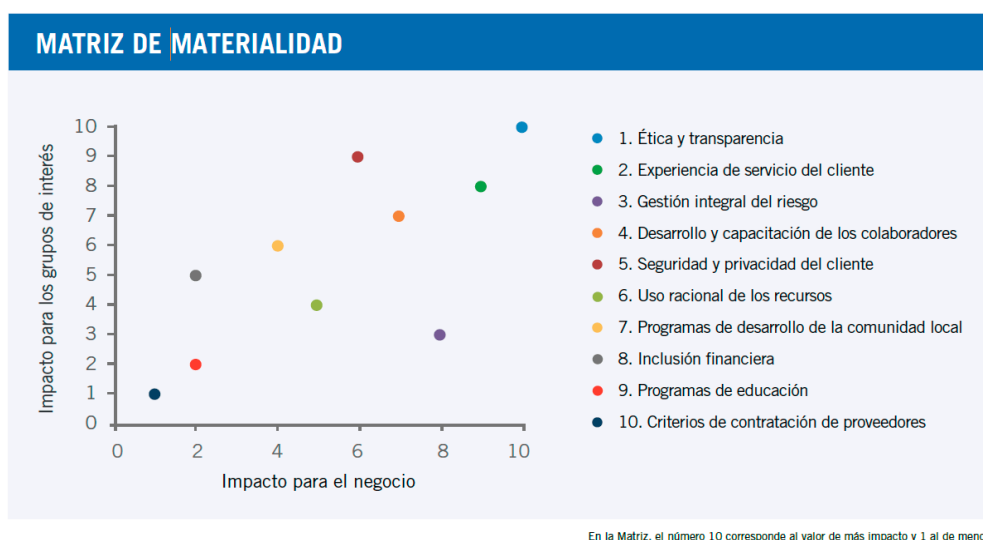
The Board of Directors

EXHIBIT I Materiality Analysis and GRI Content Index

Materiality Analysis

The Materiality Analysis allows Banco Patagonia to identify the most relevant sustainability issues that have a significant impact on stakeholders. Based on such analysis, the Bank identified 10 material topics to be managed, which serve as a guide for its programs and initiatives to generate economic, social and environmental value.

The issues identified are monitored by Banco Patagonia annually, based on specific actions taken with stakeholders. During 2019, an in-depth analysis continued to be performed based on the International Integrated Reporting Framework, issued by the International Integrated Reporting Council (IIRC), and the principles established in "GRI 101: Foundation 2016": materiality, stakeholders inclusiveness, sustainability context and completeness.



Material issues	Banco Patagonia's actions	Related GRI standards	Stakeholders involved
Ethics and transparency			
Code of Ethics and reporting mechanisms upon the occurrence of ethical issues or conflicts of interest.	Internal rules, policies and codes the provide guidance. Design of the Code of Ethics for suppliers (Section 10.5).	Anti-corruption	Shareholders Clients Employees Society Suppliers
Training in the prevention of money laundering and terrorist financing.	In-house and external courses for employees on the prevention of money laundering, fraud, International Financial Reporting Standards (IFRS), Business Continuity Plan (BCP), among others. (Section 10.6)		
Comprehensive risk management			
financial, credit, operational and non-financial risks management.	Comprehensive risk management process in accordance with the guidelines established by BCRA and pursuant to the best practices recommended by the Basel Committee. (Sections 10.1 to 10.4)	Anti-corruption Topic: Assessment of the implementation of environmental and social policies and product risk	Shareholders Clients Employees Society Suppliers
Management of social and environmental risks involved in the granting of loans.	Credit Policy and Social and Environmental Risk Analysis System for the analysis of credit transactions. (Section 16.2)		

Control mechanisms to fight corruption and prevent financial crimes.	Products and transactions subject to the Anti-Money Laundering and Terrorist Financing Parameterization. (Section 10.6)	assessment procedures.	
Management control and audits.	The Audit Committee becomes aware of the Internal Audit activities. (Sections 10.1 to 10.4)		
Customer service experience			
Customer satisfaction measurement	Customer satisfaction measurement in each of the service channels, NPS (Net Promoted Score) system, satisfaction measurement by telephone, research by type of business and internal customer surveys. (Section 12.7)	Marketing and labeling. Topic: Customer service experience.	Clients Employees
Benefits to customers.	Offer of differentiated services: Commercial actions on special dates, business alliances with strategic partners, "Club Patagonia", customer loyalty, relationship and attraction events. (Section 12.6)		
Development of digital customer service and communication channels.	Patagonia e-bank, Patagonia Móvil, "No paper" Sales Program, File Digitization Project. (Sections 11.2, 12.1.2 and 16.3)		
Customer security and privacy			
Customer personal security	Branches Remote Monitoring Center Security policies, manuals and practices; internal controls and external audits of branches. (Section 12.10)	Customer health and security Customer privacy	Clients Shareholders Employees
Secure management of data and data privacy	Development of evaluations associated with cybersecurity, certification of the Information Security Management System (SGSI) in line with ISO 27001. (Sections 10.1, 12.7 and 12.11)	Security practices Training and education	
Training in information and personal security for employees, as appropriate.	Training and Awareness Plan including courses for new employees, digital awareness, and information security e-learning. (Section 12.11)		
Financial inclusion			
Accessibility to branches.	ATMs adapted with a special application to make them accessible to blind people, and branches that have ramps and elevators for people with mobility problems. (Section 12.9)	Local communities. Topic: Financial inclusion.	Society - Customers
Products and services for people from vulnerable groups, people not holding a bank account and/or people with restricted access.	Products, services and benefits for the "university students" segment, and agreements to provide finance to the agribusiness sector. (Sections 12.2, 12.3.12.4 and 14.4)		
Financial training.	Inclusion and financial education workshops for children, youth and the elderly, together with civil society organizations. (Section 14.3)		
Development and training with employees			
Career development.	Launching of the Country Talent Program and hosting of Selection Workshops by Skills for Managers and Middle Management positions. Implementation of the Virtual Assistant EMI for recruitment processes, thus improving the experience of candidates. Publication of internal job opportunities, Talent Management Model. (Sections 13.2 and 13.3)	Employment. Training and education	Employees
Evaluation of employees	Performance management procedure to support the development of work teams, and workshops for evaluators. (Section 13.4)		
Working environment management	Visits to Branches and Knowing the Network programs. Organization of Banco Patagonia Games and Banco Patagonia Cup, including sport and recreational activities; Employee Assistance Program to provide support to employees and direct family members who face difficulties; "A Different Day" event, including activities and surprises, and Managers Meeting. (Section 13.5)		
Rational use of resources			
Responsible use of energy and water.	Trade lines and financial lines with multilateral and development banks, with the aim of improving energy efficiency. Definition of annual energy goals and energy efficiency projects in central buildings and branches. Building design and signage that respect, as much as possible, the environment, in branches located in areas of biodiversity value. (Sections 16.2 and 16.3)	Materials. Energy	Company

Sustainable paper management	Development of digital options to minimize the impact of paper consumption; digitization of processes. No printing of brochures. (Section 16.3)		
Waste sorting.	Waste sorting program in central buildings and branches, including paper, cardboard and plastic, and furniture reuse and donation. Alliance with the Garrahan Hospital Foundation and "Basura Cero" civil society organization. (Section 16.4)		
Programs for the development of the local community			
Culture programs.	Support to organizations in the development of projects aimed at promoting culture. (Section 14.6)	Economic performance.	Company
Volunteering work.	Corporate volunteering program "Voluntarios Patagonia", which is intended to support the spirit of solidarity of employees, raise community awareness and promote the sense of belonging. (Section 14.5)	Local communities. Topic: Financial inclusion.	
Entrepreneurship.	"Banco Patagonia Empeñe" and "Fortalecimiento de Emprendedores" programs of the province of Río Negro (Section 14.4)		
Education programs			
Support to formal education.	Banco Patagonia challenge "Strengthening Reading and Writing in Schools" program, together with Fundación Ruta 40 and sponsorship of projects linking technical education to employment and technological development. (Section 14.3)	Local communities. Topic: Financial training.	Company
Financial training.	Personal finance program, together with Junior Achievement Foundation and the Ministry of Education of the province of Río Negro, "Un click de Confianza" program for the elderly, "Aprendamos a Ahorrar" program for high school and university students. (Section 14.3)		
Strategic alliances with organizations and institutions.	Creation of strategic alliances with the aim of generating social impact initiatives with the cooperation of those working in the field and experts in the different issues involved in the Bank's investment targets. (Sections 14.1 to 14.3)		
Criteria for hiring suppliers			
Selection and assessment process.	Procurement process described in the Manual of Purchases and Contracts. Inclusion of sustainability criteria in the requests of first time information to assess suppliers (RFI) (Sections 15.2 and 15.3)	Procurement practices Supplier social assessment. Supplier environmental assessment	Suppliers

GRI Content Index

This shareholders' letter has been prepared in line with GRI Standards (core option). In this section, the GRI content index is included with the pages and notes related to the material topics defined in the materiality analysis described in this document.

GRI Content Index			
GRI Standard	Table of contents	Section	Omission
GRI 101: Foundation 2016			
General contents			
GRI 102: General Disclosures 2016	102-1 Name of the organization	2	
	102-2 Activities, brands, products and services	4.1, 12.1, 12.1.1, 12.2-12.4	
	102-3 Location of headquarters	Buenos Aires, Argentina	
	102-4 Location of operations	Argentina	
	102-5 Ownership and legal form	2	
	102-6 Markets served	4.1, 12.1, 12.1.1, 12.2-12.4	
	102-7 Scale of the organization	4.2, 4.4, 6, 13.1	
	102-8 Information on employees and other workers	13.1	
	102-9 Supply chain	15.1	
	102-10 Significant changes to the organization and its supply chain	12.1 - 1	
	102-11 Precautionary principle or approach	8, 10.1, 16.1	
	102-12 External initiatives	2, 14.3, 14.6, 16.1	
	102-13 Membership of associations	4.6	
	102-14 Statement from senior decision-maker	1	
	102-15 Key impacts, risks, and opportunities	1, 10.1, 10.5, 11.2, 12.5	
	102-16 Values, principles, standards, and norms of behavior	4.5, 10.5	
	102-17 Mechanisms for advice and concerns about ethics	10.5	
	102-18 Governance structure	9.2, 9.5	
	102-19 Delegating authority	9.2	
	102-20 Executive-level responsibility for economic, environmental and social topics	Banco Patagonia has a Corporate Social Responsibility area that reports to the Organizational Climate Management, which in turn reports to the Human Development and Corporate Climate Executive Management, which coordinates social investment programs and sustainability management activities performed in cooperation with other areas of the Bank.	
	102-21 Consulting stakeholders on economic, environmental and social topics	9.2 Stakeholders are represented by the Superintendence and Executive Management members, who directly report to the Board of Directors, responding to its expectations and needs.	
	102-22 Composition of the highest governance body and its committees	No regular Director has an executive role in the Bank. The Directors' seniority, age, and curriculum including a detail of their skills related to economic environmental and social issues, are published in the Bank's website www.bancopatagonia.com/institucional/organizacion/autoridades.php	
	102-23 Chair of the highest governance body	Banco Patagonia's chairman does not occupy an executive position.	

102-24 Nominating and selecting the highest governance body	9.3	
102-25 Conflicts of interest	9.3	
102-26 Role of highest governance body in setting purpose, values and strategy	9.3	
102-27 Collective knowledge of highest governance body	9.3	
102-28 Evaluating the highest governance body's performance	9.3	
102-29 Identifying and managing economic, environmental and social impacts	9.5, 10.1, 10.2, 10.3	
102-30 Effectiveness of risk management processes	10.4, 10.5	
102-31 Review of economic, environmental and social topics	9.5, 10.1, 10.2, 10.3 The frequency of economic, social and environmental risks analyses and studies varies depending on the tool used. Evaluations are performed annually and regularly within the framework of the Board of Directors' and Superintendents' Meetings.	
102-32 Highest governance body's role in sustainability reporting	The Bank's Board of Directors reviews and approves the Integrated Annual Shareholders' Letter	
102-33 Communicating critical concerns	Exhibit I: The Board of Directors knows the significant opinions and expectations of stakeholders by means of market researches, satisfaction surveys, labor climate analysis, assessment of social programs, among others. Critical concerns refer to those mentioned in Strategic Plan 2018-2020 and the topics identified in the Materiality Analysis.	
102-34 Nature and total number of critical concerns	Exhibit I:	
102-35 Remuneration policies	Exhibit III	
102-36 Process for determining remuneration	Exhibit III	
102-37 Stakeholders' involvement in remuneration	Exhibit III	
102-38 Annual total compensation ratio	This information is not disclosed, since it is considered confidential due to the context of our country in order to preserve the security of our employees and executives of the Bank.	
102-39 Percentage increase in annual total compensation ratio	This information is not disclosed, since it is considered confidential due to the context of our country in order to preserve the security of our employees and executives of the Bank.	
102-40 List of stakeholder groups	8.1	
102-41 Collective bargaining agreements	13.1	
102-42 Identifying and selecting stakeholders	8.1	
102.43 Approach to stakeholder engagement	8.1, 9.3, 12.1.2, 12.7, 13.2, 13.5, 13.6, 14.2, 15.5, Exhibit I	
102-44 Key topics and concerns raised	12.1.2, 12.7, Exhibit I	
102-45 Entities included in the consolidated financial statements	2	
102-46 Defining report content and topic Boundaries	Exhibit I:	
102-47 List of material topics	Exhibit I:	
102-48 Restatements of information	The information disclosed in the report does not affect the comparability with previous reports.	
102-49 Changes in reporting	There were no changes in reporting.	
102-50 Reporting period	2	
102-51 Date of most recent report	Year 2019	

	102-52 Reporting cycle	Annual	
	102-53 Contact point for questions regarding the report	General coordination Executive management of human development and corporate climate rse@bancopatagonia.com.ar 011 - 4323 - 5517 Av. de Mayo 701, City of Buenos Aires. www.bancopatagonia.com.ar	
	102-54 Claims of reporting in accordance with GRI Standards	This report has been prepared in line with GRI Standards (Core option).	
	102-55 GRI content index	Exhibit I:	
	102-56 External assurance	Exhibit II	
MATERIAL TOPICS			
Economic performance			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	Exhibit I:	
	103-2 The management approach and its components	3.1, 3.2, 4.1, 8	
	103-3 Evaluation of the management approach	9.4, 9.5, 10.1, 14.2	
GRI 201: Economic Performance 2016	201-1 Direct economic value generated and distributed	4.4, 14.1	
	201-2 Financial implications and other risks and opportunities due to climate change	16.2	
	201-3 Defined benefit plan obligations and other retirement plans	There is no independent fund other than the benefit plan established under the Labor Law for our employees.	
	201-4 Financial assistance received from government	No significant assistance has been granted by the government.	
Procurement practices			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	Exhibit I:	
	103-2 The management approach and its components	8, 15.1, 15.2	
	103-3 Evaluation of the management approach	15.1, 15.3	
GRI 204: Procurement practices 2016	204-1 Proportion of spending on local suppliers	15.1	
Anti-corruption			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	Exhibit I:	
	103-2 The management approach and its components	8, 10.1, 10.4, 10.5, 10.6	
	103-3 Evaluation of the management approach	10.4, 10.5, 10.6	
GRI 205: Anti-corruption 2016	205-1 Operations assessed for risks related to corruption	10.5	
	205-2 Communication and training about anti-corruption policies and procedures	10.5, 10.6	
	205-3 Confirmed incidents of corruption and actions taken	No incidents of corruption were recorded.	
Materials.			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	Exhibit I:	
	103-2 The management approach and its components	8, 16.1, 16.3, 16.4, 16.5	
	103-3 Evaluation of the management approach	16.3, 16.4	
GRI 301: Materials 2016	301-1 Materials used by weight or volume	16.3	
	301-2 Recycled input materials used	The Bank does not use recycled input materials to produce primary products and services. However, it uses sustainable paper produced from sugarcane fiber.	
	301-3 Reclaimed products and their packaging materials		Not applicable due to the business

			activity of Banco Patagonia.
Energy			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	Exhibit I:	
	103-2 The management approach and its components	8, 16.1, 16.3	
	103-3 Evaluation of the management approach	16.3	
GRI 302: Energy 2016	302-1 Energy consumption within the organization	16.3	
	302-3 Energy intensity	16.3	
	302-4 Reduction of energy consumption	16.3	
	302-5 Reduction in energy requirements of products and services	16.3	
Supplier environmental assessment			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	Exhibit I:	
	103-2 The management approach and its components	8, 15.2, 15.3	
	103-3 Evaluation of the management approach	15.3, 15.4	
GRI 308: Supplier environmental assessment 2016	308-1 New suppliers that were screened using environmental criteria	15.3	
	308-2 Negative environmental impacts in the supply chain and actions taken	We are not aware of the existence of any significant negative impacts in the supply chain in relation to this issue. However, controls are performed over compliance with social security obligations by certain suppliers defined as "critical" because their personnel are working at our offices.	
Employment			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	Exhibit I:	
	103-2 The management approach and its components	8.	
	103-3 Evaluation of the management approach	13.2	
GRI 401: Employment 2016	401-1 New employee hires and employee turnover	13.2	
	401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	13.7	
	401-3 Parental leave	13.7	
Training and education			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	Exhibit I:	
	103-2 The management approach and its components	13, 13.3, 13.4	
	103-3 Evaluation of the management approach	13.3, 13.4	
GRI 404: Training and education 2016	404-1 Average hours of training per year per employee	13.3	
	404-2 Programs for upgrading employee skills and transition assistance programs	13.3	
	404-3 Percentage of employees receiving regular performance and career development reviews	8.2	
Security practices			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	Exhibit I:	
	103-2 The management approach and its components	8, 12.10, 15.3, 15.4	
	103-3 Evaluation of the management approach	12.10, 15.3, 15.4	
GRI 410: Security practices 2016	410-1 Security personnel trained in human rights policies or procedures.	12.10	

Local communities			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	Exhibit I:	
	103-2 The management approach and its components	8, 14.1, 14.3, 14.4, 14.5, 14.6	
	103-3 Evaluation of the management approach	14.2	
GRI 413: Local communities 2016	413-1 Operations with local community engagement, impact assessments, and development programs	14.1, 14.3, 14.4, 14.5, 14.6	
	413-2 Operations with significant actual and potential negative impacts on local communities	No negative impacts on local communities related to the Bank's operations were recorded.	
Supplier social assessment			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	Exhibit I:	
	103-2 The management approach and its components	8, 15.2, 15.3	
	103-3 Evaluation of the management approach	15.3, 15.4	
GRI 414: Supplier social assessment 2016	414-1 New suppliers that were screened using social criteria	15.3	
	414-2 Negative social impacts in the supply chain and actions taken	No significant social impacts (human rights, labor practices, impact on the society) on the supply chain were recorded.	
Customer health and security			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	Exhibit I:	
	103-2 The management approach and its components	8, 10.5, 12, 12.7, 12.10, 12.11	
	103-3 Evaluation of the management approach	12.7, 12.10, 12.11	
GRI 416: Customer health and security 2016	416-1 Assessment of the health and safety impacts of product and service categories	12.7, 12.10, 12.11	
	416-2 Incidents of non-compliance concerning the health and safety impacts of products and services	No incidents of non-compliance with the related regulations described have been recorded.	
Marketing and labeling			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	Exhibit I:	
	103-2 The management approach and its components	8, 10.1, 10.5	
	103-3 Evaluation of the management approach	10.1, 10.5	
GRI 417: Marketing and labeling 2016	417-1 Requirements for product and service information and labeling	All the products, services and operations of Banco Patagonia S.A. are subject to the regulations of the Argentine Central Bank, the Argentine Securities Commission (CNV), the Code of Banking Practices, the Financial Information Unit and the Argentine Insurance Regulator.	
	417-2 Incidents of non-compliance concerning product and service information and labeling	26 complaints have been filed by customers at the administrative stage with the Consumer Protection Office, and one action has been filed at the judicial stage on the grounds of non-compliance concerning promotions by the Bank.	
	417-3 Incidents of non-compliance concerning marketing communications	Idem 417-2	
Customer privacy			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	Exhibit I:	
	103-2 The management approach and its components	8, 10.5, 12.11	
	103-3 Evaluation of the management approach	10.5, 12.11	
GRI 418: Customer privacy 2016	418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data	No complaints have been filed.	
Financial training			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	Exhibit I:	
	103-2 The management approach and its components	8, 14, 14.1, 14.3	

	103-3 Evaluation of the management approach	14.2	
	Financial training initiatives for stakeholders	14.3	
Financial inclusion			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	Exhibit I:	
	103-2 The management approach and its components	8, 12.9, 14, 14.1, 14.4	
	103-3 Evaluation of the management approach	12.9, 14.2	
	Initiatives to improve access to financial services by vulnerable people???	12.9, 14.4	
Customer service experience			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	Exhibit I:	
	103-2 The management approach and its components	8, 12.1.2, 12.7	
	103-3 Evaluation of the management approach	12.1.2, 12.7	
	Percentage of customer satisfaction	12.7	
Assessment of the implementation of environmental and social policies and product risk assessment procedures			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	Exhibit I:	
	103-2 The management approach and its components	8, 16.1, 16.2	
	103-3 Evaluation of the management approach	16.2	
	Number of credit proposals assessed for social and environmental risks.	16.2	

EXHIBIT II Independent Accountant's Limited Assurance Report

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Independent Accountant's Limited Assurance Report on the Integrated Annual Shareholders' Letter

To the President and Directors of
Banco Patagonia S.A.
Avenida de Mayo 701, 24th floor
City of Buenos Aires Taxpayer identification number (CUIT) 30 -50000661-3

Information subject to review

We have been engaged by the Management of Banco Patagonia S.A. (hereinafter, the "Bank") to conduct a limited assurance engagement on the sustainability indicators reported in the section "Selected information" herein, which are included in the Bank's Integrated Annual Shareholders' Letter for the fiscal year ended December 31, 2019 (hereinafter, the "Letter to shareholders").

Selected information

The sustainability indicators under the limited assurance engagement are set out below:

- Clients
- Employees
- Society
- Suppliers
- Environment

Management's responsibility

The Bank's Management is responsible for the preparation and presentation of the Letter to shareholders in accordance with the Standard Sustainability Reporting Guidelines of the "Global Reporting Initiative" (hereinafter, "GRI Standards").

In addition, the Bank's Management is responsible for:

- a. the information and statements contained in the Letter to shareholders,
- b. the determination of the Bank's objectives in relation to the sustainable development of results and for reporting purposes, including the identification of the interested parties and the significant matters,
- c. the design, implementation and maintenance of an effective internal control for the Letter to shareholders to be free from material misstatements, whether due to fraud or error, and
- d. the keeping of adequate records supporting the information process.

Auditors' Responsibility

Our responsibility is to conduct a limited assurance engagement in order to express a conclusion based on the work performed, in accordance with the instructions received from the Bank. We will not accept or assume any responsibility towards any third parties other than the Bank for our work, or the conclusions reached in the limited assurance report. We have performed our work in accordance with Technical Resolution No. 35 "Adoption of International Standards of Assurance Engagements and Related Services" issued by the Argentine Federation of Professional Councils of Economic Sciences (hereinafter, "FACPCE") in respect of the International Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information". Such rules require that we comply with relevant ethical requirements, including independence requirements, and that we plan and perform our procedures to obtain reasonable assurance about whether the Letter to shareholders is free from material misstatements.

Procedures performed

An engagement to prepare a limited assurance report on a sustainability report involves, primarily, making inquiries of the individuals responsible for preparing the information disclosed in such report, performing analytical procedures, and obtaining evidence by applying other procedures, where appropriate. The procedures include:

- Making inquiries of Management to understand the Bank's processes so as to identify all aspects relevant to the Bank's stakeholders.
- Holding interviews with Management in relation to the sustainability strategy, the policies applied to significant issues and their implementation.
- Holding interviews with the staff responsible for the preparation of the information included in the Letter to shareholders.
- In connection with the financial information included in "Chapter 4 - Introduction to the Bank" titled "Banco Patagonia in figures" specified with (#) in the report, verification of whether they arise from the audited financial statements of the Bank as of December 31, 2019 and for the year then ended.
- Inspecting documentation, on a selective test bases, to verify the representations made by Management.

A limited assurance engagement is substantially less in scope than a reasonable assurance engagement or an audit conducted in accordance with Technical Resolutions No. 35 and 32 of the FACPCE, respectively; and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit or a reasonable assurance engagement. Accordingly, we do not express an audit opinion or a reasonable assurance conclusion.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

This limited assurance report has been prepared to be used by the Bank for the purpose of assisting Management in determining whether the Bank has complied with the criteria of GRI Standards: Core option in the preparation of the Report and for no other purpose.

Independence

In order to conduct our engagement, we have complied with the independence requirements of Technical Resolution No. 35 of the FACPCE.

Conclusion

Based on the professional work described in section "Procedures performed" of this report, there is no evidence indicating that the sustainability indicators reported in the section "Selected information", included in the Bank's Shareholders' Letter for the fiscal year ended December 31, 2019, have not been

prepared, in all material respects, in accordance with the criteria of GRI Standards and with the records and files used as a basis for the preparation thereof.

City of Buenos Aires, February 19, 2020

KPMG
Reg. de Asoc. Prof. CPCECABA T° 2 F° 6

Mario A. Belardinelli
Partner
Public Accountant (UBA)
CPCECABA T° 266 F° 97

EXHIBIT III

REPORT ON THE CORPORATE GOVERNANCE CODE 2019

A) ROLE OF THE BOARD OF DIRECTORS

Principles

- I. The Company shall be headed by a professional Board of Directors that will be in charge of stating the necessary basis to ensure the sustainable success of the Company. The Board of Directors is the Company's guardian and protects the rights of all its Shareholders as well.
- II. The Board of Directors shall be in charge of determining and promoting the corporate culture and values. When performing its role, the Board of Directors shall secure compliance with the highest ethical and integrity standards in the best interest of the Company.
- III. The Board of Directors shall be in charge of ensuring a strategy inspired by the vision and mission of the Company, which is in line with its values and culture. The Board of Directors shall be constructively involved in management to help ensure the correct development, performance, monitoring and modification of the Company's strategy.
- IV. The Board of Directors shall control and supervise the Company's management on an ongoing basis to secure that management adopts actions towards the implementation of the business strategy and plan approved by the Board of Directors.
- V. The Board of Directors shall have the necessary mechanisms and policies in place to effectively and efficiently perform its role and that of its members.

1. The Board of Directors drives an ethical working culture and states the Company's vision, mission and values.

The best practice is applied.

The Board of Directors of Banco Patagonia (hereinafter, "Banco Patagonia", the "Bank" or the "Entity") has a Code of Ethics approved by the Board of Directors that translates the values that such Board seeks to claim and spread all over the organization, while interacting with customers, colleagues, suppliers or the community as a whole.

The Code of Ethics states the ethical and conduct principles to be followed by all the members of the Bank, who shall observe the highest standards of conduct; working with efficiency, quality and transparency, and shall be responsible for ensuring the faithful compliance with these principles.

By means of this Code, the Board declares the mission, vision and values of the Bank, by defining that "ethics is the inspiration and conditions for our personal and corporate behavior".

Additionally, the Bank has a Code of Conduct, applicable to all employees performing activities associated with the Bank's role as a Settlement and Clearing Agent and Comprehensive Trading Agent, which defines the duties of loyalty binding upon all persons concerned and it provides for the policy and procedures related to the legal requirements.

The Ethics Committee of the Bank, reporting to the Board of Directors, is in charge of resolving any interpretation issues relating to the scope of the Code of Ethics. It is also notified of all reports arising from the Ethics line or any other source for identifying conducts against the institutional integrity principles. Additionally, it is in charge of annually reviewing the Code of Ethics, which shall be submitted for the consideration and approval of the Board of Directors.

Notwithstanding the information above, the Board of Directors of Banco Patagonia approved an Integrity program that arises from its commitment to the prevention and fight against corruption; which is expressly and publicly assumed by sustaining its "zero tolerance" position against any act of corruption carried out by any member of the Bank. In line with the Code of Ethics and the specific policies in terms of Anti-money laundering and terrorist financing, as well as with the integrity policy of our parent company, the Program highlights the ethical values of the Bank, and provides the necessary guidelines to act according to the ethics and integrity principles.

2. The Board of Directors establishes the general strategy of the Company and approves the strategic plan developed by management. Accordingly, the Board of Directors considers environmental, social and corporate governance factors. The Board of Directors supervises its implementation by using KPI and considering the best interest of the company and all its shareholders.

The best practice is applied.

As it arises from the Code of Corporate Governance, the Board of Directors is responsible for the business global strategy and within such framework, the Strategic plan is approved. The plan is prepared jointly by all the Superintendencies and the Executive management of planning, branding and communication considering the variables of the macroeconomic, social and political and regulatory context, as well as the Bank's functionalities in connection with the competitive environment. As a result, a new strategic guideline is determined including a mission, a vision of the future, values and the strategic approach based on growth and digital transformation as well as on the corporate results, and the business and human development objectives.

The Board of Directors monitors the implementation of the Strategic plan, verifies the implementation of strategies and policies, compliance with the budget and it controls the performance of managements in connection with the goals set and the earnings forecast. A balanced scorecard is monthly distributed and analyzed among the Directors and leading managers, which summarizes the main variables, business lines and ratios, by comparing them to the parameters budgeted.

3. The Board of Directors supervises management and ensures that an internal control system is adequately developed, implemented and maintained including clear reporting lines.

The best practice is applied.

The Board of Directors is responsible for ensuring that Senior Management makes an appropriate follow-up and consistent with the implementation of its policies, strategies, compliance with the budget and performance thereof against the goals set and the earnings forecast. To such end, controls and indicators are established to detect deviations, variations and control management.

The Board of Directors states and assesses the Senior Management performance standards in relation to the objectives and strategies of the Bank. In order to strengthen the risk management, the Entity has designed a methodology to assess the performance of the Superintendencies and Managements' staff as to compliance with risk management related to the business and support processes.

The Board of Directors has a clear segregation of duties all over the organization. Accordingly, all the members of the Bank participate in the internal control tasks, and the Board of Directors is the ultimate responsible for ensuring an adequate internal control environment. For such purposes, it approves the Company's internal control policy and general policies, controls strict compliance with the applicable laws and regulations as well as compliance with its own resolutions.

On the other hand, the members of Senior Management are ultimately responsible for the operating aspects of the implementation, management and follow-up to the minimum internal control rules. In line with the best practices of COSO framework (Committee of Sponsoring Organizations of the Treadway Commission), the Board of Directors has established a three-line defense strategy: the first line (process owner) is the risk owner that is in charge of risk management and the implementation of corrective actions for process and control weaknesses. It is also in charge of maintaining an effective internal control by running constant control procedures in connection with risks on a daily basis. The second line is in charge of providing for risk management and compliance duties to help create and/or monitor the controls of the first line of defense (for instance, internal controls); and finally, a third line that includes the internal audit and that provides Senior management with a comprehensive assurance based on the high level of independence and objectivity within the Organization.

As part of the supervision process of Senior Management, the Executive management of human development and corporate climate, reporting to the Board of Directors, conducts the process for Senior Management performance evaluation.

4. The Board of Directors designs the structures and corporate governance practices, appoints staff responsible for the implementation thereof, monitors the effectiveness thereof and recommends changes, if necessary.

The best practice is applied.

The CNV General Resolution No. 797/2019 defines Corporate governance as the set of practices, processes and structures whereby companies are led and controlled, and it is added that the Organization for Economic Cooperation and Development (OECD) states that corporate governance "involves a number of relations between the Company's management, its Board of Directors, shareholders and other stakeholders".

The Board of Directors of Banco Patagonia is in charge of managing the Bank and, based on the minutes of the Board of Directors' meeting, adopts all decisions related to such end, and asserts that, as part of such process, it designs the structures and practices of corporate governance. Among other functions, the Board of Directors is in charge of:

- Approving the Code of Corporate Governance, assessing whether the economic profile, complexity and importance of the Bank are adequate.
- Providing for a clear segregation of duties all over the organization through the Manual of Organization and Functions.
- Approving the setup and functions of each of the committees.
- Becoming aware of the corporate governance policy of its subsidiaries, while ensuring that such policies are consistent with those of the Bank.

- Approving, supervising and reviewing the design and operation of the compensation system for all personnel, through the Human Development Committee.
- Approving the Corporate social responsibility (CSR) and the Integrated Annual Shareholders' Letter including the CSR and, as exhibit thereto, this Report on Corporate Governance Code.
- Conducting its performance self-evaluation as a body.
- Becoming aware of the committees' activities.

Additionally, as detailed in Practice 9, the Executive management of the Board of Directors' Secretariat is the Board of Directors' area in charge of the administrative and organizational functions of the corporate aspects both of the Bank and its subsidiaries, by providing assistance to the Shareholders and members of the Supervisory Committee in connection with the formal aspects of the operations of the bodies that are part thereof.

5. The members of the Board of Directors have sufficient time to discharge their duties professionally and efficiently. The Board of Directors and its committees have clear and formalized rules for operation and organization, which are disclosed on the Company's website.

The best practice is applied.

Each of the members of the Board of Directors has been evaluated and authorized by the Argentine Central Bank, who considers the legal capacity, performance, competence, probity, experience in the financial sector, and availability to perform inherent duties of the proposed members. Nevertheless, the Board of Directors approved a control procedure applicable to itself and to the subsidiaries to verify, on an annual basis, whether these conditions are met.

Notwithstanding the provisions of the laws and regulations of the applicable authorities, the rules governing the Board of Directors' actions are stated in the bylaws and in the internal regulations –members, term of office, incapacities and incompatibilities, appointment of Chairman and Vice-chairmen, how to convene meetings, frequency, quorum and voting rights, online meetings, duties and rights, legal representation, role of the Executive management of the Board of Directors' Secretariat, etc.

During fiscal year 2019, the Board of Directors' meetings were held with the frequency stated, with a significant attendance of its members.

Regarding the committees created by the Board of Directors of the Bank, in order to maintain an adequate organization, control and follow-up to the activities inherent to management, each of them (CNV Audit Committee; BCRA Audit Committee; Control and Prevention of Money Laundering and Terrorist Financing Committee; Protection of financial service users committee; Information technology committee; IT security and IT assets protection committee; Operational risk committee; Global risk committee; Human development committee; Business committee; Ethical committee; Quality committee; Management committee; Committee for the architecture, security and management of assets) has internal rules that provide for rights, members and operation. Such rules provide for, among other issues, the frequency of the meetings, the deadline for convening meetings to have enough time to consider the agenda, the necessary quorum required for each Committee and the participation of, at least, one Director as vice-president or president. Such rules are published in the internal regulations system of the Bank.

B) THE BOARD OF DIRECTORS' CHAIRMAN AND THE CORPORATE SECRETARIAT

Principles

- VI. The Board of Directors' chairman is in charge of securing effective compliance with the functions of the Board of Directors and leading its members. The Chairman shall generate positive dynamics of the workload and promote a constructive participation of its members as well as ensure that the members have the necessary information for decision-making. This is also applicable to the presidents of each of the Board's committees as to their concerns.
- VII. The Board's Chairman shall head the processes and establish structures in search of commitment, objectivity and competence of the Board members, and of the best operation of the body as a whole, by introducing the necessary changes, when required for the interests of the Company.
- VIII. The Board of Directors' Chairman shall warrant that the whole Board is involved in every concern and be responsible for the succession of the general manager.

- 6. The Board of Directors' chairman is responsible for the organization of the Board's meetings, prepares the agenda by involving other members and is concerned with the availability of information to the other members well in advance of the meeting to be able to participate on an efficient and informed basis. The presidents of the committees share the same responsibilities as to their meetings.**

The best practice is applied.

Based on the Code of Corporate Governance of the Bank, the Board of Directors' Chairman is responsible for the Board's appropriate operations. Then, he/she shall:

- ensure the Board meets its objectives by assigning specific duties to its members.
- ensure that there is an adequate flow of information among its members.
- ensure compliance with the corporate governance policy as well as its supervision and continuous safeguarding.
- organize the Board of Directors' meetings.

In order to organize the Board's meetings, an agenda of the meetings to be held each year is prepared including the relevant issues, the consideration of which has been requested by any of the Vice-chairmen or by the head of each committee. The Chairman's mission is to encourage debate and determine which information is necessary in each moment to ensure that the Directors will have an opinion and keep up with the matters of their own concerns. To perform these duties, for both the Board of Directors' and shareholders' meetings he/she may preside, the Board of Directors' Chairman is helped by the Executive management of the Board of Directors' Secretariat, as explained in Practice 9 of this Report.

The Board of Directors' meetings shall be convened in writing at least two (2) business days before the meeting, as stated in the bylaws. Regarding the shareholders' meetings, they are convened and notified in compliance with the procedures regulated by the Companies' Law 19550 and the Capital market's Law 26831 regulated by Resolution No. 622/13 of the CNV.

Regarding the committees created by the Board of Directors of the Bank, each of them has internal operating regulations, whereby a "Coordinator" is appointed, who shall be in charge, among other tasks, of convening and heading meetings, authorizing the inclusion of issues that require decision making out of deadline for the preparation of the meetings' agenda, assess and

define the issues that will be discussed in the meetings and authorize the participation of guests. Additionally, each internal regulation specifies the deadline for the related call for meetings.

7. The Board of Directors' Chairman ensures the adequate internal operation of the Board by implementing a formal evaluation process on an annual basis.

The best practice is applied.

Annually, and before the Shareholders' meeting, under the coordination of the Executive management of the Board of Directors' Secretariat, a self-evaluation of the Board of Directors' performance is conducted, whereby each Board member has a questionnaire to conduct a performance evaluation of the Board as a whole, including the following segments: i) frequency and structure of the Board of Directors' meetings; ii) Board of Directors' management; and iii) relation with the Organization. Based on such questionnaires a report of results is prepared, which is formally informed at a Board of Directors' meeting.

On the other hand, the Internal Audit, within its cycle of Corporate Governance review, evaluates the tasks related to the application of the Code of Corporate Governance, including the evaluation of the operation of committees.

8. The Chairman generates a positive and constructive environment for all the Board members and ensures that they receive ongoing training to keep up with updates and be able to adequately fulfil their duties.

The best practice is applied.

The Chairman generates a positive and constructive environment for all the Board members and ensures that they receive ongoing training to keep up with updates and be able to adequately fulfil their duties. As described in Practice 7, annually, a self-evaluation of the Board of Directors' performance is conducted, whereby each Board member has a questionnaire to conduct a performance evaluation of the Board as a whole. This process implies a formal participation, whereby each Director can evidence his/her evaluation, the needs for improvements, suggestions, requests, etc. The report of results of such process is formally informed at a Board of Directors' meeting.

Additionally, as detailed in Practice 9, the Executive management of the Board of Directors' Secretariat is the Board of Directors' area in charge of the administrative and organizational functions of the corporate aspects, by providing assistance to the Board members in connection with the formal aspects of the operations of such body. Accordingly, Management provides the administrative support so that all documentation about the issues that shall be approved by or reported to the Board members and the members of the Supervisory Committee can be made available when the meeting is convened, that is two business days before each meeting.

Regarding the training program, there is an annual plan addressed to Directors and Managers. All the Bank's members are considered within the organizational teaching approach, known as the 70-20-10 Model for Learning and Development, whereby, it is held that individuals obtain 70 percent of their knowledge from experiences and challenges, 20 percent from interactions with others (leaders, peers) and 10 percent from formal educational events. The Training and Development sector provides for activities devised to favor this teaching approach under the assumption of self-development and growth of all employees.

Particularly, for Directors and Managers, such activities are aimed at providing updated information and training in the new market trends. During 2019, the following activities were performed:

- Conferences on economic matters on a monthly basis organized by external consultants.
- Training in Anti-money laundering issues.
- Annual convention of Managers dealing with current business issues and of general interest for Management. In 2019, presentations and trainings specially about innovation were prepared.
- Training program in languages: English, Portuguese and Spanish.
- Meetings of specialists' commissions at Argentine Banks' Association (ABA).
- Leadership program designed together with the IAE Business School addressed to Superintendents, Executive managers and managers.
- Program involving the visit to innovation leaders and leading startups and companies in Silicon Valley (San Francisco – USA).

9. The corporate secretariat supports the Board of Directors' chairman in the effective management of the Board and cooperates with the communication among shareholders, the Board and management.

The best practice is applied.

As explained in Practice 4, the Bank has an area that directly reports to the Board of Directors, named Executive management of the Board of Directors' Secretariat. It is in charge of the administrative and organizational functions of the corporate aspects of both the Bank and its subsidiaries, by providing assistance to the Board members, Shareholders and members of the Supervisory Committee in connection with the formal aspects of the operations of the bodies in which they participate.

The following four sectors report to such Executive management: "Board of Directors' Secretariat": its mission is to assist the Board members and the Entity in their concerns in order to help them with the decision-making process and ensure the regulatory compliance of the decisions adopted; "Corporate governance and assistance to the Board of Directors": its mission is to provide advice and assistance to the Board of Directors within its function of ensuring compliance with the Corporate governance; "Assistance to subsidiaries": its mission is to assist shareholders and Board members and Supervisory auditors of the subsidiaries of the Bank in order to complete the formal aspects required by the operation thereof and participate in their corporate aspects; and "Institutional press": its mission is to design the institutional communication in order to support the Board policies whether through media presence, disclosure or containment, and organize certain events or institutional involvements.

Other functions discharged by the area:

- Organize the Shareholders' meetings, Board of Directors' meetings and the Supervisory Committee's meetings.
- Analyze and prepare the agenda of the Shareholders' and Board of Directors' meetings and the related minutes.
- Address the needs of shareholders related to corporate aspects and other concerns.
- Manage corporate books.
- Manage general or special powers of attorney.
- Manage files of documentation of shareholders, directors and supervisory auditors.
- Analyze the regulations issued by the applicable authorities, focused on those having an impact on governance issues, by keeping the Code of Corporate Governance updated.
- Participate and support the Organization in connection with all information involving the Board members.
- File all information related to corporate aspects of the Bank with the applicable authorities.

- Ensure compliance with corporate procedures, in general, and those related to the Board members, as required by the different applicable authorities.
- Manage issues related to subsidiaries.
- Design the institutional communication, whether through media presence, disclosure or containment, and organize certain events or institutional involvements.

10. The Board of Directors' chairman warrants that the whole Board is involved in the development and approval of a plan for the succession of the general manager of the company.

The best practice is applied.

The Board of Directors of Banco Patagonia has approved an organizational macrostructure, whereby daily management and supervision of all management and operating levels is segregated among the Senior Management, including the following areas:

- Superintendence of business with companies
- Superintendence of network of branches and Business with Individuals
- Superintendence of finance, administration and government sector
- Superintendence of receivables and foreign trade
- Superintendence of internal controls and risk management
- Superintendence of transactions
- Superintendence of digital business
- Executive management of human development and corporate climate
- Executive management of technology, communications and systems
- Executive management of planning, branding and communication
- Executive management of legal affairs
- Executive management of the Board of Directors' Secretariat
- Anti-money laundering management
- IT security and IT asset protection management
- Internal audit management

Not only for the purpose of strengthening its leaders but also considering the possibilities of filling in potential vacancies, through the Executive management of human development and corporate climate, activities for strategy and leadership trainings are conducted, which are addressed to all Superintendents, Executive managers, regional and area managers. During year 2019, a "Leadership program" organized together with IAE Business School of Universidad Austral was carried out. Additionally, by means of reports prepared by an external consultant, especially hired to such end, there is information reviewed and systematized about the professional profiles of the Superintendents and Executive managers, which allows the identification of strengths and areas for improvement for each of them. On the other hand, each executive has an individual development plan that arises from such evaluations and participates in the coaching program for development; both individually and in leadership teams.

C) BOARD MEMBERS, APPOINTMENT AND SUCCESSION

Principles

- IX. The Board of Directors shall have the adequate levels of independence and diversity to make decisions for the best interest of the Company, avoiding groupthink and decisions adopted by dominant individuals or groups within the Board.
- X. The Board of Directors shall ensure that the Company has the formal procedures for the proposal and appointment of candidates to fill in vacancies in the Board of Directors within a succession plan.

11. The Board of Directors has, at least, two members that are independent in accordance with the criteria in force established by the CNV.

The best practice is applied.

In accordance with the criteria in force established by the CNV, the Board of Directors of the Bank has two independent members in office.

It should be noted that, as provided for by Communications "A" 6502 and 6835, Banco Patagonia's Directors cannot hold executive positions in the Entity.

12. The Company has an Appointment Committee that has, at least, three (3) members and is headed by an independent director. If the Appointment Committee is headed by the Board's chairman, he /she will abstain from participating in the debate leading to the appointment of his/her own successor.

Although Banco Patagonia does not currently have an Appointment Committee, it has the formal procedures in place for the proposal and appointment of candidates to fill in a Board vacancy, as mentioned in the principle that underlies this practice. The Board member appointments and removals are resolved by the Annual Shareholders' meeting, as provided for by section 234 of the Companies Law 19550. In compliance with such law, the Financial Institutions Law, the BCRA regulations about Financial Institution Authorities, the CNV rules and the bylaws, the prohibitions and incompatibilities to take office as a Director are considered.

It should be noted that the BCRA, as controlling entity of the financial institutions, evaluates the legal capacity, performance, competence, probity, experience in the financial sector, and availability to perform inherent duties of the proposed members of the Board of Directors. These conditions shall be maintained during the whole term of office. The related background information is submitted for the approval of the BCRA, within a period of 60 days prior to the date scheduled for holding the Shareholders' meeting that will deal with the appointment or within 30 calendar days subsequent to the appointment thereof.

Until the Director's approval by the BCRA is notified to the Bank, the prospective director shall not take office. However, the Director appointed by the holder of Class "A" shares of common stock, belonging to the Province of Río Negro, provided that the related provincial decree designating the related office has been issued, can take office while the authorization proceedings are pending at the BCRA. The appointment thereof shall be considered *ad*

referendum of the resolution of the authorization proceedings, and any acts in which the referred Director is involved shall be valid pursuant to the BCRA regulations.

If there is no new evaluation by the BCRA, annually, the financial institutions shall certify that their Directors still meet the BCRA requirements applicable to their offices.

13. The Board of Directors, through the Appointment Committee, develops a succession plan for its members that guides the preselection of candidates to fill in vacancies and considers the recommendations, not binding, made by its members, the general manager and the shareholders.

As detailed in Practice 12, the Board member appointments and removals are resolved by the Annual Shareholders' meeting.

Additionally, the Board of Directors of Banco Patagonia comprises a diverse group, which combines professional experience, age, geographical origin in line with the Bank's needs in order to make decisions for the best interest of the Company, avoiding groupthink and decisions adopted by dominant individuals or groups.

As of December 31, 2019, the Board of Directors had eight regular members, three of which are Argentine, one of them is a woman and five of them are foreigners; their ages range from 39 to 66 years old, and the highlight feature is the diverse professional experience they have.

14. The Board of Directors implements a guidance program for its new elected members.

The best practice is applied.

Although the Entity does not have a guidance program duly formalized, the Executive management of the Board of Directors' Secretariat is in charge of assisting the Board members from the moment they become aware of their potential appointment or when they take up effective office. Based on such information, the prospective members are contacted not only for requesting them the related documentation that should be filed with the applicable authorities but also to provide them with support in administrative issues, introductions, explanations and any needs that may arise before or during their terms of office

During year 2020, a formal Guidance Program for the newly elected members shall be set up.

D) COMPENSATION

Principles

- XI. The Board of Directors shall generate incentives by means of the compensation so that management –headed by the general manager– and the Board of Directors be aligned with the long-term interests of the Company in order that all directors equally meet their duties in relation to the shareholders.

15. The Company has a Compensation Committee that has, at least, three (3) members. These members are independent or they do not hold executive positions.

The best practice is applied.

The Entity has a Human Development Committee that is made up of: the Board's Chairman, two directors in the role of Vice-chairmen and an independent director, all of them with voting rights, and an Executive manager of Human development and corporate climate and the Executive manager of the Board's Secretariat, both without voting rights.

As explained in Practice 11 and in accordance with BCRA Communications "A" 6502 and 6835, Banco Patagonia is not allowed to have Directors in executive positions within the Entity, then, all of the four members with voting rights are executive and one of them is also independent.

The issues raised at the Committee meetings are formalized in minutes that are monthly submitted for the consideration of the Board of Directors.

Finally, it should be noted that all members of the Human Development Committee with voting rights attend the Shareholders' meetings.

16. The Board of Directors through the Compensation Committee provides for the compensation policy for the general manager and the Board members.

The best practice is applied.

The Board of Directors of the Bank has approved the compensation policy that has been drafted in order to:

- comply with the legislation in force.
- keep internal equity,
- adopt a competitive position in relation to the comparable market,
- have trained and motivated staff.

The policy considers a fixed remuneration agreed in accordance with the level of responsibility and professional expertise of each individual, adjusted according to the collective bargaining agreements. It may include a variable compensation as a business incentive or commission in the Commercial areas or as a bonus.

In order to mitigate the potential risks, the Bank does not encourage short-term general economic incentive structures of remuneration nature, linked to uncertain future revenues.

Regarding the fees to the Board of Directors, as explained in Practice 15, a policy has been approved, whereby the Shareholders at meeting are responsible for stating such fees in accordance with the provisions of section 261 of the Companies Law 19550. For the purposes of calculating such fees, the responsibilities, time devoted to develop functions, experience, and professional background are taken into account. This criterion is based on the fact that the remuneration level should be sufficient to attract, retain, and motivate directors meeting the conditions required to hold office.

The Bylaws do not consider the possibility of granting other benefits, such as equity interests.

E) CONTROL ENVIRONMENT

Principles

- XII. The Board of Directors shall ensure the existence of a control environment that includes internal controls developed by management, internal audit, risk management, regulatory compliance and external auditors, whereby the defense lines are established to ensure the integrity of the Entity's operations and its financial reporting.
- XIII. The Board of Directors shall ensure the existence of an integral risk management system that allows both Management and the Board of Directors efficiently lead the company towards its strategic goals.
- XIV. The Board of Directors shall ensure the existence of a person or department (according to size and complexity of the business, nature of transactions and risks faced) in charge of the company's internal audit. In order to assess and audit the internal controls, the corporate governance processes and the Company's risk management, this audit shall be independent and objective with clear reporting lines.
- XV. The Board's audit committee is made up of resourceful and experienced members and shall discharge its duties with transparency and independence.
- XVI. The Board of Directors shall establish adequate procedures to help ensure the independent and effective performance of the external auditors.

17. The Board of Directors determines the appetite for risk of the company while it supervises and ensures the existence of an integral risk management system that identifies, assess, decides the course of action and monitors the risks faced by the company, including, among others, the environmental and social risks as well as those inherent to the business in the short and long term.

The best practice is applied.

The Entity has policies and processes in place to manage the exposure to different risks inherent to the business, based on the strategic definitions provided by the Board of Directors, especially, in connection with risk appetite and tolerance.

The Bank has implemented an integral risk management process in accordance with the guidelines of Communication "A" 5398 and supplementary regulations. These guidelines have helped define a series of procedures and processes to identify, measure and value the risks to which the Bank is exposed, in line with its business strategy.

Credit, liquidity, market, interest rate, strategy, reputational, operational, technology and model risks are the main risks to which the Bank is exposed. Additionally, the Entity assesses and tracks the risks relating to information security and money laundering and terrorist financing. The environmental and social risks are also assessed within the process for the analysis of credit transactions.

The Board of Directors defines the risk appetite and the associated tolerance limits. With the support of the committees, the Board of Directors supervises the Integral Risk system, defines the global objectives translated into goals and limits for the business units within the framework of the process for stating and controlling the risk appetite. The committees related to risk management are as follows: Operational Risk Committee, Global Risk Committee, Information Security Committee and Committee on Control and Prevention of Money Laundering and Terrorist Financing.

Finally, the Superintendence of Internal Controls and Risk Management and its related areas is responsible for the integral management and monitoring of the different risks undertaken by Banco Patagonia.

18. The Board of Directors monitors and reviews the effectiveness of the independent internal audit and guarantees the resources for the implementation of an annual risk-based audit plan and a direct reporting line to the Audit Committee.

The best practice is applied.

Banco Patagonia's Internal Audit Management is independent from the management areas and reports directly to the Audit Committee. It has a permanent and qualified structure and an independent budget.

The Internal Audit plan is submitted annually to the Audit Committee for its review and approval. The guidelines to fulfill their duties are included in the Audit Manual, which is approved by the Committee and the Board of Directors and is regularly updated.

The duties of the Board of Directors contained in the Code of Corporate Governance include, among others, the arrangement of regular meetings with Internal Audit through BCRA Audit Committee to review the results derived from the internal control monitoring. Such Committee is made up of (5) members with voting rights:

- Two directors, in the role of Vice-president.
- Two independent directors.
- Internal Audit Manager.

19. The internal auditor or the internal audit department member are independent and highly qualified.

The best practice is applied.

As mentioned in practice 18, Banco Patagonia's Internal Audit Management is independent from the management areas and reports directly to the Audit Committee. Internal Audit Management members have the skills required for their position.

In addition, the Internal Audit Manual provides for the ongoing training of its members considering that learning new techniques and being constantly updated from a personal and professional perspective are critical to maintain the quality of the audit work.

Accordingly, the Board of Directors encourages ongoing training by authorizing refresher and advanced courses and seminars. The Internal Audit Manager will determine the most appropriate schedules, available places and course audience.

20. The Board of Directors has an Audit Committee that acts upon the applicable rules. The Committee is mainly made up of, and presided over by independent directors, and does not include the general manager. Most of its members have professional experience in financial and accounting areas.

The best practice is applied.

Banco Patagonia has two Audit Committees: the CNV Audit Committee, under the rules of the Argentine Securities Commission, and BCRA Audit Committee, under the rules of the Argentine Central Bank. Both Committees are governed by the rules of such regulatory bodies, as applicable, and by their internal rules.

The CNV Audit Committee is made up of three directors. Two of them are independent directors and serve as the President and Vice-president of the Committee.

The BCRA Audit Committee is made up of five members: two directors in the role of Vice-presidents, two independent directors and the Internal Audit Manager.

It is to note that most of the members of these Committees have professional experience in financial and accounting areas.

21. The Board of Directors, in consultation with the Audit Committee, approves the policy for the selection and monitoring of external auditors, which includes the aspects to be considered at the time of making a recommendation to the Shareholders' meetings on the reappointment or replacement of the external auditor.

Although the Bank does not have a policy for the selection and monitoring of external auditors, the Board of Directors has established specific procedures to ensure an independent and effective performance of external auditors, as mentioned in the principle that underlies this practice. The duties of Banco Patagonia's Board of Directors include, among others, exercising due care in hiring external auditors and monitoring their work.

Based on the Internal Operating Rules of the CNV Audit Committee, some of its duties include:

- Giving an opinion regarding the proposal submitted by the Board of Directors for the appointment of the external auditors to be hired by the Bank and ensuring their independence.

- Reviewing external and internal auditors' plans, evaluating their performance and issuing an opinion upon the presentation and publication of the annual financial statements
- Analyzing the different services rendered by external auditors and their independence in line with the applicable regulations in force.

Based on the Internal Operating Rules of the BCRA Audit Committee, some of its duties include:

- Regularly reviewing compliance with independence rules by external auditors.
- Recommending to the Board of Directors the candidates to serve as the external auditors of the Bank, as well as the hiring conditions, including the opinion of the Audit Committee in relation to the appointment or removal of external auditors, which shall include, at least, an assessment of the background considered and the reasons for the appointment of the public accountant.
- Regularly verifying that external auditors perform their duties in accordance with the agreed-upon conditions, assessing their performance and checking fulfillment of the requirements of the Board of Directors and BCRA.
- Analyzing and giving an opinion - before hiring - as to the different services provided by external auditors within the Banks and their independence, in accordance with the audit standards established by FACPCE and any other applicable rules that may be issued by the authorities governing professional licenses.

F) ETHICS, INTEGRITY AND COMPLIANCE

Principles

- XVII. The Board of Directors shall design and establish appropriate structures and practices to promote a culture of ethics, integrity, and compliance to prevent, detect, and address any serious corporate or personal misconduct.
- XVIII. The Board of Directors shall ensure that formal mechanisms be in place to prevent and, otherwise, deal with conflicts of interest that might arise from the company's management. There shall be formal procedures aimed at ensuring that related transactions are performed in the best interest of the company and that all shareholders are treated equally.

22. The Board of Directors approved a Code of Ethics and Conduct that reflects the values and principles of ethics and integrity, as well as the entity's culture. The Code of Ethics and Conduct is communicated and applicable to all directors, managers and employees of the entity.

The best practice is applied.

As mentioned under practice 1, the Board of Directors of Banco Patagonia has approved a Code of Ethics, communicated to the whole organization, in order raise awareness and facilitate the understanding of the ethical and conduct principles that each member of the Bank shall observe in the performance of their duties, while maintaining the highest standards of conduct, working with efficiency, quality and transparency, being the basis for ethical behavior with customers, suppliers, regulator and the community in which it operates.

In addition, the Board of Directors has approved the creation of an Ethics Committee, which is responsible for addressing issues related to the interpretation and scope of the Code of Ethics as well as for reviewing such Code on an annual basis so that it reflects the culture of ethics of the Bank. Moreover, this Committee reviews the reports submitted through the "Ethics Line"

reporting channel, or from the different sources of detection of behaviors affecting the institutional integrity principles.

For supplementary purposes, Banco Patagonia has a Code of Conduct, applicable to all employees in the performance of their duties related to the roles of Settlement and Clearing Agent and Comprehensive Trading Agent, which establishes policies and procedures in line with applicable legal and ethical regulations.

23. The Board of Directors regularly establishes and reviews an Ethics and Integrity Program based on the risks, size and economic capacity. The plan is visibly and unequivocally supported by Management, which appoints an internal manager to develop, coordinate, supervise and periodically evaluate the effectiveness of the program. The program provides: (i) regular training for directors, managers and employees on issues related to ethics, integrity and compliance; (ii) internal channels to report misconducts, available to third parties and duly communicated; (iii) a policy to protect whistleblowers from retaliation; and an internal investigation system that respects the rights of those investigated and imposes effective penalties for the violations of the Code of Ethics and Conduct; (iv) integrity policies applicable to bidding processes; (v) mechanisms for regular risk analysis, monitoring and evaluation of the Program; and (vi) procedures to verify the integrity and background of third parties or business partners (including due diligence for the verification of irregularities, illegal acts or the existence of vulnerabilities during the processes of corporate transformation and acquisitions), including suppliers, distributors, service providers, agents and intermediaries.

The best practice is applied.

Banco Patagonia's Board of Directors approved the Integrity Program in February 2019. Such program has been developed based on the ethical principles set out in the Code of Ethics. The preparation of the Integrity Program was entrusted by the Board of Directors to an interdisciplinary team led by the Compliance area and made up of different areas of Management somewhat involved in integrity matters. The Integrity Program gathers, to a large extent, existing policies and practices of the Bank, and promoted the creation of new mechanisms to prevent potential acts of corruption. The Internal Controls and Risk Management Superintendent is the internal responsible for the Integrity Program. Such Superintendent permanently monitors and evaluates the Program, and directly reports to the Board of Directors any updates and progress.

The Integrity Program comprehensively addresses the different aspects set forth in the Corporate Criminal Liability Law.. In this regard, it includes provisions on:

- i) Regular training to all the members of the Entity and related third parties, designed according to the degree of risk exposure of each segment.
- ii) Ethics Line, a reporting channel made available by Banco Patagonia to all employees and suppliers, which ensures confidentiality and allows for anonymous reporting, enabling the whistleblower to follow up the report submitted.
- iii) Action protocols related to the protection of good faith whistleblowers and procedures for the investigation of illegal acts and fraudulent activities, including standards for the protection of investigators that respect their human dignity and provide sufficient guarantees for their defense. In addition, as defined by the Code of Ethics, the disciplinary regime is openly communicated.
- iv) *Manual of procedure for bidding processes*, including a comprehensive description of the different stages involved in a bidding as well as a definition of approval levels and integrity requirements applicable to each stage. The interaction with public officials, defining clear guidelines, is also addressed.
- v) Establishment of a regular monitoring of the Integrity Program by the Operation Risk, Internal Controls and Compliance Management, which annually reviews the elements that

are part of the Program, updates the corruption risk analysis originally prepared and evaluates its degree of effectiveness.

- vi) Due diligence procedure for suppliers, which describes the preliminary assessment of integrity requirements that every supplier or related third party must go through. In this regard, the Entity submits a document including the principles that should govern the relationship with suppliers and third parties, requiring their formal adherence.

24. The Board of Directors ensures the implementation of formal mechanisms to prevent and address conflicts of interest. In the case of related transactions, the Board of Directors approves a policy on the role of each corporate body and defines how to identify, manage and disclose transactions that are detrimental to the Company or to certain investors.

The best practice is applied.

The conflict of interest takes place when a person fails to comply with a duty inherent to the organization for the benefit of other interests for personal reasons.

In addition to what has been described in Practices 3, 17, 18 and 23, the Board of Directors of Banco Patagonia has considered the question of "conflict of interest" in the following documents:

- Policy for performing acts or entering into contracts between Banco Patagonia and a related party involving a significant amount: it defines the concepts of "related party" and "significant amount", and it states the procedure to be followed for the approval and disclosure of the transaction.
- Code of Ethics: it identifies the potential cases of conflict between personal interests and business interests or the clients' interests, which shall be avoided. Additionally, the Code addresses the confidentiality of information applicable to the performance of all the Bank's members.
- Code of conduct: it defines the duties of loyalty required from all the persons while discharging their duties related to the roles of Settlement and Clearing Agent and Comprehensive Trading Agent in order to avoid conflicts of interest. It also defines the aspects related to the use of privileged or reserved information and the confidentiality duty.
- Corporate governance code: it considers the conflict of interest between shareholders and the Bank upon dealing with a specific issue at the Shareholders' meetings. This code also considers the duties of loyalty and effectiveness that shall be adopted by the Directors as to the public offering, and states that they shall abstain from making decisions when a conflict of interests exist, which may prevent them from discharging their duties adequately and impartially.
- Advertising and communication of information policy: it considers the duty of all persons to maintain strict confidentiality when, as a result of their position, activity or relations, they have information about the performance of the Bank or its business or of its subsidiaries, provided that such information has not been publicly disclosed and whether the importance thereof may affect the placement of securities or the business development in the markets.
- Integrity program: it is a system of actions, mechanisms and procedures in place at Banco Patagonia aimed at promoting integrity and preventing, detecting and correcting and, eventually, imposing penalties on misconduct or wrongful acts, particularly those under Law 27401 of Criminal Responsibility of Legal Entities that may be carried out by an officer or third party in the interest or benefit of the Bank.

G) SHAREHOLDERS AND STAKEHOLDERS ENGAGEMENT

Principles

- XIX. The Entity shall provide an equal treatment to all shareholders. It shall ensure equal access to non-confidential information that is relevant for decision making at the Shareholders' Meeting.
- XX. The Entity shall provide adequate information and promote the active engagement of all shareholders, especially in relation to the appointment of directors.
- XXI. The Entity shall have a transparent dividend distribution policy in line with its strategy.
- XXII. The Entity shall consider the interest of stakeholders.

25. The Entity's website discloses financial and non-financial information, providing timely and equal access to all investors. The website includes a section to provide support to investors.

The best practice is applied.

Banco Patagonia has a website available to the public (www.bancopatagonia.com.ar), in which its updated financial, institutional and / or market discipline information is published.

In such website, there is information on the story of the Bank, its bylaws, shareholding structure, quarterly and annual financial information, authorities, institutional presentations, social responsibility, anti-money laundering policies, Code of Ethics, annual reports on the degree of compliance with the Code of Corporate Governance, etc.

The Bank has set up the "Relation to investors" function, which is aimed at ensuring that investors may have access to the Banks' strategic vision and information. Its duties include:

- Maintaining a fluid contact with existing or potential investors, either local or foreign, to communicate the current situation of the Bank and its future strategy.
- Holding meetings with existing or potential investors in order to strengthen the relationship with them and improving management.
- Managing the relationship with risk rating agencies, informing them about the Bank's action plans.
- Complying with other duties relating to its area of responsibility in furtherance of the Bank's purposes.

The Head of the "Relation to investors" function may be contacted by phone or e-mail at investors@bancopatagonia.com.ar.

26. The Board of Directors shall ensure that a procedure to identify and classify stakeholders as well as a communication channel be implemented.

The best practice is applied.

The Glossary included in Exhibit III of CNV Resolution No. 797/2019, defines "Stakeholders" as a party with an interest in the transactions and results of the Entity, such as consumers,

employees, ONGs, the community, the State, suppliers, among others. Shareholders and subsidiaries shall also be considered.

Banco Patagonia identifies its stakeholders in order to hold a dialogue and maintain a fluent contact, understand their needs and expectations with respect to the business, their products and services. This stakeholders' mapping is based on the following criteria: legal, financial and operating responsibilities, influence in the achievement of its goals, nearness, dependence and representation of other people, such as the leaders of the local communities.

SHAREHOLDERS

Commitment: To protect the interests of the shareholders through the ethical, transparent management while abiding by the regulations in force.

Means of communication:

- Shareholders' meetings
- Relation to investors function
- Conference calls

EMPLOYEES

Commitment: To promote their integral development with benefits, possibilities for internal promotion and training, through an adequate communication.

Means of communication:

- Internal Social Media (Yammer)
- Intranet
- Billboards
- Visits, contact on the telephone, by e-mail or personally with the Executive Management of Human Development and Corporate Climate
- Survey of suggestions by the Quality sector
- Ethics line

SOCIETY

Commitment: To provide simple and clear answers to the needs of the society, ensure the transparency of the corporate governance, promote the corporate volunteer work and work together with the regional economies for growth.

Means of communication:

- Direct contact with the communities
- Alliances with civil society organizations
- E-mail
- Telephone customer services
- Corporate website

SUPPLIERS

Commitment: To comply with the contractual relations, forge long-term relationships and provide benefits as from the opening of free-of-charge accounts.

Means of communication:

- E-mail
- Telephone customer services
- Ethics line

CUSTOMERS

Commitment: To provide quality products and services, personalized customer services and effective answers to their needs.

Means of communication:

- Email Marketing (EMM)
- Social media
- Mass media
- Market surveys and studies

- Personal contact in branches and quality customer services –Av. de Mayo 701, City of Buenos Aires.
- Telephone assistance “Patagonia en línea”, number 0810 888 8500, from Monday to Friday, 9 am to 7 pm, Saturdays and Sundays 10 am to 2.00 pm and toll free number 0800 777 8500.
- Corporate website

As a financial institution, Banco Patagonia has approved and reported to BCRA all the individuals responsible for operations, as required by the applicable regulations, which are the primary communication channel with this body. Such responsible individuals include the Head of Customer Service for financial services users, who is responsible for handling complaints from customers and whose details are available to the public, both on BCRA's and Banco Patagonia's website.

As an Issuing Entity, the Bank has approved and reported to the capital markets the Heads of Market Relations (responsible for the communication and provision of information to investors); Heads of Public Relations (responsible for handling the Compliance and Internal Controls (responsible for monitoring and assessing compliance by the Bank with the obligations under Law No. 26831).

Furthermore, the Head of Money Laundering Prevention has been appointed and informed to the Financial Information Unit.

The “Relation to investors” function was created with the aim of providing information and answering queries from potential investors, analysts and shareholders. Its duties have been described in Practice 25.

Finally, it is worth mentioning that the internal structure of the Bank includes areas and responsible individuals who have direct contact with suppliers, employees, other public bodies, etc.

27. Before the Shareholders' Meeting, the Board of Directors provides the shareholders with a “draft information package”, which enables shareholders –through a formal communication channel– to make non-binding comments and giving opinions contrary to the recommendations of the Board of Directors. Accordingly, at the time of providing the “final information package”, the Board of Directors expressly responds to the comments received, if it considers it necessary.

The best practice is applied.

On an annual basis, the Board of Directors displays its management results upon the issuance of the audited financial statements and the Integrated Annual Shareholders' Letter (Shareholders' Letter plus Corporate Social Responsibility Report), which are made available to the shareholders before the Shareholders' Meeting where these issues are addressed. The last-mentioned document includes Bank's financial and non-financial information, data on the governance structure, authorities, individuals responsible for the different business areas, information on corporate governance and corporate social responsibility, the most relevant aspects related to management that have occurred during the year, reasons on the current state of the business, future projections and reasons for significant variations in assets, liabilities and results, among others.

It is worth mentioning that the Bank issues and publishes its quarterly standalone and consolidated financial statements, with an External Auditor's Limited Review Report, and after the issuance of each quarterly and annual financial statements, it holds a conference call in which stakeholders may participate. In such conference call, the results of operations are presented.

As stated in Practice 28, there is a high percentage of shareholder's attendance at the Shareholders' Meetings of the Bank. Shareholders voice and voting rights are not subject to any restrictions. The supporting documentation regarding the issues included in the notice of the meeting, where appropriate, is published in the Bank's website and CNV's Financial Information Highway. Clarifications or additional information may be obtained by contacting the Head of Relation to investors, as described in Practice 25.

28. According to the Bank's bylaws, shareholders can receive information packages for the Shareholders' Meeting through virtual means and participate in such meeting by using electronic means of communication that enable the simultaneous transmission of sound, images and words, thus ensuring equal treatment to participants.

Although the Bank's bylaws do not address the provisions of the best practice, the Board of Directors ensures that all shareholders are treated equally and has achieved high levels of participation in the Shareholders' meetings.

The Bank calls and convenes the Annual Shareholders' Meeting in compliance with local regulations (procedures regulated by Companies Law No. 19550 and Capital Markets Law No. 26831, regulated by CNV Resolution No. 622/13) and, until 2019, this procedure is also applied to the holders of the Brazilian Depositors Receipts (BDR'S) abroad. It is worth noting that, in September of such year the BDR Program was cancelled.

The supporting documentation regarding the issues included in the notice of the meeting, where appropriate, is published in the Bank's website and CNV's Financial Information Highway. Clarifications or additional information may be obtained by contacting the Head of Relation to investors, as described in Practice 25.

Banco Patagonia's Shareholders' Meetings require personal attendance. To this date, the possibility of conducting remote meetings has not been considered. The latest Shareholders' meetings in which the financial statements were approved had the following percentage of attendance: 98.85%, in 2019 and 2018, and 98.87%, in 2017.

29. The policy on the distribution of dividends is in line with the strategy and clearly establishes the criteria, frequency and conditions of the distribution of dividends.

The best practice is applied.

Section 20 of Banco Patagonia's bylaws establishes how realized and liquid income shall be distributed.

For the purposes of providing guidance on the distribution of dividends, the Board of Directors approved a policy aimed at establishing a regulatory framework for such distribution, maintaining an adequate balance between distributable amounts and the investment and expansion policies of the Bank. Accordingly, on an annual basis, the Board of Directors shall submit to the Shareholders' Meeting a proposal for the distribution of up to 50% of dividends payable in cash.

It is to note that BCRA regulations establish a special procedure to determine distributable earnings and to evidence that the distribution of dividends does not impair the banks' solvency and liquidity. Such regulations establish that BCRA prior approval shall be required for the purposes of paying dividends. According to this procedure, the distribution of earnings by financial institutions shall be subject to the condition that certain situations expressly provided for in the regulations are not verified in the Bank. It also provides for a calculation methodology to determine the distributable amounts and the applicable cap.

Considering BCRA regulations and the Bank's internal policy, the Board of Directors shall submit to the General Shareholders' Meeting a proposal as to the distributable amount.

Once the Shareholders' Meeting has been held and BCRA approval has been obtained, such proposal shall be made available to the shareholders as soon as possible, considering the due dates established by the Argentine Securities Commission (as compiled in 2013) and the Listing Regulations of Bolsas y Mercados Argentinos S.A. (BYMA).

The Board of Directors

This Integrated Annual Shareholders' Letter was developed in cooperation with the individuals responsible for each of the Bank's areas, especially, with the Executive Management of the Board of Directors' Secretariat and the Administration Executive Management.

This document is available in digital format in www.bancopatagonia.com.ar

External facilitators
Sustenia Argentina
www.sustenia.com.ar

External verification
KPMG Argentina
www.kpmg.com.ar

Design and production
Tresen

General coordination
Executive management of human development and corporate climate
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Translation from the original prepared in Spanish for publication in Argentina

BANCOPATAGONIA

**Financial statements
as of December 31, 2019
Jointly with the Independent Auditors'
and the Supervisory Audit Committee's Report**

BANCO PATAGONIA S.A.

CONSOLIDATED FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2019

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Translation from the original prepared in Spanish for publication in Argentina

BANCO PATAGONIA S.A.

CONSOLIDATED FINANCIAL STATEMENTS
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BANCO PATAGONIA S.A.

CONSOLIDATED FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2019

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Independent Auditors' Report on Consolidated Financial Statements

To the Shareholders, President and Directors of
Banco Patagonia S.A.
Legal address: Av. de Mayo 701, Floor 24
City of Buenos Aires, Argentina
Taxpayer Identification Number: [C.U.I.T.] 30 -50000661-3

Report on the financial statements

We have audited the accompanying consolidated financial statements of Banco Patagonia S.A. and its subsidiaries, (the "Entity") which include the consolidated statement of financial position as of Tuesday, December 31, 2019, the consolidated statements of income, other comprehensive income, changes in shareholders' equity and cash flows for the fiscal year then ended, and explanatory notes and exhibits.

The balances and other information for fiscal year 2018 are an integral part of the referred consolidated financial statements and, therefore, shall be considered in the light of these financial statements.

Board of Directors' and Management responsibility for the financial statements

The Board of Directors and Management of the Bank are responsible for the preparation of the accompanying consolidated financial statements in accordance with the accounting standards established by the Argentine Central Bank ("BCRA"), which, as described in note 2.1 to the accompanying consolidated financial statements, are based on the International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"), and adopted by the Argentine Federation of Professional Councils of Economic Sciences ("FACPCE"), subject to the temporary exception of section 5.5. "Impairment of Value" of IFRS 9 "Financial Instruments" and IAS 29 "Financial Reporting in Hyperinflationary Economies" and considering the BCRA rules as to the valuation of the share in Prisma Medios de Pago S.A. The Board of Directors and Management are also responsible for the design, implementation and maintenance of internal controls deemed necessary to enable the preparation of this financial information free from material misstatements, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with the standards set forth by Technical Resolution No. 37 of the Argentine Federation of Professional Councils of Economic Sciences (FACPCE) and the minimum standards applicable to external audits set forth by the BCRA for the audit of financial statements ("Minimum Standards applicable to External Audits"). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit involves performing procedures, on a selective test basis, to obtain audit evidence about the financial information included in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements.

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In making those risk assessments, we consider internal control relevant to the Bank's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the significant estimates made by Management, as well as evaluating the overall financial statement presentation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Banco Patagonia S.A. and its subsidiaries as of December 31, 2019, the consolidated results of its operations, the changes in equity and cash flows for the year then ended, in conformity with the BCRA accounting framework described in note 2.1 to such consolidated financial statements.

Emphasis of matter

Without further modifying our opinion, we draw users' attention to the following information disclosed in the accompanying consolidated financial statements, which should be considered for the interpretation thereof:

- a) as explained in Note 2.1.a), the financial statements have been prepared by the Bank's Board of Directors and Management in accordance with the accounting standards established by the BCRA, which differ from IFRS in relation to the application of section 5.5. "Impairment of Value" of IFRS 9 "Financial Instruments", which was temporarily excluded by the BCRA from the accounting framework applicable to financial institutions; The Bank is calculating the impact derived from the initial adoption of such regulations as of December 31, 2019.
- b) as explained in notes 2.1.b) and 3, although as of December 31, 2019, the conditions for the restatement of financial statements in constant currency set forth by IAS 29 are met, as provided for by BCRA Communication "A" 6651, the Bank has not applied such restatement. The existence of an inflationary context affects the Bank's financial position and results of operations and, therefore, the impact of inflation may distort the financial information and shall be considered when the information about the financial position, comprehensive income and cash flows provided by the Bank in the accompanying separate financial statements is interpreted. The Bank has estimated the impact as of December 31, 2019 based on the IFRS 29 as indicated in such note 3 and
- c) As explained in notes 2.1.c) and 16 by virtue of the partial sale of the shares of Prisma Medios de Pago S.A., the remaining shareholding was reclassified to "Investments in equity instruments" and measured at fair value with changes through profit or loss, based on the company's valuation report conducted by independent professionals, from which the valuation adjustment made by the BCRA was deducted. The accounting criterion applied implies a departure from the provisions of IFRS 9 about the measurement of equity instruments at fair value.

Report on other legal and regulatory requirements

In compliance with legal provisions in force, we report that:

- a) The accompanying consolidated financial statements have been transcribed into the Inventory Book, and arise from the Bank's accounting records, which, in their formal aspects, are kept pursuant to the legal provisions in force. The information systems used to generate the information included in the financial statements are kept under the security and integrity conditions based on which they were duly authorized;
- b) as of December 31, 2019, the Entity records the minimum shareholders' equity and counterparty required by the Argentine Securities Commission (CNV) to the settlement and clearing agents, as mentioned in note 56 to the accompanying consolidated financial statements;
- c) we have reviewed the reporting summary required by CNV regulations, based on which, as far as it relates to our area of responsibility, we have no observations; and
- d) as of December 31, 2019, the accrued liability for retirement and pension contributions payable to the Argentine Pension Fund System arising from the accounting records amounted to \$ 186,253,180, no amounts being due as of that date, and
- e) as required by article 21, paragraph e, Section VI, Chapter III, Title II of NT 2013 of the CNV, we report that:
 - the ratio between the total audit services provided by us for the issuance of independent auditors' reports and other special-purpose or attest reports on accounting or financial information invoiced to the Entity and the total amount invoiced to the Bank during the year ended December 31, 2019 is 97%;
 - the ratio between the total audit services invoiced to the Entity and the total audit services invoiced to the Entity and its subsidiaries and related companies is 76%; and
 - the ratio between the total audit services invoiced to the Entity and the total amount invoiced to the Entity and its subsidiaries and related companies, including audit services, is 74%.

City of Buenos Aires, February 19, 2020.

KPMG
Reg. de Asoc. Prof. CPCECABA T° 2 F° 6

Mauricio G. Eidelstein
Partner
Public Accountant (UBA)
T° CLXIX F° 228

Independent Auditors' Report on Separate Financial Statements

To the President and Directors of
Banco Patagonia S.A.
Legal address: Av. de Mayo 701, Floor 24
City of Buenos Aires, Argentina
Taxpayer Identification Number: [C.U.I.T.] 30 -50000661-3

Report on the financial statements

We have audited the accompanying separate financial statements of Banco Patagonia S.A. and its subsidiaries, (the "Entity") which include the separate statement of financial position as of Tuesday, December 31, 2019, the separate statements of income, other comprehensive income, changes in shareholders' equity and cash flows for the fiscal year then ended, and explanatory notes and exhibits.

The balances and other information for fiscal year 2018 are an integral part of the referred separated financial statements and, therefore, shall be considered in the light of these financial statements.

Board of Directors' and Management responsibility for the financial statements

The Board of Directors and Management of the Bank are responsible for the preparation of the accompanying separated financial statements in accordance with the accounting standards established by the Argentine Central Bank ("BCRA"), which, as described in note 2 to the accompanying separated financial statements, are based on the International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"), and adopted by the Argentine Federation of Professional Councils of Economic Sciences ("FACPCE"), subject to the temporary exception of section 5.5. "Impairment of Value" of IFRS 9 "Financial Instruments" and IAS 29 "Financial Reporting in Hyperinflationary Economies" and considering the BCRA rules as to the valuation of the share in Prisma Medios de Pago S.A. The Board of Directors and Management are also responsible for the design, implementation and maintenance of internal controls deemed necessary to enable the preparation of this financial information free from material misstatements, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these separate financial statements based on our audit. We conducted our audit in accordance with the standards set forth by Technical Resolution No. 37 of the Argentine Federation of Professional Councils of Economic Sciences (FACPCE) and the minimum standards applicable to external audits" set forth by the BCRA for the audit of financial statements ("Minimum Standards applicable to External Audits"). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit involves performing procedures, on a selective test basis, to obtain audit evidence about the financial information included in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements. In making those risk assessments, we consider internal control relevant to the Bank's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the significant estimates made by Management, as well as evaluating the overall financial statement presentation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Banco Patagonia S.A. as of Tuesday, December 31, 2019, the results of its operations, the changes in equity and cash flows for the year then ended, in conformity with the BCRA accounting framework described in note 2 to such separate financial statements.

Emphasis of matter

Without further modifying our opinion, we draw users' attention to the following information disclosed in the accompanying separate financial statements, which should be considered for the interpretation thereof:

- a) as explained in Note 2.a), the financial statements have been prepared by the Bank's Board of Directors and Management in accordance with the accounting standards established by the BCRA, which differ from IFRS in relation to the application of section 5.5. "Impairment of Value" of IFRS 9 "Financial Instruments", which was temporarily excluded by the BCRA from the accounting framework applicable to financial institutions; The Bank is calculating the impact derived from the initial adoption of such regulations as of December 31, 2019.
- b) as explained in note 2.b), although as of Tuesday, December 31, 2019, the conditions for the restatement of financial statements in constant currency set forth by IAS 29 are met, as provided for by BCRA Communication "A" 6651, the Bank has not applied such restatement. The existence of an inflationary context affects the Bank's financial position and results of operations and, therefore, the impact of inflation may distort the financial information and shall be considered when the information about the financial position, comprehensive income and cash flows provided by the Bank in the accompanying separate financial statements is interpreted. The Bank has estimated the impact as of December 31, 2019 based on the IFRS 29 as indicated in such note 2 and
- c) as explained in notes 2.c) and 15 by virtue of the partial sale of the shares of Prisma Medios de Pago S.A., the remaining shareholding was reclassified to "Investments in equity instruments" and measured at fair value with changes through profit or loss, based on the company's valuation report conducted by independent professionals, from which the valuation adjustment made by the BCRA was deducted. The accounting criterion applied implies a departure from the provisions of IFRS 9 about the measurement of equity instruments at fair value.

Report on other legal and regulatory requirements

In compliance with legal provisions in force, we report that:

- a) The accompanying separate financial statements have been transcribed into the Inventory Book, and arise from the Bank's accounting records, which, in their formal aspects, are kept pursuant to the legal provisions in force. The information systems used to generate the information included in the financial statements are kept under the security and integrity conditions based on which they were duly authorized;
- b) as of December 31, 2019, the Entity records the minimum shareholders' equity and counterparty required by the Argentine Securities Commission (CNV) to the settlement and clearing agents, as mentioned in note 36 to the accompanying separate financial statements;
- c) we have reviewed the reporting summary required by CNV regulations, based on which, as far as it relates to our area of responsibility, we have no observations; and

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- d) as of December 31, 2019, the accrued liability for retirement and pension contributions payable to the Argentine Pension Fund System arising from the accounting records amounted to \$ 183,392,903, no amounts being due as of that date, and
- e) as required by article 21, paragraph e, Section VI, Chapter III, Title II of NT 2013 of the CNV, we report that:
- the ratio between the total audit services provided by us for the issuance of independent auditors' reports and other special-purpose or attest reports on accounting or financial information invoiced to the Entity and the total amount invoiced to the Bank during the year ended December 31, 2019 is 97%;
 - the ratio between the total audit services invoiced to the Entity and the total audit services invoiced to the Entity and its subsidiaries and related companies is 76%; and
 - the ratio between the total audit services invoiced to the Entity and the total amount invoiced to the Entity and its subsidiaries and related companies, including audit services, is 74%.

City of Buenos Aires, February 19, 2020.

KPMG
Reg. de Asoc. Prof. CPCECABA T° 2 F° 6

Mauricio G. Eidelstein
Partner
Public Accountant (UBA)
T° CLXIX F° 228

Translation from the original prepared in Spanish for publication in Argentina

BANCO PATAGONIA S.A.		
Legal address:		
Avenida de Mayo 701, Floor 24 – City of Buenos Aires – Argentina		
Main business activity: commercial bank	Taxpayer identification No. [C.U.I.T.]: 30 - 50000661 - 3	
Incorporation date: May 4, 1928		
Registration with the Public Registry of Commerce of the City of Buenos Aires	Date	Of the articles of incorporation: 9/18/1928
		Of the latest amendment: 07/13/17
	Book	Stock Corporations Book: 85
		Number: 13826
Expiry of articles of incorporation: August 29, 2038		
Fiscal year No. 96		
Beginning date: January 1, 2019	Closing date: December 31, 2019	
Capital structure (Note 28)		
Number and characteristics of shares	In Argentine pesos	
	Subscribed	Paid in
719,145,237 registered, common shares, with a nominal value of ARS 1, and entitled to one vote each	719,145,237	719,145,237
Information required by the BCRA (Central Bank of Argentina)		
Name of the undersigned auditor:	Mauricio G. Eidelstein	
Professional firm:	KPMG	
Report for the fiscal year ended December 31, 2019	001 – (quarterly closing – Unqualified)	

Marcelo A. Iadarola
Executive manager of Administration

Signed for identification purposes
with our report dated 2/19/2020

By Supervisory Committee

Mónica M. Cukar
Regular Supervisory Auditor
Public Accountant (UBA)
C.P.C.E.C.A.B.A. T° 147 F° 66

Juan M. Trejo
Superintendent
Finance, Administration and Public area

João Carlos de Nobrega Pecego
President

Signed for identification purposes
with our report dated 2/19/2020
KPMG

C.P.C.E.C.A.B.A. Vol. 2 Page 6

Mauricio G. Eidelstein (Partner)
Public Accountant (UBA)
C.P.C.E.C.A.B.A. T° CXX F° 228

BANCO PATAGONIA S.A.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS OF 12/31/2019 AND 12/31/2018
 (Amounts stated in thousands of pesos)

ITEM	NOTES	12/31/19	12/31/18
ASSETS			
Cash and bank deposits	7	44,626,956	34,940,609
Cash on hand		11,671,606	4,752,520
Financial institutions and correspondents		32,955,350	30,188,089
BCRA		32,157,950	29,379,307
Other in Argentina and abroad		797,400	808,782
Debt securities measured at fair value with changes through profit or loss	8	343,498	182,928
Derivative financial instruments	9	77,248	148,988
Repo transactions	10	-	663,435
Other financial assets	11	2,056,266	3,158,092
Loans and other financing facilities (Exhibits B and C)	12	88,135,001	82,549,304
Nonfinancial government sector		22,611	221,825
Other financial institutions		4,239,714	3,617,245
Nonfinancial private sector and foreign residents		83,872,676	78,710,234
Other debt securities	13	42,131,753	23,649,064
Financial assets granted as collaterals	14	3,581,283	2,797,674
Current income tax assets	15 a)	37,344	40,396
Investments in equity instruments	16	843,108	6,347
Investments in subsidiaries, associates and joint ventures	17	231,202	146,853
Property and equipment (Exhibit F)	18	8,030,525	5,494,066
Intangible assets (Exhibit G)	19	130,825	62,630
Deferred income tax assets	15 (b)	1,409,482	72,611
Other non financial assets	20	753,609	347,178
Non-current assets held for sale	21	-	234,831
TOTAL ASSETS		192,388,100	154,495,006

Marcelo A. Iadarola
 Executive manager of Administration

Juan M. Trejo
 Superintendent
 Finance, Administration and Public area

João Carlos de Nobrega Pecego
 President

Signed for identification purposes
 with our report dated 2/19/2020

By Supervisory Committee

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 with our report dated 2/19/2020
 KPMG

C.P.C.E.C.A.B.A. Vol. 2 Page 6

Mónica M. Cukar
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 Public Accountant (UBA)
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Mauricio G. Eidelstein (Partner)
 Public Accountant (UBA)
 C.P.C.E.C.A.B.A. T° CXX F° 228

BANCO PATAGONIA S.A.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
As of 12/31/2019 AND 12/31/2018
 (Amounts stated in thousands of pesos)

ITEM	NOTES	12/31/19	12/31/18
LIABILITIES			
Deposits (Exhibits H)		122,194,308	109,117,039
Nonfinancial government sector		11,995,341	11,995,436
Financial sector		726,871	38,330
Nonfinancial private sector and foreign residents	22	109,472,096	97,083,273
Derivative financial instruments	9	248,669	74,331
Repo transactions	10	-	916,010
Other financial liabilities	23	8,384,103	9,321,695
Financing facilities received from the BCRA and other financial institutions	24	16,555,429	9,358,048
Corporate bonds issued	25	1,035,147	1,678,055
Current income tax liabilities	15 a)	4,708,164	1,757,878
Allowances and provisions (Exhibit J)	26	1,384,068	402,073
Deferred income tax liabilities	15 (b)	-	184,956
Other nonfinancial liabilities	27	4,490,929	3,391,701
TOTAL LIABILITIES		159,000,817	136,201,786
SHAREHOLDERS' EQUITY			
Share capital	28	719,145	719,145
Non-capitalized contributions		217,191	217,191
Retained earnings		10,504,442	8,442,024
Unappropriated retained earnings	48	-	(170,594)
Other comprehensive income		4,314,856	3,734,784
Income for the year		17,631,649	5,350,670
Equity attributable to the owners of the parent company		33,387,283	18,293,220
Equity attributable to non controlling interests (*)		-	-
TOTAL SHAREHOLDERS' EQUITY		33,387,283	18,293,220
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		192,388,100	154,495,006

(*) As of December 31, 2019 and 2018, the net equity attributable to non controlling interests amounts to \$ 165,80 and \$ 90,94, respectively.

Marcelo A. Iadarola
 Executive manager of Administration

Juan M. Trejo
 Superintendent
 Finance, Administration and Public area

João Carlos de Nobrega Pecego
 President

Signed for identification purposes
 with our report dated 2/19/2020

By Supervisory Committee

Signed for identification purposes
 with our report dated 2/19/2020
 KPMG

C.P.C.E.C.A.B.A. Vol. 2 Page 6

Mónica M. Cukar
 Regular Supervisory Auditor
 Public Accountant (UBA)
 C.P.C.E.C.A.B.A. T° 147 F° 66

Mauricio G. Eidelstein (Partner)
 Public Accountant (UBA)
 C.P.C.E.C.A.B.A. T° CXX F° 228

BANCO PATAGONIA S.A.

**CONSOLIDATED STATEMENTS OF INCOME
AS OF 12/31/2019 AND 12/31/2018**
(Amounts stated in thousands of pesos)

ITEM	NOTES	FISCAL YEAR ENDED	
		12/31/2019	12/31/18
Interest income	29	54,913,119	25,306,178
Interest expense	30	(23,630,088)	(11,629,570)
Interest income/loss		31,283,031	13,676,608
Fee income	31	6,404,217	4,949,158
Fee expenses	32	(1,788,814)	(1,052,937)
Fee income/loss		4,615,403	3,896,221
Net gain on financial instruments measured at fair value through profit or loss	33	1,124,106	1,278,077
Gold and foreign currency quoted price difference		2,513,413	1,064,621
Other operating income	34	3,379,049	1,168,575
Charge for Loan Losses		(3,357,019)	(2,409,842)
Net operating income		39,557,983	18,674,260
Benefits to personnel	35	(7,001,578)	(4,668,876)
Administrative expenses	36	(4,927,889)	(3,240,171)
Assets depreciation and impairment of value		(474,713)	(202,130)
Other operating expenses	37	(4,825,299)	(2,930,813)
Operating income		22,328,504	7,632,270
Gain/loss on associates and joint ventures		543,256	373,032
Income before tax relating to continuing operations		22,871,760	8,005,302
Income tax relating to continuing operations	15 b)	(5,240,111)	(2,654,632)
Net income from continuing operations		17,631,649	5,350,670
NET INCOME		17,631,649	5,350,670

Marcelo A. Iadarola
Executive manager of Administration

Signed for identification purposes
with our report dated 2/19/2020

By Supervisory Committee

Mónica M. Cukar
Regular Supervisory Auditor
Public Accountant (UBA)
C.P.C.E.C.A.B.A. T° 147 F° 66

Juan M. Trejo
Superintendent
Finance, Administration and Public area

João Carlos de Nobrega Pecego
President

Signed for identification purposes
with our report dated 2/19/2020
KPMG

C.P.C.E.C.A.B.A. Vol. 2 Page 6

Mauricio G. Eidelstein (Partner)
Public Accountant (UBA)
C.P.C.E.C.A.B.A. T° CXX F° 228

BANCO PATAGONIA S.A.

**CONSOLIDATED STATEMENTS OF INCOME
AS OF 12/31/2019 AND 12/31/2018**
(Amounts stated in thousands of pesos)

NET INCOME	FISCAL YEAR ENDED	
	12/31/19	12/31/18
Income for the year attributable to the owners of the parent company	17,631,649	5,350,670
Income for the year attributable to non controlling interests (*)	-	-

(*) As of December 31, 2019 and 2018, income for the year attributable to non controlling interests amounts to \$ 74.86 and \$ 49.12, respectively.

EARNINGS PER SHARE	FISCAL YEAR ENDED	
	12/31/19	12/31/18
NUMERATOR		
Net income attributable to the shareholders of the parent company	17,631,649	5,350,670
Net income attributable to the shareholders of the parent company adjusted to reflect dilution	17,631,649	5,350,670
DENOMINATOR		
Weighted average outstanding common shares for the year	719,145	719,145
Weighted average outstanding common shares for the year adjusted to reflect dilution	719,145	719,145
Earnings per basic share	24.518	7.440
Earnings per diluted share	24.518	7.440

Marcelo A. Iadarola
Executive manager of Administration

Signed for identification purposes
with our report dated 2/19/2020

By Supervisory Committee

Mónica M. Cukar
Regular Supervisory Auditor
Public Accountant (UBA)
C.P.C.E.C.A.B.A. T° 147 F° 66

Juan M. Trejo
Superintendent
Finance, Administration and Public area

João Carlos de Nobrega Pecego
President

Signed for identification purposes
with our report dated 2/19/2020

KPMG
C.P.C.E.C.A.B.A. Vol. 2 Page 6

Mauricio G. Eidelstein (Partner)
Public Accountant (UBA)
C.P.C.E.C.A.B.A. T° CXX F° 228

BANCO PATAGONIA S.A.

**CONSOLIDATED STATEMENTS OF OTHER COMPREHENSIVE INCOME
AS OF 12/31/2019 AND 12/31/2018**
(Amounts stated in thousands of pesos)

ITEM	FISCAL YEAR ENDED	
	12/31/19	12/31/18
NET INCOME	17,631,649	5,350,670
Components of other comprehensive income that will not be reclassified to income for the year		
Revaluation of property and equipment and intangible assets	1,592,936	2,253,473
Revaluation of property and equipment and intangible assets (Exhibit F)	2,138,154	3,007,365
Income tax	(545,218)	(753,892)
TOTAL OTHER COMPREHENSIVE INCOME THAT WILL NOT BE RECLASSIFIED TO INCOME FOR THE YEAR	1,592,936	2,253,473
Components of other comprehensive income that will be reclassified to income for the year		
Exchange differences on translation of financial statements	143,276	153,036
Exchange differences for the year	191,035	204,048
Income tax	(47,759)	(51,012)
Gains or losses on financial instruments carried at fair value through OCI (paragraph 4.1.2 of IFRS 9)	(1,156,140)	(149,635)
Gains for the year on financial instruments carried at fair value through OCI	(1,555,093)	(187,632)
Income tax	398,953	37,997
TOTAL OTHER COMPREHENSIVE INCOME THAT WILL BE RECLASSIFIED TO INCOME FOR THE YEAR	(1,012,864)	3,401
TOTAL OTHER COMPREHENSIVE INCOME	580,072	2,256,874
TOTAL COMPREHENSIVE INCOME	18,211,721	7,607,544
Attributable to the owners of the parent company	18,211,721	7,607,544

Marcelo A. Iadarola
Executive manager of Administration

Signed for identification purposes
with our report dated 2/19/2020

By Supervisory Committee

Mónica M. Cukar
Regular Supervisory Auditor
Public Accountant (UBA)
C.P.C.E.C.A.B.A. T° 147 F° 66

Juan M. Trejo
Superintendent
Finance, Administration and Public area

João Carlos de Nobrega Pecego
President

Signed for identification purposes
with our report dated 2/19/2020

KPMG
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Translation from the original prepared in Spanish for publication in Argentina

BANCO PATAGONIA S.A.

**CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
AS OF 12/31/2019**

(Amounts stated in thousands of pesos)

Changes	Capital stock (1)	Non-capitalized contributions	Other comprehensive income			Retained earnings		Unappropriated retained earnings	Total equity attributable to controlling interests	Total shareholders' equity as of 12/31/2019
	Outstanding	Additional paid-in capital	Foreign exchange differences arising from the translation of financial statements	Revaluation of property and equipment	Accumulated gains/losses from financial instruments at fair value with changes through OCI	Legal	Other			
Balances at beginning of year	719,145	217,191	180,067	3,664,657	(109,940)	3,252,830	5,189,194	5,180,076	18,293,220	18,293,220
Distribution of unappropriated retained earnings as approved by the Annual Shareholders' Meeting held on 04/25/2019 (2)										
- Legal reserve	-	-	-	-	-	1,070,134	-	(1,070,134)	-	-
- Optional reserve – Future distribution of earnings	-	-	-	-	-	-	1,605,201	(1,605,201)	-	-
- Absorption of adjustment from IFRS-first-time adoption	-	-	-	-	-	-	(170,594)	170,594	-	-
- Cash dividends (2)	-	-	-	-	-	-	-	(2,675,335)	(2,675,335)	(2,675,335)
Partial reversal of the optional reserve as approved by the Annual Shareholders' Meeting held on 7/15/2019										
- Cash dividends (3)	-	-	-	-	-	-	(442,323)	-	(442,323)	(442,323)
Income for the year	-	-	-	-	-	-	-	17,631,649	17,631,649	17,631,649
Other comprehensive income for the year	-	-	143,276	1,592,936	(1,156,140)	-	-	-	580,072	580,072
Balances at year-end	719,145	217,191	323,343	5,257,593	(1,266,080)	4,322,964	6,181,478	17,631,649	33,387,283	33,387,283

(1) See Note 28

(2) It relates to \$ 3.7202 per share

(3) It relates to \$ 0.6151 per share

(4) See Note 48.

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BANCO PATAGONIA S.A.

**CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
AS OF 12/31/2018**

(Amounts stated in thousands of pesos)

Changes	Capital stock (1)	Non-capitalized contributions	Other comprehensive income			Retained earnings		Unappropriated retained earnings	Total equity attributable to controlling interests	Total shareholders' equity as of 12/31/18
	Outstanding	Additional paid-in capital	Foreign exchange differences arising from the translation of financial statements	Revaluation of property and equipment	Accumulated gains/losses from financial instruments at fair value with changes through OCI	Legal	Other			
Balances at beginning of year	719,145	217,191	27,031	1,411,184	39,695	2,541,788	4,122,631	3,384,617	12,463,282	12,463,282
Distribution of unappropriated retained earnings as approved by the Annual Shareholders' Meeting held on 04/25/2018										
- Legal reserve	-	-	-	-	-	711,042	-	(711,042)	-	-
- Optional reserve – Future distribution of earnings	-	-	-	-	-	-	1,066,563	(1,066,563)	-	-
- Cash dividends (2)	-	-	-	-	-	-	-	(1,777,606)	(1,777,606)	(1,777,606)
Income for the year	-	-	-	-	-	-	-	5,350,670	5,350,670	5,350,670
Other comprehensive income for the year	-	-	153,036	2,253,473	(149,635)	-	-	-	2,256,874	2,256,874
Balances at year-end	719,145	217,191	180,067	3,664,657	(109,940)	3,252,830	5,189,194	5,180,076	18,293,220	18,293,220

(1) See Note 28

(2) It corresponds to \$ 2.4718 per share.

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BANCO PATAGONIA S.A.

CONSOLIDATED STATEMENTS OF CASH FLOWS
AS OF 12/31/2019 AND 12/31/2018
 (Amounts stated in thousands of pesos)

ITEM	12/31/19	12/31/18
Cash flows from operating activities		
Income for the year before income tax	22,871,760	8,005,302
Adjustments to obtain cash flows from operating activities:	(1,021,592)	(3,935,583)
Assets depreciation and impairment of value	474,713	202,130
Charge for Loan Losses	3,357,019	2,409,842
Other adjustments	(4,853,324)	(6,547,555)
Net decreases from operating assets:	(23,212,003)	(75,085,175)
Debt securities measured at fair value with changes through profit or loss	(145,067)	63,772
Derivative financial instruments	71,740	(114,787)
Repo transactions	663,435	289,415
Loans and other financing facilities	(2,907,116)	(58,095,392)
Nonfinancial government sector	(692)	(36,299)
Other financial institutions	(117,874)	(1,315,402)
Nonfinancial private sector and foreign residents	(2,788,550)	(56,743,691)
Other debt securities	(18,161,916)	(14,340,891)
Financial assets granted as collaterals	(783,609)	(1,061,038)
Investment in equity instruments	(1,451,837)	7,326
Other assets	(497,633)	(1,833,580)
Net increases from operating liabilities:	7,457,839	119,559,050
Deposits	9,123,418	95,638,352
Nonfinancial government sector	816,199	5,002,575
Financial sector	83,344	13,844
Nonfinancial private sector and foreign residents	8,223,875	90,621,933
Liabilities measured at fair value with changes through profit or loss	-	(124,934)
Derivative financial instruments	174,338	60,273
Repo transactions	(916,010)	(941,070)
Financing facilities received from the BCRA and other financial institutions	5,343,300	20,738,859
Other liabilities	(6,267,207)	4,187,570
Income tax payments	(1,655,854)	(1,895,735)
TOTAL OPERATING ACTIVITIES (A)	4,440,150	46,647,859

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CONSOLIDATED STATEMENTS OF CASH FLOWS
AS OF 12/31/2019 AND 12/31/2018
(Amounts stated in thousands of pesos)

ITEM	12/31/19	12/31/18
Cash flows from investing activities		
Payments:		
Purchase of property, plant and equipment, intangible assets and other assets	(988,363)	(293,802)
Collections:		
Sale of interest in Prisma Medios de Pago S.A.	849,907	-
Sale of property, plant and equipment, intangible assets and other assets	524,885	128,853
TOTAL INVESTING ACTIVITIES (B)	386,429	(164,949)
Cash flows from financing activities		
Payments:		
Dividends	(3,117,658)	(1,777,606)
Unsubordinated corporate bonds	(1,677,518)	(2,214,615)
Financing facilities from local financial institutions	(618,380)	(191,721)
Payment for leases	(268,893)	-
Collections:		
Unsubordinated corporate bonds	497,548	945,640
TOTAL FINANCING ACTIVITIES (C)	(5,184,901)	(3,238,302)
EFFECTS OF EXCHANGE RATE CHANGES (D)	10,044,669	(22,726,401)

TOTAL CHANGES IN CASH FLOWS	12/31/19	12/31/18
NET INCREASE IN CASH AND CASH EQUIVALENTS (A + B + C + D)	9,686,347	20,518,207
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	34,940,609	14,422,402
CASH AND CASH EQUIVALENTS AT YEAR-END	44,626,956	34,940,609

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BANCO PATAGONIA S.A.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2019
COMPARATIVELY PRESENTED WITH THE PRIOR YEAR**
(Amounts stated in thousands of pesos)

NOTE 1 – GENERAL INFORMATION

Banco Patagonia S.A. (the “Bank”) 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 financial statements include the Bank and its subsidiaries (collectively, the “Group”). The subsidiaries of the Bank are:

- GPAT Compañía Financiera S.A.U. (GPAT): it 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 channels the mutual fund management business. Mutual funds are traded exclusively through the Bank, which, in turn, operates as a mutual funds custodian.
- Patagonia Valores S.A.: it is the company authorized for 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. 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, the Bank’s shares have been publicly offered and listed on Bolsa y Mercados Argentinos (BYMA) and BOVESPA (São Paulo Stock Exchange) (B3).

As to the regime of public offer, the Bank is regulated by the Capital Markets Law No. 26831, enacted on December 27, 2012 and amended by the Production Financing Law No. 27440 enacted on May 10, 2018 and regulated by Decree No. 471/2018 of the Executive Branch on May 17, 2018.

Regarding the listing of shares on B3, the Shareholders at the annual and extraordinary meeting held on April 25, 2019 approved the cancellation of the listing on B3, the deregistration of Banco Patagonia S.A. as a foreign issuer of securities with the Securities and Exchange Commission (CVM) of Brazil and the cancellation of the BDRs program.

Such decision was based on the low liquidity of the Bank’s BDR and is aimed at concentrating the trading of securities issued by the Bank on “Bolsas y Mercados Argentinos – ByMA”.

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Finally, on October 18, 2019, the CVM approved the definitive cancellation of the BDRs program as well as the deregistration of Banco Patagonia S.A. as a foreign issuer registered as a public company; this was the last requirement to be met for the Bank to be deregistered from the Brazilian capital market.

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

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.

NOTE 2 – BASIS FOR THE PREPARATION OF THE FINANCIAL STATEMENTS

2.1 Basis for presentation

These consolidated financial statements for the fiscal year ended December 31, 2019 have been prepared in accordance with the regulations of the Argentine Central Bank (BCRA) (hereinafter, “BCRA accounting information framework”), which state that the institutions under its supervision should submit financial statements prepared under the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), subject to the following exceptions:

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FOR THE FISCAL YEAR ENDED DECEMBER 31, 2019
COMPARATIVELY PRESENTED WITH THE PRIOR YEAR**
(Amounts stated in thousands of pesos)

- a) Application of the impairment model of section 5.5. "Impairment of Value" of IFRS 9 "Financial Instruments", applicable to "Allowance for loan losses".

The referred regulations will be applicable for fiscal years beginning on or after January 1, 2020, except for the nonfinancial government sector debt instruments in accordance with BCRA Communication "A" 6847.

The Group is calculating the impact derived from the initial adoption of such regulations as of December 31, 2019.

- b) Application of International Accounting Standard 29 (IAS 29) "Financial Reporting in Hyperinflationary Economies" due to the effectiveness of Communication "A" 6651 issued by the BCRA (See Note 3) Such regulation will be applicable to fiscal years beginning on or after January 1, 2020.
- c) Regarding the valuation of Prisma Medios de Pago S.A., these consolidated financial statements for the fiscal year ended December 31, 2019, consider the guidelines established by the BCRA, whereby the accounting treatment to be given to the remaining investment held in such company is stated, which is recorded in "Investments in equity instruments" as of December 31, 2019 (See Notes 16 and 21).

Additionally, BCRA Communications "A" 6323 and "A" 6324 set forth the guidelines for the preparation and presentation of the financial institutions' financial statements, including the information additional requirements as well as the information to be disclosed in the Exhibits.

2.2 Seasonality of transactions

The Group's activity is not deemed to be seasonal.

2.3 Comparative information

For comparative purposes, necessary reclassifications were made on prior-year financial statements in order to disclose the figures on a consistent basis. The modification of the comparative information does not imply changes in the decisions taken based thereon.

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2019
COMPARATIVELY PRESENTED WITH THE PRIOR YEAR**
(Amounts stated in thousands of pesos)

NOTE 3 – FUNCTIONAL AND PRESENTATION CURRENCY

The Bank considers the Argentine peso as its functional and presentation currency. Figures are stated in thousands of pesos, unless otherwise stated.

IAS 29 - "Financial Reporting in Hyperinflationary Economies" requires that the financial statements of an entity whose functional currency corresponds to a hyperinflationary economy should be stated in terms of the measuring unit current at the end of the reporting period, notwithstanding whether they are based on the historic cost method or the current cost method. Accordingly, inflation is computed in the non-monetary items as from acquisition date or revaluation date, as applicable. In order to determine whether an economy is hyperinflationary, the IAS describes a number of guidelines to be considered, including the cumulative inflation rate over three years approaching, or exceeding 100%.

Due to the increase in inflation levels experienced by the Argentine economy, a general consensus has been reached over the fact that Argentina meets the requirements established to be considered an inflationary economy under IAS 29. Based on the aforementioned, it is necessary to apply IAS 29 to present the financial information under IFRS for the annual or interim periods as from July 1, 2018.

Should IAS 29 be applied, the monetary restatement of the financial information shall be retroactively made as if the economy has always been hyperinflationary. Items of property and equipment are restated from revaluation date or from acquisition date, as applicable. In addition, prior fiscal year or period figures presented for comparative purposes shall be restated for inflation, which does not imply changes in the decisions taken based on the financial information for such fiscal years or periods.

On December 3, 2018, Law No. 27468 repealed Decree 1269/2002, as amended, whereby the companies did not apply any inflation accounting method as from March 1, 2003. Additionally, it further sets forth that the Executive Branch through the corresponding controlling authorities and the BCRA shall define the date as from which the financial statements must be prepared by applying constant currency.

Through the amendments to Chapter III, section 3, paragraph 1 of Title IV of the Standards (N.T. 2013 and amendments) published on December 26, 2018, the CNV stated that it is mandatory to file the financial information in constant currency applicable to annual, interim or special-purpose financial statements for fiscal years ended on or after December 31, 2018.

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2019
COMPARATIVELY PRESENTED WITH THE PRIOR YEAR**
(Amounts stated in thousands of pesos)

As indicated in Note 2.1.b), and as provided for by BCRA Communication "A" 6651 issued on February 22, 2019, which established the adoption of IAS 29 for fiscal years beginning on or after January 1, 2020, the Bank has not restated its financial statements to reflect the effects of inflation.

The financial statements as of December 31, 2019 of the subsidiaries Patagonia Inversora S.A. and Patagonia Valores S.A. were prepared in constant currency as provided for by CD Resolution 107/18 of the Professional Council of Economic Sciences of the City of Buenos Aires (CPCECABA) which established the need for restating in constant currency the financial statements for fiscal years ended on or after July 1, 2018 in line with JG FACPCE Resolution 539/18 dated September 29, 2018.

For the purposes of preparing the consolidated financial statements in accordance with the BCRA accounting framework, the Bank has made the necessary adjustments to eliminate any inflation accounting during the process for consolidating subsidiaries.

On September 5, 2019, the BCRA issued Communication "A" 6778, which provided for the monthly frequency for the restatement of accounting information and the index to be used. To that end, the Consumer price index (IPC) shall be used. Additionally, it added the accounts necessary to recognize the gain or loss on net monetary position.

On December 27, the BCRA established, through Communication "A" 6849, the supplementary guidelines to apply the restatement procedures, including the initial application of the comprehensive inflation adjustment at the transition date and at the end of the comparative period.

The existence of an inflationary context affects the Bank's financial position and results of operations and, therefore, the impact of inflation may distort the financial information and shall be considered when the information about the financial position, comprehensive income and cash flows provided by the Bank in its accompanying financial statements is interpreted.

Accordingly, as of December 31, 2019 and for the fiscal year then ended, the Bank has estimated the impact on the financial statements arising from the restatement in constant currency, which would result in the increase in net equity of 912,674 and a decrease in the total comprehensive income of 8,697,398.

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2019
COMPARATIVELY PRESENTED WITH THE PRIOR YEAR**
(Amounts stated in thousands of pesos)

NOTE 4 – JUDGMENTS AND ACCOUNTING 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.

4.1. Judgments

Information about judgments in applying the accounting policies that may significantly affect the amounts recognized in the consolidated financial statements is described in Note 5 "Significant accounting policies" under the following sections:

- 5.1. "Consolidation bases" as to the existence of control over other entities.
- 5.4.b) "Classification of financial assets".
- 5.4.g) "Impairment of financial assets".
- 5.11 "Allowances and provisions".
- 5.16.a) "Leases - The Group as lessee".

4.2. Assumptions and estimates on uncertainties

Information on assumptions and estimates about uncertainties, which are more likely to turn into a material adjustment to these consolidated financial statements is included in the following notes:

- Note 40.b.3) "Valuation techniques of Levels 2 and 3".
- Note 12 "Loans and other financing facilities", as to financial assets impairment.
- Note 15 "Income tax" and Note 5.17 "Current and deferred income tax", as to the availability of future taxable income against which deferred tax assets can be used.
- Note 26 "Allowances and provisions", as to the likelihood and size of the disbursements.

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2019
COMPARATIVELY PRESENTED WITH THE PRIOR YEAR**
(Amounts stated in thousands of pesos)

4.3. 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.

NOTE 5 – SIGNIFICANT ACCOUNTING POLICIES

The Group has consistently applied the following accounting policies to all the fiscal years presented in these consolidated financial statements except for the recognition and measurement of leases as from January 1, 2019, when IFRS 16 became effective.

The new revised IFRS and IAS mandatorily effective as from January 1, 2019 did not have any effects on these consolidated financial statements, except as mentioned above.

5.1. Consolidation bases

a) Subsidiaries

Subsidiaries are all entities over which the Group has control. The Group 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 Group reassess whether it keeps the control over the entity when any of the conditions above changes.

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Executive manager of Administration

Signed for identification purposes
with our report dated 2/19/2020

By Supervisory Committee

Juan M. Trejo
Superintendent
Finance, Administration and Public area

João Carlos de Nobrega Pecego
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Subsidiaries are fully consolidated from the date on which control is transferred to the group and until such control ceases.

b) Non-controlling interest

Non-controlling interests account for the portion of profit or loss and equity not owned by the Group, and they are presented separately in the consolidated statement of income, of other comprehensive income, of financial position and of changes in shareholders' equity.

c) Mutual funds

The Group acts as a mutual fund manager (see Note 52). 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 manager 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.

d) 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.

e) 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.

5.2) Foreign currency

a) 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.

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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.

Foreign exchange differences are recognized in the Consolidated statement of income in the line "Gold and foreign currency quoted price difference".

b) 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 "Exchange differences on translation of financial statements".

5.3 – 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.

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5.4 - Financial assets and liabilities

a) 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 the purchases of financial instruments under a non-optional agreement to repurchase the instruments at a fixed price (repos) as financing facilities granted in the line "Repo transactions" in the Consolidated statement of financial position. The difference between the purchase and sale prices of those instruments is recorded as interest, which is accrued over the effective term of transactions using the effective interest rate method.

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.

b) 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.

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.

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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.

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

This category includes derivative financial instruments.

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.

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.

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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) 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.

d) 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.

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The Group recognizes the sales of financial instruments under a non-optional agreement to repurchase the instruments at a fixed price (repos) as financing facilities received in the line "Repo transactions" in the Consolidated statement of financial position. The difference between the purchase and sale prices of those instruments is recorded as interest, which is accrued over the effective term of transactions using the effective interest rate method.

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 have 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. Any gain or loss is recognized in the line "Other operating income— due to derecognition or substantial modification of financial liabilities" of the Consolidated statement of income.

d) 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.

f) 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).

g) Impairment of financial assets

As indicated in Note 2, the BCRA, through the provisions of Communication "A" 2950 and amendments, stated that financial institutions should continue applying the model for the recognition of impairment of financial assets effective as of December 31, 2017. Such regulations require the financial institutions to:

- Provide a debtors' classification by status in accordance with the BCRA guidelines; and
- Recognize an allowance for loan losses based on a table that determines the percentage subject to the allowance considering the debtors' classification and the existence of guarantees.

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The BCRA requires that clients included in the commercial portfolio be separately analyzed and classified by status. The commercial portfolio includes receivables over a certain amount determined by the BCRA, the payment of which is related to the changes in the production or commercial activity of the client. The assessment of the debtor's repayment capacity is based on the estimated cash flows considering the updated financial information and the related sector parameters as well as other circumstances of the economic activity.

The consumer portfolio is globally analyzed and debtors are classified according to their past due status. The consumer portfolio includes home loans, and loans below a given amount determined by the BCRA.

The increases in the allowance for loan losses related to "Loans and other financing facilities" are recognized in the line "Charge for loan losses" of the Consolidated statement of income.

5.5 Investment in associates and joint ventures

An associate is an entity over which the group has significant influence but not control or joint control over its financial and operating policies. A joint venture is an arrangement, whereby the Group has a joint control and rights to the net assets of the arrangement instead of rights to the assets and liabilities of the business.

Interests in associates are recognized by using the equity method. They are initially recognized at cost, including the transactions costs. After the initial recognition, the consolidated financial statements include the Group's share in profit or loss and in OCI of the investments recognized under the equity method until significant influence or joint control cease.

5.6 Property and equipment

The Group applies the revaluation model as the accounting policy for the real estate classified as property and equipment (PP&E). For 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.

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Frequency of revaluations will depend on the changes in fair value of the items classified under this model. When the fair value of the asset 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 and intangibles.

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.

5.7 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.

5.8 – Other non financial assets

a) Works of art and collection items

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

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b) 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.

5.9 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.

5.10 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.

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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.

5.11 Allowances and 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.

5.12 Employee benefits

Short term 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.

5.13 Share capital

The incremental transaction costs directly attributable to the issue of common shares are recognized as a reduction in the contributions received net of the related income tax.

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5.14 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.

5.15 Fee income and expenses

This account includes fee income and expenses related to contracts with customers within the scope of IFRS 15.

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 (see Note 5.14).

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".

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

Marcelo A. Iadarola
Executive manager of Administration

Signed for identification purposes
with our report dated 2/19/2020

By Supervisory Committee

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Juan M. Trejo
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BANCO PATAGONIA S.A.

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5.16 Leases

The Group has adopted IFRS 16 "Leases" as from January 1, 2019. The referred rule replaces IAS 17 "Leases" and was adopted by the BCRA by means of Communication "A" 6560.

IFRS 16 introduces a single model for lease accounting and requires the recognition of a right-of-use asset and the related lease liability reflecting future lease payments.

a) The Group as a Lessee

The Group acts as a lessee in the lease agreements of a given number of branches.

At the date in which the Group has the underlying asset available, it recognizes a right-of-use asset and a lease liability.

The referred asset is stated at cost, which includes the value at beginning of the period of the lease liability, the lease payments made, the direct costs at beginning of the period and the estimated expenses to be incurred to leave the underlying asset in the conditions required by the lease agreement, where applicable.

The lease liability is recognized as the present value of the lease payments pending upon recognition of the agreement, and discounted at the incremental rate of the effective loans.

After initial recognition, the Group states the value of its right-of-use assets by applying the cost model, which implies the deduction of the accumulated depreciation and accumulated impairment losses from the initial value.

The depreciation model adopted is the straight-line method over the term of the lease.

Lease liabilities accrue interest at the discount rate with impact on profit or loss, and they decrease with every contract payment effectively made.

b) Short-term leases or leases for low-value underlying assets

Within the framework of IFRS 16, for those short-term leases or where the underlying asset has a low-value, the Group elected to recognize the payments associated with these agreements as expenses in profit or loss over the term of the lease.

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This election is taken on a lease-by-lease basis.

c) The Group as a Lessor

IFRS 16 states that the lessor shall classify leases into finance and operating leases. The Standard defines finance leases as leases that transfer substantially all the risks and rewards of ownership of an underlying asset. If such transfer does not occur, there is an operating lease.

- Finance leases

Finance leases are recognized as accounts receivable in the same amount as the lease net investment, which includes commissions, fees and transaction costs that are those incremental and directly attributable to the lease negotiation and contract.

Finance leases are recognized at the current value of the payments to be received from the lessee, including the price for exercising the purchase option when the contract is terminated, if there is reasonable assurance about the exercise of the option. To determine the current value, cash flows are discounted by applying the lease imputed rate. Interest on finance leases is recognized in the line interest income-financial sector.

The lease net investment is subject to the analysis of the impairment of financial assets.

- Operating leases

Operating lease payments are recognized in profit or loss for the period over the term of the lease.

Initial impact

Regarding the initial impact of this Standard on these Financial Statements, the Group 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, without modifying the comparative information. Based on this approach, the Bank has recognized right-of-use assets and a lease liabilities in the amount of approximately 283,724 mainly from the lease contracts of offices for its network of branches.

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5.17 Current and deferred 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.

a) Current tax

Current income tax comprises the tax payable or advances made in connection with the taxable income for the year 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.

b) 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.

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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.

c) 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. This regulation was amended by Law No. 27541 enacted by Decree No. 58/2019 of the Executive Branch dated December 23, 2019, which suspended the rates reduction up to the fiscal years beginning on or after January 1, 2021, included.

The reduction in the corporate rate is gradually implemented from 35% for fiscal period 2017, to 30% for fiscal years 2018 to 2021, and to 25% for the fiscal years beginning on or after January 1, 2022. 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 the fiscal years beginning on or after January 2021 included, the applicable rate is 30%. If the reversal takes place as from January 1, 2021 onwards, the applicable rate is 25%. (See Note 15).

Additionally, the tax reform provides for the following aspects, among others: amendments to the equalization tax, inflation adjustment for tax purposes, treatment to acquisitions and investments made as from January 1, 2018, revaluation for tax purposes and employers' contributions.

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d) 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.

e) 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, 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.

5.18 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, 2019 and 2018, the Group does not hold diluted financial instruments, therefore, basic and diluted earnings per share are the same.

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NOTE 6 – IFRS ISSUED BUT NOT YET IN FORCE

A number of new standards and amendments will be applicable on or after January 1, 2020.

In accordance with Communication “A” 6114, BCRA stated as a general rule that no early adoption of IFRS will be admitted, unless specifically admitted upon adoption.

In connection with IFRS 9, Section 5.5 Impairment, BCRA Communication “A” 6430 dated January 12, 2018 provided for the application thereof for fiscal years beginning on January 1, 2020, except for the debt instruments of the nonfinancial government sector in accordance with Communication “A” 6847 dated December 27, 2019. The Group is calculating the impact derived from the initial adoption of such regulations as of December 31, 2019.

On the other hand, BCRA Communication “A” 6651 dated February 22, 2019 provided for the application of the restatement in constant currency imposed by IAS 29 in hyperinflationary contexts for fiscal years beginning on or after January 1, 2020. The estimate of the initial application of this regulation is disclosed in Note 3 to these financial statements.

There are no other regulations issued that may become in force as from January 2020 with a significant effect on the entity.

NOTE 7 – CASH AND BANK DEPOSITS

Cash and cash equivalents computed for the purposes of preparing the consolidated statement of cash flows include the following items:

	<u>12/31/19</u>	<u>12/31/18</u>
Cash on hand	11,671,606	4,752,520
BCRA - Current account	32,157,950	29,379,307
Balances with financial institutions in Argentina and abroad	797,400	808,782
Total	<u>44,626,956</u>	<u>34,940,609</u>

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NOTE 8 – DEBT SECURITIES MEASURED AT FAIR VALUE WITH CHANGES THROUGH PROFIT OR LOSS

Breakdown is as follows:

	<u>12/31/19</u>	<u>12/31/18</u>
Argentine Treasury securities (*)	143,236	65,835
Argentine corporate securities	101,320	515
Argentine government securities	93,777	110,946
Government securities of the Provinces	5,165	5,632
Total	<u>343,498</u>	<u>182,928</u>

(*) see Note 61.

NOTE 9 – DERIVATIVE INSTRUMENTS

In the ordinary course of business, the Group completed forward foreign currency transactions with daily settlement of differences or at maturity, without delivery of the underlying assets and forward foreign currency transactions. Such transactions do not qualify as hedging as per IFRS 9 Financial Instruments.

The referred instruments are measured at fair value and changes in fair value are recognized in the Consolidated statement of income in the lines “Net Gain/ loss on financial assets carried at fair value with changes recognized through profit or loss”.

Breakdown is as follows:

	<u>12/31/19</u>	<u>12/31/18</u>
Effective securities		
Assets		
Forward foreign currency	77,248	148,988
Total	<u>77,248</u>	<u>148,988</u>
Liabilities		
Forward foreign currency	244,545	16,341
Forward foreign currency transactions	4,124	57,990
Total	<u>248,669</u>	<u>74,331</u>

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Notional securities	<u>12/31/2019</u>	<u>12/31/18</u>
Assets		
Forward foreign currency	20,327	2,243
Forward foreign currency transactions	2,883	73,999
Total	<u><u>23,210</u></u>	<u><u>76,242</u></u>
Liabilities		
Forward foreign currency	21,210	64,542
Forward foreign currency transactions	883	2,000
Total	<u><u>22,093</u></u>	<u><u>66,542</u></u>

NOTE 10 – REPO TRANSACTIONS

Breakdown is as follows:

	<u>12/31/19</u>	<u>12/31/18</u>
Assets		
Government securities	-	15,935
Instruments issued by the BCRA	-	647,500
Total	<u><u>-</u></u>	<u><u>663,435</u></u>
Liabilities		
Government securities	-	20,865
Instruments issued by the BCRA	-	895,145
Total	<u><u>-</u></u>	<u><u>916,010</u></u>

NOTE 11 – OTHER FINANCIAL ASSETS

Breakdown is as follows:

	<u>12/31/19</u>	<u>12/31/18</u>
Measured at amortized cost		
Sundry receivables from the sale of Prisma Medios de Pago S.A. (21)	969,594	-
Receivables from spot sales of foreign currency to be settled	360,533	1,980,578
Receivables from spot sales of government securities to be settled	24,199	286,222
Sundry receivables	1,228,903	665,315
Sub - Total	<u><u>2,583,229</u></u>	<u><u>2,932,115</u></u>
Measured at fair value with changes through profit or loss		
Mutual fund shares	458,568	244,451
Sub - Total	<u><u>458,568</u></u>	<u><u>244,451</u></u>
Less: Allowance for loan losses (Exhibit R)	(985,531)	(18,474)
Total	<u><u>2,056,266</u></u>	<u><u>3,158,092</u></u>

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NOTE 12 – LOANS AND OTHER FINANCING FACILITIES

The Group holds loans and other financing facilities under a business model whose objective is to collect the contractual cash flows. Consequently, loans and other financing facilities are measured at amortized cost, unless the conditions thereof do not meet the “solely payments of principal and interest” criterion; then, they are measured at fair value with changes in profit or loss.

Loans and other financing facilities classified on the basis of their measurement are as follows:

	<u>12/31/19</u>	<u>12/31/18</u>
Measured at amortized cost	93,179,975	86,415,663
Less: Allowance for loan losses (Exhibit R)	(5,044,974)	(3,866,359)
Total	<u>88,135,001</u>	<u>82,549,304</u>

Breakdown of loans and other financing facilities is as follows:

	<u>12/31/19</u>	<u>12/31/18</u>
Overdrafts	19,094,928	11,227,037
Notes	26,476,109	29,902,692
Mortgage loans	1,147,212	950,139
Car loans	3,247,414	4,256,974
Consumer	8,388,834	9,829,349
Credit cards	15,790,615	12,766,498
Finance leases (Note 47)	528,665	998,913
Interest and other adjustment	4,339,915	1,969,193
Other	14,166,283	14,514,868
Sub - Total	<u>93,179,975</u>	<u>86,415,663</u>
Less: Allowance for loan losses (Exhibit R)	(5,044,974)	(3,866,359)
Total	<u>88,135,001</u>	<u>82,549,304</u>

Loans and financing facilities classified by status (determined according to the BCRA criteria) and guarantees received as well as the reconciliation of information and accounting balances are reported in Exhibit “B”.

Information about loan and other financing facilities concentration as well as the reconciliation of information and accounting balances is reported in Exhibit “C”.

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Quality of loans and other financing facilities

The Bank manages the quality of loans through ratings established by the BCRA. The following table classifies loans into delinquent, impaired or neither delinquent nor impaired:

<u>Item</u>	<u>Neither delinquent nor impaired</u>	<u>Delinquent, not impaired</u>	<u>Impaired</u>	<u>Total as of 12/31/19</u>
Overdrafts	18,704,159	293,059	97,710	19,094,928
Notes	25,385,231	538,108	552,770	26,476,109
Mortgage loans	1,145,259	654	1,299	1,147,212
Car loans	2,284,765	898,566	64,083	3,247,414
Consumer	6,964,897	567,274	856,663	8,388,834
Credit cards	15,200,832	479,431	110,352	15,790,615
Finance lease	480,467	29,817	18,381	528,665
Interest and other adjustment	4,121,738	75,626	142,551	4,339,915
Other	11,136,155	2,588,956	441,172	14,166,283
Total	85,423,503	5,471,491	2,284,981	93,179,975

<u>Item</u>	<u>Neither delinquent nor impaired</u>	<u>Delinquent, not impaired</u>	<u>Impaired</u>	<u>Total as of 12/31/18</u>
Overdrafts	10,697,615	415,527	113,895	11,227,037
Notes	28,332,361	1,473,855	96,476	29,902,692
Mortgage loans	119	949,770	250	950,139
Car loans	3,625,877	561,837	69,260	4,256,974
Consumer	8,354,831	1,039,534	434,984	9,829,349
Credit cards	11,968,322	756,891	41,285	12,766,498
Finance lease	926,839	63,404	8,670	998,913
Interest and other adjustment	1,721,586	175,556	72,051	1,969,193
Other	13,866,993	350,164	297,711	14,514,868
Total	79,494,543	5,786,538	1,134,582	86,415,663

The other financial assets are neither delinquent nor impaired.

Allowances for loan and other financing facilities losses

Changes in allowances according to the financing classification are reported in Exhibit "R", Loss impairment adjustment—Allowance for loan losses

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(Amounts stated in thousands of pesos)

NOTE 13 – OTHER DEBT SECURITIES

Breakdown is as follows:

Measured at fair value with changes through OCI (*)

	<u>12/31/19</u>	<u>12/31/18</u>
BCRA instruments	34,567,621	17,446,079
Argentine Treasury securities	5,608,557	5,166,380
Argentine government securities	432,895	446,674
Government securities of the Provinces	289,670	288,418
Treasury bonds of USA	208,401	112,086
Sub - Total	<u>41,107,144</u>	<u>23,459,637</u>

Measured at amortized cost (*)

	<u>12/31/19</u>	<u>12/31/18</u>
Argentine Treasury securities	702,453	37,469
Argentine corporate securities	202,336	74,361
BCRA instruments	119,820	-
Government securities of the Provinces	-	10,462
Argentine government securities	-	67,135
Sub - Total	<u>1,024,609</u>	<u>189,427</u>
Total	<u>42,131,753</u>	<u>23,649,064</u>

(*) see Note 61.

NOTE 14 – FINANCIAL ASSETS GRANTED AS COLLATERAL

Financial assets granted as collaterals are broken down as follows:

	<u>12/31/19</u>	<u>12/31/18</u>
Special guarantee accounts (*)	1,668,863	1,077,553
BCRA - Financial trusts under guarantee of forward transactions	1,120,472	983,324
- - Treasury bills in USD, maturity 5/15/2020	615,351	-
- - Treasury bills in USD, maturity 8/31/2020 (**)	262,612	-
- - Treasury bills in USD, maturity 4/11/2020	138,737	-
- - Treasury bills in USD, maturity 8/31/2020 (**)	103,772	-
- Other	-	983,324

Marcelo A. Iadarola
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Juan M. Trejo
Superintendent
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João Carlos de Nobrega Pecego
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C.P.C.E.C.A.B.A. Vol. 2 Page 6

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BANCO PATAGONIA S.A.

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	<u>12/31/19</u>	<u>12/31/18</u>
Security deposits – Credit and debit card managers	426,358	451,702
Security deposits – IADB loan – Global Credit Program for micro-, small- and medium-sized enterprises	350,235	270,507
- Treasury bills in USD, maturity 4/10/2020	166,485	-
- Argentine Government Bond, maturity 03/06/20	124,866	-
- Treasury bills in USD, maturity 8/31/2020 (**)	41,268	-
- Treasury bond in \$ adjusted by CER 2.25%, maturity. 04/28/20	16,037	-
- Consolidation bonds 8th Series, maturity 10/04/22	1,579	-
- Other	-	270,507
Other security deposits	15,355	14,588
Total	<u>3,581,283</u>	<u>2,797,674</u>

(*) Granted as collateral and held with the BCRA and Banco Central de Uruguay (see Note 49).

(**) See Note 61.

NOTE 15 - INCOME TAX

a) Current income tax assets and liabilities:

Breakdown is as follows:

	<u>12/31/19</u>	<u>12/31/18</u>
Current income tax assets	37,344	40,396
Current income tax liabilities		
Tax provision	6,955,962	3,248,857
Advances	(2,234,306)	(1,485,758)
Withholdings and collections	(13,492)	(5,221)
Total	<u>4,708,164</u>	<u>1,757,878</u>

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b) Income tax expense:

The breakdown and changes in deferred income tax assets and liabilities are as follows:

Item	Balance as of 12/31/18	Changes recognized in		Balance as of 12/31/19
		Income/loss	OCI	
Assets				
Balance inflation adjustment for tax purposes	-	1,864,547	-	1,864,547
Allowances for loan losses	861,984	243,590	-	1,105,574
Loans - Valuation at amortized cost	206,524	(123,017)	-	83,507
Provisions included in liabilities	99,417	243,244	-	342,661
Other liabilities	75,492	29,707	-	105,199
Other	29,188	2,079	-	31,267
Deferred tax assets	1,272,605	2,260,150	-	3,532,755
Liabilities				
Debt securities	(7,568)	(391,385)	398,953	-
Intangible assets	(16,596)	(18,132)	-	(34,728)
Property and equipment	(1,204,047)	35,225	(545,218)	(1,714,040)
Investment property	(5,986)	(3,171)	-	(9,157)
Corporate bonds	(5,158)	4,950	-	(208)
Translation difference	(51,012)	-	(47,759)	(98,771)
Investment in associates	(94,583)	(171,786)	-	(266,369)
Deferred tax liabilities	(1,384,950)	(544,299)	(194,024)	(2,123,273)
Total	(112,345)	1,715,851	(194,024)	1,409,482

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Item	Balance as of 12/31/17	Changes recognized in		Balance as of 12/31/18 (*)
		Income/loss	OCI	
Assets				
Allowances for loan losses	391,839	470,145	-	861,984
Loans - Valuation at amortized cost	181,569	24,955	-	206,524
Provisions included in liabilities	52,120	47,297	-	99,417
Other liabilities	50,532	24,960	-	75,492
Other	9,962	19,226	-	29,188
Deferred tax assets	686,022	586,583	-	1,272,605
Liabilities				
Debt securities	(121,233)	75,668	37,997	(7,568)
Intangible assets	(14,032)	(2,564)	-	(16,596)
Property and equipment	(484,333)	34,178	(753,892)	(1,204,047)
Investment property	(2,941)	(3,045)	-	(5,986)
Corporate bonds	(3,146)	(2,012)	-	(5,158)
Translation difference	-	-	(51,012)	(51,012)
Investment in associates	-	(94,583)	-	(94,583)
Deferred tax liabilities	(625,685)	7,642	(766,907)	(1,384,950)
Total	60,337	594,225	(766,907)	(112,345)

(*) The amount includes deferred income tax assets by 72,611 and deferred income tax liabilities by 184,956.

Income tax expense is broken down as follows:

	12/31/19	12/31/18
Current tax	6,955,962	3,248,857
Deferred tax	(1,715,851)	(594,225)
Income tax expense	5,240,111	2,654,632

Reconciliation of the effective tax rate is as follows:

	12/31/19	12/31/18
Income before income tax	22,871,760	8,005,302
Income tax rate	30%	30%
Tax on taxable income	6,861,528	2,401,591
Inflation adjustment for tax purposes	(1,864,547)	-
Net permanent differences and other tax effects	243,130	253,041
Income tax expense	5,240,111	2,654,632

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Law 27468 amended the transition regime established by Law 27430 for the applicability of the inflation adjustment for tax purposes as set forth in the Income Tax Law, which provides that it will be effective as from fiscal years beginning on or after January 1, 2018 when for the first, second and third fiscal years, the Consumer Price Index (IPC) variation, calculated from beginning to end of such fiscal years, exceeds fifty five percent (55%), thirty percent (30%) and fifteen percent (15%), respectively.

The resulting inflation adjustment, either gain or loss, shall be recognized, in accordance with the amendments to Law 27541, enacted on December 23, 2019 as follows: one sixth in that fiscal period and the remaining five sixths shall be recognized, in equal parts, in the immediately subsequent years.

Considering that to the date of issuance of these financial statements, the IPC variation has exceeded the percentage (30%) required for the second year of enforcement, Management has considered the effects of inflation and included such estimate in the provision for the income tax payable.

The effect of deferring the five sixths of gain or loss on net monetary positions as of December 31, 2019 has been recognized as deferred tax assets.

As of December 31, 2019 and 2018, the effective income tax rate is 22.9% and 33.2%, respectively.

NOTE 16 – INVESTMENTS IN EQUITY INSTRUMENTS

Investments in equity instruments, in which the Group does not have control, joint control or significant influence are measured at fair value with changes through profit or loss. Breakdown is as follows:

<i>Information as of December 31, 2019</i>		
Description	Fair value level	Book balances as of 12/31/19
- Prisma Medios de Pago S.A. (*)	3	835,625
- Banco Latinoamericano de Comercio Exterior S.A.	2	6,502
- Seguros de Depósitos S.A.	2	493
- Society for Worldwide Interbank Financial Telecommunication	2	140
- Miralejos S.A.C.F. Y Agropecuaria	2	106
- Mercado a Término de Buenos Aires S.A.	2	73
- Bolsa de Comercio de Mar del Plata S.A.	2	56
- Argencontrol S.A.	2	53
- Sanatorio Las Lomas S.A.	2	47
- Celta Coop. Obras Ser. Tres Arroyos	2	12
- Coop. Electrica Ltda. de Claromecó	2	1
Total		843,108

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Information as of December 31, 2018

Description	Fair value level	Book balances as of 12/31/18
- Banco Latinoamericano de Comercio Exterior S.A.	1	3,284
- Grupo Financiero Valores S.A.	1	1,834
- Seguro de Depósitos S.A.	2	492
- Miralejos S.A.C.I.F.I. y A.	2	366
- Society for Worldwide Interbank Financial Telecommunication	2	127
- Mercado a Término de Buenos Aires S.A.	2	73
- Bolsa de Comercio de Mar del Plata S.A.	2	56
- Argencontrol S.A.	2	53
- Sanatorio Las Lomas S.A.	2	47
- Celta Coop. Obras Serv. Tres Arroyos	2	12
- Coop. Electrica Ltda. de Claromecó	2	3
Total		6,347

(*) It is related to the remaining ownership interest after the transfer of 51% to AI ZENITH (Netherlands) B.V. (See Note 21).

It was valued based on the report prepared by independent professional net of the valuation adjustment as required by the BCRA.

NOTE 17 – INVESTMENT IN SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

The Group holds investments in the following entities over which it has significant influence, therefore, they are measured by applying the equity method:

	12/31/19	12/31/18
Interbanking S.A.	186,602	122,100
Mercado Abierto Electrónico S.A.	38,143	20,940
Compensadora Electrónica S.A.	3,918	2,483
Provincanaje S.A.	2,539	1,330
Total	231,202	146,853

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NOTE 18 - PROPERTY AND EQUIPMENT

Additionally, as mentioned in Note 5.6 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 significant 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, 2019.

The increase in the book value of real estate as a consequence of the referred revaluation is recognized in ORI, in the account PPE revaluation in the amount of 2,138,154 which, considering the tax effect of 545,218, reflects a net balance of 1,592,936.

To determine the useful life, the market approach was used, which assumes that a well-informed purchaser shall not pay for an asset more than the purchase price of another similar asset, that is, the value is indicated by comparing the asset with other similar assets.

The assets subject to revaluation are frequently negotiated, and to the date of this analysis, units with market prices were available, or else, the independent appraiser was able to obtain the opinion of brokers or real estate professionals in the areas surrounding each piece of property. Therefore, there was a stable market of real estate of a similar nature offered for sale in order to determine the fair value by using the market approach.

For the most significant pieces of real estate subject to revaluation, the following range of values per m2 was considered:

- ✓ In the City of Buenos Aires:
 - For offices in buildings, the benchmark amounts range from 65,000 to 122,000 \$/m2.
 - For commercial stores, the amounts range from 43,000 to 81,000 \$/m2.
 - For other pieces of real estate, the amounts range from 16,000 to 30,000 \$/m2.
- ✓ In the Province of Buenos Aires:
 - For buildings, the amounts range from 45,000 to 107,000 \$/m2.
 - For commercial stores, the amounts range from 7,000 to 77,000 \$/m2.
- ✓ In the provinces of the country:
 - For commercial stores, the amounts range from 37,000 to 129,000 \$/m2.

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

Changes in the account as of December 31, 2019 and 2018 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 Exhibit "F"– Changes in property and equipment attached to these consolidated financial statements.

Given that the revaluation of real estate (considered as a non recurrent valuation) is based on unobservable market data, a level 3 Fair value is provided.

NOTE 19 – INTANGIBLE ASSETS

Changes in this account as of December 31, 2019 and 2018 are disclosed in Exhibit "G"– Changes in Intangible assets, attached to these financial statements.

NOTE 20 – OTHER NON FINANCIAL ASSETS

Breakdown is as follows:

	<u>12/31/19</u>	<u>12/31/18</u>
Advance payments	578,238	238,739
Assets acquired as security for loans	58,459	58,459
Other miscellaneous assets	57,811	8,869
Investment property (Exhibit F)	38,333	25,710
Works of art	3,691	3,691
Other	17,077	11,710
Total	<u>753,609</u>	<u>347,178</u>

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Changes in the account Investment property included in Other non financial assets as of December 31, 2019 and 2018 are shown in Exhibit "F" – Changes in Investment property, attached to these financial statements.

Additionally, for the valuation thereof, the criteria informed in Note 5.8.b) above have been applied.

NOTE 21 – NON CURRENT ASSETS HELD FOR SALE

As of December 31, 2019, the Group does not have non current assets held for sale. As of December 31, 2018, breakdown is as follows:

Investment in associates:

The Group had recorded the interest in Prisma Medios de Pago S.A. in the amount of 212,791 as held for sale.

On February 1, 2019, the transfer to Al Zenith (Netherlands) B.V. (Company related to Advent International Corporation) of 51% of the interest in Prisma Medios de Pago S.A., equivalent to 1,153,706 registered, common shares, with a nominal value of \$ 1 each, one vote per share, was completed. 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. (See Note 11).

To the date of issuance of these financial statements, the Bank is the holder of 5,318,293 shares of Prisma Medios de Pago S.A. that account for 2,6822% of its capital stock and that are recorded in "Investments in equity instruments". (See Note 16).

Land and buildings:

The Group 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.

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NOTE 22 - DEPOSITS

Information about this account as of September 30, 2018, December 31, 2019 and 2018 is disclosed in Exhibit "H"– Deposits concentration, attached to these financial statements.

Breakdown of deposits of the nonfinancial private sector and foreign residents is as follows:

Item	12/31/19	12/31/18
Checking accounts	15,113,394	10,149,168
Savings accounts	49,471,359	44,273,423
Time deposit and investments	37,271,047	37,936,370
Interest and adjustment	834,467	1,305,575
Other	6,781,829	3,418,737
Total	109,472,096	97,083,273

NOTE 23 – OTHER FINANCIAL LIABILITIES

Other financial liabilities are measured at amortized cost and they are broken down as follows:

Item	12/31/19	12/31/18
Credit card charges payable	4,968,606	4,672,778
Sundry payables	2,185,910	2,806,860
Collections on account and on behalf of third parties	558,035	1,066,106
Payables from foreign trade transactions	550,997	359,039
Payables from spot purchase of foreign currency to be settled	120,100	-
Payables from spot purchase of government securities to be settled	455	416,912
Total	8,384,103	9,321,695

NOTE 24 – FINANCING FACILITIES RECEIVED FROM BCRA AND OTHER FINANCIAL INSTITUTIONS

Financial facilities received from BCRA and other financial institutions are measured at amortized cost and they are broken down as follows:

	12/31/19	12/31/18
Financing facilities received from foreign financial institutions	15,062,425	8,281,573
Financing facilities received from local financial institutions	1,482,536	1,060,872
BCRA	10,468	15,603
Total	16,555,429	9,358,048

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NOTE 25 – CORPORATE BONDS ISSUED

The programs for the issue of corporate bonds currently in force are as follows:

1. Program for the issue of corporate bonds of Banco Patagonia S.A. approved by the 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 the 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.

By virtue of the maturity of the Global Program for the Issuance of Simple Corporate Bonds in force, the Annual Shareholders' Meeting held on April 26, 2017 approved the extension of such program in accordance with the CNV rules, as well as the increase in the maximum outstanding amount, as described below.

- a) Effective for 5 years from CNV authorization or the maximum term to be established by the future applicable regulations;
- b) Different classes and/or series of corporate bonds may be issued, denominated in US dollars or other currencies and the successive classes or series amortized may be re-issued;
- c) The amount of USD 500,000,000 or its equivalent in other currencies will be the maximum outstanding amount during the effective term of the program; and
- d) The funds to be obtained from placement of the Corporate Bonds issued under such Program shall be used for one or more of the purposes under section 36, Law No. 23576, as amended and BCRA rules on Repo Transactions, Placement of Securities and Debt section, or as established in applicable regulations, depending on the related pricing appendix.

Marcelo A. Iadarola
Executive manager of Administration

Signed for identification purposes
with our report dated 2/19/2020

By Supervisory Committee

Mónica M. Cukar
Regular Supervisory Auditor
Public Accountant (UBA)
C.P.C.E.C.A.B.A. T° 147 F° 66

Juan M. Trejo
Superintendent
Finance, Administration and Public area

João Carlos de Nobrega Pecego
President

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Mauricio G. Eidelstein (Partner)
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On September 14, 2017, CNV authorized the increase in the maximum amount and the extension of the program through the provisions of Resolution No. 18933.

As of December 31, 2019, the Bank does not have any classes and/or series of corporate bonds in force under such 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 GMAC Compañía Financiera S.A. (surviving company of GPAT Compañía Financiera S.A.U.) through the establishment of a global program for the issuance of simple, non-convertible into stock, corporate bonds up to the amount of \$ 400,000,000, or its equivalent in other currencies.

On July 24, 2008, the Argentine Securities Commission was informed that the Corporate Bonds subscription period would be suspended and that GPAT may, at its sole discretion, restart it.

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 that had been duly published. Additionally, the Board decided to apply to the CNV for authorization of the global program for the issue 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, which was approved by the CNV on February 28, 2012.

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

On January 3, 2017, the Board of Directors of GPAT proposed the enlargement of the global program for the issue of simple corporate bonds in force from 1,500,000,000 to 3,000,000 and its extension for a 5-year term. The enlargement and extension were approved by the Shareholders' Annual Meeting called on January 18, 2017 and approved by the CNV on April 12, 2017.

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The issues in force are as follows:

Issue	Issued value	Annual nominal rate	Date of issue	Maturity date	Balance as of 12/31/19	Balance as of 12/31/18
GPAT Compañía Financiera S.A.U.						
Series XXIII Class B	188,889	33.00% (9/14/2016) - Badlar + 3.50%	6/14/2016	06/14/19	-	177,858
Series XXVI Class B	52,857	Badlar + 3.44%	1/24/2017	01/24/19	-	58,108
Series XXVII Class B	177,500	Badlar + 3.50%	5/10/2017	05/10/20	161,053	161,887
Series XXVIII Class B	123,333	Badlar + 3.97%	6/27/2017	06/27/20	123,894	124,203
Series XXX Class B	191,111	27.50% (04/05/18) - Badlar + 4.17%	10/5/2017	10/05/20	194,962	215,434
Series XXXI Class A	500,000	25,77%	02/06/18	02/06/19	-	476,673
Series XXXII Class A ⁽¹⁾	360,000	25,75%	04/25/18	10/25/19	-	463,892
Series XXXIII Class C ⁽²⁾	397,000	45,00%	02/05/19	02/05/20	555,238	-
Total					1,035,147	1,678,055

- (1) On September 3, 2019, GPAT repurchased the corporate bonds GPAT Series XXXII class A, in the amount of NV 90,000 at a price of 0.888, out of a total NV 450,000 corporate bonds issued. The gain arising from such transaction is presented under "Other operating income".
- (2) On November 5 and December 5, 2019, GPAT repurchased the corporate bonds GPAT Series XXXIII class C, in the amount of NV 3,000 and NV 100,000 at a price of 1.24 and 1.3348, out of a total NV 500,000 corporate bonds issued. The gains from such transactions are presented under "Other operating income"

NOTE 26 - ALLOWANCES AND 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. Changes in allowances and provisions for the fiscal year ended December 31, 2019 are presented in Exhibit J "Changes in allowances and provisions", attached to these consolidated financial statements.

The table below includes the utilization of allowances and provisions as of December 31, 2019:

Utilization of allowances and provisions	Provisions					
	Labor lawsuits	General lawsuits	Tax lawsuits	Administrative, disciplinary and criminal sanctions	Contingent obligations	Total as of 12/31/19
Less than 12 months	21,120	210,053	4,911	-	5,174	241,258
Over 12 months	45,980	979,808	114,427	33	2,562	1,142,810
Total	67,100	1,189,861	119,338	33	7,736	1,384,068

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The table below includes the utilization of allowances and provisions as of December 31, 2018:

Utilization of allowances and provisions	Provisions					Total as of 12/31/2018
	Labor lawsuits	General lawsuits	Tax lawsuits	Administrative, disciplinary and criminal sanctions	Contingent obligations	
Less than 12 months	36,789	11,553	-	33	1,366	49,741
Over 12 months	7,124	210,688	134,520	-	-	352,332
Total	43,913	222,241	134,520	33	1,366	402,073

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 counsels, 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 counsels, 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 the Group's financial statements.

Note 54 includes, as requested by the BCRA, all administrative, disciplinary and criminal sanctions, with or without judgment rendered in a court of original jurisdiction, imposed by the BCRA, UIF, CNV and SSN regardless of whether they are probable, possible or remote.

The Group's Management and its legal counsels consider that the cases where any disbursements are possible are not material and that there are no significant effects other than those disclosed in these consolidated financial statements.

NOTE 27 – OTHER NON FINANCIAL LIABILITIES

Other non financial liabilities are measured at amortized cost and they are broken down as follows:

	<u>12/31/19</u>	<u>12/31/18</u>
Other short term employees' benefits payable	1,194,648	759,291
Withholdings and collections	802,617	633,116
Advance payments received	635,671	418,670
Other taxes payable	542,733	586,956
Payroll and social security contributions payable	288,628	235,032
Social security payment orders	163,864	116,552
Payroll withholdings payable	137,358	64,436
Prepayments received for sale of assets	3,952	28,274
Other	721,458	549,374
Total	<u>4,490,929</u>	<u>3,391,701</u>

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NOTE 28 – SHARE CAPITAL

The Bank's capital stock 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 ownership interest held by the Province of Río Negro, whereas Class "B" shares account for the ownership interest held by private capital.

The Bank's controlling shareholder is Banco do Brasil S.A., which has a shareholding of 80.39% of the total capital stock.

NOTE 29 – INTEREST INCOME

Breakdown is as follows:

Interest income	12/31/19	12/31/18
Government securities measured at fair value with changes through OCI	26,368,481	5,659,400
Overdrafts	6,524,794	4,105,932
Notes	6,287,056	4,653,382
Consumer loans	4,310,318	3,606,390
Credit cards	4,041,025	2,426,856
Other loans	3,223,205	1,499,425
Premium on reverse repo transactions with the financial sector	1,202,960	297,278
Car loans	1,141,632	1,340,995
Loans to the financial sector	989,087	697,162
Finance lease	246,914	318,359
Other	577,647	700,999
Total	54,913,119	25,306,178

NOTE 30 – INTEREST EXPENSE

Breakdown is as follows:

Interest expense	12/31/19	12/31/18
Time deposits	19,731,614	8,583,886
Financing facilities received from financial institutions (Call)	916,408	369,718
Premium on repo transactions with the financial sector	695,414	224,505
Deposits in savings accounts	653,811	863,954
Corporate bonds	537,062	716,016
Other financing facilities received from financial institutions	112,755	98,748
Other	983,024	772,743
Total	23,630,088	11,629,570

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NOTE 31 – FEE INCOME

Breakdown is as follows:

Fee income	12/31/19	12/31/18
Credit and debit cards	1,711,642	1,361,286
Deposits	1,520,818	1,382,812
Packages of products	1,035,787	749,905
Insurance	1,004,909	723,101
Collections	570,793	341,466
Foreign trade	313,951	221,479
Securities	80,470	62,650
Loans	76,855	45,916
Other	88,992	60,543
Total	6,404,217	4,949,158

NOTE 32 – FEE EXPENSES

Breakdown is as follows:

Fee expenses	12/31/19	12/31/18
Related to credit and debit cards	1,083,647	660,357
Government sector	325,691	181,384
Collections	112,490	59,144
Related to securities	44,765	29,733
Transfers	44,267	34,577
Other	177,954	87,742
Total	1,788,814	1,052,937

NOTE 33 – NET GAIN ON FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE WITH CHANGES THROUGH PROFIT OR LOSS

Breakdown is as follows:

Net gain on financial instruments measured at fair value with changes through profit or loss	12/31/2019	12/31/18
Corporate securities	654,372	31,848
Government securities and instruments issued by the BCRA	297,170	1,124,400
Forward foreign currency transactions	172,564	121,829
Total	1,124,106	1,278,077

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NOTE 34 – OTHER OPERATING INCOME

Breakdown is as follows:

Other operating income	12/31/19	12/31/18
Proceeds from the sale of non-current assets held for sale	1,427,264	-
Recovered receivables	283,140	130,094
Commissions from lease of safe-deposit boxes	273,382	207,734
Management fees (FCI manager company)	187,783	138,780
Punitive interest	112,544	73,769
Proceeds from the sale of property and equipment	61,879	109,508
Other	1,033,057	508,690
Total	3,379,049	1,168,575

NOTE 35 – EMPLOYEE BENEFITS

Breakdown is as follows:

Employee benefits	12/31/19	12/31/18
Salaries and wages	5,368,281	3,505,932
Social security contributions	1,069,434	738,609
Services to personnel	238,251	156,378
Severance payments	151,743	109,260
Other benefits	173,869	158,697
Total	7,001,578	4,668,876

NOTE 36 – ADMINISTRATIVE EXPENSES

Breakdown is as follows:

Administrative expenses	12/31/19	12/31/18
Maintenance, conservation and repair expenses	1,030,199	629,799
Taxes	789,020	549,030
Fees	480,441	277,379
Armored vehicle services	439,301	272,371
Electric power and communications	370,878	229,215
Surveillance services	313,779	207,975
Advertising and marketing	251,851	265,803
Leases	76,212	236,119
Entertainment and per diem expenses	57,886	36,748
Other	1,118,322	535,732
Total	4,927,889	3,240,171

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NOTE 37 – OTHER OPERATING EXPENSES

Breakdown is as follows:

Other operating expenses	12/31/19	12/31/18
Turnover tax	2,697,443	1,913,501
Charge for other allowances	1,056,623	209,397
ATM expenses	301,685	254,420
Contribution to the deposit guarantee fund (see Note 50)	210,963	133,667
Other	558,585	419,828
Total	4,825,299	2,930,813

NOTE 38 – CAPITAL MANAGEMENT AND CORPORATE GOVERNANCE TRANSPARENCY POLICY

Banco Patagonia, as a financial institution with a percentage of shares subject to the public offering regime, is subject to the supervision of the BCRA and the CNV, and their requirements and recommendations regarding corporate governance.

Below, there is a detail of the main guidelines adopted by the Bank as regards Corporate Governance transparency, in compliance with the requirements of BCRA Communication "A" 6324, as amended and supplemented:

- 1) Board of Directors, Senior Management and Committees.
 - a) Board of Directors

Members

The Bank's management and administration is under the responsibility of the Board of Directors. The number of regular directors of the Board is established by the Shareholders' Meeting, and ranges from seven to nine directors, appointed for a term of three fiscal years, with the possibility of being reappointed indefinitely.

As established in the Bank's by-laws, a Regular Director shall be appointed by the holder of Class "A" shares of common stock, belonging to the Province of Río Negro, who may in turn appoint an Alternate Director, while the remaining Directors shall be appointed by the holders of Class "B" shares of common stock, who may also appoint Alternate Directors.

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Banco Patagonia has two independent directors in its Board.

The regulations of the BCRA, in the case of financial institutions, and the CNV rules, issued within the framework of Capital Markets Law No. 26831, in the case of Companies under the Public Offering Regime, expressly establish the cases in which a member of the Board of Directors does not qualify as an independent director.

Criteria for the selection of Directors

The Board of Directors may not include members falling within the scope of the disqualifications and incompatibilities set forth by the Companies Law No. 19550, the Financial Institutions Law No. 21526, the BCRA regulations about Financial Institutions Authorities and CNV regulations.

In addition, according to the Bank's by-laws, all those persons holding any office in federal, provincial or municipal governments, or under an employment relationship with any such governments, whether remunerated or not, except for teachers, shall not serve as directors. Furthermore, Directors or Managers of legal entities that are delinquent debtors of financial institutions shall not serve as Directors of the Bank, either.

The BCRA shall evaluate the legal capacity, performance, competence, probity, experience in the financial sector, and availability to perform inherent duties of the proposed members of the Board of Directors. These conditions shall be maintained during the whole period of office. The proposed directors' backgrounds are submitted to the BCRA for approval

Until the BCRA notifies the Bank that the Director proposed is approved, such Director shall not take office. However, the Director appointed by the holder of Class "A" shares of common stock, belonging to the Province of Río Negro, provided that the related provincial decree designating the related office has been issued, can take office while the authorization proceedings are pending at the BCRA. The appointment thereof shall be considered *ad referendum* of the resolution of the authorization proceedings, and any acts in which the referred Director is involved shall be valid pursuant to the BCRA regulations.

Board of Directors' duties according to the legislation in force

Pursuant to the provisions of the Companies Law No. 19550, Directors are under the obligation to perform the duties of office with loyalty, and the diligence of a good businessmen.

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Directors are jointly and severally liable to the company where they hold office, its shareholders and third parties for the poor performance of their duties as well as for noncompliance with the Law and the By-laws, and for any damage resulting from their willful misconduct, abuse of power or negligence.

The Companies Law No. 19550 prescribes that, as a pattern of behavior, Directors:

- may execute agreements with the Company in relation to the business activities developed by the company, provided always they comply with the arm's length principle;
- are under the obligation to inform the Company's Board of Directors and Supervisory Committee about any interest they may have in a proposed transaction contrary to the company's interests, and refrain from participating in the discussion and voting of any such transaction;
- shall not conduct in their own behalf or by means of third parties any business activities that compete against the company's business, unless with prior authorization from the Shareholders' Meeting.

In turn, the BCRA requires that the members of the Board of Directors have sufficient knowledge and the necessary competence to clearly understand their corporate governance duties and responsibilities.

Furthermore, public offering transparency rules impose loyalty and due diligence duties to Directors in office, in particular:

- To give priority, without exception, to the corporate interest of the Issuer in which they hold office, and the common interest of all members/shareholders over any other interest, even over parent's interest.
- To refrain from pursuing any personal benefit from the Issuer other than the remuneration of their functions.
- To organize and implement preventive systems and mechanisms to protect the corporate interest in order to mitigate the risk of permanent or occasional conflicts of interest in their personal relationship with the Issuer.
- To provide the proper means to develop the Issuer's activities, and have internal controls in place to guarantee a prudent management, and prevent noncompliance with the duties prescribed by CNV regulations and self-governed entities.
- To exercise the diligence of a good businessmen in preparing and disclosing the information provided to the market, and protect the independence of external auditors.

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C.P.C.E.C.A.B.A. T° 147 F° 66

Juan M. Trejo
Superintendent
Finance, Administration and Public area

João Carlos de Nobrega Pecego
President

Signed for identification purposes
with our report dated 2/19/2020

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Mauricio G. Eidelstein (Partner)
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BANCO PATAGONIA S.A.

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Directors' fees

As provided for by the By-laws, the Directors' fees are annually fixed by the Shareholders' Meeting considering the limits set forth by the Companies Law 19550. To determine such compensation, their responsibilities, the time devoted to the fulfillment of duties, their experience and professional reputation are taken into account.

This criterion considers an appropriate level of compensation to attract, retain and encourage Directors eligible for such role.

No other benefits, such as equity interests, are considered.

b) Senior Management

Senior Management members are responsible for implementing the strategies and policies approved by the Board of Directors; developing processes identifying, evaluating, monitoring, controlling, and mitigating the risks incurred by the Bank; and implementing appropriate internal control systems, monitoring their effectiveness, and reporting the fulfillment of objectives to the Board of Directors on a regular basis.

Senior Management members shall have the capacity and experience necessary to manage the business under their supervision, and to exert sufficient control over their subordinates.

Based on the size, magnitude, and complexity of Banco Patagonia, the "Senior Management" is made up of:

- Superintendents and Managers reporting directly to the Board of Directors.

c) Committees

For the purposes of maintaining a proper organization, control and follow-up to the activities inherent to management, Banco Patagonia's Board of Directors created a series of Committees, which are under its supervision, and which are formed by, at least, a Vice-chairman or Chairman, and the ultimate responsible individual of each area.

Each Committee has its own rules, governing their powers, composition, and operation.

Marcelo A. Iadarola
Executive manager of Administration

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By Supervisory Committee

Mónica M. Cukar
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The main Committees of the Bank's Board of Directors are outlined below:

BCRA audit committee:

The main objective of the BCRA Audit Committee, which is provided for in BCRA Communication "A" 5042, is to supervise the proper operation of internal control systems in place through their ongoing evaluation. The selected members and powers of this Committee are in line with such Communication, and contribute towards improving the effectiveness of such controls.

CNV audit committee

The CNV Audit Committee, provided for in section 109 of the Capital Markets Law No. 26831 and in the bylaws, is in line with CNV regulations regarding its selected members and powers. The members of this Committee are appointed by the Board of Directors, in compliance with CNV independence requirements.

Financial Services Users Protection Committee

It is aimed at overseeing the adequate operation of processes related to the protection of financial services users, as well as contributing to improving and controlling them.

IT Security Committee

It is mainly responsible for analyzing and proposing to the Board of Directors the policy and Information Technology Plan supporting the Bank's strategic objectives. It is further responsible for reviewing the degree of compliance with such policy and Plan on a regular basis. It shall also ensure there is a Contingency Plan in place, supervise the result of periodic tests of such Plan, and verify its ongoing update.

IT and IT Asset Protection Committee

It is responsible for proposing to the Board of Directors policies on information security and protection of information technology assets and monitoring their compliance. This Committee is also in charge of preparing proposals to the Board of Directors regarding preventive and/or corrective measures tending to minimize IT security risks.

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Committee on Control and Prevention of Money Laundering and Terrorist Financing

It is responsible for planning, coordinating, and observing compliance with relevant Anti-money laundering policies established by the Board of Directors. It also assists the Bank and the Compliance Officer regarding the detection in due time and manner and nonexistence of suspected transactions involving unlawful activities, in accordance with BCRA, Financial Information Unit ("UIF"), and CNV standards.

Ethics Committee

It is responsible for deciding on issues related to the construction and scope of the Code of Ethics, which establishes the ethics and conduct principles to be complied with by all Bank members. Moreover, it must review the reports arising from the "Ethics Line" reporting channel, or from the different sources of detection of behaviors affecting the institutional integrity principles.

Quality Committee

It is responsible for evaluating and proposing to the Board of Directors the policies and strategies oriented to Quality Management. It also reviews programs, actions and training inherent to Quality Management, including attitude, process, product, service and image components relating to customer care.

The Committee carries out the planning of and follow-up to improvement actions and action plans defined, resulting from the various client analyses and surveys regularly performed. The matters dealt with by the Quality Committee are focused on the improvement of Customer Experience, in line with the Bank's Strategic Plan.

Operational Risk Committee

It is responsible, among others, for proposing policies, strategies, and manuals relating to the operational and reputational risk management as well as the follow-up to the activities aimed at ensuring an appropriate operational risk management.

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Global Risk Committee

The main purposes of this Committee include proposing to the Board of Directors the strategy to manage market, interest rate, liquidity, and credit risks, as well as global limits of exposure to those risks, and the related contingency plans. Besides, it becomes aware of each risk position, and of compliance with related policies on limits. It proposes to the Board of Directors the policies and procedures that will be used for the validation of models.

Executive Committee

It is responsible for analyzing and approving credit facilities that exceed the powers of the different credit approval line authorities of the Bank. It is also responsible for monitoring the management of the different business segments.

Business Committee

It analyzes commercial proposals, defines commercial strategies to be adopted by the various segments and analyzes the strengths and weaknesses of potential new products.

Finance Committee

It is responsible for management decisions regarding the Bank's financial assets and liabilities. In addition, it proposes policies and procedures in relation to the management of the main financial risks, such as interest rate, price, currency, liquidity, term, instrument type, volume, and hedging mechanisms.

Human Development Committee

It evaluates any matters related to compensation, bonuses, salary scales and increases, staff promotion, internal changes in managerial positions and corporate climate matters.

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Architecture, security and management of assets Committee

It analyzes all matters associated with the Bank's building structure and furniture and all matters related to physical security. It is responsible for proposing repairs or refurbishments of the Bank's client service centers to the Board of Directors as well as the purchase or sale of the real estate involved in the business or taken as security for loans. Additionally, the Committee is in charge of complying with security and safety rules, municipal and national regulations on personal assets and fixed assets of the Bank and it is responsible for approving the Annual Plan of Physical Security, which is then submitted to the Board of Directors for approval.

2) Basic shareholding structure

As of December 31, 2019 and to this reporting date, the Bank's share capital is made up of 719,145,237 registered, common shares, out of which 22,768,818 are Class "A", and 696,376,419 are Class "B", with a nominal value of ARS 1 each, and one vote per share.

The shareholding is as follows: Banco do Brasil S.A. 80.39%, Province of Río Negro 3.17% and Mercado 16.44%.

None of the shareholders is a member of the Board of Directors or Senior Management.

3) Organizational structure

As of December 31, 2019, the Bank is managed by a Board of Directors, made up of eight members: a Chairman, four Vice-chairmen, and three Regular Directors, two of whom are independent pursuant to the public offering regulations. In addition, seven Superintendencies and eight Managements that form part of the Bank's staff report to the Board of Directors:

Superintendencies:

- Superintendence of business with companies
- Superintendence of network of branches and Business with Individuals
- Superintendence of finance, administration and government sector
- Superintendence of receivables and foreign trade
- Superintendence of transactions
- Superintendence of internal controls and risk management
- Superintendence of digital business

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Managements reporting directly to the Board of Directors:

Executive management of legal affairs
Executive management of the Board of Directors' Secretariat
Executive management of planning, branding and communication
Executive management of human development and corporate climate
Executive management of technology, communications and systems
Internal audit management
Anti-money laundering management
IT security and IT asset protection management

By means of the business model structured as business units –Individuals, Companies, Finance and Government sector–, the Bank concentrates the relationship with the different customers' segments

Subsidiaries

Banco Patagonia is the parent company of the following companies:

<u>Company</u>	<u>Ownership interest (%)</u>
GPAT Compañía Financiera S.A.U.	100.00%
Patagonia Inversora S.A. S.G.F.C.I.	99.99%
Patagonia Valores S.A.	99.99%
Banco Patagonia (Uruguay) S.A. I.F.E.	100.00%

For a further understanding of the companies, see Note 1.

Network of branches

As of December 31, 2019, the network of branches of the Bank is made up of 209 client service points throughout the country, including 186 branches and 23 client service centers.

- 4) Business conduct policy, Code of Ethics, Integrity program, Code of Conduct and Ethics line–reporting channel.

Business conduct policy

Pursuant to the provisions of the Companies Law No. 19550, Directors are under the obligation to perform the duties of office with loyalty, and the diligence of a good businessmen.

Marcelo A. Iadarola
Executive manager of Administration

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Directors are jointly and severally liable to the company where they hold office, its shareholders, and third parties for the poor performance of their duties as well as for noncompliance with the Law and the By-laws, and for any damage resulting from their willful misconduct, abuse of power, or negligence. The Companies Law also sets the behavior criteria to be followed by the members of the Board of Directors of a company.

In turn, the BCRA requires that the members of the Board of Directors have sufficient knowledge and the necessary competence to clearly understand their corporate governance duties and responsibilities.

Furthermore, public offering transparency rules impose loyalty and due diligence duties to Directors Managers, and members Controlling Bodies.

Code of Ethics

The Bank has a Code of Ethics approved by the Board of Directors that translates the values that such Board seeks to claim and spread all over the organization, while interacting with customers, colleagues, suppliers or the community as a whole.

The Code of Ethics states the ethical and conduct principles to be followed by all the members of the Bank, who shall observe the highest standards of conduct; working with efficiency, quality and transparency, and shall be responsible for ensuring the faithful compliance with these principles.

By means of this Code, the Board declares the mission, vision and values of the Bank, by defining that "ethics is the inspiration and conditions for our personal and corporate behavior".

It also provides the guidelines to avoid any conflict between personal and the Bank or client's business interests.

Integrity Program

The Board of Directors of Banco Patagonia approved an Integrity program that arises from its commitment to the prevention and fight against corruption; which is expressly and publicly assumed by sustaining its "zero tolerance" position against any act of corruption carried out by any member of the Bank.

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The Integrity program is a system of actions, mechanisms and procedures aimed at promoting integrity and preventing, detecting and correcting and, eventually, imposing penalties to misconduct or wrongful acts, particularly those under Law 27401 of Criminal Responsibility of Legal Entities that may be carried out by an officer or third party in the interest or benefit of the Bank. It provides a sufficient framework to conduct the investigation of any fraudulent or wrongful or dishonest activity, by setting out a clear structure of penalties upon the breach of or noncompliance with an ethical duty.

In line with the Code of Ethics and the specific policies in terms of Anti-money laundering and terrorist financing, as well as with the integrity policy of our parent company, the Program highlights the ethical values of the Bank, provides the necessary guidelines to act according to the ethics and integrity principles.

Compliance with the Program is a responsibility shared by all the members of the Bank of all levels and is aimed at building an integral, ethical and transparent business environment.

Code of Conduct

The Bank has a Code of Conduct, applicable to all employees performing activities associated with the Bank's role as a Settlement and Clearing Agent and Comprehensive Trading Agent, which defines the policies and procedures in accordance with the legal and ethical rules.

"Ethics Line" reporting channel

An Ethics Line has been implemented as a channel to report any actions or behaviors that may be contrary to the provisions of the Code of Ethics, the organization values and/or any legal or internal policies.

5) The Bank's role as a Financial Agent for the nonfinancial government sector

The Bank acts as a financial agent of the Province of Río Negro since 1996 (see note 55), providing comprehensive services relating to financial products to the provincial treasury, and being responsible for the payment of salaries to provincial employees.

In addition, the Entity has acted as a financial agent in different national universities.

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- 6) Policies on conflicts of interest and the nature and scope of transactions with subsidiaries and related parties.

The Entity applies the definition, limits and further provisions for financing to related parties as established by BCRA regulations about credit limit exposure.

Pursuant to the provisions of the Companies Law 19550, and within the limits set by BCRA regulations, the Bank is allowed to provide financing to related parties, provided that such financing complies with the arm's length principle.

On a monthly basis, the Superintendence of Finance, Administration and Public Sector submits a report to the Board of Directors, indicating the financing amounts agreed upon during the period for each related party as well as contractual conditions, also stating whether they comply with the arm's length principle. The report shall contain a written opinion from the Supervisory Committee on the fairness of the financing granted, confirming that the funds provided are the total funds agreed with the Bank's related parties.

Furthermore, annually, and based on BCRA regulations, the Bank files a special report with the BCRA, including a breakdown of the related parties in Argentina or abroad belonging to shareholders, and to those performing management and controlling functions. Such persons shall file with the Bank an affidavit, including a breakdown of their related companies and their family relationships once a year and whenever a change occurs.

Additionally, the Bank complies with the requirements of authorization of transactions with related parties in amounts over 1% of the Bank's equity, as provided for by the Capital Markets Law, No. 26831 and CNV Resolution 622/13. They shall be agreed on an arms' length basis.

- 7) Remunerations and economic incentives to personnel

General principles

The remunerations and incentives to personnel policy has been established for the purposes of:

- complying with the legislation in force,
- preserving internal equity,
- adopting a competitive position within the comparable market,
- retaining trained and well-motivated employees.

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The policy considers a fixed remuneration agreed in accordance with the level of responsibility and professional expertise of each individual, adjusted according to the collective bargaining agreements. It may include a variable compensation as a business incentive or commission in the Commercial areas or as a bonus.

In order to monitor and guide the compensation policies, the Bank receives surveys and reports prepared by external consultants specialized in the matter.

Human Development Committee

The Board of Directors has approved the creation of a Human Development Committee that supervises the remunerations policy.

It is made up of the Chairman of the Board of Directors, two vice-chairmen, one independent directors, the Executive Manager of Human Development and Corporate Climate and the Executive Manager of the Board of Directors' secretary.

The Executive Manager of Human Development and Corporate Climate shall submit for the consideration of the Human Development Committee, the information required to set salary brackets so that, based on such salary brackets, the remuneration of Senior Management may be established, taking into account the figures applicable to comparable companies and the situation of the target market.

The Bank has not compensation deferral policy.

Bonuses structure

Banco Patagonia grants bonuses, in cash, on an annual basis in order to encourage employees to obtain attainable results that contribute towards the Bank's global performance, taking into account a conservative risk assumption, and also, the performance evaluation.

Description of how current and future risks are considered in the compensation process

The Human Development Committee considers the information provided by the annual report of the Global Risk Committee and the Operational Risk Committee in order to weigh the performance of the organization in relation to compliance with the risk limits defined by the Board of Directors.

Thus, a close relationship is established between the performance of the employees defined as risk takers and the bonuses granted, considering the risks assumed and managed during the fiscal year.

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Once the analysis is completed, the maximum amount to be distributed as annual bonuses is determined.

The main risks considered related to the payment of annual bonuses are:

- Market risk
- Credit risk
- Liquidity risk
- Interest rate risk
- Operational risk
- Strategic Risk

In order to mitigate potential risks, the Bank does not encourage general short-term economic incentive schemes linked to future and uncertain revenues.

The compensation of officers involved in the credit, financial control and risk processes is not dependent on the business areas they supervise. Total decisions concerning these areas are collectively taken, avoiding individual control and approval schemes.

The remuneration of the Risk and Compliance sectors is not dependent on the type of business they supervise, nor is there any relation between remuneration and the potential current or future risks.

8) Public information

Information can be obtained from [the Bank's website](http://www.bancopatagonia.com.ar) www.bancopatagonia.com.ar, the CNV Financial Information Highway (www.cnv.gob.ar), the official gazette of the Buenos Aires Stock Exchange (BCBA/BYMA) and the B3 (www.bmfbovespa.com.br),

As an Appendix to the Letter to Shareholders, the Annual Report of the Corporate Governance Code is submitted.

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NOTE 39 – FINANCIAL INSTRUMENTS RISKS

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 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.

In line with the provisions of Note 38, the risk coverage is monitored by the Executive Board in each committee where a director is exclusively involved, mainly the following:

- Management Committee
- Global Risk Committee
- Finance Committee
- Operational Risk Committee

a) 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.

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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) setting consistent standards for granting loans, following conservative parameters based on clients' knowledge, solvency and repayment capacity in the case of companies, and credit behavior and revenues level in the case of individuals;
- 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.

As mentioned in Note 38, and in order to assess the credit risk, the Global Risk Committee analyzes exposure to that risk and the related contingency plans, and the Management Committee analyzes and approves the granting of credit facilities that exceed the powers of the remaining Credit Committees. It is also responsible for monitoring the management of the different business segments.

Additionally, the Credit and Foreign Trade Superintendent, based on the analysis of the Company's financial position, industry sector, repayment capacity, projections and characteristics, among other aspects, issues 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 areas prepare a rating proposal, which is discussed by the different Credit Committees.

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Executive manager of Administration

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with our report dated 2/19/2020

By Supervisory Committee

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Juan M. Trejo
Superintendent
Finance, Administration and Public area

João Carlos de Nobrega Pecego
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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.

The Bank continuously monitors the behavior of clients under the portfolio management intended to keep the credit file updated at all times. Additionally, other factors are considered, such as the information provided by the remaining financial system, economic sector, compliance with payment obligations, etc. In connection with client commitments, there are specialized areas managing the delay through various management tools.

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.

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

Loan follow-up and review

Based on the foregoing, the procedural manuals that contain the guidelines on credit risk and compliance with current regulations have the following purposes, among others: the monitoring of the loan portfolio and the level of clients' compliance through the periodical analysis of the credit position of each of them

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.

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In this respect, after a given number of days have elapsed from the delay in payment, the collection efforts will be delegated to the Delay Management area together with the network of branches, which –considering the specific characteristics of each case– are required to serve notices and perform the procedures included in the manuals of procedure.

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 credit risk relating to those investments is monitored on a weekly basis by the Financial Committee and the Global Risk Committee. That evaluation includes the identification of each of the financial assets invested by analyzing the risk rating given by a rating agency. These financial instruments are primarily concentrated in deposits and interbank loan transactions with top tier financial institutions, 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 investments in financial assets:

Breakdown	12/31/19	12/31/18
Government securities issued by the national and provincial governments a)	16,0%	26,0%
Instruments issued by the BCRA b)	81,0%	73,0%
Other	3,0%	1,0%

- 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.
- 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.

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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:

- 97% of the loan portfolio is classified into two upper levels of the internal classification system as of December 31, 2019, and 2018;
- 91% of the loan portfolio is considered not to be past due or impaired as of December 31, 2019 and 2018, respectively.

The maximum amount of credit risk of the Group's financial assets is as follows:

Breakdown	12/31/19	12/31/18
Cash and bank deposits	44,626,956	34,940,609
Debt securities measured at fair value with changes through profit or loss	343,498	182,928
Derivative financial instruments	77,248	148,988
Repo transactions	-	663,435
Other financial assets	2,056,266	3,158,092
Loans and other financing facilities	88,135,001	82,549,304
Other debt securities	42,131,753	23,649,064
Financial assets granted as collaterals	3,581,283	2,797,674
Total	180,952,005	148,090,094
Off-balance sheet		
Unused agreed overdrafts and loans	-	100,000
Unused credit card balances	25,177,294	24,431,191
Guarantees granted	232,589	498,615
Obligations from foreign trade transactions	211,364	281,069
Letters of credit	183,199	624,868
Total	25,804,446	25,935,743

Guarantees held by the Bank

Guarantees received on loans are reported in Exhibit B.

Credit risk concentration

Exhibit C includes the concentration of financing granted by the Entity.

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Quality of loans and other financing facilities

The Bank manages the quality of loans through ratings established by the BCRA.

<u>Item</u>	Neither delinquent nor impaired	Delinquent, not impaired	Impaired	Total as of 12/31/19
Overdrafts	18,704,159	293,059	97,710	19,094,928
Notes	25,385,231	538,108	552,770	26,476,109
Mortgage loans	1,145,259	654	1,299	1,147,212
Car loans	2,284,765	898,566	64,083	3,247,414
Consumer	6,964,897	567,274	856,663	8,388,834
Credit cards	15,200,832	479,431	110,352	15,790,615
Finance lease	480,467	29,817	18,381	528,665
Interest and other adjustment	4,121,738	75,626	142,551	4,339,915
Other	11,136,155	2,588,956	441,172	14,166,283
Total	85,423,503	5,471,491	2,284,981	93,179,975

<u>Item</u>	Neither delinquent nor impaired	Delinquent, not impaired	Impaired	Total as of 12/31/18
Overdrafts	10,697,615	415,527	113,895	11,227,037
Notes	28,332,361	1,473,855	96,476	29,902,692
Mortgage loans	119	949,770	250	950,139
Car loans	3,625,877	561,837	69,260	4,256,974
Consumer	8,354,831	1,039,534	434,984	9,829,349
Credit cards	11,968,322	756,891	41,285	12,766,498
Finance lease	926,839	63,404	8,670	998,913
Interest and other adjustment	1,721,586	175,556	72,051	1,969,193
Other	13,866,993	350,164	297,711	14,514,868
Total	79,494,543	5,786,538	1,134,582	86,415,663

The other financial assets are neither delinquent nor impaired.

b) 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, taking into consideration the different currencies and settlement terms of its rights and obligations, without incurring significant losses.

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The Bank has developed policies regarding liquidity, which are oriented to managing liquidity efficiently, optimizing costs and diversifying funding sources, maximizing profits from placements through a conservative management that secures the funds necessary to continue with operations 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) and the NSFR (net stable funding ratio).

The Financial Risk Management regularly 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 the years ended December 31, 2019 and 2018, which result from dividing the net liquid assets consisting of cash, BCRA balances, balances in other financial institutions, BCRA bills and other financial assets at fair value, on the total deposits.

Item	12/31/19	12/31/18
Balances at year-end	72,0%	53,9%
Average for the year	67,1%	43,8%
Higher	74,0%	53,9%
Lower	54,2%	36,1%

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

Item	Exhibit D -Loans and other financing facilities broken down by term	Exhibit I – Financial liabilities broken down by terms remaining to maturity	Total as of 12/31/2019
Up to 1 month	48,099,534	130,419,489	(82,319,955)
From 2 to 3 months	9,941,099	11,164,040	(1,222,941)
From 3 to 6 months	14,522,606	5,709,281	8,813,325
From 6 to 12 months	6,477,420	1,804,814	4,672,606
From 12 to 24 months	10,291,464	1,089,572	9,201,892
Over 24 months	11,164,920	2,051,742	9,113,178
Total	100,497,043	152,238,938	(51,741,895)

Item	Exhibit D -Loans and other financing facilities broken down by term	Exhibit I – Financial liabilities broken down by terms remaining to maturity	Total as of 12/31/2018
Up to 1 month	37,994,470	111,920,701	(73,926,231)
From 2 to 3 months	12,946,930	11,738,474	1,208,456
From 3 to 6 months	19,501,854	5,434,947	14,066,907
From 6 to 12 months	7,606,918	1,496,458	6,110,460
From 12 to 24 months	10,230,064	672,005	9,558,059
Over 24 months	14,247,313	393,038	13,854,275
Total	102,527,549	131,655,623	(29,128,074)

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The amounts of the Group's financial assets and liabilities expected to be collected or paid twelve months following the year-end date are as follows:

Item	12/31/19	12/31/18
Financial assets		
Debt securities	331,411	3,909,399
Loans and other financing facilities	21,456,384	24,477,377
Total	21,787,795	28,386,776
Financial liabilities		
Deposits	-	166,152
Financing facilities received from the BCRA and other financial institutions	3,141,314	1,240,968
Corporate bonds issued	-	510,582
Total	3,141,314	1,917,702

c) Market risk

Market risk is defined as the possibility of incurring losses in balance sheet and off-balance sheet positions as a consequence of adverse fluctuations in the market prices, interest rates or exchange rates, among others.

Price risk

The Bank has established policies 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.

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The VaR calculates the maximum loss expected (or worst case scenario) on a market portfolio, over a given time period (time horizon) and given a specified level of confidence, in normal market conditions.

The VaR varies according to the structure of the portfolio of assets exposed to market risks and based on the volatility of risk factors.

The permanent monitoring of this risk enables to keep the exposure to the limits set by the Board of Directors at all times.

Moreover, stress models are used, which consist in considering adverse market situations, hardly likely but plausible, in order to identify potential impacts from market risk and facilitate planning for such contingencies.

Sensibility to changes in interest rates

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, internal measurement tools are used, such as interest rate curves, sensitivity analysis of balance sheet items, and interest rate gaps, 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 interest rate mismatch is quantified by performing a sensitivity analysis of changes in the net value of assets upon an increase in interest rates, considering various time horizons and levels of confidence, for each of the relevant currencies. This approach is supplemented by another based on the sensibility to financial income, which helps quantify the interest rate risk with a time horizon of 12 months.

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Currency risk

The currency or exchange rate risk arises from in-balance sheet or off-balance sheet net positions in foreign currency held at any moment, including assets and liabilities. The most significant position, among foreign currency positions, is that held in US dollars.

The following table shows a 10-day VaR with a level of confidence of 99% of the portfolio at risk as of December 31, 2019 and 2018.

Item	12/31/19	12/31/18
Maximum for the year	98.7	42.4
Minimum for the year	5.7	5.4
Average for the year	30.1	13.7
At year-end	98.7	42.4

Foreign currency transactions are performed at the supply and demand exchange rates. As of December 31, 2019 and 2018, the Bank's open position, stated in Argentine pesos by currency, is as follows:

Item	Euro	US dollar	Other	12/31/19
Total Assets	1,269,458	54,694,502	62,538	56,026,498
Total liabilities	(1,101,709)	(53,515,047)	(1,450)	(54,618,206)
Position	167,749	1,179,455	61,088	1,408,292
Derivatives				
Forward – purchases	-	2,036,050	-	2,036,050
Forward – sales	-	(1,194,986)	-	(1,194,986)
Total	-	841,064	-	841,064

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<u>Item</u>	<u>Euro</u>	<u>US dollar</u>	<u>Other</u>	<u>12/31/2018</u>
Total Assets	1,170,341	45,193,754	110,501	46,474,596
Total liabilities	(1,075,321)	(45,380,520)	(128,144)	(46,583,985)
Position	95,020	(186,766)	(17,643)	(109,389)
Derivatives				
Forward – purchases	-	3,081,423	-	3,081,423
Forward – sales	-	(2,687,637)	-	(2,687,637)
Total	-	393,786	-	393,786

NOTE 40 – FAIR VALUE OF FINANCIAL INSTRUMENTS

a) Assets and liabilities measured at fair value

The fair value hierarchy of assets and liabilities measured at fair value as of December 31, 2019 is as follows:

<u>Item</u>	<u>Book balance</u>	<u>Amortized cost</u>	<u>Fair value with changes through OCI</u>	<u>Fair value with changes through profit or loss</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Financial assets							
Debt securities measured at fair value with changes through profit or loss	343,498	-	-	343,498	224,513	118,985	-
Derivative financial instruments	77,248	-	-	77,248	-	77,248	-
Other debt securities	42,131,753	1,024,609	41,107,144	-	30,472,972	10,634,172	-
Financial assets granted as collaterals	3,581,283	140,903	3,440,380	-	-	3,440,380	-
Investments in equity instruments	843,108	-	-	843,108	-	7,483	835,625
Total	46,976,890	1,165,512	44,547,524	1,263,854	30,697,485	14,278,268	835,625

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Item	Book balance	Amortized cost	Fair value with changes through OCI	Fair value with changes through profit or loss	Level 1	Level 2	Level 3
Financial liabilities							
Derivative financial instruments	248,669	-	-	248,669	-	248,669	-
Total	248,669	-	-	248,669	-	248,669	-

The fair value hierarchy of assets and liabilities measured at fair value as of December 31, 2018 is as follows:

Item	Book balance	Amortized cost	Fair value with changes through OCI	Fair value with changes through profit or loss	Level 1	Level 2	Level 3
Financial assets							
Debt securities measured at fair value with changes through profit or loss	182,928	-	-	182,928	140,215	42,713	-
Derivative financial instruments	148,988	-	-	148,988	-	148,988	-
Other debt securities	23,649,064	189,427	23,459,637	-	18,819,887	4,639,750	-
Financial assets granted as collaterals	2,797,674	1,551,843	1,245,831	-	465,092	780,739	-
Investments in equity instruments	6,347	-	-	6,347	5,118	1,229	-
Total	26,785,001	1,741,270	24,705,468	338,263	19,430,312	5,613,419	-

Item	Book balance	Amortized cost	Fair value with changes through OCI	Fair value with changes through profit or loss	Level 1	Level 2	Level 3
Financial liabilities							
Derivative financial instruments	74,331	-	-	74,331	-	74,331	-
Total	74,331	-	-	74,331	-	74,331	-

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Superintendent
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Transfers between hierarchy levels

b.1) Transfers from level 1 to level 2

The following instruments measured at fair value were transferred from Level 1 to Level 2 of the fair value hierarchy:

Breakdown	12/31/19	12/31/18
Argentine Treasury Bond in \$, maturity 2020	-	33,087
Argentine Government Bond in ARS Private Badlar + 325 bps., maturity 2020	-	726
Argentine Treasury Bonds in \$ adjusted by CER, maturity 2020	-	78
Total	-	33,891

b.2) Transfers from level 2 to level 1

The following instruments measured at fair value were transferred from Level 2 to Level 1 of the fair value hierarchy:

Breakdown	12/31/19	12/31/18
Argentine Treasury Bond in \$ Fixed Rate, maturity 2020	3,876,314	-
Debt security, Class 1, Province of Rio Negro, maturity 2021	189,500	-
Debt security, Class 1, Province of Rio Negro, maturity 2020	67,145	-
Debt securities of the province of Chubut, Class II	-	227
Total	4,132,959	227

These holdings were included in hierarchy level 2 as of December 31, 2018 and as of December 31, 2019, they were carried at fair value by using the quoted prices in active markets.

b.3) Valuation techniques of Levels 2 and 3

Below is a description of the financial instruments carried at fair value using valuation techniques based on observable market data (Level 2):

Financial assets and liabilities measured at fair value: it mainly includes provincial debt securities and Treasury Bills in USD carried at fair value using yield curves for securities related to the same type of instrument, with the regular and habitual quoted price of similar duration.

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Derivative financial instruments: it includes the fair value of forward transactions with settlement upon maturity of the transaction, estimated as the difference between the agreed-upon values and market prices, discounted at measurement date.

Investments in equity instruments: the Group includes in Level 3 its interest in Prisma Medios de Pago S.A., which is recognized in Investments in equity instruments, since for the fair value measurement thereof, the valuation conducted by independent professionals has been used as adjusted in accordance with the BCRA requirements. The gain or loss on the asset stated at fair value based on unobservable market data is recognized in net gain or loss on financial instruments measured at fair value through profit or loss.

Below we describe the main financial instruments not measured at fair value, when there are no quoted prices in the active markets for such instrument, and the methodologies and assumptions used to determine their fair value.

- Assets and liabilities whose fair value is similar to the carrying amount

For financial assets and liabilities that have short-term maturities (less than three months), it is considered that the carrying amount is similar to the fair value. This assumption is also applied to savings accounts, checking accounts and other deposits.

- Fixed-rate financial instruments

The fair value of financial assets was determined by discounting future cash flows at the market rates offered at each measurement date, 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.

- Variable-rate financial instruments

The fair value of financial assets and liabilities accruing a variable rate was determined by discounting the estimated future cash flows considering the variable rate contractually applicable at measurement date, discounted by applying the market rates for financial instruments of similar characteristics and credit risk. The fair value hierarchy of assets and liabilities not measured at fair value as of December 31, 2019 is as follows:

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Item	Accounting balance as of 12/31/19	FV Total	FV Level 1	FV Level 2	FV Level 3
Financial assets					
Cash and bank deposits	44,626,956	(1)	-	-	-
Other financial assets	2,056,266	1,752,894	-	-	1,752,894
Loans and other financing facilities	88,135,001	81,800,668	-	-	81,800,668
Financial liabilities					
Deposits	122,194,308	117,101,561	-	-	117,101,561
Other financial liabilities	8,384,103	(1)	-	-	-
Financing facilities received from the BCRA and other financial institutions	16,555,429	(1)	-	-	-
Corporate bonds issued	1,035,147	1,151,195	-	-	1,151,195

(1) The fair value is not reported because it is deemed to be similar to the carrying amount.

The fair value hierarchy of assets and liabilities not measured at fair value as of December 31, 2018 is as follows:

Item	Accounting balance as of 12/31/2018	FV Total	FV Level 1	FV Level 2	FV Level 3
Financial assets					
Cash and bank deposits	34,940,609	(1)	-	-	-
Repo transactions	663,435	(1)	-	-	-
Other financial assets	3,158,092	3,157,443	-	-	3,157,443
Loans and other financing facilities	82,549,304	75,504,706	-	-	75,504,706
Financial liabilities					
Deposits	109,117,039	107,488,272	-	-	107,488,272
Repo transactions	916,010	(1)	-	-	-
Other financial liabilities	9,321,695	(1)	-	-	-
Financing facilities received from the BCRA and other financial institutions	9,358,048	(1)	-	-	-
Corporate bonds issued	1,678,055	1,561,863	-	-	1,561,863

(1) The fair value is not reported because it is deemed to be similar to the carrying amount.

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NOTE 41 – TRANSFER OF FINANCIAL ASSETS

During the regular course of business, the Group performs transactions that involve the transfer of financial assets, mainly, loans and government securities.

In accordance with the accounting policy described in Note 5.4 d), based on the transaction terms and conditions, the financial asset is still fully recognized or derecognized.

A transferred asset that is not derecognized arises from the transactions related to repo transactions involving sales agreements with subsequent repurchase.

In such transactions, the Group sells financial instruments (usually, government securities) and simultaneously agrees to repurchase them at a fixed price at a given date.

The Group still recognizes the instruments as a whole in the consolidated statement of financial position because it substantially holds all the risks and rewards of ownership. The consideration received is recognized as a financial asset and the obligation to repurchase the instrument is recognized as a financial liability.

The financial assets that have been transferred but not derecognized, together with the related financial liabilities as of December 31, 2019 and December 31, 2018 are reported below:

Item	12/31/19	12/31/18
Securities receivable from repo transactions involving government securities		
Government securities measured at fair value with changes through profit or loss	-	5,450
Government securities measured at fair value with changes through OCI	-	17,100
Liquidity Bills measured at fair value with changes through OCI	-	989,310
Total	-	1,011,860
Sundry payables from repo transactions involving government securities		
Government securities	-	20,865
Liquidity bills	-	895,145
Total	-	916,010

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NOTE 42 – OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES

As of December 31, 2019, unlike 2018, the Group has no financial assets and liabilities to be offset in accordance with offsetting master agreements or of a similar nature.

December 31, 2018	Gross amounts recognized as financial debts	Gross amounts offsetting financial assets recognized 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 monetary collaterals)	Monetary collaterals	
Sale with subsequent repurchase of debt instruments, borrowing involving debt instruments and similar arrangements	(916,010)	1,011,860	95,850	-	-	95,850
Total	(916,010)	1,011,860	95,850	-	-	95,850

December 31, 2018	Gross amounts recognized as financial assets	Gross amounts offsetting financial liabilities 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 financial collaterals)	Monetary collaterals	
Purchase agreements with subsequent resale, loans involving debt instruments and similar arrangements	663,435	(728,533)	(65,098)	-	-	(65,098)
Total	663,435	(728,533)	(65,098)	-	-	(65,098)

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NOTE 43 – SEGMENT REPORTING

The Group presents information to the highest authorities in terms of operating decision taking based on the following operating segments:

- Individuals: this segment groups transactions of customers that are individuals. These customers mainly acquire the following products, among others: personal loans, credit cards, time deposits, and demand deposit accounts.
- Commercial: it groups transactions relating to credit facilities, transactional services and deposits granted to large, micro, medium and small-sized companies, and transactions performed with the Bank by the different national, provincial and municipal government agencies.
- Treasury and other: it includes transactions with financial sector customers, investment activities, derivatives and funding transactions.

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

For the fiscal years ended December 31, 2019 and 2018, 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, 2019 and 2018 for the information related to the Bank's financial position;
- For the fiscal years ended December 31, 2019 and 2018 for the information related to the Bank's profit or loss.

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Information as of December 31, 2019

	<u>Individuals</u>	<u>Commercial</u>	<u>Treasury and other</u>	<u>Total as of 12/31/19</u>
Interest income/loss	8,126,003	7,456,808	15,182,632	30,765,443
Fee income/loss	1,818,048	2,204,356	182,214	4,204,618
Net gain on financial instruments measured at fair value through profit or loss	-	79,583	1,044,523	1,124,106
Gold and foreign currency quoted price difference	1,092,614	761,537	659,262	2,513,413
Other operating income – net	158,218	274,846	2,282,949	2,716,013
Charge for Loan Losses	(1,180,624)	(976,635)	(1,199,760)	(3,357,019)
TOTAL OPERATING INCOME	<u>10,014,259</u>	<u>9,800,495</u>	<u>18,151,820</u>	<u>37,966,574</u>
Operating and administrative expenses				(15,797,210)
Gain/loss on associates and joint ventures				543,256
Income tax				(5,240,111)
NET INCOME				<u>17,472,509</u>
Reconciliation with the statement of income				
Net income as of 12/31/19 as per statement of income				17,631,649
Reconciliation between management information and regulatory information				(159,140)
Total profit or loss reported in segments				17,472,509

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Information as of December 31, 2019

	<u>Individuals</u>	<u>Commercial</u>	<u>Treasury and other</u>	<u>Total as of 12/31/19</u>
Loans	22,883,191	52,385,838	9,815,811	85,084,840
Other assets	3,543,303	1,655,673	85,629,320	90,828,296
TOTAL ASSETS	26,426,494	54,041,511	95,445,131	175,913,136
Deposits	59,400,263	43,154,214	13,393,242	115,947,719
Other liabilities	-	-	27,623,053	27,623,053
TOTAL LIABILITIES	59,400,263	43,154,214	41,016,295	143,570,772

Reconciliation with the statement of financial position

Assets as of 12/31/19 as per the statement of financial position	192,388,100
Reconciliation between management information and regulatory information:	
- Loans	(3,050,161)
- Other assets	(13,424,803)
Total assets reported in segments	175,913,136
Liabilities as of 12/31/2019 as per the statement of financial position	159,000,817
Reconciliation between management information and regulatory information:	
- Deposits	(6,246,589)
- Other liabilities	(9,183,456)
Total liabilities reported in segments	143,570,772

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Information as of December 31, 2018

	<u>Individuals</u>	<u>Commercial</u>	<u>Treasury and other</u>	<u>Total as of 12/31/18</u>
Interest income/loss	5,200,424	4,935,083	3,591,790	13,727,297
Fee income/loss	1,413,686	1,804,069	176,154	3,393,909
Net gain on financial instruments measured at fair value through profit or loss	-	24,434	2,072,698	2,097,132
Gold and foreign currency quoted price difference	479,358	465,189	21,252	965,799
Other operating income – net	105,635	75,045	684,668	865,348
Charge for Loan Losses	<u>(765,189)</u>	<u>(578,831)</u>	<u>(1,062,709)</u>	<u>(2,406,729)</u>
TOTAL OPERATING INCOME	<u>6,433,914</u>	<u>6,724,989</u>	<u>5,483,853</u>	<u>18,642,756</u>
Operating and administrative expenses				(10,980,251)
Gain/loss on associates and joint ventures				378,971
Income tax				<u>(2,654,632)</u>
NET INCOME				<u>5,386,844</u>

Reconciliation with the statement of income

Net income for the fiscal year ended 12/31/18 as per statement of income **5,350,670**

Reconciliation between management information and regulatory information 36,174

Total profit or loss reported in segments **5,386,844**

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Information as of December 31, 2018

	<u>Individuals</u>	<u>Commercial</u>	<u>Treasury and other</u>	<u>Total as of 12/31/18</u>
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	<u>23,676,805</u>	<u>50,892,228</u>	<u>73,235,686</u>	<u>147,804,719</u>
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	<u>54,175,430</u>	<u>37,923,349</u>	<u>40,125,726</u>	<u>132,224,505</u>

Reconciliation with the statement of financial position

Assets as of 12/31/2018 as per the statement of financial position **154,495,006**

Reconciliation between management information and regulatory information:

- Loans	(3,954,952)
- Other assets	(2,735,335)

Total assets reported in segments **147,804,719**

Liabilities as of 12/31/2018 as per the statement of financial position **136,201,786**

Reconciliation between management information and regulatory information:

- Deposits	(2,016,531)
- Other liabilities	(1,960,750)

Total liabilities reported in segments **132,224,505**

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NOTE 44 - SUBSIDIARIES

Below there is information about the Bank's subsidiaries as of December 31, 2019 and December 31, 2018:

Company	Shares		Percentage of	
	Class	Amount	Total capital stock	Possible votes
GPAT Compañía Financiera S.A.U.	Common stock	86,837,083	100,00%	100,00%
Patagonia Inversora S.A. Sociedad Gerente Fondos Comunes de Inversión	Common stock	13,317,237	99,99%	99,99%
Patagonia Valores S.A.	Common stock	13,862,667	99,99%	99,99%
Banco Patagonia (Uruguay) S.A. I.F.E.	Common stock	50,000	100,00%	100,00%

Structured and not consolidated entities

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.

NOTE 45 – INVOLVEMENT WITH NON CONSOLIDATED ENTITIES

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.

As of December 31, 2019, the Bank acted as trustee of 13 trusts and managed, through Patagonia Inversora S.A. Sociedad Gerente de Fondos Comunes de Inversión, a total of 9 mutual funds (see Notes 52 and 53). The Entity in no case will it meet the obligations assumed in executing these trusts with its own assets; these obligations will only be satisfied with and up to the amount of the assets held in trust and the proceeds therefrom.

The commissions earned by the Bank upon fulfilling its trustee's duties are calculated under the terms of the related agreements.

The Group's earnings from these activities in the amounts of 227,913 and 174,192 are recorded under "Other operating income" as of Tuesday, December 31, 2019 and 2018, respectively.

In line with the terms and conditions of these agreements, the Bank is not required to provide any sort of financial support for these trusts. Additionally, the Bank has not incurred in any losses derived from these trusts.

Marcelo A. Iadarola
Executive manager of Administration

Signed for identification purposes
with our report dated 2/19/2020

By Supervisory Committee

Juan M. Trejo
Superintendent
Finance, Administration and Public area

João Carlos de Nobrega Pecego
President

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NOTE 46 – RELATED PARTIES

All transactions with related parties (individuals and companies related to the Group) are described below.

Key management personnel

Pursuant to IAS 24, key management personnel are those persons having authority and responsibility for planning, directing, and controlling the activities of the Bank, directly or indirectly. According to that definition, Directors are deemed as key personnel by the Bank.

The number of regular directors of the Board is established by the Shareholders' Meeting, and ranges from seven to nine directors, appointed for a term of three fiscal years, with the possibility of being reappointed indefinitely. At present, the Board of Directors is made up of eight 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 interests.

The transactions with key management personnel, including their close relatives and related entities are as follows:

Item	Balances as of		Highest balance for the year (1)	
	12/31/2019	12/31/18	12/31/19	12/31/18
Loans – loans to personnel	-	-	-	2
Loans – Credit cards	4,325	2,760	6,298	4,017
Loans - Other advances	-	-	-	8
Deposits received	72,120	48,672	132,505	549,867

(1) Due to the large quantity of transactions, particularly, in the checking accounts and deposits, the Bank considers that presenting the maximum balance for the year is the best indicator of the transactions performed during the year.

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The loans and deposits were agreed in accordance with the market conditions applicable to other clients of the Bank. Loans are classified as regularly performing in accordance with the Debtor Classification Standards of BCRA. Total fees received by the Board of Directors for the fiscal years ended December 31, 2019 and 2018 amounted to 152,549 and 89,322, respectively.

Banco do Brasil S.A.

Banco do Brasil S.A. is a financial institution organized under the laws of Brazil and is the Bank's majority shareholder.

The equity balances with Banco do Brasil S.A. as of Tuesday, December 31, 2019 and December 31, 2018:

Item	Balances as of		Highest balance for the year (1)	
	12/31/19	12/31/18	12/31/19	12/31/18
Cash and cash equivalents– balances in other financial institutions	11,890	16,337	158,056	103,597
Other receivables	596,995	338,914	633,271	338,914
Deposits	19,479	30,107	33,278	30,107
Financing facilities received from financial institutions	5,065,509	378,140	5,371,493	378,140
Guarantees granted (2)	89,843	65,408	89,843	70,751
Guarantees received (3)	479,160	151,233	479,160	163,587

- (1) Due to the large quantity of transactions, the Bank considers that presenting the maximum balance for the year is the best indicator of the transactions performed during the year.
- (2) It is related to guarantees granted to Banco do Brasil S.A.
- (3) It is related to credit letters granted by Banco do Brasil S.A. to clients of the Bank.

Transactions with Banco do Brasil S.A. are performed on an arm's length basis.

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Profit or loss for the fiscal years ended December 31, 2019 and 2018 were as follows:

Item	Fiscal year ended	
	12/31/19	12/31/18
Interest income	16,408	9,414
Interest expense	130,837	2,514
Fee income	3	1
Fee expenses	-	12
Other operating income	701	574

Province of Río Negro

As provided for in the Bank's bylaws, 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 of the Province of Río Negro, by virtue of the agreement signed in 1996.

On December 22, 2016, the Executive Branch of the Province of Río 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 a result of the bidding process referred to above, on April 28, 2017, the Bank was again awarded the financial agent duties for the Province of Río Negro, and the Río Negro Province Banking and Financial Services Agreement was signed.

As a provincial financial agent, the Bank may provide several services to meet the financial and service needs of the different government areas in the province (central management, agencies and affiliates, as well as municipalities) such as tax revenue, salary crediting, among others. Such duties do not include the obligation to provide financial aid to the Province of Río Negro under conditions other than those consistent with the private banking nature of this bank.

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Item	Balances as of		Highest balance for the year (1)	
	12/31/19	12/31/18	12/31/19	12/31/18
Financial assets measured at fair value— securities issued by the Province of Río Negro	256,747	294,244	289,681	294,244
Loans - advances	-	-	1,500,000	-
Loans – syndicated loan	-	86,266	67,618	138,691
Deposits	105,187	268,973	1,096,457	885,436

- (1) Due to the large quantity of transactions, particularly, in the checking accounts and deposits, the Bank considers that presenting the maximum balance for the year is the best indicator of the transactions performed during the year.

Transactions with the Province of Río Negro are performed on an arm's length basis while financing facilities granted are rated as regularly performing in accordance with the BCRA applicable regulations.

Profit or loss for the fiscal years ended December 31, 2019 and 2018 were as follows:

Item	Fiscal year ended	
	12/31/19	12/31/18
Interest income	200,432	137,864
Fee income	63,241	47,822

Associates

Balances with the Group's associates are as follows:

Item	Balances as of		Highest balance for the year (1)	
	12/31/19	12/31/18	12/31/19	12/31/18
Deposits	1,891,183	629,977	2,469,522	922,237

- (1) Due to the large quantity of transactions, the Bank considers that presenting the maximum balance for the year is the best indicator of the transactions performed during the year.

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NOTE 47 – LEASES

a) The Group, as lessor, provides financing under finance leases.

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

Term	12/31/19		12/31/18	
	Total investment	Present value of minimum lease payments	Investments Total	Present value of minimum lease payments
Up to 1 year	480,199	357,904	755,390	530,644
From 1 to 5 years	228,454	180,503	602,657	486,628
Total	708,653	538,407	1,358,047	1,017,272

Capital (see Note 12).	528,665	998,913
Accrued interest	9,742	18,359
Total	538,407	1,017,272

b) The Group acts as a lessee in operating leases.

The Group leases a number of branches and administrative offices.

The following table shows the future minimum lease payments not settled to be paid under operating leases at the reporting dates:

Operating leases	12/31/19	12/31/18
Term		
Up to 1 year	293,198	201,606
From 1 to 5 years	395,768	134,033
Over 5 year	7,200	4,800
Total	696,166	340,439

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NOTE 48 – DISTRIBUTION OF EARNINGS AND RESTRICTIONS

Banco Patagonia S.A.

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.

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. This regulation was amended by Law No. 27541 enacted on December 23, 2019, which suspended the rates reduction up to the fiscal years beginning on or after January 1, 2021, included. Up to then, the 7% rate is maintained for the distribution of earnings for year 2020.

BCRA's rules set forth the general procedure for the distribution of earnings. According to such procedure, the distribution may be made 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 have 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.

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On the other hand, the Bank 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.

On January 12, 2018, the BCRA issued Communication "A" 6428 whereby the provisions about "Distribution of Earnings" were tailored to be in line with the IFRS.

Through the provisions of Communication "A" 6768 dated August 30, 2019, it was stated that the distribution of earnings by financial institutions shall be previously authorized by the BCRA. Within the authorization process, the SEFyC will consider, among other elements, the potential effects of IFRS 9, paragraph 5.5. - Impairment of financial assets (Communication "A" 6430) and restatement of financial statements provided for by Communication "A" 6651.

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 Bank, 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.

Finally, taking into account the information provided in this note, income for fiscal year 2019 amounts to 17,631,649, which will be allocated as resolved by the Shareholders at meeting according to the Distribution of Earnings Project.

For such process, the potential effects of the international accounting standards shall be considered according to Communication "A" 6430 (Paragraph 5.5. of IFRS 9 –Impairment of financial assets) and restatement of financial statements provided for by Communication "A" 6651.

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GPAT Compañía Financiera S.A.U.

Finally, taking into account the BCRA and CNV regulations described above, distributable earnings amount to 145,581, and they are proposed to be allocated in accordance with the Distribution of earnings project included in GPAT S.A.U. Financial statements, as follows:

- To Legal Reserve (20% of 17,180)	29,116
- Optional Reserve for future distribution of earnings	116,465
Total	<u>145,581</u>

Patagonia Valores S.A.

The loss for the fiscal year ended December 31, 2019 was 11,565.

The shareholders shall resolve about the absorption thereof at the meeting to be held to deal with these financial statements.

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 capital stock is reached plus the capital adjustment.

The following appropriation of earnings is submitted for the consideration of the Shareholders at the Annual Meeting to be held to approve the financial statements as of December 31, 2019:

- To Legal reserve	4,889
- To Unappropriated retained earnings	44,005
- To Cash dividends (50% of 97,788)	48,894
Total	<u>97,788</u>

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NOTE 49 – RESTRICTED ASSETS

The Group has the following restricted assets:

	<u>12/31/19</u>	<u>12/31/18</u>
Special guarantee accounts (*)	1,668,863	1,077,553
BCRA - Financial trusts under guarantee to secure forward transactions???	1,120,472	983,324
- Treasury bills in USD, maturity 5/15/2020	615,351	-
- Treasury bills in USD, maturity 8/31/2020	262,612	-
- Treasury bills in USD, maturity 4/11/2020	138,737	-
- Treasury bills in USD, maturity 8/31/2020	103,772	-
- Other	-	983,324
Security deposits – Credit and debit card managers	426,358	451,702
Government securities – IADB loan – Global Credit Program for micro-, small- and medium-sized enterprises	350,235	270,507
- Treasury bills in USD, maturity 4/10/2020	166,485	-
- Argentine Government Bond, maturity 3/6/2020	124,866	-
- Treasury bills in USD, maturity 8/31/2020	41,268	-
- Treasury bond in \$ adjusted by CER 2.25%, maturity. 04/28/20	16,037	-
Consolidation bonds 8th Series, maturity 10/04/22	1,579	-
- Other	-	270,507
Other security deposits	15,355	14,588
Sub - Total	3,581,283	2,797,674
Security deposits for repurchase agreements	-	101,186
Sub - Total	-	101,186
Total	3,581,283	2,898,860

(*) Granted as collateral and held with the BCRA and in Banco Central de Uruguay (see Note 14).

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NOTE 50 – DEPOSIT GUARANTEE INSURANCE SYSTEM

Law No. 24485 and Decree No. 540/95 created a limited and mandatory Deposit Guarantee Insurance System for valuable consideration to provide coverage for risks inherent in bank deposits, supplementary to the bank deposit privileges and protection system established by the Financial Institutions Law.

Such law provided for the creation of Seguros de Depósitos S.A. (SEDESA) for the sole purpose of managing the Deposit Guarantee Fund, the shareholders of which, as amended by Presidential Decree No. 1292/96, shall be the BCRA, with at least one share, and the trustees of the trust agreement executed by financial institutions in the proportion established by the BCRA based on their contributions to the Deposit Guarantee Fund. Such company was created in August 1995. The Bank's equity interest therein is 4.3580% as informed by the BCRA in Communication "B" 11681 issued on March 20, 2018.

As of December 31, 2019 and December 31, 2018, this system shall cover the deposits in Argentine pesos and foreign currency with the participating institutions, such as checking accounts, savings accounts, time deposits, investments, payroll account, social security contributions account, basic accounts, free of charge and special accounts, the tied-up funds of the accounts above or any other determined by the BCRA up to the amount of 450, subject to certain exclusions determined by such organization.

In accordance with Communication "A" 6654 dated February 28, 2019 and effective as from March 1, 2019, the BCRA increased the deposit guarantee insurance amount to thousands of pesos 1000.

As of December 31, 2019 and 2018, the contributions made have been recorded in "Other operating expenses – Contributions to the deposit guarantee fund" in the amount of 210,963 and 133,667, respectively (see Note 37).

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NOTE 51 – MINIMUM CASH AND CAPITAL REQUIREMENTS

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, among others.

The minimum cash requirement establishes that a financial institution shall keep liquid assets on deposits and other obligations recorded in each period. The following table shows the items computed as minimum cash requirements:

Minimum cash requirements	12/31/19	12/31/18
Cash and bank deposits		
BCRA - Current account	32,157,950	29,379,307
Other debt securities		
Argentine Treasury Bond in \$ Fixed Rate, Maturity 2020	3,876,314	3,243,600
Financial assets granted as collaterals		
BCRA - Special guarantee accounts	1,638,915	1,077,553
Total	37,673,179	33,700,460

Minimum capital requirements

The minimum capital requirements is as follows at each reporting date:

Minimum capital requirements	12/31/2019	12/31/18
Minimum capital requirements (A)	12,420,492	9,804,468
Credit risk	8,791,011	7,659,221
Market risk – Securities	62,893	68,461
Market risk - Currencies	213,222	113,658
Operational risk	3,353,366	1,963,128
Payment (B)	27,133,936	15,258,552
Surplus (B - A)	14,713,444	5,454,084

Marcelo A. Iadarola
Executive manager of Administration

Signed for identification purposes
with our report dated 2/19/2020

By Supervisory Committee

Mónica M. Cukar
Regular Supervisory Auditor
Public Accountant (UBA)
C.P.C.E.C.A.B.A. T° 147 F° 66

Juan M. Trejo
Superintendent
Finance, Administration and Public area

João Carlos de Nobrega Pecego
President

Signed for identification purposes
with our report dated 2/19/2020

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Mauricio G. Eidelstein (Partner)
Public Accountant (UBA)
C.P.C.E.C.A.B.A. T° CXX F° 228

BANCO PATAGONIA S.A.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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(Amounts stated in thousands of pesos)

NOTE 52 – TRUST ACTIVITIES

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. As of December 31, 2019, the Bank manages the following financial trusts subject to public offering:

Financial trust	Trustor	Date of agreement	Assets as of 12/31/2019	Assets held in trust	Equity as of 12/31/2019
CMR Falabella LXXIV	CMR Falabella	2/5/2019	(*) 24,674	Loans resulting from the use of credit cards	-
CMR Falabella LXXV	CMR Falabella	4/11/2019	109,083	Loans resulting from the use of credit cards	-
Ribeiro Minicreditos 5	Ribeiro S.A.C.I.F.A. e I.	10/31/18	44,842	Consumer loans	44,540
Mercado Crédito III	Mercado Libre S.R.L.	2/13/2019	102,035	Loans granted electronically	59,883
Mercado Crédito IV	Mercado Libre S.R.L.	5/8/2019	224,187	Loans granted electronically	82,258
Mercado Crédito IV	Mercado Libre S.R.L.	7/22/2019	298,719	Loans granted electronically	72,380
Serie Ribeiro C	Ribeiro S.A.C.I.F.A. e I.	4/12/2018	75,506	Consumer loans	75,060
Serie Ribeiro CI	Ribeiro S.A.C.I.F.A. e I.	7/16/2018	47,002	Consumer loans	46,685
Serie Ribeiro CII	Ribeiro S.A.C.I.F.A. e I.	4/12/2018	54,568	Consumer loans	54,191
Serie Ribeiro CIII	Ribeiro S.A.C.I.F.A. e I.	12/12/18	56,298	Consumer loans	9,578
Serie Ribeiro CIV	Ribeiro S.A.C.I.F.A. e I.	12/12/18	142,891	Consumer loans	73,694
Serie Ribeiro CV	Ribeiro S.A.C.I.F.A. e I.	5/28/2019	164,415	Consumer loans	62,978
Serie Ribeiro CVI	Ribeiro S.A.C.I.F.A. e I.	7/31/2019	197,060	Consumer loans	56,288
Total			1,541,280		637,535

(*) As per financial statements for liquidation purposes as of 8/31/2019

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BANCO PATAGONIA S.A.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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Public financial trusts authorized by the CNV, the financial statements of which are required after 12/31/19:

Financial trust	Trustor	Date of agreement	Assets held in trust
CMR Falabella LXXVI	CMR Falabella	10/21/2019	Loans resulting from use of credit cards
Mercado Crédito VI	Mercado Libre S.R.L.	12/12/19	Loans granted electronically
MELI Derechos Creditórios Tarjetas I	Mercado Libre S.R.L.	10/4/2019	Loans granted electronically
MELI Derechos Creditórios Tarjetas II	Mercado Libre S.R.L.	11/22/19	Loans granted electronically
Mercado Credito Consumo I	Mercado Libre S.R.L.	12/5/2019	Loans granted electronically

Financial trusts in escrow

Financial trust	Trustor	Date of agreement	Assets held in trust
Bogar Class II Series II	Province of Río Negro	06/11/09	Percentage of the daily provincial tax revenues
Bogar Clase II Serie III	Province of Río Negro	07/30/13	Percentage of the daily provincial tax revenues
Fondo Fiduciario de desarrollo Rionegrino Plan Gobernador Castello	Province of Río Negro	11/24/17	- Funds received from government loan transactions authorized by section 1 of Law No. 5201
Fideicomiso de Garantía Energía San Juan – SEPSA/Caja	Energía San Juan S.A.	3/23/2017	Assignment and transfer of all rights, securities and interests, either current or future, arising from the SEPSA Collection Agreements

The Bank acts as a trustee of the above mentioned trusts, and in no case will it meet the obligations assumed in executing these trusts with its own assets; these obligations will only be satisfied with and up to the amount of the assets held in trust and the proceeds therefrom. In addition, the trustee shall not encumber the assets held in trust or dispose of them beyond the limits established in the related trust agreements.

The commissions earned by the Bank upon fulfilling its trustee's duties are calculated under the terms of the related agreements.

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BANCO PATAGONIA S.A.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 53 – CUSTODIAN AGENT OF MUTUAL FUNDS

Banco Patagonia S.A., 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:

Information as of Tuesday, December 31, 2019

Name	Deposits	Other	Total assets	Net equity
Lombard Renta en Pesos Fondo Común de Inversión	11,686,612	6,540,893	18,227,505	18,225,743
Lombard Capital F.C.I.	293,507	2,738,101	3,031,608	3,018,911
Fondo Común de Inversión Lombard Renta Fija	4,185	63,080	67,265	67,059
Fondo Común de Inversión Lombard Pesos Plus (*)	-	-	-	-
Fondo Común de Inversión Lombard Ahorro	10,191	-	10,191	10,189
Fondo Común de Inversión Lombard Abierto Plus	65,871	401,439	467,310	467,264
Fondo Común de Inversión Lombard Acciones Líderes	305	104,532	104,837	92,585
Lombard Renta Fija en Dólares F.C.I.	1,074,922	2,318,540	3,393,462	3,377,801
Lombard Ahorro Plus F.C.I.	368	731,572	731,940	731,916
TOTAL	13,135,961	12,898,157	26,034,118	25,991,468

Information as of December 31, 2018

Name	Deposits	Other	Total assets	Net equity
Lombard Renta en Pesos Fondo Común de Inversión	11,020,675	29,364	11,050,039	11,049,834
Lombard Capital F.C.I.	1,866,639	4,714,049	6,580,688	6,485,506
Fondo Común de Inversión Lombard Renta Fija	1,536	324,906	326,442	325,070
Fondo Común de Inversión Lombard Pesos Plus (*)	-	-	-	-
Fondo Común de Inversión Lombard Ahorro	7,853	-	7,853	7,853
Fondo Común de Inversión Lombard Abierto Plus	1,316,155	1,852,756	3,168,911	3,168,902
Fondo Común de Inversión Lombard Acciones Líderes	259	71,805	72,064	71,755
Lombard Renta Fija en Dólares F.C.I.	1,268,244	2,176,009	3,444,253	3,373,800
Lombard Ahorro Plus F.C.I.	116,365	777,387	893,752	893,742
TOTAL	15,597,726	9,946,276	25,544,002	25,376,462

(*) To the date of issuance of these financial statements, the Board of Directors of the Management Company is analyzing market conditions to proceed to the relaunching of the Lombard Pesos Plus whenever those conditions are deemed as adequate.

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C.P.C.E.C.A.B.A. Vol. 2 Page 6

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BANCO PATAGONIA S.A.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 54 – SANCTIONS IMPOSED AND PROCEEDINGS FILED BY THE BCRA

Banco Patagonia S.A.

On January 8, 2015, the BCRA issued Communication “A” 5689 whereby it established that financial institutions shall recognize and report the administrative, disciplinary and criminal sanctions imposed by the BCRA, the UIF, the CNV, or the SSN, with judgment rendered in a court of original jurisdiction.

All the sanctions shall be taken into account, and an allowance shall be set up for 100% of each sanction, which shall be kept until the payment is made or a final judgment is rendered.

As of December 31, 2019, the Bank set up an allowance for the following proceedings:

Exchange proceedings No. 4969 notified on April 17, 2012; ruling passed on July 4, 2015 by the Court in Economic Criminal Matters No. 6, Court Clerk’s Office No 12: on charges of the lack of authorization by the BCRA for the sale of foreign currency to a client in excess of the monthly limit of USD 2,000,000. The persons subject to these proceedings are Banco Patagonia S.A., Ariel Aranda, David Rodríguez, and Santiago Miñana. An appeal was filed with the Supreme Court of Justice and, within that context, on May 12, 2016, a filing of a new event was made to request the acquittal of the defendants by the application of the less severe criminal law in relation to Communication “A” 5963, which extended the maximum limit for the acquisition of foreign currency without prior approval of the BCRA to USD 5,000,000. On December 17, 2019, the Supreme Court of Justice resolved to suspend the resolution of the case until the court of original jurisdiction resolves about the issue raised related to the most favorable criminal law.

As of December 31, 2019, the Entity set up a provision in the amount of 33 to bear both sanctions.

The proceedings file by the BCRA that are still in process are as follows:

Exchange proceedings No. 4783 notified on October 28, 2011: on charges of the failure to make the restricted deposit established by Communication "A"4359 in connection with 30% of a transaction performed by a non-resident to bring foreign currency into the country under Investments made by Non-residents applied to the purchase of real property. The persons subject to these proceedings are Banco Patagonia S.A., Juan Jorge Laguzzi, and Osvaldo Coloccini. In May 2016, a filing was made to request the acquittal of defendants by the application of the less severe law. No decision has been issued yet.

Financial proceedings No. 1438 notified on April 14, 2015: on charges of the outdated filing of a report relating to an exchange transaction and its improper registration with the Exchange Transactions Reporting Regime. The persons subject to these proceedings are Banco Patagonia S.A., Adrián Pablo Gómez, Rubén Miguel Iparraguirre, and Jorge Rubio. On October 9, 2018, through Resolution No. 491, the Foreign Exchange and Financial Institutions Regulatory Agency imposed a fine of 275,000 Argentine pesos, which was paid on October 22, 2018. These proceedings were ended on January 15, 2019.

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BANCO PATAGONIA S.A.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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Financial proceedings No. 1447 notified on July 14, 2015: on charges of service of office as Director without authorization from the BCRA, noncompliance with the obligation to report the appointment of a new Director, and late filing of documentation on the appointment of new authorities. The persons subject to these proceedings are Banco Patagonia S.A., Jorge Guillermo Stuart Milne, Renato Luiz Belinetti Naegele, Héctor Osvaldo Rossi Camilion, Alberto Mario Tenaillon, and María Lucía Denevi Artola. An appeal was filed with the Supreme Court of Justice. These proceedings were ended on February 19, 2019.

Financial proceedings No. 1543 notified on March 5, 2018: on the charges of noncompliance with the duty to include in the Transfers menu of Home Banking the item "Wages". The persons subject to these proceedings are Banco Patagonia S.A. Oswaldo Parré Dos Santos, Gerardo Adrián Aguzzi,, Marcio Takeda, Karina Guadalupe Gomez Vara, and Paulo Previdelli. These proceedings were ended on April 24, 2019.

On October 30, 2018, through Resolution No. 536, the Foreign Exchange and Financial Institutions Regulatory Agency imposed a fine of thousands of pesos 1,754, which was paid on November 9, 2018.

Notwithstanding the foregoing, the Entity estimates that the impact on equity from the proceedings referred to above will not be significant.

Afterwards, through the provisions of Communication "A" 5940 dated April 1, 2016, the BCRA set forth that the financial institutions having provisions recorded for the sanctions mentioned above at such date shall analyze, based on the attorney's letters in force, whether they meet the conditions to be fully or partially recorded. In case of sanctions not meeting the conditions for the allowance to be set up, the Bank shall reverse such balances and recognize them in "Adjustments to prior-year profit or loss" or in the other expenses account: "Expenses from administrative, disciplinary and criminal sanctions", as applicable.

For sanctions pending payment not meeting the conditions for the provision to be set up, the next Shareholders' Meeting shall set up a special reserve in the amount of the sanctions imposed for which no provision has been set up, provided the Bank has unappropriated retained earnings. If the balance is not sufficient, the Special reserve shall be set up to the extent the unappropriated retained earnings are generated.

GPAT Compañía Financiera S.A.U.

As of Tuesday, December 31, 2019, GPAT Compañía Financiera S.A.U. has not received any notice of administrative, disciplinary or criminal sanctions, or any proceedings.

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Executive manager of Administration

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BANCO PATAGONIA S.A.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2019
COMPARATIVELY PRESENTED WITH THE PRIOR YEAR**
(Amounts stated in thousands of pesos)

NOTE 55 – FINANCIAL AGENT OF THE PROVINCE OF RÍO NEGRO

Under Law No. 2929 of the Province of Río Negro, and the agreement signed on May 27, 1996, the Bank acts as a financial agent of the Provincial Government, being in charge of the banking duties set forth in article 1.2 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 above mentioned agreement.

Thereafter, the Entity 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 Río Negro, which extended the application of the agreement mentioned above 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 Río 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 a result of the bidding process referred to above, on April 28, 2017, the Bank was again awarded the financial agent duties for the Province of Río Negro, and the Río Negro Province Banking and Financial Services Agreement was signed for a 10-year term, with the possibility of an extension for other five years.

Such duties do not include the obligation to provide financial aid to the Province of Río Negro under conditions other than those consistent with the private banking nature of this bank.

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BANCO PATAGONIA S.A.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 56 – CNV REQUIREMENT TO ACT AS AN OVER-THE-COUNTER BROKER

Pursuant to the provisions established by the CNV in General Resolution No. 622/13, as amended by CNV General Resolution No. 821/19, a breakdown of the minimum capital and cash contra-account requirements for each broker category is as follows:

Banco Patagonia S.A.

Role	Minimum Shareholders' equity	Minimum cash contra-account
Settlement and clearing agent and comprehensive trading agent.	22,182	11,091
Custodian agent of mutual funds	3,082	616
Financial and Non-financial trust	3,000	3,000
Total	23,750	14,750

As of December 31, 2019, the Entity's capital exceeds CNV's requirements and the minimum cash contra-account required is made up of funds deposited with the BCRA in its current account No. 034.

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

As provided for by General Resolution No. 792 issued by the CNV on April 26, 2019, the minimum shareholders' equity required to act as a Manager company is equivalent to 150 Units of Purchasing Power adjusted by "CER" – Law No. 25827 (UVA). However, for each mutual fund managed, such equity shall be increased to an amount equivalent to UVA 20 (equivalent to a minimum shareholders' equity of 14,620 as of Tuesday, December 31, 2019). The Cash contra-account requirements represent 50% of the minimum shareholders' equity. To the date of issuance of these financial statements, the Company meets the minimum requirements established by the new regulations.

The Cash contra-account requirements amount to 700 and are met by the Company, and as of Tuesday, December 31, 2019 are as follows:

Breakdown	Amount
Demand deposit accounts in local and foreign banks	46,318
Mutual Funds	433,709
Listed common shares	913
Argentine Government Securities	5,588
Total	486,528

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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Patagonia Valores S.A.

In compliance with the provisions of the CNV in force as from GR No. 821/2019, and pursuant to the requirements established, the minimum shareholders' equity required to act as a Comprehensive Settlement and Clearing Agent amounts to 470,350 Units of Purchasing Power (UVA), adjusted by the Indexation rate ("CER"), Law 25857, which is equivalent to 22,671, an amount lower than the Company's net equity.

Cash contra-account requirements account for 50% of the amount required as minimum shareholders' Equity, which are met by the Company, and as of December 31, 2019, they are broken down as follows:

Breakdown	Amount
Demand deposit accounts in local and foreign banks	98
Argentine Government Securities	6,684
Mutual Funds	24,859
Fiduciary funds	1,490
Total	33,131

NOTE 57 – TRANSACTIONS WITH DIRECTORS

No transactions falling under the provisions of section 271 of Law No. 19550 have been identified.

NOTE 58 – CNV REQUIREMENT - CUSTODY OF THE GROUP'S DOCUMENTATION

Pursuant to the provisions of General Resolution No. 629 issued by the CNV on August 14, 2014, it is informed that the Group's companies have entrusted the custody of supporting documentation related to accounting transactions and other management documentation, not included in article 5 a.3), Section I, Chapter V, Title II of the CNV Rules (2013 consolidated text and amendments), to the third parties listed below:

Patagonia Valores S.A.

Company responsible for the deposit	Address
AdeA Administradora de Archivos S.A.	Route 36 - Km. 31.5 - Florencio Varela – Province of Buenos Aires

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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COMPARATIVELY PRESENTED WITH THE PRIOR YEAR**
(Amounts stated in thousands of pesos)

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

Company responsible for the deposit	Address
AdeA Administradora de Archivos S.A.	Route 36 - Km. 31.5 - Florencio Varela – Province of Buenos Aires

GPAT Compañía Financiera S.A.U.

Company responsible for the deposit	Address
AdeA Administradora de Archivos S.A.	Route 36 - Km. 31.5 - Florencio Varela – Province of Buenos Aires
Bank S.A.	Unamuno 2095 - Quilmes - Province of Buenos Aires Diógenes Taborda 73 - City of Buenos Aires Carlos Pellegrini 1401 – Dock Sur – Province of Buenos Aires Av. Fleming 2190 - Munro - Province of Buenos Aires Ruta Panamericana Km 37.5 – Garín – Province of Buenos Aires Ruta Panamericana Km 31.5 – El Talar, Tigre – Province of Buenos Aires
Iron Mountain Argentina S.A.	Amancio Alcorta 2482 – City of Buenos Aires

Banco Patagonia S.A.

Company responsible for the deposit	Address
AdeA Administradora de Archivos S.A.	Route 36 - Km. 31.5 - Florencio Varela – Province of Buenos Aires
Iron Mountain Argentina S.A.	Av. Amancio Alcorta 2482 – City of Buenos Aires. Azara 1245 - City of Buenos Aires. San Miguel de Tucumán 601 - Carlos Spegazzini – Province of Buenos Aires. San Miguel de Tucumán 1800 - Carlos Spegazzini – Province of Buenos Aires. Puente del Inca 2450 – Tristan Suárez – Province of Buenos Aires.

In addition, all the aforementioned companies keep a detail of the documents entrusted to such custodians for review by the controlling bodies at their registered office.

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2019
COMPARATIVELY PRESENTED WITH THE PRIOR YEAR**
(Amounts stated in thousands of pesos)

NOTE 59 – COMPLIANCE WITH PROVISIONS SET FORTH BY LAW No. 25738

Banco Patagonia S.A. is a stock company organized under the laws of Argentina, the shareholders of which limit their liability to the paid-in shares subscribed in accordance with Law No. 19550. Therefore, in compliance with Law No. 25738, we report that neither the foreign majority shareholders nor the local or foreign shareholders are liable, in excess of such paid-in shares, for the obligations arising from the transactions performed by the Bank.

NOTE 60 – PUBLICATION OF FINANCIAL STATEMENTS

Under Communication "A" 2813 and supplementary BCRA rules, the BCRA's prior involvement is not required for the publication of these financial statements.

NOTE 61 – MACROECONOMIC CONTEXT

The macroeconomic context shows a climate of uncertainty as to its future progress as a consequence of the volatility of financial assets and the new regulations arising from the change of the government authorities that have a direct impact on the exchange market, the projected changes in the interest rate and inflation rates. Accordingly, during the fiscal year ended December 31, 2019, the accumulated inflation accounted for 53.8%.

Particularly, in connection with the financial assets through the provisions of Decree No. 598/2019, dated August 28, 2019, the National Government decided to reschedule the maturities of the short-term securities (Letes, Lecap, Lecer and Lelink). On the other hand, Decree No. 49/2019 dated December 19, 2019 provided for postponement of the payment of the Treasury bills in USD as of August 31, 2020.

As of December 31, 2019, the Group keeps positions in these rescheduled securities in the amount of thousands of 1,699,017 that have been stated at amortized cost/fair value with changes through comprehensive income (OCI) and that account for 4.03% of the debt securities portfolio.

Decree No. 609/2019 dated September 1, 2019 sets out the extraordinary and temporary exchange provisions. In addition, the BCRA issued Communication "A" 6770 and its amendments requiring the BCRA's authorization, up to December 31, 2019, to have access to the foreign exchange market to wire profits and dividends, to pay services to foreign related companies, and to make prepayments of financial debts (principal or interest) more than three days before maturity. BCRA Communication "A" 6856 dated December 30, 2019 sets out that these provisions shall remain in force as from December 31, 2019.

Marcelo A. Iadarola
Executive manager of Administration

Signed for identification purposes
with our report dated 2/19/2020

By Supervisory Committee

Mónica M. Cukar
Regular Supervisory Auditor
Public Accountant (UBA)
C.P.C.E.C.A.B.A. T° 147 F° 66

Juan M. Trejo
Superintendent
Finance, Administration and Public area

João Carlos de Nobrega Pecego
President

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C.P.C.E.C.A.B.A. Vol. 2 Page 6

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BANCO PATAGONIA S.A.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2019
COMPARATIVELY PRESENTED WITH THE PRIOR YEAR**
(Amounts stated in thousands of pesos)

In this context, on December 21, 2019, the Argentine Congress enacted the Social Solidarity and Production Reactivation Act No. 27541 within the framework of a public emergency by virtue of which, the public emergency is declared in terms of economic, financial, administrative, social security, sanitation and social matters up to December 31, 2020.

Additionally, the referred law provided for the suspension up to December 31, 2021 of the reduction in the income tax rate (Note 15) and the suspension of the fiscal agreement of year 2017 that provided for the progressive decrease in the turnover tax up to December 31, 2020.

The Group management permanently monitors the changes in the macroeconomic situation to define potential actions to be adopted and to identify potential impacts that should be disclosed in the information about its financial position.

NOTE 62 – SUBSEQUENT EVENTS

No other events or transactions have occurred from year-end to the date of issuance of these financial statements that would have a material effect on the financial position of the Entity or the results of its operations as of December 31, 2019.

Marcelo A. Iadarola
Executive manager of Administration

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BANCO PATAGONIA S.A.

EXHIBIT B
LOANS AND OTHER FINANCING FACILITIES CLASSIFIED
BY STATUS AND OTHER GUARANTEES RECEIVED
AS OF 12/31/2019 AND 12/31/2018
 (Amounts stated in thousands of pesos)

COMMERCIAL LOAN PORTFOLIO	12/31/19	12/31/18
Performing	59,661,514	54,961,890
- With "A" preferred guarantees and counter-guarantees	1,786,073	2,183,702
- With "B" preferred guarantees or counter-guarantees	4,003,376	3,813,188
- Without preferred guarantees or counter-guarantees	53,872,065	48,965,000
Subject to special monitoring	114,764	358,583
In observation	82,825	89,913
- With "A" preferred guarantees and counter-guarantees	3,491	-
- With "B" preferred guarantees or counter-guarantees	75,905	51,810
- Without preferred guarantees or counter-guarantees	3,429	38,103
In negotiation or under refinancing agreements	31,939	268,670
- With "A" preferred guarantees and counter-guarantees	86	-
- With "B" preferred guarantees or counter-guarantees	27,829	192,791
- Without preferred guarantees or counter-guarantees	4,024	75,879
Troubled	80,143	226,104
- With "A" preferred guarantees and counter-guarantees	684	-
- With "B" preferred guarantees or counter-guarantees	2,271	223,823
- Without preferred guarantees or counter-guarantees	77,188	2,281
With high risk of insolvency	49,220	1,643
- With "B" preferred guarantees or counter-guarantees	46,448	758
- Without preferred guarantees or counter-guarantees	2,772	885
Irrecoverable	488,670	139,800
- With "A" preferred guarantees and counter-guarantees	-	11,454
- With "B" preferred guarantees or counter-guarantees	374,888	41,479
- Without preferred guarantees or counter-guarantees	113,782	86,867
TOTAL COMMERCIAL LOAN PORTFOLIO	60,394,311	55,688,020

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**EXHIBIT B
LOANS AND OTHER FINANCING FACILITIES CLASSIFIED
BY STATUS AND OTHER GUARANTEES RECEIVED
AS OF 12/31/2019 AND 12/31/2018
(Amounts stated in thousands of pesos)**

CONSUMER AND/OR HOME LOAN PORTFOLIO	12/31/19	12/31/18
Performing	31,423,790	29,584,190
- With "A" preferred guarantees and counter-guarantees	537,927	607,945
- With "B" preferred guarantees or counter-guarantees	5,660,622	5,383,413
- Without preferred guarantees or counter-guarantees	25,225,241	23,592,832
Low risk	714,457	1,168,722
- With "A" preferred guarantees and counter-guarantees	14,188	18,787
- With "B" preferred guarantees or counter-guarantees	189,891	252,496
- Without preferred guarantees or counter-guarantees	510,378	897,439
Medium risk	526,013	616,610
- With "A" preferred guarantees and counter-guarantees	11,011	5,584
- With "B" preferred guarantees or counter-guarantees	22,893	49,498
- Without preferred guarantees or counter-guarantees	492,109	561,528
High risk	852,827	635,794
- With "A" preferred guarantees and counter-guarantees	8,589	3,676
- With "B" preferred guarantees or counter-guarantees	9,559	4,894
- Without preferred guarantees or counter-guarantees	834,679	627,224
Irrecoverable	386,708	291,706
- With "A" preferred guarantees and counter-guarantees	7,385	1,941
- With "B" preferred guarantees or counter-guarantees	3,264	5,314
- Without preferred guarantees or counter-guarantees	376,059	284,451
Irrecoverable according to BCRA regulations	518	210
- With "B" preferred guarantees or counter-guarantees	506	165
- Without preferred guarantees or counter-guarantees	12	45
TOTAL CONSUMER AND/OR HOME LOAN PORTFOLIO	33,904,313	32,297,232
TOTAL GENERAL	94,298,324	87,985,252

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**EXHIBIT B
LOANS AND OTHER FINANCING FACILITIES CLASSIFIED
BY STATUS AND GUARANTEES RECEIVED AS OF 12/31/2019 AND 12/31/2018**
(Stated in thousands of pesos)

RECONCILIATION OF LOANS AND OTHER FINANCING FACILITIES AS PER CONSOLIDATED STATEMENT OF FINANCIAL POSITION

BREAKDOWN	12/31/19	12/31/18
BALANCE AS PER EXHIBIT "B"	94,298,624	87,985,252
Items included in Exhibit "B" and not included in Loans and other financing facilities	(829,488)	(1,278,989)
Off-balance sheet items– loans granted (unused balances), other guarantees provided and others covered by debtors classification standards	(627,152)	(1,204,628)
Other items	(202,336)	(74,361)
Items not included in Exhibit "B" and included in Loans and other financing facilities	(5,334,135)	(4,156,959)
Loans and other financing facilities- loans to personnel	273,714	313,845
Loans and other financing facilities–IFRS adjustment at effective interest rate	(562,875)	(604,445)
Loans and other financing facilities– Allowances for loan losses (Exhibit R)	(5,044,974)	(3,866,359)
BALANCE AS PER STATEMENT OF FINANCIAL POSITION	88,135,001	82,549,304

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**EXHIBIT C
LOANS AND OTHER FINANCING FACILITIES CONCENTRATION
AS OF 12/31/2019 AND 12/31/2018
(Amounts stated in thousands of pesos)**

Number of customers	FINANCING FACILITIES			
	12/31/19		12/31/18	
	Outstanding amount	% of total portfolio	Outstanding amount	% of total portfolio
10 largest customers	17,867,475	18,9%	12,922,426	14,7%
50 next largest customers	23,970,083	25,4%	19,792,298	22,5%
100 next largest customers	8,535,164	9,1%	10,542,866	11,9%
Rest of customers	43,925,902	46,6%	44,727,662	50,9%
TOTAL	94,298,624	100,0%	87,985,252	100,0%

RECONCILIATION OF LOANS AND OTHER FINANCING FACILITIES AS PER CONSOLIDATED STATEMENT OF FINANCIAL POSITION

BREAKDOWN	12/31/19	12/31/18
BALANCE AS PER EXHIBIT "C"	94,298,624	87,985,252
Items included in Exhibit "C" and not included in Loans and other financing facilities	(829,488)	(1,278,989)
Off-balance sheet items– loans granted (unused balances), other guarantees provided and others covered by debtors classification standards	(627,152)	(1,204,628)
Other items	(202,336)	(74,361)
Items not included in Exhibit "C" and included in Loans and other financing facilities	(5,334,135)	(4,156,959)
Loans and other financing facilities- loans to personnel	273,714	313,845
Loans and other financing facilities–IFRS adjustment at effective interest rate	(562,875)	(604,445)
Loans and other financing facilities– Allowances for loan losses (Exhibit R)	(5,044,974)	(3,866,359)
BALANCE AS PER STATEMENT OF FINANCIAL POSITION	88,135,001	82,549,304

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EXHIBIT D
LOANS AND OTHER FINANCING FACILITIES BROKEN DOWN BY TERM
AS OF 12/31/2019

(Amounts stated in thousands of pesos)

Item	Matured	Terms remaining to maturity						Total as of 12/31/19
		1 month	3 months	6 months	12 months	24 months	Over 24 months	
Nonfinancial government sector	-	22,770	45	54	211	667	-	23,747
Financial sector	-	2,431,213	1,054,064	344,814	543,542	814,457	214,989	5,403,079
Nonfinancial private sector and foreign residents	4,742,476	45,645,851	8,886,990	14,177,738	5,933,667	9,476,340	10,949,931	99,812,993
TOTAL	4,742,476	48,099,834	9,941,099	14,522,606	6,477,420	10,291,464	11,164,920	105,239,819

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BANCO PATAGONIA S.A.

EXHIBIT F
CHANGES IN PROPERTY AND EQUIPMENT
AS OF 12/31/19 AND 12/31/18

(Amounts stated in thousands of pesos)

CHANGES IN PROPERTY AND EQUIPMENT AS OF 12/31/19

Item	Original value at beginning of year	Estimated useful life in years	Additions	Retirements	Revaluation increase	Original value as of 12/31/19	Depreciation				Residual value as of 12/31/19	
							Accumulated as of 12/31/18	Retirements	For the year	Revaluation		Accumulated as of 12/31/19
Measured at cost	912,612		873,167	131,098	-	1,654,681	532,382	117,969	359,583	-	773,996	880,685
Land and buildings	201,381	50	72,996	-	-	274,377	129,046	-	52,901	-	181,947	92,430
- Furniture and fixture	181,267	10	41,933	238	-	222,962	92,364	175	15,208	-	107,397	115,565
- Machinery and equipment	508,253	5	200,091	-	-	708,344	301,732	-	97,644	-	399,376	308,968
- Vehicles	19,902	5	14,973	1,998	-	32,877	8,565	1,424	4,918	-	12,059	20,818
- Right-of-use on leased premises	-	-	496,100	127,247	-	368,853	-	116,370	188,896	-	72,526	296,327
- Other	716	5	-	-	-	716	675	-	16	-	691	25
- Works in progress	1,093	-	47,074	1,615	-	46,552	-	-	-	-	-	46,552
Revaluation model	5,115,777	-	17,116	48,055	2,065,002	7,149,840	-	-	73,152	73,152	-	7,149,840
Land and buildings	5,115,777	50	17,116	48,055	2,065,002	7,149,840	-	-	73,152	73,152	-	7,149,840
TOTAL	6,028,389		890,283	179,153	2,065,002	8,804,521	532,382	117,969	432,735	73,152	773,996	8,030,525

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EXHIBIT F
CHANGES IN PROPERTY AND EQUIPMENT
AS OF 12/31/19 AND 12/31/18

(Amounts stated in thousands of pesos)

CHANGES IN PROPERTY AND EQUIPMENT AS OF 12/31/18

Item	Original value at beginning of year	Estimated useful life in years	Additions	Retirements	Revaluation increase	Original value as of 12/31/18	Depreciation				Residual value as of 12/31/18	
							Accumulated as of 12/31/17	Retirements	For the year	Revaluation		Accumulated as of 12/31/2018
Measured at cost	846,137		184,224	117,748	-	912,613	401,619	13,780	144,544	-	532,383	380,230
Land and buildings	128,139	50	73,243	-	-	201,382	81,295	-	47,752	-	129,047	72,335
- Furniture and fixture	152,845	10	28,424	2	-	181,267	77,320	-	15,044	-	92,364	88,903
- Machinery and equipment	443,028	5	65,225	-	-	508,253	224,008	-	77,724	-	301,732	206,521
- Vehicles	36,897	5	7,885	24,880	-	19,902	18,357	13,780	3,988	-	8,565	11,337
- Other	716	5	-	-	-	716	639	-	36	-	675	41
- Works in progress	84,512	-	9,447	92,866	-	1,093	-	-	-	-	-	1,093
Revaluation model	2,196,758	-	109,578	108,326	2,917,767	5,115,777	45,860	1,693	47,372	89,598	1,941	5,113,836
Land and buildings	2,196,758	50	109,578	108,326	2,917,767	5,115,777	45,860	1,693	47,372	89,598	1,941	5,113,836
TOTAL	3,042,895		293,802	226,074	2,917,767	6,028,390	447,479	15,473	191,916	89,598	534,324	5,494,066

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EXHIBIT F
REVALUATION TABLE OF PROPERTY AND EQUIPMENT
AS OF 12/31/19 AND 12/31/18
(Amounts stated in thousands of pesos)

REVALUATION TABLE AS OF 12/31/19

Description	Appraiser	Revaluation date	Revaluation adjustment - OCI Accumulated			Amount as per cost model as of 12/31/2019
			Balance at beginning of year	Changes for the year	Balance as of 12/31/19	
Buildings	Organización Levin de Argentina S.A.	12/31/19	4,901,329	2,138,154	7,039,483	398,112
TOTAL			4,901,329	2.138154	7,039,483	398,112

REVALUATION TABLE AS OF 12/31/18

Description	Appraiser	Revaluation date	Revaluation adjustment - OCI Accumulated			Amount as per cost model as of 12/31/2018
			Balance at beginning of year	Changes for the year	Balance as of 12/31/18	
Buildings	Organización Levin de Argentina S.A.	12/31/18	1,893,964	3,007,365	4,901,329	425,858
TOTAL			1,893,964	3,007,365	4,901,329	425,858

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EXHIBIT F
CHANGES IN INVESTEMENT PROPERTY
AS OF 12/31/2019 AND 12/31/2018
(Amounts stated in thousands of pesos)

CHANGES IN INVESTEMENT PROPERTY AS OF 12/31/2019

Item	Original value at beginning of year	Estimated useful life in years	Gain or loss measured at fair value	Residual value as of 12/31/19
Measured at fair value				
- Leased property	25,710	40	12,623	38,333
TOTAL INVESTMENT PROPERTY	25,710	40	12,623	38,333

CHANGES IN INVESTEMENT PROPERTY AS OF 12/31/2018

Item	Original value at beginning of year	Estimated useful life in years	Gain or loss measured at fair value	Residual value as of 12/31/18
Measured at fair value				
- Leased property	13,650	40	12,060	25,710
TOTAL INVESTMENT PROPERTY	13,650	40	12,060	25,710

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EXHIBIT G
CHANGES IN INTANGIBLE ASSETS
AS OF 12/31/2019 AND 12/31/2018
(Amounts stated in thousands of pesos)

CHANGES IN INTANGIBLE ASSETS AS OF 12/31/19

Item	Original value at beginning of year	Total estimated useful life in years	Additions	Depreciation			Residual value as of 12/31/19
				Accumulated as of 12/31/18	Depreciation for the year	Accumulated as of 12/31/19	
Measured at cost							
In-house systems development expenses	89,115	5	108,314	26,485	40,119	66,604	130,825
TOTAL INTANGIBLE ASSETS	89,115	5	108,314	26,485	40,119	66,604	130,825

CHANGES IN INTANGIBLE ASSETS AS OF 12/31/18

Item	Original value at beginning of year	Total estimated useful life in years	Additions	Depreciation			Residual value as of 12/31/18
				Accumulated as of 12/31/2017	Depreciation for the year	Accumulated as of 12/31/18	
Measured at cost							
In-house systems development expenses	57,610	5	31,505	10,836	15,649	26,485	62,630
TOTAL INTANGIBLE ASSETS	57,610	5	31,505	10,836	15,649	26,485	62,630

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BANCO PATAGONIA S.A.

**EXHIBIT H
DEPOSITS CONCENTRATION
AS OF 12/31/19 AND 12/31/18**
(Amounts stated in thousands of pesos)

Number of customers	12/31/2019		12/31/18	
	Outstanding amount	% of total portfolio	Outstanding amount	% of total portfolio
10 largest customers	13,359,420	10,9%	10,839,861	9,9%
50 next largest customers	13,318,892	10,9%	13,632,718	12,5%
100 next largest customers	7,223,974	5,9%	8,585,965	7,9%
Rest of customers	88,292,022	72,3%	76,058,495	69,7%
TOTAL	122,194,308	100,0%	109,117,039	100,0%

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**EXHIBIT I
FINANCIAL LIABILITIES BROKEN DOWN BY TERMS REMAINING TO MATURITY
AS OF 12/31/2019**

(Amounts stated in thousands of pesos)

Item	Terms remaining to maturity						
	1 month	3 months	6 months	12 months	24 months	over 24 months	Total as of 12/31/19
Deposits	117,495,428	6,445,155	423,383	143,517	-	-	124,507,483
Nonfinancial government sector	11,754,618	1,858,098	13,783	-	-	-	13,626,499
Financial sector	748,740	-	-	-	-	-	748,740
Nonfinancial private sector and foreign residents	104,992,070	4,587,057	409,600	143,517	-	-	110,132,244
Derivative financial instruments	248,669	-	-	-	-	-	248,669
Other financial liabilities	8,384,103	-	-	-	-	-	8,384,103
Financing facilities received from the BCRA and other financial institutions	4,265,089	4,006,691	4,924,915	1,418,886	1,089,572	2,051,742	17,756,895
Corporate bonds issued	26,200	712,194	360,983	242,411	-	-	1,341,788
TOTAL	130,419,489	11,164,040	5,709,281	1,804,814	1,089,572	2,051,742	152,238,938

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BANCO PATAGONIA S.A.

**EXHIBIT J
CHANGES IN ALLOWANCES AND PROVISIONS
AS OF 12/31/2019**
(Amounts stated in thousands of pesos)

Item	Balances at beginning of year	Increases	Decreases		Balance as of 12/31/2019
			Reversals	Uses	
INCLUDED IN LIABILITIES					
For contingent commitments	1,366	7,736	-	1,366	7,736
For administrative, disciplinary and criminal sanctions	33	-	-	-	33
Other	400,674	1,048,887	16,180	57,082	1,376,299
Labor lawsuits	43,913	31,688	620	6,001	68,980
Complaints, proceedings, appeals	222,241	984,652	15,560	5,272	1,186,061
Tax lawsuits	134,520	32,547	-	45,809	121,258
TOTAL ALLOWANCES AND PROVISIONS	402,073	1,056,623	16,180	58,448	1,384,068

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**EXHIBIT P
FINANCIAL ASSETS AND LIABILITIES
AS OF 12/31/2019 AND 12/31/2018**
(Amounts stated in thousands of pesos)

INFORMATION AS OF 12/31/19 (Note 40)

Item	Book balance as of 12/31/19	Amortized cost	Measured at fair value with changes through OCI	Fair value with changes through profit or loss	Fair value level		
					Level 1	Level 2	Level 3
FINANCIAL ASSETS							
Cash and bank deposits	44,626,956	44,626,956	-	-	-	-	-
Cash on hand	11,671,606	11,671,606	-	-	-	-	-
Financial institutions and correspondents	32,955,350	32,955,350	-	-	-	-	-
Debt securities measured at fair value with changes through profit or loss	343,498	-	-	343,498	224,513	118,985	-
Derivative financial instruments	77,248	-	-	77,248	-	77,248	-
Other financial assets	2,056,266	2,056,266	-	-	-	-	-
Loans and other financing facilities	88,135,001	88,135,001	-	-	-	-	-
Nonfinancial government sector	22,611	22,611	-	-	-	-	-
Other financial institutions	4,239,714	4,239,714	-	-	-	-	-
Nonfinancial private sector and foreign residents	83,872,676	83,872,676	-	-	-	-	-
Other debt securities	42,131,753	1,024,609	41,107,144	-	30,472,972	10,634,172	-
Financial assets granted as collaterals	3,581,283	140,903	3,440,380	-	-	3,440,380	-
Investments in equity instruments	843,108	-	-	843,108	-	7,483	835,625
TOTAL FINANCIAL ASSETS	181,795,113	135,983,735	44,547,524	1,263,854	30,697,485	14,278,268	835,625

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**EXHIBIT P
FINANCIAL ASSETS AND LIABILITIES
AS OF 12/31/2019 AND 12/31/2018
(Amounts stated in thousands of pesos)**

Item	Book balance as of 12/31/19	Amortized cost	Measured at fair value with changes through OCI	Fair value with changes through profit or loss	Fair value level		
					Level 1	Level 2	Level 3
FINANCIAL LIABILITIES							
Deposits	122,194,308	122,194,308	-	-	-	-	-
Nonfinancial government sector	11,995,341	11,995,341	-	-	-	-	-
Financial sector	726,871	726,871	-	-	-	-	-
Nonfinancial private sector and foreign residents	109,472,096	109,472,096	-	-	-	-	-
Derivative financial instruments	248,669	-	-	248,669	-	248,669	-
Other financial liabilities	8,384,103	8,384,103	-	-	-	-	-
Financing facilities received from the BCRA and other financial institutions	16,555,429	16,555,429	-	-	-	-	-
Corporate bonds issued	1,035,147	1,035,147	-	-	-	-	-
TOTAL FINANCIAL LIABILITIES	148,417,656	148,168,987	-	248,669	-	248,669	-

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**EXHIBIT P
FINANCIAL ASSETS AND LIABILITIES
AS OF 12/31/2019 AND 12/31/2018
(Amounts stated in thousands of pesos)**

INFORMATION AS OF 12/31/18 (Note 40)

Item	Book balance as of 12/31/18	Amortized cost	Measured at fair value with changes through OCI	Fair value with changes through profit or loss	Fair value level		
					Level 1	Level 2	Level 3
FINANCIAL ASSETS							
Cash and bank deposits	34,940,609	34,940,609	-	-	-	-	-
Cash on hand	4,752,520	4,752,520	-	-	-	-	-
Financial institutions and correspondents	30,188,089	30,188,089	-	-	-	-	-
Debt securities measured at fair value with changes through profit or loss	182,928	-	-	182,928	140,215	42,713	-
Derivative financial instruments	148,988	-	-	148,988	-	148,988	-
Repo transactions	663,435	663,435	-	-	-	-	-
Other financial assets	3,158,092	3,158,092	-	-	-	-	-
Loans and other financing facilities	82,549,304	82,549,304	-	-	-	-	-
Nonfinancial government sector	221,825	221,825	-	-	-	-	-
Other financial institutions	3,617,245	3,617,245	-	-	-	-	-
Nonfinancial private sector and foreign residents	78,710,234	78,710,234	-	-	-	-	-
Other debt securities	23,649,064	189,427	23,459,637	-	18,819,887	4,639,750	-
Financial assets granted as collaterals	2,797,674	1,551,843	1,245,831	-	465,092	780,739	-
Investments in equity instruments	6,347	-	-	6,347	5,118	1,229	-
TOTAL FINANCIAL ASSETS	148,096,441	123,052,710	24,705,468	338,263	19,430,312	5,613,419	-

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FINANCIAL ASSETS AND LIABILITIES
AS OF 12/31/2019 AND 12/31/2018
(Amounts stated in thousands of pesos)

Item	Book balance as of 12/31/18	Amortized cost	Measured at fair value with changes through OCI	Fair value with changes through profit or loss	Fair value level		
					Level 1	Level 2	Level 3
FINANCIAL LIABILITIES							
Deposits	109,117,039	109,117,039	-	-	-	-	-
Nonfinancial government sector	11,995,436	11,995,436	-	-	-	-	-
Financial sector	38,330	38,330	-	-	-	-	-
Nonfinancial private sector and foreign residents	97,083,273	97,083,273	-	-	-	-	-
Derivative financial instruments	74,331	-	-	74,331	-	74,331	-
Repo transactions	916,010	916,010	-	-	-	-	-
Other financial liabilities	9,321,695	9,321,695	-	-	-	-	-
Financing facilities received from the BCRA and other financial institutions	9,358,048	9,358,048	-	-	-	-	-
Corporate bonds issued	1,678,055	1,678,055	-	-	-	-	-
TOTAL FINANCIAL LIABILITIES	130,465,178	130,390,847	-	74,331	-	74,331	-

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**EXHIBIT Q
BREAKDOWN OF STATEMENT OF INCOME
AS OF 12/31/2019 AND 12/31/2018
(Amounts stated in thousands of pesos)**

By financial assets measured at fair value through profit or loss

Item	Mandatory measurement	
	12/31/2019	12/31/18
Gain/loss on government securities	144,038	1,124,400
Gain/loss on corporate securities	-	15,870
Gain/loss on derivative financial instruments	172,564	121,829
Forward transactions	172,564	121,829
By investments in equity instruments	654,372	2,126
Gain/loss on the sale or derecognition of financial assets at fair value	153,132	13,852
TOTAL	1,124,106	1,278,077

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BANCO PATAGONIA S.A.

EXHIBIT Q
BREAKDOWN OF STATEMENT OF INCOME
AS OF 12/31/2019 AND 12/31/2018
 (Amounts stated in thousands of pesos)

Interest and adjustment from applying the effective interest rate of financial assets measured at amortized cost

Item	12/31/19	12/31/18
Interest income		
By Cash and bank deposits	-	292
By corporate securities	23,848	14,607
By other financial assets	383,696	192,189
By loans and other financing facilities	26,790,985	19,054,604
To the Financial sector	989,087	712,983
Overdrafts	6,524,794	4,105,932
Notes	6,287,056	4,653,382
Mortgage loans	110,683	55,512
Car loans	1,141,632	1,340,995
Consumer	4,310,318	3,606,390
Credit cards	4,041,025	2,426,856
Finance lease	246,914	318,359
Other	3,139,476	1,834,195
By repo transactions	1,202,960	297,278
Other financial institutions	1,202,960	297,278
TOTAL	28,401,489	19,558,970

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**EXHIBIT Q
BREAKDOWN OF STATEMENT OF INCOME
AS OF 12/31/2019 AND 12/31/2018
(Amounts stated in thousands of pesos)**

Item	12/31/19	12/31/18
Interest expense		
By deposits	20,666,101	10,054,459
Savings accounts	653,811	863,954
Time deposit and investments	19,731,614	8,583,886
Other	280,676	606,619
By financing received from the BCRA and other financial institutions	916,408	369,718
By repo transactions	695,414	224,505
Other financial institutions	695,414	224,505
By other financial liabilities	815,103	264,872
By corporate bonds issued	537,062	716,016
TOTAL	23,630,088	11,629,570

Interest and adjustment from applying the effective interest rate of financial assets carried at fair value with changes through OCI

Item	12/31/19		12/31/18	
	Income for the year	OCI	Income for the year	OCI
By corporate debt securities	143,149	(990)	87,808	(395)
By government debt securities	26,368,481	(1,554,103)	5,659,400	(187,237)
TOTAL	26,511,630	(1,555,093)	5,747,208	(187,632)

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**EXHIBIT Q
BREAKDOWN OF STATEMENT OF INCOME
AS OF 12/31/2019 AND 12/31/2018
(Amounts stated in thousands of pesos)**

Fee income

Item	12/31/19	12/31/18
<u>Obligations related commissions</u>	1,520,818	1,382,812
Loans related commissions	72,835	40,646
Loans and financial guarantee related commissions	4,020	5,270
Securities related commissions	80,470	62,650
Cards related commissions	1,711,642	1,361,286
Insurance related commissions	1,004,909	723,101
Commissions on collection efforts	570,793	341,466
Commissions on foreign and exchange transactions	313,951	221,479
Other	1,124,779	810,448
TOTAL	6,404,217	4,949,158

Fee expenses

Item	12/31/19	12/31/18
Securities transaction related commissions	44,765	29,733
Commissions on foreign and exchange transactions	44,267	34,577
Other	1,699,782	988,627
TOTAL	1,788,814	1,052,937

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**EXHIBIT R
LOSS IMPAIRMENT ADJUSTMENT - ALLOWANCE FOR LOAN LOSSES
AS OF 12/31/19**

(Amounts stated in thousands of pesos)

Item	Balances at beginning of period	Increases (*)	Decreases		Balances as of 12/31/2019
			Reversals	Uses	
Other financial assets	18,474	974,894	-	7,837	985,531
Loans and other financing facilities	3,866,359	2,821,384	29,214	1,613,555	5,044,974
Other financial institutions	30,575	64,917	-	40,478	55,014
Nonfinancial private sector and foreign residents	3,835,784	2,756,467	29,214	1,573,077	4,989,960
Overdrafts	241,350	236,800	327	195,140	282,683
Notes	445,213	660,937	-	302,402	803,748
Mortgage loans	13,355	9,895	-	115	23,135
Car loans	129,365	12,402	27,668	29,710	84,389
Consumer	646,347	714,525	-	501,871	859,001
Credit cards	225,792	146,558	-	149,459	222,891
Finance lease	20,179	11,373	-	8,138	23,414
Other	2,114,183	963,977	1,219	386,242	2,690,699
TOTAL ALLOWANCES AND PROVISIONS	3,884,833	3,796,278	29,214	1,621,392	6,030,505

(*) It includes the effect of the exchange rate variation as of 12/31/2019.

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BANCO PATAGONIA S.A.

SEPARATE FINANCIAL STATEMENTS AS OF DECEMBER 31, 2019

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SEPARATE FINANCIAL STATEMENTS AS OF DECEMBER 31, 2019

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BANCO PATAGONIA S.A.

SEPARATE FINANCIAL STATEMENTS AS OF DECEMBER 31, 2019

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SEPARATE STATEMENTS OF FINANCIAL POSITION
AS OF 12/31/2019 AND 12/31/2018
 (Amounts stated in thousands of pesos)

ITEMS	NOTES	12/31/19	12/31/18
ASSETS			
Cash and bank deposits	4	44,246,845	34,377,288
Cash on hand		11,669,025	4,749,594
Financial institutions and correspondents		32,577,820	29,627,694
BCRA		32,113,209	29,124,719
Other in Argentina and abroad		464,611	502,975
Debt securities measured at fair value with changes through profit or loss (Exhibit A)		225,087	186,641
Derivative financial instruments	5	77,248	154,379
Repo transactions	6	-	663,435
Other financial assets	7	1,555,627	2,836,300
Loans and other financing facilities (Exhibits B and C)	8	84,107,167	79,592,194
Nonfinancial government sector		22,611	221,825
Other financial institutions		5,923,397	5,316,621
Nonfinancial private sector and foreign residents		78,161,159	74,053,748
Other debt securities (Exhibit A)		41,418,873	23,069,847
Financial assets granted as collaterals	9	3,551,335	2,778,770
Investments in equity instruments (Exhibit A)		843,108	4,513
Investments in subsidiaries, associates and joint ventures	11	2,028,897	1,572,647
Property and equipment (Exhibit F)	12	7,998,712	5,473,624
Intangible assets (Exhibit G)	13	130,825	62,630
Deferred income tax assets	10 (b)	1,239,927	-
Other non financial assets	14	752,571	346,999
Non-current assets held for sale	15	-	234,831
TOTAL ASSETS		188,176,222	151,354,098

Marcelo A. Iadarola
Executive manager of Administration

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with our report dated 2/19/2020

By Supervisory Committee

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Public Accountant (UBA)
C.P.C.E.C.A.B.A. T° 147 F° 66

Juan M. Trejo
Superintendent
Finance, Administration and Public area

João Carlos de Nobrega Pecego
President

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SEPARATE STATEMENTS OF FINANCIAL POSITION
AS OF 12/31/2019 AND 12/31/2018
(Amounts stated in thousands of pesos)

ITEM	NOTES	12/31/19	12/31/18
LIABILITIES			
Deposits (Exhibits H)		119,535,386	108,183,827
Nonfinancial government sector		11,995,341	11,995,436
Financial sector		748,738	54,499
Nonfinancial private sector and foreign residents	16	106,791,307	96,133,892
Derivative financial instruments	5	248,669	78,312
Repo transactions	6	-	916,010
Other financial liabilities	17	8,008,067	8,945,619
Financing facilities received from the BCRA and other financial institutions	18	16,647,663	9,358,048
Current income tax liabilities	10 a)	4,637,394	1,714,871
Allowances and provisions (Exhibit J)	21	1,378,415	399,065
Deferred income tax liabilities	10 b)	-	184,956
Other nonfinancial liabilities	20	4,333,345	3,280,170
TOTAL LIABILITIES		154,788,939	133,060,878
SHAREHOLDERS' EQUITY			
Share capital		719,145	719,145
Non-capitalized contributions		217,191	217,191
Retained earnings		10,504,442	8,442,024
Unappropriated retained earnings		-	(170,594)
Other comprehensive income		4,314,856	3,734,784
Income for the year		17,631,649	5,350,670
TOTAL SHAREHOLDERS' EQUITY		33,387,283	18,293,220
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		188,176,222	151,354,098

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SEPARATE STATEMENTS OF INCOME
AS OF 12/31/2019 AND 12/31/2018
(Amounts stated in thousands of pesos)

ITEMS	NOTES	FISCAL YEAR ENDED	
		12/31/2019	12/31/18
Interest income	22	53,771,358	24,100,313
Interest expense	23	(22,972,387)	(10,780,447)
Interest income/loss		30,798,971	13,319,866
Fee income	24	6,416,801	4,966,030
Fee expenses	25	(1,806,088)	(1,087,894)
Fee income/loss		4,610,713	3,878,136
Net gain on financial instruments measured at fair value through profit or loss	26	1,104,513	1,245,300
Gold and foreign currency quoted price difference		2,499,902	1,063,293
Other operating income	27	3,001,688	873,900
Charge for Loan Losses		(3,327,445)	(2,361,457)
Net operating income		38,688,342	18,019,038
Benefits to personnel	28	(6,853,939)	(4,555,788)
Administrative expenses	29	(4,781,190)	(3,124,957)
Assets depreciation and impairment of value		(472,542)	(200,599)
Other operating expenses	30	(4,642,810)	(2,770,170)
Operating income		21,937,861	7,367,524
Gain/loss on associates and joint ventures		948,941	560,626
Income before tax relating to continuing operations		22,886,802	7,928,150
Income tax relating to continuing operations	10 b)	(5,255,153)	(2,577,480)
Net income from continuing operations		17,631,649	5,350,670
NET INCOME		17,631,649	5,350,670

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SEPARATE STATEMENTS OF INCOME
AS OF 12/31/2019 AND 12/31/2018
 (Amounts stated in thousands of pesos)

	EARNINGS PER SHARE	FISCAL YEAR ENDED	
		12/31/2019	12/31/18
NUMERATOR			
Net income attributable to the shareholders of the parent company		17,631,649	5,350,670
Net income attributable to the shareholders of the parent company adjusted to reflect dilution		17,631,649	5,350,670
DENOMINATOR			
Weighted average outstanding common shares for the year		719,145	719,145
Weighted average outstanding common shares for the year adjusted to reflect dilution		719,145	719,145
Earnings per basic share		24.518	7.440
Earnings per diluted share		24.518	7.440

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SEPARATE STATEMENTS OF COMPREHENSIVE INCOME
AS OF 12/31/2019 AND 12/31/2018
 (Amounts stated in thousands of pesos)

ITEM	FISCAL YEAR ENDED	
	12/31/2019	12/31/18
NET INCOME	17,631,649	5,350,670
Components of other comprehensive income that will not be reclassified to income for the year		
Revaluation of property and equipment and intangible assets	1,592,507	2,252,936
Revaluation of property and equipment and intangible assets (Exhibit F)	2,137,725	3,006,828
Income tax	(545,218)	(753,892)
TOTAL OTHER COMPREHENSIVE INCOME THAT WILL NOT BE RECLASSIFIED TO INCOME FOR THE YEAR	1,592,507	2,252,936
Exchange differences on translation of financial statements	143,276	153,036
Exchange differences for the year	191,035	204,048
Income tax	(47,759)	(51,012)
Gains or losses on financial instruments carried at fair value through OCI (paragraph 4.1.2 of IFRS 9)	(930,892)	(88,661)
Gains for the year on financial instruments carried at fair value through OCI	(1,329,845)	(126,658)
Income tax	398,953	37,997
Equity in other comprehensive income of associates and joint ventures recognized by using the equity method	(224,819)	(60,437)
Income for the year arising from the equity in other comprehensive income of associates and joint ventures recognized by using the equity method	(224,819)	(60,437)
TOTAL OTHER COMPREHENSIVE INCOME THAT WILL BE RECLASSIFIED TO INCOME FOR THE YEAR	(1,012,435)	3,938
TOTAL OTHER COMPREHENSIVE INCOME	580,072	2,256,874
TOTAL COMPREHENSIVE INCOME	18,211,721	7,607,544

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BANCO PATAGONIA S.A.

**SEPARATE STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
AS OF 12/31/2019**

(Amounts stated in thousands of pesos)

Changes	Capital stock (1)	Non- capitalized contributions	Other comprehensive income				Retained earnings		Unappropriated retained earnings	Total equity Attributable to controlling interests	Total shareholder s' equity as of 12/31/2019
	Outstanding	Additional paid-in capital	Exchange differences on translation of financial statements	Revaluation of property and equipment	Accumulated gains/losses from financial instruments carried at fair value with changes through OCI	Other	Legal	Other			
Balances at beginning of year	719,145	217,191	180,067	3,636,023	(51,017)	(30,289)	3,252,830	5,189,194	5,180,076	18,293,220	18,293,220
Distribution of unappropriated retained earnings as approved by the Annual Shareholders' Meeting held on 04/25/19											
- Legal reserve	-	-	-	-	-	-	1,070,134	-	(1,070,134)	-	-
- Optional reserve – Future distribution of earnings	-	-	-	-	-	-	-	1,605,201	(1,605,201)	-	-
- Absorption of adjustment from IFRS-first-time adoption	-	-	-	-	-	-	-	(170,594)	170,594	-	-
- Cash dividends (2)	-	-	-	-	-	-	-	-	(2,675,335)	(2,675,335)	(2,675,335)
Partial reversal of the optional reserve as approved by the Annual Shareholders' Meeting held on 07/15/19											
- Cash dividends (3)	-	-	-	-	-	-	-	(442,323)	-	(442,323)	(442,323)
Income for the year (4)	-	-	-	-	-	-	-	-	17,631,649	17,631,649	17,631,649
Other comprehensive income for the year	-	-	143,276	1,592,507	(930,892)	(224,819)	-	-	-	580,072	580,072
Balances at year-end	719,145	217,191	323,343	5,228,530	(981,909)	(255,108)	4,322,964	6,181,478	17,631,649	33,387,283	33,387,283

(1) See Note 28 to the consolidated financial statements.

(2) It relates to \$3.7202 per share

(3) It relates to \$0.6151 per share

(4) See note 48 to the consolidated financial statements

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Translation from the original prepared in Spanish for publication in Argentina

BANCO PATAGONIA S.A.

**SEPARATE STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
AS OF 12/31/2018**

(Amounts stated in thousands of pesos)

Changes	Capital stock (1)	Non- capitalized contribution s	Other comprehensive income				Retained earnings		Unappropri- ated retained earnings	Total equity Attributable to controlling interests	Total shareholders' equity as of 12/31/2018
	Outstanding	Additional paid-in capital	Exchange differences on translation of financial statements	Revaluation of property, plant and equipment	Accumulated gains/losses from financial instruments carried at fair value with changes through OCI	Other	Legal	Other			
Balances at beginning of year	719,145	217,191	27,031	1,383,087	37,644	30,148	2,541,788	4,122,631	3,384,617	12,463,282	12,463,282
Distribution of unappropriated retained earnings as approved by the Annual Shareholders' Meeting held on 04/25/18											
- Legal reserve	-	-	-	-	-	-	711,042	-	(711,042)	-	-
- Optional reserve – Future distribution of earnings	-	-	-	-	-	-	-	1,066,563	(1,066,563)	-	-
- Cash dividends (2)	-	-	-	-	-	-	-	-	(1,777,606)	(1,777,606)	(1,777,606)
Income for the year (3)	-	-	-	-	-	-	-	-	5,350,670	5,350,670	5,350,670
Other comprehensive income for the year	-	-	153,036	2,252,936	(88,661)	(60,437)	-	-	-	2,256,874	2,256,874
Balances at year-end	719,145	217,191	180,067	3,636,023	(51,017)	(30,289)	3,252,830	5,189,194	5,180,076	18,293,220	18,293,220

(1) See Note 28 to the consolidated financial statements.

(2) It corresponds to \$2,4718 per share.

(3) See note 48 to the consolidated financial statements

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BANCO PATAGONIA S.A.

**SEPARATE STATEMENTS OF CASH FLOWS
AS OF 12/31/2019 AND 12/31/2018**
(Amounts stated in thousands of pesos)

ITEM	12/31/19	12/31/18
Cash flows from operating activities		
Income for the year before income tax	22,886,802	7,928,150
Adjustments to obtain cash flows from operating activities:	(1,364,345)	(4,581,368)
Assets depreciation and impairment of value	472,542	200,599
Charge for Loan Losses	3,327,445	2,361,457
Other adjustments	(5,164,332)	(7,143,424)
Net decreases from operating assets:	(22,453,703)	(44,603,178)
Debt securities measured at fair value with changes through profit or loss	(36,417)	222,441
Derivative financial instruments	77,131	(120,178)
Repo transactions	663,435	289,415
Loans and other financing facilities	(2,013,226)	(30,926,079)
Nonfinancial government sector	(439)	(40,969)
Other financial institutions	(102,852)	(1,224,091)
Nonfinancial private sector and foreign residents	(1,909,935)	(29,661,019)
Other debt securities	(18,105,192)	(11,276,531)
Financial assets granted as collaterals	(772,565)	(1,051,521)
Investments in equity instruments	(1,453,671)	(3,201)
Other assets	(813,198)	(1,737,524)
Net increases from operating liabilities:	6,116,271	72,262,960
Deposits	7,625,141	56,960,702
Nonfinancial government sector	658,782	4,510,971
Financial sector	76,944	19,461
Nonfinancial private sector and foreign residents	6,889,415	52,430,270
Liabilities measured at fair value with changes through profit or loss	-	(124,934)
Derivative financial instruments	170,357	47,040
Repo transactions	(916,010)	(941,070)
Financing facilities received from the BCRA and other financial institutions	5,383,591	12,018,510
Other liabilities	(6,146,808)	4,302,712
Income tax payments	(1,603,419)	(1,767,486)
TOTAL OPERATING ACTIVITIES (A)	3,581,606	29,239,078

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SEPARATE STATEMENTS OF CASH FLOWS
AS OF 12/31/2019 AND 12/31/2018
(Amounts stated in thousands of pesos)

ITEM	12/31/19	12/31/18
Cash flows from investing activities		
Payments:		
Purchase of property, plant and equipment, intangible assets and other assets	(992,131)	(277,062)
Collections:		
Sale of interest in Prisma Medios de Pago S.A.	849,907	-
Sale of property, plant and equipment, intangible assets and other assets	540,662	126,721
TOTAL INVESTING ACTIVITIES (B)	398,438	(150,341)
Cash flows from financing activities		
Payments:		
Dividends	(3,117,658)	(1,777,606)
Financing facilities from local financial institutions	(618,380)	(191,721)
Operating leases	(268,893)	-
TOTAL FINANCING ACTIVITIES (C)	(4,004,931)	(1,969,327)
EFFECTS OF EXCHANGE RATE CHANGES (D)	9,894,444	(6,876,403)

TOTAL CHANGES IN CASH FLOWS	12/31/19	12/31/18
NET INCREASE IN CASH AND CASH EQUIVALENTS (A + B + C + D)	9,869,557	20,243,007
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	34,377,288	14,134,281
CASH AND CASH EQUIVALENTS AT YEAR-END	44,246,845	34,377,288

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BANCO PATAGONIA S.A.

**NOTES TO THE SEPARATE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED 12/31/19
COMPARATIVELY PRESENTED**
(Amounts stated in thousands of pesos)

NOTE 1 – REASON FOR THE PREPARATION OF SEPARATE FINANCIAL STATEMENTS

As indicated in Note 2 to the Consolidated financial statements, Banco Patagonia S.A. (hereinafter, the “Bank”) prepares its consolidated financial statements under IFRS as adapted by the BCRA.

These financial statements of the Bank are presented as supplementary to the referred consolidated financial statements in order to meet the legal and regulatory requirements.

NOTE 2 – BASIS FOR THE PREPARATION OF THE FINANCIAL STATEMENTS

These separate financial statements for the fiscal year ended December 31, 2019 have been prepared in accordance with the regulations of the Argentine Central Bank (BCRA) (hereinafter, “BCRA accounting information framework”), which state that the institutions under its supervision should submit financial statements prepared under the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), subject to the following exceptions:

- a) Application of the impairment model of section 5.5. “Impairment of Value” of IFRS 9 “Financial Instruments”, applicable to “Allowance for loan losses”.

The referred regulations will be applicable for fiscal years beginning on or after January 1, 2020, except for the nonfinancial government sector debt instruments in accordance with BCRA Communication “A” 6847.

The Bank is calculating the impact derived from the initial adoption of such regulations as of December 31, 2019.

- b) Application of International Accounting Standard 29 (IAS 29) “Financial Reporting in Hyperinflationary Economies” as provided for by BCRA Communication “A” 6651. Such regulation will be applicable to fiscal years beginning on or after January 1, 2020.
- c) Regarding the valuation of Prisma Medios de Pago S.A., these separate financial statements for the fiscal year ended December 31, 2019, consider the guidelines established by the BCRA, whereby the accounting treatment to be given to the remaining investment held in such company is stated, which is recorded in “Investments in equity instruments” as of December 31, 2019.

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**NOTES TO THE SEPARATE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED 12/31/19
COMPARATIVELY PRESENTED**

(Amounts stated in thousands of pesos)

The existence of an inflationary context affects the Bank's financial position and results of operations and, therefore, the impact of inflation may distort the financial information and shall be considered when the information about the financial position, comprehensive income and cash flows provided by the Bank in its accompanying financial statements is interpreted.

Accordingly, as of December 31, 2019 and for the fiscal year then ended, the Bank has estimated the impact on the financial statements arising from the restatement in constant currency, which would result in the increase in net equity of 912,674 and a decrease in the total comprehensive income of 8,697,398.

BCRA Communications "A" 6323 and "A" 6324 set forth the guidelines for the preparation and presentation of the financial institutions' financial statements, including the information additional requirements as well as the information to be disclosed in the Exhibits.

In order to avoid duplicating information already provided, please, refer to the consolidated financial statements in connection with the following aspects:

- Functional and presentation currency (Note 3 to the consolidated financial statements)
- Accounting estimates (Note 4 to the consolidated financial statements)
- Significant accounting policies (Note 5 to the consolidated financial statements), except for the measurement of interests in subsidiaries.
- IFRS issued but not yet in force (Note to the consolidated financial statements)
- Share capital (Note 28 to the consolidated financial statements)
- Transfer of financial assets (Note 41 to the consolidated financial statements)
- Segment reporting (Note 43 to the consolidated financial statements)
- Subsidiaries (Note 44 to the consolidated financial statements)
- Related parties (Note 46 to the consolidated financial statements)
- Distribution of earnings and restrictions (Note 48 to the consolidated financial statements)
- Deposit Guarantee Insurance System (Note 50 to the consolidated financial statements)
- Trust activity (Note 52 to the consolidated financial statements)
- Custodian agent of mutual funds (Note 53 to the consolidated financial statements)

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BANCO PATAGONIA S.A.

**NOTES TO THE SEPARATE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED 12/31/19
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(Amounts stated in thousands of pesos)

- Sanctions imposed and proceedings filed by the BCRA (Note 54 to the consolidated financial statements)
- Transactions with directors (Note 57 to the consolidated financial statements)
- CNV requirement– Custody of the Entity’s Documentation (Note 58 to the consolidated financial statements)

NOTE 3 – SIGNIFICANT ACCOUNTING POLICIES

The Bank has consistently applied the following accounting policies to all the fiscal years presented in these financial statements except for the recognition and measurement of leases as from January 1, 2019, when IFRS 16 became effective.

The accounting policies applied are consistent with those considered for the preparation of the consolidated financial statements (see Note 5 to the consolidated financial statements), except for the disclosures made in the following paragraph:

3.1. Investments in 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.

Interests in subsidiaries are recognized by the using the equity method. They are initially recognized at cost, including the transactions costs. After the initial recognition, the financial statements include the Bank’s share in profit or loss and in OCI of the investments recognized under the equity method until significant influence or joint control cease.

NOTE 4 – CASH AND BANK DEPOSITS

Cash and bank deposits computed for the purposes of preparing the statement of cash flows include the following items.

	<u>12/31/19</u>	<u>12/31/18</u>
Cash on hand	11,669,025	4,749,594
BCRA - Current account	32,113,209	29,124,719
Balances with financial institutions in Argentina and abroad	464,611	502,975
Total	<u>44,246,845</u>	<u>34,377,288</u>

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**NOTES TO THE SEPARATE FINANCIAL STATEMENTS
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(Amounts stated in thousands of pesos)

NOTE 5 – DERIVATIVE FINANCIAL INSTRUMENTS

In the ordinary course of business, the Entity completed forward foreign currency transactions with daily or monthly settlement of differences without delivery of the underlying assets, forward of foreign currency transactions as well as interest rates swap. Such transactions do not qualify as hedging as per IFRS 9 Financial Instruments.

The referred instruments are measured at fair value and changes in fair value are recognized in the Separate statement of income in the lines “Net Gain/ loss on financial assets carried at fair value with changes recognized through profit or loss”. Breakdown is as follows:

	<u>12/31/19</u>	<u>12/31/18</u>
Effective securities		
Assets		
Forward foreign currency	77,248	148,988
Interest rate swaps	-	5,391
Total	<u>77,248</u>	<u>154,379</u>
 Effective securities		
Liabilities		
Forward foreign currency transactions	4,124	57,990
Forward foreign currency	244,545	16,341
Interest rate swaps	-	3,981
Total	<u>248,669</u>	<u>78,312</u>
 Notional securities		
Assets		
Forward foreign currency	20,327	2,243
Forward foreign currency transactions	2,883	73,999
Interest rate swaps	-	500,000
Total	<u>23,210</u>	<u>576,242</u>
Liabilities		
Forward foreign currency	21,210	64,542
Forward foreign currency transactions	883	2,000
Total	<u>22,093</u>	<u>66,542</u>

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**NOTES TO THE SEPARATE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED 12/31/19
COMPARATIVELY PRESENTED**
(Amounts stated in thousands of pesos)

NOTE 6 – REPO TRANSACTIONS

The repo transactions of the Entity are included in Note 10 to the consolidated financial statements, as it is the only Entity of the Group that performs these transactions.

NOTE 7 – OTHER FINANCIAL ASSETS

Breakdown is as follows:

	<u>12/31/19</u>	<u>12/31/18</u>
Measured at amortized cost		
Sundry receivables from the sale of Prisma Medios de Pago S.A. (15)	969,594	-
Receivables from spot sales of foreign currency to be settled	360,533	1,980,578
Receivables from spot sales of government securities to be settled	24,199	286,222
Sundry receivables	<u>1,186,832</u>	<u>587,883</u>
	2,541,158	2,854,683
Less: Allowance for loan losses (Exhibit R)	<u>(985,531)</u>	<u>(18,383)</u>
Total	<u>1,555,627</u>	<u>2,836,300</u>

NOTE 8 – LOANS AND OTHER FINANCING FACILITIES

The Bank holds loans and other financing facilities under a business model whose objective is to collect the contractual cash flows. Consequently, loans and other financing facilities are measured at amortized cost, unless the conditions thereof do not meet the “solely payments of principal and interest” criterion; then, they are measured at fair value with changes in profit or loss.

Loans and other financing facilities classified on the basis of their measurement are as follows:

	<u>12/31/2019</u>	<u>12/31/18</u>
Measured at amortized cost	<u>89,038,675</u>	<u>83,281,727</u>
Less: Allowance for loan losses (Exhibit R)	<u>(4,931,508)</u>	<u>(3,689,533)</u>
Total	<u>84,107,167</u>	<u>79,592,194</u>

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Breakdown is as follows:

	<u>12/31/19</u>	<u>12/31/18</u>
Overdrafts	19,016,884	11,146,936
Notes	26,476,109	29,902,692
Mortgage loans	1,147,212	950,139
Consumer	8,388,834	9,829,349
Credit cards	15,790,615	12,766,498
Finance leases	528,665	998,913
Interest and similar items	4,326,675	1,845,142
Other	13,363,681	15,842,058
Sub - Total	89,038,675	83,281,727
Less: Allowance for loan losses (Exhibit R)	(4,931,508)	(3,689,533)
Total	84,107,167	79,592,194

Loans and financing facilities classified by status (determined according to the BCRA criteria) and guarantees received as well as the reconciliation of information and accounting balances are reported in Exhibit "B".

Information about loan and other financing facilities concentration as well as the reconciliation of information and accounting balances is reported in Exhibit "C".

Allowances for loan and other financing facilities losses

Changes in allowances according to the financing classification are reported in Exhibit "R", Loss impairment adjustment–Allowance for loan losses

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**NOTES TO THE SEPARATE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED 12/31/19
COMPARATIVELY PRESENTED**
(Amounts stated in thousands of pesos)

NOTE 9 – FINANCIAL ASSETS GRANTED AS COLLATERAL

Financial assets granted as collaterals as of December 31, 2019 and 2018 are broken down as follows:

	<u>12/31/19</u>	<u>12/31/18</u>
Special guarantee accounts (*)	1,638,915	1,058,649
BCRA - Financial trusts under guarantee of OCT	1,120,472	983,324
- Treasury bills in USD, maturity 5/15/2020	615,351	-
- Treasury bills in USD, maturity 8/31/2020 (**)	262,612	-
- Treasury bills in USD, maturity 4/11/2020	138,737	-
- Treasury bills in USD, maturity 8/31/2020 (**)	103,772	-
- Other	-	983,324
Security deposits – Credit and debit card managers	426,358	451,702
Government securities – IADB loan – Global Credit Program for micro-, small- and medium-sized enterprises	350,235	270,507
- Treasury bills in USD, maturity 4/10/2020	166,485	-
- Argentine Government Bond, maturity 3/6/2020	124,866	-
- Treasury bills in USD, maturity 8/31/2020 (**)	41,268	-
- Treasury bond in \$ adjusted by CER 2.25%, maturity 04/28/20	16,037	-
Consolidation bonds 8th Series, maturity 10/04/22	1,579	-
- Other	-	270,507
Other security deposits	15,355	14,588
Total	<u>3,551,335</u>	<u>2,778,770</u>

(*) see Note 32.

(**) See Note 38.

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**NOTES TO THE SEPARATE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED 12/31/19
COMPARATIVELY PRESENTED**
(Amounts stated in thousands of pesos)

NOTE 10 – INCOME TAX

a) Current income tax liabilities

Breakdown is as follows:

	<u>12/31/19</u>	<u>12/31/18</u>
Current income tax liabilities		
Tax provision	6,874,060	3,178,657
Tax advances	(2,234,307)	(1,458,565)
Tax withholding	(2,359)	(5,221)
	<u>4,637,394</u>	<u>1,714,871</u>

b) Income tax expense:

The breakdown and changes in deferred income tax assets and liabilities are as follows:

Item	Balance as of 12/31/18	Changes recognized in		Balance as of 12/31/19
		Income/loss	OCI	
Assets				
Balance inflation adjustment for tax purposes	-	1,750,771	-	1,750,771
Allowances for loan losses	863,067	189,019	-	1,052,086
Loans	89,623	(6,021)	-	83,602
Derivative financial instruments	(786)	786	-	-
Provisions included in liabilities	99,417	243,244	-	342,661
Other liabilities	73,584	31,615	-	105,199
Other	11,016	17,657	-	28,673
Deferred tax assets	1,135,921	2,227,071	-	3,362,992
Liabilities				
Debt securities	30,429	(429,382)	398,953	-
Intangible assets	(16,596)	(18,132)	-	(34,728)
Property and equipment	(1,183,129)	14,307	(545,218)	(1,714,040)
Investment property	(5,986)	(3,171)	-	(9,157)
Translation difference	(51,012)	-	(47,759)	(98,771)
Investment in associates	(94,583)	(171,786)	-	(266,369)
Deferred tax liabilities	(1,320,877)	(608,164)	(194,024)	(2,123,065)
Total	<u>(184,956)</u>	<u>1,618,907</u>	<u>(194,024)</u>	<u>1,239,927</u>

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(Amounts stated in thousands of pesos)

Item	Balance as of 12/31/17	Changes recognized in		Balance as of 12/31/18
		Income/loss	OCI	
Assets				
Allowances for loan losses	368,075	494,992	-	863,067
Loans	113,027	(23,404)	-	89,623
Derivative financial instruments	4,219	(5,005)	-	(786)
Provisions included in liabilities	52,120	47,297	-	99,417
Other liabilities	48,335	25,249	-	73,584
Other	7,223	3,793	-	11,016
Deferred tax assets	592,999	542,922	-	1,135,921
Liabilities				
Debt securities	(121,234)	113,666	37,997	30,429
Intangible assets	(14,032)	(2,564)	-	(16,596)
Property and equipment	(474,018)	44,781	(753,892)	(1,183,129)
Investment property	(2,941)	(3,045)	-	(5,986)
Translation difference	-	-	(51,012)	(51,012)
Investment in associates	-	(94,583)	-	(94,583)
Deferred tax liabilities	(612,225)	58,255	(766,907)	(1,320,877)
Total	(19,226)	601,177	(766,907)	(184,956)

Income tax expense is broken down as follows:

	12/31/19	12/31/18
Current tax	6,874,060	3,178,657
Deferred tax	(1,618,907)	(601,177)
Income tax expense	5,255,153	2,577,480

Reconciliation of the effective tax rate is as follows:

	12/31/19	12/31/18
Income before income tax	22,886,802	7,928,150
Income tax rate	30%	30%
Tax on taxable income	6,866,041	2,378,445
Inflation adjustment for tax purposes	(1,750,771)	-
Net permanent differences and other tax effects	139,883	199,035
Income tax expense	5,255,153	2,577,480

As of December 31, 2019 and 2018, the effective income tax rate is 23.0% and 32.5%, respectively.

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**NOTES TO THE SEPARATE FINANCIAL STATEMENTS
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(Amounts stated in thousands of pesos)

NOTE 11 – INVESTMENT IN SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

Investments in subsidiaries, associates and joint ventures as of December 31, 2019 and 2018 is broken down as follows:

	<u>12/31/19</u>	<u>12/31/18</u>
GPAT Compañía Financiera S.A.U.	886,054	740,473
Banco Patagonia (Uruguay) S.A. I.F.E.	359,596	382,529
Patagonia Inversora Sociedad Gerente de F.C.I.	505,628	265,100
Interbanking S.A.	186,602	122,101
Patagonia Valores S.A.	46,417	37,692
Mercado Abierto Electrónico S.A.	38,143	20,939
Compensadora Electrónica S.A.	3,918	2,482
Provincanaje S.A.	2,539	1,331
Total	<u>2,028,897</u>	<u>1,572,647</u>

NOTE 12 - PROPERTY AND EQUIPMENT

The breakdown of property and equipment of the Entity is disclosed in Exhibit "F" to the separate financial statements.

NOTE 13 – INTANGIBLE ASSETS

The breakdown of Intangible assets of the Entity is disclosed in note 19 and Exhibit "G" to the consolidated financial statements, as it is the only Entity of the Group that holds such assets.

NOTE 14 – OTHER NON FINANCIAL ASSETS

	<u>12/31/19</u>	<u>12/31/18</u>
Advance payments	578,238	238,739
Assets acquired as security for loans	58,459	58,459
Investment property	38,333	25,710
Other miscellaneous assets	57,811	8,869
Works of art	3,691	3,691
Other	16,039	11,531
Total	<u>752,571</u>	<u>346,999</u>

Additionally, for the valuation thereof, the criteria informed in Note 18 to the consolidated financial statements have been applied.

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NOTE 15 – NON CURRENT ASSETS HELD FOR SALE

As of December 31, 2019, the Entity does not have non current assets held for sale.

As of December 31, 2018, breakdown is as follows:

Investment in associates:

The Entity had recorded the interest in Prisma Medios de Pago S.A. in the amount of 212,791 as held for sale.

On February 1, 2019, the transfer to Al Zenith (Netherlands) B.V. (Company related to Advent International Corporation) of 51% of the interest in Prisma Medios de Pago S.A., equivalent to 1,153,706 registered, common shares, with a nominal value of \$ 1 each, one votes per share, was completed. 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. (See Note 7).

To the date of issuance of these financial statements, the Entity is the holder of 5,318,293 shares of Prisma Medios de Pago S.A. that account for 2.6822% of its capital stock. Such remaining shareholding was reclassified to "Investments in equity instruments" and was measured based on a report prepared by independent professionals, net of a valuation adjustment as required by the BCRA.

Land and buildings:

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.

NOTE 16 - DEPOSITS

Information about deposits is disclosed in Exhibit "H"– Deposits concentration to these separate financial statements and the breakdown of deposits related to the nonfinancial private sector is as follows:

	<u>12/31/19</u>	<u>12/31/18</u>
Checking accounts	15,113,545	10,149,481
Savings accounts	49,481,342	44,273,495
Time deposit and investments	37,271,047	37,935,565
Investment accounts	100	805
Other	4,090,806	2,468,971
Interest and adjustment	834,467	1,305,575
Total	<u>106,791,307</u>	<u>96,133,892</u>

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NOTE 17 – OTHER FINANCIAL LIABILITIES

Other financial liabilities are measured at amortized cost and they are broken down as follows:

	<u>12/31/19</u>	<u>12/31/18</u>
Credit card charges payable	4,968,606	4,672,778
Collections on account and on behalf of third parties	556,833	1,053,168
Payables from foreign trade transactions	550,997	359,039
Payables from spot purchase of foreign currency to be settled	120,100	1,947,127
Payables from spot purchase of government securities to be settled	455	416,912
Sundry payables	1,811,076	496,595
Total	<u>8,008,067</u>	<u>8,945,619</u>

NOTE 18 – FINANCING FACILITIES RECEIVED FROM BCRA AND OTHER FINANCIAL INSTITUTIONS

Financial facilities received from BCRA and other financial institutions are measured at amortized cost and they are broken down as follows:

	<u>12/31/2019</u>	<u>12/31/18</u>
Financing facilities received from foreign financial institutions	15,062,425	8,281,573
Financing facilities received from local financial institutions	1,574,770	1,060,872
BCRA	10,468	15,603
Total	<u>16,647,663</u>	<u>9,358,048</u>

NOTE 19 – CORPORATE BONDS ISSUED

The Entity's Corporate bonds program in force is described in Note 25 to the consolidated financial statements and to date, no corporate bonds series is currently in force under the referred Program.

Marcelo A. Iadarola
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By Supervisory Committee

Mónica M. Cukar
Regular Supervisory Auditor
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Juan M. Trejo
Superintendent
Finance, Administration and Public area

João Carlos de Nobrega Pecego
President

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BANCO PATAGONIA S.A.

**NOTES TO THE SEPARATE FINANCIAL STATEMENTS
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NOTE 20 – OTHER NON FINANCIAL LIABILITIES

Other non financial liabilities are measured at amortized cost and they are broken down as follows:

	<u>12/31/19</u>	<u>12/31/18</u>
Other short term employees' benefits payable	1,193,534	758,577
Other withholdings and collections	801,845	632,620
Advance payments received	635,671	418,670
Other nonfinancial liabilities	514,754	566,176
Payroll and social security contributions payable	272,993	214,743
Social security payment orders to be settled	163,864	116,552
Payroll withholdings payable	135,878	63,777
Prepayments received for sale of other assets	3,952	28,274
Other nonfinancial liabilities	610,854	480,781
Total	<u>4,333,345</u>	<u>3,280,170</u>

NOTE 21 - ALLOWANCES AND 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 Bank. Changes in allowances and provisions for the fiscal year ended Tuesday, December 31, 2019 are disclosed in Exhibit J Changes in allowances and provisions to these financial statements.

The table below includes the utilization of allowances and provisions as of Tuesday, December 31, 2019:

Provisions						
Utilization of allowances and provisions	Labor lawsuits	General lawsuits	Tax lawsuits	Administrative, disciplinary and criminal sanctions	Contingent obligations	Total as of 12/31/2019
Less than 12 months	21,120	210,053	4,911	-	5,174	241,258
Over 12 months	45,980	974,155	114,427	33	2,562	1,137,157
Total	<u>67,100</u>	<u>1,184,208</u>	<u>119,338</u>	<u>33</u>	<u>7,736</u>	<u>1,378,415</u>

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The table below includes the utilization of allowances and provisions as of December 31, 2018:

Utilization of allowances and provisions	Provisions					Total as of 12/31/2018
	Labor lawsuits	General lawsuits	Tax lawsuits	Administrative, disciplinary and criminal sanctions	Contingent obligations	
Less than 12 months	36,789	9,991	-	33	1,366	48,179
Over 12 months	7,013	209,353	134,520	-	-	350,886
Total	43,802	219,344	134,520	33	1,366	399,065

Due to the nature of its business, the Entity 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 Entity's Management and its legal counsel, no provision has been set up for all other legal actions against the Entity because they will not result in additional liabilities to those already recorded or will not have a material impact on the Entity's financial statements.

The Entity's Management and its legal counsels consider that the cases of any potential disbursement for settlement are not material and there are no significant effects other than those disclosed in these financial statements.

NOTE 22 – INTEREST INCOME

Breakdown is as follows:

Interest income	12/31/19	12/31/18
Government securities measured at fair value with changes through OCI	26,304,038	5,575,320
Overdrafts	6,501,217	4,069,824
Notes	6,287,056	4,653,382
Consumer loans	4,310,318	3,606,390
Credit cards	4,041,025	2,426,856
Other loans	3,150,786	1,499,425
Premium on reverse repo transactions with the financial sector	1,202,960	297,278
Loans to the financial sector	1,125,383	786,176
Finance lease	246,914	318,359
Other	601,661	867,303
Total	53,771,358	24,100,313

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NOTE 23 – INTEREST EXPENSE

Breakdown is as follows:

Interest expense	12/31/19	12/31/18
Time deposits	19,730,316	8,583,886
Financing facilities received from financial institutions (Call)	797,068	240,507
Premium on repo transactions with the financial sector	695,414	224,505
Deposits in savings accounts	653,811	863,954
Other financing facilities received from financial institutions	815,103	94,902
Other	280,675	772,693
Total	22,972,387	10,780,447

NOTE 24 – FEE INCOME

Breakdown is as follows:

Fee income	12/31/19	12/31/18
Credit and debit cards	1,711,642	1,361,286
Deposits	1,520,818	1,382,812
Packages of products	1,035,787	749,905
Insurance	1,004,909	723,101
Collections	584,912	360,036
Foreign trade	313,951	221,479
Securities	80,470	62,650
Loans	74,781	44,218
Other	89,531	60,543
Total	6,416,801	4,966,030

NOTE 25 – FEE EXPENSES

Breakdown is as follows:

Fee expenses	12/31/19	12/31/18
Related to credit and debit cards	1,083,647	660,357
Government sector	325,691	181,384
Collections	112,490	59,144
Related to securities	44,765	29,733
Transfers	44,267	34,577
Other	195,228	122,699
Total	1,806,088	1,087,894

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NOTE 26 – NET GAIN ON FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE WITH CHANGES THROUGH PROFIT OR LOSS

Breakdown is as follows:

Net gain on financial instruments measured at fair value with changes through profit or loss	12/31/2019	12/31/18
Corporate securities	630,230	17,996
Government securities and instruments issued by the BCRA	297,170	1,138,252
Forward foreign currency transactions	177,113	89,052
Total	1,104,513	1,245,300

NOTE 27 – OTHER OPERATING INCOME

Breakdown is as follows:

Other operating income	12/31/19	12/31/18
Proceeds from the sale of non-current assets held for sale	1,411,952	-
Commissions from lease of safe-deposit boxes	273,382	207,734
Recovered receivables	222,970	101,212
Punitive interest	93,953	60,228
Proceeds from the sale of property and equipment	60,928	95,619
Other	938,503	409,107
Total	3,001,688	873,900

NOTE 28 – EMPLOYEE BENEFITS

Breakdown is as follows:

Employee benefits	12/31/19	12/31/18
Salaries and wages	5,260,213	3,430,797
Social security contributions	1,041,058	718,112
Services to personnel	233,718	153,752
Severance payments	145,081	94,430
Other benefits	173,869	158,697
Total	6,853,939	4,555,788

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**NOTES TO THE SEPARATE FINANCIAL STATEMENTS
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NOTE 29 – ADMINISTRATIVE EXPENSES

Breakdown is as follows:

Administrative expenses	12/31/19	12/31/18
Maintenance, conservation and repair expenses	981,575	595,187
Taxes	767,911	525,917
Armored vehicle services	439,301	272,371
Electric power and communications	363,407	225,339
Surveillance services	311,859	206,805
Fees	280,056	159,990
Advertising and marketing	248,925	260,054
Directors and supervisory auditors' fees	160,307	94,590
Leases	74,310	235,070
Entertainment and per diem expenses	52,439	33,123
Other	1,101,100	516,511
Total	4,781,190	3,124,957

NOTE 30 – OTHER OPERATING EXPENSES

Breakdown is as follows:

Other operating expenses	12/31/19	12/31/18
Turnover tax	2,583,588	1,813,090
Charge for other allowances	1,052,839	205,681
ATM expenses	301,685	254,420
Contribution to the deposit guarantee fund	210,963	133,667
Other	493,735	363,312
Total	4,642,810	2,770,170

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**NOTES TO THE SEPARATE FINANCIAL STATEMENTS
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(Amounts stated in thousands of pesos)

NOTE 31 – FAIR VALUE OF FINANCIAL INSTRUMENTS

a) Assets and liabilities measured at fair value

The fair value hierarchy of assets and liabilities measured at fair value as of December 31, 2019 is as follows:

Item	Book balance	Amortized cost	Fair value with changes through OCI	Fair value with changes through profit or loss	Level 1	Level 2	Level 3
Financial assets							
Debt securities measured at fair value with changes through profit or loss	225,087	-	-	225,087	224,513	574	-
Derivative financial instruments	77,248	-	-	77,248	-	77,248	-
Other debt securities	41,418,873	931,850	40,487,023	-	30,472,972	10,014,051	-
Financial assets granted as collaterals	3,551,335	140,903	3,410,432	-	-	3,410,432	-
Investments in equity instruments	843,108	-	-	843,108	-	7,483	835,625
Total	46,115,651	1,072,753	43,897,455	1,145,443	30,697,485	13,509,788	835,625

Item	Book balance	Amortized cost	Fair value with changes through OCI	Fair value with changes through profit or loss	Level 1	Level 2	Level 3
Financial liabilities							
Derivative financial instruments	248,669	-	-	248,669	-	248,669	-
Total	248,669	-	-	248,669	-	248,669	-

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The fair value hierarchy of assets and liabilities measured at fair value as of December 31, 2018 is as follows:

Item	Book balance	Amortized cost	Fair value with changes through OCI	Fair value with changes through profit or loss	Level 1	Level 2	Level 3
Financial assets							
Debt securities measured at fair value with changes through profit or loss	186,641	-	-	186,641	166,731	19,910	-
Derivative financial instruments	154,379	-	-	154,379	-	154,379	-
Other debt securities	23,069,847	91,439	22,978,408	-	18,263,135	4,715,273	-
Financial assets granted as collaterals	2,778,770	1,532,939	1,245,831	-	465,092	780,739	-
Investments in equity instruments	4,513	-	-	4,513	-	4,513	-
Total	26,194,150	1,624,378	24,224,239	345,533	18,894,958	5,674,814	-

Item	Book balance	Amortized cost	Fair value with changes through OCI	Fair value with changes through profit or loss	Level 1	Level 2	Level 3
Financial liabilities							
Derivative financial instruments	78,312	-	-	78,312	-	78,312	-
Total	78,312	-	-	78,312	-	78,312	-

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b) Transfers between hierarchy levels

b.1) Transfers from level 1 to level 2

The following instruments measured at fair value were transferred from Level 1 to Level 2 of the fair value hierarchy:

	<u>12/31/19</u>	<u>12/31/18</u>
Argentine Treasury Bond, maturity 2020	-	33,087
Argentine Government Bond in ARS Private Badlar + 325 bps. Maturity 2020	-	726
Argentine Treasury Bonds in \$ adjusted by CER, maturity 2020	-	78
Total	<u>-</u>	<u>33,891</u>

b.2) Transfers from level 2 to level 1

The following instruments measured at fair value were transferred from Level 2 to Level 1 of the fair value hierarchy:

Breakdown	<u>12/31/19</u>	<u>12/31/18</u>
Argentine Treasury Bond in \$ Fixed Rate, maturity 2020	3,876,314	-
Debt security, Class 1, Province of Rio Negro, maturity 2021	220,840	-
Debt security, Class 1, Province of Rio Negro, maturity 2020	73,210	-
Debt securities of the province of Chubut, Class II	-	227
Total	<u>4,170,364</u>	<u>227</u>

These holdings were included in hierarchy level 2 as of December 31, 2018 and as of December 31, 2019, they were carried at fair value by using the quoted prices in active markets.

b.3) Valuation techniques of Levels 2 and 3

Below is a description of the financial instruments carried at fair value using valuation techniques based on observable market data (Level 2):

Financial assets and liabilities measured at fair value: it mainly includes provincial debt securities and Treasury Bills in USD carried at fair value using yield curves for securities related to the same type of instrument, with the regular and habitual quoted price of similar duration.

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Derivative financial instruments: it includes the fair value of forward transactions with settlement upon maturity of the transaction, estimated as the difference between the agreed-upon values and market prices, discounted at measurement date.

The Entity includes in Level 3 its interest in Prisma Medios de Pago S.A., which is recognized in Investments in equity instruments, since for the fair value measurement thereof, the valuation conducted by independent professionals has been used as adjusted in accordance with the BCRA requirements. The gain or loss on the asset stated at fair value based on unobservable market data is recognized in net gain or loss on financial instruments measured at fair value through profit or loss.

c) Fair value of financial assets and liabilities not measured at fair value

Below we describe the methodologies and assumptions used to determine the fair values of the main financial instruments not measured at fair value, when there are no quoted prices in the active markets for such instrument.

- Assets and liabilities whose fair value is similar to the carrying amount

For financial assets and liabilities that have short-term maturities (less than three months), it is considered that the carrying amount is similar to the fair value. This assumption is also applied to savings accounts, checking accounts and other deposits.

- Fixed-rate financial instruments

The fair value of financial assets was determined by discounting future cash flows at the market rates offered at each measurement date, 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.

- Variable-rate financial instruments

The fair value of financial assets and liabilities accruing a variable rate was determined by discounting the estimated future cash flows considering the variable rate contractually applicable at measurement date, discounted by applying the market rates for financial instruments of similar characteristics and credit risk.

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The fair value hierarchy of assets and liabilities not measured at fair value as of December 31, 2019 is as follows:

<u>Item</u>	<u>Accounting balance as of 12/31/19</u>	<u>Total fair value</u>	<u>Level 1 fair value</u>	<u>Level 2 fair value</u>	<u>Level 3 fair value</u>
Financial assets					
Cash and bank deposits	44,246,845	(1)	-	-	-
Other financial assets	1,555,627	1,555,288	-	-	1,555,288
Loans and other financing facilities	84,107,167	78,083,793	-	-	78,083,793
Financial liabilities					
Deposits	119,535,386	114,442,639	-	-	114,442,639
Other financial liabilities	8,008,067	(1)	-	-	-
Financing facilities received from the BCRA and other financial institutions	16,647,663	(1)	-	-	-

(1) The fair value is not reported because it is deemed to be similar to the carrying amount.

The fair value hierarchy of assets and liabilities not measured at fair value as of December 31, 2018 is as follows:

<u>Item</u>	<u>Accounting balance as of 12/31/18</u>	<u>Total fair value</u>	<u>Level 1 fair value</u>	<u>Level 2 fair value</u>	<u>Level 3 fair value</u>
Financial assets					
Cash and bank deposits	34,377,288	(1)	-	-	-
Repo transactions	663,435	(1)	-	-	-
Other financial assets	2,836,300	2,835,846	-	-	2,835,846
Loans and other financing facilities	79,592,194	73,454,222	-	-	73,454,222
Financial liabilities					
Deposits	108,183,827	107,488,272	-	-	107,488,272
Repo transactions	916,010	(1)	-	-	-
Other financial liabilities	8,945,619	(1)	-	-	-
Financing facilities received from the BCRA and other financial institutions	9,358,048	(1)	-	-	-

(1) The fair value is not reported because it is deemed to be similar to the carrying amount.

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NOTE 32 – RESTRICTED ASSETS

	<u>12/31/19</u>	<u>12/31/18</u>
Special guarantee accounts (*)	1,638,915	1,058,649
BCRA - Financial trusts under guarantee of OCT	1,120,472	983,324
- Treasury bills in USD, maturity 5/15/2020	615,351	-
- Treasury bills in USD, maturity 8/31/2020 (**)	262,612	-
- Treasury bills in USD, maturity 4/11/2020	138,737	-
- Treasury bills in USD, maturity 8/31/2020 (**)	103,772	-
- Other	-	983,324
Security deposits – Credit and debit card managers	426,358	451,702
Government securities – IADB loan – Global Credit Program for micro-, small- and medium-sized enterprises	350,235	270,507
- Treasury bills in USD, maturity 4/10/2020	166,485	-
- Argentine Government Bond, maturity 3/6/2020	124,866	-
- Treasury bills in USD, maturity 8/31/2020 (**)	41,268	-
- Treasury bond in \$ adjusted by CER 2.25%, maturity 04/28/20	16,037	-
Consolidation bonds 8th Series, maturity 10/04/22	1,579	-
- Other	-	270,507
Other security deposits	15,355	14,588
Total	<u>3,551,335</u>	<u>2,778,770</u>

(*) see Note 9.

(**) See Note 38.

NOTE 33 – MINIMUM CASH AND CAPITAL REQUIREMENTS

The BCRA establishes different requirements that should be met by financial institutions regarding solvency, liquidity, maximum amount of loans that may be granted, among others.

The minimum cash requirement establishes that a financial institution shall keep liquid assets on deposits and other obligations recorded in each period. The following table shows the items computed as minimum cash requirements:

<u>Minimum cash requirements</u>	<u>12/31/2019</u>	<u>12/31/18</u>
Cash and bank deposits		
BCRA - Current account	32,113,209	29,124,719
Other debt securities		
Argentine Treasury Bond in \$ Fixed Rate, Maturity 2020 (Exhibit A)	3,876,314	3,243,600
Financial assets granted as collaterals		
BCRA - Special guarantee accounts	1,638,915	1,058,649
Total	<u>37,628,438</u>	<u>33,426,968</u>

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BANCO PATAGONIA S.A.

**NOTES TO THE SEPARATE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED 12/31/19
COMPARATIVELY PRESENTED**
(Amounts stated in thousands of pesos)

Minimum capital requirements breakdown is as follows:

Minimum capital requirements	12/31/19	12/31/18
Minimum capital requirements (A)	11,778,018	9,264,737
Credit risk	8,372,705	7,330,871
Market risk – Securities	6,367	15,690
Market risk - Currencies	105,155	34,506
Operational risk	3,293,791	1,883,670
Payment (B)	25,990,992	14,166,472
SURPLUS (B - A)	14,212,974	4,901,735

NOTE 34 – TRANSACTIONS WITH COMPANIES INCLUDED IN SECTION 33, COMPANIES LAW No. 19550

The following table shows the Entity's balances with its subsidiaries and affiliates, and its parent company as of Tuesday, December 31, 2019 and 2018:

	12/31/19	12/31/18
Patagonia Valores S.A.		
Other financial assets– sundry debtors	175	360
Deposits – Checking accounts	100	15
Deposits – Special checking account	3,376	70
Checks and securities in custody	31,726	1,702
Patagonia Inversora S.A. Sociedad Gerente de F.C.I.		
Deposits – Checking accounts	47	292
Deposits – Special checking account	967	-
Checks and securities in custody	584,786	242,749
Banco Patagonia (Uruguay) S.A. I.F.E.		
Deposits – Checking accounts	6	6
Deposits – Special checking account	5,638	2
Checks and securities in custody	2,241,203	3,943,139
Guarantees received	11,260	13,800

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**NOTES TO THE SEPARATE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED 12/31/19
COMPARATIVELY PRESENTED**
(Amounts stated in thousands of pesos)

GPAT Compañía Financiera S.A.U.

Loans and other financings - Other loans	1,682,724	-
Loans and other financing facilities– interbank loans (call options received)	92,234	-
Loans and other financing facilities– interbank loans (call options granted)	-	1,699,238
Loans and other financing facilities–Other financing facilities granted to local financial institutions	959	138
Debt securities– corporate bonds	47,605	85,818
Deposits – Checking accounts	21,867	16,169
Derivative financial liabilities	-	3,981
Other financial liabilities	1,762	4,034
Derivatives – swap from variable to fixed interest rate	-	500,000

Banco do Brasil S.A.

Cash and bank deposits –Financial institutions and correspondents	5,900	12,556
Deposits – Checking accounts	19,479	30,107
Financing facilities received from financial institutions	5,065,509	378,140
Guarantees received	479,160	151,233
Other guarantees granted	89,843	65,408
Checks and securities in custody	17,834	2

The Entity's income (losses) for the fiscal year ended December 31, 2019 and 2018 resulting from transactions with its subsidiaries, related companies and its parent company is as follows:

	<u>12/31/19</u>	<u>12/31/18</u>
Patagonia Valores S.A.		
Fees and other operating income	1	1
Other operating income–other earnings	1,558	1,057
Patagonia Inversora S.A. Sociedad Gerente de F.C.I.		
Other operating income–other earnings	976	338
Banco Patagonia (Uruguay) S.A. I.F.E.		
Other operating income– fees	-	1

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FOR THE FISCAL YEAR ENDED 12/31/19
COMPARATIVELY PRESENTED**
(Amounts stated in thousands of pesos)

GPAT Compañía Financiera S.A.U.

Interest income– Financial sector	695,409	367,816
Interest income– corporate bonds	70,560	47,184
Interest income– advances	955	1,006
Interest expense–Income/loss on interest rate swap	4,549	32,778
Interest expense– interest from financing facilities to local financial institutions	15,318	753
Fees and other operating income	16,048	24,519
Fee expenses	18,330	29,143
Other operating income–other earnings	8,071	7,594

Banco do Brasil S.A.

Financial expenses – Interest on other loans from financial institutions	130,837	2,514
Fee income	3	1
Fee expenses	-	12
Other operating income–other earnings	701	574

NOTE 35 – COMPLIANCE WITH PROVISIONS SET FORTH BY LAW No. 25738

Banco Patagonia S.A. is a stock company organized under the laws of Argentina, the shareholders of which limit their liability to the paid-in shares subscribed in accordance with Law No. 19550. Therefore, in compliance with Law No. 25738, we report that neither the foreign majority shareholders nor the local or foreign shareholders are liable, in excess of such paid-in shares, for the obligations arising from the transactions performed by the Bank.

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**NOTES TO THE SEPARATE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED 12/31/19
COMPARATIVELY PRESENTED**
(Amounts stated in thousands of pesos)

NOTE 36 – CNV REQUIREMENT TO ACT AS AN OVER-THE-COUNTER BROKER

Pursuant to the provisions established by the CNV in General Resolution No. 622/13, as amended by CNV General Resolution No. 731/2018, a breakdown of the minimum capital and cash contra-account requirements for each broker category is as follows:

Role	Minimum capital	Minimum cash contra-account
Settlement and clearing agent and comprehensive trading agent.	18,000	9,000
Custodian agent of mutual funds	2,750	2,750
Financial and Non-financial trust	3,000	3,000
Total	23,750	14,750

As of December 31, 2019, the Entity's capital exceeds CNV's requirements and the minimum cash contra-account required is made up of funds deposited with the BCRA in current account No. 034 of Banco Patagonia S.A.

NOTE 37 – PUBLICATION OF FINANCIAL STATEMENTS

Under Communication "A" 2813 and supplementary BCRA rules, the BCRA's prior involvement is not required for the publication of these financial statements.

NOTE 38 – MACROECONOMIC CONTEXT

The macroeconomic context shows a climate of uncertainty as to its future progress as a consequence of the volatility of financial assets and the new regulations arising from the change of the government authorities that have a direct impact on the exchange market, the projected changes in the interest rate and inflation rates. Accordingly, during the fiscal year ended December 31, 2019, the accumulated inflation accounted for 53.8%.

Particularly, in connection with the financial assets through the provisions of Decree No. 598/2019, dated August 28, 2019, the National Government decided to reschedule the maturities of the short-term securities (Letes, Lecap, Lecer and Lelink). On the other hand, Decree No. 49/2019 dated December 19, 2019 provided for postponement of the payment of the Treasury bills in USD as of August 31, 2020.

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**NOTES TO THE SEPARATE FINANCIAL STATEMENTS
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COMPARATIVELY PRESENTED**

(Amounts stated in thousands of pesos)

As of December 31, 2019, the Group keeps positions in these rescheduled securities in the amount of thousands of 1,699,017 that have been stated at amortized cost/fair value with changes through comprehensive income (OCI) and that account for 4.10% of the debt securities portfolio.

Decree No. 609/2019 dated September 1, 2019 sets out the extraordinary and temporary exchange provisions. In addition, the BCRA issued Communication "A" 6770 and its amendments requiring the BCRA's authorization, up to December 31, 2019, to have access to the foreign exchange market to wire profits and dividends, to pay services to foreign related companies, and to make prepayments of financial debts (principal or interest) more than three days before maturity. BCRA Communication "A" 6856 dated December 30, 2019 sets out that these provisions shall remain in force as from December 31, 2019.

In this context, on December 21, 2019, the Argentine Congress enacted the Social Solidarity and Production Reactivation Act No. 27541 within the framework of a public emergency by virtue of which, the public emergency is declared in terms of economic, financial, administrative, social security, sanitation and social matters up to December 31, 2020.

Additionally, the referred law provided for the suspension up to December 31, 2021 of the reduction in the income tax rate (Note 17 to the consolidated financial statements) and the suspension of the fiscal agreement of year 2017 that provided for the progressive decrease in the turnover tax up to December 31, 2020.

The macroeconomic conditions are continuously analyzed by the Bank's Management in order to determine the possible actions to be adopted and to identify potential impacts that should be disclosed in information about its financial position.

NOTE 39 – SUBSEQUENT EVENTS

No other events or transactions have occurred from year-end to the date of issuance of these financial statements that would have a material effect on the financial position of the Entity or the results of its operations as of December 31, 2019.

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BANCO PATAGONIA S.A.

EXHIBIT "A"
BREAKDOWN OF GOVERNMENT AND CORPORATE SECURITIES
AS OF 12/31/2019 AND 12/31/2018
(Amounts stated in thousands of pesos)

Item	Identification	Holding				Position	
		Fair value	Level Fair value	Balance as of 12/31/19	Balance as of 12/31/18	without options (2)	Final
DEBT SECURITIES MEASURED AT FAIR VALUE WITH CHANGES THROUGH PROFIT OR LOSS (1)		224,529		225,087	186,641	349,953	225,087
In Argentina		224,529		225,087	186,641	349,953	225,087
Government securities		224,529		224,529	175,842	349,395	224,529
- Argentine Treasury Bonds in \$ 6% rate, maturity 2023	5319	49,038	1	49,038	-	49,038	49,038
Argentine Treasury Bonds in \$, maturity 10/3/2021	5318	40,891	1	40,891	-	40,891	40,891
- Argentine Government Bond, maturity 3/6/2020	5485	35,709	1	35,709	11,354	160,575	35,709
- Boncer bond, maturity 2020	5321	35,642	1	35,642	-	35,642	35,642
- Argentine Treasury Bonds 2.5% \$, maturity 2021	5315	32,383	1	32,383	13,176	32,383	32,383
- Discount Bonds in \$, maturity 2033	45696	10,474	1	10,474	-	10,474	10,474
- Treasury bills in USD, maturity 03/13/20	5285	8,847	1	8,847	-	8,847	8,847
- Argentine Government Bond in USD 8.75%, maturity 2024	5458	5,180	1	5,180	-	5,180	5,180
- Debt security, Prov. of Río Negro Class 1, Maturity 2020	32922	5,165	1	5,165	5,632	5,165	5,165
- Republic of Argentina bond in USD 6.875%, maturity 2027	92585	1,184	1	1,184	1,706	1,184	1,184
- Other		16		16	143,974	16	16
Corporate securities		-		558	10,799	558	558
- Other		-		558	10,799	558	558

(1) See Note 38

(2) It includes "Holding" plus Deposits offered as security" "Loans" less "Deposits".

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EXHIBIT "A"
BREAKDOWN OF GOVERNMENT AND CORPORATE SECURITIES
AS OF 12/31/2019 AND 12/31/2018
(Amounts stated in thousands of pesos)

Item	Identificación	Holding				Position	
		Fair value	Level Fair value	Balance as of 12/31/19	Balance as of 12/31/18	without options (2)	Final
Other debt securities		40,487,023		41,418,873	23,069,847	42,889,580	42,889,580
MEASURED AT FAIR VALUE WITH CHANGES THROUGH OCI (1)		40,487,023		40,487,023	22,978,408	41,816,827	41,816,827
In Argentina		40,487,023		40,487,023	22,978,408	41,816,827	41,816,827
Government securities		5,898,858		5,898,858	5,456,795	7,228,662	7,228,662
Argentine Treasury Bond in Fixed Rate, maturity 2020	5330	3,876,314	1	3,876,314	3,376,199	3,876,314	3,876,314
-Treasury bills in USD, maturity 08/31/20	5291	498,760	2	498,760	-	803,982	803,982
-Treasury bills in USD, maturity 04/25/20	5292	416,684	2	416,684	-	720,564	720,564
-Treasury bills in USD, maturity 05/15/20	5294	410,234	2	410,234	-	1,025,585	1,025,585
Debt security of Prov. of Río Negro Class 1, Maturity 2021	42016	189,500	1	189,500	220,840	189,500	189,500
-Treasury bills in USD, maturity 02/29/20	5283	147,488	2	147,488	-	147,488	147,488
- Coupon Lecap S30G9 60% in \$, maturity 02/26/20	5349	147,335	1	147,335	-	147,335	147,335
-Treasury bills adjustable by CER, maturity 02/29/20	5290	62,233	1	62,233	-	62,233	62,233
- Debt security Prov. of Río Negro Class 1, Maturity 2020	32922	61,980	2	61,980	67,578	61,980	61,980
-Treasury bills in USD, maturity 05/29/20	5296	48,771	2	48,771	-	48,771	48,771
- Other		39,559		39,559	1,792,178	144,910	144,910
BCRA Bills		34,567,621		34,567,621	17,446,079	34,567,621	34,567,621
- BCRA Liquidity Bill, maturity 01/02/20	13551	11,233,148	1	11,233,148	-	11,233,148	11,233,148
- BCRA Liquidity Bill, maturity 01/07/20	2620	9,951,137	1	9,951,137	-	9,951,137	9,951,137
- BCRA Liquidity Bill, maturity 01/08/20	2621	8,433,379	2	8,433,379	-	8,433,379	8,433,379
- BCRA Liquidity Bill, maturity 01/06/20	13553	2,486,225	1	2,486,225	-	2,486,225	2,486,225
- BCRA Liquidity Bill, maturity 1/3/2020	2604	2,463,732	1	2,463,732	-	2,463,732	2,463,732
- Other		-		-	17,446,079	-	-
Corporate securities		20,544		20,544	75,534	20,544	20,544
- ON GPAT Compañía Financiera Series 27 Class B	52449	20,544	2	20,544	21,504	20,544	20,544
- Other		-		-	54,030	-	-

(1) See Note 38

(2) It includes "Holding" plus Deposits offered as security" "Loans" less "Deposits".

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EXHIBIT "A"
BREAKDOWN OF GOVERNMENT AND CORPORATE SECURITIES
AS OF 12/31/2019 AND 12/31/2018
(Amounts stated in thousands of pesos)

Item	Identificación	Holding				Position	
		Fair value	Level Fair value	Balance as of 12/31/19	Balance as of 12/31/18	without options (2)	Final
Measured at amortized cost (1)				931,850	91,439	1,072,753	1,072,753
In Argentina				931,850	91,439	1,072,753	1,072,753
Government securities				702,453	10,462	843,356	843,356
- Coupon Lecap S13S9 60%, maturity 03/11/20	5351	-	-	397,292	-	397,292	397,292
- Treasury bills in USD, maturity 08/31/20	5285	-	-	190,314	-	190,314	190,314
- Treasury bills in USD, maturity 02/29/20	5283	-	-	111,568	-	111,568	111,568
- Treasury bills in USD, maturity 05/15/20	5294	-	-	3,279	-	3,279	3,279
- Other				-	10,462	140,903	140,903
Corporate securities				229,397	80,977	229,397	229,397
- ON PSA Financiera – Series 28, maturity 06/17/20	54534	-	-	50,135	-	50,135	50,135
- VD FF CMR Falabella 76 Class "A"	54456	-	-	47,490	-	47,490	47,490
- ON BACS – Class 3	54485	-	-	41,641	-	41,641	41,641
- VD FF Créditos – Series 22	54473	-	-	24,220	-	24,220	24,220
- ON GPAT Compañía Financiera Series 30 Class B	25897	-	-	20,048	-	20,048	20,048
- VD FF Ribeiro 106 Class "A"	54356	-	-	19,802	-	19,802	19,802
- VD FF Créditos – Series 21	54279	-	-	18,845	-	18,845	18,845
- ON GPAT Compañía Financiera Series 27 Class B	52449	-	-	7,013	6,616	7,013	7,013
- VD FF Mercado Crédito – Series 4	54205	-	-	203	-	203	203
Other				-	74,361	-	-
EQUITY INSTRUMENTS				843,108	4,513	843,108	843,108
MEASURED AT FAIR VALUE WITH CHANGES THROUGH PROFIT OR LOSS				843,108	4,513	843,108	843,108
In Argentina				836,466	1,102	836,466	836,466
- Prisma Medios de Pago S.A.		835,625	3	835,625	-	835,625	835,625
- Seguro de Depósitos S.A.	-	493	2	493	492	493	493
- Miralejos S.A.C.F. and Agropecuaria SACIFIA	-	106	2	106	366	106	106
- Mercado a Término de Buenos Aires S.A.	-	73	2	73	73	73	73
- Bolsa de Comercio de Mar del Plata S.A.	-	56	2	56	56	56	56
- Argencontrol S.A.	-	53	2	53	53	53	53
- Sanatorio Las Lomas S.A.	-	47	2	47	47	47	47
- Celta Coop. Obras Ser. Tres Arroyos	-	12	2	12	12	12	12
- Coop. Eléctrica Claromecó	-	1	2	1	-	1	1
- Other		-	2	-	3	-	-
From abroad		6,642		6,642	3,411	6,642	6,642
- Banco Latinoamericano de Comercio Exterior S.A.	-	6,502	2	6,502	3,284	6,502	6,502
- Society for Worldwide Interbank Financial Telecommunication	-	140	2	140	127	140	140

(1) See Note 38

(2) It includes "Holding" plus Deposits offered as security "Loans" less "Deposits".

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**EXHIBIT B
LOANS AND OTHER FINANCING FACILITIES CLASSIFIED BY STATUS AND GUARANTEES
RECEIVED AS OF 12/31/2019 AND 12/31/2018
(Stated in thousands of pesos)**

COMMERCIAL LOAN PORTFOLIO	12/31/2019	12/31/18
Performing	59,244,733	56,250,734
- With "A" preferred guarantees and counter-guarantees	1,786,073	2,183,702
- With "B" preferred guarantees or counter-guarantees	4,003,376	3,813,188
- Without preferred guarantees or counter-guarantees	53,455,284	50,253,844
Subject to special monitoring	114,764	358,583
In observation	82,825	89,913
- With "A" preferred guarantees and counter-guarantees	3,491	-
- With "B" preferred guarantees or counter-guarantees	75,905	51,810
- Without preferred guarantees or counter-guarantees	3,429	38,103
In negotiation or under refinancing agreements	31,939	268,670
- With "A" preferred guarantees and counter-guarantees	86	-
- With "B" preferred guarantees or counter-guarantees	27,829	192,791
- Without preferred guarantees or counter-guarantees	4,024	75,879
Troubled	80,143	226,104
- With "A" preferred guarantees and counter-guarantees	684	-
- With "B" preferred guarantees or counter-guarantees	2,271	223,823
- Without preferred guarantees or counter-guarantees	77,188	2,281
With high risk of insolvency	49,220	1,643
- With "B" preferred guarantees or counter-guarantees	46,448	758
- Without preferred guarantees or counter-guarantees	2,772	885
Irrecoverable	488,670	139,800
- With "A" preferred guarantees and counter-guarantees	-	11,454
- With "B" preferred guarantees or counter-guarantees	374,888	41,479
- Without preferred guarantees or counter-guarantees	113,782	86,867
TOTAL COMMERCIAL LOAN PORTFOLIO	59,977,530	56,976,864

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João Carlos de Nobrega Pecego
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BANCO PATAGONIA S.A.

**EXHIBIT B
LOANS AND OTHER FINANCING FACILITIES CLASSIFIED BY STATUS AND GUARANTEES RECEIVED
AS OF 12/31/2019 AND 12/31/2018
(Stated in thousands of pesos)**

CONSUMER AND/OR HOME LOAN PORTFOLIO	12/31/19	12/31/18
Performing	27,715,532	25,325,663
- With "A" preferred guarantees and counter-guarantees	537,927	607,945
- With "B" preferred guarantees or counter-guarantees	2,106,966	1,370,292
- Without preferred guarantees or counter-guarantees	25,070,639	23,347,426
Low risk	535,007	917,265
- With "A" preferred guarantees and counter-guarantees	14,188	18,787
- With "B" preferred guarantees or counter-guarantees	22,314	18,164
- Without preferred guarantees or counter-guarantees	498,505	880,314
Medium risk	498,516	563,562
- With "A" preferred guarantees and counter-guarantees	11,011	5,584
- With "B" preferred guarantees or counter-guarantees	5,106	7,666
- Without preferred guarantees or counter-guarantees	482,399	550,312
High risk	823,127	569,850
- With "A" preferred guarantees and counter-guarantees	8,589	3,676
- With "B" preferred guarantees or counter-guarantees	2,474	960
- Without preferred guarantees or counter-guarantees	812,064	565,214
Irrecoverable	374,922	280,129
- With "A" preferred guarantees and counter-guarantees	7,385	1,941
- With "B" preferred guarantees or counter-guarantees	2,978	4,910
- Without preferred guarantees or counter-guarantees	364,559	273,278
Irrecoverable according to BCRA regulations	11	42
- Without preferred guarantees or counter-guarantees	11	42
TOTAL CONSUMER AND/OR HOME LOAN PORTFOLIO	29,947,115	27,656,511
TOTAL GENERAL	89,924,645	84,633,375

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**EXHIBIT B
LOANS AND OTHER FINANCING FACILITIES CLASSIFIED BY STATUS AND GUARANTEES RECEIVED
AS OF 12/31/2019 AND 12/31/2018
(Stated in thousands of pesos)**

RECONCILIATION OF LOANS AND OTHER FINANCING FACILITIES AS PER SEPARATE STATEMENT OF FINANCIAL POSITION

BREAKDOWN	12/31/19	12/31/18
BALANCE AS PER EXHIBIT "B"	89,924,645	84,633,375
Items included in Exhibit "B" and not included in Loans and other financing facilities	(876,793)	(1,354,199)
Off-balance sheet items— loans granted (unused balances), other guarantees provided and others covered by debtors classification standards	(626,852)	(1,204,304)
Other items	(249,941)	(149,895)
Items not included in Exhibit "B" and included in Loans and other financing facilities	(4,940,685)	(3,686,982)
Loans and other financing facilities- loans to personnel	273,714	313,845
Loans and other financing facilities—IFRS adjustment at effective interest rate	(282,891)	(311,294)
Loans and other financing facilities— Allowances for loan losses (Exhibit R)	(4,931,508)	(3,689,533)
BALANCE AS PER STATEMENT OF FINANCIAL POSITION	84,107,167	79,592,194

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EXHIBIT C
LOANS AND OTHER FINANCING FACILITIES CONCENTRATION
AS OF 12/31/2019 AND 12/31/2018
(Amounts stated in thousands of pesos)

Number of customers	FINANCING FACILITIES			
	12/31/19		12/31/18	
	Outstanding amount	% of total portfolio	Outstanding amount	% of total portfolio
10 largest customers	18,253,129	20,3%	13,661,763	16,1%
50 next largest customers	25,141,780	28,0%	20,636,735	24,4%
100 next largest customers	8,658,717	9,6%	10,682,382	12,6%
Rest of customers	37,871,019	42,1%	39,652,495	46,9%
TOTAL	89,924,645	100,0%	84,633,375	100,0%

RECONCILIATION OF LOANS AND OTHER FINANCING FACILITIES AS PER SEPARATE STATEMENT OF FINANCIAL POSITION

BREAKDOWN	12/31/19	12/31/18
BALANCE AS PER EXHIBIT "C"	89,924,645	84,633,375
Items included in Exhibit "C" and not included in Loans and other financing facilities	(876,793)	(1,354,199)
Off-balance sheet items– loans granted (unused balances), other guarantees provided and others covered by debtors classification standards	(626,852)	(1,204,304)
Other items	(249,941)	(149,895)
Items not included in Exhibit "C" and included in Loans and other financing facilities	(4,940,685)	(3,686,982)
Loans and other financing facilities- loans to personnel	273,714	313,845
Loans and other financing facilities–IFRS adjustment at effective interest rate	(282,891)	(311,294)
Loans and other financing facilities– Allowances for loan losses (Exhibit R)	(4,931,508)	(3,689,533)
BALANCE AS PER STATEMENT OF FINANCIAL POSITION	84,107,167	79,592,194

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BANCO PATAGONIA S.A.

**EXHIBIT D
LOANS AND OTHER FINANCING FACILITIES BROKEN DOWN BY TERM
AS OF 12/31/2019**

(Amounts stated in thousands of pesos)

Item	Matured	Terms remaining to maturity						Total as of 12/31/19
		1 month	3 months	6 months	12 months	24 months	Over 24 months	
Nonfinancial government sector	-	22,770	45	54	211	667	-	23,747
Financial sector	-	2,431,755	2,254,304	854,854	563,590	814,457	214,989	7,133,949
Nonfinancial private sector and foreign residents	4,624,498	45,334,966	8,359,701	13,448,948	4,808,594	8,096,130	10,072,629	94,745,466
TOTAL	4,624,498	47,789,491	10,614,050	14,303,856	5,372,395	8,911,254	10,287,618	101,903,162

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BANCO PATAGONIA S.A.

**EXHIBIT E
BREAKDOWN OF INVESTMENTS IN OTHER COMPANIES
AS OF 12/31/2019 AND 12/31/2018
(Amounts stated in thousands of pesos)**

Identification	Name	Shares and/or Units				Amount	
		Class	Face value per unit	Votes per share	Amount	12/31/2019	12/31/18
BREAKDOWN OF INVESTMENTS IN OTHER COMPANIES							
	<u>Subsidiaries</u>						
	In Argentina						
30678564822	GPAT Compañía Financiera S.A.U.	Common	\$ 1	1	86,837	886,054	740,473
30608298815	Patagonia Inversora S.A. Soc. Gte. de F.C.I.	Common	\$ 1	1	13,317	505,628	265,100
30654325126	Patagonia Valores S.A.	Common	\$ 1	1	13,863	46,417	37,692
	Abroad						
00034UY0117	Banco Patagonia (Uruguay) S.A. I.F.E.	Common	USD 100	1	1	359,596	382,529
	<u>Associates and joint ventures</u>						
30690783521	Interbanking S.A.	Common	\$ 1	1	150	186,602	122,101
33628189159	Mercado Abierto Electrónico S.A.	Common	\$ 0.1	1	48	38,143	20,939
30692264785	Compensadora Electrónica S.A.	Common	\$ 1	1	35	3,918	2,482
33663293309	Provincanaje S.A.	Common	\$ 1	1	600	2,539	1,331
Total Investments in Other Companies						2,028,897	1,572,647

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**EXHIBIT E
BREAKDOWN OF INVESTMENTS IN OTHER COMPANIES
AS OF 12/31/2019 AND 12/31/2018
(Amounts stated in thousands of pesos)**

Name	Information on the issuer – Latest financial statement information				
	Main business activity	Year-end date	Principal	Shareholders' Equity	Income for the year
BREAKDOWN OF INVESTMENTS IN OTHER COMPANIES					
<u>Subsidiaries</u>					
In Argentina					
GPAT Compañía Financiera S.A.U.	Financial company	12/31/19	86,837	886,054	145,581
Patagonia Inversora S.A. Soc. Gte. de F.C.I.	Mutual funds management	12/31/19	13,317	505,628	240,528
Patagonia Valores S.A.	Settlement and Clearing Agent and Comprehensive Trading Agent	12/31/19	13,863	46,417	8,725
Abroad					
Banco Patagonia (Uruguay) S.A. I.F.E.	Foreign bank	12/31/19	299,475	359,596	13,884
<u>Associates and joint ventures</u>					
Interbanking S.A.	Interbank transfer services	09/30/2019	1,346	1,679,420	840,707
Mercado Abierto Electrónico S.A.	Coordination of securities trading	09/30/2019	2,424,000	1,926,226	34,513
Compensadora Electrónica S.A.	Electronic clearing account network management	12/31/19	1,000	111,379	28,754
Provincanje S.A.	Clearing house of provincial banks	09/30/2019	7,200	30,465	15,854

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Translation from the original prepared in Spanish for publication in Argentina

BANCO PATAGONIA S.A.

EXHIBIT F
CHANGES IN PROPERTY AND EQUIPMENT
AS OF 12/31/2019

(Amounts stated in thousands of pesos)

Item	Original value at beginning of year	Estimated useful life in years	Additions	Retirements	Revaluation increase	Original value as of 12/31/19	Depreciation					Residual value as of 12/31/19
							Accumulated as of 12/31/2018	Retirements	For the year	Revaluation	Accumulated as of 12/31/2019	
Measured at cost	891,801		869,399	130,225	-	1,630,975	516,891	117,447	358,701	-	758,145	872,830
Land and buildings	201,381	50	72,996	-	-	274,377	129,046	-	52,901	-	181,947	92,430
- Furniture and fixture	171,837	10	41,560	240	-	213,157	85,911	177	15,046	-	100,780	112,377
- Machinery and equipment	499,704	5	200,129	-	-	699,833	294,132	-	97,643	-	391,775	308,058
- Vehicles	17,070	5	11,540	1,123	-	27,487	7,127	900	4,199	-	10,426	17,061
- Right-of-use on leased premises	-	-	496,100	127,247	-	368,853	-	116,370	188,896	-	72,526	296,327
- Other	716	5	-	-	-	716	675	-	16	-	691	25
- Works in progress	1,093	-	47,074	1,615	-	46,552	-	-	-	-	-	46,552
Revaluation model	5,098,714	-	10,650	48,055	2,064,573	7,125,882	-	-	73,152	73,152	-	7,125,882
Land and buildings	5,098,714	50	10,650	48,055	2,064,573	7,125,882	-	-	73,152	73,152	-	7,125,882
TOTAL	5,990,515		880,049	178,280	2,064,573	8,756,857	516,891	117,447	431,853	73,152	758,145	7,998,712

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**EXHIBIT F
REVALUATION TABLE OF PROPERTY AND EQUIPMENT
AS OF 12/31/2019**

(Amounts stated in thousands of pesos)

REVALUATION TABLE AS OF 12/31/19

Description	Appraiser	Revaluation date	Revaluation adjustment - OCI Accumulated			Amount as per cost model as of 12/31/2019
			Balance at beginning of year	Changes for the year	Balance as of 12/31/19	
Buildings	Organización Levin de Argentina S.A.	12/31/19	4,861,237	2,137,725	6,998,962	398,112
TOTAL			4,861,237	2,137,725	6,998,962	398,112

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EXHIBIT F
CHANGES IN INVESTEMENT PROPERTY
AS OF 12/31/2019
(Amounts stated in thousands of pesos)

CHANGES IN INVESTEMENT PROPERTY AS OF 12/31/19

Item	Original value at beginning of year	Estimated useful life in years	Net Gain or loss measured at fair value	Residual value as of 12/31/19
Measured at fair value				
- Leased property	25,710	40	12,623	38,333
TOTAL INVESTMENT PROPERTY	25,710	40	12,623	38,333

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BANCO PATAGONIA S.A.

**EXHIBIT H
DEPOSITS CONCENTRATION
AS OF 12/31/19 AND 12/31/18**
(Amounts stated in thousands of pesos)

Number of customers	12/31/2019		12/31/18	
	Outstanding amount	% of total portfolio	Outstanding amount	% of total portfolio
10 largest customers	13,359,420	11,2%	10,839,861	10,0%
50 next largest customers	13,318,892	11,1%	13,632,718	12,6%
100 next largest customers	7,223,974	6,0%	8,585,965	7,9%
Rest of customers	85,633,100	71,7%	75,125,283	69,5%
TOTAL	119,535,386	100,0%	108,183,827	100,0%

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BANCO PATAGONIA S.A.

**EXHIBIT I
FINANCIAL LIABILITIES BROKEN DOWN BY TERMS REMAINING TO MATURITY
AS OF 12/31/2019**

(Amounts stated in thousands of pesos)

Item	Terms remaining to maturity						Total as of 12/31/19
	1 month	3 months	6 months	12 months	24 months	over 24 months	
Deposits	114,759,198	6,445,155	423,383	143,517	-	-	121,771,253
Nonfinancial government sector	11,754,618	1,858,098	13,783	-	-	-	13,626,499
Financial sector	748,738	-	-	-	-	-	748,738
Nonfinancial private sector and foreign residents	102,255,842	4,587,057	409,600	143,517	-	-	107,396,016
Derivative financial instruments	248,669	-	-	-	-	-	248,669
Other financial liabilities	8,008,067	-	-	-	-	-	8,008,067
Financing facilities received from the BCRA and other financial institutions	4,357,323	4,006,691	4,924,915	1,418,886	1,089,572	2,051,742	17,849,129
TOTAL	127,373,257	10,451,846	5,348,298	1,562,403	1,089,572	2,051,742	147,877,118

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**EXHIBIT J
CHANGES IN ALLOWANCES AND PROVISIONS
AS OF 12/31/2019**
(Amounts stated in thousands of pesos)

Item	Balances at beginning of year	Increases	Decreases		Balance as of 12/31/2019
			Reversals	Uses	
INCLUDED IN LIABILITIES					
For contingent commitments	1,366	7,736	-	1,366	7,736
For administrative, disciplinary and criminal sanctions	33	-	-	-	33
Other	397,666	1,045,103	11,361	60,762	1,370,646
Labor lawsuits	43,958	29,142	-	6,001	67,099
Complaints, proceedings, appeals	217,410	983,138	11,361	4,978	1,184,209
Tax lawsuits	136,298	32,823	-	49,783	119,338
TOTAL ALLOWANCES AND PROVISIONS	399,065	1,052,839	11,361	62,128	1,378,415

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**EXHIBIT 'K'
CAPITAL STRUCTURE
AS OF 12/31/2019**

(Amounts stated in thousands of pesos)

Shares (1)				Capital stock	
Class	Amount	Nominal value per share	Votes per share	Issued	Paid in (1)
				Outstanding	
Class "A" shares of common stock	22,768,818	1	1	22,769	22,769
Class "B" shares of common stock	696,376,419	1	1	696,376	696,376
Total	719,145,237			719,145	719,145

(1) See Note 28 to the consolidated financial statements.

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Regular Supervisory Auditor
Public Accountant (UBA)
C.P.C.E.C.A.B.A. T° 147 F° 66

Juan M. Trejo
Superintendent
Finance, Administration and Public area

João Carlos de Nobrega Pecego
President

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C.P.C.E.C.A.B.A. Vol. 2 Page 6

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BANCO PATAGONIA S.A.

**EXHIBIT L
BALANCES IN FOREIGN CURRENCY
AS OF 12/31/19**
(Amounts stated in thousands of pesos)

Items	Head office and branches in Argentina	Total as of 12/31/2019	US dollar	Euro	Brazilian real	Other	Total as of 12/31/2018
ASSETS							
Cash and bank deposits	27,289,020	27,289,020	26,250,229	976,253	18,957	43,581	16,648,873
Debt securities measured at fair value with changes through profit or loss	15,226	15,226	15,226	-	-	-	110,043
Other financial assets	158,533	158,533	158,499	34	-	-	35,491
Loans and other financing facilities	22,117,942	22,117,942	21,824,968	292,974	-	-	25,235,524
Other financial institutions	91,313	91,313	91,313	-	-	-	440,780
Nonfinancial private sector and foreign residents	22,026,629	22,026,629	21,733,655	292,974	-	-	24,794,744
Other debt securities	1,829,777	1,829,777	1,829,777	-	-	-	1,737,838
Financial assets granted as collaterals	1,382,994	1,382,994	1,382,994	-	-	-	1,283,347
Investments in equity instruments	6,642	6,642	6,445	197	-	-	3,411
Investments in subsidiaries, associates and joint ventures	359,596	359,596	359,596	-	-	-	382,529
TOTAL ASSETS	53,159,730	53,159,730	51,827,734	1,269,458	18,957	43,581	45,437,056
LIABILITIES							
Deposits	35,000,489	35,000,489	34,196,264	804,225	-	-	33,484,062
Nonfinancial government sector	4,310,727	4,310,727	4,309,027	1,700	-	-	427,717
Financial sector	244	244	244	-	-	-	62
Nonfinancial private sector and foreign residents	30,689,518	30,689,518	29,886,993	802,525	-	-	33,056,283
Other financial liabilities	2,015,015	2,015,015	1,946,586	66,979	-	1,450	3,687,772
Financing facilities received from the BCRA and other financial institutions	14,863,477	14,863,477	14,632,972	230,505	-	-	8,328,988
Other nonfinancial liabilities	9,928	9,928	9,928	-	-	-	30,506
TOTAL LIABILITIES	51,888,909	51,888,909	50,785,750	1,101,709	-	1,450	45,531,328

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BANCO PATAGONIA S.A.

**EXHIBIT N
CREDIT ASSISTANCE TO RELATED PARTIES
AS OF 12/31/2019 AND 12/31/2018
(Amounts stated in thousands of pesos)**

Item	Performing	Total	
		12/31/19	12/31/18
1. Loans	1,848,361	1,848,361	1,827,467
Overdrafts	46,886	46,886	4,650
- Without preferred guarantees or counter-guarantees	46,886	46,886	4,650
Notes	4,745	4,745	22,854
- Without preferred guarantees or counter-guarantees	4,745	4,745	22,854
Consumer	768	768	1,229
- Without preferred guarantees or counter-guarantees	768	768	1,229
Credit cards	15,498	15,498	7,062
- Without preferred guarantees or counter-guarantees	15,498	15,498	7,062
Other	1,780,464	1,780,464	1,791,672
- Without preferred guarantees or counter-guarantees	1,780,464	1,780,464	1,791,672
2. Debt securities	-	-	-
3. Equity instruments	-	-	-
4. Contingent commitments	497,129	497,129	186,645
5. Investments in subsidiaries, associates and joint ventures	1,797,695	1,797,695	1,425,258
Total	4,143,185	4,143,185	3,439,370
Allowances	18,484	18,484	18,275

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**EXHIBIT O
DERIVATIVE FINANCIAL INSTRUMENTS
AS OF 12/31/2019**

(Amounts stated in thousands of pesos)

Type of contract	Purpose of transactions	Underlying asset	Type of settlement	Negotiation environment or counter-party	Weighted average term Originally agreed	Residual weighted average term	Weighted average term for the settlement of differences	Amount as of 12/31/2019
Futures	Intermediation on own account	Foreign currency	Daily settlement of differences	ROFEX	4	2	1	634,850
Futures	Intermediation on own account	Foreign currency	Upon maturity of differences	OTC -residents in Argentina Nonfinancial sector	4	1	35	2,596,186

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EXHIBIT P
FINANCIAL ASSETS AND LIABILITIES
AS OF 12/31/2019 AND 12/31/2018
(Amounts stated in thousands of pesos)

INFORMATION AS OF 12/31/19 (Note 31)

Item	Book balance as of 12/31/19	Amortized cost	Fair value with changes through OCI	Fair value with changes through profit or loss	Fair value level		
					Level 1	Level 2	Level 3
FINANCIAL ASSETS							
Cash and bank deposits	44,246,845	44,246,845	-	-	-	-	-
Cash on hand	11,669,025	11,669,025	-	-	-	-	-
Financial institutions and correspondents	32,577,820	32,577,820	-	-	-	-	-
Debt securities measured at fair value with changes through profit or loss	225,087	-	-	225,087	224,513	574	-
Derivative financial instruments	77,248	-	-	77,248	-	77,248	-
Other financial assets	1,555,627	1,555,627	-	-	-	-	-
Loans and other financing facilities	84,107,167	84,107,167	-	-	-	-	-
Nonfinancial government sector	22,611	22,611	-	-	-	-	-
Other financial institutions	5,923,397	5,923,397	-	-	-	-	-
Nonfinancial private sector and foreign residents	78,161,159	78,161,159	-	-	-	-	-
Other debt securities	41,418,873	931,850	40,487,023	-	30,472,972	10,014,051	-
Financial assets granted as collaterals	3,551,335	140,903	3,410,432	-	-	3,410,432	-
Investments in equity instruments	843,108	-	-	843,108	-	7,483	835,625
TOTAL FINANCIAL ASSETS	176,025,290	130,982,392	43,897,455	1,145,443	30,697,485	13,509,788	835,625

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EXHIBIT P
FINANCIAL ASSETS AND LIABILITIES
AS OF 12/31/2019 AND 12/31/2018
(Amounts stated in thousands of pesos)

Item	Book balance as of 12/31/19	Amortized cost	Fair value with changes through OCI	Fair value with changes through profit or loss	Fair value level		
					Level 1	Level 2	Level 3
FINANCIAL LIABILITIES							
Deposits	119,535,386	119,535,386	-	-	-	-	-
Nonfinancial government sector	11,995,341	11,995,341	-	-	-	-	-
Financial sector	748,738	748,738	-	-	-	-	-
Nonfinancial private sector and foreign residents	106,791,307	106,791,307	-	-	-	-	-
Derivative financial instruments	248,669	-	-	248,669	-	248,669	-
Other financial liabilities	8,008,067	8,008,067	-	-	-	-	-
Financing facilities received from the BCRA and other financial institutions	16,647,663	16,647,663	-	-	-	-	-
TOTAL FINANCIAL LIABILITIES	144,439,785	144,191,116	-	248,669	-	248,669	-

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EXHIBIT P
FINANCIAL ASSETS AND LIABILITIES
AS OF 12/31/2019 AND 12/31/2018
(Amounts stated in thousands of pesos)

INFORMATION AS OF 12/31/18 (Note 31)

Item	Book balance as of 12/31/18	Amortized cost	Fair value with changes through OCI	Fair value with changes through profit or loss	Fair value level		
					Level 1	Level 2	Level 3
FINANCIAL ASSETS							
Cash and bank deposits	34,377,288	34,377,288	-	-	-	-	-
Cash on hand	4,749,594	4,749,594	-	-	-	-	-
Financial institutions and correspondents	29,627,694	29,627,694	-	-	-	-	-
Debt securities measured at fair value with changes through profit or loss	186,641	-	-	186,641	166,731	19,910	-
Derivative financial instruments	154,379	-	-	154,379	-	154,379	-
Repo transactions	663,435	663,435	-	-	-	-	-
Other financial assets	2,836,300	2,836,300	-	-	-	-	-
Loans and other financing facilities	79,592,194	79,592,194	-	-	-	-	-
Nonfinancial government sector	221,825	221,825	-	-	-	-	-
Other financial institutions	5,316,621	5,316,621	-	-	-	-	-
Nonfinancial private sector and foreign residents	74,053,748	74,053,748	-	-	-	-	-
Other debt securities	23,069,847	91,439	22,978,408	-	18,263,135	4,715,273	-
Financial assets granted as collaterals	2,778,770	1,532,939	1,245,831	-	465,092	780,739	-
Investments in equity instruments	4,513	-	-	4,513	-	4,513	-
TOTAL FINANCIAL ASSETS	143,663,367	119,093,595	24,224,239	345,533	18,894,958	5,674,814	-

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EXHIBIT P
FINANCIAL ASSETS AND LIABILITIES
AS OF 12/31/2019 AND 12/31/2018
(Amounts stated in thousands of pesos)

Item	Book balance as of 12/31/18	Amortized cost	Fair value with changes through OCI	Fair value with changes through profit or loss	Fair value level		
					Level 1	Level 2	Level 3
FINANCIAL LIABILITIES							
Deposits	108,183,827	108,183,827	-	-	-	-	-
Nonfinancial government sector	11,995,436	11,995,436	-	-	-	-	-
Financial sector	54,499	54,499	-	-	-	-	-
Nonfinancial private sector and foreign residents	96,133,892	96,133,892	-	-	-	-	-
Liabilities measured at fair value with changes through profit or loss	-	-	-	-	-	-	-
Derivative financial instruments	78,312	-	-	78,312	-	78,312	-
Repo transactions	916,010	916,010	-	-	-	-	-
Other financial liabilities	8,945,619	8,945,619	-	-	-	-	-
Financing facilities received from the BCRA and other financial institutions	9,358,048	9,358,048	-	-	-	-	-
TOTAL FINANCIAL LIABILITIES	127,481,816	127,403,504	-	78,312	-	78,312	-

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BANCO PATAGONIA S.A.

**EXHIBIT Q
BREAKDOWN OF STATEMENT OF INCOME
AS OF 12/31/2019 AND 12/31/2018**
(Amounts stated in thousands of pesos)

By financial assets measured at fair value through profit or loss

Item	Mandatory measurement	
	12/31/2019	12/31/18
Gain/loss on government securities	144,038	1,124,400
Gain/loss on corporate securities	-	15,870
Gain/loss on derivative financial instruments	177,113	89,052
Forward transactions	172,564	121,830
interest rate swap	4,549	(32,778)
By investments in equity instruments	630,230	2,126
Gain/loss on the sale or derecognition of financial assets at fair value	153,132	13,852
TOTAL	1,104,513	1,245,300

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BANCO PATAGONIA S.A.

**EXHIBIT Q
BREAKDOWN OF STATEMENT OF INCOME
AS OF 12/31/2019 AND 12/31/2018
(Amounts stated in thousands of pesos)**

Interest and adjustment from applying the effective interest rate of financial assets measured at amortized cost

Item	12/31/19	12/31/18
Interest income		
By corporate securities	20,712	14,607
By other financial assets	509,321	457,371
By loans and other financing facilities	25,662,699	17,360,412
To the Financial sector	1,125,383	786,176
Overdrafts	6,501,217	4,069,824
Notes	6,287,056	4,653,382
Mortgage loans	110,683	55,512
Consumer	4,310,318	3,606,390
Credit cards	4,041,025	2,426,856
Finance lease	246,914	318,359
Other	3,040,103	1,443,913
By repo transactions	1,202,960	297,278
Other financial institutions	1,202,960	297,278
TOTAL	27,395,692	18,129,668

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**EXHIBIT Q
BREAKDOWN OF STATEMENT OF INCOME
AS OF 12/31/2019 AND 12/31/2018
(Amounts stated in thousands of pesos)**

Item	12/31/19	12/31/18
Interest expense		
By deposits	20,664,802	10,220,533
Savings accounts	653,811	863,954
Time deposit and investments	19,730,316	8,583,886
Other	280,675	772,693
By financing received from the BCRA and other financial institutions	797,068	240,507
By repo transactions	695,414	224,505
Other financial institutions	695,414	224,505
By other financial liabilities	815,103	94,902
TOTAL	22,972,387	10,780,447

Interest and adjustment from applying the effective interest rate of financial assets carried at fair value with changes through OCI

Item	12/31/19		12/31/18	
	Income for the year	OCI	Income for the year	OCI
By corporate debt securities	71,628	(990)	51,988	(395)
By government debt securities	26,304,038	(1,328,855)	5,575,320	(126,263)
TOTAL	26,375,666	-1,329,845	5,627,308	(126,658)

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**EXHIBIT Q
BREAKDOWN OF STATEMENT OF INCOME
AS OF 12/31/2019 AND 12/31/2018
(Amounts stated in thousands of pesos)**

Fee income

Item	12/31/19	12/31/18
Obligations related commissions	2,469,185	1,382,812
Loans related commissions	87,420	38,948
Loans and financial guarantee related commissions	74,781	5,270
Securities related commissions	80,470	62,650
Cards related commissions	1,711,642	1,361,286
Insurance related commissions	1,004,909	723,101
Commissions on collection efforts	584,912	360,036
Commissions on foreign and exchange transactions	313,951	221,479
Other	89,531	810,448
TOTAL	6,416,801	4,966,030

Fee expenses

Item	12/31/19	12/31/18
Securities transaction related commissions	44,765	29,733
Commissions on foreign and exchange transactions	44,267	34,577
Other	1,717,056	1,023,584
TOTAL	1,806,088	1,087,894

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**EXHIBIT R
LOSS IMPAIRMENT ADJUSTMENT- ALLOWANCE FOR LOAN LOSSES
AS OF 12/31/19**

(Amounts stated in thousands of pesos)

Item	Balances at beginning of period	Increases (*)	Decreases		Balance as of 12/31/2019
			Reversals	Uses	
Other financial assets	18,383	974,894	-	7,746	985,531
Loans and other financing facilities	3,689,533	2,810,141	-	1,568,166	4,931,508
Other financial institutions	30,575	64,917	-	40,478	55,014
Nonfinancial private sector and foreign residents	3,658,958	2,745,224	-	1,527,688	4,876,494
Overdrafts	238,354	236,609	-	193,579	281,384
Notes	445,213	660,937	-	302,402	803,748
Mortgage loans	13,355	9,895	-	115	23,135
Consumer	646,347	714,525	-	501,871	859,001
Credit cards	225,792	146,558	-	149,459	222,891
Finance lease	20,179	11,373	-	8,138	23,414
Other	2,069,718	965,327	-	372,124	2,662,921
TOTAL ALLOWANCES AND PROVISIONS	3,707,916	3,785,035	-	1,575,912	5,917,039

(*) It includes the effect of the exchange rate variation as of 12/31/2019.

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BANCO PATAGONIA S.A.

**DISTRIBUTION OF EARNINGS PROJECT
AS OF 12/31/2019**

(Amounts stated in thousands of pesos)

Item	Amount
Unappropriated retained earnings	23,813,127
Retained earnings	
Legal Reserve (20% of 17,631,649)	3,526,330
Subtotal 1	20,286,797
less:	
- Off-balance sheet adjustment under point 2 – BCRA compiled text “Distribution of earnings”.	-
Subtotal 2	20,286,797
Distributable earnings balance	14,105,319
To be allocated by the Annual Shareholders’ Meeting	14,105,319

(1) It includes the optional reserve for future distribution of earnings in the amount of 6,181,478.

Marcelo A. Iadarola
Executive manager of Administration

Juan M. Trejo
Superintendent
Finance, Administration and Public area

João Carlos de Nobrega Pecego
President

Translation from the original prepared in Spanish for publication in Argentina

BANCOPATAGONIA

**Reporting summary
For the fiscal year ended
December 31, 2019**

BANCO PATAGONIA S.A.

**REPORTING SUMMARY
FOR THE FISCAL YEAR
ENDED DECEMBER 31, 2019**

RELEVANT ASPECTS:

This reporting summary was prepared on the basis of consolidated financial information and under the accounting framework based on the International Financial Reporting Standards ("IFRS") established by the BCRA effective as from January 1, 2018 and, therefore, the comparative accounting information for the years required by the BCRA has been reprocessed.

At the fiscal year ended 2019, Banco Patagonia recorded Assets in the amount of \$ 192,388.1 million; Loans and other financing facilities (net of allowances) in the amount of \$ 88,135.0 million, Deposits in the amount of \$ 122,194.3 million and Shareholders' equity in the amount of \$ 33,387.3 million.

Income for the year amounted to \$ 17,631.6 million, evidencing an increase of \$ 119.5% (\$ 12,280.9 million) compared to the same period of the prior year (\$ 5,350.7 million), with an annualized ROE of 75.4% and an annualized ROA of 10.3%.

Loans granted to the nonfinancial private sector amounted to \$ 88,862.7 million, evidencing an increase of 7.7% (\$ 6,335.2 million) compared to December 31, 2018 (\$ 82,527.5 million).

Total deposits amounted to ARS 122,194.3 million, which accounts for an increase of 12.0% (\$ 13,077.3 million) based on year-on-year comparison (\$ 109,117.0 million),

Regarding portfolio quality ratios, the non-performing portfolio ratio is 2.5%, and coverage with provisions on the non-performing loan portfolio was 211.5%.

The liquidity ratio was 72.0% (liquid assets on total deposits). In addition, the minimum capital exceeds in the amount of \$ 14,713.5 million the amount required by BCRA regulations and the capitalization ratio was 17.8%.

As of December 31, 2019, Banco Patagonia S.A. employs 3,302 people, and has a wide network made up of 209 customer desks all over the country, distributed in the capital city and major cities of each province.

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Executive manager of Administration

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Finance, Administration and Public area

João Carlos de Nobrega Pecego
President

Signed for identification purposes
with our report dated 2/19/2020
KPMG
C.P.C.E.C.A.B.A. T° 2 F° 6

Mauricio G. Eidelstein (Partner)
Public Accountant (UBA)
C.P.C.E.C.A.B.A. T° CXX F° 228

BANCO PATAGONIA S.A.

**REPORTING SUMMARY
FOR THE FISCAL YEAR
ENDED DECEMBER 31, 2019**

Presentation of information

For the preparation of this reporting summary, Banco Patagonia S.A. consolidated its statement of financial position and statement of income on a line-by-line basis with the financial statements of its subsidiaries: Patagonia Valores S.A., Patagonia Inversora S.A. Sociedad Gerente de Fondos Comunes de Inversión, Banco Patagonia (Uruguay) S.A.I.F.E. and GPAT Compañía Financiera S.A.U.

The consolidated financial statements have been prepared in accordance with the regulations of the BCRA, which state that the institutions under its supervision should submit financial statements prepared under the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), subject to the temporary exceptions (see Note 2.1.c) to the Consolidated Financial Statements as of December 31, 2019):

- Application of section 5.5. "Impairment of Value" of IFRS 9 "Financial Instruments" to the allowances for loan losses to become effective on or after January 1, 2020 except for the debt instruments of the nonfinancial government sector that have been temporarily excluded.
- Application of International Accounting Standard 29 (IAS 29) "Financial Reporting in Hyperinflationary Economies" to become effective as from January 1, 2020.
- The valuation of the ownership interest in Prisma Medios de Pago S.A., which considers guidelines established by the BCRA, and imply a departure from the provisions of IFRS 9 "Financial instruments".

As a result of the adoption of the new accounting framework effective for fiscal years beginning on or after January 1, 2018, this information for the fiscal year ended December 31, 2018 and 2019 and has been prepared by applying the referred standards and by adjusting the comparative information available for the years as specifically required by the BCRA.

The existence of an inflationary context affects the financial position, income/loss and cash flows of the Entity, and, therefore, the effects of inflation should be considered upon interpreting these financial statements.

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BANCO PATAGONIA S.A.

**REPORTING SUMMARY
FOR THE FISCAL YEAR
ENDED DECEMBER 31, 2019**

a) b) Summary comparative consolidated financial position

Information for fiscal years ended December 31, 2019 and 2018:

Consolidated Financial Statements		
(In Millions of Pesos)	12/31/19	12/31/18
Cash and bank deposits	44,627.0	34,940.6
Debt securities	42,475.3	23,832.0
Other financial assets	5,714.8	6,768.2
Loans and other financing facilities	88,135.0	82,549.3
Nonfinancial government sector	22.6	221.8
Other financial institutions	4,239.7	3,617.2
Nonfinancial private sector net of allowances	83,872.7	78,710.2
Nonfinancial private sector	88,862.7	82,527.5
(Allowances)	(4,990.0)	(3,817.3)
Property & equipment	8,030.5	5,494.1
Other assets	3,405.5	910.8
TOTAL ASSETS	192,388.1	154,495.1
Deposits	122,194.3	109,117.0
Nonfinancial government sector	11,995.3	11,995.4
Financial sector	726.9	38.3
Nonfinancial private sector	109,472.1	97,083.3
Other financial liabilities	8,632.8	10,312.0
Financing facilities received from the BCRA and other financial institutions	16,555.4	9,358.0
Corporate bonds issued	1,035.1	1,678.1
Other liabilities	10,583.2	5,736.7
TOTAL LIABILITIES	159,000.8	136,201.8
SHAREHOLDERS' EQUITY	33,387.3	18,293.3
TOTAL LIABILITIES + SHAREHOLDERS' EQUITY	192,388.1	154,495.0

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BANCO PATAGONIA S.A.

**REPORTING SUMMARY
FOR THE FISCAL YEAR
ENDED DECEMBER 31, 2019**

b) Summary comparative consolidated income/loss

Information for fiscal years ended December 31, 2019, 2016, 2018 and 2017:

Consolidated Statement of Income			
(In Millions of Pesos)	12/31/19	12/31/18	12/31/17
Interest income/loss	31,283.0	13,676.6	8,668.5
Fee income/loss	4,615.4	3,896.2	2,797.8
Net gain on financial instruments measured at fair value through profit or loss	1,124.1	1,278.1	1,024.4
Gold and foreign currency quoted price difference	2,513.4	1,064.6	345.9
Other operating income	3,379.0	1,168.6	1,504.0
Charge for Loan Losses	(3,357.0)	(2,409.8)	(792.1)
Net operating income	39,557.9	18,674.3	13,548.5
Administrative expenses	(17,229.5)	(11,042.0)	(8,531.1)
Operating income	22,328.4	7,632.3	5,017.4
Gain/loss on associates and joint ventures	543.3	373.0	169.2
Income before tax relating to continuing operations	22,871.7	8,005.3	5,186.6
Income tax relating to continuing operations	(5,240.1)	(2,654.6)	(2,068.8)
NET INCOME	17,631.6	5,350.7	3,117.8

Statement of comprehensive income			
(In Millions of Pesos)	12/31/2019	12/31/18	12/31/17
Revaluation of property and equipment and intangible assets	1,592.9	2,253.4	179.6
Exchange differences on translation of financial statements	143.3	153.0	27.1
Gain/loss on financial instruments carried at fair value with changes through OCI	(1,156.1)	(149.6)	39.3
Total other comprehensive income	580.1	2,256.8	246.0

Total comprehensive income	18,211.7	7,607.5	3,363.8
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BANCO PATAGONIA S.A.

**REPORTING SUMMARY
FOR THE FISCAL YEAR
ENDED DECEMBER 31, 2019**

c) Comparative consolidated statement of cash flows

Information for fiscal years ended December 31, 2019, 2018 and 2017:

Consolidated Statement of Cash Flows			
(In Millions of Pesos)	12/31/19	12/31/18	12/31/17
Cash flows provided by operating activities	4,440.1	46,647.8	1,380.4
Cash flows provided by/ (used in) investment activities	386.4	(164.9)	48.0
Cash flows (used in)/provided by financing activities	(5,184.9)	(3,238.3)	203.9
Financial and Holding gains/losses on Cash and Cash Equivalents	10,044.7	(22,726.4)	1,904.9
Total cash flows provided in the year	9,686.3	20,518.2	3,537.2

d) Summary of statistical data

Summary of statistical data			
Item	12/31/19	12/31/18	12/31/17
Number of time deposit transactions – Individuals	72,247	84,024	86,697
Number of time deposit transactions – Entities	2,774	3,380	2,711
Number of loan transactions – Individuals	1,011,343	1,120,196	1,091,711
Number of loan transactions – Entities	35,266	61,681	118,773
Number of customer desks	209	209	205
Number of automatic teller machines (ATMs)	606	607	597
Number of self-service terminals (SSTs)	397	393	386
Payroll	3,302	3,407	3,365

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BANCO PATAGONIA S.A.

**REPORTING SUMMARY
FOR THE FISCAL YEAR
ENDED DECEMBER 31, 2019**

Breakdown	As of December 31:		
	2019	2018	2017
Profitability Ratios			
Return on average assets (1)	10,3%	6,5%	4,0%
Return on average shareholders' equity (2)	75,4%	54,3%	29,0%
Interest and fee margin ratios			
Total financial margin (interest income-loss/average assets)	17,7%	11,70%	10,2%
Margin on net services (fee income / Average Assets) (3)	2,5%	3,1%	3,4%
Total margin (total revenues / average assets) (4)	20,2%	14,8%	13,6%
Net fee income on net total revenues (4)	12,4%	20,7%	25,1%
Shareholders' Equity Ratios			
Shareholders' equity on total assets	17,4%	11,8%	12,8%
Financial standing (shareholders' equity on total liabilities)	21,0%	13,4%	14,7%
Total liabilities as a multiple of shareholders' equity	4.76	7.45	6.81
RPC on risk-weighted assets (5)	17,8%	12,5%	12,2%
Portfolio Quality Ratio			
Non-performing portfolio on financing (before allowances) (6)	2,5%	2,1%	2,0%
Allowances on non-performing financing portfolio (6)	211,5%	207,2%	237,7%
Cost of Risk (7)	3,7%	3,3%	1,3%
Efficiency Ratio			
Administrative expenses on total net income (4)	34,7%	47,0%	52,9%
Net fee income on administrative expenses	35,7%	44,1%	47,5%
Liquidity Ratios			
Liquid Assets on deposits (8)	72,0%	53,6%	39,3%
Loans (net of allowances) on assets	45,8%	53,4%	63,3%
Deposits on liabilities	76,9%	80,1%	81,4%
Loans on deposits	72,1%	75,7%	89,2%
Fixed assets to equity (9)	24,4%	30,4%	21,2%

References:

- (1) Defined as the quotient between comprehensive income for the year and average assets.
- (2) Defined as the quotient between comprehensive income for the year and average shareholders' equity.
- (3) Total fee income defined as net fee income plus fee income/loss included in other operating income and other operating expenses.
- (4) Total net revenue defined as the addition of interest income and total fee income.
- (5) RPC means computable equity.
- (6) Non-performing portfolio is defined as loans classified as 3 – 4 – 5 and 6 condition under BCRA regulations.
- (7) Defined as the charge for loan losses for the year divided by average loans without allowances.
- (8) Defined as the addition of cash and bank deposits, debt securities and investments in equity instruments net of repo transactions divided by total deposits.
- (9) Defined as the quotient between the addition of property and equipment and intangible assets on shareholders' equity.

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BANCO PATAGONIA S.A.

**REPORTING SUMMARY
FOR THE FISCAL YEAR
ENDED DECEMBER 31, 2019**

e) Outlook

For year 2019, the estimates determined that the worldwide growth rate accounted for 2.9%. This indicator is projected to increase to 3.3% in 2020.

The commercial tension between USA and China has been eased due to the negotiations that would be favorably developed between both countries. Additionally, the uncertainty of a Brexit without agreement has been removed.

For the group of economies of emerging and developing markets, it is estimated that the growth rate will account for 4.4% by 2020.

In Latin America, the estimated growth for 2019 was 0.1% and for 2020, the growth rate is estimated at 1.6%. The decrease noted with respect to the last report of 2019 is related to indicators reviewed in countries such as Mexico and Chile. However, the decrease in this region is offset against a review the growth in Brazil; basically supported by a positive change in the perception arising from the reform of pensions and the elimination of turmoil in the supply of the mining activity.

In Argentina, the challenges to be faced by the new administration that took office in December 2019 will be focused on improving the indicators of economic activity, inflation, public debt, fiscal matters and foreign trade.

Banco Patagonia asserts its goal of achieving a position within the main private banks of the Argentine Financial System. To this end, it works on the strategic projects that are the pillars for the development of the business, and continues focusing on all the business segments by means of its network of branches, settled in all the provinces of the country, its specialized corporate assistance centers, and its online, mobile and telephone banking platforms.

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BANCO PATAGONIA S.A.

**REPORTING SUMMARY
FOR THE FISCAL YEAR
ENDED DECEMBER 31, 2019**

Additional information required by section 12 of chapter III, title IV of CNV regulations (General Resolution No. 622/13) – Information in thousands of pesos

1. General background on the Entity's business

- a) Specific and significant legal regimes that entail the contingent loss or acquisition of legal benefits.

None.

- b) Significant amendments to the company's business or other similar circumstances occurring during the fiscal years included in the financial statements that affect their comparability to prior-year financial statements, or that might affect their comparability to financial statements to be published in the future.

None.

2. Classification of loan (financing) and debt (deposits and liabilities) balances as per their maturities.

See Exhibit "D"– Breakdown of loans and other financing facilities and Exhibit "I"–Financial liabilities broken down by term remaining to maturity to the Entity's consolidated financial statements.

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BANCO PATAGONIA S.A.

**REPORTING SUMMARY
FOR THE FISCAL YEAR
ENDED DECEMBER 31, 2019**

3. Classification of receivables and payables to disclose the financial effects derived from the maintenance thereof.

Item (In thousands of pesos)	Local currency			Foreign currency	
	With interest clause	CER/UVA Adjustme nt Clause	With no interest clause	With Interest Clause	With no interest Clause
Loans and other financing facilities	61,870,051	2,679,551	-	23,585,399	-
TOTAL	61,870,051	2,679,551	-	23,585,399	-

Item (In thousands of pesos)	Local currency			Foreign currency		Kind
	With interest clause	CER/UVA Adjustment Clause	With no interest clause	With interest clause	With no interest clause	
Deposits and Liabilities						
Deposits	66,851,238	-	17,660,670	33,420,760	4,261,640	-
Derivative financial instruments	-	-	248,669	-	-	-
Other financial liabilities	326,000	-	6,312,364	403,547	1,342,192	-
Financing facilities received from the BCRA and other financial institutions	1,412,208	-	10,468	14,842,658	290,095	-
Corporate bonds issued	1,035,147	-	-	-	-	-
TOTAL	69,624,593	-	24,232,171	48,666,965	5,893,927	-

4. Breakdown of ownership interest and votes in companies under section 33 of Law No. 19550 and debit and/or credit balances per company.

Company	Shares		Percentage of	
	Class	Amount	Principal Total	Possible votes
GPAT Compañía Financiera S.A.U.	Common stock	86,837,083	100,00%	100,00%
Patagonia Valores S.A.	Common stock	13,862,507	99,99%	99,99%
Patagonia Inversora S.A. Sociedad Gerente Fondos Comunes de Inversión	Common stock	13,317,233	99,99%	99,99%
Banco Patagonia (Uruguay) S.A. I.F.E.	Common stock	50,000	100,00%	100,00%

For debit and credit balances per company, see Note 39 to the separate financial statements of the Entity.

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BANCO PATAGONIA S.A.

**REPORTING SUMMARY
FOR THE FISCAL YEAR
ENDED DECEMBER 31, 2019**

5. Trade receivables or loans with directors, supervisory auditors, members of the supervisory audit committee, and relatives up to and including the second degree

In thousands of pesos	Financing 12/31/19	Maximum Financing
Directors and relatives	3,806	3,806
Supervisory auditors and relatives	519	568
TOTAL	4,325	4,374

Such financial aid is represented by loans in pesos, granted under similar terms and conditions as those applied to the other clients of the Bank, with no monetary adjustment clause.

6. Physical count of inventories Frequency and scope of physical counts of inventories.

Not applicable.

7. Investments in other companies exceeding the limits established in section 31, Law No. 19550, and plans to regularize the situation.

None.

8. Recoverable value: Criteria followed to assess the significant "recoverable value" of inventories, fixed assets, and other assets, used as a limit to their valuation for accounting reporting purposes.

9. Insurance taken in relation to tangible assets.

Property insured In thousands of pesos	Risk	Amount insured	Book value
Cash, checks, and securities	Fraud, theft, security deposit boxes, and transportation	2,395,800	11,671,606
Buildings, machines, equipment, furniture, fixtures, and works of art	Fire, vandalism, and earthquake	12,262,867	7,666,803
Cars	All risk and third-party insurance	43,901	20,818

10. Negative and positive contingencies

- a) Items considered to calculate the allowances, the balances of which considered either individually or as a whole, exceed two percent (2%) of the shareholders' equity

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**REPORTING SUMMARY
FOR THE FISCAL YEAR
ENDED DECEMBER 31, 2019**

- b) Contingencies as of the date of the financial statements the likelihood of occurrence of which is not remote, and the financial effects of which have not been recorded, stating whether lack of accounting is based on the likelihood of occurrence or on any difficulties in quantifying its effects.

None.

11. Irrevocable contributions for future subscriptions Status of procedures aimed at capitalization.

None.

12. Unpaid cumulative dividends on preferred shares.

None.

13. Conditions, circumstances, or terms for the removal of restrictions on the distribution of unappropriated retained earnings.

See Note 48) "Distribution of earnings and restrictions" to the Consolidated Financial Statements of the Entity.

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SUPERVISORY AUDIT COMMITTEE'S REPORT

To the Shareholders and Directors of
Banco Patagonia S.A.
Legal address: Av. de Mayo 701, Floor 24
Taxpayer Identification No. [C.U.I.T.] 30-50000661-3
City of Buenos Aires

I. Report on the financial statements

We have audited the inventory, the letter to shareholders including the Report on Compliance with the Code of Corporate Governance 2019 and the accompanying separate financial statements of Banco Patagonia S.A. (the "Entity") which include the separate statement of financial position as of December 31, 2019, the separate statements of income, other comprehensive income, changes in shareholders' equity and cash flows for the fiscal year then ended, and explanatory notes and exhibits. We have reviewed the accompanying consolidated financial statements of Banco Patagonia S.A. and its subsidiaries, which include the consolidated statement of financial position as of Tuesday, December 31, 2019, the consolidated statements of income, other comprehensive income, changes in shareholders' equity and cash flows for the fiscal year then ended, and explanatory notes and exhibits.

The balances and other information for fiscal year 2018 are an integral part of the referred financial statements and, therefore, shall be considered in the light of these financial statements.

II. Board of Directors' and Management responsibility for the financial statements

The Board of Directors and Management of the Bank are responsible for the preparation and presentation of the accompanying separated and consolidated financial statements in accordance with the accounting standards established by the Argentine Central Bank ("BCRA"), which, as described in note 2 to the accompanying financial statements, are based on the International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"), and adopted by the Argentine Federation of Professional Councils of Economic Sciences ("FACPCE"), subject to the temporary exception of section 5.5. "Impairment of Value" of IFRS 9 "Financial Instruments" and IAS 29 "Financial Reporting in Hyperinflationary Economies" and considering the BCRA rules as to the valuation of the share in Prisma Medios de Pago S.A. This responsibility includes the design, implementation and maintenance of internal control that the Board of Directors and Management consider necessary for the financial statements to be free from material misstatements, whether due to fraud or error.

III. Supervisory Audit Committee's responsibility

Our responsibility is to express an opinion on the accompanying consolidated and separate financial statements based on our review in accordance with supervisory audit rules in force. To perform our professional task on the documents mentioned in paragraph I, we have reviewed the audit conducted by the firm KPMG, in their capacity as external auditors, who issued their report on February 19, 2020, in accordance with the standards set forth by Technical Resolution No. 37 of the FACPCE and the "Minimum Standards applicable to External Audits" set forth by the BCRA for the audit of financial statements. Those standards require compliance with ethical requirements and planning and performing the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit involves performing procedures, on a selective test basis, to obtain audit evidence about the financial information included in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements. In making those risk assessments, the auditors consider internal control relevant to the Bank's preparation and fair presentation of the financial statements in order to select audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the significant estimates made by Management, as well as evaluating the overall financial statement

presentation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

As a management control is outside the scope of the Supervisory Audit Committee's responsibilities, we have not evaluated the business, management and finance criteria and decisions taken by the Bank, since it is the exclusive responsibility of the Board of Directors.

IV. Opinion

Based on our review, and on the report dated February 19, 2020, issued by Mauricio G. Eidelstein (Partner of KPMG, member firm of KPMG International), in our opinion, the accompanying separate and consolidated financial statements present fairly, in all material respects, the financial position of Banco Patagonia S.A. as of December 31, 2019, the results of its operations, the changes in equity and cash flows for the year then ended, in conformity with the BCRA accounting framework described in note 2 to such financial statements indicated in paragraph I.

V. Emphasis of matter

Without modifying our opinion, we draw users' attention to the following issues disclosed in the Notes to the accompanying financial statements:

- a) as explained in notes 2.a) and 2.1.a) to the accompanying separate and consolidated financial statements, respectively, they have been prepared by the Entity's Board of Directors and Management in accordance with the BCRA accounting framework, which differs from IFRS as to the application of section 5.5 "Impairment of Value" of IFRS 9 "Financial Instruments"; such section was temporarily excluded by the BCRA from the accounting framework applicable to financial institutions; The Bank is calculating the impact derived from the initial adoption of such regulations as of December 31, 2019.
- b) as explained in notes 2.b) and 2.1.b) and 3 to the accompanying separate and consolidated financial statements, although as of December 31, 2019, the conditions for the restatement of financial statements in constant currency set forth by IAS 29 are met, as provided for by BCRA Communication "A" 6651, the Entity has not applied such restatement. The existence of an inflationary context affects the Bank's financial position and results of operations and, therefore, the impact of inflation may distort the financial information and shall be considered when the information about the financial position, comprehensive income and cash flows provided by the Bank in the accompanying financial statements is interpreted. The Bank has estimated the impact as of December 31, 2019 as explained in IAS 29 and as indicated in notes 2 and 3 to the separate and consolidated financial statements, respectively.
- c) as explained in notes 2.c) and 15 and 2.1.c) and 16 to the separate and consolidated financial statements, respectively, by virtue of the partial sale of the shares of Prisma Medios de Pago S.A., the remaining shareholding was reclassified to "Investments in equity instruments" and measured at fair value with changes through profit or loss, based on the company's valuation report conducted by independent professionals, from which the valuation adjustment made by the BCRA was deducted. The accounting criterion applied implies a departure from the provisions of IFRS 9 about the measurement of equity instruments at fair value.

VI. Report on other legal and regulatory requirements

In compliance with legal provisions in force, we report that:

1. In exercise of our legal supervision duties, during the fiscal year ended Tuesday, December 31, 2019, we have performed the remaining procedures set forth in section No. 294 of Law No. 19550 that we considered necessary in accordance with the circumstances including, among others, whether the directors' bond has been posted and maintained, and we have no observations to make.

2. The accompanying separate and consolidated financial statements of Banco Patagonia S.A. mentioned in paragraph I above have been transcribed into the Inventory Book, and arise from the Entity's accounting records, which, in their formal aspects, are kept pursuant to the legal provisions in force; The information systems used to generate the information included in the financial statements are kept under the security and integrity conditions based on which they were duly authorized;
3. As of December 31, 2019, the Entity records the minimum shareholders' equity and counterparty required by the Argentine Securities Commission (CNV), as mentioned in Notes 36 and 56 to the accompanying separate and consolidated financial statements, respectively;
4. We have reviewed the comprehensive Letter to Shareholders and have no comments to make as far as it relates to our area of responsibility and report that the statements regarding future events remain the exclusive responsibility of directors. As regards the Report on Compliance with the Code of Corporate Governance issued by the Entity's Board of Directors pursuant to article 1. a.1), Chapter 1), Section I, Title IV of CNV rules (as amended in 2013), which will be filed with such body as an exhibit to the Letter to Shareholders, we report that, based on our analysis, there is no evidence indicating that the information provided by the Board of Directors to the Supervisory Audit Committee and included in the aforementioned report is not true.
5. In compliance with article 105, Law No. 26831 and articles 21 – Section VI, Chapter III, Title II – and 4th paragraph d) – Section III, Chapter I, Title XII of the CNV (as amended in 2013), on the independence of external auditors and the quality of the auditing standards applied and of the Bank's accounting policies, the external auditors' report mentioned in paragraph IV above includes a representation that the auditing standards in force in the Republic of Argentina, which contain the independence requirements, have been applied, and does not contain any qualifications as to the application of these standards and the accounting standards in force in the City of Buenos Aires, Republic of Argentina, considering the disclosures made in the Emphasis paragraph included therein.

City of Buenos Aires, February 19, 2020.

By Supervisory Committee

Mónica M. Cukar
Regular Supervisory Auditor
Public Accountant (UBA)
C.P.C.E.C.A.B.A. T° 147 F° 66