



**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

FORM 20-F

(Mark One)

Registration statement pursuant to Section 12(b) or 12(g) of the Securities Exchange Act of 1934

or

Annual report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the fiscal year ended December 31, 2021

or

Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

or

Shell Company Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of the event requiring this shell company report.

For the transition period from _____ to _____

Commission file number: 001-32827

BANCO MACRO S.A.

(Exact Name of Registrant as Specified in its Charter)

Macro Bank, Inc.

(Translation of registrant's name into English)

Argentina

(Jurisdiction of incorporation or organization)

Avenida Eduardo Madero 1182, City of Buenos Aires, Argentina

(Address of registrant's principal executive offices)

Jorge Francisco Scarinci

Chief Financial Officer

Banco Macro S.A.

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Email: (jorgescarinci@macro.com.ar)

(Name, telephone, e-mail and/or facsimile member and address of company contact person)

Securities registered or to be registered pursuant to Section 12(b) of the Act:



<u>Title of Each Class</u>	<u>Trading Symbol(s)</u>	<u>Name of Each Exchange On Which Registered</u>
American Depositary Shares	BMA	New York Stock Exchange
Class B ordinary shares, par value Ps.1.00 per share	BMA	New York Stock Exchange(*)

(*) Ordinary shares of Banco Macro S.A. are not listed for trading but only in connection with the registration of American Depositary Shares which are evidenced by American Depositary Receipts.

Securities registered or to be registered pursuant to Section 12(g) of the Act:

None

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act:

None

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report.

11,235,670 Class A ordinary shares, par value Ps.1.00 per share

628,177,738 Class B ordinary shares, par value Ps.1.00 per share

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934. Yes No

Note – Checking the box above will not relieve any registrant required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 from their obligations under those Sections.

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

Indicate by check mark whether the registrant is a large, accelerated filer, an accelerated filer, a non-accelerated filer or an emerging growth company. See definition of "large, accelerated filer, accelerated filer and emerging growth company" in Rule 12b-2 of the Exchange Act.

Large, accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Emerging growth company	<input type="checkbox"/>

If an emerging growth company that prepares its financial statements in accordance with U.S. GAAP, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards † provided pursuant to Section 13(a) of the Exchange Act.

† The term "new or revised financial accounting standard" refers to any update issued by the Financial Accounting Standards Board to its Accounting Standards Codification after April 5, 2012.

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:



U.S. GAAP

International Financial Reporting
Standards as issued by the International
Accounting Standards Board

Other

If "Other has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow.

Item 17 Item 18

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

(APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY PROCEEDINGS DURING THE PAST FIVE YEARS)

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by the court.

Yes No

Auditor firm Id: PCAOB ID: 1449 Auditor Name: Pistrelli, Henry Martin y Asociados S.R.L. (member of Ernst & Young Global Limited) Auditor location: City of Buenos Aires, Buenos Aires, Argentina

Please send copies of notices and communications from the Securities and Exchange Commission to:

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Certain defined terms

In this annual report, we use the terms “the registrant,” “we,” “us,” “our” the “Bank” to refer to Banco Macro S.A. and its subsidiaries, on a consolidated basis. References to “Banco Macro” refer to Banco Macro S.A. on an individual basis. References to “Class B shares” refer to shares of our Class B common stock and references to “ADSs” refer to American depositary shares representing our Class B shares, except where otherwise indicated by the context.

The term “Argentina” refers to the Republic of Argentina. The terms “Argentine government” or the “government” or the “Federal government” refer to the federal government of Argentina, the term “Argentine Congress” refers to the Argentine National Congress, the legislative branch of the government of Argentina, the term “Central Bank” refers to the *Banco Central de la República Argentina*, or the Argentine Central Bank, the term “Superintendency” refers to the *Superintendencia de Entidades Financieras y Cambiarias* or the Superintendency of Financial and Exchange Entities, the term “CNV” refers to the *Comisión Nacional de Valores*, or the Argentine Securities Commission, the term “BYMA” refers to *Bolsas y Mercados Argentinos S.A.*, or the Buenos Aires Stock Exchange, the term “MAE” refers to *Mercado Abierto Electrónico*, the term “NYSE” refers to the New York Stock Exchange, the term “IGJ” refers to the *Inspección General de Justicia*, or Public Registry of Buenos Aires, the term “ANSES” refers to the *Administración Nacional de la Seguridad Social* or National Social Security Agency, and the term “UIF” refers to the *Unidad de Información Financiera* or Financial Information Unit. The term “EU” refers to the European Union. The term “PyME” refers to *Pequeñas y Medianas Empresas* or small- and medium-sized companies.

The terms “U.S. dollar” and “U.S. dollars” and the symbol “U.S.\$” refer to the legal currency of the United States. The terms “Peso” and “Pesos” and the symbol “Ps.” refer to the legal currency of Argentina. “Billion” refers to the number 1,000,000,000 and “Trillion” refers to the number 1,000,000,000,000. “Central Bank Rules” refers to the accounting and other regulations of the Central Bank. “IFRS” refers to the International Financial Reporting Standards as issued by the International Accounting Standards Board (“IASB”).

The term “GDP” refers to gross domestic product and all references in this annual report to GDP growth are to real GDP growth. The term “INDEC” refers to the National Statistics Institute (*Instituto Nacional de Estadísticas y Censos*). The term “CER,” or benchmark stabilization coefficient, is an index issued by the Argentine government which is used to adjust value of credits and deposits. Pursuant to Resolution No. 203/2016 from the former Ministry of Economy and Finance, as of June 2016, the Consumer Price Index (*Índice de Precios al Consumidor*) currently in force and used to adjust the CER. The term “UVI” means Unidad de Vivienda, it represents the cost of construction of one thousandth square meter of housing. The term “UVA” means Unidad de Valor Adquisitivo, it is an index determined by the Central Bank, reflecting the variation of one-thousandth of the average value of a square meter built for housing in Argentina (such that 1,000 UVAs are equivalent to one square meter). This value was initially set at Ps.14.05 and is updated daily based on the variation in the CER since March 31, 2016.

Presentation of certain financial and other information

Our consolidated financial statements included in this annual report have been prepared in accordance with IFRS as issued by the IASB.

The consolidated financial statements as of December 31, 2021, and the corresponding figures for the previous fiscal years have been restated for the changes in the general purchasing power of the functional currency (Pesos) of the Bank as established by IAS 29. As a result, those consolidated financial statements are stated in terms of the measuring unit current at the end of the reporting period (December 31, 2021), except otherwise indicated. The inflation rate was 50.94%, 36.14% and 53.83% for the fiscal years ended on December 31, 2021, 2020 and 2019, respectively.

Solely for the convenience of the reader, the reference exchange rate for U.S. dollars as of December 31, 2021, as reported by the Central Bank was Ps.102.75 to U.S.\$1.00.

The accompanying consolidated financial statements include the financial statements, as of December 31, 2021, of the Bank and the following subsidiaries.

- Macro Bank Limited;
- Macro Securities S.A. (“Macro Securities”);
- Macro Fiducia S.A. (“Macro Fiducia”);
- Macro Fondos S.G.F.C.I. S.A. (“Macro Fondos”);
- Argenpay S.A.U. (“Argenpay”); and



- Fintech SGR (“Fintech”) (consolidated since October 2021, as the control was obtained in such month.).

IFRS differs in certain significant respects from Central Bank Rules. As a result, our financial information presented under IFRS is not directly comparable to our financial information presented under Central Bank Rules. Accordingly, readers should exercise caution when making any comparison.

Rounding

Certain figures included in this annual report have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures that precede them.

Market Data

We make statements in this annual report about our competitive position and market share in, and the market size of, the Argentine banking industry. We have made these statements on the basis of statistics and other information from third-party sources that we believe are reliable. Although we have no reason to believe any of this information or these reports are inaccurate in any material respect, we have not independently verified the competitive position, market share and market size or market growth data provided by third parties or by industry or general publications.

Our internet site is not part of this Annual Report

We maintain our website at www.macro.com.ar. Information contained in or otherwise accessible through this website is not a part of this annual report. All references in this annual report to this internet site are inactive textual references to this URL, or “uniform resource locator” and are for informational reference only.

Cautionary statement concerning forward-looking statements

This annual report contains certain statements that we consider to be “forward-looking statements.” We have based these forward-looking statements largely on our current beliefs, expectations and projections about future events and financial trends affecting our business. Many important factors, in addition to those discussed elsewhere in this annual report, could cause our actual results to differ substantially from those anticipated in our forward-looking statements, including, among other things:

- changes in economic, business, political, legal, social or other conditions in Argentina and worldwide;
- governmental intervention and regulation (including banking and tax regulations);
- developments in the global financial markets;
- deterioration in the Argentine financial system or regional business and economic conditions;
- inflation;
- fluctuations and declines in the exchange rate of the Peso;
- changes in interest rates which may adversely affect financial margins;
- adverse legal or regulatory disputes or proceedings;
- credit and other risks of lending, such as increases in defaults by borrowers and other delinquencies;
- increase in the provisions for loan losses;
- fluctuations and declines in the value of Argentine public debt, as well as the Argentine government’s inability to successfully restructure dollar-denominated foreign public indebtedness;
- decrease in deposits, customer loss and revenue loss;
- competition in banking, financial services and related industries and the loss of market share;
- cost and availability of funding;
- the integration of any acquisitions and the failure to realize expected synergies;
- the impact of the pandemic disease such as the coronavirus disease (“COVID-19”) on the economy, and on our customers, employees, vendors and us; and
- the risk factors discussed under Item 3.D “Risk Factors.”



The words “believe”, “may”, “will”, “aim”, “estimate”, “continue”, “anticipate”, “intend”, “expect”, “forecast” and similar words are intended to identify forward-looking statements. Forward-looking statements include information concerning our possible or assumed future results of operations, business strategies, financing plans, competitive position, industry environment, potential growth opportunities, the effects of future regulations and the effects of competition. Forward-looking statements speak only as of the date they were made, and we disclaim any obligation to update publicly or to revise any forward-looking statements after we distribute this annual report due to new information, future events or other factors. In light of the risks and uncertainties described above, the forward-looking events and circumstances discussed in this annual report might not occur and are not guarantees of future performance.

Sections of this annual report that by their nature contain forward-looking statements include, but are not limited to, Item 3. “Key Information,” Item 4. “Information on the Bank,” Item 5. “Operating and Financial Review and Prospects” and Item 11. “Quantitative and Qualitative Disclosure About Market Risk.”

PART I

Item 1. Identity of Directors, Senior Management and Advisers

Not applicable.

Item 2. Offer Statistics and Expected Timetable

Not applicable.

Item 3. Key Information

A. Selected Financial Data

Our consolidated financial statements as of December 31, 2021, 2020 and 2019 have been prepared in accordance with IFRS, as issued by IASB. In 2018 the Bank adopted IFRS with a transition date on January 1, 2017. Prior to January 1, 2018, the Bank prepared its consolidated financial statements in accordance with Central Bank Rules and reconciled to U.S. generally accepted accounting principles (“U.S. GAAP”).

The consolidated financial statements and the financial information included in this annual report for all periods reported are in Pesos stated in terms of the measuring unit current at the end of the reporting period (December 31, 2021). Due to the high inflationary level that has prevailed in Argentina in the recent past, our management has analyzed the conditions established by IAS 29 paragraph 3 for an economy to be considered as hyperinflationary. Based on such analysis, our management considers that there is evidence to determinate Argentina’s economy as “hyperinflationary” under IAS 29 for accounting periods ending after July 1, 2018. See “—Risk factors—Risks Relating to Argentina—High inflation levels could have adverse long-term consequences for the Argentine economy” and note 3 “Basis for the preparation of these financial statements and applicable accounting standards” to our audited consolidated financial statements as of December 31, 2021 and 2020.

The consolidated statement of income for the years ended December 31, 2021, 2020 and 2019 and the consolidated statement of financial position as of December 31, 2021 and 2020, are derived from our audited consolidated financial statements included elsewhere in this annual report. We have derived our selected consolidated financial position data for the year ended December 31, 2019, from our audited consolidated financial statements not included in this annual report.

The following tables present summary historical consolidated financial data for each of the periods indicated. You should read this information in conjunction with our consolidated financial statements and related notes, and the information under Item 5. “Operating and Financial Review and Prospects” included elsewhere in this annual report.

Selected Consolidated Statement of Income Data

	<u>2019 (1)</u>	<u>2020 (1)</u>	<u>2021</u>
	<i>(in thousands of Pesos, except for number of shares, net income per share and dividends per share)</i>		
Net Interest Income	179,620,631	145,275,725	130,998,318
Net Commissions income	36,642,422	34,256,918	33,453,124
Subtotal (Net Interests income plus Net Commissions income)	216,263,053	179,532,643	164,451,442



Selected Consolidated Statement of Income Data

	2019 (1)	2020 (1)	2021
	<i>(in thousands of Pesos, except for number of shares, net income per share and dividends per share)</i>		
Net gain from measurement of financial instruments at fair value	16,301,331	21,099,670	16,684,661
Profit from sold or derecognized assets at amortized cost	56,338	1,951,429	244,053
Differences in quoted prices of gold and foreign currency	7,186,704	6,384,364	4,647,686
Other operating income	15,774,926	8,105,211	7,829,104
Credit loss expense on financial assets	(8,932,537)	(11,866,426)	(2,595,721)
Net Operating Income before expenses, depreciation and amortization	246,649,815	205,206,891	191,261,225
Total Operating Expenses (2)	(121,468,276)	(99,648,344)	(100,902,793)
Net operating income after expenses, depreciation and Amortization	125,181,539	105,558,547	90,358,432
Income/(Loss) from associates and joint arrangements	1,846,203	(10,348)	87,497
Loss on net monetary position	(57,861,065)	(46,376,595)	(66,386,613)
Income before tax on continuing operations	69,166,677	59,171,604	24,059,316
Income tax on continuing operations	(26,593,127)	(19,693,276)	(1,186,032)
Net Income from continuing operations	42,573,550	39,478,328	22,873,284
Net Income for the fiscal year	42,573,550	39,478,328	22,873,284
Net Income for the fiscal year attributable to controlling interest	42,573,192	39,477,783	22,872,537
Net Income for the fiscal year attributable to non-controlling Interest	358	545	747
Other Comprehensive Income	309,053	1,477,914	1,224,534
Foreign currency translation differences in financial statements Conversion	175,332	180,923	(766,334)
Profit or losses for financial instruments measured at fair value through other comprehensive income	133,721	1,296,991	1,990,868
Total Comprehensive Income for the fiscal year	42,882,603	40,956,242	24,097,818
Total Comprehensive Income attributable to controlling interest	42,882,265	40,955,697	24,097,071
Total Comprehensive Income attributable to non-controlling interest	338	545	747
Basic earnings per share (3)	66.58	61.74	35.77
Dividends per share approved by the shareholders' meeting (4)	20 (5)	15.64	(6)
Dividends per share in US\$ approved by the shareholders' meeting (7)	0.33	0.19	(6)
Weighted average number of outstanding common shares (in thousands)	639,402	639,413	639,413

- (1) Figures adjusted for inflation as of December 31, 2021. See "Presentation of certain financial and other information".
- (2) Includes employee benefits, administrative expenses, depreciation and amortization of fixed assets and other operating expenses.
- (3) Net income for the fiscal year attributable to controlling interest divided by weighted average number of outstanding shares.
- (4) Not adjusted for inflation.
- (5) In addition to the dividend approved by the shareholders' meeting held on April 30, 2020, the shareholder's meeting held on October 21, 2020, resolved to approve a complementary dividend for a total amount of Ps. 3,791.7 million subject to prior authorization of the Central Bank.
- (6) At its meeting held on March 9, 2022, the Board of Directors resolved to submit for discussion by the shareholders' meeting the motion to distribute as cash dividend or dividend in kind, in this case valued at market price, the amount of Ps. 22,18 per share. The dividend is calculated on figures expressed in constant currency as of December 31, 2021. The dividend is still pending the approval from the shareholders' meeting and pending authorization from the Central Bank.
- (7) Dividends per share approved by the shareholders' meeting divided by the exchange rate as of December 31 of each year.



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Selected Consolidated Statement of Financial Position Data	2019 (1)	As of December 31,	
		2020 (1)	2021
		<i>(in thousands of Pesos)</i>	
Assets			
Cash and Deposits in Banks	206,890,307	196,175,043	172,332,578
Investments in Debt Securities and Equity Instruments	149,609,361	406,515,553	322,164,201
Derivative Financial Instruments	1,265,635	1,493,533	1,296
Repo Transactions	2,235,591	59,503,764	31,405,801
Loans and other financing	453,929,167	388,555,757	352,361,088
Other Financial Assets	34,599,304	50,080,399	53,104,119
Current Income Tax Assets	—	—	543,439
Investment in associates and joint arrangements	300,700	307,777	489,504
Property, Plant and Equipment	52,909,387	51,877,880	52,872,223
Intangible Assets	7,278,678	7,704,151	8,404,279
Deferred Income Tax Assets	89,228	95,379	47,791
Other Non-financial Assets	2,230,292	3,369,096	2,331,623
Non-current assets held for sale	3,598,370	3,408,537	3,241,521
TOTAL ASSETS	914,936,020	1,169,086,869	999,299,463
Average Assets	1,040,358,833	1,058,912,392	988,354,581
LIABILITIES			
Deposits	540,169,451	737,714,203	588,850,704
Liabilities at fair value through profit or loss	—	—	1,627,732
Derivative Financial Instruments	1,579,689	347	2,532
Repo Transactions	2,060,089	933,682	—
Other Financial Liabilities	45,556,961	74,287,265	67,935,119
Financing received from the Central Bank of Argentina and other financial entities	4,614,966	1,387,310	437,726
Corporate Bonds	61,312,278	59,210,164	44,964,978
Current Income Tax Liabilities	16,719,278	7,766,436	351,297
Provisions	3,027,969	1,978,115	1,653,557
Deferred Income Tax Liabilities	1,151,955	11,242,317	6,247,221
Other Non-financial Liabilities	20,794,494	45,821,301	47,591,152
TOTAL LIABILITIES	696,987,130	940,341,140	759,662,018
SHAREHOLDERS' EQUITY			
Net Shareholders' Equity attributable to controlling interest	217,946,011	228,742,907	239,599,563
Net Shareholders' Equity attributable to non-controlling interest	2,879	2,822	37,882
TOTAL SHAREHOLDERS' EQUITY	217,948,890	228,745,729	239,637,445
Average Shareholders' Equity	199,061,118	221,259,037	224,985,849

(1) Figures adjusted for inflation as of December 31, 2021. See "Presentation of certain financial and other information".



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As of and for the year ended December 31,		
2019	2020	2021
(in thousands of Pesos)		

Selected consolidated ratios:**Profitability and performance**

Net interest margin (%) (1)	25.36%	20.25%	20.12%
Fee income ratio (%) (2)	18.19%	20.45%	22.02%
Efficiency ratio (%) (3)	32.05%	34.89%	38.23%
Fee income as a percentage of administrative expense (%)	49.27%	39.78%	38.54%
Return on average equity (%)	21.39%	17.84%	10.17%
Return on average assets (%)	4.09%	3.73%	2.31%

Liquidity

Loans and other financings as a percentage of total deposits (%)	85.96%	54.70%	61.47%
Liquid assets as a percentage of total deposits (%) (4)	66.79%	90.13%	90.05%

Capital

Total equity as a percentage of total assets (%)	23.82%	19.57%	23.98%
Regulatory capital as a percentage of risk-weighted assets (%)	27.25%	34.23%	36.06%

Asset Quality

Non-performing loans and other financings included in Stage 3 as a percentage of total loans and other financings (%) (5)	1.71%	1.13%	0.91%
Allowances for loan losses as a percentage of total loans and other financings	(2.24%)	(3.71%)	(2.66%)
Allowances for credit losses as a percentage of non-performing loans and other financings included in Stage 3 (%) (5)	(130.90%)	(327.67%)	(291.98%)

Operations

Number of branches	463	463	466
Number of employees (6)	8,768	8,561	8,005

- (1) Net interest income divided by average interest earning assets.
- (2) Commissions income divided by the sum of net interest income.
- (3) The efficiency ratio is equal to operating expenses over operating income. Operating expense includes employee benefits, administrative expenses, depreciation and amortization of fixed assets and other operating expenses. Operating income includes net interest income, net commissions income, net income from measurement of financial instruments at fair value, differences in quoted prices of gold and foreign currency net and other operating income.
- (4) Liquid assets include cash, cash collateral, reverse repos, instruments issued by Central Bank, other government securities and interbank loans.
- (5) As of December 31, 2021, 2020 and 2019, non-performing loans are calculated according to our internal credit rating grades disclosed in note 52.1 to our consolidated financial statements.
- (6) Had workers performing their duties pursuant to the "acciones de entrenamiento para el trabajo" program of the Ministry of Labor, Employment and Social Security and other casual workers been included, the number of employees of the Bank would have been 8,788 for 2019. We do not account for such workers as employees, as we do not remunerate them for their services, which are paid directly by the Argentine province where they work.

B. Capitalization and Indebtedness

Not applicable.

C. Reasons for the Offer and Use of Proceeds

Not applicable.

D. Risk Factors

You should carefully consider the risks described below with all of the other information included in this annual report before deciding to invest in our Class B shares or our ADSs. If any of the following risks actually occurs, it may materially harm our business and our financial condition and results of operations. As a result, the market price of our Class B shares or/and our ADSs could decline and you could lose part or all of your investment.

Investors should carefully read this annual report in its entirety. They should also take into account and evaluate, among other things, their own financial circumstances, their investment goals, and the following risk factors.



Information provided by the Central Bank of Argentina and/or the INDEC and the information included in this section has been prepared in accordance with a methodology that may not necessarily follow the methodology used for the preparation of our consolidated financial statements included in this annual report (e.g. it has not been adjusted for inflation), as a result of the aforementioned may not be comparable.

Risks relating to Argentina

Our business is largely dependent upon economic, social and political conditions in Argentina

Substantially all of our operations, properties and customers are located in Argentina and, as a result, our business is to a large extent dependent upon macroeconomic, political, regulatory and social conditions prevailing in Argentina, including but not limited to, the following: (i) international demand and prices for Argentina's commodity exports; (ii) competitiveness and efficiency of domestic industries and services; (iii) stability and competitiveness of the Peso against foreign currencies; (iv) foreign and domestic investment and financing; (v) level of foreign exchange reserves in the Central Bank which may cause abrupt changes in currency values and exchange and capital control regulations; (vi) interest rates, inflation, wage and price controls; (vii) effects of the ongoing COVID-19 pandemic and results of the measures adopted by the Argentine government in response; (viii) changes in economic or fiscal policies implemented by the Argentine government; (ix) labor disputes and work stoppages; (x) the level of expenditure by the Argentine government and ability to sustain fiscal balance; (xi) the level of unemployment, political instability and social tensions and (xii) insufficient or incorrect implementation of certain anti-money laundering and combating the financing of terrorism recommendations.

Developments in economic, political, regulatory and social conditions in Argentina, and measures taken by the Argentine government, have had and are expected to continue to have a significant impact on our business, results of operations and financial condition. In the past, the Argentine government has had direct intervention in the economy and in private sector operations and companies, limiting certain aspects of private sector businesses, establishing minimum salary levels and mandatory employees' benefits. Employers, both in the public and private sector, have also been experiencing intense pressures from their personnel, or from the labor unions representing them, demanding salary increases and certain benefits for the workers, given the high inflation rates.

We cannot predict the impact of any measures that the Argentine government has adopted or may adopt in the future, or whether those measures will have the effects pursued. Uncertainty with respect to government policies may lead to additional volatility of Argentine stock market prices. Additionally, we cannot guarantee that the current policies that apply to banks will not be modified in the future.

Additionally, the Argentine economy has experienced significant volatility in recent decades, characterized by periods of low or negative growth, high levels of inflation and currency devaluation.

No assurances can be given that the Argentine economy will grow on a sustainable basis. If economic conditions in Argentina were to deteriorate, or the economy were to continue to contract, if inflation were to accelerate further, or if the Argentine government's measures to attract or retain foreign investment and international financing in the future to incentivize domestic economy activity are unsuccessful, such events could adversely affect Argentina's economic growth and in turn affect our financial condition and results of operations.

The Argentine economy could be adversely affected by economic and political developments in other countries.

Argentina's economy remains vulnerable to external shocks that could be caused by adverse regional or global developments. Global economic instability such as uncertainty about global trade policies, the deterioration of economic conditions in Argentina's major trading partners (including Brazil, the European Union, China and the United States), geopolitical tensions between the United States and a number of foreign countries, tensions between Russia and Ukraine, idiosyncratic, political and social discords, terrorist attacks, pandemic diseases, could have a material adverse impact on Argentina's balance of trade and adversely affect Argentina's economy.

On February 24, 2022, the Russian government announced the beginning of a "special military operation" which started with an invasion over Ukrainian territory. Thus, a war conflict of great magnitude began between the two countries, which, to this day, continues to escalate.

As a consequence of the invasion, the international community has applied strong sanctions against sectors of the economy, companies, individuals, sports and cultural associations of Russia. Many countries have announced the closure of airspace to Russian-flagged aircraft. Also, non-governmental organizations and multinational companies have announced divestments or disassociations with Russian counterparts. Although Russia claims to be prepared to face these sanctions, exchange controls and restrictions on securities trading have been introduced and a sharp fall in all sectors of the economy is anticipated. The development of the military conflict, as well as its expansion to other regions or the incorporation of new participants and the effects of the sanctions on Russia could have a negative impact on the European economy (including, in particular, the increase in energy values) and, consequently, have an adverse repercussion on the world economy.



Although economic conditions vary from country to country, investors' perceptions of events occurring in other countries have, and may continue to, substantially affect capital flows into and investments in securities from issuers in other countries, including Argentina.

Global economic and financial crises, the general weakness of the global economy and the instability of the international financial system, negatively affect emerging economies like Argentina's. If international and domestic conditions for Argentina were to worsen further, the Argentine economy could be negatively affected as a result of lower international demand and lower prices for its products and services, lower capital inflows and higher risk aversion, which may also adversely affect our business, results of operations, financial condition and cash flows.

We cannot assure you that developments in other markets will not affect macroeconomic, political or social conditions in Argentina and, consequently, our business, results of operations and financial condition.

Argentina's ability to obtain financing from international markets may be limited or costly, which may impair its ability to implement reforms and public policies and foster economic growth.

During recent years the Republic of Argentina has experienced financial distress, that have led to difficulties in the payment of its sovereign debt.

During 2020 the Argentine government engaged in negotiations with Argentina's creditors to restore the sustainability of its public external debt. In August 2020, the Argentine government restructured approximately U.S.\$66.5 billion of its foreign currency global bonds issued under foreign laws exchanging such bonds for new bonds. Moreover, in June 2021, Argentina reached an agreement with the Paris Club members under the Paris Club 2014 Settlement Agreement to extend the maturity of its obligations until March 2022. In addition, the Argentine government-initiated negotiations with the International Monetary Fund ("IMF") in order to renegotiate the principal maturities of the U.S.\$ 44.1 billion disbursed between 2018 and 2019 under a Stand-By Agreement, originally planned for the years 2021, 2022 and 2023. On March 22, 2022, the Argentine government reached an agreement with the Paris Club for a new two-year extension of the understanding reached in June 2021.

On January 28, 2022, the Argentine government announced it had reached an agreement with the IMF on the most relevant points. On March 3, 2022, the Argentine government and the IMF announced that the agreement is based on what is known as the IMF's Extended Fund Facility, which includes 10 reviews to be carried out quarterly for two and a half years. The first disbursement will be made upon approval of the program by the IMF Board. The remaining disbursements will be made after each review. The repayment period for each disbursement is 10 years, with a grace period of four and a half years, starting in 2026 and ending in 2034.

The program seeks to solve the problem of high inflation through the reduction of monetary financing of the fiscal deficit and a monetary policy framework that generates positive real interest rates; improve public finances through progressivity, efficiency and tax compliance; and strengthen Argentina's balance of payments through policies that stimulate reserve accumulation, net exports and maintain a competitive real effective exchange rate.

On March 11, 2022, the program was approved by the Chamber of Deputies of the Argentine Congress and on March 17, 2022, it was approved by the Chamber of Senators of the Argentine Congress through Law No. 27,668, being enacted by means of Decree No. 130/22. On March 19, 2022, the IMF informed that the Board would address the issue on March 25, 2022, and that they would combine Argentina's payment obligations due on March 21 and 22 into a single repurchase to occur prior to March 31, 2022, avoiding Argentina's default before the IMF Board meeting. Finally, on March 25, 2022, the IMF Executive Board approved the agreement for an amount equivalent to US\$44 billion, including an immediate disbursement of US\$9.6 billion.

We cannot assure that the conditions of the agreement with the IMF and the Paris Club will not affect Argentina's ability to implement reforms and public policies and boost economic growth. We also cannot predict the impact of the outcome of that negotiation on Argentina's (and indirectly our) ability to access the international capital markets.

In spite of the restructuring of the Argentine public debt carried out in 2020, the international markets continue showing signs of doubts as to whether Argentina's debt is sustainable and, therefore, country risk indicators remain high. According to a Morgan Stanley Capital International ("MSCI") release, Argentina was considered an "emerging market" until June 2021, when it was reclassified as a "standalone market", investing in such markets generally carries additional risks.



There can be no assurances that Argentina's credit ratings will be maintained or that they will not be downgraded, suspended or cancelled. Any credit rating downgrade, suspension or cancellation for Argentina's sovereign debt may have an adverse effect on the Argentine economy and on our business. As such, any adverse effect on our business due in part to changes in Argentina's credit rating may adversely affect the market price and trading of our securities. Argentina's lack of access to financing in the international financial markets may have a direct impact in our ability to access the financial markets to fund our operations, including the financing of capital expenditures, which in turn may negatively affect our business financial position and results of operations.

Argentina is subject to litigation by foreign shareholders of Argentine companies and holders of Argentina's defaulted bonds, which have resulted and may result in adverse judgments or injunctions against Argentina's assets and limit its financial resources.

There are outstanding claims against the Argentine government submitted before the International Centre for Settlement of Investment Disputes ("ICSID") which may entail new sanctions against the Argentine government, which in turn could have a substantially adverse effect on the Argentine government's ability to implement reforms and to foster economic growth and to access credit or international capital markets.

Litigation, as well as ICSID claims against the Argentine government, have resulted in material judgments and may result in further material judgments, and could result in attachment of or injunctions relating to assets of Argentina that the government intended for other uses. As a result, the Argentine government may not have all the necessary financial resources to honor its obligations, implement reforms and foster growth, which could have a material adverse effect on Argentina's economy, and consequently, our business, financial condition and results of operations.

Exchange controls and capital inflow and outflow restrictions have limited, and could continue to limit, the availability of international credit and may adversely affect the Argentine economy.

The Argentine government and the Central Bank have implemented certain measures that control and restrict the ability of companies and individuals to access to the foreign exchange market to purchase foreign currency and to transfer it abroad, in order to contain the decrease in the level of international reserves held by the Central Bank. Those measures include, among others: (i) restricting access to the Argentine foreign exchange market for the purchase or transfer of foreign currency abroad for any purpose, including the payment of dividends to non-residents stakeholders; (ii) restrictions on the acquisition of any foreign currency to be held as cash in Argentina; (iii) requiring exporters to repatriate and settle in Pesos, in the local exchange market, all the proceeds of their exports of goods and services; (iv) limitations on repayment of foreign debt and to the transfer of securities into and from Argentina; (v) establishing certain mandatory refinancing's; and (vi) the implementation of taxes on certain transactions involving the acquisition of foreign currency. For further information, see "Item 10.D – Exchange Controls".

The Argentine government could maintain a single official exchange rate or create multiple exchange rates for different types of transactions, substantially modifying the applicable exchange rate at which we acquire currency to service our outstanding foreign currency denominated liabilities.

It is not possible to anticipate for how long these measures will be in force or even if additional restrictions will be imposed. Such measures could undermine the Argentine government's public finances, which could adversely affect Argentina's economy, which, in turn, could adversely affect our business, results of operations and financial condition.

Significant devaluation of the Peso against the U.S. dollar may adversely affect the Argentine economy.

Despite the positive effects of the real depreciation of the Peso on the competitiveness of certain sectors of the Argentine economy, the depreciation of the Peso has had and may continue to have a negative impact on the ability of certain Argentine businesses to service their foreign currency-denominated debt, lead to inflation, significantly reduce real wages and jeopardize the stability of businesses whose success depends on domestic market demand and adversely affect the Argentine Government's ability to honor its foreign debt obligations. In 2021, the Peso depreciated against the U.S. dollar approximately 14.5% as of December 30, 2021. On April 19th, 2022, the exchange rate was Ps. 113.78 to US\$1.00, as quoted by the Banco de la Nación Argentina for wire transfers (divisas).

On the other hand, a substantial increase in the value of the Peso against the U.S. dollar would adversely affect Argentina's economic competitiveness. A significant real appreciation of the Peso would adversely affect exports and increase the trade deficit, which could have a negative effect on GDP growth and employment, as well as reduce the Argentine public sector's revenues by reducing tax collection in real terms.



If the Peso devalues significantly, all of the negative effects on the Argentine economy related to such devaluation could recur, with adverse consequences to our business, financial condition and results of operations.

High inflation levels could have adverse long-term consequences for the Argentine economy.

The Argentine economy has experienced great volatility during the last decades, characterized by periods of low or negative GDP growth, high levels of inflation and currency depreciation and devaluation. Currently, inflation remains high and is likely to remain at similar levels in the future; according to the official data published by INDEC, consumer price inflation was 24.8% in 2017, 47.6% in 2018, 53.8% in 2019, 36.1% in 2020 and 50.9% in 2021. Regarding year 2022, inflation in January, February and March was 3.9%, 4.7% and 6.7% respectively.

There can be no assurance that inflation rates will not continue to escalate in the future or that the measures adopted or that may be adopted by the Argentine government to control inflation will be effective or successful. Inflation remains a major challenge for Argentina. Continuing significant inflation could have a material adverse effect on Argentina's economy and in turn could increase our costs of operation, in particular labor costs, and may negatively affect our business, financial condition and results of operations.

High public expenditure could result in long lasting adverse consequences for the Argentine economy.

During the last years, the Argentine government has substantially increased public expenditure and has resorted primarily to the Central Bank's monetary issuance to source part of its funding requirements.

The fiscal deficit was Ps. 95,121.6 million in 2019, Ps. 1,749,957 million in 2020 and Ps. 1,407,641 million in 2021. Public spending was Ps. 3,431,746 million in 2019, Ps. 5,049,123 million in 2020 and Ps. 7,733,816 million in 2021.

We cannot assure you that the government will not seek to finance its deficit by gaining access to the liquidity available in the local financial institutions. In that case, government initiatives that increase the exposure of local financial institutions to the public sector could affect our liquidity and assets quality and have a negative effect on clients' confidence in the financial system.

In addition, further deterioration in fiscal accounts could negatively affect the Argentine government's ability to access the international financing markets and could result in increased pressure on the Argentine private sector to cover the Argentine government's financial needs. This could adversely affect the Argentine economy and our business, financial condition and results of operations.

Failure to adequately address actual and perceived risks of institutional deterioration may adversely affect Argentina's economy and financial condition.

In Transparency International's 2021 Corruption Perceptions Index survey of 180 countries, Argentina was ranked 96, down from 78 in 2020. A lack of a solid institutional framework has been identified as, and continue to be, a significant problem for Argentina. Failure to address these issues could increase the risk of political instability, distort decision-making processes and adversely affect Argentina's international reputation and ability to attract foreign investment, and consequently, may negatively affect our business, financial condition and results of operations. Although the Argentine government has taken several measures aimed at strengthening Argentina's institutions, the Bank cannot guarantee the implementation of measures to ensure transparency and integrity in a highly polarized political context.

An outbreak of a new pandemic may have material adverse consequences on the Argentine Economy.

An outbreak of a pandemic, disease or similar public health threat, such as the ongoing COVID-19, which has had and may continue to have material adverse consequences for the global economic, financial, and business conditions, could materially and adversely affect our business, financial condition and results of operations. In order to assuage the adverse effect of the COVID-19 pandemic on the Argentine economy, the Argentine government has taken certain monetary and fiscal measures, in addition to other measures adopted by the Central Bank. Such measures included: layoff limitations, price controls, lower reserve requirements on bank lending to households and micro-, small- and medium-sized enterprises, temporary easing of bank loan classification rules, a temporary prohibition on charging fees related to ATM services, the suspension of account closures, the reduction of maximum credit card interest rates, freezing and/or postponement of certain loan payments, healthcare benefit extensions, tax reductions and certain other financial assistance programs in connection with the COVID-19 pandemic.

We cannot predict or estimate the future negative impact that a new pandemic or a new wave of the ongoing COVID-19 pandemic will have on our business, results of operations, and financial condition, and will depend on events outside of our control, including the intensity and duration of the pandemic and the measures taken by the different governments, including the Argentine government, in order to contain the pandemic and/or mitigate the economic impact.



For more information regarding the effects of the COVID-19 pandemic and its impact, see note 54 “Effects of the coronavirus (Covid-19) outbreak” to our audited consolidated financial statements as of December 31, 2021 and 2020, “Item 4.B.—Business Overview—Argentine Banking Regulation—Central Bank’s measures in response to the pandemic of COVID-19;” and “item 5.D. – Trend Information/Impact related to COVID-19 pandemic”.

Climate change can create transition risks, physical risks and other risks.

There is an increasing concern over the risks of climate change and related environmental sustainability matters. Climate change may imply three primary drivers of financial risk that could adversely affect us:

- Transition risks associated with the move to a low-carbon economy, both at idiosyncratic and systemic levels, such as through policy, regulatory and technological changes, which could increase our expenses and impact our strategies.
- Physical risks related to discrete events, such as flooding and wildfires, and extreme weather impacts and longer-term shifts in climate patterns, such as extreme heat, sea level rise and more frequent and prolonged drought, which could result in financial losses that could impair asset values and the creditworthiness of our customers. Such events could disrupt our operations or those of our customers or third parties on which we rely and do business with, including through direct damage to assets and indirect impacts from supply chain disruption and market volatility.
- Liability risks derived from parties who may suffer losses from the effects of climate change and may seek compensation from state entities, regulators, investors and lenders, among others.

These primary drivers could materialize, among others, in the following financial risks:

- Credit risks: Physical climate change could lead to increased credit exposure and companies with business models not aligned with the transition to a low-carbon economy may face a higher risk of reduced corporate earnings and business disruption due to new regulations or market shifts.
- Market risks: Market changes in the most carbon-intensive sectors could affect energy and commodity prices, corporate bonds, equities and certain derivatives contracts. Increasing frequency of severe weather events could affect macroeconomic conditions, weakening fundamental factors such as economic growth, employment and inflation.
- Operational risks: Severe weather events could directly impact business continuity and operations both of customers and ours.
- Reputational risk: our reputation and client relationships may be damaged as a result of our practices and decisions related to climate change, social and environmental matters, or to the practices or involvement of our clients, in certain industries or projects associated with causing or exacerbating climate change.

As climate risk is interconnected with all key risk types, we have developed and continue to enhance processes to embed climate risk considerations into our risk management strategies; however, because the timing and severity of climate change may not be predictable, our risk management strategies may not be effective in mitigating climate risk exposure.

Any of the conditions described above could have a material adverse effect on our business, financial condition and results of operations.

Risks relating to the Argentine financial system

The growth and profitability of Argentina’s financial system depends on the growth of the long-term credit market.

Since most deposits are short-term deposits, a substantial portion of the loans have the same or similar maturities, and there is a small portion of long-term credit lines.

The proportion of long-term credit lines, such as mortgage loans, is low and long-term loan originations were significantly reduced in 2019, 2020 and 2021, as a result of high interest rates and the difficult financial and macroeconomic backdrop.

The uncertainty of the level of inflation in future years is a principal obstacle to a faster recovery of Argentina’s private sector long-term lending. This uncertainty has had and may continue to have a significant effect on both the supply of and demand for long-term loans, as borrowers try to hedge against inflation risk by borrowing at fixed rates while lenders hedge against inflation risk by offering loans at floating rates.

If longer-term financial intermediation activity does not grow, the ability of financial institutions, including us, to generate profits will be negatively affected.



The stability of the financial system depends upon the ability of financial institutions, including us, to retain the confidence of depositors.

The measures implemented in the past by the Argentine government regarding financial institutions, particularly the restrictions imposed on depositors in relation to the possibility of freely withdrawing funds from banks and “pesification” and restructuring of their deposits, caused losses to many depositors and weakened the confidence in the Argentine financial system.

The Argentine financial system’s growth depends heavily on deposit levels, due to the small size of its capital market and the absence of foreign investments in previous years. During the last years, numerous local financial institutions, including the Bank, have had access to global financial markets to obtain financing through the placement of debt securities, in satisfactory conditions, but this trend has come to an end due to the adverse macroeconomic conditions in recent years. Therefore, there is uncertainty about whether the current availability of funds in international markets will be regained in the coming years.

Although liquidity levels are currently reasonable, it is not possible to offer any guarantee that these levels will not decrease in the future due to adverse economic conditions that could negatively affect the financial system and the Bank’s business. Furthermore, while banks’ liquidity in foreign currency is high, a significant share of it is deposited at the Central Bank, and as a result, banks have to rely on the Central Bank in order to access those funds. If we were to experience significant withdrawals by depositors, it could have a material adverse effect on our business, results of operations and financial condition.

As a result of the aforementioned, the deposit base of the Argentine financial system, including ours, may be further affected in the future by adverse economic, social and political events. If there were a further loss of confidence due to such economic, social and political events causing depositors to withdraw significant holdings from banks, there could be a substantially negative effect on the manner in which financial institutions, including us, conduct their business and on their ability to operate as financial intermediaries. International loss of confidence in the financial institutions may also affect the behavior of Argentine depositors which could have a negative impact on our business, financial condition and results of operations.

Our asset quality and that of other financial institutions may continue to deteriorate if the Argentine private sector is affected by economic events in Argentina or international macroeconomic conditions.

The capacity of numerous Argentine private sector debtors to repay their loans has deteriorated significantly during the past years as a result of certain economic events in Argentina or macroeconomic conditions, materially affecting the asset quality of financial institutions, including us. During recent years the capacity of many Argentine private sector debtors to repay their loans has deteriorated significantly, materially affecting the asset quality of financial institutions, including us.

In particular, the COVID-19 pandemic has had a significant negative impact on the Argentine economy. Production and consumption have declined markedly, affecting employment levels and financial flows, among other things. Despite the measures adopted by the Central Bank to temporarily reduce delinquency levels, the negative results of the deterioration of debtors’ financial capacity were undeniable.

The Bank cannot assure that the economic crisis will abate and that private sector debtors will improve their ability to pay. Despite the current quality of its portfolio, the Bank may not be successful in recovering substantial portions of outstanding loans. If Argentina’s economic growth continues to slow or the financial condition of the private sector deteriorates further, the financial system, including the Bank, could experience an increase in the incidence of non-performing loans.

Reduced spreads between interest rates received on loans and those paid on deposits, without corresponding increases in lending volumes, could adversely affect the financial system.

The spread for Argentina’s financial system between the interest rates on loans and deposits could be affected as a result of increased competition in the banking sector and the Argentine government’s tightening of monetary policy in response to inflation concerns.

We cannot guarantee that interest rate spreads will remain attractive unless increases in our volume of lending or additional cost-cutting takes place. A reversal of this trend could adversely affect the financial system and our business.

The application of the Consumer Protection Law may prevent or limit the collection of payments with respect to services rendered by us.

Law No. 24,240 as amended and supplemented from time to time (the “Consumer Protection Law”) sets forth certain rules and principles designed to protect consumers, which include our customers. The Consumer Protection Law contains specific rules regarding financial activities and also general rules that may be used to support its application, pursuant to legal precedents.



Additionally, the National Civil and Commercial Code has incorporated the principles of Consumers Protection Law and has established its application to banking sector contracts. Moreover, Law No. 25,065 (as amended and supplemented from time to time by Law No. 26,010 and Law No. 26,361, the “Credit Card Law”) also sets forth several mandatory regulations designed to protect credit card holders. Also, Central Bank’s regulations provide wide protection to clients of financial services institutions limiting the fees and charges that such institutions can charge to their clients.

Both the involvement of the applicable administrative authorities at the federal, provincial and local levels, and the enforcement of the Consumer Protection Law and the Credit Card Law by the courts are increasing. This trend has increased general consumer protection levels. In the event of we are found responsible for violating the provisions of the Consumer Protection Law, the Credit Card Law, or the consumer protection regulations issued by the Central Bank, potential penalties may limit our ability to collect payments owed for services and credits which may, in turn, adversely affect the financial results of our operations.

Class actions against financial entities for an indeterminate amount may adversely affect the profitability of the financial system.

Certain public and private organizations have initiated class actions against financial institutions in Argentina, including us, some of which have been favorable contested while others were duly appealed by the Bank. The Argentine National Constitution and the Consumer Protection Law contain certain provisions regarding class actions. However, their guidance with respect to procedural rules for instituting and trying class action cases are limited. Nevertheless, by means of an *ad hoc* doctrine construction, Argentine courts have admitted class actions in some cases, including various lawsuits against financial entities related to “collective interests” such as alleged overcharging on products, applied interest rates and advice in the sale of public securities, among others. If class action plaintiffs were to prevail against financial institutions, their success could have an adverse effect on the financial industry and on our business.

Governmental measures and regulatory framework affecting financial entities could have a material adverse effect on the operations of financial entities.

The Argentine government has historically exercised significant influence over the economy and the financial system. Financial institutions, in particular, have operated in a highly regulated environment. The Bank is actively supervised by the Argentine Central Bank, the Argentine Securities and Exchange Commission and the Financial Information Unit (“UIF”, per its initials in Spanish), among other agencies. As part of its supervisory duties, the Bank may be subject to sanctions if it detects non-compliance with applicable regulations. The Central Bank has the power to supervise compliance with the regulations applicable to the financial system. Similarly, the CNV has the power to supervise compliance regarding market operations, as well as to make recommendations and instruct best practices in the area of securities trading of corporate governance regulations. Finally, The UIF regulates matters related to money laundering and has the power to supervise regulatory compliance by obligated entities. For more information, see “*Item 4.B.—Business Overview—Argentine Banking Regulation*”.

Any insolvency proceeding against financial institutions would be subject to the powers of and intervention by the Central Bank, which may limit remedies otherwise available and extend the duration of the proceedings.

The Bank has no control over governmental regulations or laws governing all aspects of its operations, including: minimum capital requirements; minimum cash reserve requirements; requirements on fixed-rate asset investments; limits on lending capacity and other credit restrictions, including mandatory allocations; limits and other restrictions on fees; reduced time for financial institutions to deposit the amount of credit card sales into appropriate merchant accounts; limits on the amount of interest a bank may charge or pay, or on the period for capitalizing interest; limits on the amount of interest a bank may charge or pay, or on the period for capitalizing interest; limits on the amount of interest a bank may charge or pay; limits on the interest a bank may charge or pay, or on the period for capitalizing interest; accounting and statistical requirements; restrictions on dividends; limits or restrictions on foreign exchange; limits on market share; reporting or control regimes as agents or regulated entities; and changes in the deposit insurance regime.

It is not possible to offer any guarantee that new stricter regulations will not be implemented in the future that may generate uncertainty and adversely affect future financial activities and the results of our operations. Such changes in the regulatory framework and further changes in the future could limit the ability of financial institutions, including us, to make long-term decisions, such as asset allocation decisions, which could cause uncertainty with respect to our future financial condition and results of operations. We cannot assure that laws and regulations currently governing the economy, or the financial sector will not continue to change in the future or that any changes will not adversely affect our business, financial condition and results of operations.



Certain changes to services and commissions charged by financial entities on debit and credit card sales may affect Argentine financial institutions.

Financial institutions receive income from the commissions they charge merchants on debit and credit card transactions. A change in applicable law that place limits on the fees that merchants may be charged may adversely reduce revenues of the Argentine financial institutions. In March 2017, the Central Bank issued Communication “A” 6212, reducing credit and debit card fees on a gradual annual plan. The maximum debit card sales commissions for 2020 was 0.70% and 0.60% for 2021 and after. The application of the limits established by the Central Bank and any further reduction in credit and debit card sales commissions could adversely affect our profitability, financial condition and results of operations.

It is not possible to offer any guarantee that new regulations on such a matter will not be implemented in the future that may reduce future financial revenues. Such could in turn have a negative impact on the Argentine financial institutions and, in turn, on our business, financial position and results of operations.

Increased operating costs may affect the Argentine financial institutions results of operations.

Argentine financial institutions face the risk of potential claims initiated by individual workers or unions, and possible strikes or general strikes, in the context of negotiations relating to salary increases, benefits and/or compensation. The occurrence of any of the above could increase our operating costs, which could in turn have a negative impact on the Argentine financial institutions and, in turn, on our business, financial position and results of operations.

Risks relating to us

Our target market may be the most adversely affected by economic recessions.

Our business strategy is to increase fee income and loan origination in one of our principal target markets; low- and middle-income individuals and PyMEs.

This target market is particularly vulnerable to economic recessions and, in the event of a recession, growth in our target market may slow and consequently adversely affect our business. The Argentine economy as a whole, and our target market in particular, have not stabilized enough for us to be certain that demand will continue to grow. Therefore, we cannot assure you that our business strategy will ultimately be successful without undue delay or at all.

Major shareholders have the ability to direct our business and their interests could conflict with yours.

As of December 31, 2021, our major shareholders, Security Trust JHB BMA and Delfin Jorge Ezequiel Carballo, directly or beneficially owned 5,995,996 Class A shares and 104,473,881 Class B shares, and 4,901,060 Class A shares and 106,824,523 Class B shares, respectively. The shares owned by Security Trust JHB BMA were transferred to such trust upon the death of Jorge Horacio Brito in November 2020 as a testamentary disposition, ad referendum of the Central Bank of Argentina. Security Trust JHB BMA’s beneficiaries are Mr. Jorge Horacio Brito’s heirs apparent. Security Trust JHB BMA’s decisions are made by the trustee.

Although there is no agreement among them, if voting together, they could control all decisions made by shareholders with respect to us. They might, without the attendance of the remaining shareholders, elect a majority of our directors, effect or prevent a merger, sale of assets or other business acquisition or disposition, cause us to issue additional equity securities, effect a related party transaction and determine the timing and amounts of dividends, if any.

We will continue to consider acquisition opportunities, which may not be successful.

We have historically expanded our business primarily through acquisitions. We will continue to consider attractive acquisition opportunities that we believe may offer additional value and are consistent with our business strategy. We cannot assure you, however, that we will be able to identify suitable acquisition candidates or that we will be able to acquire promising target financial institutions on favorable terms or that the Central Bank will approve any such transaction without undue delay or at all. Additionally, our ability to obtain the desired effects of any such acquisitions will depend in part on our ability to successfully complete the integration of those businesses and capture expected synergies, of which there can be no assurance. The integration of acquired businesses entails significant risks, including customer retention, integration, valuation adjustments and liability assumption risks. Any integration process gives rise to costs and uncertainties and may strain management resources and business functions. The occurrence of any of the above may have a material adverse effect on our business, results of operations, cash flow or financial condition.



Our estimates and established reserves for credit risk and potential credit losses may prove to be inaccurate and/or insufficient, which may materially and adversely affect our financial condition and results of operations.

A number of our products expose us to credit risk, including consumer loans, commercial loans and other receivables. Changes in the income levels of our borrowers, increases in the inflation rate or an increase in interest rates could have a negative effect on the quality of our loan portfolio, causing us to increase provisions for loan losses and resulting in reduced profits or in losses.

We estimate and establish reserves for credit risk and expected credit losses. This process involves subjective and complex judgments, including projections of economic conditions and assumptions on the ability of our borrowers to repay their loans. We may not be able to timely detect these risks before they occur, or due to limited resources or availability of tools, our employees may not be able to effectively implement our credit risk management system, which may increase our exposure to credit risk.

As of December 31, 2021, the Bank decided to make a forward-looking adjustment as a consequence of estimating an incremental effect in the provisions determined by ECL (Expected Credit Losses) in order to cover an uncertain macroeconomic scenario derived from the lack of agreement in the rescheduling of the debt held by the National Government with the International Monetary Fund (IMF). For further information see note 52.1.4 “Additional forward-looking allowances based on expert credit judgment”, section “Adjustment for uncertainty in external obligation restructuring”, of the audited consolidated financial statements as of December 31, 2021, and 2020.

Overall, if we are unable to effectively control the level of non-performing or poor credit quality loans in the future, or if our loan loss reserves are insufficient to cover future loan losses, our financial condition and results of operations may be materially and adversely affected.

Changes in market conditions, and any risks associated therewith, could materially and adversely affect our financial condition and results of operations.

We are directly and indirectly affected by changes in market conditions. Market risk, or the risk that values of assets and liabilities or revenues will be adversely affected by variation in market conditions, is inherent in the products and instruments associated with our operations, including loans, deposits, securities, bonds, long-term debt and short-term borrowings. Changes in market conditions that may affect our financial condition and results of operations include fluctuations in interest and currency exchange rates, securities prices, changes in the implied volatility of interest rates and foreign exchange rates, among others.

Cybersecurity events could negatively affect our reputation, our financial condition and our results of operations.

We depend on the efficient and uninterrupted operation of internet-based data processing, communication and information exchange platforms and networks, including those systems related to the operation of our automatic teller machine (“ATM”) network. We have access to large amounts of confidential financial information and control substantial financial assets belonging to our customers as well as to us. In addition, we provide our customers with continuous remote access to their accounts and the possibility of transferring substantial financial assets by electronic means. Accordingly, cybersecurity is a material risk for us. Cybersecurity incidents, such as computer break-ins, phishing, identity theft and other disruptions could negatively affect the security of information stored in and transmitted through our computer systems and network infrastructure and may cause existing and potential customers to refrain from doing business with us.

During last year, there has been an increase in cases of phishing, and especially of telephone phishing or Vishing and Angler phishing, through social networks, in order to deceive clients and obtain confidential information using different techniques of social engineering. In addition, our risk and exposure to these matters remains heightened because of the evolving nature and complexity of these threats from cybercriminals and hackers. Preventive measures and security components continue to be developed to improve the preventive measures against such kinds of fraud and increase the level of protection of information. In this sense, we have taken measures to mitigate the cases of phishing and digital fraud and protect our customers.

However, contingency plans in place may not be sufficient to cover liabilities associated with any such events and, therefore, applicable insurance coverage may be deemed inadequate, preventing us from receiving full compensation for the losses sustained as a result of such a disruption. Although we intend to continue to implement security technology devices and establish operational procedures to prevent such damage, we cannot assure you that all of our systems are entirely free from vulnerability and these security measures will be successful. If any of these events occur, it could damage our reputation, entail serious costs and affect our transactions, as well as our results of operations and financial condition.



Our business is highly dependent on properly functioning information technology systems and improvements to such systems.

Our business is highly dependent on the ability of our information technology systems and the third-party managers of such systems to effectively manage and process a large number of transactions across numerous and diverse markets and products in a timely manner. In addition, we provide our customers with continuous remote access to their accounts and the possibility of transferring substantial financial assets by electronic means. The proper functioning of our financial control, risk management, accounting, customer service and other data processing systems is critical to our business and our ability to compete effectively. Our business activities may be materially disrupted if there were a partial or complete failure of any of our information technology systems communication networks. Such failures could be caused by, among other things, software bugs, computer virus attacks or intrusions, phishing, identity theft or conversion errors due to system upgrading. In addition, any security breach caused by unauthorized access to information or systems, or intentional malfunctions or loss or corruption of data, software, hardware or other computer equipment, could have a material adverse effect on our business, results of operations and financial condition.

Our ability to remain competitive and achieve further growth will depend in part on our ability to upgrade our information technology systems and increase our capacity on a timely and cost-effective basis. Any substantial failure to improve or upgrade information technology systems effectively or on a timely basis could materially affect us.

An increase in fraud or transactions errors may adversely affect us.

Given the number of transactions that take place in a financial institution, although we have implemented numerous controls to avoid the occurrence of inefficient or fraudulent operations, errors can occur and aggravate even before being detected and corrected. In addition, some of our transactions are not fully automatic, which may increase the risk of human error or manipulation, and it may be difficult to detect losses quickly. Likewise, cybersecurity is a significant risk to us. Cybersecurity incidents or personal and confidential information may adversely affect the security of information stored and transmitted through the Issuer's computer systems and may cause existing and potential customers to refrain from doing business with us.

Given the high volume of transactions that may occur at a financial institution, errors could be repeated or compounded before they are discovered and remedied. Losses from fraud by employees or outsiders, unauthorized transactions by employees and other operational errors could have a material adverse effect on us.

Liquidity issues could arise that may adversely affect our business.

Any significant changes in the liquidity conditions prevailing in the market arising from material adverse effects on the Argentine economy, on the financial system, and on us, could affect our regular performance of business and, in particular, our funding sources.

We have, and we expect that we will continue to have, significant liquidity and capital resource requirements to finance our business. However, our current and future potential indebtedness could have significant consequences, including the limitation on our ability to refinance existing debt or to borrow money to finance working capital, acquisitions and capital expenditures and the need to allocate a significant part of our cash flow to repay principal and interest, adversely affecting our ability to make dividend payments on our shares and the ADSs.

We cannot assure that changes in the liquidity conditions of the Argentine financial system, either at present or in the future, will not have an adverse effect on our business. If so, our financial, economic or other condition, our results, operations, business, and/or our general repayment ability could be significantly and adversely affected.



Argentina's implementation of the Corporate Criminal Liability Law and other anti-corruption laws and regulations may expose us to compliance risks.

Due to the nature of our business, we are required to comply with various anti-corruption laws and regulations, including those of Argentina and the U.S. Foreign Corrupt Practices Act of 1977 (the "FCPA"), regarding customer and market conduct, anti-corruption and the prevention of money laundering and the financing of terrorists. These laws and regulations generally prohibit improper payments to government officials for the purpose of obtaining or keeping business or securing any improper advantage. If we do not successfully comply with applicable anti-corruption laws and regulations designed to combat governmental corruption, we could become subject to fines, penalties or other regulatory sanctions, civil litigation as well as to adverse press coverage, which could cause our reputation and business to suffer.

Although we are committed to conducting business in a legal and ethical manner and in compliance with local and international statutory requirements and standards applicable to our business, as we directly or indirectly deal with entities whose employees are government officials, there is a risk that our management, employees or representatives may take actions that could violate applicable laws and regulations. Guilty pleas by or convictions of us or of any our affiliates (including any of our major shareholders, employees or other agents) in criminal proceedings may have adverse effects on our business.

In addition, there is a risk that third parties using our banking network may carry out illegal or improper activities. Moreover, as technology keeps evolving, the surge of cryptocurrencies and blockchain, and adverse economic conditions, financial crimes could increase while limiting our ability to track the movement of funds.

Increased attention to environmental, social and governance ("ESG") matters may impact our business.

Our business faces increasing public scrutiny related to ESG activities. We risk damage to our brand and reputation if we fail to act responsibly in a number of areas, such as environmental stewardship, corporate governance and transparency as well as considering ESG factors in our operations. Adverse incidents with respect to ESG activities could impact our brand, the cost of our operations and relationships with clients and other stakeholders, all of which could adversely affect our business and results of operations. Additionally, new regulatory initiatives related to ESG could adversely affect our business and increase our cost of operations.

Risks relating to our Class B shares and the ADSs

Holders of our Class B shares and the ADSs may not receive any dividends.

In 2003, the Central Bank prohibited financial institutions from distributing dividends. In 2004, the Central Bank amended the restriction to require the Central Bank's prior authorization for the distribution of dividends. Under Central Bank Rules on distribution of dividends, the capital remaining after the distribution of dividends must be sufficient to meet the regulatory capital increased by 75%. See "*—Risks relating to the Argentine financial system —Governmental measures and regulatory framework affecting financial entities could have a material adverse effect on the operations of financial entities*".

Since January 2016, pursuant to Central Bank Communication "A" 5827, additional capital margin requirements have to be complied with, including a capital conservation margin and a countercyclical margin. The capital conservation margin shall be 2.5% of the amount of risk weighted assets ("RWA"), in the case of entities considered D-SIB, like us, and the margin will be increased to 3.5% of the amount of RWA. The countercyclical margin shall be within a range of 0% to 2.5% of RWA, but Central Bank Communication "A" 5938, established countercyclical margin of 0% since April 1, 2016. This margin can be reduced or cancelled by the Central Bank upon its determination that the systematic risk has been diminished.

We obtained authorization from the Central Bank to distribute dividends corresponding to fiscal years 2003 through 2010. For the fiscal years ended December 31, 2011 and 2012, we were not able to distribute dividends because we did not reach the regulatory threshold for dividend distribution under Central Bank regulations. We did reach such regulatory threshold and obtained the authorization from the Central Bank to distribute dividends for the fiscal years ended December 31, 2013, 2014, 2015 and 2016, respectively. Pursuant to Central Bank Communication "A" 6464 and because we met the requirements, as we exceed the capital needed to cover the legal requirements and, as we complied with the additional capital margins required by the aforementioned regulation, the payment of dividends did not require prior Central Bank authorization for the years 2017 and 2018.

On January 31, 2020, the Central Bank issued Communication "A" 6886, pursuant to which financial entities must obtain prior approval of the Central Bank in order to distribute dividends. The Superintendency shall take into account the effects of the enforcement of section 5.5 of the International Financial Reporting Standards 9 by Communication "A" 6430 and the restatement of the financial statements as provided by Communication "A" 6651, among others.



On March 19, 2020, in the midst of the COVID-19 crisis, the Central Bank issued Communication “A” 6939, as amended, by virtue of which the distribution of dividends by financial entities have been suspended at least until December 31, 2021. On December 2021, by means of Communication “A” 7421, as amended, the Central Bank authorized financial entities to distribute dividends for up to 20% of the amount of earnings that should have been distributed if the “Earnings distributions” rules had been applied, from January 1, 2022, to December 31, 2022. Those financial entities authorized by the Central Bank to distribute their profits must make such distribution in 12 equal, monthly and consecutive installments. We cannot assure this measure or others with similar effect will not be extended after this period nor the extent to which the measure may affect holders of our Class B shares or ADSs.

Holders of our Class B shares and the ADSs located in the United States may not be able to exercise preemptive rights.

Under Argentine Corporate Law No. 19,550 (the “Argentine Corporate Law”), if we issue new shares as part of a capital increase, our shareholders may have the right to subscribe to the proportional number of shares to maintain their existing shareholding. Rights to subscribe for shares in these circumstances are known as preemptive rights. Upon the occurrence of any future increase in our capital stock, U.S. holders of Class B shares or ADSs will not be able to exercise the preemptive rights for such Class B shares or ADSs unless a registration statement under the U.S. Securities Act of 1933, as amended (the “Securities Act”), is effective with respect to such Class B shares or ADSs or an exemption from the registration requirements of the Securities Act is available. We are not obligated to file a registration statement with respect to those Class B shares or ADSs. We cannot assure you that we will file such a registration statement or that an exemption from registration will be available. Unless those Class B shares or ADSs are registered or an exemption from registration applies, a U.S. holder of our Class B shares or ADSs may receive only the net proceeds from those preemptive rights if those rights can be sold by the depository. If they cannot be sold, they will be allowed to lapse. Furthermore, the equity interest of holders of Class B shares or ADSs located in the United States may be diluted proportionately upon future capital increases.

We are traded on more than one market, which may result in price variations and investors may not be able to easily move shares for trading between such markets.

The trading prices of our ADSs and our Class B shares may differ on different markets due to various factors. Any decrease in the price of our Class B shares on the BYMA or the MAE could cause a decrease in the trading price of the ADSs on the NYSE. Investors could seek to sell or buy our shares to take advantage of any price differences between the markets through a practice referred to as arbitrage. Any arbitrage activity could create unexpected volatility in both our share prices on one exchange, and the ADSs available for trading on the other exchange. In addition, holders of ADSs will not be immediately able to surrender their ADSs and withdraw the underlying Class B shares for trading on the other market without effecting necessary procedures with the depository. This could result in time delays and additional cost for holders of ADSs.

Our shareholders may be subject to liability for certain votes of their securities.

Our shareholders are not liable for our obligations. Instead, shareholders are generally liable only for the payment of the shares they subscribe. However, shareholders who have a conflict of interest with us and who do not abstain from voting may be held liable for damages to us, but only if the transaction would not have been approved without such shareholders’ votes. Furthermore, shareholders who willfully or negligently vote in favor of a resolution that is subsequently declared void by a court as contrary to the Argentine Corporate Law or our bylaws may be held jointly and severally liable for damages to us or to other third parties, including other shareholders.

Payments on Class B shares or ADSs may be subject to FATCA withholding.

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, as amended, commonly known as FATCA, a “foreign financial institution” may be required to withhold on certain payments it makes (“foreign passthru payments”) to persons that fail to meet certain certification, reporting, or related requirements. We are a foreign financial institution for these purposes. A number of jurisdictions have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA (“IGAs”), which modify the way in which FATCA applies in their jurisdictions. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as the Class B Shares and the ADSs, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Class B shares or the ADSs, are uncertain and may be subject to change. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Class B Shares and the ADSs, proposed regulations have been issued that provide that such withholding would not apply prior to the date that is two years after the date on which final regulations defining “foreign passthru payments” are published in the U.S. Federal Register. In the preamble to the proposed regulations, the U.S. Treasury Department indicated that taxpayers may rely on these proposed regulations until the issuance of final regulations. Holders should consult their own tax advisors regarding how these rules may apply to their investment in the Class B Shares and the ADSs.



We are organized under the laws of Argentina and holders of the ADSs may find it difficult to enforce civil liabilities against us, our directors, officers and certain experts.

We are organized under the laws of Argentina. A significant portion of our and our subsidiaries' assets are located outside the United States. Furthermore, all of our directors and officers and some advisors named in this annual report reside in Argentina. Investors may not be able to effect service of process within the United States upon such persons or to enforce against them or us in United States courts judgments predicated upon the civil liability provisions of the federal securities laws of the United States. Likewise, it may also be difficult for an investor to enforce in United States courts judgments obtained against us or these persons in courts located in jurisdictions outside the United States, including judgments predicated upon the civil liability provisions of the United States federal securities laws. It may also be difficult for an investor to bring an original action in an Argentine court predicated upon the civil liability provisions of the U.S. federal securities laws against us or such persons.

Prior to any enforcement in Argentina, a judgment issued by a U.S. court will be subject to the requirements of 517 through 519 of the Argentine Federal Civil and Commercial Procedure Code if enforcement is sought before federal courts or courts with jurisdiction in commercial matters of the Autonomous City of Buenos Aires. Those requirements are: (1) the judgment, which must be valid and final in the jurisdiction where rendered, was issued by a competent court in accordance with the Argentine principles regarding international jurisdiction and resulted from a personal action, or an in rem action with respect to personal property which was transferred to Argentine territory during or after the prosecution of the foreign action; (2) the defendant against whom enforcement of the judgment is sought was personally served with the summons and, in accordance with due process of law, was given an opportunity to defend against foreign action; (3) the judgment must be valid in the jurisdiction where rendered, and its authenticity must be established in accordance with the requirements of Argentine law; (4) the judgment does not violate the principles of public policy of Argentine law; and (5) the judgment is not contrary to a prior or simultaneous judgment of an Argentine court. Any document in a language other than Spanish, including, without limitation, the foreign judgment and other documents related thereto, requires filing with the relevant court of a duly legalized translation by a sworn public translator into the Spanish language.

Item 4. Information on the Bank

A. History and development of the Bank

Our legal and commercial name is Banco Macro S.A. We are a financial institution incorporated on November 21, 1966, as a *sociedad anónima*, a stock corporation, duly incorporated under the laws of Argentina for a 99-year period and registered on March 8, 1967, with the Public Registry of Commerce of the City of Bahía Blanca, in the Province of Buenos Aires, Argentina under No. 1154 of Book 2, Volume 75 of *Estatutos*. We subsequently changed our legal address to the City of Buenos Aires and registered it with the IGJ on October 8, 1996, under No. 9777 of Book 119, Volume A of *Sociedades Anónimas*.

We file reports, including our annual reports on Form 20-F, and other information with the SEC pursuant to the rules and regulations of the SEC that apply to foreign private issuers. The SEC maintains an internet site that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC. Any filings we make electronically with the SEC are available to the public over the Internet at the SEC's web site at <http://www.sec.gov>.

Our principal executive offices are located at Avenida Eduardo Madero 1172, City of Buenos Aires, Argentina, and our telephone number is (+ 54-11-5222-6500). We have appointed CT Corporation System as our agent for service of process in the United States, located at 28 Liberty St., New York, New York, 10005.

Our history – Banco Macro S.A.

Banco Macro commenced its operations as a non-banking financial institution in 1985, through the acquisition of Macro Compañía Financiera S.A. (created in 1977). In May 1988, it received the authorization to operate as a commercial bank and it was incorporated as Banco Macro S.A. Subsequently, as a result of the merger process with other entities, it adopted other names (among them, Banco Macro Bansud S.A.) and since August 2006, the name of "Banco Macro S.A."

From then onwards and up to 1994, Banco Macro operated as a wholesale bank, being a pioneer in corporate bonds issuances. It mainly acted in the areas of money markets, trading of government and corporate bonds and financial services for medium and big companies.

Since 1994, Banco Macro has substantially changed its business strategy, focusing on retail banking in market areas with a low level of banking transactions and high growth potential, particularly in the regional areas outside the City of Buenos Aires. Following this strategy, in 1996, we started to acquire entities as well as assets and liabilities resulting from the privatization of provincial and other banks, including Banco Misiones, Banco Salta and Banco Jujuy.



In 2001, 2004, 2006 and 2010, Banco Macro acquired control of Banco Bansud S.A., Nuevo Banco Suquia S.A., Nuevo Banco Bisel S.A. and Banco Privado de Inversiones S.A., respectively, expanding through these acquisitions its presence in the south and center of the country. Such entities merged with us on December 2003, October 2007, August 2009 and December 2013, respectively. In addition, during 2006, Banco Macro acquired control of Banco del Tucumán S.A., which was merged with the Bank in October 2019. Additionally, on May 21, 2019, Banco Macro acquired 100% of Argenpay SAU.

In January 2019, Banco Macro accepted an offer by AI Zenith (Netherlands) B.V. (a company related to Advent International Global Private Equity) for the purchase of Prisma Medios de Pago S.A. ("Prisma"). Such acceptance occurred within the framework of the divestment commitment assumed by Prisma and its shareholders before the National Antitrust Commission (Comisión Nacional de Defensa de la Competencia, CNDC). The transaction included the purchase of 1,933,051 ordinary shares with a par value of 1 Peso each and with one vote per share, representing 4.6775% of the capital stock, equivalent to 51% of Banco Macro's shareholding in Prisma. On October 1, 2021, within the framework of the aforementioned commitment, the Bank, together with the other class B shareholders of Prisma, sent the corresponding notice of the exercise of the put option and thus initiated the procedure for the sale of the remaining 49% of Prisma's capital stock and votes. On March 18, 2022, the Bank informed that the transfer of all of the Bank's remaining shareholding in Prisma in favor of AI ZENITH (Netherlands) B.V. representing 4.4941% of Prisma's capital stock and votes was completed. The price for such participation amounts to U.S. Dollars 33,017,761.20 and will be paid as follows: (i) 30% in Pesos at a UVA rate plus 15% nominal annual rate and (ii) 70% in U.S. Dollars at a rate of 10% nominal annual rate within a term of six years. It was also agreed that part of the balance of the price for the sale of 51% of the capital stock and votes of Prisma would be paid in two installments, extending the payment term to 2026 and 2027.

Additionally, on July 17, 2020, Banco Macro made an irrevocable capital contribution on account of future subscription of shares to Play Digital SA and on July 23, 2020, the irrevocable contribution was accepted, and the Bank agreed to subscribe 16,250,000 shares with a par value (VN) of Ps.1 representing 25% of the capital stock. On August 26 and October 15, 2020, the Bank made irrevocable capital contributions on account of future subscription of shares to Play Digital SA. The Extraordinary General Shareholders' Meeting of Play Digital SA held on August 26 and October 15, 2020, accepted the irrevocable contributions and agreed that the Bank subscribe 26,634,046 and 58,017,400 shares of VN Ps.1, respectively. On December 15, 2020, the Extraordinary General Meeting of Play Digital SA approved an increase in capital stock and the Bank, on December 16, 2020, subscribed 18,276,059 new shares of VN Ps.1. Also, on March 4 and May 12, 2021, new contributions were made, which were capitalized at the Extraordinary General Meeting held on September 28, 2021, by which the Bank subscribed 96,539,571 shares of VN Ps.1. As a consequence of this last acceptance of capital contributions, the Bank owns 215,717,076 book-entry shares of VN Ps.1 and with the right to 1 vote per share, which is equivalent to 10.020% of the capital stock. Also, on January 17, 2022, the Bank made a new irrevocable capital contribution on account of future subscription of shares in Play Digital SA for 130,758 thousand Pesos. The purpose of this company is to develop and commercialize a payment solution linked to the bank accounts of users of the financial system in order to significantly improve their payment experience. Initially the shareholders, including the Bank, were Banco de Galicia y Buenos Aires SAU, Banco BBVA Argentina SA and Banco Santander Río SA. Subsequently, other entities joined as shareholders in addition to those mentioned above.

Additionally, on October 1, 2021, the Bank decided to make use of the option to reach a 24.99% interest in Fintech SGR. Consequently, the Bank owns 49.9939% of the class "B" shares corresponding to the protective partners. The purpose of this company is to facilitate access to credit for small and medium-sized enterprises (SMEs) through the provision of guarantees.

On October 15, 2021, the Bank acquired shares representing 50% of the capital stock and votes of Finova SA. The purpose of this company is to develop and commercialize the electronic platform www.facturbo.com.ar, which allows the negotiation of credit instruments issued or accepted by large companies in favor of micro, small and medium-sized enterprises (MSMEs).

We currently offer traditional bank products and services to companies, including those operating in regional economies, as well as to individuals, thus reinforcing our objective to be a multi-service bank. In addition, Banco Macro performs certain transactions through its subsidiaries, including mainly Macro Bank Limited, Macro Securities S.A., Macro Fiducia S.A., Macro Fondos S.G.F.C.I. S.A., Argenpay S.A.U. and Fintech SGR.

Our shares have been publicly listed on the BYMA since November 1994 and on the NYSE since March 2006 and have been authorized to list on the MAE since October 2015.

Investment in property

In 2011 we acquired from the Government of the City of Buenos Aires a site located at Avenida Eduardo Madero No. 1180, in the City of Buenos Aires, for an aggregate original amount of Ps.110 million. We built our new corporate headquarters on this site, which was completed in 2019.



The building has an area of 53,300 square meters and, the total aggregate amount invested in the project was approximately U.S.\$186 million at the applicable exchange rates at the end of the month as of the respective dates of such investments.

The new corporate tower was designed to take full advantage of natural light and maximize energy efficiency, while also using materials that do not adversely affect the environment. It was built in compliance with the Leed International Sustainability Standards of the “U.S. Green Building Council. For more information, see Item 4.D “*Property, plants and equipment.*”

B. Business Overview

We are one of the leading banks in Argentina. With the most extensive private-sector branch network in the country, we provide standard banking products and services to a nationwide customer base. We distinguish ourselves from our competitors given our strong financial position and our focus on low- and middle-income individuals and PyMEs, generally located outside of the City of Buenos Aires. We believe this strategy offers significant opportunity for continued growth in our banking business. According to the Central Bank, as of June 30, 2021, we were ranked first in terms of branches, second in terms of equity and fourth in terms of total loans and total deposits among private banks in Argentina.

As of December 31, 2021, on a consolidated basis, we had:

- Ps. 999,299.5 million (U.S.\$ 9,725.5 million) in total assets;
- Ps. 352,361.1 million (U.S.\$ 3,429.3 million) in total loans and other financings;
- Ps. 588,850.7 million (U.S.\$ 5,730.9 million) in total deposits;
- approximately, 4.3 million retail customers and 0.09 million corporate customers; and
- approximately, 0.9 million customers with employee payroll accounts for private sector and provincial governments and 0.7 million retiree customers.

In general, given the relatively low level of banking intermediation in Argentina, there are limited products and services being offered. We are focusing on the overall growth of our loan portfolio by expanding our customer base and encouraging them to make use of our lending products. We have a holistic approach to our banking business and do not manage the Bank by segments or divisions or by customer categories, by products and services, by regions, or by any other segmentation for the purpose of allocating resources and assessing profitability. We offer savings and checking accounts, credit and debit cards, consumer finance loans and other credit-related products and transactional services available to our retail customers and PyMEs through our branch network. We also offer *Plan Sueldo* payroll services, lending, corporate credit cards, mortgage finance, transaction processing and foreign exchange. In addition, our *Plan Sueldo* payroll processing services for private companies and the public sector give us a large and stable customer deposit base.

Our competitive strengths

We believe we are well positioned to benefit from opportunities created by the economic and business environment in Argentina. Our competitive strengths include the following:

- *Strong financial position.* As of December 31, 2021, we had excess of regulatory capital of Ps. 197,767 million. (36.1% capitalization ratio). Our excess capital is aimed at supporting growth, and consequently, a higher leverage of our balance sheet.
- *Strong shareholders’ equity.* Our shareholders’ equity as of December 31, 2019, 2020 and 2021 was Ps. 217,948.9 million, Ps. 228,745.7 million and Ps. 239,637.4 million, respectively.
- *Strong presence in fast-growing target customer market.* We have achieved a leading position with low- and middle-income individuals and among PyMEs, generally located outside the City of Buenos Aires, which have been relatively underserved by the banking system. Based on our experience, this target market offers significant growth opportunities and a stable base of depositors.
- *High exposure to export-led growth.* Given the geographical location of the customers we target, we have acquired banks with a large number of branches outside of the City of Buenos Aires with the aim of completing our national coverage. Our focus is particularly on some export-oriented provinces. Most of these provinces engage in economic activities primarily concentrated in areas such as agriculture, mining, cargo transportation, edible oils, ranching and tourism, which have benefited from the export-driven growth in the Argentine economy.
- *Largest private-sector branch network in Argentina.* With 466 branches and 1,779ATMs as of December 31, 2021, we have the most extensive branch network among private-sector banks in Argentina. We consider our branch network to be



our key distribution channel for marketing our products and services to our entire customer base with a personalized approach. In line with our strategy, approximately 94% of these branches are located outside of the City of Buenos Aires.

- *Loyal customer base.* We believe that our customers are loyal to us due to our presence in traditionally underserved markets and our *Plan Sueldo* payroll services. We have benefited from Argentine regulations that require all employees to maintain *Plan Sueldo* accounts for the direct deposit of their wages. In addition, we emphasize face-to-face relationships with our customers and offer them personalized advice.
- *Exclusive financial agent for four Argentine provinces.* We perform financial agency services for the governments of the provinces of Salta, Jujuy, Misiones and Tucumán in northern Argentina. As a result, each provincial government's bank accounts are held in our bank and we provide their employees with *Plan Sueldo* accounts, giving us access to substantial low-cost funding and a large number of loyal customers.
- *Strong and experienced management team and committed shareholders.* We are led by committed shareholders and a senior management team with large experience in the banking industry, who have transformed us in one of the strongest and largest banks in Argentina.

Our strategy

We are a bank committed to society and its development. We are present throughout Argentina with a business strategy focused on a variety of customer profiles. We work to improve the welfare, development and growth at every life-stages of people, companies and organizations through actions that promote financial accessibility by means of physical proximity, digitalization and technology, and financial inclusion via education and products specifically designed for vulnerable sectors, entrepreneurship and small and medium-sized enterprises.

Our main objective is to become a sustainable Bank, which respects human beings and the environment by means of a management based on ethics, respect for diversity and transparency.

Our competitive strengths position us to better participate in the future development of the Argentine financial system. We intend to continue enhancing our position as a leading Argentine bank. The key elements of our strategy include:

- *Focus on underserved markets with strong growth potential.* We intend to continue focusing on both low- and middle-income individuals and PyMEs, most of which have traditionally been underserved by the Argentine banking system and are generally located outside the City of Buenos Aires, where competition is relatively weaker and where we have achieved a leading presence. We believe that these markets offer attractive opportunities given the low penetration of banking services and limited competition.
- *Further develop branch network.* We seek to further expand our branch network management model and the development of the network by opening new branches, reinforcing local business opportunities and targeting support and sale points in accordance with the specific needs of our clients.
- *Further expand our customer base.* We intend to continue growing our customer base, which is essential to increasing interest and fee-based revenues. To attract new customers, we intend to:
 - Offer medium- and long-term credit. We intend to capitalize on the increased demand for long-term credit that we believe will accompany the expected economic trends of Argentina. We intend to use our strong liquidity and our capital base to offer a more readily available range of medium- and long-term credit products than our competitors.



- Focus on corporate banking customers. Increase corporate financing by means of a wide offer of credit and transaction products that suit each client’s profile and needs.
- Expand *Plan Sueldo* payroll services. We will continue to actively market our *Plan Sueldo* payroll services, emphasizing the benefits of our extensive network for companies with nationwide or regional needs.
- Strengthen our market share in credit cards by increasing promotional activity and benefits for clients.
- Further expand the use of automatic channels both in customer acquisition and retail products, increasing operational efficiency.
- Further expand the development of the customer service support, granting them different means to carry out financial transactions without time limits, in a total secure, simple and comfortable manner.
- Grow our high-end customer base through our *Selecta* product suite.
- *Focus on our sustainability objectives.* We intend to focus on our sustainability objectives in line with our business, in the fundamental areas of the Bank and further expand such initiatives.
- *Look for growth opportunities.* A key component of our strategy is the continuous search for growth opportunities, including potential acquisitions. We, at any time, may consider one or more potential acquisitions or similar transactions within the Argentine banking and financial sector, in different stages of evaluation, negotiation and/or revision processes. Any of them may be material considering it individually or collectively.

We operate in accordance with our sustainability policy based on five business-related strategic pillars that affect all our clients, establishing a short-, medium- and long-term sustainability strategy. Our focus is on creating opportunities in each Argentina’s regions through the offering of quality financial products and services and responsible management of business impacts and risks.

Our strategic sustainability pillars are:

- Financial inclusion and education: encouraging the use of banking products and accessibility, focused on lower income sectors and the financial education of all communities. To this end, we are focused on generating financial education products, services, tools and content, in order to educate banking-knowledgeable, critics, reflective and economically responsible citizens who can contribute to the Argentina’s economic growth. Our commitment consists of:
 - Promote bankization (the percentage of the population that uses banking service) and accessibility through the broad network of branches, annexes and ATMs.
 - Include lower-income sectors in the Bank’s value offering.
 - Create innovative products and services to encompass different customer profiles.
 - Develop financial education initiatives in all communities for all types of sectors and activities.
- Direct and indirect environmental effect: encouraging the protection of the environment and society, both internally and in our value chain. Our commitment consists of:
 - Use natural resources efficiently.
 - Raise awareness among employees and customers, seeking an expansive awareness-effect throughout society.
 - Measure the institutional carbon footprint.
 - Responsibly manage technological waste, plastics and paper.
 - Develop an energy saving program.
- Responsibility for the wellbeing and inclusion of people: aiming to improve the quality of life of individuals, we support the professional development of our staff and encourage diversity and inclusion. . Our commitment to this objective consists of:
 - Promoting the generation of local employment to drive the development of regional economies.
 - Empowering talent through a retention strategy and internal professional development.
 - Incorporating benefits for employees and their families.
- Development of PyMEs and enterprises: accompanying our clients in the development of their businesses, offering customized products services and providing knowledge, advice and the best customer service.
 - Our commitment encompasses: Creating products and services tailored to the needs of SMEs and entrepreneurs.
 - Supporting their growth with training and advice.
 - Listening to customers through a customer service system of excellence.
- Transparency in all our actions: in order to create a framework of trust and credibility for all our interest groups, in compliance with the main national and international transparency and management responsibility standards and best practices. Our commitment consists of:
 - Being accountable in a transparent and detailed manner to all of our audiences.



- Having communication channels adapted to each profile.
- Fighting against corruption, money laundering and financing of terrorism.
- Adhering to and complying with the main standards and best practices of transparency and accountability in management at national and international level.
- Developing tools and codes to respect ethics and good conduct in operations.

We also have been focusing our attention to develop good environmental, social and governance practices. In order to meet these objectives, on June 21, 2019, the Bank, together with other founding banks and banking associations as honorary witnesses, subscribed the Sustainable Finance Protocol. This sustainable business protocol represents a milestone for Argentina, as sustainability is placed at the center of the agenda to address the climate change problematic. The protocol comprises 4 strategies:

- To place sustainability at the center of the agenda and in the top management of each of the financial entities;
- To understand the importance of the social-environmental risk analysis of the projects undertaken and the loans granted by the banks, focusing on analyzing not only the repayment capacity but to understand how those projects influence and affect the society and environment;
- To promote the creation of new products and services associated to the green or sustainable agenda; and
- To generate education and training to develop and extend these concepts to the entire financial system.

Within this framework, the Bank has developed a Corporate Banking Credit Policy that encompass the analysis of less conventional risks, including environmental, labor, human rights and transparency aspects. In particular, some of the variables considered for analysis are the environmental impact management in regard to the handling of supplies, responsible use of natural resources, waste management, greenhouse gas emissions, publication of a Corporate Social Responsibility or Sustainability report, systematic development of private social investment with strategic alliances of civil society organizations with which the Bank works and measurement of the impact on the community, implementation of a Code of Conduct or Business Ethics, certifications related to sustainable management, actions with customers that have a positive social or environmental impact, products with social and environmental purposes and inclusive purchases from vulnerable sectors, among others.

In addition, the Bank seeks to expand access to credit for vulnerable sectors, focusing on financial products for profiles that are traditionally underserved, since we believe that true financial inclusion occurs when everyone can benefit from financial products and services according to their needs and circumstances. Among the inclusive products and services we offer, we would like to highlight the following:

- Personal loan line for AUH beneficiaries;
- Financing line for beneficiaries of ex gratia pensions (former Malvinas combatants, people with different capacities, etc.);
- Actions with social impact focused on financial inclusion;
- Lines for retirees and pensioners;
- Personal loans and credit card access for informal customers, with no verifiable activity;
- Mortgage loans to finance the acquisition or construction of wooden houses;
- Programa Procrear (mortgage loans) in all its stages and Programa Procrear Joven. This segment includes SMEs, micro-enterprises and regional businesses, to whom the Bank seeks to offer products and services according to their profile, based on their size and the locality where they operate; and
- Programa Naves, which is committed to SMEs and entrepreneurs, providing tools for the development of business plans, and rewards the best initiatives with financing.

In this way, the Bank applies its business for social and environmental purposes, contributing to sustainable development and sustainable finance as a local and global trend.

Our products and services

We provide our customers with a combination of standard products and services that are designed to suit individual needs. We have two broad categories of customers: (i) retail customers, who include individuals and (ii) corporate customers, which include small, medium and large companies. In addition, we provide services to four provincial governments. We offer a relatively narrow range of standard products, which are generally available to both our retail and corporate customers. We have a holistic approach to our banking business and do not manage the Bank by segments or divisions or by customer categories, by products and services, by regions, or by any other segmentation for the purpose of allocating resources and assessing profitability. Our strategy is to grow our business, as demand for credit in Argentina increases, by focusing on cross-selling opportunities among our broad customer base. The following discussion of our business follows the broad customer categories of retail and corporate as a way to understand who our customers are and the products and services that we provide.



Retail customers

Overview

We serve our retail customers with the objective of satisfying their financial needs, whether savings, transactional or funding. Retail customers are classified according to their labor condition or their main income source, in the following categories: *Plan Sueldo* (Salary Plan), Retirees, Open Market and Professionals and Business. We provide services to them throughout Argentina, in particular in areas outside the City of Buenos Aires, which have higher concentrations of low- and middle-income individuals who are traditionally underserved by large private banks. We serve our retail customers through our extensive, nationwide branch network. Approximately 94% of our branches are located outside the City of Buenos Aires.

The table below reflects the number of retail customers broken down by category as of December 31, 2019, 2020 and 2021:

Retail Customers by category	2019	2020	2021
Open Market	1,844,412	2,249,120	2,362,901
<i>Plan Sueldo</i> (private and public sector)	867,322	894,727	945,212
Retirees	698,133	697,469	706,109
Professionals and business and others	292,937	286,421	298,661
Total Retail Customers	3,702,804	4,127,737	4,312,883

We offer our retail customers traditional banking products and services, such as savings and checking accounts, time deposits, credit and debit cards, consumer finance loans (including personal loans), mortgage loans, automobile loans, overdrafts, credit-related services, home and car insurance coverage, tax collection, utility payments, ATMs and money transfers.

Our retail customers provide us with a key source of funding as well as a significant interest and fee income. We believe that our large retail customer client base provides us with an excellent opportunity to expand the volume of our lending business. For example, as of December 31, 2021, only 14.8% of our retail customers currently have a personal loan from us and only 29% currently have a credit card. We believe there is strong potential to increase these percentages.

Our efforts have been aimed at strengthening relationships with our customers by offering them the products that are best suited to their needs and circumstances, through our individualized, professional advice, which we believe is an important feature that distinguishes us in our target markets. Likewise, we have focused on increasing the volume of new customer acquisition with focus on those segments that allow greater efficiency and better result of the cost/benefit equation.

Our main goals for the retail bank are to keep our leading position in personal loans, and steady growth in the credit cards portfolio. In this regard, and aiming to continue growing in the credit card market, we intensified efforts to increase consumption and total assets. We also improved the use of our clients' information as a tool to implement better cross selling, client retention and default prevention commercial actions.

Savings and checking accounts and time deposits

We generate fees from providing account maintenance, account statements, check processing and other direct banking transactions, direct debits, fund transfers, payment orders and bank debit cards. In addition, our time deposits provide us with a strong and stable funding base.

Our commercial and customer bonding actions enable us to achieve growth in the deposit portfolio above market levels, mainly due to an increase in time deposits of retail customers which intensified funding diversification.

Accounts and account packages are the primary channels for cash deposits and are two of the main drivers of fee income. For this reason, we focus on the life cycle of the account packages, promoting loyalty measures and retention of our products. Account packages are growing year after year in terms of volume and quality. During the last few years, the offer was adapted in order to continue offering products and services according to the needs of each customer segment and category.

In 2020 we launched the Universal Free Account, aimed at people who did not have an account in the Financial System in order to encourage the financial inclusion of the unbanked. On the other hand, the Onboarding web was implemented to make it possible to register customers and open savings accounts on the web in simple steps.

Within the framework of the COVID-19 pandemic, we had to implement a set of exceptional measures established by the Government through the Central Bank, such as the suspension of fees and charges for accounts and packages during the month of March 2020 and the suspension of fees for ATM transactions in the country until December 31, 2020, without any distinction between customers and non-customers and the type of account on which the transaction is made.



Through Central Bank Communications “A” 6893 and “A” 7225, dollar savings accounts were implemented, so that customers who so decided could repatriate their funds held abroad. With Communication “A” 7384, the *Caja de Ahorro para Turistas* (Tourist Savings Bank) began to be offered.

We continued working to improve the value proposition, with the objective of becoming the main bank for its customers. The sustained growth year after year, both in volume and quality of the packages, attests to this effort. The number of retail accounts increased by 7% in 2019, by 11% in 2020 and by 4% in 2021.

Our “debit card” service is critical within the framework of our strategy to increase customer transactions by encouraging the use of accounts. Debit card services also help to develop account balances into transactional accounts, as deposits increase, thereby expanding our demand deposit base. In 2019 we incorporate contactless technology in the generation of 100% of the issuances, renewals and reprints of debit cards. We also increased the limits of extraction, purchase and transference in order to favor the use of automated channels to obtain cash. In the COVID-19 pandemic framework, we extended the validity of debit cards so that customers could continue to make ATM withdrawals and not be forced to go to the branch. The number of debit cards we issued, grew 4%, 10% and 6% in 2019, 2020 and 2021, respectively.

The following table reflects the number of retail accounts and debit cards issued as of December 31, 2019, 2020 and 2021:

Product	2019	2020	2021
Savings			
Total savings accounts	4,469,531	5,116,756	5,453,645
Open Market	1,950,655	2,460,278	2,694,988
Retirees	902,580	936,514	975,467
<i>Plan Sueldo</i> (private sector)	744,850	801,889	842,480
<i>Plan Sueldo</i> (public sector)	542,731	584,576	625,275
Professionals and business and others	328,715	333,499	315,435
Checking			
Checking accounts	822,227	750,711	643,964
Electronic Account Access			
Debit Cards	3,601,847	3,948,147	4,187,155

Lending products and services

We offer personal loans, document discounts, residential mortgages, overdrafts, pledged loans and credit card loans to our retail customers.

We intend to continue to increase our retail lending by focusing our marketing efforts on underserved target markets such as low- and middle-income individuals. We also plan to continue to cross-sell our retail lending products to our existing customers, particularly targeting those who may choose to open savings and checking accounts with us because we already provide their payroll and pension services.

In 2019, owing to the complex economic situation in Argentina, the financial market was adversely affected. Faced with this situation, we focused our efforts on increasing deposits and developing commercial actions aimed at retaining customers, increasing the quantity of products per client and attracting salary plans. Additionally, we strengthened our business model by maintaining a well-diversified loan portfolio. In 2019, we retained our market share in consumer products and maintained leadership in personal loans with respect to the competition (other private banks). Furthermore, credit card’s product offering continued operating in a very competitive scenario, continually demanding an acceleration in the processes of digital transformation. In relation to the mortgage loan portfolio, the granting of these loans decreased significantly in relation to the previous year.

Towards the end of 2019, the Argentine government ordered the freezing of mortgage loan installments for first house (*primera vivienda*) (for amounts of up to 120,000 UVAs) applicable from September 2019 to January 2020. To return to the contractually agreed installment, the Argentine Central Bank implemented a gradual increasing system which was originally expected to be applied within 12 months in relation to the inflation index in the period in which the freezing applied.



This system was only applied for 2 months, since through Decree 319/2020 and subsequent provisions, the government ordered new freezes, expanding its scope to all UVA first house mortgage loans.

The Decree 319/2020 of March 29, 2020, established a freeze from April to September 30, 2020, on the value of installments on mortgage loans for single-family homes and pledge loans adjusted by UVAs. The Decree was later extended by Decree 767/20 dated September 25, 2020, and as a result, the monthly value of installments in Pesos of loans granted in UVA will remain unchanged until February 2021 with respect to March 2020 values. The differentials surged from the differences between the contractual installments and the installments resulting from the freeze established in Decrees No. 319/2020 and 767/2020 shall be refinanced in order to be paid at the end of the life of the loan, unless otherwise explicitly indicated by the debtor.

From February 2021, the installments were adjusted again on a monthly basis according to the change in the price of UVAs, although the total adjustment that occurred during the freezing periods is not applied, but rather a convergence plan is in place. Such adjustment will be made increasingly over a period of 18 months, from February 2021 to July 2022, with each installment increasing on a monthly basis by one eighteenth cumulative part of the total adjustment to be applied. The unpaid balances between the amounts of the contractual fees that should have been paid and the amounts of the fees reduced as a result of the freezing and convergence, will be converted to UVAs and will expire at the end of the current schedule of the loan, without accruing interests.

According to Communication "A" 6949 issued by the Central Bank on April 1, 2020, unpaid balances corresponding to maturities of credit assistance granted by financial institutions as from April 1, 2020, until June 30, 2020 (later postponed until March 31, 2021), could only accrue compensatory interest at the contractually stipulated rate therefore they would not accrue punitive interest. The unpaid balances of financings from financial institutions, excluding credit cards, which operated in the aforementioned period, should be incorporated in the month following the end of the life of the credit, considering the accrual of the compensatory interest rate.

By means of Communication "A" 7044 and 7107 of June 18, 2020, and September 17, 2020, respectively, the Central Bank established that the incorporation of unpaid installments at the end of the life of the credit was extended to maturities. Currently, these standards are no longer effect.

In the case of financings from financial institutions under the credit card regime, maturities of account statements that occurred between the 1st and 12th of April 2020 could be cancelled by customers on April 13, 2020, for the same amount of the statement and without any surcharge.

According to Central Bank's Communication "A" 6964 dated April 10, 2020, financial institutions were required to automatically refinance unpaid credit card balances for a one-year term with a three-month grace period, on nine equal and consecutive monthly installments and an annual nominal rate of 43%. By means of Communication "A" 7095, the Central Bank extended the treatment to unpaid balances due from September 1, 2020, to September 30, 2020, except that accrued compensatory interest may not exceed an annual nominal rate of 40%.

In 2021, the retail banking business model was consolidated with a diversified loan portfolio, retaining market share in consumer products and leadership in personal loans.

Different actions were carried out, deploying tools that allowed multiplying credit offers. Among them, we developed a loan offer for all socioeconomic levels, making the requirements more flexible with improvements in the credit evaluation tools. On the other hand, we have been able to provide special financing alternatives for those who had to face the restructuring of their debts due to non-payment of installments during the pandemic.

During 2021, we launched a new indirect sales channel, "Rapicompra", which allowed us to finance products at the point of sale. It was also added the possibility of approaching credit products in a completely digital way thanks to the sale of loans to non-digital customers, with security measures that allow validating the identity with certainty.

To complete the acquisition offer, "Adelanto Tasa 0 %" was launched, which is a 12-month benefit for customers who decide to collect their private salary at the Bank. The plan offers the possibility of modifying the amount of the loan by contracting it at the ATM.

During 2021, we improved our positioning in the Pensioners segment. To this end, 13 new branches were set up as ANSES payment agencies and exclusive benefits were extended, increasing the percentage and reimbursement ceiling for purchases in pharmacies and adding to the offer items such as opticians' shops and breakfasts.



During 2021, we launched the campaign “*Jubilate con Macro*” (Retire with Macro), aimed at customers who are about to retire and retirees and pensioners who receive their pension payments in another bank, reaching more than 50 thousand potential customers. The first internal referral campaign for employees’ relatives was also carried out, and for those people who are part of the *Plan Sueldo* and are about to retire, they are given the option of collecting their pension benefits in the Bank maintaining the same benefits of the bonus package according to the agreement.

In spite of the growing competition in offers and benefits aimed at *Plan Sueldo* customers from our competitors, we have managed to maintain our market share, keeping the fourth position in the number of *Plan Sueldo* customers. For this purpose, we carried out several actions to approach current and potential customers through different channels: launching of commercial and mass communication campaigns, incorporation of new benefits and incentives and distribution of merchandising to the branches of the network for their use in commercial actions of attraction, loyalty, retention and relationship with the companies and *Plan Sueldo* capitals.

In addition, the implementation of a new line of credit to finance the purchase of products or services directly at the points of sale, through a wide network of stores with agreements, the development of small loans or personal loans through agreements with municipalities, so that people with a low level of banking access can have access to the benefits of the system, and the implementation of a product that allows having a salary advance at 0% rate for a segment of customers, with differential conditions, were also highlighted.

As of December 31, 2019, 2020 and 2021, our consumer loan portfolio (without considering other financings) was as follows:

	Consumer loan portfolio (as of December 31, of each year)					
	<i>(in millions of Pesos and as percentage of consumer loan portfolio)</i>					
	2019 (1)		2020 (1)		2021	
Overdraft	1,278.8	0.5%	1,133.7	0.5%	625.4	0.3%
Documents	3,161.5	1.3%	4,029.8	1.7%	4,608.9	2.0%
Mortgage and pledge	33,400.8	13.9%	29,989.5	12.4%	27,980.0	12.3%
Credit Card	83,567.2	34.8%	93,855.2	38.9%	91,929.9	40.6%
Personal loans	116,798.0	48.6%	105,989.2	43.9%	97,747.6	43.1%
Others	2,056.7	0.9%	6,312.4	2.6%	3,739.6	1.7%
Total	240,263.0	100.0%	241,309.8	100.0%	226,631.4	100.0%

(1) Figures stated in millions of Pesos in terms of purchasing power of Pesos as of December 31, 2021.

As of December 31, 2021, personal loans, which comprise the largest share of our consumer loan portfolio, carried an annual average nominal interest rate of 56% and an average maturity of 40 months. Interest rates and maturities vary across products.

Plan Sueldo payroll services

Since 2001, Argentine labor law has provided for the mandatory payment of wages through accounts opened by employers in the name of each employee at financial institutions within two kilometers of the workplace, in the case of urban areas, and ten kilometers of the workplace, in the case of rural areas. There are similar requirements in place for pension payments.

We handle payroll processing for private sector companies and the public sector, which require employers to maintain an account with us for the direct deposit of employee wages. Currently, we provide payroll services for the governments of the Argentine provinces of Misiones, Salta, Jujuy and Tucumán and to the private sector for a total aggregate of 1.6 million retail clients (including retirees). Our *Plan Sueldo* payroll services provide us with a large and diversified deposit base with significant cross-selling potential.

In order to increase the *Plan Sueldo*’s portfolio, in 2021 we focused on incorporating new clients from the private sector and provinces where the Bank does not act as a financial agent, while working to consolidate the relationship with existing clients.

**Corporate customers****Overview**

Legal and natural persons of the private non-financial sector that develop commercial and/or industrial activities are included in the corporate customer category. We provide our corporate customers with traditional banking products and services such as deposits, lending (including overdraft facilities), check cashing advances and factoring, guaranteed loans and credit lines for financing foreign trade and cash management services. We also provide them trust, payroll and financial agency services, corporate credit cards and other specialty products.

The corporate business is focused on classification by size and sector. We have four categories for our corporate customers: (1) small companies, which register up to Ps.1,000 million in sales per year; (2) medium-sized and large companies, which register more than Ps.1,000 million and less than Ps.3,000 million in sales per year; (3) agricultural companies, which include individuals and companies who operate in agriculture or in the commerce of agricultural products; and (4) corporate companies which register more than Ps.3,000 million in sales per year.

The following table reflects our portfolio breakdown, broken down by category as of December 31, 2019, 2020 and 2021:

Portfolio conformation	2019	2020	2021
Corporate companies	56%	31%	16%
Medium sized companies	16%	20%	28%
PyMEs	7%	21%	22%
Microenterprises	2%	3%	4%
Agricultural companies	18%	25%	30%

We support productive activities through the promotion of development, new trends and innovation, since our goal is to continue offering the best services for market participants active in agriculture, industry and commerce. Based on values of close customer relationships, effort, hard work, dedication and community, we offer financing lines according to each customer profile that contribute to their growth, their development and that of their communities.

At present, we have a network of branches with business officials specialized in each category, offering a wide range of products, including working capital facilities, and credit for investment projects, leasings and foreign trade transactions.

Our corporate customer base also acts as a source of demand for our excess liquidity through overnight and short-term loans to large corporate customers. See Item 5.B “*Operating and Financial Review and Prospects—Liquidity and Capital Resources*”.

Lending products and services

We offer short-term and medium- to long-term corporate lending products.

Short-term: Products include credit lines for up to 180 days and consist mainly of overdraft facilities, corporate credit and debit cards and factoring, as well as foreign trade related financing, such as pre-export, post-shipment and import financing. These products also include contingency lines, such as short-term guarantees (performance guarantees and bid bonds) and import letters of credit. The credit risk assigned to these kinds of transactions is the debtor rating described below, unless increased as a result of a pledge or a guarantee.

Medium- to long-term: Products include credit lines and specific lending facilities of more than 180 days. Credits are usually asset-based, such as leasing, whereby a credit enhancement is achieved by means of the underlying asset.

Medium- to long-term facility risks are mitigated through different mechanisms that range from pledges and mortgages, to structured deals through financial trusts whereby the debtor pledges the underlying asset, mostly future income flows. Regardless of the term and based on the fact that these credit lines are devoted to small to medium-sized companies, our policy is to require personal guarantees from the owners, although the underlying debtor rating remains unchanged.

During the last years, our focus was PyMEs and regional businesses, working to offer products and services tailored to each company profile, primarily based on size and the location of operations. Our management has been focused on consolidating our relationships with existing clients.



We supported the growth of PyMEs through the development of businesses and sustainable links throughout the country. The geographic distribution, proximity, personalized attention and the knowledge of our clients and the regional economies allow us to detect their needs and support them in the financing of their projects, as well as to provide transactional solutions for the management of their payments and collections.

We have continued with actions aimed at financing small-scale client producers and suppliers of the value chain of our Megra (Medium and Large Sized Companies) customers.

Within our Corporate Banking division (“Corporate Banking”), we sought to strengthen our relationship with existing and new clients, in order to position ourselves as one of the main banks in the corporate banking sector. This allowed us to provide specialized assistance to each of the companies which constitute the different value chains, with products tailored to their needs.

Regarding our Agro Banking division (“Agro Banking”), we continued to support regional economies with tailor-made products for sectors such as tobacco, sugar and yerba mate, by financing all value chains from the primary producer to the industrial producer.

Throughout 2019, we have maintained a constant growth in our Corporate customers portfolio. Our management has been focused on working to offer products and services tailored to each company profile, primarily based on size and the location of operations.

We continue to grow in our client portfolio and strengthen the value chain concept between PyMEs, Megra and Corporate Companies.

Regarding our PyMEs and Microenterprises customers, we have developed close and specialized customer relationships while focusing on maintaining long-term relationships. We offer transaction services (such as cash management) to our customers, as well as collection services, both in automatic and direct debits from checking or savings accounts.

In 2019, we developed the “*Encuesta de Experiencia del Cliente Pyme*” (PyME’s Experience Survey) to provide support and advice regarding our transactional and foreign trade financing. Moreover, we granted “*Sociedades por Acciones Simplificadas*” (simplified joint-stock companies, “SAS”, for its Spanish acronym) a tailored value proposition and a special credit limit from the moment of its creation.

We contributed to the growth and development of PyMEs through the development of the “Naves” program throughout the country. Such program provides with management tools for building business plans and innovative projects.

Furthermore, we provided specialized assistance via two programs: “*Alumbra tus ganas de emprender*” Program, which offers support and assistance through training, guidance, and financial and business advice, and “*Cuentas Sanas*” Program, which grants financial education to PyMEs’ employees.

As regards Megra (Medium and Large Sized Companies), we have developed actions aimed at incorporating suppliers and small producers to achieve integration of the value chain and boost their business.

Additionally, we focused on increasing the *Plan Sueldo* (Payroll Program) customer base, acting jointly with Personal Banking and our branch network. We continually encourage the strengthening of relationships with our companies and service improvement, as well as focusing on credit portfolio review and regulatory compliance.

During 2019, owing to our proactive segmented marketing strategy, we were able to maintain our Corporate Banking market position. We have been focused on growth in deposits, especially sight balances. In addition, we provide our working teams with a solid foundation in cash management so that they can properly advise on transactional products.

Regarding our agricultural clients, we were able to provide financing to small-scale regional producers located in the provinces of Salta and Jujuy for the purchase of energy from distributors through the rural credit card. Furthermore, we continued improving our *Pague con Granos* Program, achieving the landmark of exceeding 1.3 million tons per year.

The macroeconomic environment suffered great alterations due to the new exchange regulations. The financial problems along with the expectations of increased tax withholdings affected the decisions of the productive plans. Thus, we decided to focus on consolidating our relationships with existing clients through the financing of working capital and investment projects, the simplification of the operation processes directly with grains, the development of alliances with manufacturers in order to provide predictability, and promotional agreements on the rural credit card.

As highlighted, we implemented the “*Programa de desarrollo para el Agro*” (Development Program for Agro), which gives customers information to decide, contacts to strengthen and financing to invest.



In terms of the financing of the productive sector, we continued offering what we believe is the best services for the different areas of the agricultural, industrial and commercial sectors. Some of the solutions we provide are: bonus lines to aid companies in financing their semiannual installments, credit programs to boost and sustain regional activities, commercial agreements with the “*Consejo Federal de Inversiones*” (Federal Investment Council) to act as a financial agent in the granting of loans at special rates in Pesos and U.S. dollars.

As in past years, we participated in fairs and gatherings with businessmen and entrepreneurs in which we offered the services of our business officers specialized in the Agricultural, Professionals and Businesses, and PyMEs segments, who provided advice on our services and products.

In 2020, regarding PyME and Micro-entrepreneurship segments, we implemented a new PyME segmentation focused on the activity of our customers, which allowed us to develop a specific and exclusive value proposition for retailers, small businesses and institutions.

We simplified and improved the credit process, incorporated improvements in our credit analysis tools and engines, and increased the nominal caps ratings in order to provide a better quality of response. Also, in order to better understand the needs of the sector, we launched the new PyME customer experience survey.

To mitigate the impact of the pandemic on micro, small and medium-sized enterprise customers, we granted more than Ps.70,000 million (not restated) in loans at reduced rates in line with the credit policies established by the Central Bank. This positioned us as the No. 1 private entity in amounts granted to micro, small and medium-sized enterprises.

To preserve the level of employment, since the beginning of the pandemic we granted 1,300 loans to companies that benefited from the Emergency Assistance Programme for Work and Production (ATP) of the National Ministry of Productive Development, in an aggregate amount of Ps.800 million (not restated) for the payment of salaries. In turn, we granted 60,000 grants for Ps.6,500 million (not restated) in zero-rate loans to taxpayers under the simplified tax regime, self-employed workers and people involved in culture.

In order to provide our customers with more tools, we accelerated the digital transformation. At the same time, we prioritized generating proximity with these segments by improving personalized attention and focusing on strengthening long-term relationships. We managed to maintain our positioning based on a proactive commercial strategy, we strengthened the teams of collaborators that serve this segment and reinforced the training of officers in all divisions.

Regarding *Megra* Banking, the pandemic challenged us to strengthen contact with our customers by initiating early on the modality of virtual meetings (Zoom, Teams, etc.) and communication via chat between account officers and customers. These alternative channels allowed us to maintain proximity quickly and efficiently to ensure and facilitate ours operations. We also held virtual seminars on regulatory changes in foreign trade so that our customers could operate with greater security and knowledge.

Regarding Corporate Banking, we focused this year on increasing the number of deposits (especially demand deposits) and, in cash management operations, incorporating eCheq and digital means of collection. During the pandemic, we financed corporate customers in the health sector with a 24% line of credit in order to cope with the economic situation in the context of the pandemic.

At the beginning of 2020, the Agricultural segment looked promising in view of rising stocks and record harvests. The unfavorable macroeconomic context, coupled with a year with a severe water deficit, led to significant changes in the production decisions of these customers.

We decided to contain and assist them, both virtually and in person, by financing working capital and investment projects, financing the purchase of agricultural machinery and investments or the purchase of assets. We also simplified the processes of operating directly with grains and entered into alliances with manufacturers to provide predictability. We continue with promotions on the rural credit card and provide personalized advice to our customers.

During 2020, we supported our customers with special financing lines to pay salaries and meet working capital needs, with zero-rate loans and the ATP governmental program. We also provide financing in line with commodity crop cycles and regional production.

We also professionalized the model of integral attention for agricultural producers with an integrated offer of financing and grain commercialization. And we adapted the way we serve our customers in the context of the pandemic, incorporating video calls as a means of communication, reorganizing internal processes and rapidly migrating to the acceptance of digital signatures with their due authorizations.



In 2021, as regards to SMEs and Micro-enterprises, we promoted self-management from digital channels, expanded additional personalized attention on the web page, and implemented a new automatic rating renewal process, which included the extension of limits and the relaxation of requirements for credit evaluations. Special financing lines were also offered for working capital, productive investment, and salary payments.

As for Corporate Banking, it generated integral proposals and transactional solutions to improve the productive capacity of its clients and help them grow. Thanks to an alliance with FINOVA, a strategic supplier, we have been able to provide capital financing solutions for suppliers of corporate clients and achieve the financial inclusion of sectors with low or no sophistication.

In 2021, in terms of Agribusiness Banking, overcoming the challenges of the sanitary emergency, we conducted field visits and face-to-face and virtual business rounds with producers (customers and non-customers) from all over the country. In addition, we enhanced the agricultural value chain through contact with companies selling inputs, seeds and capital goods to provide customers with an exclusive digital solution that allowed them to obtain the best cash prices and to finance the purchase at harvest. We also supported our customers with special financing lines for the payment of salaries and to meet working capital needs according to commodity crop cycles and regional productions. We increased the amounts of assistance to qualified customers, in order to meet the needs of producers, and we expanded our offer with dollar-linked fixed terms and mutual funds, among others.

With regard to the evolution of the commercial portfolio, in 2021 there was an increase in nominal terms in financing to small businesses of 40.1%, to the Agricultural segment of 54.6% and to *Megra* banking of 77.5% compared to the end of the previous year.

As of December 31, 2019, 2020 and 2021, our commercial loan portfolio (without considering other financings) was as follows:

	Commercial loan portfolio (1) (as of December 31, of each year)					
	(in millions of Pesos and as percentage of commercial loan portfolio)					
	2019 (2)		2020 (2)		2021	
Overdraft	88,429.7	39.9%	25,051.9	15.7%	22,857,74	17.1%
Documents	37,796.9	17.1%	35,437.2	22.3%	34,225,06	25.6%
Mortgage and pledge	17,312.8	7.8%	13,373.8	8.4%	21,269,25	15.9%
Consumer loans (3)	3,060.2	1.4%	3,346.7	2.1%	4,208,53	3.2%
Other loans	74,905.4	33.8%	82,045.7	51.5%	50,920,33	38.2%
Total Commercial Loans	221,505.0	100.0%	159,255.3	100.0%	133,480,91	100.0%

- (1) Including loans to micro credit institutions and commercial loans that, for the regulatory consolidated statements of debtors, was included as consumer portfolio following the criteria described in "Argentine Banking Regulation—Credit Portfolio."
- (2) Figures stated in millions of Pesos in terms of purchasing power of Pesos as of December 31, 2021.
- (3) Includes credit card loans and personal loans.

Transaction services

We offer transaction services to our corporate customers, such as cash management, collection services, payments to suppliers, payroll services, foreign exchange transactions, foreign trade services, corporate credit cards, and information services, such as our Datanet and Interpymes services, described further below. There are usually no credit risks involved in these transactions, except for intra-day gapping (payments made against incoming collections), as well as settlement and pre-settlement related to foreign exchange transactions which, in general, are approved following the debtor credit rating process.

Payments to suppliers. Our payments for supplier services enable our customers to meet their payment obligations to their suppliers on a timely basis through a simple and efficient system. This service also provides payment liquidations, tax payment receipts, invoices and any other documents required by the payer.

Collection services. Our collection services include cash or check deposits at our 466 branches, automatic and direct debits from checking or savings accounts and the transportation of funds collected from corporate customers to our branches for deposit. Our extensive branch network enables us to offer fast and efficient collection services throughout Argentina, which is of critical importance to both regional and nationwide companies.

Datanet and Interpymes. We provide our corporate clients with access to the Datanet service ("Datanet"), which is an electronic banking network linking member banks in Argentina. This service permits our clients to obtain reliable online information on a real-time basis from their bank accounts in Datanet as well as, to perform certain transactions.



Interpymes is an electronic banking system designed to meet the needs of small businesses. It does not require special installation procedures and is easily accessible through the internet, helping to simplify day-to-day operations for our customers.

Tax collection and financial agency services. We also have exclusive, long-term arrangements to provide tax collection and financial agency services to four provinces: Salta, Misiones, Jujuy and Tucumán. These contracts expire in 2026, 2029, 2024 and 2031, respectively.

Payroll services. We provide payroll services to four provinces and to the private sector. See “Our products and services—Retail customers”.

Our distribution network

As of December 31, 2021, we had the largest private sector branch network in the country, with 466 branches spread throughout Argentina. In particular, in line with our strategy of expanding nationally, we have extensive coverage in the Argentine provinces with 94% of our branches located outside the City of Buenos Aires. Furthermore, as of December 31, 2021, we had 1,779 ATMs, 955 self-service terminals (“SSTs”) and several service points used for social security benefit payments and servicing of checking and savings accounts and internet home banking service (“Home Banking”). The following table breaks down the distribution of our branches per province as of December 31, 2021:

Province	As of December 31, 2021	
	Branches	% of total
City of Buenos Aires	28	6.0%
Buenos Aires (Province)	67	14.4%
Catamarca	1	0.2%
Chaco	2	0.4%
Chubut	6	1.3%
Cordoba	70	15.0%
Corrientes	4	0.9%
Entre Rios	10	2.2%
Formosa	0	0.0%
Jujuy	18	3.9%
La Pampa	2	0.4%
La Rioja	2	0.4%
Mendoza	15	3.2%
Misiones	36	7.8%
Neuquén	5	1.1%
Río Negro	6	1.3%
Salta	37	8.0%
San Juan	1	0.2%
San Luis	2	0.4%
Santa Cruz	2	0.4%
Santa Fe	105	22.5%
Santiago del Estero	2	0.4%
Tierra del Fuego	2	0.4%
Tucuman	43	9.2%
TOTAL	466	100.0%

Source: Central Bank

Technology, automated channels and credit cards processing systems

Our technological development is continuous and the number of alternative methods to perform banking transactions is increasing. Automated channels allow our clients to perform banking transactions with enhanced speed, comfort and safety, offering a wide variety of available transactions.

During the last three years we have focused on automatic channels, giving customers more accessible and flexible services. As a result, the use of automated channels continued to expand, both in terms of volume of transactions and number of users.



In 2020, a year characterized by the fight against COVID-19 pandemic, we were able to adapt our way of working and provide our customers with all the tools they needed to continue to operate without putting their health at risk and considering all governmental recommendations in such a respect. We strengthened our website with a range of tools and means of communications to encourage online transactions, avoid crowds and keep our customers updated.

In a pandemic context, our infrastructure was adapted and an appointment system for branch service was implemented. Based on the appointment system, we have been able to anticipate customer service and provide digital tools to resolve customer concerns or transactions without the need to go to the branch.

In 2020, the COVID-19 pandemic led us to shift more than 2,100 employees to work from their homes. To make this feasible, we have them the necessary tools to access our cloud-based information and to communicate through video conferencing platforms.

In 2021, we continued with the implementation of the new Customer Service Model in more than 200 branches to enable the self-management of after-sales transactions. The new customer service model contemplates a digital experience assisted by an educator who acts when required.

We continue to advance in the implementation of digital solutions, incorporating operations and services to provide a better experience to customers in all segments, both for their self-management and remote virtual operations, as well as to simplify their face-to-face operations. In 2021, we seek to offer new self-management functionalities through Simple Operations in the Bank's portal. Our goal is to position ourselves with the best offer in digital services and promote a channel migration strategy focused on the best experience for our customers.

In 2021 the amount transacted through automatic channels increased by 3% compared to 2020, mainly due to greater use of internet banking and mobile banking. The increase in transactions made through automatic channels has two benefits: it simplifies and eases customers' operations and, at the same time, reduces operational tasks in the branches.

We have ATMs that operate independently of the branch and offer money extraction service and balances consultation, among other operations. In 2021, we carried out an ambitious project to renew and expand our ATM fleet, which included the installation of 336 ATMs and the updating and upgrading of another 354. This investment increased the number of operational terminals by 13%. As of December 31, 2021, we had a total of 1,779 ATMs, 657 of which allow us to receive cash deposits with immediate credit, which represents one of the most extensive networks in the country. Of the total, 1,650 ATMs have hearing support and voice guidance so that they can be operated by visually impaired people. All this has placed us in a leading position as to service quality, which is particularly important given the number and geographical dispersion of our ATMs.

Furthermore, we continued strengthening and updating the technology offered at our ATMs, maintaining strict standards of security, quality of service and availability in the ATM network. In 2021, the average monthly amount transacted through ATMs increased by 52% compared to 2020.

We have 955 SSTs terminals distributed in our branch network across Argentina, offering an ample variety of operations, including the possibility of making deposits twenty-four hours a day, every day, all year long. In 2021, almost 8 million transactions were carried out in SSTs, with an average monthly amount traded of approximately Ps. 50.000 million. In 2021, the amount transacted through SSTs increased by 35% compared to 2020.

As part of the plan to reduce branch tasks, in 2021 we continued to expand the network of terminals with intelligent functionality that incorporate intelligent check deposit. In this way, customers can perform transactions in a more agile manner eliminating waiting times at branches. In 2021, we reached a total of 219 smart self-service terminals installed in 153 branches throughout the country, in which an average of approximately 185,000 transactions were carried out monthly.

Regarding *Home Banking*, we have implemented a collections service for companies offering the following benefits: security (no cash or checks are transported to the branch), practicality (easy and safe, backup of receipts in a PDF file, possibility to review the history of payments and receipts), accessibility (from any computer) and no additional cost. We also use Home Banking to inform our retail customers about the possibility of getting a personal loan, the amount available and how to apply for it. During 2019, we launched the new Business Home Banking, through which we generated a substantial change in the way of operating of our corporate customers interact with us, based on the pillars of security, self-management and transactionality. In 2020, we added certain functionalities to our *Home Banking* in order to facilitate the user experience, and completed the migration of all stages of the new Business Internet Banking (*Banca Internet Empresas e individuos*). Nowadays, customers can operate consultative and transactional modules, through administrators and operators who are fully compliant with the established powers. For example, payroll, supplier and foreign trade payments are now available, enabling us to provide a fully digital solution.



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Our *Macro Banca Móvil* channel has developed significantly in the last years. In line with the characteristics of the users and the technological trends supporting the development of the service, the *Macro Banca Móvil* application is available in the main virtual stores of the principal operating systems. Over the last few years, we continue to work on new functionalities that generate value for clients: U.S. dollar purchase and sale transactions, transfers to new accounts, point checking and redemptions under our *Macro Premia* rewards program, and UVA loans detailed enquiries.

The amount transacted through *Home Banking* and *Macro Banca Móvil* increased by 31% in 2021.

The significant sustained growth in the number of users and transactions made through automated channels has demonstrated the effectiveness and acceptance of this service in the market.

Prisma Medios de Pago S.A.

On August 23, 2017, the shareholders of Prisma Medios de Pago S.A. (“Prisma”) signed a divestment agreement in Prisma, which was approved by the Ministry of Production on September 26, 2017 (the “Divestment Process”).

In accordance with the Divestment Process, Prisma’s shareholders agreed to transfer, in two stages, its shareholding in Prisma. The first stage (already completed) consisted in the proportional transfer, of each shareholder, of 51% of the shares held in Prisma, while the remaining 49% was agreed to be divested within three years from the completion of the first stage, i.e., January 31, 2022.

Additionally, as a result of the Divestment Process, on February 26, 2018, we entered into several agreements with Prisma pursuant to which (i) the processing for Visa (credit and debit) and American Express, was agreed for a term of five years, starting as from the completion of the first stage of the Divestment Process and (ii) a non-compete agreement was signed for a five year term, starting as from the completion of the first stage of the Divestment Process in connection with the acquisition rights of Prisma, which will automatically lose effect the day in which the remaining 49% of the share capital of Prisma is transferred.

On October 1, 2021, Banco Macro, together with the other class B shareholders of Prisma, sent the notice of exercise of the put option and thus initiated the procedure for the sale of the remaining 49% of the share capital and votes of Prisma to AI ZENITH (Netherlands) B.V. (a company related to Advent International Global Private Equity). On March 18, 2022, Banco Macro informed that the transfer of all of its remaining shareholding in Prisma in favor of AI ZENITH (Netherlands) B.V. representing 4.4941% of Prisma’s capital stock and votes was completed.

For more information, please see note 12 to our audited consolidated financial statements as of December 31, 2021 and 2020.

Risk management policies

To comply with the “Risk Management Guidelines for Financial Institutions” set forth under Communication “A” 5203, as amended, we have adopted various measures at our organizational structure level and have implemented procedures to ensure the establishment of an independent risk management process.

Our Board of Directors created a Risk Management Committee (the “Risk Management Committee”) and appointed a Risk Management Manager and made them responsible for coordinating the application of risk management policies and the relevant responsible officers. For more information, see Item 6.C “*Board Practices*”.

The Risk Management Committee, among other responsibilities, assures the establishment of an independent management of risk, lays out policies, procedures, measurement methodologies and feedback systems in charge of the identification, measurement and monitoring of risks, as well as the responsibilities of every level of the organization involved in the process.

Our risk management process includes setting of acceptable risk levels by our Board of Directors, monitoring of our compliance with such levels by responsible officers, the issuance of regular reports for the Risk Management Committee, follow up on alerts and the application of action plans in connection with such alerts and the guidelines for the development of stress tests.

Additionally, the system is supplemented with policies and procedures specific to each risk (financial, credit, operational, counterparty credit, country risk, securitization, reputational, compliance and strategic risks, among others).



The Risk Management Department is in charge of Financial Risk, Credit Risk and Operational and Technology Risk areas. The primary procedures developed by the Risk Management Department are:

- Stress tests: stress testing is a support tool for risk management and a complement to the results of risk measurement models. The objective of the tests is to assess the financial vulnerability potential of the Bank in light of the sensitivity of the main variables affecting each risk. In general, a variable with low probability of occurrence, but which if it materializes could lead to a significant overshoot in tolerance limits established for each risk. In addition, they are a tool for assessing the risk profile and are also used in the internal economic capital adequacy assessment process.
- Economic Capital Calculation: the economic capital calculation is developed for those risks that, due to their importance, could eventually affect our solvency. Risk management is directly related to the calculation of economic capital. Based on the internal models developed, we manage the risks, determine the risk profile, and therefore estimate the capital required for the development of the activities and business, adjusted to the degree of exposure to each risk.

Economic capital estimate

Economic capital is the estimated amount of unexpected losses identified for each one of the individual risks (financial, credit, counterparty credit, concentration, operational, securitization, strategic and reputational) determined for us on a consolidated basis.

We have implemented a formal procedure for quantifying economic capital, both current and prospective, and it is a tool used in the day-to-day management of risks, in preparing the business plan and in the stress tests.

The methods used to measure the economic capital of each risk were documented and approved by management, pursuant to the internal rules on corporate governance and risk management.

The most significant risks we manage are financial risk, credit risk and operational and technological risk.

Financial risk

Financial risk consists of liquidity, market and interest rate risks, which, independently or in an interrelated manner, can affect our liquidity and solvency.

We have strategies, policies and limits defined for each exposure which have been approved by our Board of Directors within the framework of market, liquidity and interest rate risk management. This process is reviewed periodically by the Risk Management Committee in accordance with the guidelines set forth by the Central Bank.

Liquidity risk

Liquidity risk is defined as the possibility that we may not be able to comply efficiently with expected and unexpected current and future cash flows, and guarantees without affecting our daily operations or financial condition.

Also, the market liquidity risk is understood as the risk that a position cannot be offset or unwound at the market price due to:

- That the assets do not have a sufficient secondary market; or
- Market alterations.

We have policies on liquidity, which aim to manage it in an efficient way, optimizing the cost and diversification of funding sources, and maximize the utility of the colocations through a prudential management that assures the necessary funding for the continuity of the operations and the fulfilment of the current regulation.

We have implemented a series of measurement and risk control tools, including the regular monitoring of liquidity gaps, differentiated by currency, as well as various liquidity ratios, including “bimonetary liquidity ratio”, “liquidity coverage ratio” (“LCR”), “net stable funding ratio” (“NSFR”), among others.

In the event of a liquidity crisis, our management contemplates different actions within its contingency plan, such as: financing through interbank calls or borrowings against Central Bank ; cash sale of securities portfolio; restriction in the granting of loans and increase in deposit rates in order to capture a greater volume of deposits. For more information, see note 52.2 to our audited consolidated financial statements as of December 31, 2021, and 2020.



Market risk

Market risk is defined as the possibility of suffering losses in our on and off-balance sheet positions as a result of adverse fluctuations in the market price of various assets.

Market risks include interest rate, foreign exchange and price risks. They are exposed to general and specific market movement and changes in the level of price volatility such as interest rates, credit spreads, foreign exchange rates, prices of shares and securities, among others.

We have policies for the management of Market Risk in which the processes of monitoring and control of the risks of variations in the quotations of financial instruments with the objective of optimizing the risk/return relationship, using the structure of limits, models and adequate management tools. In addition, we have adequate procedures and tools that allow the Risk Management Committee and the Assets and Liabilities Committee to measure and manage this risk.

The risks to which the investment portfolios are exposed are monitored through Montecarlo "Value at Risk" (VaR) simulation techniques. We apply the VaR methodology to calculate the market risk of the main positions taken and the maximum expected loss based on a series of assumptions for a variety of changes in market conditions. For more information see note 52.3 to our audited consolidated financial statements as of December 31, 2021 and 2020.

Interest rate risk

Interest rate risk is the potential for changes in our financial condition resulting from adverse fluctuations in interest rates, which could have an adverse effect on capital or earnings.

Within the framework of interest rate risk management, we have a series of policies, procedures and internal controls that allow us to monitor the variation of the net present value of assets, liabilities and off-balance sheet items under certain scenarios of disturbance and stress in interest rates risk through Montecarlo simulations. For more information see note 52.4 to our audited consolidated financial statements as of December 31, 2021 and 2020.

Foreign currency exchange risk

We are exposed to fluctuations in foreign currency exchange rates prevailing in our financial position and cash flows. The largest portion of our foreign currency assets and liabilities are denominated in U.S. dollars.

The foreign currency position is composed by assets and liabilities expressed in Pesos, at the exchange rate as of the closure of the indicated dates. The open position of an institution is composed by assets, liabilities, off-balance-sheet accounts denominated in the foreign currency in which the institution assumes the risk. Any devaluation or revaluation of those currencies affects the income statement.

Our open position as of December 31, 2021, stated in Pesos by currency, is disclosed in note 27 "Foreign currency amounts" to our audited consolidated financial statements as of December 31, 2021, and 2020.

Credit risk

Credit policy and credit risk management

The Board of Directors approves our credit policy and credit assessment in order to provide a framework for the creation of businesses to attain an adequate correlation between the risk assumed and profitability.

Our Credit Risk Management area is in charge of interpreting, executing and guaranteeing the application of our General Credit Policy approved by our Board of Directors, ensuring proper identification, assessment, control, follow-up and mitigation of credit risk.

Credit risk results from the possibility of loss derived from customers or counterparties from fully or partially breaching financial obligations they have undertaken with us.

In order to manage and control the credit risk, we establish limits regarding the amount of risk we are willing to accept, so as to monitor the indicators with respect to such limits.



Credit risk rating and approval process

In order to determine the credit risk, our Credit Risk Department qualifies each individual or company by means of a risk rating model, assigning a rating to each debtor, taking into consideration quantitative as well as qualitative concepts. The Credit Risk Department has focused its actions on increasing the quality and efficiency of the credit risk rating process.

There are specific policies and procedures for loan granting for corporate and retail customers, which differ according to the segment to which they belong (public or private payroll, retirees or open market).

The risk assessment process varies depending on whether it's about Corporate Banking customers or Retail Banking customers.

Credit risk assessment for retail customers includes the use of risk applications based on scoring methods related to an acceptable arrears level. There is also a mass-scale and centralized qualification process for clients and credit prequalification models for the assessment of potential customers from different sales campaigns.

For the assessment of Corporate Banking customers, we feature different methods involving several responsible levels and which become more complex according to the magnitude of the transactions, as to amounts and type of assistance, weighted by terms and existing coverage.

Various credit committees, composed of members of the business and risk areas are responsible for reviewing and determining whether to approve certain loans, depending upon relevant market targeted and the amount involved. These include a senior credit committee, a junior credit committee, credit committees by customer's categories, and credit committees by region. The senior credit committee consists of members of our Board of Directors and senior management and considers loan proposals in excess of Ps.300 million.

The risk analysis of assistance discussed in Credit Committees is performed at the Corporate Risk Management Department by specialized risk analysts that prepare separate Risk Reports per client or Economic Group, which serves to support the credit decisions made by Committee members.

We have a management information system suitable for the size of our operations. Its components include an automated tool for the calculation of key performance indicators, for which alert and limit values have been determined in order to monitor business changes according to the risk appetite defined by our Board of Directors. Other credit risk management tools used are evaluation or score models, which are used at different stages of the credit cycle, attributing an internal risk rating to customers, according to which the assigned credit limits are managed and according to which the portfolio is monitored. Those tools are complemented with expected losses and provision models.

Operational and technological risk

Operational risk consists of the risk of suffering losses due to inadequate or failed internal processes, systems or persons or due to external events. This definition includes legal risk but excludes strategic and reputational risk.

Within such framework, the legal risk –which may arise internally or externally- comprises, among other aspects, the exposure to penalties, sanctions or other economic consequences or results for failure to comply with any rule or regulation or contractual obligation.

We have policies, procedures and structures, appointing a head of operational risk, whose main objective is to secure an operational risk management plan which includes policies, programs, measurements and competencies for identifying, assessing and managing risks, with the purpose of assisting our Senior Management and our Board of Directors, in an environment of rapidly changing and significant risks.

We have a procedure to collect of events and losses for operational risk, which is composed of a collection process of operational events and losses to systematically register the frequency, severity, category and other relevant aspects related to the events and losses for operational risk. The objective is to evaluate the situation upon the event occurrence, to better understand the profile of operational risk and, if applicable, adopt the pertinent corrective measures.

In addition, we have a procedure that establishes the guidelines to prepare risk self-assessments and, in the cases of risks exceeding the tolerance limits admitted, guidelines to establish risk indicators and action plans.

The Comprehensive Risk Management Department produces and sends periodic reports to the Board of Directors, the Risk Management Committee and the Senior Management. Based on these reports, the results of the monitoring of the management of the main risks to which we are exposed are made known. Each report contains information on risk measurement, its evolution, trends, main exposures, control of main limits and the level of capital required by type of risk.



For more information on risk management processes see note 52 “Capital management, Corporate Governance Transparency Policy and Risk management” to our audited consolidated financial statements as of December 31, 2021 and 2020.

Competition

We believe that we have an important advantage over our competitors in providing banking products and services to small communities in some provinces of Argentina as a result of the close community relationships and strong loyalty we have developed over time with our customers in these areas.

We consider Banco Santander Río S.A., Banco de Galicia y Buenos Aires S.A.U., Banco BBVA Argentina S.A., Industrial and Commercial Bank of China (Argentina), HSBC Bank Argentina S.A. and Banco Patagonia S.A. to be our main competitors among private banks. We also compete with certain regional banks.

In the future, we expect competition to increase in corporate transactions products, long-term lending, mortgage lending and other secured financings, credit cards, personal loans, payroll services and investment management services.

Competitive landscape

We are ranked as the fourth private bank and sixth overall in Argentina in terms of total loans and total deposits as of June 30, 2021. In terms of equity, we are ranked as the second private bank and the third bank overall in Argentina as of June 30, 2021.

Below are the rankings of banks across these metrics, figures were prepared based on Central Bank methodology:

Total Loans (June 30, 2021)

		Ps. Million	Market Share
1	Banco de la Nación Argentina (1)	733,636	18%
2	Banco Santander Río S.A.	460,766	11%
3	Banco de Galicia y Buenos Aires S.A.U.	443,640	11%
4	Banco de la Provincia de Buenos Aires (1)	337,870	8%
5	Banco BBVA Argentina S.A.	284,881	7%
6	Banco Macro S.A.	270,981	7%
7	Banco de la Ciudad de Buenos Aires	150,443	4%
8	Industrial and Commercial Bank of China (Argentina) S.A.	137,455	3%
9	HSBC Bank Argentina S.A.	136,466	3%
10	Banco Patagonia S.A.	113,630	3%
	Remainder of the Financial System	976,745	24%
	Total Financial System	4,046,513	100%

Source: Central Bank. Figures were prepared based on Central Bank methodology.

(1) Public sector banks.

Total Deposits (June 30, 2021)

		Ps. Million	Market Share
1	Banco de la Nación Argentina (1)	2,029,218	20%
2	Banco de la Provincia de Buenos Aires (1)	1,009,801	10%
3	Banco Santander Río S.A.	885,761	9%
4	Banco de Galicia y Buenos Aires S.A.U.	876,774	9%
5	Banco BBVA Frances S.A.	607,625	6%
6	Banco Macro S.A.	489,900	5%
7	Banco Credicoop Limitado	416,147	4%
8	Banco de la Ciudad de Buenos Aires	356,739	4%
9	HSBC Bank Argentina S.A.	350,087	4%
10	Banco Patagonia S.A.	294,625	3%
	Remainder of the Financial System	2,582,771	26%
	Total Financial System	9,899,447	100%



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Source: Central Bank. Figures were prepared based on Central Bank methodology.

(1) Public sector banks.

Equity (June 30, 2021)

	Ps. Million	Market Share
1 Banco de la Nación Argentina (1)	365,631	17%
2 Banco de Galicia y Buenos Aires S.A.U.	195,310	9%
3 Banco Macro S.A.	182,495	9%
4 Banco Santander Rio S.A.	149,982	7%
5 Banco BBVA Argentina S.A.	130,266	6%
6 Banco de la Provincia de Buenos Aires (1)	129,116	6%
7 Citibank, N.A. (Argentine Branch)	109,671	5%
8 Banco Credicoop Limitado	97,021	5%
9 Industrial and Commercial Bank of China (Argentina) S.A.C	77,246	4%
10 HSBC Bank Argentina S.A.	76,625	4%
Remainder of the Financial System	625,953	29%
Total Financial System	2,139,316	100%

Source: Central Bank. Figures were prepared based on Central Bank methodology.

(1) Public sector banks.

There is a large concentration of branches in the City of Buenos Aires and in the province of Buenos Aires for the financial system as a whole, as shown by the following table. However, we have the most extensive private-sector branch network in Argentina and a leading regional presence holding 66% of our total branches in six provinces including Santa Fe, Córdoba, Misiones, Salta, Tucumán and Jujuy.

Province	As of June 30, 2021				Market Share (% share of total of branches in each province)
	Banking system		Banco Macro		
	Branches	% of total	Branches	% of total	
City of Buenos Aires	813	17.7%	28	6.0%	3.4%
Buenos Aires (Province)	1,488	32.5%	67	14.4%	4.5%
Catamarca	21	0.5%	1	0.2%	4.8%
Chaco	68	1.5%	2	0.4%	2.9%
Chubut	73	1.6%	6	1.3%	8.2%
Cordoba	459	10.0%	70	15.1%	15.3%
Corrientes	82	1.8%	4	0.9%	4.9%
Entre Rios	130	2.8%	10	2.2%	7.7%
Formosa	29	0.6%	0	0.0%	0.0%
Jujuy	36	0.8%	17	3.7%	47.2%
La Pampa	74	1.6%	2	0.4%	2.7%
La Rioja	28	0.6%	2	0.4%	7.1%
Mendoza	174	3.8%	15	3.2%	8.6%
Misiones	67	1.5%	36	7.8%	53.7%
Neuquén	87	1.9%	5	1.1%	5.7%
Rio Negro	81	1.8%	6	1.3%	7.4%
Salta	72	1.6%	37	8.0%	51.4%
San Juan	39	0.9%	1	0.2%	2.6%
San Luis	47	1.0%	2	0.4%	4.3%
Santa Cruz	52	1.1%	2	0.4%	3.8%



As of June 30, 2021

Province	Banking system		Banco Macro		Market Share (% share of total of branches in each province)
	Branches	% of total	Branches	% of total	
Santa Fe	483	10.5%	105	22.6%	21.7%
Santiago del Estero	57	1.2%	2	0.4%	3.5%
Tierra del Fuego	26	0.6%	2	0.4%	7.7%
Tucuman	98	2.1%	42	9.1%	42.9%
TOTAL	4,584	100%	464	100.0%	10.1%

Source: Central Bank.

Argentine Banking Regulation

Unless otherwise indicated, the regulations explained in this section should be applied to financial information of the banks calculated in accordance with Central Bank Rules. IFRS differs in certain significant respects from Central Bank Rules.

Overview

Founded in 1935, the Central Bank is the principal monetary and financial authority in Argentina. Its mission is to promote monetary and financial stability, employment and economic development with social equity. It operates pursuant to its charter, which was amended in 2012 by Law No. 26,739 and the provisions of the Financial Institutions Law. Under the terms of its charter, the Central Bank must operate independently from the Argentine government.

Since 1977, banking activities in Argentina have been regulated primarily by the Financial Institutions Law, which empowers the Central Bank to regulate the financial sector. The Central Bank regulates and supervises the Argentine banking system through the Superintendency. The Superintendency is responsible for enforcing Argentina’s banking laws, establishing accounting and financial reporting requirements for the banking sector, monitoring and regulating the lending practices of financial institutions and establishing rules for participation of financial institutions in the foreign exchange market and the issuance of bonds and other securities, among other functions.

The powers of the Central Bank include the authority to fix the monetary base, set interest rates, establish minimum capital, liquidity and solvency requirements, regulate credit, approve bank mergers, approve certain capital increases and transfers of stock, grant and revoke banking licenses, and to authorize the establishment of branches of foreign financial institutions in Argentina and the extension of financial assistance to financial institutions in cases of temporary liquidity or solvency problems.

The Central Bank establishes certain technical ratios that must be observed by financial entities, such as ratios related to levels of solvency, liquidity, the maximum credit that may be granted per customer and foreign exchange assets and liability positions.

In addition, financial entities need the authorization from the Central Bank for certain actions, such as opening or changing branches or ATMs, acquiring share interests in other financial or non-financial corporations and establishing liens over their assets, among others.

As supervisor of the financial system, the Central Bank requires financial institutions to submit information on a daily, monthly, quarterly, semi-annual and annual basis. These reports, which include balance sheets and income statements, information related to reserve funds, use of deposits, classifications of portfolio quality (including details on principal debtors and any allowances for loan losses), compliance with capital requirements and any other relevant information, allow the Central Bank to monitor the business practices of financial entities. In order to confirm the accuracy of the information provided, the Central Bank is authorized to carry out inspections.

If the Central Bank’s rules are not complied with, various sanctions may be imposed by the Superintendency, depending on the level of infringement. These sanctions range from a notice of non-compliance to the imposition of fines or, in extreme cases, the revocation of the financial entity’s operating license. Additionally, non-compliance with certain rules may result in the compulsory filing of specific adequacy or restructuring plans with the Central Bank. These plans must be approved by the Central Bank in order to permit the financial institution to remain in business.



Banking Regulation and Supervision

Central Bank Supervision

Since September 1994, the Central Bank has supervised the Argentine financial entities on a consolidated basis. Such entities must file periodic consolidated financial statements that reflect the operations of parent companies as well as those of their branches in Argentina and abroad, and of their significant subsidiaries, whether domestic or foreign. Accordingly, requirements in relation to liquidity and solvency, minimum capital, risk concentration and loan loss provisions, among others, should be calculated on a consolidated basis.

Permitted activities and investments

The Financial Institutions Law governs any individuals and entities that perform habitual financial intermediation and, as such, are part of the financial system, including commercial banks, investment banks, mortgage banks, financial companies, savings and loan companies for residential purposes and credit unions. Except for commercial banks, which are authorized to conduct all financial activities and services that are specifically established by law or by regulations of the Central Bank, the activities that may be carried out by Argentine financial entities are set forth in the Financial Institutions Law and related Central Bank Rules. Commercial banks are allowed to perform any and all financial activities inasmuch as such activities are not forbidden by law. Some of the activities permitted for commercial banks include the ability to (i) receive deposits from the public in both local and foreign currency; (ii) underwrite, acquire, place or negotiate debt securities, including government securities, in both exchange and over-the-counter (“OTC”) markets (subject to prior approval by the CNV, if applicable); (iii) grant and receive loans; (iv) guarantee customers’ debts; (v) conduct foreign currency exchange transactions; (vi) issue credit cards; (vii) act, subject to certain conditions, as brokers in real estate transactions; (viii) carry out commercial financing transactions; (ix) act as registrars of mortgage bonds; (x) participate in foreign exchange transactions; and (xi) act as fiduciary in financial trusts. In addition, pursuant to the Financial Institutions Law and Central Bank Communication “A” 3086, as amended, commercial banks are authorized to operate commercial, industrial, agricultural and other types of companies that do not provide supplemental services to the banking services (as defined by applicable Central Bank Rules) to the extent that the commercial bank’s interest in such companies does not exceed 12.5% of its voting stock or 12.5% of its capital stock. Nonetheless, if the aforementioned limits were to be exceeded, the bank should (i) request Central Bank’s authorization; or (ii) give notice of such situation to the Central Bank, as the case may be. However, even when commercial banks’ interests do not reach such percentages, they are not allowed to operate such companies if (i) such interest allows them to control a majority of votes at a shareholders’ or board of directors’ meeting, or (ii) the Central Bank does not authorize the acquisition.

Furthermore, according to the rules regarding “Complementary Services of the Financial Entities and Allowed Activities”, as amended commercial banks are authorized to operate in local or foreign companies that have one or two of the exclusive corporate purposes listed in section 2.2 of Communication “A” 5700 as amended by Communication “A” 6342, in which the commercial bank’s interest either exceeds 12.5% of such companies’ voting stock or allows the commercial bank to control a majority of votes at a shareholders’ or board of directors’ meeting. The financial entities shall give notice to the Superintendency if the corporate purposes of such companies include any of the corporate purposes listed in section 2.2 of that rule.

Under Central Bank Rules regarding to “Financial Entities Minimum Capital”, the holdings of a commercial bank in the capital stock of third parties, including participations in mutual funds, shall not exceed 60% of the Computable Equity Liability (“RPC”, as per its acronym in Spanish) of such commercial bank. In addition, the total amount of a commercial bank’s holdings, considered as a whole, in (i) unlisted shares, excluding holdings in companies that provide complementary services to the financial activity and holdings in state-owned companies that provide public services, (ii) listed shares and mutual fund shares that do not trigger minimum capital requirements on a market risk bases, and (iii) publicly traded shares that do not have a “market price available to the general public,” is limited to 15% of such commercial bank’s RPC. For this purpose, a given market price of the shares is considered to be “available to the general public” when market rates that measure the daily volume of significant transactions are available, and the sale of such shares held by such bank would not materially affect the share price.

Operations and activities that banks are not permitted to perform

Section 28 of Financial Institutions Law prohibits commercial banks from: (a) creating liens on their assets without prior approval from the Central Bank, (b) accepting their own shares as security, (c) conducting transactions with their own directors or managers and with companies or persons related thereto under terms that are more favorable than those regularly offered in transactions with other clients, and (d) carrying out commercial, industrial, agricultural or other activities without prior approval of the Central Bank, except those considered financially related activities under Central Bank Rules. Notwithstanding the foregoing, banks may own shares in other financial institutions with the prior approval of the Central Bank, and may own shares or debt of public services companies, if necessary to obtain those services.

**Liquidity and solvency requirements**

Since 1994, the Central Bank supervision of financial institutions has been carried out on a consolidated basis. Therefore, all of the documentation and information filed with the Central Bank, including financial statements, must show the operations of each entity’s parent company and all of its branches (in Argentina and abroad), the operations of significant subsidiaries and, as the case may be, of other companies in which such entity holds stock. Accordingly, all requirements relating to liquidity, minimum capital, risk concentration and bad debts’ reserves, among others, are calculated on a consolidated basis.

Legal reserve

Pursuant to the Financial Institutions Law, we are required to maintain a legal reserve which must be funded with no more than 20% and no less than 10% of yearly income, notwithstanding the aforementioned, pursuant to Central Bank Rules, we are required to maintain a legal reserve which is funded with 20% of our yearly income determined in accordance with Central Bank Rules. This reserve can only be used during periods in which a financial institution has incurred losses and has exhausted all other reserves. If a financial institution does not comply with the required legal reserve, it is not allowed to pay dividends to its shareholders.

Non-liquid assets

Since February 2004, non-liquid assets (computed on the basis of their closing balance at the end of each month, and net of those assets that are deducted to compute the regulatory capital) plus the financings granted to a financial institution’s related parties (computed on the basis of the highest balance during each month for each customer) cannot exceed 100% of the Argentine regulatory capital of the financial institution, except for certain particular cases in which it may exceed up to 150%.

Non-liquid assets consist of miscellaneous assets and receivables, bank property and equipment, assets securing obligations, except for swaps, futures and derivative transactions, certain intangible assets and equity investments in unlisted companies or listed shares, if the holding exceeds 2.5% of the issuing company’s equity. Non-compliance with the ratio produces an increase in the minimum capital requirements equal to 100% of the excess on the ratio.

Unless otherwise indicated, the regulations explained in this section should be applied to financial information of the banks calculated in accordance with Central Bank Rules. IFRS differs in certain significant respects from Central Bank Rules.

Minimum capital requirements

The Central Bank requires that financial institutions maintain minimum capital amounts measured as of each month’s closing. The minimum capital is defined as the greater of (i) the basic minimum capital requirement, which is explained below, or (ii) the sum of the credit risk, operational risk and market risk. Financial institutions (including their domestic Argentine and international branches) must comply with the minimum capital requirements both on an individual and a consolidated basis.

The capital composition to be considered in order to determine compliance with minimum capital requirements is the financial institution’s RPC (rules regarding to “Financial Entities Minimum Capital”, as amended).

Basic minimum capital

The basic minimum capital requirement varies depending on the type of financial institution and the jurisdiction in which the financial institution’s headquarter is registered, with Ps.26 million for banks under Category I and II (Ps.12 million for other financial entities under this category), and Ps.15 million for banks under Category III to VI (Ps.8 million for other financial entities under this category).

<u>Category</u>	<u>Banks</u>	<u>Other Entities (*)</u>
I and II	Ps.26 million	Ps.12 million
III to VI	Ps.15 million	Ps.8 million

(*) Except credit entities.

As from April 1, 2022, the basic minimum capital requirement to be observed by financial institutions will be as follows:

<u>Banks</u>	<u>Other financial institutions</u> <u>(Except Cooperative Credit Unions)</u>
500	Ps.230 million



Likewise, financial entities in operation as of April 1, 2022, must comply with the basic capital requirement set forth in the table above as of March 31, 2024. Until that date, such operating entities will be required to apply the requirements arising from the following table, according to the period in question:

Period	Banks	Other financial institutions (Except Cooperative Credit Unions)
4.1.22 to 3.31.23	Ps170 million	Ps.80 million
4.1.23 to 3.30.24	Ps.300 million	Ps.140 million

Financial institutions in operation as of April 1, 2022, that do not comply with the integration of the basic capital requirement as foreseen, must submit to the Superintendency of Financial and Exchange Institutions a compliance program within 20 calendar days following the closing of the period in which such deficiency is recorded, which must not exceed June 30, 2024, in order to comply with the basic requirement.

Regulatory Capital of Financial Institution: Tier 1 and Tier 2 capital regulations

Argentine financial institutions must comply with guidelines similar to those adopted by the Basel Committee on Banking Regulations and Supervisory Practices, as amended in 1995 (the “Basel Rules”). In certain respects, however, Argentine banking regulations require higher ratios than those set forth under the Basel Rules.

The Central Bank takes into consideration a financial institution’s RPC in order to determine compliance with capital requirements. RPC consists of Tier 1 Capital (Basic Net Worth) and Tier 2 Capital (Complementary Net Worth).

Tier 1 Capital

Tier 1 Capital consists of (i) Common Equity Tier 1 (“CO₁”), (ii) deductible concepts from Common Equity Tier 1 (“CDCO₁”), (iii) Additional Equity Tier 1 (“CAN₁”), and (iv) deductible concepts from Additional Equity Tier 1 (“CDCAN₁”).

CO₁ Capital

CO₁ includes the following net worth items: (i) capital stock (excluding preferred stock); (ii) non-capitalized capital contributions (excluding share premium); (iii) adjustments to shareholders’ equity; (iv) earnings reserves (excluding the special reserve for debt instruments); (v) unappropriated earnings; (vi) other results either positive or negative, in the following terms:

- 100% of net earnings or losses recorded until the last quarterly financial statements with limited review report, corresponding to the last full fiscal year and in respect of which the auditor has not issued the audit report;
- 100% of net earnings or losses for the current year as of the date of the most recent audited quarterly financial statements;
- 50% of profits or 100% of losses for the most recent audited quarterly or annual financial statements; and
- 100% of losses not shown in the financial statements, arising from quantification of any facts and circumstances reported by the auditor;

(vii) other comprehensive income: i) 100% of the results recorded in the following items: revaluation of property, plant and equipment and intangibles; gains or losses on financial instruments at fair value with changes in other comprehensive income, ii) 100% of the debit balance of each of the items recorded in other comprehensive income not mentioned in section i). The recognition of these concepts, registered in accounts of other comprehensive income or other accumulated comprehensive income, as appropriate, will be made in accordance with the terms of points 8.2.1.5. or 8.2.1.6., as the case may be of Central Bank Rules regarding “Financial Entities Minimum Capital”.

(viii) share premiums of the instruments included in CO₁; and

(ix) in the case of consolidated entities minority shareholdings (common shares issued by subsidiaries subject to consolidated supervision and belonging to third parties, if certain criteria are met).



In order for the shares to fall under COn1, at the time of issuance, the financial entity must not generate any expectation that such shares will be reacquired, redeemed or amortized, and the contractual terms must not contain any clause that might generate such an expectation.

For the purpose of determining the RPC, financial institutions included in Group A must compute as COn1 the positive difference between the higher of the accounting allowance stipulated in point 5.5 of IFRS 0 and the regulatory allowance calculated in accordance with the rules on “Establishment of minimum provisions for loan losses” or the accounting provision corresponding to the balance as of November 30, 2019.

Deductible Concepts

The above-mentioned items will be considered without certain deductions pursuant to subsection 8.4.1 and 8.4.2 (as applicable) of Central Bank Rules regarding “Financial Entities Minimum Capital”, as amended.

Concepts deductible from COn1 include, among other things: (a) positive balances resulting from the application of income tax withholdings above 10% of the previous months of basic net worth and balances in favor from deferred tax assets; (b) deposits maintained in a corresponding account with a foreign financial institutions that are not rated as “investment grade,” (c) debt securities not held by the relevant financial institutions, except in the case of securities registered by or in custody of the Central Bank (CRYL), Caja de Valores S.A., or Clearstream, Euroclear and the Depository Trust Company, (d) securities issued by foreign governments whose credit rating is at least ‘investment grade’ according to Communication “A” 5671; (e) subordinated debt instruments issued by other financial institutions; (f) shareholders; (g) real property added to the assets of the financial entity and with respect to which the title deed is not duly recorded at the pertinent Argentine real property registry, except where such assets shall have been acquired in a court-ordered auction sale; (h) intangible assets; (i) items pending allocation, debtor balances and other; (j) certain assets, as required by the Superintendency resulting from differences between carry amount and the fair value of assets or actions taken to distort or disguise the true nature or scope of operations; (k) those required by the Superintendency; (l) any deficiency relating to the minimum loan loss provisions required by the Superintendency; (m) equity interests in companies that have the following activities: (i) financial assistance through leasing or factoring agreements, (ii) transitory equity acquisitions in other companies in order to further their development to the extent the ultimate purpose is selling such interest after development is accomplished, and (iii) credit, debit and similar cards emissions; (n) the excess to the limits set forth for secured assets on Section 3 of the rules on “Affectation of Secured Assets” (o) the highest balance of that month’s financial assistance granted during the month, where the advance payments set forth in Section 3.2.5 of the rules on “Lending to the non-financial public sector” surpass the authorized limit and/or are not settled within the terms established therein; (p) income from sales relating to securitization transactions, as applicable, pursuant to the provisions of Sections 3.1.4., 3.1.5.1. and 3.1.5.2., and from portfolio sales or assignments with recourse. This deduction can be applied as long as the credit risk still persists and to the extent in which the capital requirement for the underlying exposures or the sold or assigned portfolio with recourse is maintained; (q) in the case of liabilities from derivatives accounted for at fair value, unrealized gains or losses due to changes in the financial institution’s credit risk will be deductible. The deduction will be limited to the financial institution’s own credit risk adjustments only plus or minus, as the case may be; such adjustments may not be offset against adjustments for counterparty risk; (r) equity interests in financial institutions subject to consolidated oversight, except where not permitted due to the existence of deductible amounts; or in the case of foreign financial institutions. In these cases, the deductions will be the net amount of the allowance for impairment and, when controlled financial institutions subject to the provisions of Section 8.2.1.6., item iii) are involved, the deductions will be 50% of the net amount of profits derived by these entities on a proportional basis to their respective interests.

CAn1 Capital

CAn1 includes certain debt instruments of financial entities not included under COn1 that meet the regulatory criteria established in section 8.3.2 of the rules regarding “Financial Entities Minimum Capital”, as amended and supplemented, and share premiums resulting from instruments included in CAn1. Furthermore, in the case of consolidated entities, it includes instruments issued by subsidiaries subject to consolidated supervision and belonging to third parties, pursuant to applicable regulatory requirements.

The items mentioned in the previous points will be reduced, if applicable, by the deductible concepts provided in point 8.4.2 of the rules regarding “Financial Entities Minimum Capital”, as amended and supplemented, which are described below.

Moreover, debt instruments included under CAn1 must comply with the following requirements:

- 1) Must be totally subscribed and paid in full.
- 2) Must be subordinated to depositors, unsecured creditors and to the subordinated debt of the financial entity. The instruments must contemplate that in the case of the entity’s bankruptcy and once all debts with all the other creditors are satisfied, its creditors shall have priority in the distributions of funds only and exclusively with respect to the shareholders (irrespective of their class), with the express waiver of any general or special privilege.



- 3) Must not be insured or guaranteed by the issuer or a related entity, and with no agreement improving, either legally or economically, the payment priority in the case of the entity's bankruptcy.
- 4) They shall not contemplate any type of capital payment, except in the case of liquidation of the financial entity. Provisions gradually increasing remuneration or other incentives for anticipated amortization are not allowed.
- 5) After five (5) years, as from the issuance date, the financial entity can buy back the debt instruments if: (i) it has the prior authorization of the Superintendency; (b) the entity does not create any expectations regarding the exercise of the purchase option and (c) the debt instrument is replaced by a RPC of equal or greater value sustained by its revenue capacity, or if it is demonstrated that once the purchase option is exercised, its RPC significantly exceeds at least by 20% of the minimum capital requirements.
- 6) Any capital repayment requires previous authorization from the Superintendency. In the case of a capital repayment, the financial entity must not create any market expectations regarding the granting of such authorization.
- 7) The financial entity can cancel dividends/interest coupons at any time and at its sole discretion, which shall not be considered the default in itself and shall not grant bondholders the right to demand the conversion of their notes into ordinary shares. Furthermore, there shall be no restrictions to the financial entity, except with respect to dividend distribution to the shareholders.
- 8) The payment of dividends/interest coupons shall be carried out through the noting of distributable entries, in the terms of the regulations on "Results Distribution" (Section III of the Central Bank's regulations).
- 9) The included dividends/interest coupons shall not have periodic adjustments because of the financial entity's credit risk.
- 10) They should not have been bought by the financial entity or any other entity over which the financial entity has control or significant influence.
- 11) They should not have been bought with direct or indirect financing from the financial entity.
- 12) They shall not contain elements that make re-capitalization difficult.

Instruments considered liabilities must absorb losses once a pre-established triggering event takes place. The instruments must do so through their conversion into ordinary shares or a mechanism assigning final losses to the instrument with the following effects:

- a) Reduction of debt represented by the instrument in the event of winding-up of the entity;
- b) Reduction of the amount to be repaid in case a call option is exercised;
- c) Total or partial reduction of the dividends/interest coupon payments of the instrument.

Complementary Net Worth (NWc): Tier 2

Tier 2 Capital includes (i) certain debt instruments of financial entities which are not included in Tier 1 Capital and meet the regulatory criteria established in section 8.3.3 of the rules regarding "Financial Entities Minimum Capital" as amended and supplemented, (ii) share premium from instruments included in Tier 2 Capital, and (iii) loan loss provisions on the loan portfolio of debtors classified as being in a "normal situation" pursuant to Central Bank Rules on debtor classification and of financing with preferred security "A" not exceeding 1.25% of the assets measured for credit risk. Additionally, in the case of consolidated entities, it includes (iv) debt instruments issued by subsidiaries subject to a consolidated supervision and belonging to third parties, if they meet the criteria in order to be included under NWc.

The above-described concepts will be considered less deductible concepts pursuant to section 8.4.2 of the rules regarding "Financial Entities Minimum Capital", as amended and supplemented, which is described below.

Moreover, debt instruments included under NWc must comply with the following requirements:

- Must be totally subscribed and paid in full.
- Must be subordinated to depositors, unsecured creditors and the subordinated debt of the financial entity.
- Must not be insured or guaranteed by the issuer or a related entity, and with no agreement improving either legally or economically the payment priority in case of the entity's bankruptcy.
- Maturity: (i) original maturity date within no less than five (5) years; (ii) clauses considering gradually increasing remuneration or other incentives for anticipated amortization are not allowed and (iii) from the beginning of the last five years of life of the indebtedness, the computable amount will be diminished by 20% of its nominal issuance value.



- After five (5) years as from the issuance date, the financial entity can buy back the debt instruments with the previous authorization of the Superintendency, and if the entity does not create any expectations regarding the exercise of the purchase option. The debt instrument must be replaced by an RPC of equal or greater value sustained by its revenue capacity, or if it is demonstrated that once the purchase option is exercised its RPC significantly exceeds at least in a 20% of the minimum capital requirements.
- The investor shall not be entitled to accelerate the repayment of future projected payments, except in the case of bankruptcy or liquidation.
- They cannot incorporate dividends/coupons with periodic adjustments linked to the financial entity's credit risk.
- They should not have been bought by the financial entity or any other entity over which the financial entity has control or significant influence.
- They should not have been bought with direct or indirect financing from the financial entity.
- They shall not contain elements that affect re-capitalization.

Additionally, instruments included in NWc and CAn1, shall present the following conditions in order to assure their loss-absorbency capacity:

- a) Their terms and conditions must include a provision pursuant to which the instruments must absorb losses—either through a release from debt or its conversion into ordinary capital—once a triggering event has occurred, as described hereunder.
- b) If the holders receive compensation for the debt release performed, it should be carried out immediately and only in the form of common shares, pursuant to applicable regulations.
- c) The financial entity must have been granted the authorization required for the immediate issuance of the corresponding common shares in the case of a triggering event, as described below.

Triggering events of regulatory provisions described above are: (i) when the solvency or liquidity of the financial entity is threatened, and the Central Bank rejects the amnesty plan submitted or revokes its authorization to function, or authorizes restructuring protecting depositors (whichever occurs first) or (ii) upon the decision to capitalize the financial entity with public funds.

We have issued U.S.\$400,000,000, 6.750% Series A Subordinated Resettable Notes due 2026, that are outstanding as of the date of this annual report and comply with all the requirements described above.

Further criteria regarding the eligibility of items included in the RPC calculation must be followed pursuant to the regulatory requirements of minority and other computable instruments issued by subsidiaries, subject to consolidated supervision by third parties. A minority shareholding may be included in COn1 of the financial entity if the original instrument complies with the requirements established for its qualification as common shares regarding the RPC.

Deductible concepts applied to the different capital levels

- i) Investments in computable instruments under the financial entity's RPC not subject to consolidated supervision when the entity owns up to 10% of the issuer's ordinary capital according to the following criteria: (i) investments include direct, indirect or synthetic interests; (ii) investments include the acquired net position; (iii) securities issued are placed within five (5) business days; and (iv) the investments in capital instruments that do not satisfy the criteria to be classified as COn1 (Common Equity Tier 1), AT1 (Additional Equity Tier 1) or NWc (Complementary Net Worth) of the financial institution shall be regarded as COn1 –common equity shares, for the purposes of this regulatory adjustment. If the aggregate amount of these interests in the capital of financial institutions, companies providing services supplementary to the financial industry and insurance companies—which individually represent less than 10% of the COn1 of each issuer—exceeds 10% of the COn1 of the financial institution, net of applicable deductions, the amount over such 10% shall be deducted from each capital tier in accordance with the following method: i) Amount to be deducted from COn1: aggregate excess amount over 10% multiplied by the proportion represented by the COn1 holdings over the aggregate equity interests; ii) Amount to be deducted from CAn1: aggregate excess amount over 10% multiplied by the proportion represented by the CAn1 over the aggregate equity interests. iii) Amount to be deducted from NWc: aggregate excess amount over 10% multiplied by the proportion represented by the NWc holdings over the aggregate equity interest. If the financial institution does not have enough capital to make the deduction pertaining to a particular capital tier, the remaining amount shall be deducted from the next higher level. Amounts below the threshold, which are not deducted, are weighted based upon the risk or are taken into account in the calculation of the market risk requirement, as applicable.



- ii) Investments in instruments computed as regulatory capital of financial institutions and companies rendering services supplementary to the financial industry, not subject to consolidated oversight, and insurance companies, when the institution holds more than 10% of the common equity of the issuer, or when the issuer is a subsidiary of the financial institution, shall be subject to the following criteria: i) The investments include direct, indirect and synthetic interests. For these purposes, indirect interest means an investment by a financial institution in another financial institution or company not subject to consolidated oversight, which in turn has an interest in another financial institution or company not consolidated with the first one. A synthetic interest means an investment made by a financial institution in an instrument the value of which is directly related with the equity value of another financial institution or company not subject to consolidated oversight; ii) The net acquired position is included, i.e., the gross acquired position less the position sold in the same underlying exposure, when this has the same duration than the acquired position or its residual life is at least one year; iii) The holding of securities underwritten to be sold within a five business day term may be excluded; iv) Investments in capital instruments that do not satisfy the criteria to be classified as COn1, CAN1 or NWc of the financial institution shall be regarded as COn1, common equity shares, for the purposes of this regulatory adjustment. The amount of these interests, taking into account the applicable type of instrument, shall be deducted from each of the applicable capital tiers of the financial institution. If the financial institution does not have enough capital to make the deduction pertaining to a particular capital tier, the remaining amount shall be deducted from the next higher level.
- iii) Own repurchased instruments that satisfy the criteria for being included in CAN1 or NWc must be deducted from the applicable capital tier.

Limits

Rules regarding “Financial Entities Minimum Capital”, as amended and supplemented, establishes minimum thresholds regarding capital integration: (i) for COn1, the amount resulting from multiplying the capital RWA by 4.5%; (ii) for NWb, the amount resulting from multiplying RWA by 6% and (iii) for the RPC, the amount resulting from multiplying RWA by 8%. The lack of compliance with any of these limitations is considered as an infringement to minimum capital integration requirements.

Pursuant to Communication “A” 5889, as amended from time to time, RWA shall be calculated as follows:

$$RWA = RWAc + [(MR+OR) \times 12.5]$$

Where:

- RWA: risk weighted assets
- RWAc: credit risk weighted assets
- MR: minimum capital requirement for market risk
- OR: minimum capital requirement for operational risk

Economic Capital

Rules regarding “Financial Entities Risk Management Guidelines”, as amended and supplemented, requires financial institutions to have an integrated global internal process in place to assess the adequacy of their economic capital based on their risk profile (the “Internal Capital Adequacy Assessment Process” or “ICAAP”), as well as a strategy aimed at maintaining their regulatory capital. If, as a result of this internal process, it is found that the regulatory capital is insufficient, financial institutions must increase regulatory capital based on their own estimates to meet the regulatory requirement.

The economic capital of financial institutions is the amount of capital required to pay not only unexpected losses arising from exposure to credit, operational and market risks, but also those arising from other risks to which the financial institution may be exposed.

Financial institutions must demonstrate that their internal capital targets are well-funded and adequate in terms of their general risk profile and operations. The ICAAP should take into consideration all material risks to which the institution is exposed. To this end, institutions must define an integral process for the management of credit, operational, market, interest rate, liquidity, securitization, graduation, reputational and strategic risks and use stress tests to assess potential adverse scenarios that may affect their regulatory capital.

The ICAAP must include stress tests supplementing and validating any other quantitative or qualitative approach employed by the institution in order to provide the board of directors and senior management with a deeper understanding of the interaction among the various types of risk under stress conditions. In addition, the ICAAP must consider the short- and long-term capital needs of the institution and ensure the prudent accumulation of excess capital during positive periods of the economic cycle.



The capital level of each entity must be determined in accordance with its risk profile, taking external factors such as the economic cycle effects and political scenario.

The main elements of a strict capital evaluation include:

- a) Policies and procedures to guarantee that the entity identifies, quantifies and informs all the important risks.
- b) A process which relates economic capital with the current level of risk.
- c) A process which sets forth capital sufficiency objectives related to the risk, taking a strategic approach from the entity and its business plan into consideration.
- d) An internal process of controls, tests and audits, with the objective to guarantee that the general risk management process is exhaustive.

The required amount of capital of each institution shall be determined based on its risk profile, taking into consideration other external factors such as the effects of the economic cycle and the economic scenario.

Communication “A” 7143, as amended from time to time, provides guidelines for the calculation of economic capital, depending on the type of financial entity. Entities considered within Group A pursuant to Central Bank rules shall use their internal models to quantify the needs of economic capital with relation to its risk profile. Conversely, Group B or C entities may opt for a simplified calculation methodology. Such option must be approved by the board of directors of such entity.

Group B or C entities which have opted for the simplified methodology shall apply the following expression:

$$EC = (1.05 \times MC) + \max [0; U \text{ EVE} - 15 \% \times \text{bNW}]$$

Where:

EC: economic capital

MC: minimum capital requirements

EVE: measure of risk calculated according to a standardized framework foreseen in section 5.4 of Communication “A” 6534

bNW: basic net worth (tier 1 capital)

Requirements applicable to dividend distribution

Dividends are calculated based on our statutory financial statements of the Bank, and prepared under Central Bank Rules, that differ in certain aspects from IFRS. The Central Bank has imposed restrictions on the payment of dividends, substantially limiting the ability of financial institutions to distribute such dividends subject to compliance with the rules set forth in the “Restated Regulations on Earnings Distributions”, under the criterion that the amount to be distributed cannot affect the institution’s liquidity and solvency, which shall be verified by the satisfaction of certain requirements, on a consolidated basis.

Such regulations provides that the payment of dividends (other than dividends on common shares), the acquisition of treasury shares, the payment on other tier 1 equity instruments (as determined in accordance with the provisions set forth in the rules on “Minimum capital of financial institutions”) and/or the payment of financial incentives (bonuses) to personnel—in this case, subject to the public order labor regulations (legal, statutory and contractual) governing the financial institutions’ relationships with their personnel—shall be subject to these rules.

Institutions may distribute earnings up to the positive amount derived from the off-balance sheet calculation set forth herein, without exceeding the limits set forth in these rules.

To such effect, the registered balances, as of the end of the fiscal year to which they belong, in the account “Unappropriated Retained Earnings” and in the voluntary reserve for future distributions of earnings shall be computed, deducting the amounts—recorded on the same date—of the legal and statutory reserves—whose creation is mandatory—and the following concepts:

- 1. 100 % of the negative balance of each of the items recorded under the line “Other comprehensive retained earnings.”
- 2. The result derived from the revaluation of property, plant and equipment and intangible assets and investment properties.



3. The net positive difference resulting from the calculation at amortized cost and the fair market value recorded by the financial institution in connection with sovereign bonds and/or currency regulation instruments issued by the Central Bank for such instruments valued at amortized cost.
4. The asset valuation adjustments notified by the Superintendency—whether accepted or not by the institution—, that are pending registration and/or those indicated by the external audit that have not been accounted.
5. The individual deductibles—regarding asset valuation—established by the Superintendency, including the adjustments derived from the failure to consider agreed adjustment plans.
6. The resulting lower provisions and higher RPC from the treatment established on point 2 of the Central Bank’s Communication “A” 6946 (as amended) for financing PyMEs for the payment of salaries.

In addition, financial institutions shall not distribute earnings out of the income derived from the first application of IFRS and are obliged to create a special reserve which shall only be reversed for capitalization purposes or to absorb possible negative balances in the item “Unappropriated Retained Earnings”.

The amount to be distributed, which shall not exceed the limits set forth by the Central Bank, shall not compromise the liquidity and solvency of the institution. This requirement shall be considered satisfied once it has been verified that there are no integration defects in the minimum capital position—whether individual and consolidated—as of the end of the fiscal year to which the unappropriated retained earnings pertain or in the last closed position, whichever has the lesser integration excess, recalculating them together (for such purpose only) with the following effects based on the data relevant as of each such date:

1. Those arising after deducting the concepts set forth above in points 1 to 5, if applicable, from the assets.
2. The failure to consider the deductibles established by the Superintendency affecting the requirements, integrations and minimum capital position.
3. The deduction of the amounts relating to the following concepts from the unappropriated retained earnings:
 - the amount to be distributed and, if applicable, the amount allocated to the creation of the reserve to repay debt instruments, capable of integrating the regulatory capital;
 - positive balances due to the application of the minimum presumed income tax—net of allowances for impairment – that have not been deducted from the basic shareholders’ equity, in accordance with the provisions set forth in rules on “Minimum capital of financial institutions”; and
 - adjustments made in accordance with points 1 to 5 above.
4. The failure to consider the limit set forth in paragraph 7.2. of the rules on “Minimum capital of financial institutions.”

The distribution of earnings shall only be admitted if none of the following events occurs:

- the institution is subject to the provisions of article 34 “Regularization and Recovery” and article 35 bis “Institution’s restructuring for the purpose of safeguarding loans and deposits” of the Financial Institutions Law;
- the institution has received financial assistance from the Central Bank under section 17 of its Charter, due to illiquidity;
- the institution is delayed or in breach of the reporting regime set forth by the Central Bank;
- the institution records minimum capital integration deficits—whether individually or consolidated—(without computing the effects of the individual deductibles established by the Superintendency);
- the integration of the average minimum cash—in Pesos, in foreign currency or in sovereign securities—is smaller than the requirement applicable to the last closed position or the projected position, taking into account the effect of the earnings distribution;
- the institution has failed to comply with the additional capital margins applicable in accordance with Section 4.

Financial institutions shall have prior authorization of the Central Bank for the distribution of their results.

Moreover, in the midst of the COVID-19 crisis, the Central Bank issued Communication “A” 6939, as amended from time to time, by virtue of which the distribution of dividends by financial entities was temporarily suspended. On December 2021, by means of Communication “A” 7421, as amended, the Central Bank authorized financial entities to distribute dividends for up to 20% of the amount of earnings that should have been distributed if the “Earnings distributions” rules had been applied, from January 1, 2022 to December 31, 2022. Those financial entities authorized by the Central Bank to distribute their profits must make such distribution in 12 equal, monthly and consecutive installments.



Additionally, in accordance with the FX Regulations, the access to the FX Market to pay dividends to non-resident shareholders is subject to certain requirements. For more information, please see “Item 10.D Exchange Controls—Payments of dividends and corporate profits”.

Unless otherwise indicated, the regulations explained in this section should be applied to financial information of the banks calculated in accordance with Central Bank Rules. IFRS differs in certain respects from Central Bank Rules.

Capital Conservation Buffer

It is also stated that financial entities shall maintain a capital conservation margin in addition to the minimum capital requirements in order to ensure the accrual of owned resources to cope with eventual losses, reducing the non-compliance risk.

Financial entities considered D-SIBs or globally systemically important (“G-SIBs”), must have a capital level that permits a greater capacity for loss absorption, by virtue of negative externalities that the effects of insolvency of such entities or their foreign holdings could create in the financial system and the economy.

The conservation capital margin shall be 2.5% of the amount of RWA. In cases of entities considered systemically important, the margin will be increased to 3.5% of the amount of capital risk weighted assets. These margins can be increased once again, according to the counter-cycle margin. The conservation capital margin, increased in the case of entities considered systemically important, must be integrated exclusively with Common Equity Tier 1 (COn1), net from deductible concepts (CDCOn1).

When such margin is used, the entities must raise capital with new capital contributions, or reduce future distributions.

The dividend distribution shall be limited whenever the level and composition of the computable asset liability, even when it complies with the minimum capital requirements, is within the range of the capital conservation margin. This limitation reaches solely the dividend distribution, but not the operation of the entity. Entities shall be able to operate normally when levels of Con1 are within the range of conservation margin. When the coefficient of Common Equity Tier 1 (Con1 as percentage of RWA) is within the range of margins conservation of capital, the restriction to the results distribution shall be increased whenever the coefficient of Con1 comes close to the minimum required in section 8.5.1 of regulations over “Minimum Capital for Financial Entities”. The following table shows the maximum percentages of dividend distribution, according to the compliance with the conservation margin presented:

Coefficient of Common Equity Tier 1 (COn1) net of deductions (CDcon1) – as percentage of RWA -		Minimum coefficient of capital conservation – as percentage of dividend distribution -
Financial Entities – That are not categorized as D-SIBs or G-SIBs-	D-SIBs and G-SIBs Financial Entities	
4.5 – 5.13	4.5 – 5.38	100
> 5.13 – 5.75	> 5.38 – 6.25	80
> 5.75 – 6.38	> 6.25 – 7.13	60
> 6.38 – 7.0	> 7.13 – 8	40
> 7	> 8	0

Currently, the minimum limits required by the regulations are:

- COn1/RWA: 4.5%
- NWb/RWA: 6.0%
- RPC/RWA: 8.0%

COn1 must be used in the first place to satisfy the minimum capital requirement of 4.5% of RWA. Subsequently, and in the event the total does not have enough Additional Equity Tier 1 (CAn1) or Tier 2 Capital (NWc), the COn1 shall also be applied to meet requirements of 6% and 8% of Tier 1 Capital and total capital. Only the remaining COn1, if any, can be computed to satisfy the applicable conservation margin, increased in function of the counter-cycle margin, if applicable.

Any entity that desires to exceed the dividend distribution limits shall finance this distribution by new contributions of COn1 in the excess amount.

In order to determine the RPC Group “A” financial institutions shall compute as COn1 the positive difference between the accounting provision set forth by point 5.5 of IFRS 9, and the higher of the regulatory provision as calculated by the “Minimum Provision Requirement for Uncollectability Risk Rules” and the accounting provision corresponding to the balance as of November 30, 2019.



The Central Bank also establishes the counter-cycle margin in order to allow the financial entities' capital levels to correspond to the accumulative systematic risk associated with an excessive credit expansion and the macro-financial context. When the Central Bank considers that the credit growth is excessive, creating an increase in systematic risk, it can establish, with a twelve-month advanced notice, the obligation to constitute a counter-cycle margin within a range of 0% to 2.5% of RWA. This margin can be reduced or cancelled by the Central Bank when it considers that the systematic risk has been diminished.

Financial entities with international activity shall consider the geographic location of their credit exposure with local and foreign residents of the private sector and calculate the counter-cycle margin as the mean between the required margins in foreign jurisdictions. This includes all credit exposure to private sectors subject to the requirement of credit risk capital.

In order to determine which jurisdiction corresponds to each exposure, the principle of ultimate risk shall be applied. Pursuant to this principle, one must identify the jurisdiction where the guarantor of the risk resides. The counter-cycle margin shall be observed by means of an increase in the conservation capital margin and shall be satisfied exclusively with Common Equity Tier 1, net of deductible concepts (CDCOn1).

For more information, see Item 8.A *“Consolidated Statements and Other Financial Information—Amounts available for distribution and distribution approval process”*.

Credit Risk

The minimum capital requirement in respect of counterparty risk (“CRC”) shall be calculated with the items included, which must be computed on the basis of the balances as of the last day of each month (capital, interests, premiums, restatements—by the CER—and price differences, as appropriate, net of the non-recoverability and devaluation risks provisions and of accumulated depreciation and amortization attributable to them and other regularizing accounts, without deducting 100% of the minimum amount required for the non-recoverability risk provision in the portfolio corresponding to debtors classified as in a “Normal Situation”—points 6.5.1 and 7.2.1 of the rules on “Classification of Debtors”- and financings secured by preferential guarantees “A”)

The minimum capital requirement in respect of counterparty risk must be calculated applying the following equation:

$$CRC = (k * 0.08 * RWAc) + INC$$

Variable “k”: Minimum capital requirements also depend on the CAMELBIG rating (1 is the strongest, 5 is the weakest) assigned by the Superintendency, which also determines the “k” value. This rating system complies with international standards and provides a broad definition of the performance, risks and perspectives of financial entities. Financial entities have to adjust their capital requirements according to the following “k” factors:

CAMELBIG Rating	k Factor
1	1.00
2	1.03
3	1.08
4	1.13
5	1.19

For the purposes of the calculation of the capital requirement, the rating will be that of the third month after the month of the most recent rating informed to the entity. For so long as no notice is given, the “k” factor will be equal to 1.03.

“RWAc” stands for capital risk weighted assets calculated by adding the value obtained from applying the following formula:

$$A * p + PFB * CCF * p + non-DvP + (DVP + RCD + INC \text{ significant investments in companies}) * 12.50$$

Where:

Variable “A” refers to eligible assets/exposures;

“PFB” are eligible items which are not registered on the balance sheet;



“CCF” the conversion credit factor; and

“p” refers to the weighting factor, expressed on a per unit basis.

“DvP” refers to failed delivery against payment transactions (for purposes of these rules, failed payment against payment (PvP) transactions are also included). The amount is determined by the addition of the amounts arrived at by multiplying the current positive exposure by the applicable capital requirement.

In addition, “no DvP” refers to transactions that do not involve delivery against payment. The amount is determined by the addition of the amounts arrived at by applying the weighting factor (p) on the relevant transactions.

“RCD” refers to requirements for counterparty risk in OTC transactions.

“INC” incremental minimum capital requirements based on any excess in the fixed assets and other ratios, the limitations established under “Major Exposure to Credit Risk Regulations”.

“INC (significant investments in companies)” means the incremental minimum capital requirements based on any excess over the following limits:

- equity interest held in companies: 15%
- total equity interests held in companies: 60%

The established maximum limits will be applied on the financial entity’s computable regulatory capital for the last day before the relevant date, as prescribed in the Central Bank regulations on “Credit Risk Fractioning”.

Each type of asset is weighted according to the level of risk assumed to be associated with it. In broad terms, the weights assigned to the different types of assets are:

Type of Asset	Weighting (%)
Cash and cash equivalents	
Cash held in treasury, in transit (when the financial institution assumes responsibility and risk for transportation), in ATMs, in checking accounts and in special accounts with the Central Bank, gold coins or bars	0
Cash items in the process of collection, cash in armored cars and in custody at financial institutions	20
<i>Exposure to governments and central banks</i>	
To the Central Bank denominated and funded in Pesos	0
To the public non-financial sector denominated and funded in Pesos, including securitized exposures	0
To the public non-financial sector arising from financing granted to social security beneficiaries or public employees (with discount code)	0
To other sovereign states or their central banks	
- AAA to AA-	0
- A+ to A-	20
- BBB+ to BBB-	50
- BB+ to B-	100
- Below B-	150
- Unrated	100
Entities of the non-financial public sector from other sovereigns, pursuant to the credit rating assigned to the respective sovereign	
- AAA to AA-	20
- A+ to A-	50
- BBB+ to BBB-	100
- BB+ to B-	100
- Below B-	150
- Unrated	100



Type of Asset	Weighting (%)
To the Bank for International Settlements, the IMF, the European Central Bank and the European Community	0
To the non-financial public sector of the provinces, municipalities and/or the Autonomous City of Buenos Aires arising from the acquisition of sovereign bonds issued in Pesos by the central administration, when they do not have any one of the guarantees described in the regulations on "Financing to Non-Financial Public Sector", pursuant to the credit rating assigned to the respective jurisdiction	
- AAA to AA-	20
- A+ to A-	50
- BBB+ to BBB-	100
- BB+ to B-	150
- Below B-	200
- Unrated	200
<i>Exposure to the Multilateral Development Banks (MDB)</i>	
The International Bank for Reconstruction and Development (IBRD), the International Finance Corporation (IFC), the Inter-American Development Bank (IDB), the Asian Development Bank (ADB), the European Investment Bank (EIB), among others	0
<i>Other</i>	
- AAA to AA-	20
- A+ to A-	50
- BBB+ to BBB-	50
- BB+ to B-	100
- Below B-	150
- Unrated	50
<i>Exposure to local financial institutions</i>	
Denominated and funded in Pesos arising from transactions with an initial contractual term of up to 3 months	20
Other. The weighting percentage to be applied will be the one for one category less favorable than the one assigned to the exposures with the Argentine government in foreign currency, as provided for the <i>Exposure to the public non-financial sector and the Central Bank</i> , with a maximum of 100%, except that the grade was less than B-, in which case the weighting percentage will be 150%	
<i>Exposure to foreign financial institutions, pursuant to the credit rating assigned to the sovereign of their jurisdiction of incorporation</i>	
- AAA to AA-	20
- A+ to A-	50
- BBB+ to BBB-	100
- BB+ to B-	100
- Below B-	150
- Unrated	100
<i>Exposure to companies and other legal entities in the country and abroad, including exchange institutions, insurance companies and stock exchange entities</i>	100
<i>Exposures included in the retail portfolio</i>	
Loans to individuals (provided that installments of loans granted by the institution do not exceed, at the time of the agreements, 30% of borrower's income) and to Micro, Small- and Medium-Sized Companies ("MiPyMEs")	75
<i>Other</i>	100
<i>Exposures guaranteed by reciprocal guaranty companies (sociedades de garantía recíproca) or public security funds registered with the registries authorized by the Central Bank</i>	50



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Type of Asset	Weighting (%)
<i>First mortgage loans on residential property or mortgage loans with any order of preference provided that the institution remains the creditor; irrespective of the order of preference, to the extent that the debt balance under no circumstances exceeds the valuation price of the mortgaged property</i>	
If credit facility does not exceed 75% of the appraised value of such real property	
- Sole, permanently-occupied family home	35
- Other	50
On the amount exceeding 75% of the appraised value of such real property	100
<i>First mortgage loans on other than residential property or mortgage loans with any order of preference provided that the institution is also the creditor of senior loans</i>	
Up to 50% of the lower of the real property market value or 60% of the mortgage loan	50
On the remaining portion of the loan	100
Past due loans over 90 days	
Weighting varies according to the loan and specific provisions Created	50-150
Equity holdings	150
<i>Securitization exposures, failed DvP transactions, non-DvP transactions, exposures to central counterparty institutions (CCP) and derivative transactions not included in said exposures</i>	*
<i>Exposures to individuals or companies originated in credit card purchases made in installments of travel tickets to foreign destinations and other touristic services abroad (lodging, car rental), either made directly to the service provider or through a travel agency or web platform</i>	1250
<i>Other assets and off-balance categories</i>	100

* They receive a special treatment.

Excluded items include: (a) securities granted for the benefit of the Central Bank for direct obligations; (b) deductible assets pursuant to RPC regulations and (c) financings and securities granted by branches or local subsidiaries of foreign financial entities by order and on account of their headquarters of foreign branches or the foreign controlling entity, to the extent: (i) the foreign entity has an investment grade rating, (ii) the foreign entity is subject to regulations that entail consolidated fiscalization, (iii) in the case of finance operations, they shall be repaid by the local branch or subsidiary exclusively with funds received from the aforementioned foreign intermediaries; and (iv) in the case of guarantees granted locally, they are in turn guaranteed by their foreign branch headquarters or the foreign controlling entity and foreclosure on such guaranty may be carried out immediately and at the sole requirement of the local entity.

Credit Risk Regulation – Large Exposures

General Overview

Communication “A” 6599 of the Central Bank, as amended and restated by Communication “A” 6620, effective as of January 1, 2019, abrogated credit risk fractioning regulations (except for the provisions related to the non-financial public sector), and replaced the former regime by regulating “large exposures to credit risk”. The system seeks to limit the maximum loss that a financial entity may suffer upon the occurrence of an unexpected default of a counterparty or group of connected counterparties who do not belong to the non-financial public sector, therefore affecting its solvency. The regulations regarding the exposures to credit risk must be applied at all times with every counterparty of the entity.

In this regard, the regulations have established the concept of group of connected counterparties, which applies to all cases in which one of the counterparties of a financial entity have direct or indirect control over the rest or in those cases in which financial difficulties experimented by one of the counterparties causes a strong likelihood that its subsidiaries may struggle financially as well. According to the regulation, upon the detection of the existence of a group of connected counterparties by the financial entity, such group shall be considered as a single counterparty and the sum of the exposures to credit risk that a financial entity possesses with all the individual counterparties comprehended in that group shall be subject to the information and disclosure requirements provided in section 2.



One of the main aspects of Communication “A” 6599 is the introduction of the concept of large exposure to credit risk in Argentine banking regulations, which is defined as the sum of all values of exposure of a financial entity with a counterparty or group of connected counterparties when it is equal or above 10% of the Tier 1 Capital registered by the financial entity the immediately preceding month of its calculation.

However, the determination of the values of exposure to risk recognize the following exceptions:

- Intraday interbank exposures;
- Exposures of financial entities with qualifying central counterparties, as defined by the Central Bank regulations on minimum capital;
- Exposures with the Central Bank; and
- Exposures with the Argentine non-financial public sector.

Regarding the information regime, the Central Bank has established that the financial entities shall inform the Superintendency of all the values of exposure to credit risk before and after the application of mitigation techniques, detailing:

- Exposures to risk with a value equal or above 10% of Tier 1 Capital of the financial entity;
- Every other exposure to risk which value is equal or above 10% of the Tier 1 Capital of the financial entity, without applying credit risk mitigation techniques;
- Excluded exposures to risk which values are equal or above 10% of the financial entity’s Tier 1 Capital; and
- The financial entity’s 20 largest applicable exposures to risk, regardless of its value in relation with the financial entity’s Tier 1 Capital.

Limits

On one side, Communication “A” 6620 sets at 15% the limit of exposure with a counterpart of the non-financial private sector. Nevertheless, the limit will be increased by 10 percentage points for the part of the exposures that are covered by preferred collaterals. Additionally, it sets special limits for operating with financial institutions in the country and abroad (the general rule sets it at 25%). In the case of foreign financial institutions that do not have an international risk rating included in the “investment grade” category, the maximum limit is 5%.

On the other side, Communication “A” 6599 sets the global limit of exposure to risk with respect to affiliate counterparties at 20%. In the case of stock held in an investment portfolio, the sum of all the values of exposure to risk corresponding to the total stocks not related to the portfolio shall not exceed 15% (holdings in public services companies or companies dedicated to complementary services to financial activities are excluded). The total limit of stocks and holdings shall be the sum of all the values of exposure to risk corresponding to the total amount of stock in an investment or negotiation portfolio plus the credits for forward operations and sureties entered into in authorized Argentine markets shall not exceed 50%.

Minimum controls to exposures of affiliates

The regulations set forth three stages for the control of the financial entity’s affiliates exposure:

1) Reports for the entity’s management:

- Report by the CEO;
- Report by the supervisory committee; and
- Acknowledgment of the reports by the entity’s management.

2) Evidence of the affiliation to the financial entity: the personnel responsible for the analysis and resolution of the credit operations shall expressly register whether or not the client is affiliated with the financial entity.

3) Affidavit evidencing affiliation: affiliated clients shall file an affidavit stating if they belong to the lending entity or if its relationship with such entity implies the existence of a controlling influence.

Interest rate risk

Until January 1, 2013, financial entities had to comply with minimum capital requirements regarding interest rate risk. These requirements were intended to capture the sensitivity of assets and liabilities to changes in the interest rates. Communication “A” 5369



removed all rules and regulations regarding minimum capital requirements for interest rate risk. Notwithstanding this change, financial entities must continue to calculate the interest rate risk and remain subject to the Superintendent's supervision. By virtue of Communication "A" 6534, dated July 3, 2018, the Investment Portfolio Interest Rate (RTCI) risk shall be calculated.

Market risk

Overall capital requirements in relation to market risk are based on the sum of the five amounts of capital necessary to cover the risks. Market risk is defined as the possibility of incurring losses in on- and off-balance sheet recorded positions as a result of adverse changes in market prices. The market risk minimum capital requirement is the arithmetic sum of the minimum capital requirement for interest rate (trading portfolio), stock (trading portfolio), exchange rate, commodities and options risks (trading portfolio). To meet this capital requirement, entities must apply a "Standard Measurement Method" based on an aggregate of components that separately capture the specific and general market risks for securities positions.

General considerations. Risks subject to this minimum capital requirement include risks derived from positions in instruments—such as securities and derivatives—recorded as part of the trading portfolio, and risks from foreign currency and commodities positions recorded, indistinctly, as part of the investment or trading portfolio. For the purpose of the above accounting recording, the trading portfolio of financial entities comprises positions in financial instruments included among an entity's assets for purposes of trading or of providing hedging to other items contained in the portfolio. Pursuant to Communication "A" 6690, as amended, a financial instrument may be accounted for as part of the trading portfolio—for purposes of meeting the minimum capital requirement for market risk—if such instrument may be traded free from any restriction or if the instrument may be hedged in full. Also, the portfolio must be actively managed, and its positions must be valued on a daily basis and with the required accuracy. Positions kept for trading purposes are those positions that the entity intends to sell in the short term or from which it intends to derive a profit as a result of changes, either actual or expected, in short-term prices, or by means of arbitrage activities. They include both positions that the entities keep for their own use and those they purchase in the course of services performed for customers or "market making" activities". Financial entities must calculate the minimum capital requirement for the counterparty credit risk involved in OTC transactions involving derivatives and securities financing transactions, such as repo transactions (repo agreements), recorded as part of the trading portfolio on a separate and additional basis to the calculation of capital requirements for general market risk and specific market risk of the underlying securities. For this purpose, entities will be required to apply the methods and weighting factors usually applicable when those transactions are recorded as part of the investment portfolio. Entities must have clearly defined policies and procedures in place, designed to determine the exposures that are to be included into or excluded from the trading portfolio in order to calculate their minimum capital requirement for market risk. On the other hand, the investment portfolio will include all securities held by the entity which are not included in the trading portfolio.

The minimum capital requirement for exchange rate risk will apply to the total position in each foreign currency. The minimum capital requirement for securities will be computed in respect of the instruments accounted for as part of the trading portfolio, which must be valued prudently (marked to market or marked to model). Instruments whose yield is determined in relation to CER must be considered fixed-rate securities. Whether recorded as part of the trading or of the investment portfolio, items to be deducted for purposes of calculating the RPC will be excluded from the calculation of the market risk minimum capital requirement.

Minimum capital requirement for interest rate risk. The minimum capital requirement for interest rate risk must be calculated in respect of any debt securities and other instruments accounted for as part of the trading portfolio, including any non-convertible preferred shares. This capital requirement is calculated by adding two separately calculated requirements: first, the specific risk involved in each instrument, either a short or a long position, and second, the general market risk related to the effect of interest rate changes on the portfolio. A set off of the long and short positions held in different instruments will be allowed.

Minimum capital requirement for positions in stock. The capital requirement for the risk of holding equity positions in the trading portfolio applies to both long and short positions in ordinary shares, convertible debt securities that function like shares and any call or put options for shares, as well as any other instrument with a market behavior similar to that of shares, excluding non-convertible preferred shares, which are subject to the minimum capital requirement for interest rate described in the preceding paragraph. Long and short positions in the same security may be computed on a net basis.

Minimum capital requirement for exchange rate risk. The capital requirement for exchange rate risk establishes the minimum capital required to hedge the risk involved in maintaining positions in foreign currency, including gold. To calculate the capital requirement for exchange rate risk, entities must first quantify its exposure in each currency, and then estimate the risks inherent in the combination of long and short positions in different currencies.

Minimum capital requirement for commodities risk. The capital requirement for commodities risk establishes the minimum capital required to hedge the risk involved in maintaining positions in commodities—but gold. The calculation of the capital requirement shall express every commodity position in terms of the standard measure unity, and following the rules set forth in Communication "A" 6690.



Minimum capital requirement for positions in options. The calculation of the capital requirement for the risk involved in positions in options may be based on the “simplified method” set forth in Communication “A” 6690 if the entity only purchases options; provided that, the market value of all the options in its portfolio does not exceed 5% of the entity’s RPC for the previous month, or if its positions in sold options are hedged by long positions in options pursuant to exactly the same contractual terms. In all other cases, the entity must use the alternative “delta plus” method, provided for in the regulation.

Consequences of a Failure to Meet Minimum Capital Requirements

In the event of non-compliance with capital requirements by an existing financial institution, Central Bank Communication “A” 6091, as amended, provides the following:

- (i) *Non-compliance reported by the institution:* the institution must meet the required capital no later than the end of the second month after the date of non-compliance or submit a restructuring plan within thirty (30) calendar days after the end of the month in which such non-compliance was reported. In addition, non-compliance with minimum capital requirements will entail a number of consequences for the financial institution, including a prohibition to open branches in Argentina or in other countries, establish representative offices abroad, or own equity in foreign financial institutions, as well as a prohibition to pay cash dividends. Moreover, the Superintendency may appoint a representative, who shall have the powers set forth by the Financial Institutions Law.
- (ii) *Non-compliance detected by the Superintendency:* the institution may challenge the non-compliance determination within thirty (30) calendar days after being served notice by the Superintendency. If no challenge is made, or if the defense is dismissed, the non-compliance determination will be deemed to be final, and the procedure described in the previous item will apply.

Furthermore, pursuant to Communication “A” 5889, as amended, if a financial institution fails to meet market risk daily minimum capital requirements, except for any failure to meet the requirements on the last day of the month, calculated as a sum of VaR of included assets or derived from the calculation of capital requirements for interest rate, exchange rate and stock risks, the financial institution must replace its capital or decrease its financial position until such requirement is met, and has up to ten (10) business days from the first day on which the requirement was not met to meet the requirement. If the financial institution fails to meet this requirement after ten (10) business days, it must submit a regularization and reorganization plan within the following five (5) business days and may become subject to an administrative proceeding initiated by the Superintendency.

Operational risk

The regulation on operational risk (“OR”) recognizes the management of OR as a comprehensive practice separated from that of other risks, given its importance. OR is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. The definition includes legal risk but excludes strategic and reputational risk.

Financial institutions must establish a system for the management of OR that includes policies, processes, procedures and the structure for their adequate management. This framework must also allow the financial entity to evaluate capital sufficiency.

Seven OR event types are defined, according to internationally accepted criteria:

- internal fraud;
- external fraud;
- employment practices and workplace safety;
- clients, products and business practices;
- damage to physical assets;
- business disruption and system failures; and
- execution, delivery and process management.

Financial entities are charged with implementing an efficient OR management system following the guidelines provided by the Central Bank. A solid system for risk management must have a clear assignment of responsibilities within the organization of financial entities. Thus, the regulation describes the roles prepared by each level of the organization in managing of OR (such as the roles of the board of directors, senior management and the business units of the financial institution).

A financial institution’s size and sophistication, and the nature and complexity of its products and processes, and the extent of the transaction determines the type of “OR unit” required. For small institutions, this unit may even consist of a single person. This unit may functionally respond to the senior management (or similar) or a functional level with risk management decision capacity that reports to that senior management.



An effective risk management will contribute to prevent future losses derived from operational events. Consequently, financial entities must manage the OR inherent in their products, activities, processes and systems. The OR management process comprises:

- a) *Identification and assessment*: the identification process should consider both internal and external factors that could adversely affect the development of the processes and projections created according to the business strategies defined by the financial institution. Financial entities should use internal data, establishing a process to register frequency, severity, categories and other relevant aspects of the OR loss events. This should be complemented with other tools, such as self-risk assessments, risk mapping and key risk indicators.
- b) *Monitoring*: an effective monitoring process is necessary for quickly detecting and correcting deficiencies in the policies, processes and procedures for managing OR. In addition to monitoring operational loss events, banks should identify forward-looking indicators that enable them to act upon these risks appropriately.
- c) *Control and mitigation*: financial entities must have an appropriate control system for ensuring compliance with a documented set of internal policies, which involve periodic reviews (to occur at least annually) of control strategies and risk mitigation, and adjust these as necessary.

Pursuant to Communication “A” 5282, as amended by Communications “A”6091 and “A”6638, among others, the minimum capital requirements regarding OR are equal to 15% of the annual average positive gross income of the last thirty-six (36) months.

The OR formula is as follow:

$$C_{RO} = \frac{\sum_{t=1}^n \alpha * IB_t}{n}$$

The variables in the OR formula are defined as follows:

- “C_{RO}”: the capital requirement for operational risk.
- “α”: 15%.
- “n”: the number of 12-month consecutive terms with positive IB, based on the 36 months preceding the month of calculation. The maximum value of n is 3.
- “IB_t”: gross income from 12-month consecutive terms; provided that, it is a positive figure, corresponding to the 36 months preceding the month of calculation.

Gross income (*ingresos brutos*) (“IB”, as per its acronym in Spanish) is defined as the sum of (a) financial and service income net of financial and service expenses and (b) sundry gains net of sundry losses.

The following items are excluded from items (a) and (b) above:

- (i) expenses derived from the creation or elimination of reserves during previous fiscal years and recovered credits during the fiscal year that were written off in previous fiscal years;
- (ii) profits or losses from holding equity in other financial institutions or companies, if these were deductible from RPC;
- (iii) extraordinary or unusual gains (*i.e.*, those arising from unusual and exceptional events that resulted in gains) including income from insurance recovery; and
- (iv) gains from the sale of classified species and measures at amortized cost of fair value with changes in other integral gains.

New financial institutions must comply, in their first month, with an OR minimum capital requirement equivalent to 10% of the aggregate requirements determined for credit and market risks, in the latter case, for the positions on the last day of that month. As from the second and up to the thirty-sixth month, the monthly capital requirement will be equivalent to 10% of the average requirements determined for the months elapsed until, and including, the calculation period based on a consideration of the risks referred to in the preceding paragraph, in accordance with the following formula:



$$C_{RO_t} = \frac{\sum_{i=1}^n (C_{RC_i} + RM_{p,i})}{n} \times 10\%$$

For every t-month:

- “C_{RC,t}”: the capital requirement for credit risk.
- “RM_{p,t}”: the capital requirement for market risk for the last day of such t-month.
- “n”: the number of months preceding the month of calculation, inclusive. 2d n d 36.

From the thirty-seventh month onwards, the monthly requirement is calculated based on the OR formula.

Minimum cash reserve requirements

The minimum cash reserve requirement requires that a financial institution keep a portion of its deposits or obligations readily available and not allocated to lending transactions and it is included in the Central Bank “Rules of Minimum Cash”, as amended and supplemented.

Minimum cash requirements are applicable to demand and time deposits and other liabilities arising from financial intermediation denominated in Pesos, foreign currency, or government and corporate securities, and any unused balances of advances in checking accounts under agreements not containing any clauses that permit the bank to discretionally and unilaterally revoke the possibility of using such balances.

Minimum cash reserve obligations exclude (i) amounts owed to the Central Bank, (ii) amounts owed to domestic financial institutions (excluding special deposits related to inflows of funds—Decree No. 616/2005), (iii) amounts owed to foreign banks (including their head offices, entities controlling domestic institutions and their branches) in connection with foreign trade financing facilities, and with multilateral development banks, (iv) cash purchases pending settlement and forward purchases, (v) cash sales pending settlement and forward sales (whether or not related to repurchase agreements), (vi) overseas correspondent banking operations, (vii) demand obligations for money orders and transfers from abroad pending settlement to the extent that they do not exceed a seventy-two (72) business hour term as from their deposit; and (viii) demand obligations with business for the sales made by credit card and / or for the purchase.

The liabilities subject to these requirements are computed on the basis of the effective principal amount of the transactions, including differences in rates (either negative or positive), excluding interest accrued, past due, or to become due on the aforementioned liabilities, provided they were not credited to the account of, or made available to, third parties, and, in the case of fixed-term deposit of UVIs and UVAs, the accrued amount resulting from the increment of the value of such unit.

The basis on which the minimum cash reserve requirement is computed is the average of the daily balances of the liabilities:

- registered at the end of each day during the period prior to the one of its integration, in the case the liabilities are denominated in Pesos; or
- registered at the end of each day during the calendar month, in the liabilities are denominated in foreign currency, or government and corporate securities.

The averages shall be obtained by dividing the aggregate of the daily balances into the total amount of the days of each period. Those days in which no movements are registered shall repeat the balance corresponding to the immediately preceding Business Day.

Such requirement shall be complied with on a separate basis for each currency and/or security and/or instrument under monetary regulation in which the liabilities are denominated.

The table below shows the percentage rates that should be applied to determine the required minimum cash reserve requirement for financial institutions, depending on whether: (i) the financial entities are included in Group “A”, as provided by Section 4 of the regulations on “Authorities of financial entities” (*Autoridades de entidades financieras*), and/or branches or subsidiaries of foreign banks are classified as systemically important (G-SIB) not included in that group; or (ii) the remaining financial entities. Section 4 of the regulations on “Authorities of financial entities” of the Central Bank classifies the financial entities in: (a) Group “A” which includes those entities in which the amount of their assets is greater than or equal to 1% of the total of the assets of the financial



system (for the purposes of calculating this indicator, the average of the assets corresponding to the months of July, August and September of the previous year will be considered, according to the data that arise from the corresponding information regime); (b) Group “B” which includes those entities in which the amount of their assets do not exceed 1% and greater than or equal to 0.25% of the total of the assets of the financial system; and (c) Group “C” which includes those institutions whose deposits do not exceed 0.25% of the total of the assets of the financial system and/or, being Group B institutions, the ratio between their deposits and their RPC is less than 100%. The following fees arise from Communication “A” 6991:

Item	Group A and G-SIB		Remaining financial institutions	
	Pesos	Foreign Currency	Pesos	Foreign Currency
1- Checking account deposits and demand deposits opened at credit cooperatives	45		20	
2- Savings account, salary/social security accounts, special accounts (except for deposits included on items 7 and 11), and other demand deposits and liabilities, pension and social security benefits credited by ANSES pending collection and immobilized reserve funds for liabilities covered by these regulations	45	25	20	25
3- Unused balances of advances in checking accounts under executed overdraft agreements	45		20	
4- Deposits in checking accounts of non-bank financial institutions, computed for purposes of meeting their required minimum cash reserve	100		100	
5- Time deposits, liabilities under “acceptances”, (including responsibilities for sale or transfer of credits to agents different from financial institutions), stock-exchange repos (cautions and stock exchange passive repos), constant-term investments, with an option for early termination or for renewal for a specified term and variable income, and other fixed-term liabilities, except deposits included in the following items 7, 10 y 12 of this table, securities (including negotiable obligations), according to their outstanding term:				
(i) Up to 29 days	32	23	11	23
(ii) From 30 days to 59 days	22	17	7	17
(iii) From 60 days to 89 days	4	11	2	11
(iv) From 90 days to 179 days	—	5	—	5
(v) From 180 days to 365 days	—	2	—	2
(vi) More than 365 days				
6- Liabilities owed due to foreign facilities (not including those instrumented by term deposits, unless they are made by residents abroad linked to the entity pursuant to Section 2 of the rules on “Large Exposures to Credit Risk”, nor the acquisition of debt securities, to which they must apply the requirements provided in the previous point)				
(i) Up to 29 days		23		23
(ii) From 30 days to 59 days		17		17
(iii) From 60 days to 89 days		11		11
(iv) From 90 days to 179 days		5		5
(v) From 180 days to 365 days		2		2
(vi) More than 365 days		—		—
7- Demand and time deposits made upon a court order with funds arising from cases pending before the court, and the related immobilized balances				
(i) Up to 29 days	29	15	10	15
(ii) From 30 days to 59 days	22	15	7	15
(iii) From 60 days to 89 days	4	15	2	15
(iv) More than 90 days	—	15	—	15
8- Special deposits related to inflows of funds. Decree 616/2005		100		100



Item	Group A and G-SIB		Remaining financial institutions	
	Pesos	Foreign Currency	Pesos	Foreign Currency
9- Time deposits in nominative, non-transferable Peso-denominated certificates, belonging to public sector holders, with the right to demand early withdrawal in less than 30 days from its setting up	32	—	11	
10- Deposits and term investments—including savings accounts and securities (including Notes)—in UVIs and UVAs, according their outstanding term				
(i) Up to 29 days	7		7	
(ii) From 30 days to 59 days	5		5	
(iii) From 60 days to 89 days	3		3	
(iv) More than 90 days				
11- Labor Work Fund for Construction Industry Workers, denominated in UVA	7		7	
12-Deposits and fixed term investments created in the name of minors for funds they receive freely				
13- Deposits in Pesos in demand accounts that constitute the assets of mutual funds (money market).	—		—	
14- Deposits in pesos in accounts of payment service providers that offer payment accounts (PSPOCP) in which the funds of their clients are deposited.	100		100	

In the case of transactions in Pesos, when the jurisdiction of the main office where the transaction takes place, according to what is established in Central Bank's regulations regarding "Categorization of locations for financial entities", belongs to the categories II to VI, the rates foreseen for demand deposits will be reduced by 2 percentage points and for term placements by 1 percentage point up to a minimum of zero. In both cases, it does not include the impositions in securities. The deferred impositions in Pesos arranged remotely (i.e. through *home banking*, web time deposits, etc.) will receive the same treatment as those captured in the categories II to VI.

Financial entities included in Group "A" and branches or subsidiaries of G-SIB not included in that group may integrate the period and daily requirement in Pesos with "National Treasury Bonds in Pesos at a fixed rate due November 2020" and "National Treasury Bonds in pesos at a fixed rate due May 2022" in up to:

- a) 5 percentage points of the rates described in points 1, 2 (in Pesos), 3, 9, and sections (i) and (ii) of point 5 and point 7 (both in Pesos).
- b) 2 percentage points of the rate described in section (iii) of points 5 and 7 (both in Pesos).

Financial entities included in Group "A" and branches or subsidiaries of G-SIB not included in that group may integrate the period and daily requirement in Pesos with LELIQ and/or NOBAC in up to:

- a) 16 percentage points of the rates provided in section (i) of point 5 (in Pesos) and 9;
- b) 13 percentage points of the rates provided by section (ii) of point 5 (in Pesos);
- c) 3 percentage points of the rates provided by section (i) and (ii) of point 10 and 11; and
- d) 2 percentage points of the rates provided by section (iii) of point 5.

Financial entities not included in the last paragraph in up to:

- a) 3 percentage points of the rates provided by sections (i) and (ii) of point 5, point 9, sections (i) and (iii) of point 10 and point 11; and
- b) 2 percentage points of the rates provided in section (iii) of point 5.



In order to be admitted the integration with “National Treasury Bonds in Pesos at a fixed rate due November 2020”, “National Treasury Bonds in Pesos at a fixed rate due May 2022”, LELIQ and/or NOBAC as described above, they must be valued at market prices and be deposited in Sub-account 60, minimum cash enabled in the “Central Registry and Settlement of Public Liabilities and Financial Trusts—CRyL” (*Central de Registro y Liquidación de Pasivos Públicos y Fideicomisos Financieros*).

The minimum cash requirement will be reduced:

1. In accordance with the participation in the total of financing operations to the non-financial private sector in Pesos in the entity of financing to MiPyMEs in the same currency;

<u>Participation, in the total of financing operations to MiPyMES with respect of total of financing operations to the non-financial private sector, in the institution.</u>	<u>Reductions (over the total of the concepts included in Pesos)</u> %
Less than 4	0,00
From 4 to less than 6	1,00
From 6 to less than 8	1,25
From 8 to less than 10	1,50
From 10 to less than 12	1,75
From 12 to less than 14	2,00
From 14 to less than 16	2,25
From 16 to less than 18	2,50
From 18 to less than 20	2,75
From 20 to less than 22	3,00
From 22 to less than 24	3,25
From 24 to less than 26	3,50
26 or more than 26	3,75

It will be considered the mobile average balance at the end of the last 12 months prior to the low report of the financings in Pesos (Loans and Credits for Financial Leases) granted to MiPyMEs in respect of the total of such financings to the non-financial private sector of the institution.

2. Depending on the granting of financing under the “*Ahora 12*” Program (The implementation of the Consumer Promotion Program and the Production of Goods and Services named “*Ahora 12*” was created by Joint Resolution 671/2014 and 267/2014 of the former Ministry of Economy and Public Finance and the Ministry of Industry), in an amount equivalent to 20% of the sum of the financing in Pesos that the entity grants:
 - i. whose destination is the acquisition of goods and services included in the aforementioned resolution and its complementary regulations; or
 - ii. to non-financial companies issuing credit cards at an annual interest rate of up to 17%, insofar as these companies are part of the “*Ahora 12*” Program.

Effective from March 1, 2020, Communication “A” 6916, as amended, increased the 20% decrease of the requirement for “*Ahora 12*,” to 35% of the aggregate financings in Pesos granted by the relevant institution until September 30, 2020, and 50% of the aggregate financings in Pesos granted from October 1, 2020, to January 1, 2022, and 40% of the aggregate financings in Pesos granted as from February 1, 2022. Additionally, effective from March 19, 2020, Communication “A” 6937 set the limit of the deduction at 6% over the items in Pesos subject to the Central Bank Rules of Minimum Cash. Effective as of July 29, 2021, this limit was expanded to 8% over the items in Pesos subject to the Central Bank Rules of Minimum Cash.

3. Depending on the cash withdrawals made through institution ATMs. The requirement will be reduced by the amount calculated on the basis of the monthly average of total daily cash withdrawals from ATMs, corresponding to the prior month, located in the institution’s operational houses, according to the jurisdiction in which is located, in accordance with the provisions of the “Locations for Financial Institutions Categorization Rules”.

For this purpose, the included ATMs are those that—at least—allow users to make cash withdrawals regardless of the institution in which they are customers and the network managing such equipment and that—on a monthly average, computing business and non-business days—have remained accessible to the public for at least ten hours a day.

4. In the case of financial entities included in Group “A”, the requirement will be reduced by an amount equivalent to the 30% of the aggregate of all financing in Pesos to MiPyMEs—in accordance with the definition contained in the “Determination of the Status of Micro, Small or Medium-Sized Enterprises Rules”- agreed at a maximum interest of;



- a. 40% fixed nominal per annum until and including February 16, 2020 (which may continue to be counted until its termination).
- b. 35% fixed nominal per annum from February 17, 2020.

For this purpose, the average monthly balance of the financings granted the period before the requirement was calculated that meets the above conditions shall be included. This deduction may not exceed 2% of the items in Pesos subject to the requirement, on average, of the month prior to the calculation.

The financings calculated for the point 1.5.4 deduction cannot be included for the determination of the point 1.5.1 deduction.

- 5. In accordance with the special treatment provided for financings under Decree No. 260/2020.

The requirement will be reduced by an amount equivalent to 40% of the sum of the financings in Pesos agreed to an annual rate of up to 24% with the following objectives:

- a. MiPyMEs if at least 50% of such financings are allocated to working capital.
- b. Providers of human health services if they provide hospitalization in the framework of the health emergency as provided by Decree No. 260/2020.
- c. Non-MiPyMEs clients that agree such financings for the acquisition of machines and equipment produced by local MiPyMEs.

This deduction may not exceed 4% of the concepts in Pesos subject to demand on average of the month immediately previous of the month of computation, and can be extended up to 6% in the case of the following financings agreed as from July 1, 2020:

- Clients that received the assistance provided for in point (5) a. above, up to the total amount equivalent to the monthly wage bill (without the supplementary annual salary) to be paid by the applicant;
- Clients that did not received such special assistance.

- 6. In accordance with the special treatment provided for under Decree No. 322/2020. The requirement will be reduced by an amount equivalent to:

- a. 60% of the amount of the “Zero Interest-Rate Credits”, “Loans at Subsidized Rate for Companies” and “Zero Interest-Rate Culture Credits” agreed under the framework of Decree No. 322/2020 (as amended) and disbursed until November 5, 2020;
- b. 24% of the “Loans at Subsidized Rate for Companies” disbursed until November 6, 2020, at a nominal annual rate of 27%;
- c. 7% of the “Loans at Subsidized Rate for Companies” disbursed as of November 6, 2020, at a nominal annual rate of 33%.

- 7. In the case of financings to MiPyMEs not informed at the Financial System’s Debtors Center (*Central de Deudores del Sistema Financiero*), the requirement will be reduced by an amount equivalent to 40% of the financings in Pesos to MiPyMEs agreed at a nominal annual rate of 24% measured on a monthly average of daily balances from the previous month.

- 8. In the case of financings included in the “Line of financings for the productive investments of MiPyMEs”, the requirement will be reduced by an amount equivalent to 14% of the financings foreseen in point 4.1. of such line of credits, provided such financings are agreed at an annual nominal interest rate of up to 30%, measured on a monthly average of daily balances from the previous month.

The financings computed for the deduction provided in points 1 and 4 to 7 can only be computed in one of the above-mentioned points. In addition, the financings computed for the deduction provided in points 4, 5 and 7 shall (i) continue to be computed for the corresponding deduction their monthly average daily balances for the financings provided before October 15, 2020, inclusive; (ii) be voluntary and may not be counted against the deductions of points 4, 5 and 7.

Whenever there is an excessive concentration of liabilities (in holders and / or terms), which implies a significant risk with respect to the individual liquidity of the financial institution and / or has a significant negative effect on the systemic liquidity, additional minimum cash may be set on the liabilities included in the financial entity and / or those complementary measures that are deemed pertinent.



Likewise, the minimum cash requirement may be increased due to non-compliance with the rules on the “Credit Line for productive investment”.

In addition to the abovementioned requirements, the reserve for any defect in the application of resources in foreign currency net of the balances of cash in the entities, in custody in other entities, in transit and in Transporters of Securities, for a certain month, shall be applied to an amount equal to the minimum cash requirement of the corresponding currency for each month.

The minimum cash reserve must be set up in the same currency or securities or debt instruments for monetary regulation to which the requirement applies, and may include the following:

1. Accounts maintained by financial institutions with the Central Bank in Pesos.
2. Accounts of minimum cash maintained by financial institutions with the Central Bank in U.S. dollars, or other foreign currency.
3. Special guarantee accounts for the benefit of electronic clearing houses and to cover settlement of credit card, vouchers, and ATM transactions and immediate transfer funds.
4. Checking accounts maintained by non-bank financial institutions with commercial banks for the purpose of meeting the minimum reserve requirement.
5. Special accounts maintained with the Central Bank for transactions involving social security payments by the ANSES.
6. Minimum cash sub-account 60, authorized in the Registration and Settlement Central for Public Debt and Financial Trusts – CRYL (“*Central de Registro y Liquidación de Pasivos Públicos y Fideicomisos Financieros – CRYL*”) for public securities and securities issued by the Central Bank at their market value.

These eligible items are subject to review by the Central Bank and may be changed in the future.

Compliance with the minimum cash reserve requirement will be measured on the basis of the monthly average of the daily balances of eligible items maintained during the period to which the minimum cash reserve refers by dividing the aggregate of such balances by the total number of days in the relevant period. The compensation of deficit positions with surplus positions corresponding to different requirements will not be accepted.

The aggregate balances of the eligible items referred to above, maintained as of each daily closing, may not, on any one day during the month, be less than 25% of the total required cash reserve, determined for the next preceding period, recalculated on the basis of the requirements and items in force in the month to which the cash reserves relate, without considering the effects of the application of the provisions of section “1.7 Transfers” of the “Minimum Cash” rules. The daily minimum required is 50% when a deficit to the admitted transfer margin occurs in the previous period.

Any deficiencies in meeting the required minimum cash reserve and the daily minimum reserve in Pesos, in foreign currency, or securities or debt instruments for monetary regulation are subject to a penalty in Pesos, equal to 1.5 times the average nominal interest rate of the shorter term Peso denominated LELIQs auction published on the last business day of the relevant period or, if not available, the last one available.



LELIQ global daily position

Pursuant to Section 8 “net position in LELIQ and NOTALIQ” of the Central Bank rules “Cash settled and forward transactions, futures, bonds, surety bonds, other derivatives and mutual funds” financial institutions may maintain a net position in short term LELIQ global including those effectively imputed to integrate the minimum cash requirement in pesos pursuant to points 1.3.7.1. and 1.3.17. of the Central Bank “Rules of Minimum Cash “ - up to an amount equivalent to the monthly average of daily balances of fixed term deposits in pesos of the non-financial private sector of the previous period.

Financial institutions that have a percentage of time deposits in pesos constituted by the non-financial private sector with respect to the total deposits in pesos by such sector -measured as a monthly average of daily balances of the previous period, considering only capital without interest or adjustments-equal to or higher than 20%, may maintain a joint positive net position of longer term LELIQ and variable rate Liquidity Notes (NOTALIQ).

For more information, see “Argentine Banking Regulations—Minimum Cash Reserve Requirements”.

Internal liquidity policies of financial institutions

Pursuant to the Central Bank regulations on the liquidity coverage ratio (the “LCR”), financial institutions must adopt management and control policies that ensure the maintenance of reasonable liquidity levels to efficiently manage their deposits and other financial commitments and must comply with the liquidity coverage ratio established thereunder, under a 30-day stress test scenario. Such policies should establish procedures for evaluating the liquidity of the institutions in the framework of prevailing market conditions to allow them to revise projections, take steps to eliminate liquidity constraints and obtain sufficient funds, at market terms, to maintain a reasonable level of assets over the long term. Such policies should also address (i) the concentration of assets and liabilities in specific customers, (ii) the overall economic situation, likely trends and the effect on credit availability and (iii) the ability to obtain funds by selling government debt securities and/or own assets.

The organizational structure of the entity must place a specific unit or person in charge of managing liquidity and assign levels of responsibility to the individuals who will be responsible for managing the LCR, which will require daily monitoring. The participation and coordination of the entity’s top management authority (*e.g.*, CEO) will be necessary.

In addition, financial institutions must designate a director or advisor who will receive reports at least weekly, or more frequently if circumstances so require, such as when changes in liquidity conditions require new courses of action to safeguard the entity. In the case of branches of foreign financial institutions, the reports must be delivered to the highest authority in the country.



Appointed officers and managers will be responsible for managing the liquidity policy that, in addition to monitoring the LCR, includes taking the necessary steps to comply with minimum cash requirements.

Financial institutions must report the list of such officers and directors, as well as any subsequent changes, to the Superintendent within ten (10) calendar days from the date of any such change.

Liquidity Parameters

In addition to the LCR, there are other parameters that are used as systematic tools of control. These policies contain specific information regarding cash flows, balance structure and available underlying assets free of charge. These parameters, along with the LCR, offer basic information to evaluate the liquidity risk. The included parameters are:

- gaps in contractual terms;
- funding concentration;
- available assets free of restrictions;
- LCR for relevant currency; and
- Market-related monitoring tools.

Additionally, Communication “A” 6209, as amended, sets forth that financial institutions must have an adequate stock of high-quality liquid assets (“HQLA”) free of any restrictions which can be immediately converted into cash in order to cover their liquidity needs during a period of 30 days in case of a stress scenario. Also, financial institutions must carry out their own stress tests so as to determine the liquidity level they should maintain in other scenarios, considering a period higher than 30 calendar days.

The LCR must be equal to or greater than 1 (that is to say, the stock of HQLA must not be lower than the total net cash outlays) in the absence of a financial stress scenario. If this is not the case, the LCR may fall below 1.

The Central Bank describes how to categorize a stress scenario, taking into account the following: the partial loss of retail deposits; the partial loss of wholesale non-guaranteed funding capacity; the partial loss of guaranteed funding; additional fund outlays due to situations contractually provided for as a consequence of a significant decline in the financial institution’s credit quality; market volatility increases that have an effect on the quality of guarantees or on the potential future exposure of positions in derivatives; the unforeseen use of credit and liquidity facilities compromised and available but not used that the financial institution may have granted to its clients; and/or the need that the financial institution may experience to repurchase debt or to comply with non-contractual obligations so as to mitigate its reputational risk.

The LCR calculation must be made on a permanent basis and informed to the Central Bank on a monthly basis.

The HQLA can only be made up of the following portfolio assets (consider as Tier 1 (An1)) at the day of the calculation of the LCR: cash in hand, in transit, in armored transportation companies and ATMs; deposits with the Central Bank; certain national public bonds in Pesos or in foreign currency; securities issued or guaranteed by the International Payments Bank, the IMF, the European Central Bank, the European Union or Multilateral Development Banks that comply with certain conditions and debt securities issued by other sovereign entities (or their central banks).

Net Stable Funding Ratio (NSFR)

The purpose of the net stable funding ratio (“NSFR”) is to allow financial institutions to finance their activities with sufficiently stable sources to mitigate the risk of future stress situations derived from their funding requirements. By requiring financial institutions to maintain a stable funding profile relative to the breakdown of their off-balance sheet assets and transactions, the NSFR limits the strong dependence on short term wholesale funding, promotes a better assessment of balance sheet and off-balance sheet items funding risk, and favors funding sources stability. The definitions of the components of the NSFR are similar to those set forth in the “Liquidity Coverage Ratio” regulations, unless otherwise expressly set forth herein.

The NSFR is defined as the available amount of stable funding relative to the required amount of stable funding, where: AASF (Available Amount of Stable Funding) is the capital and liabilities of the financial institution—calculated in the manner set forth in Section 2—that are expected to be available over a one-year term. RASF (Required Amount of Stable Funding) is the amount of funding necessary for such period—calculated in the manner set forth in Section 3—based on its liquidity and remaining life of the institution’s assets and its off-balance sheet obligations.



The NSFR shall be at all times greater than or equal to 1 (NSFR > 1). It shall be supplemented with the assessment made by the Superintendency. The Superintendency may demand the institution to adopt stricter standards to reflect its funding risk profile, also taking into account the assessment made in connection with the "Risk Management Guidelines for Financial Institutions" in connection with the institution's liquidity.

The Financial Institutions shall observe the NSFR all times and report it on a quarterly basis to the Superintendency.

Leverage Ratio

Through Communication "A" 6431, effective as of March 1, 2018, the Central Bank incorporated a ratio to limit the leverage of financial institutions in order to avoid the adverse consequences of an abrupt reduction in leverage in the supply of credit and the economy in general, and reinforce the minimum capital requirement with a minimum capital requirement simple and not based on risk.

The leverage ratio, which must be greater than or equal to 3%, arises from the following expression:

Ratio (as %) = Measure of capital / Measure of exposure where the measure of capital will be the basic net worth, and the measure of the exposure will be the sum of (i) the exposures in the asset (excluding the items corresponding to derivatives and Securities Financing Transactions (SFT)), (ii) exposures by derivatives; (iii) exposures for SFT transactions and (iv) off-balance-sheet items. Both measures must be calculated based on the closing balances of each quarter.

Interest rate and fee regulations

Maximum lending rates

Since 2020, maximum interest rates applicable to the lending transactions were restated. Currently Communication "A" 7474 establishes that the maximum interest rate applicable to credit card transactions shall not exceed a nominal annual rate of 51 % in transactions that do not exceed Ps. 200.000. When the financed amount exceeds Ps.200,000 the only applicable limit is the one established in Article 16 of the Credit Card Law.

Regulations set forth that the fixed-rate loan agreements shall not contain clauses that allow their modification under certain circumstances, unless those modifications come from decisions taken by the competent authority and the variable-rate loan contracts must clearly specify the parameters that will be used for its determination and periodicity of variation.

With respect to transactions linked to credit cards, in addition to the above mentioned, the Article 16 of the Credit Card Law establishes that:

- in those granted by financial institutions, the rate may not exceed more than 25% of the average of the interest rates applied by the entity, during the immediately preceding month, weighted by the corresponding amount of personal loans without in rem security interests granted in the same period.
- in those granted by other issuing entities, the rate may not exceed the simple average of the system's rates for open market personal loan operations (general customers) by more than 25%, with no in rem security interest, published by the Central Bank on a monthly basis, prepared on the basis of information corresponding to the second previous month, taking into account the provisions of the preceding point.

Punitive fees in credit cards linked financing transactions, may not exceed more than 50% to the compensatory interest rate that the issuer charges for the financing of outstanding debt of credit cards.

Zero interest-rate financings policy

By means of Communication "A" 6993, dated April 24, 2020, with the purpose of containing the impact the ongoing COVID-19 pandemic, the Central Bank established a zero interest-rate financing policy, applicable only to the eligible clients to be later determined by AFIP to whom the financial institutions may grant credit card financings to be paid in at least 12 equal and consecutive installments after a 6-month grace period. In regard to these loans, the minimum cash requirement will be reduced in accordance with the provisions of Decree No. 332/2020 (as amended and restated). Additionally, companies which are granted a zero interest-rate loan may not, until full repayment: (i) access the foreign exchange market to carry out operations corresponding to the formation of foreign assets, remittance of family aid and derivatives; and (ii) sell securities with settlement in foreign currency or transfer them to other depositary entities (*contado con liquidación*).



Minimum fixed-term deposit rates

Pursuant to Communication “A” 7459 (as amended by Communication “A” 7491), for financial institutions included in groups “A” and “B” -for the purposes of the rules on “Minimum Cash”- and branches or subsidiaries of foreign banks rated as systemically important (G-SIBs) not included in those groups, in the case of deposits in pesos not adjustable by “UVA” or “UVI” on behalf of holders of the non-financial private sector, a minimum deposit rate shall apply, which shall be timely disclosed by the BCRA, in accordance with the following:

As of April 18, 2022, fixed-term deposits that do not exceed a total of \$10 million at the date of constitution of each fixed-term deposit and that are constituted by individuals in financial institutions, will have a passive rate of 97.87% of the Monetary Policy rate of the day prior to that in which the impositions are made, or the last one disclosed, as the case may be. In the case of fixed-term deposits constituted in the name of two or more individuals, the amount of the fixed-term deposit will be distributed proportionally among its holders.

For fixed term deposits not included in the preceding paragraph, the deposit rate will be 93.62% of the Monetary Policy rate of the day prior to the day on which the deposits are made, or the last one disclosed, as the case may be.

Fees

Central Bank regulations grant broad protection to financial services customers since 2013. The protection includes, among other things, the regulation of fees and commissions charged by financial institutions for services provided. According to Central Bank rules on “Protection to Financial Services Customers”, fees and charges must represent a real, direct and demonstrable cost and should be supported by a technical and economic justification. It is worth noting that Section 2.3.2.2 of “Protection to Financial Services Customers” Central Bank regulations regarding protection to financial services customers sets forth certain exceptions to the application of fees and charges (for example for insurance services and SMEs for over-the-counter cash deposits).

Also, fees and charges are not applicable for immediate electronic transfers when: (i) they are ordered by final customers of financial services; (ii) the same individual or entity is the one ordering and receiving the transfer; (iii) they are ordered or received in accounts for judicial use, among others.

Central Bank Communication “A” 6212, effective as of April 1, 2017, reduced credit card and debit card sales commissions on a gradual annual plan. Pursuant to Communication “A” 6212, the maximum credit card sales commission rate for 2017 was 2.0% and for 2018, 2019 and 2020, it was 1.85%, 1.65%, 1.50%, respectively, and it was and will be 1.30% for 2021 and after. The maximum debit card sales commissions for 2017 was 1.0% and for 2018, 2019 and 2020, it was 0.90%, 0.80%, 0.70%, respectively, and it was and will be 0.60% for 2021 and after.

On February 19, 2020 by means of Communication “A” 6912 the Central Bank established that for 180 business days financial entities could not communicate increases in commissions to customers of financial services, nor new commissions, except for those that have already been informed. This regulation was further extended until February 28, 2021 and afterwards by means of Communication “A” 7158 the Central Bank established that, until February 28, 2021, financial entities must not communicate to users of financial services increases of more than 9% in January 2021 and 9% in February 2021 in fees for credit cards related services (e.g. issuance, renewal, administration or maintenance services, etc.) and for savings accounts related services.

Later, on March 26, 2020, through Communication “A” 6945 (as amended by Communications “A” 6957, “A” 6963, “A” 7009, “A” 7044, “A” 7107 and lastly by Communication “A” 7181 dated December 17, 2020), the Central Bank determined that until March 31, 2021, any operation effected through ATMs would not be subject to any charges or fees. After such date, banks are authorized to charge commissions for ATM transactions, but these are still free of charge for users with salary accounts, retirement accounts and beneficiaries of social plans, by decision of the Board of Directors of the Central Bank of the Argentine Republic. The free use of ATM networks will be maintained after March 31st for all users of the financial system. After that date, only holders of debit cards associated with salary accounts, retirement payments or social plans will be able to continue using any ATM free of charge, regardless of the bank or network to which they belong. The rest of the users may use the ATM services provided by their bank free of charge.



Maximum term for payments to commerce and providers

By virtue of Communication “A” 6680, effective as of May 1, 2019, the Central Bank established a maximum term of ten business days for financial entities to deposit payments to commerce and providers for sales made via credit cards or purchase cards, calculated from the sale date. Furthermore, financial entities shall not charge any fee or interest related to such payment term, nor block this payment mechanism in any way.

Nevertheless, by virtue of Communication “A” 6680, the Central Bank excluded from the scope of the provisions disclosed by Communication “A” 6680 the credit and/or purchase cards issued to individuals or legal entities that are intended for the payment of purchases with a deferred term or more than one month related to their productive activity, i.e., agricultural or distribution activities.

On the other hand, Communication “A” 7305 issued on June 11, 2021, and effective as from July 1, 2021, provides for new maximum terms for financial entities to credit to the deposit account opened in the name of the supplier or affiliated business the amount of each sale made in one payment through the use of the credit and/or purchase cards issued by them.

The new deadlines are (i) 8 (eight) business days if they are micro or small companies and/or are human persons, (ii) 10 (ten) business days for those categorized as medium-sized companies and those whose activity is “lodging, tourism, gastronomy and/or health services” and (iii) 18 (eighteen) business days for the other cases.

In all cases, such term shall be counted from the date of the corresponding consumption by the card holder or beneficiary. The financial entities will not be able to charge to the adhered merchants any interest or commission linked to the settlement terms indicated, having to observe the provisions of the rules on “Determination of the condition of micro, small or medium-sized company”. Nor shall they impede or hinder in any way the modality of consumption in a payment with these cards.

Loans and Housing Units

The Central Bank has adopted measures for taking deposits and extending loans expressed in a special measuring unit adjustable by the CER. These special units are referred to as “UVAs”.

In addition, Law No. 27,271 provides for the adjustment of deposits and loans by reference to the construction index, expressed in a special measuring unit referred to as Housing Units (*Unidades de Vivienda* or “UVIs”).

Consequently, UVAs and UVIs coexist and may be used both with respect to bank loans and deposits. The initial value of the UVI was Ps.14.05 (the same as the UVA), representing the cost of construction of one thousandth square meter of housing as of March 31, 2016. As of April 19th, 2022, the value of UVI and UVA are Ps.109.17 and Ps.112.24, respectively.

Both units are amended based on the indices published by the INDEC and the Central Bank on its website.

Foreign Exchange System

On September 1, 2019, with the purpose of strengthening the normal functioning of the economy, fostering a prudent administration of the exchange market, reducing the volatility of financial variables and containing the impact of the variations of financial flows on the real economy, the Argentine government reinstated exchange controls. The foreign exchange controls apply with respect to access to the foreign exchange market by residents for savings and investment purposes abroad, the payment of external financial debts abroad, the payment of dividends in foreign currency abroad, payments of imports of goods and services, and the obligation to repatriate and settle for Pesos the proceeds from exports of goods and services, among others.

For further information on this topic, please refer to “*Item D—Exchange Controls*”.

**Foreign Currency Lending Capacity**

The Regulations on the allocation of deposits in foreign currencies, (including Communication “A” 6428 as amended), establish that the lending capacity from foreign currency deposits, must be applied in the corresponding deposit currency to the following categories:

- a. pre-financing and financing of exports to be made directly or through principals, trustees or other brokers, acting on behalf of the owner of the merchandise;
- b. other financing to exporters, who have a flow of future income in foreign currency and verify, in the year prior to granting the financing, a billing in foreign currency for an amount that is reasonably related to that financing
- c. financing to producers, processors or goods collectors, provided that:
 - i. They have sale contracts of their merchandise to an exporter, with a fixed price or fixed in foreign currency -independently of the currency in which the operation is settled- and in the case of fungible merchandise with quotation, in foreign currency, normal and customary in local or foreign markets, with wide diffusion and easy access to public knowledge;
 - ii. Its main activity is the production, processing and / or collection of fungible goods with quotation, in foreign currency, normal and usual in foreign markets, widely disseminated and easy access to public knowledge, and it is found, in the year prior to the granting of financing, a total billing of these merchandise for an amount that is reasonably related to that activity and its financing; and also operations aimed to finance service providers directly used in exporting process of goods (such as those provided at port terminals, international loading and unloading services, leasing containers or port warehouses, international freights). This, provided it is verified that the flow of future income linked to sales to exporters registers a periodicity and magnitude that it is enough for the cancellation of the financing, and it is verified, in the year prior to the granting of the financing, a billing to exporters for an amount that is reasonably related to that activity and its financing.
- d. financing for manufacturers of goods to be exported, as final products or as part of other goods, by third-party purchasers, provided that such transactions are secured or collateralized in foreign currency by third-party purchasers;
- e. financing to suppliers of goods and / or services that are part of the merchandise production process fungibles with quotation, in foreign currency, normal and usual in local or foreign markets, widely disseminated and easy access to public knowledge, provided they have firm sales contracts for those goods and / or services in foreign currency and / or on said merchandise;
- f. financing of investment projects, working capital and / or acquisition of all kinds of goods, including temporary imports of inputs, which increases or are linked to the production of exporting products. Even though the total income of the exporting companies does not come from their sales abroad, the financing may be imputed when the cash flow in foreign currency from their exports, is enough for its cancelation.
- g. financing for commercial and commercial portfolio clients of credits for consumption or housing -according to the provisions established in the rules on “Classification of debtors”, whose destination is the importation of capital goods (“BK” in accordance with the Mercosur’s Common Nomenclature established in Annex I to Decree No. 690/02 and other complementary provisions), which increase the production of merchandise destined for the domestic market.
- h. foreign currency debt securities or financial trust participation certificates including other payment rights specifically recognized on trust agreements whose underlying assets are loans made by the financial entities in the manners set forth in (a) to (d) above and first sentence of (f), or documents in which cash flows in Pesos or foreign currency have been assigned to the trustee, in foreign currency credit agreements, under the terms and conditions set forth in items mentioned before.;
- i. financings for purposes other than those mentioned in (a) to (d) above, included under the IDB credit program (“Préstamos BID N° 119/OC-AR”), not exceeding 10% of the lending capacity;
- j. inter-financing loans;
- k. Central Bank bills (*Letras y Notas*) denominated in U.S. dollars;
- l. direct investments abroad by companies that reside in Argentina, that seek the development of productive activities of non-financial goods and/or services, either through contributions and/or purchases of shares in companies, to the extent that they are constituted in countries or territories considered cooperators for the purposes of fiscal transparency according to the provisions of article 1 of Decree No. 589/13 as amended;



- m. financing of investment projects, including working capital, which allows the increase of production in the energy sector and have firm sales contracts and/or endorsements or guarantees in foreign currency.
- n. National Treasury bills in foreign currency, up to an amount equivalent to one third of the total of the applications made in accordance with the provisions of this section;
- o. financing of investment projects for bovine cattle, including their working capital, without exceeding 5% of deposits in foreign currency of the entity;
- p. financing of foreign importers for the acquisition of goods and / or services produced in the country, either directly or through credit lines to foreign banks; and
- q. financing of local residents that are secured by letters of credit (“stand-by letters of credit”) issued by foreign banks or multilateral development banks that comply with the provisions of point 3.1. of regulations on “Credit assessments”, requiring for that purpose an international rating of investment grade risk, to the extent that such letters of credit are unrestricted, and that the accreditation of the funds is made immediately at the simple request of the beneficiary entity.

The lending capacity shall be determined for each foreign currency raised, resulting from the aggregate of deposits and inter-financial loans received, which have been reported by the granting financial institution as coming from its foreign currency deposit lending capacity net of the minimum cash requirement on deposits, and such determination being made on the basis of the monthly average of daily balances recorded during each calendar month. Any defect in the application shall give rise to an increase in the minimum cash requirement in the relevant foreign currency.

General Exchange Position

The general exchange position (“GEP”) includes all the liquid foreign assets of the institution, such as gold, currency and foreign currency notes reserves, sight deposits in foreign banks, investments in securities issued by Organization for Economic Co-operation and Development (OECD) members’ governments with a sovereign debt rating not below “AA,” certificates of time deposits in foreign institutions (rated not less than “AA”), correspondents’ debit and credit balances and the third parties funds pending of settlement. It also includes purchases and sales of these assets already arranged and pending settlement involving foreign exchange purchases and sales performed with customers within a term not exceeding two (2) business days and correspondent balances for third-party transfers pending settlement.

It does not include, however, foreign currency notes held in custody, term sales and purchases of foreign currency or securities nor direct investments abroad.

Pursuant to Communication “A” 6244, as amended, which entered into force on July 1, 2017, entities can freely determine the level and use of their GEP, thus allowing such entities to manage their exchange positions, both regarding the composition of its assets, as well as the possibility to maintain or transfer their holdings out of the country, with its subsequent impact in the reserves.

Furthermore, the aforementioned regulation foresees that the entities shall carry out arbitrage and foreign exchange operations, to the extent that the counterparty is a branch or agency of local official banks, a foreign financial institution, total or majority ownership of an entity in foreign states, a foreign financial or exchange entity that is not incorporated in countries or territories where the Recommendations of the Financial Action Task Force, or a foreign company dedicated to the trading of banknotes from different countries and/or precious metals in coins or bars of good delivery and whose head office is located in a member country of the Basel Committee for Banking Supervision.

Further changes to the GEP regulation have been introduced by Communications “A” 6770, 6780 and 6856. Prior acceptance by the Central Bank is required to increase the ownership of foreign currency from the higher of the average foreign currency owned in August 2019 and at the close of August 31, 2019. Moreover, the institutions are not permitted to buy securities on the secondary market with liquidation on foreign currency.

Foreign Currency Net Global Position

The foreign currency net global position shall consider all assets, liabilities, commitments and other instruments and transactions through financial intermediation in foreign currency or linked to exchange rate movements, including cash, forward transactions and other derivative contracts, deposits in foreign currency in accounts opened with the Central Bank, gold position, the Central Bank monetary regulation instruments in foreign currency, subordinated debt in foreign currency and debt instruments in foreign currency.

Forward transactions under master agreements executed in authorized domestic markets paid by settlement of the net amount without delivery of the underlying asset are also included. Likewise, certificates or notes issued by financial trusts and claims under common



trusts are also included in the relevant proportion, provided that the underlying assets are denominated in foreign currency. The value of the position in currencies other than U.S. dollars shall be expressed in that currency, at the respective exchange rate published by the Central Bank.

Decreases in foreign currency assets due to the pre-cancellation of local financing to private sector customers, can only offset the foreign currency net global position up to the original term of maturity with the net increase in holdings of National Treasury securities in foreign currency. At the original maturity of local financing in foreign currency, it may be offset with the purchase of any foreign currency assets computable at the foreign currency net global position.

Deductible assets when determining a bank's RPC, Argentine government bonds linked to the growth of the GDP, the included concepts that the financial entity registers in its branches abroad and the loan agreements in Pesos with variable remuneration based on the variation in the price of the U.S. dollars that are not covered by the term investments with variable remuneration based on the U.S. dollar are excluded from the ratio.

Limits

Negative Foreign Currency Net Global Position (liabilities exceeding assets): the limit is 30% of the RPC of the immediately preceding month (Communication "A" 6781).

Positive Foreign Currency Net Global Position (assets exceeding liabilities): This daily position (daily balance converted to Pesos at the reference exchange rate of the immediately preceding month) cannot exceed 5% of the RPC of the immediately preceding month.

Positive Foreign Currency Net Global Position in Cash: this daily position (daily balance converted to Pesos at the reference exchange rate of the immediately preceding month) cannot exceed the higher of U.S.\$ 2,500,000 or the 4% of the RPC of the immediately preceding month.

As of June 18, 2018, the Central Bank allows that the Positive Foreign Currency Net Global Position may reach up to 30% of the RCP, while the total excess over the general limit originates only as a result of:

- a) increase in the position in U.S. Treasury bills in U.S. dollars with respect to those held as of June 15, 2018, and/or
- b) position in U.S. Treasury bills in U.S. dollars as of June 15, 2018, maintained as excess admitted to the current limit as of that date.
- c) increase in the position in National Treasury bills linked to U.S. dollars with respect to those held as of May 13, 2019.

As provided by Communication "A" 7093, it includes national treasury bills denominated in foreign currency that the institutions receive in exchange for National Treasury Bills—under Law 27,556—that they have imputed to this point on the Business Day immediately preceding the day on which they are delivered in exchange.

The excesses of these ratios are subject to a charge equal to 1.5 times the average nominal interest rate of the shorter-term Peso-denominated LELIQs auction published on the last business day of the relevant period or, if not available, the last one available for a shorter term. Charges not paid when due are subject to a charge equal to one and a half times the charge established for excesses.

In addition to the above-mentioned charge, sanctions set forth in section 41 of the Financial Institutions Law shall apply (including: caution; warning; fine; temporary or permanent disqualification to dispose of a banking current account; temporary or permanent disqualification to act as promoters, founders, directors, administrators, members of surveillance committees, comptrollers, liquidators, managers, auditors, partner or shareholders; and license revocation).

Credit Ratings

Since November 28, 2014, Communication "A" 5671, as amended by Communication "A" 6558, supersedes the provisions issued by the Central Bank containing ratings requirements assigned by a local risk rating company. Where provisions require certain international ratings, the criteria set forth by Communication "A" 5671 govern.

The provisions of Communication "A" 5671 are basic guidelines to properly assess the credit risk that financial institutions must observe when implementing Central Bank Rules including the requirement of a particular rating and do not replace the credit assessment that each financial institution must make to their counterparts. International credit ratings that refer to these provisions shall be issued by rating agencies that have a code of conduct based on the "Principles of the Code of Conduct for Agents Rate Risk" issued by the International Organization of Securities Commissions.



Annex II of Communication “A” 5671 provides a table regarding the new qualification requirements for financial institutions. This table classifies the credit ratings requirements for different transactions.

Debt Classification and Loan Loss Provisions for Regulatory Purposes

Unless otherwise indicated, the regulations explained in this section should be applied to financial information of the banks calculated in accordance with Central Bank Rules. IFRS differs in certain significant respects from Central Bank Rules.

Credit Portfolio

The regulations on debt classification are designed pursuant to Central Bank Rules, which differ from IFRS to establish clear guidelines for identifying and classifying the quality of assets, as well as evaluating the actual or potential risk of a lender sustaining losses on principal or interest, in order to determine (taking into account any loan security) whether the provisions against such contingencies are adequate. Banks must classify their loan portfolios into two different categories: (i) consumer or housing loans and (ii) commercial loans. Consumer or housing loans include housing loans, consumer loans, credit-card financings, loans of up to Ps. 114,000,000 to micro-credit institutions, and commercial loans of up to Ps. 114,000,000 with or without preferred guarantees when the institution elected. All other loans are considered commercial loans. Consumer or housing loans in excess of Ps. 114,000,000, the repayment of which is linked to the evolution of its productive or commercial activity, are classified as commercial loans.

At the entity’s option, financing of a commercial nature of up to Ps.114,000,000, whether or not such financing has preferred guarantees, may be grouped together with credits for consumption or housing, in such case they will receive the treatment provided for the latter. If a customer has both kinds of loans (commercial and consumer or housing loans), the consumer or housing loans will be added to the commercial portfolio to determine under which portfolio they should be classified based on the amount indicated. In these cases, the loans secured by preferred guarantees shall be considered to be at 50% of its face value.

Under the current debt classification system, each customer, as well as the customer’s outstanding debts, are included within one of six sub-categories. The debt classification criteria applied to the consumer loan portfolio are primarily based on objective factors related to customers’ performance of their obligations or their legal standing, while the key criterion for classifying the commercial loan portfolio is each borrower’s paying ability based on their future cash flow.

For recent developments, please see “Central Bank’s measures in response to the pandemic of COVID-19”.

Commercial loans classification

The principal criterion used to evaluate a loan pertaining to the commercial portfolio is its borrower’s ability to repay it, whose ability is mainly measured by such borrower’s future cash flow. Pursuant to Central Bank Rules, commercial loans are classified as follows:

Classification	Criteria
Normal Situation	Borrowers that demonstrate their ability to comply with their payment obligations. High repayment capacity.
Subject to special Monitoring/Under observation	Borrowers that, among other criteria, are up to 90 days past due and, although considered to be able to meet all their financial obligations, are sensitive to changes that could compromise their ability to honor debts absent timely corrective measures.
Subject to special Monitoring/ Under negotiation or refinancing agreement	Borrowers who are unable to comply with their obligations as agreed with the bank and, therefore, formally state, within 60 calendar days after the maturity date, their intention to refinance such debts. The borrower must enter into a refinancing agreement with the bank within 90 calendar days (if up to two lenders are involved) or 180 calendar days (if more than two lenders are involved) after the payment default date. If no agreement has been reached within the established deadline, the borrower must be reclassified to the next category according to the indicators established for each level.
Troubled	Borrowers with difficulties honoring their financial obligations under the loan on a regular basis, which, if uncorrected, may result in losses to the bank.
With high risk of insolvency	Borrowers who are highly unlikely to honor their financial obligations under the loan.
Irrecoverable	Loans classified as irrecoverable at the time they are reviewed (although the possibility might exist that such loans might be collected in the future). The borrower will not meet its financial obligations with the financial institution.



Irrecoverable according to Central Bank's Rules (a) Borrower has defaulted on its payment obligations under a loan for more than 180 calendar days according to the corresponding report provided by the Central Bank, which report includes: (1) financial institutions liquidated by the Central Bank, (2) residual entities created as a result of the privatization of public financial institutions, or in the privatization or dissolution process, (3) financial institutions whose licenses have been revoked by the Central Bank and find themselves subject to judicial liquidation or bankruptcy proceedings and (4) trusts in which *Seguro de Depósitos S.A.* (SEDESA) is a beneficiary; or (b) certain kinds of foreign borrowers (including banks or other financial institutions that are not subject to the supervision of the Central Bank or similar authority of the country in which they are incorporated) that are not classified as "investment grade" by any of the rating agencies approved by the Central Bank.

Consumer or housing loans classification

The principal criterion applied to loans in the consumer and housing portfolio is the length of period for which such loans remain overdue. Under Central Bank Rules, consumer and housing borrowers are classified as follows:

Classification	Criteria
Normal Situation	If all payments on loans are current or less than 31 calendar days overdue and, in the case of checking account overdrafts, less than 61 calendar days overdue.
Low Risk	Loans upon which payment obligations are overdue for a period of more than 31 and up to 90 calendar days.
Medium Risk	Loans upon which payment obligations are overdue for a period of more than 90 and up to 180 calendar days.
High Risk	Loans in respect of which a legal action seeking collection has been filed or loans having payment obligations overdue for more than 180 calendar days, but less than 365 calendar days.
Irrecoverable	Loans in which payment obligations are more than one year overdue or the debtor is insolvent or in bankruptcy or liquidation.
Irrecoverable by Technical Provision	Loans granted to clients who meet the conditions set for irrecoverable by technical provision clients by the Central Bank Rules.

Minimum Credit Provisions

Unless otherwise indicated, the financial regulations described in this section have been prepared in accordance with Central Bank Rules. IFRS differs in certain significant respects from Central Bank Rules. See Item 5B. "Critical accounting policies" and note 3 to our audited consolidated financial statements as of December 31, 2021 and 2020.

The following minimum credit provisions are required to be made by Argentine banks in relation to the credit portfolio category:

Category	With Preferred Guarantees	Without Preferred Guarantees
"Normal situation"	1%	1%
"Under observation" and "Low risk"	3%	5%
"Under negotiation or refinancing agreement"	6%	12%



Category	With Preferred Guarantees	Without Preferred Guarantees
“With problems” and “Medium Risk”	12%	25%
“With high risk of insolvency” and “High Risk”	25%	50%
“Irrecoverable”	50%	100%
“Irrecoverable by technical provision”	100%	100%

The Superintendency may require additional provisioning if it determines that the current level is inadequate.

Financial institutions are entitled to record allowances for loan losses in amounts larger than those required by Central Bank Rules. In such cases and despite the existence of certain exceptions, recording a larger allowance for a commercial loan, to the extent the recorded allowance amount falls into the next credit portfolio category set forth by Central Bank Rules, shall automatically result in the corresponding debtor being recategorized accordingly.

In accordance with Central Bank Rules financial institutions are required to develop procedures for the analysis of the credit facilities assuring an appropriate evaluation of a debtor’s financial situation and a periodic revision of its situation concerning objective and subjective conditions of all the risks taken. The procedures established have to be detailed in a manual called “Manual of Procedures for Classification and Allowances” which shall be permanently available for the Superintendency. The frequency of the review of existing classifications must answer to the importance considering all facilities. The classification analysis shall be duly documented.

In the case of commercial loans, applicable regulations require a minimum frequency of review. Such review must take place: (i) quarterly for clients with indebtedness equal or greater than 5% of the financial entity’s RPC for the prior month and (ii) semi-annually for clients whose indebtedness is higher than (x) the lower of 1% and Ps. 72,640,000 of the financial entity’s RPC for the prior month, and (y) lower than 5% of the financial entity’s RPC for the prior month. At the end of the first calendar semester, the total review under (i) and (ii) should have covered no less than 50% of the financial entity’s commercial loan portfolio and, if less, it shall be completed by incorporating clients (in descending order) whose total indebtedness is inferior to the limits described in the preceding point (ii)(x).

In addition, financial institutions have to review the rating assigned to a debtor in certain instances, such as when another financial institution reduces the debtor classification in the “Credit Information Database” (the “Credit Information Database”) and grants 10% or more of the debtor’s total financing in the financial system. Only one-level discrepancy is allowed in relation to the information submitted by financial institutions to the Credit Information Database and the lower classification awarded by at least two other banks and total lending from such banks account for 40% or more of the total informed; if there is a greater discrepancy, the financial institution will be required to reclassify the debtor.

Allowances for loan losses

The Central Bank Rules establishes minimum requirements for allowances for loan losses, in accordance with the category assigned to the client and the type of guarantee. Entities may have allowances for amounts higher than the minimum requirements, as deemed reasonable. Allowances are designed pursuant to the Central Bank Rules which differ from IFRS. See Item 5B. “Critical accounting policies” and note 3 to our audited consolidated financial statements as of December 31, 2021 and 2020.

Increases in the allowance are based on the level of growth of the loan portfolio, as well as on the deterioration of the quality of existing loans, while decreases in the allowance are based on regulations requiring the write-off of non-performing loans classified as irrecoverable after a certain period of time and on decisions of the management to write off non-performing loans evidencing a very low probability of recovery.

Priority rights of depositors

Under section 49 of the Financial Institutions Law, in the event of judicial liquidation or bankruptcy of a bank all depositors, irrespective of the type, amount or currency of their deposits, will be senior to the other remaining creditors (such as shareholders of the bank), with exceptions made for certain labor liens (section 53 paragraphs (a) and (b)) and for those creditors backed by a pledge or mortgage, in the following order of priority: (a) deposits of up to Ps.50,000 per person (including all amounts such person deposited in one financial entity), or its equivalent in foreign currency, (b) all deposits of an amount higher than Ps. 50,000 or its equivalent in foreign currency, and (c) the liabilities originated in commercial lines granted to the financial institution and which directly affect international commerce. Furthermore, pursuant to section 53 of the Financial Institutions Law, as amended, Central Bank claims have absolute priority over other claims, except for pledged or mortgaged claims, certain labor claims, the depositors’ claims pursuant to section 49, paragraph e), points i) and ii), debt granted under section 17, paragraphs (b), (c) and (f) of the Central Bank’s Charter (including discounts granted by financial entities due to a temporary lack of liquidity, advances to financial entities with security interest, assignment of rights, pledges or special assignment of certain assets) and debt granted by the Banking Liquidity Fund backed by a pledge or mortgage.



The amendment to section 35 bis of the Financial Institutions Law by Law No. 25,780 sets forth that if a bank is in a situation where the Central Bank may revoke its authorization to operate and become subject to dissolution or liquidation by judicial resolution, the Central Bank’s Board of Directors may take certain actions. Among these actions, in the case of excluding the transfer of assets and liabilities to financial trusts or other financial entities, the Central Bank may totally or partially exclude the liabilities mentioned in section 49, paragraph (e), as well as debt defined in section 53, giving effect to the order of priority among creditors. Regarding the partial exclusion, the order of priority of paragraph (e), section 49 must be followed without treating liabilities of the same grade differently.

Mandatory deposit insurance system

Law No. 24,485, passed on April 12, 1995, as amended, created a Deposit Insurance System, or “SSGD,” which is mandatory for bank deposits, and delegated the responsibility for organizing and implementing the system to the Central Bank. The SSGD is a supplemental protection to the privilege granted to depositors by means of section 49 of the Financial Institutions Law, as mentioned above.

The SSGD has been implemented through the establishment of a Deposit Guarantee Fund, or “FGD,” managed by a private-sector corporation called *Seguro de Depósitos Sociedad Anónima*, (Deposit Insurance Corporation, or “SEDESA”). According to Decree No. 1292/96, the shareholders of SEDESA are the government through the Central Bank and a trust set up by the participating financial institutions. These institutions must pay into the FGD a monthly contribution determined by Central Bank Rules. The SSGD is financed through regular and additional contributions made by financial institutions, as provided for in Central Bank Communication “A” 4271, dated December 30, 2004.

The SSGD covers deposits made by Argentine individuals and legal entities in Pesos and foreign currency and maintained in accounts with the participating financial institutions, including checking accounts, savings accounts, and time deposits up to the amount of Ps.1,500,000, as set forth by Central Bank Communication “A” 6973 of the Central Bank, as amended.

Effective payment on this guaranty will be made within thirty (30) business days after revocation of the license of the financial institution in which the funds are held; such payments are subject to the exercise of the depositor’s priority rights described above.

In view of the circumstances affecting the financial system, Decree No. 214/2002 provided that SEDESA may issue registered securities for the purpose of offering them to depositors in payment of the guarantee in the event it should not have sufficient funds available.

The SSGD does not cover: (i) deposits maintained by financial institutions in other financial institutions, including certificates of deposit bought in the secondary market, (ii) deposits made by persons directly or indirectly affiliated with the institution, (iii) time deposits of securities, acceptances or guarantees, (iv) any transferable time deposits that have been transferred by endorsement, (v) any deposits in which the agreed-upon interest rate is higher than the reference interest rates periodically released by the Central Bank for time deposits, with the exception of those arranged in Pesos at the minimum nominal rate, and they shall also be excluded if these interest rate ceilings are distorted by additional incentives or rewards, and (vi) immobilized balances from deposits and excluded transactions.

Pursuant to Communication “A” 5943, every financial institution is required to contribute to the FGD a monthly amount of 0.015% of the monthly average of daily balances of deposits in local and foreign currency, as determined by the Central Bank.

When fixed term deposits in U.S. dollars of the private non-financial sector are used to purchase Central Bank bills denominated in U.S. dollars, financial institutions must contribute 0.015% of the monthly average of daily balances of the net position of such bills. Prompt contribution of such amounts is a condition precedent to the continuing operation of the financial institution. The first contribution was made on May 24, 1995. The Central Bank may require financial institutions to advance the payment of up to the equivalent of two years of monthly contributions and debit the past due contributions from funds of the financial institutions deposited with the Central Bank. The Central Bank may require additional contributions by certain institutions, depending on its evaluation of the financial condition of those institutions.

When the contributions to the FGD reach the greater of Ps.2 billion or 5.0% of the total deposits of the system, the Central Bank may suspend or reduce the monthly contributions, and reinstate them when the contributions subsequently fall below that level.

Central Bank’s measures in response to the pandemic of COVID-19



The Argentine government and the Central Bank issued a series of preventive measures to contain the spread of COVID-19 and mitigate its economic impact. In this regard, on March 19, 2020, the Executive Branch declared a nationwide lockdown from March 20, 2020 through March 31, 2020, which was extended several times until November 6, 2020, when the country shifted towards a “social distancing” phase (DISPO, per its acronym in Spanish), instead of a strict lockdown.

In this context, the Central Bank issued a series of Communications within the framework of Decree No. 297/2020, as amended, of the Government of Argentina, by which it determined that: (i) financial institutions could open to the public only with prior appointment and provide its services remotely; (ii) financial institutions had to restrain the use of enclosed areas to a maximum of 50% of their capacity; (iii) financial institutions had to adopt all necessary measures to secure the sufficient supply of cash in ATMs and the continuity of operations related to cash withdrawals at out-of-bank withdrawal points; and (iv) money exchange houses could only open for the purchase of foreign currency, the sale of currency of bordering countries and certain arbitrage. These measures were in force until November 2021.

As from November 2021, and to June 30, 2022, in case the appointment system is used by financial entities, they shall clearly display such circumstance in their websites, the appointment must be easily requested through the website or by any other electronic mean and the date assigned shall not exceed 3 business days from the date the request is being made. If the service capacity of the institutions allows it, customers without an appointment must be attended, giving priority to those who have an appointment and those who have a disability certificate, people with reduced mobility or difficulties in accessing or remaining at the premises, among others. Also, sanitary measures established by means of Decree 678/2021 must be complied with, these include, masks must be used by all people inside closed spaces, distance between people must be maintained, rooms must be adequately and constantly ventilated, among others.

On a different note, by means of Communication “A” 6939, as amended, the Central Bank established that distribution of dividends by financial entities was temporarily suspended until December 31, 2021. In December 2021, the Central Bank authorized financial entities to distribute dividends for up to 20% of the amount of earnings that should have been distributed if the “Earnings distributions” rules had been applied, from January 1, 2022 to December 31, 2022. Those financial entities authorized by the Central Bank to distribute their profits must make such distribution in 12 equal, monthly and consecutive installments. For more information, please see “*Argentine Banking Regulations—Requirements applicable to dividend distribution.*”

By means of Communication “A” 6993, dated April 24, 2020, the Central Bank established a zero interest-rate financings policy, applicable only to the eligible clients to be determined in the future by the AFIP.

By virtue of Communication “A” 7025, as amended, the Central Bank determined that the unpaid balances of credit card financings due between April 13 and April 30, 2020, shall be automatically refinanced in nine equal consecutive monthly installments beginning after a 3-month grace period. Interest rates on such unpaid balances may not exceed an annual nominal rate of 43% when the amount financed by such concept is lower than Ps.200,000. Additionally, the unpaid balances of credit card financings due between September 1 and September 30, 2020, shall be automatically refinanced in nine equal consecutive monthly installments beginning after a 3-month grace period. Interest rates on such unpaid balances may not exceed an annual nominal rate of 40%. For more information, see “*Argentine Banking Regulations—Credit Card Interest Rate.*”

Furthermore, by means of Communication “A” 7181 the Central Bank extended until March 31, 2021, the following provisions: (i) unpaid installments corresponding to maturities of credit assistance not covered by the Law of Credit Cards granted by financial institutions and operating as from April 1, 2020, may only accrue compensatory interest at the contractually stipulated rate; and (ii) the increase of up to 60 days the period of non-payment before a loan is required to be classified as non-performing for levels 1, 2 and 3 pursuant to Central Bank rules on debtor classification and the suspension of the mandatory reclassification of debtors provided in sections 6.6 and 7.3 of such rules. Moreover, it establishes that financial institutions shall provide the means so that in all ATMs operated by them in the country, individuals and legal entities may withdraw, per day and in a single withdrawal, up to Ps.15,000, without any distinction between customers and non-customers, regardless of the type of demand account on which the corresponding transaction is made and of the financial institution and/or ATM network to which it belongs. These measures were no further extended.

Additionally, on March 25, 2020, the Executive Branch issued Decree No. 312/2020, as amended and supplemented from time to time, by means of which both the obligation to close and inhibit checking accounts, as well the imposition of penalties, were suspended until December 31, 2020. Furthermore, Decree No. 319/2020, as amended and supplemented from time to time, established the freezing of mortgage payments if the mortgaged property is the only and permanent residence of the debtor, until January 31, 2021. The Decree also resolved the freezing of mortgage and UVA pledge loans (*créditos prendarios*) and the suspension of mortgage foreclosures until January 31, 2021. These measures were subsequently extended by virtue of Decree 66/2021 until March 31, 2021. Although these restrictions are no longer in force as of the date of this annual report, Communication “B”12123 and Communication “A” 7270 established that financial institutions must enable an instance to consider the situation of those customers in which the installment of the UVA loan to be paid exceeds 35% of their income. For more information, please see “Item 3.D—Risk Factors—Risks related to the Argentine financial system—Our asset quality and that of other financial institutions may deteriorate if the Argentine private sector does not fully recover.”



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Other measures

- *Classification of Debtors:* On March 19, 2020, the Central Bank issued Communication “A” 6938, as amended from time to time, by which new rules regarding the criteria for debtor classification and provisioning are to be adopted until June 1, 2021. These rules provide an additional 60-day period of non-payment before a loan is required to be classified as non-performing and include all financings to commercial portfolio clients and loans granted for consumption or housing purposes. On March 25, 2021, through Communication “A” 7245, the Central Bank established a gradual transition in the definition of debtors for clients who chose to postpone the payment of installments, a benefit was not renewed from the due date at the end March 31, 2021. Financial entities and other obligated parties must increase the grace period to classify their debtors in levels 1, 2 and 3, both for the commercial portfolio and for the consumer or housing portfolio, according to the following schedule: i) Until March 31, 2021, in 60 days, ii) Until May 31, 2021, in 30 days, and iii) As of June 1, 21, financial entities must classify their debtors according to the general debtor classification.
- *Facilities and Government Guarantees to Finance Payment of Salaries:* Decree No. 326/2020 created a fund of specific application within the FOGAR (acronym in Spanish for *Fondo de Garantías Argentino*), with the aim of backing financings provided to SMEs by financial entities in order to pay salaries. Decree No. 332/2020 (as amended and restated) created the “Programa de Asistencia de Emergencia al Trabajo y la Producción” (ATP) which was created to provide immediate economic relief to those companies and workers directly affected by the drop in economic activity following the measures implemented during the pandemic, this program was in force until December, 2020.
- *Remote shareholders and board of directors meetings:* By means of CNV’s General Resolution No. 830/2020, dated March 3, 2020, public entities are allowed to hold remote shareholders and board of directors meetings, via electronic means, even if their respective bylaws do not provide for this, respecting the minimum requirements to ensure the integrity of the vote of each participant and the presence of all shareholders and members, respectively. At the first face-to-face meeting after the lockdown period, the shareholders’ meeting shall, with the quorum and the majority for the reform of the bylaws, approve any meetings that have been held remotely. By means of CNV’s interpretation No. 80 the provisions of CNV’s General Resolution No. 830/2020 were restated.
- *Time deposits minimum rate.* By virtue of Communication “A” 6983, the Central Bank ruled that all non-adjustable time deposits under Ps.1 million made by individuals as of April 20, 2020, shall have a minimum rate equivalent to the 70% of the average LELIQ’s tendering during the week prior to the date in which the deposit is made. For more information, see “*Argentine Banking Regulations—Liquidity and Solvency Requirements—Minimum Cash Reserve Requirements—LELIQ global daily position.*”
- *Securities-guaranteed transactions prohibition.* By means of Communication “A” 6991, the Central Bank forbid financial institutions to guarantee transactions via securities (*caución bursátil*).



- *Deposit Insurance System.* Pursuant to Communication “A” 6973, the Central Bank raised the amount covered by the Deposit Insurance System to Ps.1,500,000.
- *Credit line for productive investment of MiPyMEs.* Pursuant to Communication “A” 7140, as amended, the Central Bank approved the rules for a “Credit line for productive investment of MiPyMEs” (líneas para el financiamiento productivo) destined to the acquisition of capital goods, and/or the construction of facilities necessary for the production of goods and/or services, and the commercialization of goods and/or services, with a maximum annual nominal rate from 35% to 43%. For these credit line, financial institutions are required to maintain a regulatory quota equal to 7.5% of their non-financial private sector deposits. Through Communication “A” 7240, the Central Bank ruled that the balance of credit lines to SMEs shall be equivalent to (i) a minimum quota of 7.5% of the average balance of deposits from private sector as of September 2021, for the 2021/2022 quota, and (ii) a minimum quota of 7.5% of the average balance of deposits from private sector as of March 1, 2022, for the 2022 quota.
- *Solidary and Extraordinary Contribution.* By means of Decree 42/2021 the Government of Argentina regulated the Solidary and Extraordinary Contribution Law, which established a one-time extraordinary and mandatory contribution for resident individuals and undivided estates, at the country or abroad, whose total value of assets exceed the amounts specified in the Law.

Other restrictions

Pursuant to the Financial Institutions Law, financial institutions cannot create any kind of rights over their assets without the Central Bank’s authorization. Furthermore, in accordance with section 72 of Capital Markets Law, publicly offered companies are forbidden to enter into transactions with their directors, officers or affiliates in terms more favorable than arms-length transactions.

Capital Markets

Commercial banks are authorized to subscribe for and sell shares and debt securities. At present, there are no statutory limitations as to the amount of securities for which a bank may undertake to subscribe. However, under Central Bank Rules, underwriting of debt securities by a bank would be treated as “financial assistance” and, accordingly, until the securities are sold to third parties, such underwriting would be subject to limitations.

On September 9, 2013, the CNV published Resolution No. 622/2013 (the “CNV Rules”) supplementing the Capital Markets Law. On May 9, 2018, the Argentine Congress approved the Argentine Productive Financing Law No. 27,440, which modernized and completed the legal framework of the Argentine capital markets. Law No. 27,440 amended the legal framework of the capital markets (Law No. 26,831), mutual funds (Law No. 24,083), negotiable obligations (Law No. 23,576), the Argentine Civil and Commercial Code (Law No. 26,994), financing of housing and construction (Law No. 24,441), the subjects obliged to report on concealing and asset laundering of criminal origin in the capital market framework (Law No. 25,246), and the tax relief regime for the purchase of private securities (Law No. 20,643).

TM20

Beginning October 5, 2017, the Central Bank has begun to publish on a daily basis a survey of the average interest rates paid by Banks for their fixed-term deposits of over Ps.20 million, for terms of between 30 and 35 days (the “TM20”), in order to reflect the behavior of wholesale depositors.

A TM20 denominated in U.S. dollars will also be published for deposits for the same term that are for U.S.\$20 million or more.

The information published by the Central Bank is broken down by public vs. private banks, both for operations in Pesos and foreign currencies.

Financial institutions with economic difficulties

The Financial Institutions Law provides that any financial institution, including a commercial bank, (i) with its solvency or liquidity affected, in the opinion of the Central Bank; (ii) recording deficiencies on the minimum cash reserve requirement during the periods established by the Central Bank; (iii) recording repeated failures to comply with the various limits or technical relations established; or (iv) that could not maintain the minimum asset liability required for its particular class, location or characteristics, must (upon request from the Central Bank and in order to avoid the revocation of its license) prepare a restructuring plan or a remediation and regularization plan. The plan must be submitted to the Central Bank on a specified date, no later than thirty (30) calendar days from the date on which a request to that effect is made by the Central Bank. If the institution fails to submit, secure regulatory approval of, or comply with, a restructuring plan, the Central Bank will be empowered to revoke the institution’s license to operate as such, without prejudice to the application of the penalties provided for in the aforementioned law.



The Central Bank may appoint overseers with veto power, require the provision of guarantees and limit or forbid the distribution or remittance of profits, temporarily admit exceptions to the relevant limits and technical relations; exempt or defer the payment of charges and/or fines as provided by the Financial Institutions Law.

The Central Bank's charter authorizes the Superintendency to fully or partially suspend, exclusively subject to the approval of the President of the Central Bank, the operations of a financial institution for a term of thirty (30) days if the liquidity or solvency thereof is adversely affected. Such term could be renewed for up to ninety (90) additional days, with the approval of the Central Bank's Board of Directors. During such suspension term an automatic stay of claims, enforcement actions and precautionary measures is triggered, any commitment increasing the financial institution's obligations shall be null and void, and debt acceleration and interest accrual shall be suspended.

Institution restructuring to safeguard credit and bank deposits

If a financial institution meets the Central Bank's criteria and is found to be in any of the situations foreseen by Section 44 of the Financial Institutions Law, the Central Bank may authorize the restructuring of the financial institution in defense of depositors, prior to revocation of the authorization to operate. The restructuring plan may consist of certain steps, including, among others:

- adoption of a list of measures to capitalize or increase the capital of the financial institution;
- revoke the approval granted to the shareholders of the financial institution to hold interests therein;
- exclusion or transfer assets and liabilities;
- judicial intervention of the institution, displacing the statutory administrative authorities, and determine the capabilities needed to comply with the assigned function.

Revocation of the license to operate as a financial institution

The Central Bank may revoke the license to operate as a financial institution (a) as a request of the legal or statutory authorities of the institution; (b) in the cases contemplated by the Argentine Civil and Commerce Code or in the laws governing its existence as a legal entity; (c) when, as opinion of the Central Bank, the affections to the solvency and/or liquidity of the institution cannot be solved through a regularization and sanitation program; (d) in the rest cases provided by the Financial Institutions Law.

Liquidation of financial institutions

As provided in the Financial Institutions Law, the Central Bank must notify the revocation decision to a competent court, which will then determine who will liquidate the entity: the corporate authorities (extrajudicial liquidation) or an independent liquidator appointed by the court for that purpose (judicial liquidation). The court's decision will be based on whether there are sufficient assurances that the corporate authorities are capable of carrying out such liquidation properly, prior authorization of the Central Bank and in the cases provided by subsections a) and b) of section 44 of the aforementioned law.

Bankruptcy of financial institutions

According to the Financial Institutions Law, financial institutions are not allowed to file their own bankruptcy petitions. In addition, the bankruptcy shall not be adjudged until the license to operate as a financial institution has been revoked.

Once the license to operate as a financial institution has been revoked, a court of competent jurisdiction may adjudge the former financial institution in bankruptcy, or a petition in bankruptcy may be filed by the Central Bank or by any creditor of the bank, in this case after a period of sixty (60) calendar days has elapsed since the license was revoked.

Once the bankruptcy has been adjudged, provisions of the Bankruptcy Law No. 24,522 (the "Bankruptcy Law") and the Financial Institutions Law shall be applicable. In certain cases, specific provisions of the Financial Institutions Law shall supersede the provisions of the Bankruptcy Law (*i.e.*, priority rights of depositors).



Merger and transfer of goodwill

Merger and transfer of goodwill may be arranged between entities of the same or different type and will be subject to the prior approval of the Central Bank. The new entity or the buyer must submit a financial-economic structure profile supporting the project in order to obtain authorization from the Central Bank.

Holding Companies

On June 28, 2019, the Central Bank ruled, through Communication “A” 6723, with effect from January 1, 2020, that Group “A” financial institutions (in accordance with the “Financial Institutions Authorities” rules) which are controlled by non-financial institutions (as in our case in relation with the Bank) shall comply with the Minimum Capital requirements (please see “*Argentine Banking Regulation—Liquidity and Solvency Requirements—Minimum Capital Requirements*”), the Major Exposure to Credit Risk regulations (please see “*Argentine Banking Regulation—Credit Risk Regulation—Large Exposures*”), the Liquidity Coverage Ratio (please see “*Argentine Banking Regulation—Internal Liquidity Policies of Financial Institutions*”) and the *Net Stable Funding Ratio* (please see “*Argentine Banking Regulation—Liquidity Parameters—Net Stable Funding Ratio*”) on a consolidated basis comprising the non-financial holding and all its subsidiaries (excluding insurance companies and non-financial subsidiaries).

Additionally, Group “A” financial institutions may not grant direct or indirect financial assistance of any kind to its holding company whenever it is a non-financial institution.

Financial system restructuring unit

The Financial System Restructuring Unit was created to oversee the implementation of a new approach towards those banks that benefit from assistance provided by the Central Bank. This unit is in charge of rescheduling maturities, determining restructuring strategies and action plans, approving transformation plans, and accelerating repayment of the facilities granted by the Central Bank.

Fintech regulations

The Central Bank issued Communications “A” 6885 (as amended and restated, “Communications “A” 6885”), by means of which it regulates certain aspects of *Fintech* operations. Through these communications, it defined Payment Service Provider (“PSP”) as those non-financial entities in retail payments, performing under the global framework of the payment system, such as offering payment accounts to order and/or receive payments.

By means of these rules, PSPs operations are regulated and a specific registry for them was created. Particularly, Communication “A” 6885 forbids entities to operate as PSP if (i) they are not properly incorporated in Argentina; (ii) they are incorporated as a stock exchange, clearing chamber or agent under the CNV Rules; or (iii) if its capital, right votes, administrative or inspection body are integrated by people disqualified for performing financial activities in Argentina by the Financial Institutions Law, condemned by crimes against property, the public administration, the economic and financial order or public faith, privacy violations, illicit association or by section 1.b of the Foreign Exchange Criminal Regime. Shareholdings acquired on stock exchanges that do not reach the threshold of 20% of the capital or voting rights are exempt from the provisions of point (iii).

Regarding the registry, Communication “A” 6885 commands that all PSPs that offer payment account must register with the “Registry of Payment Service Providers that Offer Payment Accounts”. Additionally, all PSPs shall comply with a reporting regime to be furthered ruled by the Central Bank.

In what respects to the management of the funds, it provided that all funds credited to payment accounts offered by PSPs shall be (i) available at all times, for an amount at least equivalent to the one credited in the payment account; (ii) deposited in Pesos, in on-sight accounts in Argentine financial entities; and (iii) on an independent on-sight account from the one used for trading for own account (e.g.: creditor or salary payments).

Any breach of the rules as set on the abovementioned communication is submitted to the sanctions of the Financial Institutions Law.

Moreover, on February 24, 2022, the Central Bank issued Communication “A” 7462 providing for the creation of the “Register of interoperable digital wallets” and establishing that any PSP wishing to provide a digital wallet service that allows making transfer payments initiated by reading QR codes must be registered therein. In addition, it defines a “digital wallet” service as the service offered by a financial institution or payment service provider (PSP) through an application on a mobile device or web browser that must allow making payments with transfer (PCT) and/or with other payment instruments.

Gender Parity Requirements

On September 3, 2020, by means of Communication “A” 7100, the Central Bank amended the rules on “Guidelines for Corporate Governance in Financial Institutions” (*Lineamientos para el gobierno societario en entidades financieras*) to include a requirement of gender parity.

By virtue of such Communication, the Central Bank suggested to financial institutions to consider the progressive incorporation of women on new appointments and/or renewals, until gender parity is achieved. In this regard, the Central Bank defined gender parity as the guideline that aims at equalizing the participation of men and women in labor decision-making spaces, ensuring the right to equal opportunities and non-discrimination on the bases of gender.



Anti-Money Laundering and Terrorism Financing Regime

The concept of money laundering is generally used to denote transactions aimed at introducing funds from illicit activities into the institutional system and thus transform gains from illegal activities into assets of a seemingly legitimate source.

Terrorist financing is the act of providing funds for terrorist activities. This may involve funds raised from legitimate sources, such as personal donations and profits from businesses and charitable organizations, as well as from criminal sources, such as drug trade, weapons and other goods smuggling, fraud, kidnapping and extortion.

On April 13, 2000, the National Congress passed Law No. 25,246, (subsequently amended and complemented, the “AML/ CFT Law”), which created at the national level the Anti- Money Laundering and Terrorism Financing Regime (“AML/CFT Regime”), criminalizing money laundering, creating and designating the UIF as the enforcement authority of the regime, and establishing the legal obligation for various public and private sector entities and professionals to provide information and cooperate with the UIF.

The UIF is a decentralized agency that operates with autonomy and financial independency under the Ministry of Economy, and its mission is to prevent and deter the crimes of money laundering and terrorist financing.

The following are certain provisions relating to the AML/CFT Regime established by the AML/ CFT Law and its amending and complementary provisions, including regulations issued by the UIF, and the CNV and the Central Bank. It is recommended that investors consult their own legal advisors and read the AML/ CFT Law and its complementary regulations.

Money laundering and terrorist financing in the Argentine Criminal Code

a) Money laundering

Section 303 of the Argentine Criminal Code (the “ACC”) defines money laundering as a crime committed whenever a person converts, transfers, manages, sells, encumbers, conceals or in any other way puts into circulation in the market, property derived from an unlawful act, with the possible consequence that the origin of the original property or the subordinate property acquires the appearance of a lawful origin, either in a single act or by the repetition of various acts linked to each other. Section 303 of the ACC establishes the following penalties:

- (i) If the amount of the operation exceeds Ps.300,000, imprisonment of three (3) to ten (10) years and fines of two to ten times the amount of the operation shall be imposed. This penalty will be increased by one third of the maximum and half of the minimum, when:
 - (a) the person performs the act on a habitual basis or as a member of an illicit association constituted for the continuous commission of acts of this nature;
 - (b) the person is a public official who committed the act in the exercise or on the occasion of his/her functions. In this case, he/she shall also be subject to a penalty of special disqualification of three to ten years. The same penalty shall be imposed to anyone who has acted in the exercise of a profession or occupation requiring special qualification.
- (ii) anyone who receives money or other property from a criminal offence for the purpose of applying them in an operation as described above, which gives them the possible appearance of a lawful origin, shall be punished with imprisonment from six (6) months to three (3) years;
- (iii) if the value of the goods does not exceed Ps. 300,000, the penalty shall be imprisonment for a term of six months to three years.

b) Penalties for legal persons.

Furthermore, Section 304 of the ACC provides that when the criminal acts have been committed in the name of, or with the intervention of, or for the benefit of a legal person, the following sanctions shall be imposed to the entity jointly or alternatively:

- (i) fine of two (2) to ten (10) times the value of the property subject to the offence;
- (ii) total or partial suspension of activities, which in no case shall exceed ten (10) years;
- (iii) debarment for public tenders or bidding processes or any other State-related activities, which in no case shall exceed ten (10) years;
- (iv) dissolution and liquidation of the legal person when it was created for the sole purpose of committing the offense, or such acts constitute the main activity of the entity;



- (v) loss or suspension of any State benefit that it may have;
- (vi) publication of an extract of the condemnatory sentence at the expense of the legal entity.

In order to calibrate these sanctions, the Court will take into account the failure to comply with internal rules and procedures, the omission of vigilance over the activity of the authors and participants; the extent of the damage caused, the amount of money involved in the commission of the offense, the size, nature and economic capacity of the legal entity. In the cases in which it is essential to maintain the operational continuity of the entity, or of a public work, or particular service, the sanctions of suspension of activities or dissolution and liquidation of the legal person shall not be applicable.

c) Terrorism financing

Section 306 of the ACC criminalizes the financing of terrorism. This offence is committed by any person who directly or indirectly collects or provides property or money, with the intention of it being used, or in the knowledge that it will be used, in full or in part:

- (i) To finance the commission of acts which have the aim of terrorizing the population or compelling national public authorities or foreign governments or agents of an international organization to perform or refrain from performing an act (according to section 41.5 of the ACC);
- (ii) By an organization committing or attempting to commit crimes for the purpose set out in (i);
- (iii) By an individual who commits, attempts to commit or participates in any way in the commission of offences for the purpose set out in (i).

The penalty is imprisonment of five (5) to fifteen (15) years and a fine of two (2) to ten (10) times the amount of the operation. Likewise, the same penalties shall apply to legal persons as described for the crime of money laundering.

Reporting Subjects obliged to inform and collaborate with the UIF

The AML/CFT Law, in line with international AML/CFT standards, not only designates the UIF as the agency in charge of preventing money laundering and terrorism financing, but also establishes certain obligations to various public and private sector entities and individuals, which are designated as Reporting Subjects ("*Sujetos obligados*"), which are legally bound to inform and collaborate with the UIF.

In accordance with the AML/ CFT Law and the regulations complementing it, the following persons, among others, are Reporting Subjects before the UIF:

- (i) banks, financial entities and insurance companies;
- (ii) exchange agencies and natural and legal persons authorized by the Central Bank to intervene in the purchase and sale of foreign currency with funds in cash or checks issued in foreign currency or through the use of debit or credit cards or in the transfer of funds within or outside the national territory;
- (iii) Settlement and Clearing Agents, Trading Agents; natural and/or legal persons registered with the CNV acting in the placement of investment funds or other collective investment products authorized by such agency; Crowdfunding companies, Global Investment Advisors and the legal persons acting as financial trustees whose trust securities are authorized for public offering by the CNV, and the agents registered by the above mentioned controlling agency that intervene in the placement of negotiable securities issued within the framework of the above mentioned financial trusts;
- (iv) government organizations such as the Central Bank, the Federal Public Revenue Administration ("*AFIP*", as per its acronym in Spanish), the Superintendence of Insurance of the Nation ("*SSN*", as per its acronym in Spanish), the CNV and the IGJ; and
- (v) professionals in the area of economic sciences and notaries public.

The Reporting Subjects have the following duties:

- (i) obtaining from clients' documents that indisputably prove their identity, legal status, domicile and other information, concerning their operations needed to accomplish the intended activity (know your customer policy);
- (ii) conduct due diligence procedure on its clients and report any suspicious operation or fact (which, in accordance with the usual practices of the area involved, as well as the experience and competence of the Reporting Subjects, are operations that are attempted or completed which were previously identified as unusual operations by the regulated entity, as well as any operation without economic or legal justification or of unusual or unjustified complexity, whether performed in isolated or repeated manner, regardless of the amount); and



(iii) refraining from disclosing to the client or third parties the actions being conducted in compliance with the AML/ CFT Law. Within the framework of suspicious operation report analysis, Reporting Subjects shall not refrain from disclosing to UIF any information required from them, alleging that such information is subject to banking, stock market or professional secrecy or confidentiality agreements of a legal or contractual nature.

Pursuant to Annex I of Resolution No. 154/2018 of the UIF (which establishes the supervision and inspection mechanism of the UIF), both the Central Bank and the CNV are considered “Specific Control Agencies” (“*Órganos de Contralor Específico*”). In such capacity, they must collaborate with the UIF in the evaluation of compliance with AML/CFT procedures by the Reporting Subjects subject to their control. For these purposes, they are entitled to supervise, monitor and inspect these entities. Denial or obstruction of inspections by the Reporting Subjects may result in administrative penalties by the UIF and criminal penalties.

The Central Bank and the CNV must also comply with the AML/CFT regulations established by the UIF, including the reporting of suspicious transactions. In turn, Reporting Subjects regulated by these agencies are subject to UIF Resolutions No. 30/2017 and 21/2018, respectively. Such regulations provide guidelines that such entities shall adopt and apply to manage, in accordance with their policies, procedures and controls, the risk of being used by third parties for criminal purposes of money laundering and financing of terrorism.

Essentially, the aforementioned regulations (the Consolidated Texts of which were subsequently approved by UIF Resolution No. 156/18), change the formalistic regulatory compliance approach to a Risk Based Approach (“RBA”), based on the revised recommendations issued by the Financial Action Task Force (the “FATF”) in 2012, in order to ensure that the implemented measures are proportional to the identified risks. Therefore, the Reporting Subjects shall identify and evaluate their risks and, based on this, adopt measures for the management and mitigation of such risks, in order to more effectively prevent money laundering and terrorist financing. Likewise, the provisions of UIF Resolution No. 4/17 are adopted, establishing the possibility of conducting special due diligence procedures with respect to clients supervised abroad (formerly called “international investors”) and local clients who are Reporting Subjects to the UIF.

Asset Freezing Regime

Decree No. 918/2012 establishes the procedures for the freezing of assets linked to terrorism financing, and the creation and maintenance procedures (including the inclusion and removal of suspected persons) for registries created in accordance with the relevant United Nations Security Council’s resolutions.

Additionally, UIF Resolution No. 29/2013, regulates the implementation of Decree No. 918/2012 and establishes: (i) the procedure to report suspicious transactions of terrorism financing and the persons obligated to do so, and (ii) the administrative freezing of assets procedure on natural or legal persons or entities designated by the United Nations Security Council pursuant to Resolution 1267 (1999) and subsequent, or linked to criminal actions under Section 306 of the Argentine Criminal Code, both prior to the report issued pursuant to UIF Resolutions No. 121 and 229, and as mandated by the UIF after receiving such report.

In order to help the Reporting Subjects to fulfil this duties, Executive Decree No. 489/2019 created the Public Registry of Persons and Entities linked to acts of Terrorism and its Financing (RePET, for its acronym in Spanish), which is an official database that includes the consolidated list of the United Nations Security Council.

Politically Exposed Persons

Resolution No. 134/2018 of the UIF (amended by Resolutions No. 15/2019 and 128/2019), establishes the rules that Reporting Parties must follow regarding clients that are Politically Exposed Persons (PEPs).

Following the aforementioned RBA, Resolution 134/2018 establishes that Reporting Parties must determine the level of risk at the time of beginning or continuing the contractual relationship with a PEP, and must take due diligence measures, adequate and proportional to the associated risk and the operation or operations involved.

In addition, the UIF has issued the Guide for the management of risks of money laundering and financing of terrorism in relation to customers (and ultimate beneficiaries) that are PEPs, which sets up guidelines for Reporting Parties in order to comply with the Resolution No. 134/2018.



CNV Regulations

The CNV Rules stipulate, among other provisions, that the Reporting Subjects under its control shall only perform the operations provided for under the public offering system when these operations are performed or ordered by persons constituted, domiciled or resident in countries, domains, jurisdictions, territories or associated states not considered to be non-cooperative or high risk by the FATF.

Similarly, they establish the payment modalities and control procedures for the reception and delivery of funds from and to clients.

Central Bank Regulations

Pursuant to Communication “A” 6399 of the Central Bank, as amended and supplemented, including without limitation, by Communication “A” 6709, Reporting Subjects must keep—for a period of 10 years—written records of the procedure applied in each case for the discontinuation of a client’s operations. Among these records, they shall keep a copy of any notification sent to the customer requesting further information and/or documentation, the corresponding notices of receipt and the documents identifying the officials who took part in the decision, in accordance with the respective procedural manuals.

Tax Amnesty System

The voluntary system of declaration under the Argentine Tax Amnesty Law No. 27,260 and its Regulatory Decree No. 895/16 (jointly the “Tax Amnesty System”) established that the information voluntarily submitted under the Tax Amnesty System may be used for the investigation and punishment of the crimes of money laundering and financing of terrorism. For such purpose, the UIF has the power to communicate information to other public intelligence or investigation agencies, based on a previous resolution of the UIF’s President and provided that there are serious, precise and concordant indications of the commission of money laundering and/or terrorism financing crimes. Furthermore, the AFIP remains obliged to report to the UIF suspicious operations detected within the framework of the Tax Amnesty System and to provide it with all information required by it, not being able to oppose fiscal secrecy.

Anti-Money Laundering and Prevention of Terrorist Financing Program of the Bank

One of the most significant operational risks that is monitored by Banco Macro is that of the activities of “Anti-Money Laundering and Prevention of Terrorist Financing.” There is a program designed to safeguard us against any unintentional involvement or participation in criminal or illicit activities or terrorist financing, and to reaffirm the policy of fully cooperating with the strict application of law and cooperation with the authorities and regulatory bodies.

In order to ensure that the financial system is not used as a channel of funds from criminal activities, employees must determine the true identity of all customers and final beneficiaries of the contracted products and services.

Roles and responsibilities of the program

All employees have roles and responsibilities in the implementation of the Anti-Money Laundering Program. These roles and responsibilities vary depending on the employee’s business line or business area.

Elements of the Anti-Money Laundering Program

We adopt specific procedures for our various operational and commercial areas as applicable.

The following are the most important components of the Bank’s Anti-Money Laundering Program:

1. Prevention: We carry out different tasks in order to mitigate the risk of money laundering:
 - a. Generation of policies and procedures;
 - b. Reliable identification of customers and knowledge of their activities (“Know Your Customer” process);
 - c. Specific risk analysis in the product and process approval process;
 - d. Training and ongoing communication to update all relevant staff;
 - e. Existence of a responsible Officer and a Committee for Money Laundering and Terrorist Financing Prevention;

2. Monitoring: We monitor the activity of clients, suppliers, etc., by setting parameters and alerts to be able to identify cases that must be reported to the appropriate authorities.



3. Relationship with regulatory agencies or industry: We maintain relations with the Central Bank/UIF/CNV by carrying out all necessary actions in order to collect and maintain adequate identification of clients and transaction records, in accordance with regulatory requirements. Likewise, we respond to the information requirements of the mentioned entities.

4. Audits and Reviews: this program will be periodically reviewed through by its own assurance program and different types of audits (internal, external, comptroller) to identify opportunities for improvement.

5. Training and Communication: All our staff (including executive staff) who have a relationship with clients or handle their transactions must receive training in anti-money laundering. This training is institutional and mandatory.

6. Know Your Client (KYC): Similar to our efforts to prevent money laundering, and terrorist financing begins with an appropriate “Know Your Customer” process.

a. Customer awareness allows financial institutions to determine if certain customers are included on terrorist lists issued by governments and regulatory agencies. This process also allows us to establish whether we are facing high-risk clients (e.g., Politically Exposed Persons) in order to carry out an Enhanced Due Diligence process).

b. We will not enter into any relationship with any individual or entity who cannot prove their true identity.

7. Recognition and reporting of unusual or suspicious activities: When employees receive indications that make them assume that clients’ funds come from criminal activities, they should report this to the Money Laundering and Terrorist Financing Committee for evaluation in accordance with established procedure.

For a thorough analysis of money laundering regulations in effect as of the date of this document, please consult with your own legal counsel and read Title XIII, Second Book of the ACC and any regulations issued by the UIF, the CNV and the Central Bank in their entirety. For this purpose, interested parties may visit the websites of the Argentine Ministry of Economy, www.economia.gob.ar, the UIF, www.argentina.gob.ar/uiif, the CNV, www.cnv.gob.ar or the Central Bank, www.bcra.gov.ar none of which websites are incorporated by reference herein.

Corporate Criminal Liability Law

The Corporate Criminal Liability Law No. 27,401 sets forth a criminal liability regime applicable to legal entities involved in certain corruption offenses directly or indirectly committed in their name, on their behalf or in their interest and from which a benefit may arise. The individual offenders may be employees or third parties—even unauthorized third parties, provided that the company ratified the act, even tacitly.

In accordance with such law, the Board of Directors has approved a Corruption and Anti-Bribery Policy that sets forth the ethical and compliance standards regarding officer corruption practices, under the scope of the Corporate Criminal Liability Law and the applicable international laws. The Board of Directors expressly prohibits this kind of practices and applies the same criterion in similar cases where private sector individual acts as counterparty.

In turn, the Board of Directors has implemented a Code of Conduct applicable to all employees, contractors, suppliers and agents, with the prohibitions, restrictions and conditions imposed upon them under the Integrity Program approved by the Bank, which was previously discussed by the Appointment and Corporate Government Committee.

In addition, Ernesto López, our Legal Manager, has been appointed as our Anti-Bribery Policy Officer and our Compliance Department is responsible for the implementation of the Monitoring Program.



C. Organizational Structure

Subsidiaries

We have six subsidiaries: (i) Argenpay S.A.U., through which we provide electronic payment services ; (ii) Macro Bank Limited, our subsidiary in the Bahamas through which we primarily provide private banking services; (iii) Macro Securities S.A., which is a member of the BYMA, and through which we provide investment research, securities trading and custodial services to our customers; (iv) Macro Fiducia S.A., a subsidiary that acts as trustee and provides financial advisory and analysis services; and (v) Macro Fondos S.G.F.C.I. S.A., an asset management subsidiary and (vi) Fintech SGR, through which we facilitate access to credit for small and medium-sized enterprises (PyMEs) through the presentation of guarantees.

<u>Subsidiary</u>	<u>Banco Macro's direct and indirect interest</u>	
	<u>Percentage of Capital Stock</u>	<u>Percentage of possible votes</u>
Argenpay S.A.U. (1)	100.000%	100.000%
Macro Bank Limited (2)	99.999%	100.000%
Macro Securities S.A. (1)	99.925%	99.932%
Macro Fiducia S.A. (1)	99.046%	99.046%
Macro Fondos S.G.F.C.I. S.A. (1)	99.939%	100.000%
Fintech SGR (1)(3)	24.999%	24.999%

- (1) Country of residence: Argentina
- (2) Country of residence: The Bahamas
- (3) Structured entity.

D. Property, plants and equipment

Property

Our headquarters consist of 54,320 square meters of office area that is used by our management, accounting and administrative personnel. As of December 31, 2021, our headquarters consisted of 53,293 square meters that we own and 1,027 square meters that are leased. Our headquarters are split between offices located in Avenida Eduardo Madero 1172 and Sarmiento 442, all in the City of Buenos Aires. As of December 31, 2021, we have a branch network that consists of 466 branches in Argentina, of which 169 were leased properties.

In 2011 we acquired a site, located at Avenida Eduardo Madero No. 1180, in the City of Buenos Aires, from the Government of the City of Buenos Aires, in which we have developed our headquarters. We have developed a project to build our new corporate offices on this site. Work on the site began in 2012 and was completed in 2019.

The new corporate headquarters were designed to take full advantage of natural light and maximize energy efficiency, while also using materials that do not adversely affect the environment and was built in compliance with the Leed International Sustainability Standards of the “U.S. Green Building Council”. The total aggregate amount invested in the project was approximately U.S.\$186 million at the applicable exchange rates at the end of the month as of the respective dates of such investments.

Selected Statistical Information

The following information is included for analytical purposes and should be read in conjunction with our audited consolidated financial statements as well as Item 5 “*Operating and Financial Review and Prospects.*” This information has been extracted from the Bank’s internal documentation that supports our financial records.



Average balance sheets, interest earned on interest-earning assets and interest paid on interest-bearing liabilities.

The following tables show average balances, interest amounts and nominal and real rates for our interest-earning assets and interest-bearing liabilities for the years ended December 31, 2019, 2020 and 2021 based on results adjusted for inflation as of December 31, 2021, as explained in our consolidated financial statements.

The nominal interest rate has been calculated by dividing the amount of interest gain or loss during the period by the related average balance, both amounts not restated. The nominal rates calculated for each period have been converted into real rates using the following formulas:

$$R_p = \frac{1 + N_p}{1 + I} - 1$$

$$R_d = \frac{(1 + N_d)(1 + D)}{1 + I} - 1$$

Where:

- R_p = real average rate for Peso-denominated assets and liabilities (in Ps.) for the period;
- R_d = real average rate for foreign currency denominated assets and liabilities for the period;
- N_p = nominal average rate for Peso—denominated assets and liabilities for the period;
- N_d = nominal average rate for foreign currency denominated assets and liabilities for the period;
- D = devaluation rate of the Peso to the U.S. dollar for the period; and
- I = inflation rate in Argentina for the period based on the variation of the Consumer Price Index.

	2019				2020				2021			
	Average Balance	Interest Earned / (Paid)	Average Real Rate	Average Nominal Rate	Average Balance	Interest Earned / (Paid)	Average Real Rate	Average Nominal Rate	Average Balance	Interest Earned / (Paid)	Average Real Rate	Average Nominal Rate
ASSETS												
Interest-earning assets												
Loans and other financing												
Non-financial Public Sector												
Pesos	3,705,954	1,656,383	(5.94%)	44.70%	9,437,647	3,352,986	(0.45%)	35.53%	3,879,486	1,782,597	(3.31%)	45.95%
Foreign currency	103	—	—	—	—	—	—	—	—	—	—	—
Total	3,706,057	1,656,383	(5.94%)	44.70%	9,437,647	3,352,986	(0.45%)	35.53%	3,879,486	1,782,597	(3.31%)	45.95%
Other Financial Entities												
Pesos	8,583,376	4,198,021	(3.20%)	48.91%	3,589,318	1,508,977	4.33%	42.04%	1,993,830	675,414	(11.30%)	33.88%
Foreign currency	1,040,875	62,486	9.16%	6.00%	280,125	18,908	10.16%	6.75%	9,830	579	(14.34%)	5.89%
Total	9,624,251	4,260,507	(1.86%)	44.27%	3,869,443	1,527,885	4.75%	39.49%	2,003,660	675,993	(11.31%)	33.74%
Non-financial Private Sector and Foreign Residents												
Pesos	334,732,216	153,412,434	(5.20%)	45.83%	333,548,043	116,686,192	(0.85%)	34.98%	307,326,449	105,759,581	(10.95%)	34.41%
Foreign currency	129,455,531	9,566,088	10.59%	7.39%	56,089,010	7,770,213	17.49%	13.85%	25,713,436	6,526,721	1.43%	25.38%
Total	464,187,747	162,978,522	(0.80%)	35.11%	389,637,053	124,456,405	1.79%	31.94%	333,039,885	112,286,302	(9.99%)	33.72%
Other Debt												
Securities												
Pesos	215,840,318	135,657,855	5.86%	62.85%	260,447,890	97,034,246	0.82%	37.26%	275,861,002	101,989,513	(9.26%)	36.97%
Foreign currency	3,985,842	154,878	6.99%	3.89%	7,383,251	60,279	4.04%	0.82%	12,605,039	161,756	(18.07%)	1.28%
Total	219,826,160	135,812,733	5.88%	61.78%	267,831,141	97,094,525	0.91%	36.25%	288,466,041	102,151,269	(9.64%)	35.41%
Repo Transactions												
Pesos	10,865,859	6,750,429	5.40%	62.13%	46,665,150	10,667,632	(9.76%)	22.86%	23,565,791	8,536,022	(9.75%)	36.22%
Foreign currency	—	—	—	—	—	—	—	—	—	—	—	—
Total	10,865,859	6,750,429	5.40%	62.13%	46,665,150	10,667,632	(9.76%)	22.86%	23,565,791	8,536,022	(9.75%)	36.22%
Total interest-earning assets												
Pesos	573,727,723	301,675,122	(0.81%)	52.58%	653,688,056	229,250,033	(0.79%)	35.07%	612,626,558	218,743,127	(10.09%)	35.71%
Foreign currency	134,482,351	9,783,452	10.47%	7.27%	63,752,386	7,849,400	15.90%	12.31%	38,328,305	6,689,056	(4.98%)	17.45%
Total	708,210,074	311,458,574	1.33%	43.98%	717,440,442	237,099,433	0.69%	33.05%	650,954,863	225,432,183	(9.79%)	34.63%
Total non interest-earning assets												
Pesos	178,225,977	—	—	—	187,016,722	—	—	—	187,780,210	—	—	—
Foreign currency	153,922,782	—	—	—	154,455,228	—	—	—	149,619,508	—	—	—



Foreign currency	---	---	---	---	---	---	---	---	---
Total	1,656,383	3,352,986	1,782,597	2,562,245	(865,642)	1,696,603	(1,974,605)	404,216	(1,570,389)
Other Financial Entities									
Pesos	4,198,021	1,508,977	675,414	(2,442,486)	(246,558)	(2,689,044)	(670,771)	(162,792)	(833,563)



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	Year Ended December 31,		
	2019 (1)	2020 (1)	2021
	(In thousands of Pesos, except percentages)		
Pesos	176,997,184	141,839,194	127,677,975
Foreign currency	2,623,447	3,436,531	3,320,343
Total	179,620,631	145,275,725	130,998,318
Net interest margin real basis (3)			
Pesos	(14.94%)	(10.61%)	(19.94%)
Foreign currency	4.99%	8.76%	(12.09%)
Weighted average rate	(11.16%)	(8.89%)	(19.48%)
Yield spread real basis (4)			
Pesos	12.72%	9.90%	7.24%
Foreign currency	4.18%	9.50%	11.82%
Weighted average rate	7.50%	6.95%	7.41%

- (1) Figures adjusted for inflation as of December 31, 2021. See "Presentation of certain financial information".
- (2) Defined as interest earned less interest paid.
- (3) The nominal rates calculated for each period have been converted into real rates using the formulas disclosed in "Item 4. Selected Statistical Information—Average balance sheet, interest earned on interest-earning assets and interest paid on interest-bearing liabilities."
- (4) Defined as the difference between the average real rate on interest-earning assets and the average real rate on interest-bearing liabilities.

Remaining maturity of government and private securities

We own, manage and trade a portfolio of securities issued by the Argentine and other governments and private issuers. The following table analyzes the remaining maturities of our investment portfolio as of December 31, 2021 in accordance with issuance terms (before allowances). For further information, see "Item 3—Risk Factors—Argentina's ability to obtain financing from international markets may be limited or costly, which may impair its ability to implement reforms and public policies and foster economic growth".

	Maturing within 1 year	Maturing after 1 year but within 5 years	Maturing after 5 year but within 10 years	Maturing after 10 years	Without due date	Total
DEBT SECURITIES AT FAIR VALUE THROUGH PROFIT OR LOSS						
Local						
Government securities:						
Federal government treasury bonds in pesos adjusted by CER—Maturity: 09-20-2022	8,658,840	0	0	0	0	8,658,840
Federal government bonds in pesos—Private Badlar +200 PB—Maturity: 04-03-2022	7,335,099	0	0	0	0	7,335,099
Federal government treasury bonds in pesos adjusted by CER—Maturity: 03-25-2023	0	3,850,233	0	0	0	3,850,233
Federal government treasury bonds in pesos adjusted by CER—Maturity: 03-25-2024	0	3,728,494	0	0	0	3,728,494
Federal government treasury bonds in pesos adjusted by CER—Maturity: 03-06-2023	0	1,712,024	0	0	0	1,712,024
Letters of National Estate in pesos adjusted by CER to discount—Maturity: 06-30-2022	1,344,588	0	0	0	0	1,344,588
Letters of National Estate in pesos adjusted by CER to discount—Maturity: 07-29-2022	691,785	0	0	0	0	691,785
Letters of National Estate in pesos adjusted by CER to discount—Maturity: 05-23-2022	633,229	0	0	0	0	633,229
Federal government treasury bonds in pesos adjusted by CER—Maturity: 11-09-2026	0	621,469	0	0	0	621,469
Letters of National treasury to discount in pesos—Maturity: 12-31-2021	357,004	0	0	0	0	357,004
Other	1,294,278	204,490	175,513	24,128	0	1,698,409



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	Maturing within 1 year	Maturing after 1 year but within 5 years	Maturing after 5 year but within 10 years	Maturing after 10 years	Without due date	Total
Subtotal local Government securities	20,314,823	10,116,710	175,513	24,128	0	30,631,174
Private securities:						
Corporate bonds Tarjeta Naranja Class 048—Maturity: 04-26-2022	539,532	0	0	0	0	539,532
Corporate bonds Ledesma SA Class 010—Maturity: 05-27-2022	252,592	0	0	0	0	252,592
Debt Securities in Financial Trusts Secubono	192,308	0	0	0	0	192,308
Corporate bonds Arcor SAIC Class 009—Maturity: 07-06-2023	0	132,435	0	0	0	132,435
Corporate bonds Pan American Energy Argentina S,L Class 012—Maturity: 04-30-2027	0	105,729	26,432	0	0	132,161
Debt Securities in Financial Trusts Surcos	129,366	0	0	0	0	129,366
Corporate Bonds Tecpetrol SA CLASS 001—Maturity: 12-12-2022	108,760	0	0	0	0	108,760
Corporate Bonds Genneia SA Class 030—Maturity: 11-24-2022	104,312	0	0	0	0	104,312
Corporate bonds Pan American Energy Argentina S,L Class 009—Maturity: 11-15-2023	0	70,107	0	0	0	70,107
Corporate bonds Telecom Argentina SA Class 001—Maturity: 07-18-2026	0	40,524	0	0	0	40,524
Other	43,406	26,956	0	2,955	0	73,317
Subtotal local Private securities	1,370,276	375,751	26,432	2,955	0	1,775,414
TOTAL DEBT SECURITIES AT FAIR VALUE THROUGH PROFIT OR LOSS	21,685,099	10,492,461	201,945	27,083	0	32,406,588
OTHER DEBT SECURITIES						
MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME						
Local						
Government securities:						
Federal government treasury bonds linked to dollar—Maturity: 04-28-2023	0	29,321,529	0	0	0	29,321,529
Federal government treasury bonds in pesos adjusted by CER—Maturity: 09-20-2022	25,114,882	0	0	0	0	25,114,882
Letters of National Estate in pesos adjusted by CER to discount—Maturity: 07-29-2022	19,588,804	0	0	0	0	19,588,804
Federal government bonds in pesos—Private Badlar +200 PB—Maturity: 04-03-2022	15,202,690	0	0	0	0	15,202,690
Federal government treasury bonds in pesos adjusted by CER—Maturity: 03-25-2023	0	10,414,066	0	0	0	10,414,066
Letters of National Estate in pesos adjusted by CER to discount—Maturity: 04-18-2022	9,905,621	0	0	0	0	9,905,621
Letters of National Estate in pesos adjusted by CER to discount—Maturity: 05-23-2022	4,021,054	0	0	0	0	4,021,054
Letters of National Estate in pesos to discount—Maturity: 01-31-2022	3,794,807	0	0	0	0	3,794,807
Federal government treasury bonds in pesos adjusted by CER—Maturity: 03-25-2024	0	3,357,516	0	0	0	3,357,516
Federal government treasury bonds in pesos adjusted by CER—Maturity: 08-13-2023	0	3,096,000	0	0	0	3,096,000
Others	597,656	159,403	279,814	0	0	1,036,873
Subtotal local Government securities	78,225,514	46,348,514	279,814	0	0	124,853,842
Instruments Issued by Central Bank of Argentina						
Liquidity letters of Central Bank of Argentina in pesos—Maturity: 01-04-2022	21,520,780	0	0	0	0	21,520,780
Liquidity letters of Central Bank of Argentina in pesos—Maturity: 01-27-2022	18,879,645	0	0	0	0	18,879,645
Liquidity letters of Central Bank of Argentina in pesos—Maturity: 01-18-2022	18,637,794	0	0	0	0	18,637,794
Liquidity letters of Central Bank of Argentina in pesos—Maturity: 01-11-2022	17,725,328	0	0	0	0	17,725,328
Liquidity letters of Central Bank of Argentina in pesos—Maturity: 01-13-2022	17,501,774	0	0	0	0	17,501,774
Liquidity letters of Central Bank of Argentina in pesos—Maturity: 01-25-2022	16,551,744	0	0	0	0	16,551,744
Liquidity letters of Central Bank of Argentina in pesos—Maturity: 01-06-2022	15,888,779	0	0	0	0	15,888,779
Liquidity letters of Central Bank of Argentina in pesos—Maturity: 01-20-2022	6,264,907	0	0	0	0	6,264,907



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	Maturing within 1 year	Maturing after 1 year but within 5 years	Maturing after 5 year but within 10 years	Maturing after 10 years	Without due date	Total
Subtotal instruments issued by Central Bank of Argentina	132,970,751	0	0	0	0	132,970,751
Foreign						
Government securities:	4,109,963	0	0	0	0	4,109,963
US Treasury Bill—Maturity: 01-20-2022	4,109,963	0	0	0	0	4,109,963
Subtotal foreign Government securities	4,109,963	0	0	0	0	4,109,963
TOTAL OTHER DEBT SECURITIES MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	215,306,228	46,348,514	279,814	0	0	261,934,556
Weighted average rate (1)	39.39%	(1.64%)	26.06%	0.00%		
MEASURED AT AMORTIZED COST						
Local						
Government Securities:						
Federal government bonds in pesos at 22%—Maturity: 05-21-2022	22,742,357	0	0	0	0	22,742,357
Treasury bills of Province of Neuquén Series 1 Class 1—Maturity: 04-07-2022	311,717	0	0	0	0	311,717
Discount bonds denominated in pesos at 5,83%—Maturity: 12-31-2033	0	79,748	132,910	53,165	0	265,823
Debt securities of Province of Río Negro in pesos—Maturity: 04-12-2022	218,580	0	0	0	0	218,580
Treasury bills of Province of Río Negro Series 2 Class 1—Maturity: 06-15-2022	193,577	0	0	0	0	193,577
Treasury bills of Province of Neuquén Series 4 Class 1—Maturity: 02-28-2022	45,849	0	0	0	0	45,849
Subtotal local government securities	23,512,080	79,748	132,910	53,165	0	23,777,903
Private securities:						
Corporate Bonds YPF SA Class 043 -Maturity: 10-21-2023	27,849	27,857	0	0	0	55,706
Debt Securities in Financial Trusts Surcos Series 020 Class A—Maturity: 07-15-2022	43,098	0	0	0	0	43,098
Debt Securities in Financial Trusts Secubono Series 209 Class A—Maturity: 05-30-2022	30,878	0	0	0	0	30,878
Corporate Bonds Santander Río Bank S,A, Class 021 -Maturity: 01-26-2022	26,651	0	0	0	0	26,651
Debt Securities in Financial Trusts Secubono Series 208 Class A—Maturity: 04-28-2022	26,117	0	0	0	0	26,117
Debt Securities in Financial Trusts Confibono Series 059 Class A—Maturity: 03-21-2022	21,038	0	0	0	0	21,038
Debt Securities in Financial Trusts Accicom Préstamos Pers Series 11 Class A- Maturity: 12-20-2022	19,358	0	0	0	0	19,358
Debt Securities in Financial Trusts Secubono Series 210 Class A—Maturity: 06-28-2022	18,608	0	0	0	0	18,608
Debt Securities in Financial Trusts Secubono Series 211 Class A—Maturity: 07-28-2022	13,095	0	0	0	0	13,095
Debt Securities in Financial Trusts Secubono Series 207 Class A—Maturity: 03-28-2022	5,998	0	0	0	0	5,998
Other	3,601	0	0	0	0	3,601
Subtotal local Private securities	236,291	27,857	0	0	0	264,148
TOTAL OTHER DEBT SECURITIES AT AMORTIZED COST	23,748,371	107,605	132,910	53,165	0	24,042,051
Weighted average rate (1)	34.21%	6.12%	6.12%	6.12%		
EQUITY INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS						
Local						
Prisma Medios de Pago SA	0	0	0	0	3,392,574	3,392,574
Mercado Abierto Electrónico SA	0	0	0	0	205,855	205,855
C.O.E.L.S.A	0	0	0	0	37,595	37,595
Matba Rofex SA	0	0	0	0	31,398	31,398
Sedesa	0	0	0	0	15,316	15,316
AC Inversora SA	0	0	0	0	10,178	10,178
Provincanaje SA	0	0	0	0	8,857	8,857
Mercado a Término Rosario SA	0	0	0	0	7,414	7,414
Sanatorio Las Lomas SA	0	0	0	0	694	694



	Maturing within 1 year	Maturing after 1 year but within 5 years	Maturing after 5 year but within 10 years	Maturing after 10 years	Without due date	Total
San Juan Tennis Club SA	0	0	0	0	437	437
Other	0	0	0	0	690	690
Subtotal local	0	0	0	0	3,711,008	3,711,008
Foreign						
Banco Latinoamericano de Comercio Exterior SA	0	0	0	0	12,457	12,457
Cedear McDonald	0	0	0	0	4,839	4,839
Cedear Berkshire Hathaway Inc.	0	0	0	0	4,818	4,818
Cedear Pepsico	0	0	0	0	4,799	4,799
Cedear Microsoft	0	0	0	0	4,688	4,688
Cedear Alphabet Inc. C.A	0	0	0	0	4,537	4,537
Cedear Nvidia Corp.	0	0	0	0	3,411	3,411
Cedear Wells F&C	0	0	0	0	3,289	3,289
Cedear Bankof America Corp.	0	0	0	0	3,259	3,259
Cedear Exxon Mob	0	0	0	0	3,233	3,233
Other	0	0	0	0	20,668	20,668
Subtotal foreign	0	0	0	0	69,998	69,998
TOTAL EQUITY INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS	0	0	0	0	3,781,006	3,781,006

(1) The average rates are weighted average of the internal rate of return (IRR) at each drop date of the species of each category. These rates can be obtained from market data (IAMC, MAE, CAFCI, etc.) or, otherwise, from the rate calculated for the accounting accrual.

Loans and other financing portfolio

The following table analyzes our loans and other financing portfolio by type as of December 31, 2019, 2020 and 2021. Due to IFRS 9, as of December 31, 2019, 2020, and 2021, we calculate the allowances included in our financial statements under expected credit losses approach. For further information see note 3 to our audited consolidated financial statements as of December 31, 2021 and 2020.

	2019 (1)	As of December 31, 2020 (1) (in thousands of Pesos)	2021
To the non-financial government sector	13,255,613	5,456,248	2,376,011
To the financial sector (2)	8,178,209	2,776,201	1,513,906
To the non-financial private sector and foreign residents			
Overdrafts (3)	76,316,931	25,773,796	23,265,409
Documents (4)	40,407,860	39,509,084	39,661,549
Mortgages loans	26,178,200	20,351,800	22,015,063
Pledged loans (5)	8,233,401	4,918,559	7,326,213
Consumer loans (6)	200,844,088	197,686,310	188,577,512
Other loans	58,321,977	76,553,836	48,180,087
Accrued Interest, adjustments, foreign exchange and quoted price differences receivables	31,794,653	29,827,728	30,850,905
Other financing	2,289,454	2,716,274	1,637,069
Less: Unearned discounts	(1,473,297)	(2,028,417)	(3,411,159)
Less: Allowances	(10,417,922)	(14,985,662)	(9,631,477)
Total Loans and other financing	453,929,167	388,555,757	352,361,088

- (1) Figures adjusted for inflation as of December 31, 2021. See "Presentation of certain financial and other information."
- (2) Includes loans to financial institutions, interfinancing (granted call) and other financing to Argentine financial institutions.
- (3) Includes overdraft lines of credit resulting from checking accounts.
- (4) Includes the face values of drafts, promissory notes and other bills transferred to us by endorsement for which the assignor is liable, whenever the latter is part of the non-financial private sector.
- (5) Includes the principal amounts actually lent of automobile and other collateral granted, for which the obligor is part of the non-financial private sector and productive investment loans.



(6) Includes personal loans, credit card loans and other consumer loans. Overdrafts to individuals are included under "Overdrafts".

Maturity composition of the loans and other financing portfolio

The following table analyzes our loans and other financing portfolio as of December 31, 2021, by type and by the time remaining to maturity. Loans are stated before deduction of the allowance for loan losses. We expect most loans to be repaid at maturity in cash or through refinancing at market terms.

	Amount as of December 31, 2021	Within 1 Year <i>(in thousands of Pesos, except percentages)</i>	Maturing After 1 Year but within 5 Years	After 5 Years	After 15 Years
To the non-financial government sector	2,376,011	2,048,125	327,886	—	—
To the financial sector (1)	1,513,906	936,038	577,868	—	—
To the non-financial private sector and foreign residents	—	—	—	—	—
Overdrafts (2)	23,831,944	23,831,944	—	—	—
Documents (3)	39,440,031	38,319,792	1,120,239	—	—
Mortgages loans	41,697,738	6,374,935	11,504,893	7,929,042	15,888,868
Pledged loans (4)	7,562,648	2,821,530	4,741,118	—	—
Consumer loans (5)	192,916,001	124,861,201	68,010,778	44,022	—
Other loans	51,017,258	38,877,224	11,296,358	387,266	456,410
Other financings	1,637,028	666,786	970,242	—	—
Total Loans and other financing	361,992,565	238,737,575	98,549,382	8,360,330	16,345,278
Percentage of total loans and other financing portfolio	100%	66%	27%	2%	5%

(1) Includes loans to financial institutions, interfinancing (granted call) and other financing to Argentine financial institutions.

(2) Includes overdrafts lines of credit resulting from checking accounts.

(3) Includes the face value of drafts, promissory notes and other bills transferred to us by endorsement for which the assignor is liable, whenever the latter is part of the non-financial private sector.

(4) Includes the principal amount actually lent of automobile and other collateral granted, for which the obligor is part of the non-financial private sector and productive investment loans.

(5) Includes personal loans, credit card loans and other consumer loans. Overdrafts to individuals are included under "Overdrafts".

Interest rate sensitivity of outstanding loans and other financing

The following table presents the interest rate sensitivity of our outstanding loans and other financings with maturities over one year as of December 31, 2021:

	<u>As of December 31, 2021</u> <i>(in thousands of Pesos)</i>
Loans and other financing with maturities over one year:	
Variable Rate	
To the non-financial government sector	327,885
To the financial sector	
To the non-financial private sector and foreign residents	32,557,454
Total	32,885,339
Fixed rate	
To the non-financial government sector	
To the financial sector	577,868
To the non-financial private sector and foreign residents	89,791,783
Total	90,369,651
Total Loans and other financing with maturities over one year	123,254,990
Loans and other financing with terms of less than 1 year:	



<u>As of December 31, 2021</u>	
<i>(in Pesos)</i>	
To the non-financial government sector	2,048,126
To the financial sector	936,038
To the non-financial private sector and foreign residents	235,753,411
Total loans and other financing with terms of less than 1 year	238,737,575
Total Loans and other financing	361,992,565

Analysis of the allowance for loan losses and other financing

The allowances for the year 2019, 2020 and 2021 were calculated based on the expected credit loss (“ECL”) according to IFRS.

The table below sets forth the activity in the allowance for loan losses for the years ended December 31, 2019, 2020 and 2021:

	<u>Commercial portfolio (1)</u>	<u>Consumer portfolio (1)</u>	<u>Total</u>
	<i>(in thousands of Pesos)</i>		
ECL as of January 1, 2019	2,380,132	9,850,453	12,230,585
New assets originated or purchased	4,039,396	5,063,071	9,102,468
Assets derecognized or repaid	(1,701,932)	(3,006,075)	(4,708,007)
Amounts Written Off	(81,089)	(1,902,577)	(1,983,666)
Monetary effects	(1,321,282)	(2,902,175)	(4,223,457)
As of December 31, 2019	3,315,225	7,102,697	10,417,922
	<u>Commercial portfolio (1)</u>	<u>Consumer portfolio (1)</u>	<u>Total</u>
	<i>(in thousands of Pesos)</i>		
ECL as of January 1, 2020	3,315,225	7,102,697	10,417,922
New assets originated or purchased	2,845,181	9,308,334	12,153,515
Assets derecognized or repaid	(1,773,612)	(815,639)	(2,589,251)
Amounts Written Off	(497,816)	(1,147,273)	(1,645,089)
Monetary effects	(775,366)	(2,576,069)	(3,351,435)
At December 31, 2020	3,113,612	11,872,050	14,985,662
	<u>Commercial portfolio</u>	<u>Consumer portfolio</u>	<u>Total</u>
	<i>(in thousands of Pesos)</i>		
ECL as of January 1, 2021	3,113,612	11,872,050	14,985,662
New assets originated or purchased	5,086,366	4,399,787	9,486,153
Assets derecognized or repaid	(1,964,287)	(6,817,434)	(8,781,721)
Amounts Written Off	(455,855)	(567,958)	(1,023,813)
Monetary effects	(1,984,169)	(3,050,635)	(5,034,804)
At December 31, 2021	3,795,667	5,835,810	9,631,477

(1) Figures adjusted for inflation as of December 31, 2021. See “Presentation of certain financial and other information”.



Ratio of net charge-off

The following table presents the ratio of net charge-offs to average loans and other financings by category for the fiscal years ended December 31, 2019, 2020 and 2021.

	2019	As of December 31,	
		2020	2021
Overdrafts	0.60%	2.77%	0.30%
Documents	0.68%	0.17%	0.02%
Mortgage loans	0.31%	0.27%	0.49%
Pledged loans	0.09%	0.30%	0.17%
Consumer Loans	2.63%	1.30%	0.64%
Other loans	3.30%	1.05%	1.40%
Other financings	1.93%	1.31%	0.39%

Allocation of the allowances for loans and other financing losses

The following table allocates the allowance for loans and other financing losses by each category of financing and sets forth the percentage distribution of the total allowance for each of the fiscal years ended December 31, 2019, 2020 and 2021. The allowances for the year 2019, 2020 and 2021 were calculated based on the expected credit loss according to IFRS.

	2019 (1)		As of December 31, 2020 (1)		2021	
	<i>(in thousands of Pesos, except percentages)</i>					
Overdrafts	1,585,867	15.2%	1,022,616	6.82%	708,386	7.35%
Documents	754,763	7.24%	781,971	5.22%	961,593	9.98%
Mortgage loans	787,126	7.56%	1,046,859	6.99%	1,998,177	20.75%
Pledged loans	265,191	2.55%	198,917	1.33%	123,555	1.28%
Consumer Loans	5,406,391	51.9%	9,510,573	63.46%	4,095,817	42.53%
Other loans	1,591,571	15.3%	2,374,082	15.84%	1,696,829	17.62%
Other financings	27,013	0.26%	50,644	0.34%	47,120	0.49%
TOTAL ALLOWANCES	10,417,922	100.00%	14,985,662	100.00%	9,631,477	100.00%

(1) Figures stated in thousands of pesos adjusted for inflation as of December 31, 2021. See "Presentation of certain financial and other information".

Deposits

The following table sets out the composition of each category of deposits that exceeded 10% of average total deposits in each of the years ended December 31, 2019, 2020 and 2021.

	Year Ended December 31,		
	2019 (1)	2020 (1)	2021
	<i>(in thousands of Pesos)</i>		
Deposits in Domestic Bank Offices			
Non-interest bearing Demand Deposits (2)			
Average			
Pesos	97,380,762	124,022,346	118,304,747
Foreign currency	38,888,484	3,356,687	3,197,507
Total	136,269,246	127,379,033	121,502,254
Non-interest bearing Other Deposits			
Average			
Pesos	9,308,022	11,269,428	7,513,129
Foreign currency	3,526,738	3,337,807	2,981,928
Total	12,834,760	14,607,235	10,495,057
Savings Accounts			
Average			
Pesos	90,312,462	113,477,443	107,325,174
Foreign currency	58,408,761	62,909,105	56,819,625
Total	148,721,223	176,386,548	164,144,799
Average real rate			
Pesos	(33.44%)	(23.90%)	(32.18%)
Foreign currency	3.00%	3.21%	(19.10%)
Total	(19.13%)	(16.86%)	(27.65%)
Time Deposits			
Average			
Pesos	268,890,797	283,501,887	257,642,883
Foreign currency	108,576,412	50,595,414	35,529,400
Total	377,467,209	334,097,301	293,172,283



	Year Ended December 31,		
	2019 (1)	2020 (1)	2021
<i>(in thousands of Pesos)</i>			
Average real rate			
Pesos	(6.87%)	(5.69%)	(11.64%)
Foreign currency	6.15%	4.64%	(18.87%)
Total	(3.12%)	(4.12%)	(12.52%)
Deposits in Foreign Bank Offices			
Non-interest bearing Demand Deposits			
Average			
Pesos	—	—	
Foreign currency	4,235,719	18,126,139	9,144,474
Total	4,235,719	18,126,139	9,144,474

- (1) Figures adjusted for inflation as of December 31, 2021. See "Presentation of certain financial and other information."
(2) Non-interest-bearing demand deposits consist of checking accounts.

Deposits by Type of Guarantee

The following table sets forth information regarding deposits by type of guarantee as of December 31, 2019, 2020 and 2021.

	As of December 31,								
	2019			2020			2021		
	With guarantee	Without guarantee	Total	With guarantee	Without guarantee	Total	With guarantee	Without guarantee	Total
<i>(in thousands of Pesos)</i>									
Checking accounts	24,068,793	79,538,676	103,607,469	42,506,352	104,909,148	147,415,500	36,113,386	103,210,678	139,324,064
Savings accounts	102,137,167	84,302,302	186,439,469	130,594,344	78,979,788	209,574,132	131,036,057	53,280,257	184,316,314
Time deposits	93,930,697	131,624,881	225,555,578	135,878,419	200,001,964	335,880,383	120,787,297	124,789,339	245,576,636
Investment accounts	24,291	12,263,708	12,287,999	740,209	34,171,144	34,911,353	1,757,598	7,802,992	9,560,590
Other	6,043,900	6,235,036	12,278,936	6,658,467	3,274,368	9,932,835	6,120,504	3,952,596	10,073,100
Total Deposits	226,204,848	313,964,603	540,169,451	316,377,791	421,336,412	737,714,203	295,814,842	293,035,862	588,850,704

All deposits in pesos and foreign currency placed in participating entities in the form of checking accounts, savings accounts, certificates of deposits or other forms of deposit that the BCRA may determine from time to time shall be subject to the Deposit Guarantee Insurance System up to the amount of Ps. 1,500,000 which must meet the requirements provided for in Presidential Decree 540/1995 and other requirements that the regulatory authority may determine from time to time. On the other hand, the BCRA provided from the exclusion of the guarantee system, among others, of any deposits made by other financial entities, deposits made by persons related to the Bank and securities deposits.

Maturity of Deposits Without Guarantee

The following table sets forth information regarding our deposits without guarantee as of December 31, 2021.

	Amount as of	Within 3	Maturing	After 6,	After 12
	December 31, 2021	Months	After 3 but Within 6 Months	but Within 12 Months	Months
<i>(in thousands of Pesos)</i>					
Deposits without guarantee					
Checking accounts					
That exceed the guarantee	89,273,018	89,273,018	—	—	—
Without guarantee	13,937,660	13,937,660	—	—	—
Savings accounts					
That exceed the guarantee	39,159,392	39,159,392	—	—	—
Without guarantee	14,120,865	14,120,865	—	—	—
Time deposits					



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	Amount as of December 31, 2021	Within 3 Months	Maturing After 3 but Within 6 Months	After 6, but Within 12 Months	After 12 Months
(in thousands of Pesos)					
That exceed the guarantee	88,625,909	86,378,489	2,081,301	137,674	28,445
Without guarantee	36,163,430	34,838,846	1,320,038	4,255	291
Investment accounts					
That exceed the guarantee	1,001,138	808,099	192,153	879	7
Without guarantee	6,801,854	6,295,090	506,720	44	—
Other					
That exceed the guarantee	2,957,470	2,956,069	1,401	—	—
Without guarantee	995,126	995,113	13	—	—
Total	293,035,862	288,762,641	4,101,626	142,852	28,743

Return on equity and assets

The following table presents certain selected financial information and ratios for the years indicated.

	2019 (1)	Year Ended December 31, 2020 (1)	2021
(in thousands of Pesos, except percentages)			
Net income for the fiscal years	42,573,550	39,478,328	22,873,284
Average total assets	1,040,358,833	1,058,912,392	988,354,581
Average shareholders' equity	199,061,118	221,259,037	224,985,849
Shareholders' equity at the end of the fiscal year	217,948,890	228,745,729	239,637,445
Average shareholders' equity as a percentage of average total assets	19.13%	20.89%	22.76%
Net income as a percentage of:			
Average total assets	4.09%	3.73%	2.31%
Average shareholders' equity	21.39%	17.84%	10.17%
Declared nominal cash dividends (2)	12,788,268(4)	10,000,426	—
Dividend payout ratio (3)	31.34%	33.04%	—

- (1) Figures adjusted for inflation as of December 31, 2021. See "Presentation of certain financial and other information."
- (2) Figures not restated.
- (3) Declared nominal cash dividends stated as percentage of net income calculated under Central Bank Rules. Net income in nominal value calculated under Central Bank Rules as of December 31, 2019, of Ps. 40,800,410 thousand, as of December 31, 2020, of Ps. 30,269,354 thousand and as of December 31, 2021 of Ps. 27,123,243 thousand.
- (4) In addition to the dividend approved by the shareholder's meeting held on April 30, 2020, the shareholder's meeting held on October 21, 2020, resolved to approve a complementary dividend for a total amount of Ps. 3,791.7 million.

Interest rate sensitivity

The following table shows the interest rate sensitivity of our interest-earning assets and interest-bearing liabilities based on contractual maturities all based on information adjusted for inflation as of December 31, 2021. Variations in interest rate sensitivity may also arise within the repricing periods presented.

	Remaining Maturity at December 31, 2021					Total
	0-1 Year	1-5 Years	5-10 Years	Over 10 years	Without due date	
(in thousands of Pesos)						
Interest-earning assets:						
Loans and other financing to non-financial Public Sector	2,048,014	327,886	—	—	—	2,375,900
Loans and other financing to non-financial Private Sector and Foreign Residents	228,641,721	95,456,317	2,831,755	21,545,140	—	348,474,933



	Remaining Maturity at December 31, 2021					Total
	0-1 Year	1-5 Years	5-10 Years	Over 10 years	Without due date	
	(in thousands of Pesos)					
Loans and other financing to other Financial Entities	927,331	582,924	—	—	—	1,510,255
Other Debt Securities	239,054,599	46,456,119	412,724	53,165	—	285,976,607
Repo Transactions	31,405,801	—	—	—	—	31,405,801
Total Interest-earning assets	502,077,466	142,823,246	3,244,479	21,598,305	—	669,743,496
Interest-bearing liabilities:						
Non-financial Public Sector deposits	18,835,381	—	—	—	—	18,835,381
Non-financial Private Sector and Foreign Residents deposits	397,846,301	31,427	2	—	—	397,877,730
Financing received from the Central Bank of Argentina and other financial entities	432,624	5,102	—	—	—	437,726
Issued Corporate Bonds	2,990,809	—	—	—	—	2,990,809
Subordinated Corporate Bonds	915,269	41,058,900	—	—	—	41,974,169
Total Interest-bearing liabilities	421,020,384	41,095,429	2	—	—	462,115,815
Asset (Liability) Gap	81,057,082	101,727,817	3,244,477	21,598,305	—	207,627,681
Cumulative Asset/Liability Gap	81,057,082	182,784,899	186,029,376	207,627,681	207,627,681	
Cumulative sensitivity gap as a percentage of total interest-earning assets	12.10%	27.29%	27.78%	31.00%	31.00%	
Interest-earning assets in Pesos:						
Loans and other financing to non-financial Public Sector	2,048,014	327,886	—	—	—	2,375,900
Loans and other financing to non-financial Private Sector and Foreign Residents	217,380,456	91,445,464	2,769,107	21,545,140	—	333,140,167
Loans and other financing to other Financial Entities	927,331	582,924	—	—	—	1,510,255
Other Debt Securities	234,944,636	16,975,187	132,910	53,165	—	252,105,898
Repo Transactions	31,405,801	—	—	—	—	31,405,801
Total Interest-earning assets in Pesos	486,706,238	109,331,461	2,902,017	21,598,305	—	620,538,021
Interest-bearing liabilities in Pesos:						
Non-financial Public Sector deposits	14,321,545	—	—	—	—	14,321,545
Non-financial Private Sector and Foreign Residents deposits	337,250,863	25,456	2	—	—	337,276,321
Financing received from the Central Bank of Argentina and other financial entities	155,943	5,102	—	—	—	161,045
Issued Corporate Bonds	2,990,809	—	—	—	—	2,990,809
Total Interest-bearing liabilities in Pesos	354,719,160	30,558	2	0	0	354,749,720
Asset (Liability) Gap	131,987,078	109,300,903	2,902,015	21,598,305	0	265,788,301
Cumulative Asset/Liability Gap	131,987,078	241,287,981	244,189,996	265,788,301	265,788,301	
Cumulative sensitivity gap as a percentage of total interest-earning assets	21.27%	38.88%	39.35%	42.83%	42.83%	
Interest-earning assets in foreign currency:						
Loans and other financing to non-financial Private Sector and Foreign Residents	11,261,265	4,010,853	62,648	—	—	15,334,766
Loans and other financing to other Financial Entities	—	—	—	—	—	—
Other Debt Securities	4,109,963	29,480,932	279,814	—	—	33,870,709



	Remaining Maturity at December 31, 2021					Total
	0-1 Year	1-5 Years	5-10 Years	Over 10 years	Without due date	
Total Interest-earning assets in foreign currency	15,371,228	33,491,785	342,462	—	—	49,205,475
Interest-bearing liabilities in foreign currency:						
Non-financial Public Sector deposits	4,513,836	—	—	—	—	4,513,836
Non-financial Private Sector and Foreign Residents deposits	60,595,438	5,971	—	—	—	60,601,409
Financing received from the Central Bank of Argentina and other financial entities	276,681	—	—	—	—	276,681
Subordinated Corporate Bonds	915,269	41,058,900	—	—	—	41,974,169
Repo Transactions	—	—	—	—	—	—
Total Interest-bearing liabilities in foreign	66,301,224	41,064,871	—	—	—	107,366,095
Asset (Liability) Gap	(50,929,996)	(7,573,086)	342,462	—	—	(58,160,620)
Cumulative Asset/Liability Gap	(50,929,996)	(58,503,082)	(58,160,620)	(58,160,620)	(58,160,620)	
Cumulative sensitivity gap as a percentage of total interest-earning assets	-103.50%	-118.90%	-118.20%	-118.20%	-118.20%	

(1) Includes instruments issued by the Central Bank

(2) Loan amounts are stated before deducting the allowance for loan losses. Non-accrual loans are included with loans as interest-earning asset

Item 4A. Unresolved Staff Comments

None.

Item 5. Operating and Financial Review and Prospects

This section contains forward-looking statements that involve risks and uncertainties. Our actual results may differ materially from those discussed in the forward-looking statements as a result of various factors, including, without limitation, those set forth in “Cautionary statement concerning forward-looking statements,” “Risk Factors,” and the matters set forth in this annual report in general.

The following discussion is based on, and should be read in conjunction with, our consolidated financial statements and related notes contained elsewhere in this annual report, as well as “Selected Financial Data” and the other financial information appearing elsewhere in this annual report.

A. Operating results

FINANCIAL PRESENTATION

Our accompanying consolidated financial statements as of December 31, 2021 and 2020 have been prepared in accordance with the IFRS as issued by the IASB.

Additionally, our consolidated financial statements as of December 31, 2021 and 2020 and the corresponding figures for previous fiscal years have been restated for the changes in the general purchasing power of the functional currency of the Bank as established by IAS 29. As a result, those consolidated financial statements are stated in terms of the measuring unit current at the end of the reporting period.

Due to high inflationary level that has prevailed in Argentina in the recent past, our management has considered that there is evidence to determinate Argentina’s economy as “hyperinflationary” under IAS 29 for accounting periods ending after July 1, 2018. In this regard, according to the official data published by INDEC the annual consumer price inflation rate was 24.8% in 2017, 47.6% in 2018, 53.8% in 2019, 36.1% in 2020 and 50.9% in 2021.

MACROECONOMIC ENVIRONMENT

Information presented in this section has been prepared in accordance with economic indicators as published by the Central Bank, the INDEC or other sources and therefore has not been adjusted for inflation.

Year 2019

Following a slowdown in the economic activity during the last quarters of 2018, the global GDP growth rate remained weak during 2019. The levels of manufacturing production were notably affected, to the extent that its fragility resembled that of the global crisis



of 2008. Moreover, an increase in trade and geopolitical tensions generated uncertainty regarding the future of the global trading system and international cooperation, undermining the confidence, business environment, level of investments and commerce. Owing to the Central Bank's more accommodative monetary policies, the blow to the economic activity could be partially mitigated. Additionally, a more resistant service sector performance helped sustain employment levels.

Three factors have contributed to the decline of the global manufacturing industry. Firstly, the decrease in vehicles' sales and production as manufacturers were forced to adapt to new emission standards and changes in demand for technological advances, thus altering the purchase of vehicles by individuals; Secondly, the decline in businessmen's confidence in trade and tariff disputes between the United States and China, which has delayed the purchase decisions for equipment and machinery; and thirdly, the decline of business activity in China due to regulatory efforts to contain the excessive increase in domestic credit.

The retraction in the manufacturing industry dragged international trade. During the first half of 2019, trade flows grew only 1% year-on-year, the lowest record since 2012. China, East Asia and some emerging countries suffered the most and their imports were shutdown. Falls in global trade are normally correlated with a retraction of investments, since they are usually intensive expenditures on intermediate and capital goods that flow across borders.

Throughout 2019, investor's sentiment remained very volatile, reflecting the fears caused by trade dispute between the United States and China in relation to the eventual interruption of the global production chains, on the one hand, and the uncertainty caused by Brexit and the geopolitical tensions in various regions of the world. The fall in investment spending and the slowdown in global activity led central banks, especially in developed countries, to promote more expansive financial conditions. The Federal Reserve cut the policy rate on three occasions and interrupted the normalization of its balance sheet by repurchasing securities at the end of the year. The European Central Bank announced in September another rate cut and the return of the liquidity provision program through the purchase of bonds ("quantitative easing"). Several central banks in emerging economies (including Brazil, Chile, India, Indonesia, Mexico, Peru, the Philippines, Russia, South Africa, Thailand and Turkey) followed the cycle of rate cuts in order to mitigate the impact of the economic slowdown already mentioned. As a result of these actions, the financial markets in the main regions of the world ended the year with a more positive performance than expected by mid-2019.

The IMF global GDP growth projection for 2019 is 2.9% year-on-year, the lowest since 2010. Advanced economies would have grown 0.5 percentage points below the 2018 performance, with all countries and regions slowing down compared to the previous year except Japan and the United Kingdom (Japan would grow 0.7 percentage points more than in 2018 and the United Kingdom would repeat its performance that year). As for emerging economies, a growth of 3.7% in 2019 is expected, which implies a deceleration of 0.8 percentage points compared to 2018. Here also the performance is uniform.

For 2020, the World Economic Outlook published by the IMF in April 2020 forecasts a sharp contraction of global GDP of 3.0% year-on-year, expected to be worse than the 2008-09 financial crisis. In comparison with the last World Economic Outlook forecast, there is a negative difference of 6.3 percentage points. The contraction is mainly explained by the costs inflicted by the COVID-19 pandemic. However, the IMF forecasts an acceleration of global GDP to 5.8% year-on-year for 2021, assuming the pandemic fades in the second half of 2020 and containment efforts can be gradually unwound.

The United States, which represents about 25% of world GDP, had grown 2.3% in 2019. Although investments have remained delayed, employment and consumption showed extraordinary dynamism. The moderation of the activity during 2019 is largely explained by the uncertainty caused by the trade war between the United States and China.

As a counterpart and for the purpose of cushioning the slowdown, the Federal Reserve cut the federal funds rate up to 1.75%. In addition, it announced the interruption of the normalization of its balance sheet, having already expanded at least U.S.\$ 1 billion the liquidity provision through the purchase of short-term securities and pass operations with hedge funds.

Europe's share of world GDP is close to 25% of the total. In 2019, the Euro area had grown at a rate of 1.2% per year, 0.7 percentage points lower than what was recorded in 2018. The weakness of manufacturing production is a consequence of a significant fall in external demand. Under these conditions, the growth projections carried out by the IMF for the year 2020 have been revised downwards in the main economies of the area, such as Germany, France, Italy and Spain.

Despite the recent slowdown, the growth of the Eurozone in recent years has contributed to unemployment reduction, and at the same time inflation remained contained, as it would have reached 1.2% in 2019. Given the recent economic weakness and the absence of inflationary pressures, the European Central Bank announced the resumption of bond purchases as of October 2019, cut reference rates and reaffirmed its intention to keep monetary conditions accommodative.

Europe's fiscal consolidation process, fundamental for debt sustainability and monetary stability, will continue to be under pressure given the thinning of the social and political climate in important countries of the EU, such as Italy and France. In any case, and despite social protests, governments have so far been successful in managing the crisis without noticing a significant deterioration in fiscal balances.



In regard to Argentine foreign trade, China, India and Brazil represent opportunities for the Argentine economy. In 2019, the Chinese economy grew 6.0%, and a deceleration is expected in 2020, but it is expected to continue to generate high demand for raw materials and agro-industrial manufactures that Argentina produces. China is transitioning from being a net exporting country of low wages to an economy based on the internal consumption of goods and services, with higher income per capita due to the higher productivity resulting from a vigorous process of foreign and local private investment, the latter supported by local credit. Some of the new opportunities arising for Argentina are the export of pig meat to supply the Chinese market after an epidemic of swine fever, the sale of minerals and energy raw materials and the already traditional shipment of agricultural commodities and derivatives such as soybeans, wheat and corn, among others.

In China, indicators such as industrial production, retail sales, and fixed asset investment suggest that the contraction in economic activity in the first quarter could have been about 8% year-over-year. Even with a sharp rebound of 9.2% for 2021, the Chinese economy is expected to grow at a subdued 1.2% in 2020, lower than the pace forecasted for the Indian economy (1.9%). According to the IMF, India would have grown 4.2% in 2019. It's worth noting that India is an economy that complements Argentina, and its middle class is bigger than that of China.

Brazil, Argentina's main trading partner, has achieved, through a reform in pensions' regulation towards the end of 2019, great advances which will generate a fiscal saving of up to U.S.\$ 20 million over 10 years. Although structural reforms that contribute to more fiscal savings cannot be ignored or dismissed, the aforementioned reform is in and of itself a very important step. After growing 1.3% in 2018 and 1.7% in 2019, the Brazilian economy is expected to increase its annual growth rate to 2.2% in 2020 as a result of its initiatives aim at fiscal consolidation and the decreasing of the country's risk, along with its consequent broader access to the credit market. The recovery of the Brazil's economy is positive for Argentine's, especially due to the spill it produces in manufacturing with a focus on the sectors linked to the automotive industry. However, it should be noted that, in the medium term, the evolution of the exchange with Brazil and the international competitiveness of some Argentine industrial sectors will depend on the functioning of Mercosur, whose current configuration may suffer tensions derived from the parties' different approaches in this regard.

The increase in social instability in several countries of the region should be taken into account, given that it could affect the performance during 2020. Since October 2019, there have been violent riots and social protests in Chile, which ultimately triggered a political crisis that led that country to call a plebiscite in April 2020 to reform its Constitution. Meanwhile, the government has launched several initiatives to respond to social claims. Bolivia is also under a provisional government after the resignation of Evo Morales, accused of having committed fraud in the last elections. In May 2020, presidential elections will be held in that country to appoint a new president. Finally, Colombia is also going through social tensions, though these have been generally peaceful and have not had a strong impact on the economic activity.

Agricultural commodity prices increased during 2019. Soybeans rose 6.9% to \$ 347 per ton, while wheat and corn rose 11.0% and 3.4%, respectively. Meanwhile, the price of a barrel of WTI oil increased during 2019 by 35.4%. The continuity of these trends will be conditioned by the global economic scenario, marked by a more challenging environment both commercially and financially.

Although for the Argentine economy, the year 2019 started with some positive signs, with some foreign-exchange-rate stability, improvements in economic activity and in inflation indicators and improvements on the foreign front, exchange rates ended impacting on inflation. This also occurred in a context in which the Central Bank maintained a contractive monetary policy with extremely high interest rates in the framework of a compromise to keep the monetary base unchanged.

Packages of economic and social policies arrived with the first symptoms, notably those aimed at controlling the foreign exchange rate volatility and inflation. Even the IMF eventually allowed the Central Bank to intervene the MULC to mitigate the excessive volatility of the foreign exchange rate.

Nevertheless, the government of Mauricio Macri lost the primary elections and the financial situation suffered a significant impact. The opposition's victory generated a change in expectations and a large drop in Argentine asset prices, as well as an increase in the country risk indicator and a strong foreign exchange run.

At the same time just after the primary elections, and given the doubts of IMF officials regarding the program until then in force, the 2018 IMF Agreement with the fund was put on hold and the disbursement of U.S.\$ 5.4 million that was planned for the end of September was not made, leaving a balance of U.S.\$ 12 billion of total assistance subject to the redesign of a new program.



The Peso devalued more than 30% from 45 to 60 Pesos per U.S. dollar, while the country risk indicator measured by the EMBI, published by JP Morgan, increased from 650 to 2.500 points while the Central Bank lost around U.S.\$ 21 billion in international reserves.

On the other hand, economic activity continued without recovery and the inflation rate remained at very high levels, above an annual rate of 50% and hovering around 6% in September 2019.

In this context, in September 2019 the national government decided to restructure the maturities of the Letters issued in Pesos and U.S. dollars, while the Central Bank introduced foreign exchange controls.

After the 2018 balance of payments crisis, the Argentine economy performed very poorly in 2019, as economic activity fell by about 2.6%. According to IMF, the Argentine economy would have contracted by 2.2% in 2019 and forecasted a 5.7% contraction of the Argentine GDP in 2020, lower than the region average (a contraction of 5% if the South American GDP).

The sharp deterioration in domestic conditions and confidence was reflected in the fall in real wages, consumption and investment. Investment plummeted by about 15% with public investment retracting in a context of fiscal consolidation and private investment also collapsing.

Industrial activity suffered the consequences of the lack of financing opportunities and the growth prospects uncertainty before and after elections, which led to the delay in the projections of investment and production. These conditions were reflected in a decline of about 6.5% of activity in the sector, led mainly by the automotive industry, in line with the collapse of the sale in the sector.

However, in 2019, there was a significant improvement in the macroeconomic imbalances exhibited by the economy, particularly in terms of fiscal deficit and the balance of payments current account. On the fiscal level, the primary deficit was reduced to 0.4% of the GDP, improving 4 points compared to 2015. Particularly, this improvement took place during 2019, when the growth of expenditures was significantly lower than that of revenues.

The balance of payments current account deficit will hover around 1% of GDP in 2019 after reaching 5% in 2017. The adjustment in the external accounts was mainly a result of a fall in imports. The drop in the activity, and a level of real exchange rate that is already close to equilibrium values have generated a moderated upturn in exports. With this performance, the goods trade balance showed a positive balance of U.S.\$ 15,992 million, the highest in ten years, and the net exports became the main growth factor.

Argentina's public debt, excluding intra public sector debt, represented about 50% of GDP by the end of 2019.

Alberto Fernández was elected as the presidential candidate for the *Frente de Todos* coalition at the mandatory primary elections held in Argentina on August 11, 2019, and elected president in the runoff national presidential elections that took place in Argentina on October 27, 2019, with the *Frente de Todos* coalition receiving approximately 48.10% of the votes. Mr. Fernández took office on December 10, 2019.

On December 17, 2019, the Fernandez administration submitted a bill proposing a wide range of economic and social reforms to Congress, which passed Law N° 27,541, promulgated by President Fernández on December 23, 2019. The new legislation declared a public emergency, which will remain in force until December 31, 2020, in economic, financial, fiscal, administrative, pensions, tariff, energy, health, and social matters. Law N° 27,541 sanctioned the delegation of certain congressional powers to the Executive branch, in order to tackle social and economic distress, as well as to adjust Argentina's public debt profile. The main reforms introduced by Law N° 27,541 include the following:

1. *Public Debt and its Sustainability:* The Executive branch is authorized to perform all necessary acts to recover and ensure the sustainability of the Argentine public debt. In addition, the National Government was authorized to issue debt securities to the Central Bank for an amount of up to U.S.\$ 4,517 billion in exchange for reserves to be applied solely to meet Argentina's foreign currency-denominated debt obligations.
2. *Energy System:* The Executive branch was authorized to freeze electricity and gas tariffs that are under federal jurisdiction for 180 days, starting on December 23, 2019, and to begin an integral renegotiation of such tariffs with the relevant utilities companies. Furthermore, the Executive branch was authorized to intervene in the administration of the *Ente Nacional Regulador de la Electricidad* (ENRE) and the *Ente Nacional Regulador del Gas* (ENERGAS) for a one-year period.
3. *Tax Obligations:* The income tax, personal assets tax, credit and debit in banks tax, export and import duties and social security tax rates were modified foreseeing a gradual increase in tax rates, and a new tax refund system was approved.



Furthermore, the new legislation introduced the *Impuesto Para una Argentina Inclusiva y Solidaria* (“PAIS Tax”) a special tax applicable to certain foreign exchange transactions.

4. *Wages*: Law N° 27,541 authorizes the Executive branch to determine minimum wage increases to be mandatorily implemented by employers in the private sector.
5. *Pensions*: Commencing on the date of promulgation of Law N° 27,541, the use of the existing formula for the calculation of the periodic state pension adjustments was suspended for 180 days. Following the temporary suspension, the Executive branch will establish a new formula to be used to calculate the necessary pension adjustments on a trimestral basis.

Since assuming office, the Fernandez administration has announced and implemented other economic and policy reforms, including: (i) the extension of exchange control measures previously enacted; (ii) the duplication of the legal severance payment that employers must pay in case of dismissing employees without cause; (iii) the extension of the maturity of U.S. dollar-denominated Letes and bonds denominated in Pesos; (iv) the reduction in, and subsequent price freeze on, the prices of medicaments until February 1, 2020; (v) the suspension of the 2018 Fiscal Consensus to increase the provinces’ fiscal autonomy; and (vi) a price freeze on public transportation fares in the metropolitan area of Buenos Aires.

Furthermore, in response to the increasing economic uncertainty that has affected Argentina in 2019, the Central Bank has deployed a number of monetary measures aimed at containing the volatility of the Peso / U.S. dollar exchange rate and the outflow of foreign reserves. In October 2019, the Central Bank introduced new norms regulating natural and legal persons’ access to the foreign exchange market, including monthly limits on purchases of foreign currency for individuals in Argentina. The October 2019 restrictions also provided that the withdrawal of foreign currency abroad using Argentine debit cards by Argentine residents would only be possible if debited to Argentine foreign-currency-denominated bank accounts. In addition, authorized financial entities executing foreign exchange trades of a value equal to or exceeding U.S.\$2 million, whether on their own account or on behalf of their customers, were required to notify the Central Bank two business days ahead of completing such trades.

The new regulations introduced in October 2019 also affect the regime regulating the import of goods into Argentina and payment thereof. Importers are required to declare the entry through customs of pre-paid imported goods purchased from unrelated suppliers within 90 days. The pre-payment of imports to suppliers related to the importer instead requires prior Central Bank approval. Importers can access the foreign exchange market in order to pay imported goods or to satisfy foreign-currency debt obligations arising in connection with import financing, only if certain requirements are satisfied: these include the requirement to declare and register the import of goods through the SEPAIMPO (“*Seguimiento de Pagos de Importaciones*”) system.

On October 31, 2019, the Central Bank published a further resolution limiting financial entities’ ability to access the foreign exchange market to satisfy payments originally made through an Argentine-issued debit or credit card for transactions relating to gambling and betting activities, the purchase of cryptocurrencies, the transfer of funds to investment accounts managed by administrators based abroad, the completion of foreign exchange operations abroad or the transfer of funds to payment services providers. Additionally, financial entities must comply with a U.S.\$50 per-transaction limit on cash withdrawals carried out abroad with Argentine-issued credit cards.

On November 7, 2019, the Central Bank further clarified certain aspects of the Argentine foreign exchange regime. Financial entities may allow Argentine residents to access the foreign exchange market for the purposes of repaying principal and interest on foreign-currency-denominated debt or to provide security for such obligations if (1) these debt obligations relate to import or export finance and foreign currency payments are contractually stipulated; (2) the foreign-currency-denominated funds acquired are deposited in an account opened with a local financial entity, unless contractually stipulated by an agreement entered into before August 31, 2019 that such funds should be deposited abroad; (3) the amount of deposits accumulated in foreign currency for servicing debt do not exceed the value to be paid on the next scheduled payment date for such indebtedness; (4) the daily amount of foreign currency to be obtained cannot exceed 20% of the amount set out under (3); (5) the relevant financial entity must review the underlying agreements establishing the foreign currency indebtedness, to verify that the debtor’s access to the foreign exchange market, as envisioned by such agreements, is in compliance with the terms of the Central Bank’s norms. Importantly, foreign currency funds that are not used towards debt servicing as agreed, will need to be liquidated in the foreign exchange market within five working days following the scheduled payment date.

On December 5, 2019, the Central Bank clarified that foreign financial indebtedness disbursed as from September 1, 2019, will be required to be repatriated and settled for Pesos through the foreign exchange market only if the debtor will require access to such market with the purpose of servicing principal and interest payments. This provision also applies in respect of issuances by Argentine residents of securities which are publicly registered in the country as from November 29, 2019, denominated and underwritten in foreign currency and whose services of principal and interest are payable locally in foreign currency. During the end of 2019 to the date of this annual report, the Central Bank continues to impose further restrictions of access to the foreign exchange market and to certain capital market operations commonly effected to acquire US dollars (MEP or “*contado con liquidación*”).



On December 28, 2019, the Fernández Administration issued Decree No. 91/2019 extending the requirement for exporters to repatriate the proceeds of export transactions, as further regulated by the Central Bank.

Year 2020

In December 2019, COVID-19 was reported in Wuhan, China, and the World Health Organization declared COVID-19 a pandemic on March 11, 2020. In 2020, global GDP fell by 3.5% according to IMF estimates, with a drop of 4.9% in developed markets and 2.4% in emerging markets. Regarding emerging markets, the decrease was not comparable to that of developed markets' due to China's fast recovery. China ended 2020 with a 2.3% increase of GDP, while the United States, the Eurozone, the United Kingdom, Japan, India and Latin America all suffered drops of GDP by 3.4%, 7.2%, 10%, 5.1%, 8% and 7.4%, respectively.

Virtually all countries had swift and strong responses to the COVID-19 pandemic, with important fiscal measures aimed at securing revenues for individuals and business that had to close or downsize. Therefore, fiscal deficits in many countries reached historic highs, as did debt-to-GDP ratios. Meanwhile, the central banks of the major countries lowered the benchmark interest rate to almost zero, enabling many countries and companies to obtain cheap financing. Moreover, many countries implemented highly expansionary monetary policies to provide additional liquidity to their economies.

The COVID-19 pandemic mostly affected the services sector, particularly everything related to tourism, leisure, events and culture, which came to a near-total standstill. Goods manufacturers suffered relatively less and, despite decreases, and the effects of the second wave of infections, manufacturing output in many countries is in expansionary territory in contrast to services which remain in negative.

The IMF forecasts for 2021 a global GDP recovery of 5.5% year-on-year, with a growth of 6.3% in emerging markets, and 4.3% among developed countries. The United States is expected to grow 5.1% and the Eurozone would lag behind with 4.2% and continue to lose share of the world GDP. Among the large emerging economies, India would lead the recovery with more than 11%, followed by China with 8.1%. Latin America would recover with an increase of 4.1%, which implies a decrease by 3.6% if taken 2020 and 2021 as a whole. The region as a whole is unlikely to recover in 2022 the level of activity reached in 2019, although Brazil, the region's most important economy to Argentina, may do so as it is expected to grow 3.5% in 2021, after a 4.5% drop in 2020. Argentina, Mexico and Peru are facing a much more difficult outlook.

The United States' economy fell 2.5% in 2020 relative to 2019, but showed greater volatility throughout the year, basically in line with the evolution of the COVID-19 pandemic. In the second quarter of 2020, the economic activity fell at an annualized rate of 31.4% before recovering by 33.4% in the third quarter and maintaining a much more moderate annualized growth rate of 4% in the last quarter of the 2020 year. Unemployment rose from 4% to 14% in the first month of the health crisis, and then stagnated below 7% for the rest of the year. Inflation ended at 1.4% and, although it accelerated in the last months of the year, it remains below the 2% annual rate set by the monetary authorities as a benchmark for managing monetary policy and eventually tapering the stimulus programs in place.

The United States' elections may also have had an impact on the economy. However, the financial markets showed no significant signs of concern and expected a recovery of the economy. With Joe Biden's victory and the control of Congress by the Democratic Party, it is expected that measures to address the pandemic will be intensified and aid programs will be renewed in a framework in which the United States will return to an attitude of greater openness and commitment to global concerns and, particularly, regarding the western hemisphere's countries.

The first wave of the COVID-19 infections hit several European countries relatively hard, particularly Italy and Spain, which suffered from the collapse of health systems in some of the worst affected regions. Both the United Kingdom and most of the countries in Europe have introduced restrictive measures on the movement of their populations that have affected both their economies and that of the continent.

In the second quarter of 2020, the Eurozone fell 14.7% as from the same period a year earlier. Unemployment climbed from 7.2% in February 2020 to a peak of 8.7% in July. Inflation, which had ended 2019 at 1.3%, turned into deflation as the COVID-19 pandemic's impact on the economy progressed. Since August 2020, prices for the last 12 months showed declines and inflation closed at negative 0.3% with core inflation still positive at 0.2% and food at 0.9%. In almost all major European countries interest rates for sovereign debt are negative. Other debtors that were once considered risky, such as Portugal and Greece, are getting financing at rates close to 0%.



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Brazil performed better than most countries in the region, with a fall of around 4.5%. Although the COVID-19 pandemic hit hard in many parts of the country, the restrictions were relatively less than in other countries in the region. With an interest rate of 2% (negative in real terms), Brazil started the recovery and is expected to continue strongly, leveraged by good commodity export prices. While down somewhat from the peak of 14.6%, unemployment in Brazil remains high at 14.1% as of November 2020.

The early shutdown of many parts of China in the early 2020 affected global value chains and generated input shortages in several sectors of the global productive apparatus. Nevertheless, the policies of the Chinese government, which were initially very restrictive, enabled a rapid return to a certain degree of normality. China closed 2020 growing at a year-on-year rate of 6.5%, in line with its pre-pandemic growth. Unemployment also returned to pre-pandemic levels while inflation fell to 5.4% year-on-year in January to 0.2% year-on-year in December (12 months period).

Stock markets around the world ended the year positive, despite the pandemic and the global recession. The Standard & Poor's 500 index increased 16.3% driven by technology companies. The Nasdaq index increased 43.6%, the highest in a decade. Markets took a big tumble at the start of the COVID-19 pandemic, but by the end of the second quarter they had recovered their losses and optimism prevailed. This contrasts with negative values for European stock markets. The old continent has less technology components and a high preponderance of tourism, a sector very affected by the COVID-19 pandemic. The Stoxx 600 index drop by 3.8%. The United Kingdom index FTSE fell 14%, the French CAC 40 lost 7%, the Milan Stock Exchange index gave up 5.4% of its value in 2020, while the German DAX was the only positive performer with a 3.5% increase, but underperformed United States stocks.

Fixed income markets also had their share of volatility. The interest rate on the 10-year United States Treasury bond started at 1.8% to fall to 0.6% at the peak of the pandemic to close the year above 1%. This is still a negative yield in real terms, but it began to reflect expectations of some normalizations of the United States economy and, eventually higher inflation. The yield on the 30-year Treasury bond is close to 2% per annum, while debt with a maturity of less than 2 years has been stable at around 0.1% per annum. As mentioned above, most large European countries have negative bond yields. In a second group is Spain, with virtually zero returns while Italy pays around 0.6% per annum on its 10-year debt.

Commodities were also volatile during 2020, although they closed the year with improvements. The price of oil plummeted at the beginning of the pandemic to the point that WTI futures traded at negative values, but then recovered to end the year almost as it began, above U.S.\$50 per barrel. OPEC countries agreed to cut production to stabilize prices. Gold had an auspicious start, with a peak in August at U.S.\$ 2,000 per ounce, which it did not reached again. Among agricultural commodities, soybeans, Argentina's main crop, averaged U.S.\$ 349 per ton, but ended the year close to U.S.\$ 500. Corn started the year at 385 cents per bushel and closed at 511 cents.

Among industrial commodities, copper started the year at U.S.\$ 2.64 per pound and then fell to a low U.S.\$2.10, to close the year at U.S.\$3.60.

Part of the good performance of commodities is associated with the weakness of the U.S. Dollar, which went from 1.09 per euro to 1.21 at the end of last year. This also helped strengthen emerging currencies as commodity producers.

With the Economic Emergency Law passed at the end of 2019, the Argentine government sought to improve the fiscal situation by increasing taxes, de-indexing pension spending, restructuring public debt services and betting on the positive impact of the reactivation of the economy.

The economic plan put in place by the Economy Minister Martín Guzmán was basically focused on the short term, as it included emergency measures. Export taxes were increased, a 30% tax on purchases and consumption in foreign currency was imposed, and the rate of personal property tax was increased and income from fixed-term deposits and public debt securities in local currency was eliminated from the income tax base. Regarding expenditure, the main novelty was the suspension until December 31, 2020, the Pension Mobility Law, replacing it with a discretionary regime for increases controlled by the executive branch. By means of Resolution 3/2021, the executive branch established a new formula to calculate the necessary pension adjustments on a trimestral basis with effects from March 1, 2021.

In terms of public debt, the executive branch decided to restructure the maturities of treasury bills issued in U.S. Dollars to institutional investors until August, while continuing to pay the maturities of bills issued in Pesos, and taking advantage of the market conditions at that time, the Ministry of Economy successfully reopened the placement of the latter.

The Fernández government dedicated its first months to containing the social and economic situation, while seeking to gain time for the restructuring of the foreign debt. Days before the announcement of the lockdown, Economy Minister Guzmán and Production Minister Kulfas had presented an emergency economic package, which included special bonuses for retirees with minimum pensions and social assistance beneficiaries, an increase in unemployment insurance, a public infrastructure plan and a 30-day price freeze on basic goods, as well as a freeze on utility rates.



Nevertheless, the economic and social reality changed dramatically in the second half of March, with the appearance of the first cases of COVID-19 in the country. The crisis resulting from the COVID-19 pandemic and the restructuring of sovereign debt in foreign currency set the agenda for Argentina’s economic policy in 2020. On March 19, 2020, President Fernández announced a compulsory nationwide lockdown that would begin on March 20, and after successive extensions and reconsiderations would formally end only on November 9, 2020.

As most of the developed countries announced fiscal and monetary stimulus packages to cope with the inevitable recession, Argentina launched measures aimed primarily at assisting families. Around 8 million informal and self-employed workers received transfers of Ps.10,000 from ANSES, which implied a fiscal effort of Ps.80 billion. The first transfer was followed by two more as the year progressed. In addition, through the ANSES, a bonus was granted to retirees receiving the minimum wage and the beneficiaries of the universal child allowance and pregnancy allowance, at a total fiscal cost of Ps. 27.5 billion. On the other hand, it launched a program of loan guarantees to companies at an annual rate of 24% for a total of Ps.350 billion in order to help them pay up to 50% of salaries and other current expenses. In this way, the fiscal cost of the package reached 1.2% of GDP in the first month of the nationwide lockdown alone and ended up at around 4% of GDP with the renewals throughout the year.

The social isolation measures deepened the recession that the economic activity had already been experiencing, and led to the largest monthly and year-on-year drops in the INDEC records. For the first time since the beginning of the official records in 2004, the fifteen activity sectors included in the official indicator showed year-on-year declines. Manufacturing industry recorded falls of more than 30%, construction plummeted by more than 80% and wholesale and retail trade fell by more than 25% year-on-year. One of the most affected sectors was the health industry, which fell by more than 30% year-on-year as, with the exception of pandemic-related care, health centers were not very active. In hotels and restaurants, the most affected by the quarantine, the decrease was over 85%.

The Central Bank’s exchange rate policy continued to focus on avoiding big gaps in the U.S. Dollar by intervening the market with its freely available reserves. In this way, the official exchange rate raised at a constant daily rate of 0.09%, increasing almost 18% of its value in the first half of the year, while reserves fell more than U.S.\$ 1.5 billion. In this context, the government decided to further tighten exchange controls in June, especially for imports. Importers would have to use their own U.S. Dollars to make payments in foreign currency, before accessing the FX Market, and such an access would be subject to approval by the Central Bank. In addition, access to the FX Market was limited to persons who had made foreign currency purchase transactions through debt instruments denominated in foreign currency (U.S. Dollar MEP and spot with liquidation) in the last 90 days, with a commitment to refrain from these transactions during the following 90 days after accessing the official market. On the other hand, the monetary entity relaxed exchange controls for SMEs and some key imports (medicines and fertilizers for the agricultural sector). In this way, the Central Bank was able to buy U.S.\$ 672 million during June, although it returned to selling reserves in July after a modest easing of exchange controls.

Prior to the nationwide lockdown in February, the Central Bank extended the maturities of its main liquidity-absorbing instrument, LELIQs, from 7 to 28 days while pushing forward a progressive path of lower interest rates. The monetary policy rate fell from 55% at the end of 2019 to 36% in March, while the Badlar rate on private banks’ wholesale deposits fell from 40% to 29.3%. The financing of the fiscal deficit, increased by the pandemic aid package, led to a strong issuance of cash that conditioned the Central Bank’s monetary policy and, as a by-product of exchange controls, had an impact on the U.S. Dollar rate in the “blue” or parallel market. From April onwards, rates began to rise again, and in June the Central Bank raised the interest rate on time deposits to 30.02%, seeking to sustain the demand for Pesos and reduce the pressure on the exchange rate gap.

Amid efforts to contain the COVID-19 crisis, on May 22, 2020, Argentina defaulted for ninth time in its history its sovereign debt. Through negotiations that required the government to review and extend the swap proposal and the maturity of the offer several times, on August 4 an agreement was reached with holders of 93.5% of the total eligible debt (U.S.\$65 billion issued under foreign law) which, by triggering collective action clauses, raised overall acceptance to 99%. Meanwhile, the EMBI country risk indicator, which had reached over 4,300 points in March, stood at around 2,800 points, amid growing expectations of an agreement. In parallel, the government carried out the restructuring of bonds issued under Argentinean law for a value of an equivalent of U.S.\$ 41.7 billion with the same conditions offered to those issued under foreign law, achieving an acceptance of 99.4% of the eligible debt.

As a result, a financial relief of almost U.S.\$35 billion was achieved over the next decade through the reduction of interest rates and the lengthening of maturities for both interest and principal services, especially for the next three years. The EMBI country risk indicator, meanwhile, fell slightly and stabilized at around 2,000 points.

Despite the successful debt restructuring, problems on the foreign exchange front continued to drain the Central Bank’s reserves. In response, it decided to intervene the market by selling bonds denominated in U.S. Dollar that would come from the restructuring and



further tightening restrictions on access to the official FX Market. As a result such measures, companies with monthly maturities of financial debt in excess of U.S.\$1 million could only cover 40% of these maturities in the official FX Market and had to negotiate new terms for the remaining debt with an average maturity of up to two years. In addition, a 35% withholding on account of income tax and personal property tax will be applied to those who buy the permitted quota of U.S.\$200 per month in the FX Market for personal savings. From the US\$ 200 monthly quota, credit card payments and tourist expenses would now have to be deducted, while foreigners would no longer be able to access the foreign currency bond market to settle them abroad, among other restrictive measures.

These measures were taken in a context in which the Central Bank had had to triple the liquidation of reserves in the market from U.S.\$568 million in July to U.S.\$ 1,618 million in September. Export taxes on soybeans were temporarily reduced to encourage exporters to settle in more foreign exchange, but the pressure on the Central Bank's reserves remained significant. The gap between the official exchange rate and the quotation of the currency in the MEP and spot markets, which had been very volatile since the beginning of August 2020, raised to around 80%. As for equities, the S&P Merval measured in Pesos contracted by more than 20% in a month and a half and 30% measured in U.S. Dollars, among other factors because it was interpreted that the latest measures would decisively affect private companies' access to the FX Market.

However, the financial markets stabilized with the announcement of the government's intention to cover the fiscal gap in November and December without resorting to temporary financial advances from the Central Bank, and successfully rolling over debt maturities in the domestic market. To this end, the Treasury issued new debt tied to the evolution of the U.S. Dollar and inflation and, through two swaps of U.S.\$750 million each, allowed foreign investors to exchange Peso-denominated instruments for U.S. Dollar-denominated bonds. In parallel, the Central Bank continued to intervene in the futures market and sold bonds in conjunction with ANSES to provide liquidity to the bond markets used to buy foreign exchange.

With tighter controls on imports and relative tranquility in the FX Market, the Central Bank was able to buy back foreign exchange denominated reserves in early November. Net intervention in the month remained negative (U.S.\$ 327 million), although well below October, September or August, when the Central Bank sold more than US\$1 billion per month. Likewise, gross international reserves grew up to U.S.\$39 billion in mid-November, although U.S. Dollar deposits grew by U.S.\$23 million after two months of decreases of over U.S.\$ 1 billion.

In December, the raise of the U.S. Dollar and the strengthening of the main emerging markets' currencies, especially the Brazilian Real, contributed to the calmness in the local FX Market. The demand for Pesos began to rely to the seasonal nature of the end of the year, while U.S. Dollars deposits rose not only because of the relatively calm exchange rate, but also because they are exempt from paying personal property tax on cash holdings at the end of the year. The banks received more than U.S.\$ 1.5 billion during the month and closed the year at around U.S.\$ 19 billion (private at U.S.\$ 16 billion). The Central Bank managed to buy U.S.\$ 605 million in the FX Market during December while reserves increased by U.S.\$ 757 million to end the year at U.S.\$ 39.41 billion, almost U.S.\$ 5.4 billion less than at the beginning of 2020. The devaluation of the Peso continued to accelerate so as not to delay the official rate for the U.S. Dollar and the gap with the rest of the exchange markets remained contained. The official exchange rate closed the year at Ps.84.145, 40.5% higher than at the end of 2019, while the U.S. Dollar rates at the MEP, spot and informal markets closed at Ps.139.99 (+93% year-on-year), Ps.140.33 (+88% year-on-year) and Ps.166 (+115% year-on-year), respectively.

December closed with a cumulative inflation of 36.14%. Although it was 17.7 p.p. lower than in 2019, the comparison is not homogeneous since 2020 was a very special year due to the impact of the COVID-19 pandemic and the measures taken to mitigate its consequences. January and February started with a monthly inflation around 2%, which accelerated to 3.3% in March. The official exchange rate rose 3.6% during the third month of the year and this increase, together with significant rises in regulated and seasonal prices, contributed to the acceleration of inflation in March. However, since the launch of the nationwide lockdown, the monthly inflation figures have been slowing down until the easing of restrictions in the middle of the year and abundant liquidity brought the monthly figures down to 3% in the third quarter. The end-of-year consumption, the announced increase in pensions, the rise in oil prices and the transfer to retail prices of the high wholesale inflation, overheated the number for the last month of the year to close at 4% at the general level, 4.9% for core inflation and 4.35% for food.

For its part, economic activity recovered fast after stopping the decrease in April with a 16% drop in the second quarter compared to the first, indicators show a rebound of over 12% in the third quarter.

Regarding supply, the agriculture industry did not have a significant harvest. Tonnage of the six main crops fell by 9% and the agricultural production and forestry sector as a whole ended the 2020 year with a drop of about 7%. Industrial activity fell by 8%, a couple of percentage points less than the average. Meanwhile, the automotive industry production fell by 18.5%, with the particularity that in the month of April no units were produced during the nationwide lockdown.



Although the pandemic forced an almost total halt of production in April, from May and June onwards production started to recover in unusual circumstances as producers had to face cost overruns due to the transport of personnel, the absenteeism of employees considered at risk and the difficulties inherent to the pandemic situation.

The commercial sector also performed better than average, with a fall of around 6%. This is a result of fewer restrictions and/or the ability to solve the logistical problems caused by the sanitary measures by merchants of food, basic goods, and at certain point in the year, durable goods.

Construction had suffered a high volatile year. Although it fell by around 25% during 2020, in the first months it had fallen by 35%. In recent months there has been a significant recovery in the sector, primarily led by private investment. Lower construction costs in a market traditionally denominated in U.S. Dollars acted as a very effective incentive to boost private construction. Public works also raised in the last quarter of the year.

Regarding demand, investment plummeted by around 20% over the year, although it began to recover towards the end of the year due to private construction. For its part, consumption, which had fallen 2.2% in 2018 and 6.6% in 2019, fell by around 13.5% in 2020, deteriorating in almost all areas. In particular, retail sales closed the year with negative year-on-year records during all months according to data surveyed by the Argentine Chamber of Medium-sized Companies (CAME) and accumulated a drop of 21.3%. For its part, the automotive industry was severely punished and sales of new cars to the domestic market closed 2020 with an accumulated decrease of 16.1%, after plummeting 45.3% in 2019.

On fiscal matters, the government focused its efforts on providing economic assistance to the families and companies most affected by the COVID-19 pandemic, and the package of measures for this purpose amounted to almost 4 points of GDP between increased spending and tax exemptions. For the whole year, a primary deficit of Ps.1,749,957 million was recorded, an equivalent to 6.5% of GDP. Thus, the primary result showed a deterioration of 6.3 p.p. compared to the deficit recorded in 2019 (0.2% of GDP under the current methodology). This increase in the deficit occurred despite the fact that tax revenue grew by more than one point of GDP, from 23.4% to 24.7%, and the share of the national government's revenue (after tax revenue distribution with the provinces) rose from 16% to 16.4% of GDP. Non-tax revenues fell from 2.4% of GDP to 1.6%.

Total revenues accumulated an increase of 23% year-on-year, well below average inflation for the year (42.7%). Tax revenues rose by 28.2%, led by personal property tax, which grew by more than 500%, following the increase in tax rates. In contrast, export taxes revenues fell by 3.6% in nominal terms, VAT revenues increased by only 21.7%, and Social Security resources by 25.2%.

Primary expenditure closed the year with a nominal increase of 63.5%, which implies a rise of 14.6% adjusted for inflation after four years of consecutive falls in real terms. It also increased 6 p.p. of GDP to 24.5%, although at this point the comparison is relative due to the pandemic situation and because the divisor of the account collapsed and would not be at an equilibrium value. It is clear that expenditure throughout the year has been strongly conditioned by the pandemic. Seasonally adjusted primary expenditure reached very high levels in the second quarter, before falling in the third quarter and returning to the first quarter levels on the fourth quarter of the year with the disappearance of the Emergency Family Income and the Emergency Assistance Program for Work and Production. Nevertheless, public expenditure in the last quarter of the year was much higher than in any of the quarters of the previous year.

Social Security expenditures grew by 67.1%, led by social spending programs which increased fivefold, while pensions and retirement averaged a 40% rise. Capital spending grew by 18.3%, while subsidies increased by 105.9%, well above inflation and as a counterpart to the tariff freeze in force throughout the year. Meanwhile, transfers to the provinces grew by more than 170% to compensate for the lower revenues resulting from the pandemic.

In 2020, the Treasury had to cover a fiscal deficit of 8.5 GDP points, equivalent to around Ps.2.3 trillion. The Treasury obtained net financing of Ps.386 billion, mainly as a result of the debt it managed to place during the second half of the year. More than 70% of maturities in Pesos were concentrated in the first half of the year. Meanwhile, the Central Bank's monetary issuance to finance the Treasury rose to more than Ps.2 trillion between temporary advances and accounting profit transfers. In return, it sold foreign exchange at the FX Market for a total of Ps. 473 billion and absorbed funds from the financial system through the placement of short-term interest-bearing bonds and passive repos transactions that are renewed on a daily basis for an amount of Ps.1.6 trillion. The monetary base grew by 30.3% compared to the end of 2019.

In this scenario, net public debt closed the year at levels close to 53% of GDP, up from a year earlier (43.6%). Gross public debt totaled U.S.\$333 billion at the end of 2020. In other words, almost 90% of GDP compared with 72.6% in 2019. While this rise is largely explained by the decrease in the level of activity affecting the denominator, the stock also grew in nominal terms by about U.S.\$ 13 billion, equivalent to more than 3% of GDP.



Year 2021

Pursuant to the IMF's estimates, global economy expanded by 5.9% in 2021, overcoming the 3.1% downturn caused by the pandemics in 2020. The GDP of developed countries increased by 5.2%, with the United States at the forefront with a growth of 6%, followed by the Euro zone and Japan with 5% and 2.4%, respectively. The GDP of emerging countries grew by 6.4%, with China standing out with an 8% growth rate, partly because of its initial success in controlling Covid-19, India with a 9.5% expansion and Latin America with a recovery surpassing 6% as compared to the previous year.

Strong recovery from the pandemic was coupled with a disturbing phenomenon, the reappearance of inflation at a global level. Several households turned to the market and, therefore, to the demand of goods and services, to invest savings accumulated throughout 2020 as a consequence of lockdown and the emergency incentives, both fiscal and monetary, implemented by the government. Increases in prices that were initially reflected in real property and other goods whose supply is significantly inelastic in the short term, rapidly spread to the other markets driven by the disruptions caused by the pandemic in global value chains and fiscal and monetary incentive policies. In that context, there was a strong rise in prices of those components associated to post-pandemic economic reopening such as restaurants, recreational services, air fares and other similar lines of business that, along with increases in prices of commodities, in particular, food and energy, boosted and spread the impact of inflation worldwide. Thus, inflation in the United States reached 7% in the year, representing the maximum figure in almost 40 years, whereas it reached 5% in the Euro zone, hitting a record since the monetary union of the bloc. In turn, the emerging world including Turkey (36.1%), Brazil (10%) and Mexico (7.4%), among other countries, also recorded a strong inflationary acceleration.

During 2021, the policy of the central banks in developed countries continued to give priority to the restoration of levels of activity and the recovery of employment in the understanding that the rise in prices was a short-lived fact and the tightening of the monetary and fiscal policies could bring the process to a halt. In that context, the lenient monetary policy was accompanied by new rounds of fiscal incentives, now of less significance and more closely targeted, as compared to those implemented in 2020. The United States extended the increased unemployment benefits and authorized transfers to low- and middle-income individuals, further renewing subsidies for education, health and pandemic-stricken small-sized businesses. The European Union extended the suspension of its fiscal pact until 2023, allowing member countries to incur fiscal deficits in excess of 3% of their GDP. Expansionary fiscal policies were also implemented in Latin America: this is the case of Brazil that increased benefits to households and Chile that authorized a third advance withdrawal by members of pension fund administrators.

It was just by the end of the year that the Bank of England adjusted its interest rate providing for 15 base points increase in December (from 0.1 to 0.25%) and the Federal Reserve of the United States reported a gradual reduction in the purchases of financial assets and the possibility of increasing its reference interest rate during 2022 from 0% to 0.25% that had remained unchanged since the pandemic outbreak. Analysts reckon that there could be 3 or 4 rate increases. The European Central Bank adopted a similar criterion in line with its American counterpart and curtailed purchases of bonds although maintaining its reference rate at 0%. In turn, the monetary authorities of major Latin American countries adopted more aggressive measures in the light of the double risk of inflation acceleration and foreign exchange rate depreciation. The Central Bank of Brazil rose the Selic rate by 725 base points whereas its Chilean, Peruvian and Mexican counterparts rose their reference rates by 350, 225 and 125 points, respectively.

The recovery of the economic activity worldwide was conditional upon the evolution of the pandemic. The United States was among the first major countries to gain access to effective vaccination against Covid-19. By mid-2021, it had successfully immunized almost 50% of its population but it then faced strong resistance from the anti-vaccine movement, thus causing the campaign to come to a standstill. By the end of December, 61% of the population was immunized. The infection and mortality curves declined with the arrival of summer but by the end of 2021 new cases and hospitalizations were reported, in particular in those regions with lower vaccination rate.

The initial implementation of the immunization campaign in the European Union was delayed as concerns production and distribution of vaccines but it gained pace since May and by the end of 2021 almost 71% of the population was immunized. The new variants and winter weather had an impact on the rise in the infection curve in the last months of the year but, in countries such as Spain, with more than 80% of vaccinated population, mortality was considerably lower than in the previous waves. In Central and Eastern Europe, vaccination campaigns were less successful. In late December, hardly 50% of the Russian population was immunized and the rate of daily deaths was higher than that reported at any other time during the pandemic.

Access to vaccines against Covid-19 in Latin America was delayed since suppliers prioritized developed countries with which they had executed contracts. Nevertheless, in the second half of the year it was possible to speed up the vaccination campaign by reason of the greater availability of vaccines; this was widely accepted by the population. By the end of 2021, Chile and Cuba had vaccinated 86% of their population, Uruguay 76% whereas approximately 70% of the population in Brazil and Argentina was vaccinated. Mortality peak in the region was recorded between April and June 2021, which a sharp decline in the second semester.



The development of its own vaccines allowed China to reach the highest coverage levels in Asia as almost 84% of its population was immunized in December. Other heavily populated countries such as India and Indonesia hardly exceeded 40% of immunization coverage by the end of the year. Infection and mortality curves followed a similar pattern as those in Latin America in the first semester although Asia underwent a second wave between July and September. Africa retains its role as a continent trailing far behind the others in terms of vaccination, as the immunization coverage continued to be below 10% in December. The greatest numbers of deaths from Covid-19 took place between July and September but limitations on testing and reporting may suggest significant under-reporting.

Just like the pandemic had a very strong impact on the economy of the countries, from a social-political standpoint, a significant increase in social conflicts was recorded as well as certain deterioration in people’s confidence in political systems. Colombia, Ecuador and Cuba were the scene of massive protests. The results of the elections in Peru and Chile indicated the questioning of the traditional political system. 2021 also marked the return of coups d’etat: there were five, the highest figure in several years, most of them in Africa.

By the end of the year, tensions between Russia, Ukraine and the NATO member countries escalated, strongly impacting on the price of natural gas in Europe, depending to a great extent on Russian supply. Energy crisis spread all over the world. In addition to the shortage of natural gas in Europe, China was forced to ration energy usage in factories due to lack of coal. The drought in Brazil detrimentally affected hydroelectricity production and resulted in an increase- by more than 30%- in the cost of energy in that country. Moreover, in July, the disagreements between Saudi Arabia and United Arab Emirates within the OPEC (Organization of Petroleum Exporting Countries), boosted an increase in oil prices. The price of crude oil at the end of the year was US\$ 78.6/barrel, with an annual upsurge of 54.5%.

In the international markets, low interest rates helped risk appetite to remain high, boosting the quotation of variable-income financial assets, in particular, in developed countries. The Standard & Poor 500 stock index rose by 26.9% in the year, Nasdaq 100 rose by 26.6% whereas the Euro Stoxx 50 and the MSCI Desarrollados compound index recorded a 21% and 16.8% increase, respectively. Conversely, it was a negative year for the emerging markets. The MSCI Asia index (excluding Japan) dropped by 4.9% and the HangSeng index fell by 23.3%. The Shanghai Composite indicator dropped by 5.2% in the year. It was not a favorable year either for the Latin America stock exchanges. The MSCI LATAM fell by 2.5% in 2021. Brazil’s Bovespa index recorded the steepest decline, that is, 11.9%. The CAP index of Colombia decreased by 1.9%, whereas quotations in the stock exchanges of Santiago and Lima recorded marginal increases, 2.9% and 1.3% respectively. There are two exceptions: Mexico, whose Price and Quotations Index grew by 20.9% in the year and the S&P Merval of Argentina, which rose by 12.6% in 2021, measured in US dollars, bringing a halt to three years of negative figures. In turn, in a context of significantly abundant liquidity worldwide, the prices of commodities and cryptocurrencies gained certain importance in 2021, although in the case of cryptocurrencies such importance should be attributed to the increased quoted prices as well as the extreme volatility of the quotation thereof.

In 2021, the US 10-year Treasury Bond yield fluctuated at around 1.5%, after being below 1% for the most part of 2020. German securities for the same term continued to show negative nominal yields, although ranging from -0.52% in January to -0.18% in December. French bonds regained a positive yield, with a 0.19% return by the end of the year.

The US dollar appreciated by 6.3% in 2021 with respect to a currency basket so that the “dollar-index” at the end of the year showed the same levels as those in mid-2020. This was reflected in the parity with the Euro, ranging from 1.22 dollars in January to 1.14 dollars in late December. In turn, the Chinese Yuan followed the appreciation path that started in 2020, with its exchange rate ranging from 6.52 per US dollar by the end of 2020 to 6.35 per US dollar in December 2021, the lowest exchange rate since 2018.

The Argentine economy started 2021 amid doubts. On the one hand, the risk of drought and slow availability of vaccines created uncertainty and, on the other hand, the economy benefitted from higher international prices of export products. Even though the second wave of Covid-19 had a strong impact in April and May, the fact that the immunization campaign moved forward, facilitating the fast reopening of almost all activities still subject to restrictions, the improvement in the terms of trade and a rather mild drought, allowed the level of economic activity to recover faster than guessed by most analysts, thus ending the year with a growth rate of about 10%, recovering almost all losses in 2020.

It was a very heterogeneous but still incomplete recovery. Some sectors, such as industry or construction, that were at an advantage due to an earlier reopening, reached records close to those in the first half of 2018 despite the foreign exchange fluctuations. Instead, the recovery of services associated to tourism, food and commerce, started only in the first quarter of 2021, after Argentina having overcome the second wave of Covid-19.

On the supply side, the gradual reduction of health restrictions in mid-2021, adjustment in the formal salary late in 2021 and unemployment reduction, steadily boosted domestic consumption, whose level is deemed to have increased by 9.7% in the year, slightly below that of the GDP. It is estimated that there was a significant upsurge in gross investments, approximately 32% in 2021,



although it still does not suffice to achieve a sustained growth as it does not exceed 17% of the GDP, measured at current values. Exports of goods and services grew by approximately 8% whereas a 22% increase in imports was recorded, measured in terms of volume, as shown in the domestic accounts. The leap in imports was associated to a recovery of the activity and the regulations in force to make payments abroad.

Improvements in the activity were reflected in almost all the economy sectors. In the first 10 months of 2021, the construction sector grew by 33% as compared to the figures in 2020, followed by the fishing industry that recorded an increase of almost 20% and the manufacturing industry with almost 17%. Hotels and restaurants (one of the hardest-hit sectors in 2020) and retail commerce showed signs of very satisfactory performance. Agriculture, cattle-raising and forestry recorded a drop in growth while financial intermediation growth was set at less than 1 point, seriously affected by low credit demand for much of 2021.

Automotive was the most dynamic sector in the manufacturing industry with a 54% growth throughout the year, benefitting from the sound demand from Brazil, followed by the textile and clothing sector with a 47% expansion. Mention should then be made to the sectors of non-ore minerals and metalworking industry, with a 32% growth in the year. There was an improvement in the use of installed capacity in the industry that reached 68.8% in November 2021, that is, a 5.5 percentage point increase as compared to the previous year. Basic metal industries work closer to full performance with 86.9% of used capacity.

Oil production experienced a strong upsurge, in particular as concerns the Vaca Muerta region. Increased extraction of crude oil was set at above 6.5%, surpassing the 2020 levels. As concerns gas, the recovery rate hardly reached 1%, but the last months of the year showed remarkable dynamism, as compared to the first semester, satisfactorily paving the way for 2022. There is a constraint factor for this sector, that is, the lack of a gas pipeline for the transportation of gas from production areas to consumption centers. Construction of the gas pipeline is underway.

At a retail level, the lifting of health restrictions along with the more intensive use of privately-owned automobiles in lieu of public transport for fear of infection, boosted an increase in fuel consumption. Preliminary estimates indicate that, during 2021, sales of gasoline and diesel fuel would have gone up by 29% and 14%, respectively. In contrast to the foregoing, public transport did not recover the volume recorded prior to the pandemic. The Buenos Aires subway system did not succeed in transporting half of more than 30 million individuals per month who used such means of transport before the outbreak of the pandemic.

The activity of small retailers increased by 14.8% in 2021, as reported by the Argentine Chamber of Medium-sized Businesses (Cámara Argentina de la Mediana Empresa). Shopping malls also recorded a two-digit growth rate in their activity whereas sales in supermarkets at constant prices hardly increased by 1%. These figures are in line with the information that consumers' confidence declined by almost 4% as compared to the end of 2020, despite the economic growth. Likewise, the demand of durables has steadily increased even though, according to the surveys, the personal situation of consumers has worsened and they have low expectations that the macroeconomic situation may improve as compared to their expectations in December 2020.

The construction sector is more optimistic than consumers. Businessmen in both public and private projects reckon that the activity will get better in the ensuing months at a ratio of 2 to 1 in private works and 5 to 1 in public works. Asphalt, mosaic tiles and concrete were the most demanded products in this sector. Cement production grew by 26% in 2021 whereas manufacturing of steel, that is also used in other high-growing sectors such as the automotive industry, purportedly grew by 33.5%.

Economic recovery permitted employment levels to conspicuously upgrade. The employment rate, that had reached a minimum 33.4% in the pandemic, recovered until reaching a 42.9% rate in the third quarter of 2021. Unemployment ranged from a maximum 13.1% to 8.2%, the lowest rate since 2017. In the third quarter of 2021, 46.7% of the economically active population worked or was looking for a job, this being slightly lower than the 47.2% rate in the third quarter of 2019.

With over 12.3 million individuals, the number of formal workers is at its peak since May 2018. In the first 10 months of 2021, 437,477 job opportunities were created, as per the following breakdown: 135,400 jobs in the private sector under an employment relationship, 92,300 in the public sector (including the federal, provincial and municipal governments) and 212,000 are new workers subject to the simplified regime for small taxpayers (monotributistas). In the private formal sector, the construction industry showed the highest records although the commercial and information technology sectors significantly grew in terms of creation of job opportunities, as well as other branches of manufacturing, such as the metalworking industry.

Prohibitions against dismissal were still in force throughout 2021 although double indemnification amounts were capped at Ps. 500,000. The foregoing represented a relief on costs to be incurred by businesses that had to dismiss their personnel. However, market rigidities did not diminish, as is shown by the fact that a significant part of improvement in employment levels was channeled through unregistered salaried employees who nowadays account for 33% of the total number of workers.



Salaries in the private formal sector were two points above the inflation rate whereas such upsurge in the public sector was slightly higher, thus breaking the streak of 3 years in a row of downfall in real salaries. Informal workers were unable to prevent their income from decreasing. They saw their purchasing power decrease by 10 points in accordance with the salary index reported by the INDEC. The RIPTE index that measures the permanent salary of formal workers was Ps. 100,590 in November, increasing 1.5% as compared to the former year, although it was 13% below the level recorded in the previous five years. In turn, the purchasing power of retirees decreased by 6% in real terms as a consequence of adjustments determined under executive orders and the application of the formula established by law, taking into account past inflation rather than the current figures.

As concerns foreign trade, Argentina was able to achieve a surplus of approximately US\$ 14,750 million by the end of the year, in its balance of trade, representing almost 3% of the GDP. In 2021, prices of exports and imports grew by about 42% and 49%, respectively. Both international prices for exports and imports, as well as volumes thereof significantly increased during such year in consistence with certain normalization of the economies in the post-pandemic era. As concerns exports, assessed in US dollars, energy and natural gas exported to Brazil have experienced the highest growth rates, followed by sales of manufactures of industrial origin. Exports of food grew at a slower pace due to harvesting problems. In terms of imports, energy recorded the greatest increase since imports of liquefied gas into the Bahia Blanca port were reinstated. Imports of intermediate goods ranked second whereas consumption goods and automobiles increased the least.

Upon computing real services together with interest and dividends, the result of the balance of payment in 2021 would have been a surplus of about 1% of the GDP, one of the highest levels recorded in the last decade. However, this comparison is not totally accurate since part of such surplus should be attributed to the pandemic and the restrictions imposed on foreign exchange transactions during 2021, quite a different scenario from that of previous years.

From a fiscal standpoint, primary deficit strongly decreased from 6.37% of the GDP in 2020 to approximately 3.1% in 2021, without considering the non-recurring contributions of Special Drawing Rights (Derechos Especiales de Giro, "DEG") from the IMF in August. Primary expenditure (before interest) dropped from 24% of the GDP to approximately 21.3%. Apart from the increase in the denominator, the decrease in primary expenditure in terms of the GDP is the consequence of reduction in disbursements related to Covid-19 (such programs as the ATP and IFE were no longer in force in 2021) and reduced public pension expenditure, partially offset by increased expenses associated to subsidies to energy and transportation and investments in infrastructure.

Total revenues of the public sector are estimated at 18.1% of the GDP because, among other factors, export duties rose in 2021, partially compensated by a drop in the collection of tax on personal assets. In turn, there was an increase in the tax on financial income and non-tax revenues, in this case by the extraordinary levy on large net worth individuals that raised almost 0.5% of the GDP. Furthermore, the government obtained additional revenues on account of the extraordinary allocation of DGE from the IMF.

After adding interest amounts, the aggregate deficit represents 4.6% of the GDP or Ps. 2.1 trillion. Of this aggregate amount, the sum of Ps. 736,000 million was financed by the Pesos market by means of public auctions and Ps. 1.7 thousand million from the Central Bank through temporary advances and profit remittances. Such financing also proved useful to pay off international obligations to international organizations that fell due in such year.

The Argentine government sought to issue mainly fixed-interest rate instruments in Pesos. However, the persistent inflation level and foreign exchange tensions forced it to gradually rely on the issuance of CER-index linked bonds or pegged to the dollar quotation ("dollar-linked"). Thus, 58% of debt securities issued in local currency at year-end is adjusted by inflation.

In turn, 70% of the total debt is denominated in foreign currency although 60% thereof is governed by Argentine law. 63% of such debt is documented by bonds whereas the rest consists of loans from international organizations and temporary advances from the Central Bank. Approximately 40% of the gross public debt is in the hands of other governmental agencies.

There were almost no maturities of US dollar debt to the market in 2021 and payment of interest in 2022 did not exceed US\$ 2,000 million. However, the country-risk by the end of the year ranged from a minimum of 1,375 to 1,914 base points until reaching 1,700 base points in late 2021, with securities yielding 25% per annum in US dollars.

Inflation significantly accelerated as compared to 2020, from a year-to-year 36.1% to 50.9% in December, after having reached a year-to-year 52.47% cap in September. In addition to the exchange and tariff policy, the government tried to give responses throughout the year, such as export quotas for some products and the freezing of certain prices. Core inflation reached 54.87% in 2021, seasonal products and services increased by 50.08% and prices for regulated goods and services recorded a 37.72% increase. The clothing sector recorded the highest increase in terms of prices that rose by 64.64%. Food, the most important component of the Consumer Price Index increased by 50.35%. Housing and communication expenses, increasing 28.35% and 35.78%, respectively, were the sub-indexes with the lowest increase, in both cases affected by regulations issued by the national and provincial governments.



Wholesale inflation was hardly higher than retail inflation, recording a 51.3% rate in 2021. Domestic products increased by 52% whereas those imported recorded a 44.6% surge, approximately twice the increase of the US dollar quoted price. Among manufactured products, food increased by 45.2% and textile products recorded a year-to-year 58.2% increase. Electricity at a wholesale level grew by 61%. Construction costs grew by 48.5% in 2021, slightly below retail and wholesale inflation on account of an increase in the price of materials, by 55.3%, but costs of labor increased by only 41.53%.

The Gini coefficient that measures the distribution of income continued to be set at 0.44 even though social security plans strongly increased during the pandemic and allowances under the “Plan Alimentar” rose in 2021. Health restrictions more fiercely affected low-income population and informal workers. 10% of individuals who generate more income obtains 20 times more than 10% of the poorest individuals.

In the first semester in 2021, poverty rate was 40.6% of the population, representing a slight decrease as compared to the 42% rate as of the end of the year. Extreme poverty (indigence) affects 10.7% of the population in Argentina.

The health crisis along with economic distress have caused tensions of all kinds, affecting the population. At a political level, the worsening of the pandemic in the second quarter triggered off disagreements between national and provincial authorities in connection with health restrictions. After the success of the opposition in the November mid-term legislative elections (at a national level, the opposition obtained 41.7 % of votes as compared to 33.6% of the governing party) some changes took place, including those in the Ministries of Security, Agriculture, Education, Foreign Affairs and Science.

Money market and Argentine financial system

Information presented in this section has been prepared in accordance with economic indicators and historical information of the financial system, as published by the Central Bank or INDEC and therefore has not been adjusted for inflation.

Year 2019

For most of 2019, a very restrictive monetary program was in force, consisting in zero growth of the monetary base with some allowed exceptions (seasonal adjustment and acquisition of foreign currency for the international reserves under exchange rate appreciation). In addition, a minimum interest rate was set to prevent the interest rate from falling too quickly. The objective was to sustain a positive real rate and guarantee the absence of monetary issuance, an inflationary factor. In September, the Central Bank decided to modify the zero growth of the monetary base to a 2.5% monthly, held until November, when more restrictive foreign exchange regulations were introduced.

On average, the monetary base grew at an annual rate of 23% during 2019, a rate significantly lower than the 33% rate registered in 2018. However, its evolution was not uniform, in the first half of the year it remained relatively stable until October when it began to accelerate.

The main expansionary factor was a financial assistance to the Treasury, contrary to all forecasts, as the initial monetary program did not foresee any transfer of funds to the Treasury. As a contractionary factor, it issued debt (LELIQs) and passive passes. Significantly, monetary liabilities paid on average a very high rate during the year at very short terms.

Monetization in Argentina is very weak. It is not a new phenomenon and it is explained by recurrent macroeconomic crisis that undermined residents' confidence in Pesos. Therefore, despite the improvement shown during 2017 and 2018, in 2019 the Argentine financial system was one of the shallowest in Latin America and further declined during that year; bank credits nominated in Pesos and in U.S. dollars represented 10.8% of the GDP, when the regional average of the last 10 years was 40%.

During 2019, public and private deposits in Pesos rose by 29.6% in average, while deposits in U.S. dollars (measured in Pesos) decreased by 0.4% in average (-37% in U.S. dollars). In relation to the GDP, Peso deposits decreased 2.1 p.p. to 13.3%, both those of a transactional nature and time deposits. U.S. dollar deposits declined dramatically: it fell from US\$ 32.8 billion by the end of 2018 to US\$ 20.7 billion by the end of 2019, a reduction equivalent to 1.7 p.p. to 4.6% of GDP.

The increase in private sector demand accounts stood out, which grew 44% in average, while time deposits increased 23%, with a decrease in retail time deposits (representing a growth of only 6.3% in average). Private deposits in foreign currency plummeted from August onwards, as they had previously increased slightly.

What refers to credits, in 2019 loans measured in Pesos and in U.S. dollars (public and private sector) rose by 15.8% in average, totaling Ps. 2,595 billion, well below inflation. Credit in Pesos (public and private sector) rose by 17.9% in average and fell 3 percentage points in relation to GDP to 7.5%, mainly affected by the collapse of consumer loans. Credit in U.S. dollars (mostly exports pre-financings to the private sector) fell by US\$ 4,800 million to the amount of US\$10.7 billion.



Secured loans in Pesos decreased 4.7% in average, affected by the stop of mortgages and pledges. The deterioration of real wages and therefore of private consumption, had a negative influence on this particular segment.

Consumer credit evolved negatively, affected by the economic context. The drop in real wages led to families contracting credit card debt, with late payments raising, while total personal loans decreased during the year. Thus, consumption credit increased only 19.7% in average. Credit card debt raised 48.2% in average, while personal loans plunged 4.5% in averaged in nominal terms.

In contrast, the growth differential between deposits and loans in Pesos during the year (19.6% in average vs. 17.9% in average), increased the liquidity of the financial system. Indeed, the broad liquidity of the system reached 59.4% of deposits by the end of 2019, showing a year-on-year increase of 4.2 p.p.

In this context, the interest rates showed a very volatile behavior as a reflection of foreign exchange instability. As of December 2018, the monetary policy rate (7 days LELIQs) closed at 59.25% per annum. As of February 2019, in a context of foreign exchange appreciation by the inflow of capital, and the Central Bank buying up reserves, the monetary policy rate reached its lowest at 43.94%. Then, due to external pressures on the Peso and uncertainty regarding the Central Bank's ability to intervene the foreign exchange market it gradually started to grow. In May 2019, it reached 74% and began to gradually decrease until the August primary elections, when it reached levels hovering around 60%. After the primary results were known, it escalated quickly to the highest level of the year: 86%.

The establishment and intensification of the foreign exchange regulations allowed the interest rate to fall to levels of 55% per annum once the new government and the Central Bank new administration were in office. The rest of the rates performed similarly.

Available data as of November 2019, indicated that the profitability of the consolidated financial system increased during 2019. In the first 11 months of the year, banks obtained a profit of Ps. 758,239 million, 79.4% above the Ps. 422,609 million they recorded for the same period in 2018 and higher to inflation. The return on assets reached 4.8% in average, exceeding the 3.7% average for the same period in 2018. This increase in profitability was mostly explained by the good result of security operations, which averaged 13.2% of assets, against 6.3% in 2018, a result that complemented the interest margin that averaged 11.3% of assets, slightly above 11% from a year before. Thus, the financial margin increased by 2.9 p.p. to 13.5% of assets against 10.6% in 2018. Also, there was an increase in interest expenses that averaged 14.6% of assets in 2019 versus 9.3% a year before.

On the other hand, administrative expenses grew by an accumulated 55.4%, slightly above inflation. Results for services grew by an accumulated 34.2% las year. Charges for uncollectibility of private banks increased and remained at relatively low levels, while the irregular portfolio averaged 4.4% of the financings, the highest level since 2006 and above 2.2% in 2018.

Regarding capitalization, capital represented the 17.5% of the risk weighted assets in November (over the 15.6% a year ago), with an excess of integration regarding the 101% requirement. Also, private bank exposure to the public sector averaged 19.4% of assets (which includes loans to the public sector, securities and LELIQs), above the accumulated 13.1% for the same period in 2018.

Year 2020

In order to adapt to the new economic and social reality, the Argentine government gradually shifted its monetary policy in the course of 2020, starting by reducing Central Bank's assistance to the Treasury to a minimum and the placement of LELIQs, and then financing the fiscal deficit caused by the expenses originated in the pandemic with almost no limitations. The pressures on the FX Market, the monetary imbalance and the insufficient demand for pesos to absorb the surplus liquidity led the Central Bank to intervene not only in the FX Market by selling reserves but also to continue placing notes (such as LELIQs) in the financial system to avoid a monetary and exchange overflow.

The monetary base expanded in 2020 by Ps.574,879 million compared to the end of 2019. Assistance to the Treasury represented the main expansionary factor since transitory net advances were granted for Ps.407,720 million, and profits were distributed for Ps.1,606,982 million. As a contractionary factor, Ps.900,692 million were absorbed through LELIQs and Ps.710,187 million through passive repos, remunerated liabilities for which a total of Ps.721,559 billion were paid. The other strongly contractionary item was the sale of reserves to the private sector for Ps.312,175 million and to the public sector for Ps.161,011 million. As expected, the combination of a very expansive money supply in the context of an extraordinary situation and a sharp decrease in economic activity, resulted in significant but probable temporary increases in monetary aggregates relative to GDP. The monetary base went from 6.5% of GDP to 8.1% of GDP at the end of the year, as private M2 ranged from 8.4% to 11.8%.



The weakness of monetization is not a phenomenon unknown to Argentina and is explained by recurring macroeconomic crises that in the past undermined the confidence of residents in the local currency. For this reason, the Argentine financial system continues to be one of those with the lowest levels of financial intermediation in Latin America, a condition that has deepened in the last two years. Thus, bank credit to the private sector in pesos and US dollars represented only 12.1% of GDP in 2020, while the regional average for the last 10 years was around 40%.

During 2020, deposits (private and public sector) denominated in pesos increased 88.8% in year-on-year terms, while those denominated in US dollars fell 14.2%. In a context of clear abnormality caused by the pandemic, deposits in pesos rose from 13.5% to 17.2% of GDP. In turn, the dollar segment fell again after their strong decline in 2019, falling from US\$ 22,138 billion at the end of 2019, to US\$ 18,984 million.

In 2020, total private deposits (pesos plus dollars measured in pesos) grew 64.5% year-on-year due to the combination of an average increase of 85.7% in pesos and 13.9% in US dollars (measured in pesos, favored exclusively by the depreciation of the exchange rate). The performance of the private sector segment in pesos was led by savings banks (+106%) and current accounts (+84%), in a scenario in which the liquidity preference dominated the behavior of economic agents. Term deposits, meanwhile, grew by a nominal rate of 66%, which was practically aligned with nominal GDP.

Private deposits in foreign currency registered their largest falls in the months of September and October, after the latest tightening of exchange controls. The fall in September reached US\$539 million and that of October reached US\$869 million. Throughout the year, the decline was US\$2,359 million (closed at US\$15,956 million).

The weight of the public sector in deposits increased slightly in 2020. Deposits in pesos increased 102.9% while the total (pesos plus dollars measured in pesos) increased 93%. At the end of 2020, public and private sector deposits (pesos plus dollars) reached Ps.7.5 trillion, of which 18.8% corresponded to the public sector when in 2019 they reached 16% of the total.

As regards credit in 2020, loans measured in both currencies (private and public sector) increased 27.4% year-on-year, totaling Ps.3,235,464 million, which was well below inflation. Credit in pesos (private and public sector) increased 46.9% year-on-year, and GDP grew by one point to 8.7%, driven mainly by corporate loans granted to endure the economic crisis sharpened by the pandemic (ATP Program and loans to SMEs at subsidized rates). Concerning credit in Us dollars (mostly pre-financing of exports to the private sector), it fell by US\$5.4 billion to US\$5.3 billion in the year.

Private credit denominated in pesos grew 49.2%, while private loans in dollars expressed in pesos fell 30.6%. Within the private sector category in pesos, commercial loans grew 78.8%, in line with the discounted notes credit lines, which rose 121.5% after the implementation of government financial aid to companies in the context of the pandemic. In turn, consumer loans grew 38.3%, just a few points below average inflation for the year, led by credit card purchases (+59.6%). The fall in real wages, and the fact that many families had little or no income for many weeks, caused families to incur debt via these means of payment and credit, the expiration of which was postponed for three months by several government regulations, including without limitation, the ability to pay interest in installments and with a reduction in the interest rate. Meanwhile, real guarantee loans grew just 7.8%, mainly affected by the mortgage stop (-0.1%), while pledges began to gain momentum towards the end of the year, growing a total of 29.3%.

The interannual growth differential between deposits and loans of the financial system in pesos (85.7% vs. 46.9%), was reflected in an increase in liquidity ratios and in the growing role that remunerated liabilities of the Central Bank in the hands of banks began to play in the profitability and capitalization of the financial system. Indeed, ample liquidity, measured as availabilities in pesos, integration of liquidity requirements and Central Bank instruments, reached 61.09% of deposits at the end of 2020. In the year-on-year comparison, ample liquidity increased 1.7%

In this context, interest rates showed some volatility, which was in line with pressures on the exchange rate. In December 2019, the monetary policy rate (LELIQ for 7 days) had closed at 55%. In February, the Central Bank extended the term of the LELIQs to 28 days and the rate closed at 40%. A week before the mandatory stay-at-home order was announced, the Central Bank lowered the policy rate to 38%, where it would remain until mid-October.

In order to take pressure off the foreign exchange market and Central Bank reserves, at the beginning of October, the Central Bank increased the rate of overnight repos from 19% to 24%. At the same time, through Communication "A" 7122, the Central Bank established that financial institutions must reduce their net position in LELIQs by 20% compared to their average position in September. By causing banks to disarm these positions with a remuneration of 3.2% per month and offering them the alternative of a short pass that now paid 2% per month, the weighted cost of sterilization fell slightly from 2.8% to 2.7% monthly. On the other hand, by shortening terms from 28 days to 1 day, the Central Bank became more exposed to the daily renewal of interbank repos, facing a greater relative number of short maturities than before.



A week later, the Monetary Authority decided to raise the passive repo rate by 3% to 27%, complementing the increase of five points from the previous week, and lowered the remuneration of the LELIQs from 38% to 37%. A week later, the minimum rates set for attracting term deposits in pesos increased by up to Ps.1 million from 33% to 34% per year, and decided to raise the overnight repo rate by 3% to a nominal 30% per year. In addition, the Central Bank announced that it would begin offering 7-day passive repos with an annual nominal rate of 33% and subsequently reduced the LELIQs rate for new tenders, from 37% to 36% annually. These rate signals were complemented by the announcement of a bill of tax relief for investments in pesos, which included assets in pesos indexed (with CER or UVA) and other assets in national currency that are used for productive investments.

A new round of rate increases at the end of October brought the repo rates to one and seven days to 31% and 34.5%, respectively. In mid-November, the last adjustment of the year was carried out, which increased the 28-day LELIQs rate by 2%, placing it again at 38% (its value at the beginning of October), and the rate of the passes to one and seven days at 32% and 36.5%.

The liquidity of the financial system according to the broad definition of the Central Bank reached 65% in 2020, 5% more than at the end of 2019. Net of LELIQs and public securities, the liquidity ratio reaches 39% of assets against 36% at the end of 2019. Part of this increase derives from the weakness of the demand for credit from the private sector that caused a decrease from 40 to 34% of assets including the assistance programs established by the government to address the impact of the mandatory shelter-in-place orders.

Starting in January 2020, financial entities reported all their accounts adjusted for inflation. The financial system as a whole earned 313.7 billion pesos in 2020, about 40% drop measured in constant currency. The ROE of the banking industry fell from 46.4% to 15.8%, while the ROA went from 5.4% to 2.3%. This decrease in the profitability of the sector is due to the combination of a lower financial margin that fell 17% in the first 11 months of the year in the context of increasing administrative expenses that went from representing 53% of the intermediation margin to more than 60%.

The non-performing ratio of the financial system reaches 4.1% of the total and 3.9% considering the private sector only. Among private banks the number is even lower, standing at 2.2%. Private banking has made allowances for more than 200% of its non-performing portfolio. The numbers are not comparable to previous years for two reasons. First, the morosity terms were softened by the Central Bank. Secondly, the compulsive credit card refinancings that occurred in April and September respectively kept potentially compromised borrowers from falling behind on payments. Likewise, the same situation occurred with borrowers of loans that are adjusted for UVA, which were not adjusted in 2020.

The financial system has a capitalization ratio of 21.4% (level 1 capital indicator), 75% in excess of the Basel standards requirements.

Year 2021

During 2021, the monetary policy was perceived as multifaceted. From a nominal approach, interest rates remained significantly stable. The monetary policy rate remained unchanged throughout 2021, at 38%, whereas the rate for one-day and seven-day swaps was set at 32% and 36.5%, respectively. The Badlar rate remained at about 34%, consistently with the remuneration of corporate time deposits in excess of one million Pesos during the same period. Interest rates for retail time deposits in amounts of less than one million Pesos remained at 37% for the entire period. The rate of interest on advances to companies was not subject to any material changes either, with an average rate of 35%, while interbank rates ranged from 28% to 30% throughout 2021.

The monetary base by the end of the year was Ps. 3.65 trillion, representing a 47.9% increase as compared to the previous year-end (2020), that is, three (3) percentage points below the inflation rate. By the end of the year, the private deseasonalized M2 indicator- as a GDP percentage- recorded a 5% increase compared to the historical average, an indication of certain excess money supply.

The factors for the expansion of the monetary base by Ps. 1.18 billion during 2021 were basically three-fold. The National Treasury financing demanded Ps. 1.76 billion, net, for temporary advances and profit remittance. Furthermore, the issuance of a net amount of Ps. 451,000 million was required to purchase foreign exchange in an amount equal to US\$ 5,049 million in the exchange market. For the purposes of neutralizing the monetary impact of this issuance, it was necessary for LELIQ and Swaps to be placed in the financial system in an amount of nearly Ps. 1.9 trillion along with the intervention in the bond market and Rofex for the purpose of sterilizing an additional amount of Ps. 490,000 million. As a compensatory measure, an amount of nearly Ps. 1.4 trillion as interest on the interest-bearing debt was issued.

In 2021, the exchange market retained the same structure that was in place during the previous year with certain additional restrictions on some of its segments. In the official exchange market, the US dollar quotation underwent three clearly differentiated stages. In the first quarter, Peso devaluation in that market went hand in hand with inflation figures, even exceeding such figures at times. Since April, devaluation rate decreased, ranging from 1% to 1.2% per month and became delinked from inflation. Such policy lasted until the November midterm legislative elections. In the last month of the year, the Central Bank allowed the Peso to depreciate further



until reaching a monthly depreciation of 2%, still below the inflation rate. In the “point to point” measurement, the official dollar grew by 22.1%, as compared to a 41% increase in domestic prices adjusted by a 7% inflation in the United States. This implies a real appreciation of Peso vs. commercial US dollar of over 13% in 2021. Measured in multilateral terms and using the Central Bank’s index, the real exchange rate for commercial transactions appreciated by 21%.

The gap between the official exchange rate and the quoted price of the US dollar in those markets whose counterpart is not the Central Bank, followed the same timeline. Between August and December, the dollar in the market known as blue-chip swap market or “CCL” by its Spanish acronym, was quoted at a price higher -98% in average- than that of the official dollar. Between January and July such gap fluctuated at 70%, partly for reasons proper to the market and also due to the government intervention in the foreign currency denominated bond market. Following the elections, such gap rose again until reaching almost 100% by the end of the year.

Transactions in the official exchange market faced two very dissimilar scenarios throughout the year. Driven by the good international export prices and the settlement of proceeds thereof through the foreign exchange market, during the first half of 2021, the Central Bank accumulated international reserves in excess of 7,100 million dollars, which were partially sold (2,100 million on net basis) during the last months of the year. Moreover, it received an amount of 4,334 million dollars in the nature of Special Drawing Rights (Derechos Especiales de Giro, “DEG”) from the IMF, to which Argentina was entitled as a result of the authorization granted to the Central Bank by the IMF member countries to issue domestic currency on account of the health emergency situation. The cancellation of debt service due to the international organization, payment of some private sector indebtedness and other public sector and market transactions almost totally depleted inflows into reserves during such year, as a result of which the Central Bank could hardly retain 275 million dollars by the end of the year. It is worth mentioning that the Argentine government resolved to postpone the negotiation of a new credit facility program and honor its debts with the international organization that fell due in the last months of the year with the DEGs received from the IMF.

Thus, the Central Bank’s gross reserves, including those associated to the minimum cash requirements for deposits in foreign currency accepted by the banks, amounted to US\$39,662 million by the end of the year, virtually the same level of gross and net reserves held at the beginning of the year.

The trend of real growth in Peso deposits recorded in 2020 continued in 2021. Total deposits in Pesos increased by 61.1%, based on a point-to-point measurement, that is, slightly over 6% in real terms. As concerns the private sector deposits, such increase was somewhat lower, that is, a 59.2% nominal growth and 5.2% in real terms. Sight deposits increased by almost 8%, adjusted for inflation, whereas time deposits rose by 3% in similar terms. The increase in time deposits was extremely uneven: the balance of customary deposits rose by 1% in real terms while those adjusted for inflation increased by 91%. Dollar deposits from the private sector marginally fell in nominal terms -1.1% or -7.5% if adjusted for inflation in the United States. Deposits in Pesos and Dollars from the public and private sectors accounted for almost 25% of the GDP.

The minimum cash requirements established by the Central Bank acting as the system’s regulatory authority, reached 45% of the average balance for sight deposits in larger entities, 32% for time deposits with a maturity of less than 29 days, 22% for deposits with a maturity of between 30 and 59 days and 4% for deposits with a maturity of up to 89 days. Smaller-sized entities have a lower minimum cash requirement. Deposits adjusted for inflation (UVA) are subject to a reserve requirement pattern of 7%, 5% and 3% based on their length (less than 29, less than 59 and less than 89 days, respectively). The minimum cash requirement for deposits in foreign currency with a maturity of up to 29 days is set at 23% of the average but, in a context of low demand of loans in foreign currency, liquidity balances in foreign currency are significantly higher.

Loans in Pesos to the private sector increased by 49.2%, based on a point-to-point measurement, that is, a slight 1% decline in real terms. The balance of loans to the private sector in dollars dropped by 25% in view of the private sector expectations that an increase in the quoted price of the US dollar in the official exchange market would surpass interest rates in Pesos. In the consumption segment, credit card financing decreased by 8% whereas personal loans remained unchanged after being adjusted for inflation. There was a 3.7% recovery in the demand of commercial credit facilities, in real terms. In turn, there was a 11% drop in mortgage loans while pledge loans rose by 46%.

Delinquency levels recorded a slight increase until reaching 4.3% by the end of 2021. This represents an increase from the 4.2% reported in December 2020; however, the figures are not totally comparable since the Central Bank had modified the rules for recording late payments during the pandemics and the situation returned to normal after June 2021. Upon comparing such figures with those in 2019, arrearage fell from the 5.7% recorded at that time and even more following a peak of 6.1% in February 2020, just before the outbreak of the pandemics. Coverage of late payments by means of allowances is 110%, a decrease from the 136% recorded at the end of 2020.



Delinquency is quite heterogeneous based on the type of financial institutions. Late payments reported by private banks is only 2.8% with a 151.7% coverage by means of allowances. Likewise, in the case of official banks, such figure has more than doubled, with an uncollectibility ratio of 6.6% and allowances providing arrearage coverage (85%). The uncollectibility charges of the system ranged from an average of Ps. 21,600 million per month in 2020 to Ps. 13,500 million per month in 2021, on a constant currency basis, in consistence with late payments reduction.

As part of a set of initiatives aimed at channeling the supply of bank loans to some segments in the market and the National Treasury, the Central Bank has authorized that minimum cash requirements be partially satisfied by means of certain government securities purchased at auctions and debt of the monetary authority that entities may use in accordance with their participation in credit programs under the regulation. Hence, the share of revenues from holdings of debt of the National Treasury and the Central Bank for the entire system in the aggregate financial revenues rose from 50% to 57%, whereas interest on loans dropped from 40% to 34%.

Without experiencing significant changes in expense coverage with revenues from non-financial services, the evolution of bank profitability was driven by the results of financial intermediation. Slow payment recovery fell short in compensating the drop in intermediation margin so that aggregate earnings in 2021 significantly decreased. After recording average monthly profits in an amount of Ps. 27,600 million in 2020, an amount equal to Ps.17,600 million per month was recorded in 2021. Mention should be made to the factors that impaired bank profitability during that term such as, among others, low credit demand, subsidized loans, regulated interest rates that impacted on the margin of financial intermediation. There was a 36% decrease in profits for the entire system and 46% for the private sub-system. Thus, accumulated ROA for 2021 adjusted for inflation declined from 2.4% to 1.1%. In turn, accumulated ROE was 7.2% for the total financial system and 8.0% for the private bank subsystem.

The system is capitalized to a very satisfactory extent. Capital integration is 25.6%, that is, 239% more than is required according to the Central Bank's statistics. Private banks have an excess of capital as payment is higher than 27%. These sound figures with respect to capital are supplemented by the entities' satisfactory liquidity levels. Liquid assets accounted for as the aggregate of cash and cash equivalents, minimum cash requirements, swaps, securities for minimum cash requirements and drafts issued by the Central Bank (LELIQ), represent 68.7% of total deposits, which figure has remained considerably stable throughout the year.

RESULTS OF OPERATIONS FOR YEARS 2021 – 2020

The following discussion of our results of operations is for the Bank as a whole and without reference to any operating segments.

We do not manage our Bank by segments or divisions or by customers, by products and services by regions, or by any other segmentation for purpose of accounting resources or assessing profitability.

As evidenced in the abovementioned about “Macroeconomic context” year 2020 and “Money market and Argentine financial system” year 2020, we were immersed in a complex context but continued generating profits nonetheless in a very low level as compared to 2019, despite of the pandemic COVID-19 situation and the different rules and assistances implemented by the government about that.

In 2020 the Bank started to invest in other alternatives, such as CER bond adjusted and BADLAR bond adjusted, considering the pandemic situation and the drop in the private sector loan demand.

As evidenced in the abovementioned about “Macroeconomic context” year 2021 and “Money market and Argentine financial system” year 2021, during the second half of the year 2021 the economy was a gradually opening and, as consequence, we steadily started showing slightly improves in loans and other financing and continue investing in government and private securities. A special situation experienced in the year 2021 was the midterm election and it direct impact in deposits, by means of a reduction in dollars deposits (given the uncertainty about that at that moment).

Our loans and other financing portfolio to the private sector has grown by 38% in 2021 in nominal value, keeping up with the evolution of the financial system. In real terms, the private sector loan portfolio decreased by 8% compared to 2020.

During 2021, we maintained a leading position in terms of personal loans, with Ps. 93,616 million, which represent a 13.9% of market share. As to its credit card products, in 2021 we have slightly improved our market share, reaching a market share of 7.4%.

Our coverage ratio reached 291.98% as of December 31, 2021 (considering the internal rating grade), decreasing from the 327.67% reached as the end of 2020. In this regard, it is worth mentioning that in 2020, within the context of COVID-19, the Central Bank had established the mandatory rescheduling of debts, thus allowing financial institutions not to recognize the portfolio deterioration generated as a consequence of the aforementioned context. It should also be clarified that in 2020, our management had made a special adjustment of allowances with prospective vision of Ps. 5,587.3 million, based on the deterioration of customer situation which showed higher levels of vulnerability or symptoms of payment difficulties as a consequence of the pandemic.

At the end of the period established for mandatory rescheduling (March 2021), the portfolio showed the true impact of the pandemic and we started to apply the provisions customers who verified defaults in their financial commitments.

As of December 31, 2021, having considered that the circumstances that originated the adjustment of allowances due to COVID-19 had disappeared, no adjustment for such concept were recorded. However, our management decided to estimate an incremental effect on the ECL, in order to cover an uncertain macroeconomic scenario derived from the rescheduling of the debt held by the National Government with the IMF. To this end, an additional adjustment based on expert judgment of Ps. 1,986 million was recorded.

In accordance to the internal rating grade criterion, the delinquency rate reached the 0.9% of the total portfolio as of December 31, 2021. The irregularity of the portfolio decreased in regard to the previous given that during 2021, as a consequence of a measured economic reactivation resulting from the gradual overcome of the pandemic situation, the overall performance of the portfolio improved.



It is worth noting that during 2020 and 2021, we have invested part of the liquidity excess on government securities, explaining the increase in such portfolio, considering the lockdown and the down of activity for COVID 19 pandemic and the direct impact in the level of the economy.

Our total deposits increased by 20% in 2021 in nominal value and decreased by 20% in real terms compared to 2020. Regarding the composition of deposits, there was a decrease in time deposits and to a lesser extent in demand deposits.

We rank fourth among private entities with the highest volume of deposits and a market share of 4.9% of the financial system as a whole.

As of December 31, 2021, the Bank's liquidity reached Ps 530,270 million, maintaining a 90% of liquidity ratio similar to that achieved at the end of 2020.

YEAR ENDED DECEMBER 31, 2021, COMPARED TO YEAR ENDED DECEMBER 31, 2020

Net income

The following table sets forth certain components of our statement of income for the years ended December 31, 2020, and 2021:

<u>INCOME STATEMENT</u>	<u>Year Ended December 31,</u>		<u>Change December 31,</u>	
	<u>2020 (1)</u>	<u>2021</u>	<u>2021 - 2020</u>	
	<i>(in thousands of Pesos, except for number of shares, net income per share and dividends per share)</i>			
Interest income	237,099,433	225,432,183	(11,667,250)	(5%)
Interest expense	(91,823,708)	(94,433,865)	(2,610,157)	3%
Net interest income	145,275,725	130,998,318	(14,277,407)	(10%)
Commissions income	37,347,136	36,984,075	(363,061)	(1%)



Commissions expense	(3,090,218)	(3,530,951)	(440,733)	14%
Net commissions income	34,256,918	33,453,124	(803,794)	(2%)
Subtotal (Net interest income + Net commissions income)	179,532,643	164,451,442	(15,081,201)	(8%)
Net gain from measurement of financial instruments at fair value	21,099,670	16,684,661	(4,415,009)	(21%)
Profit from sold or derecognized assets at amortized cost	1,951,429	244,053	(1,707,376)	(87%)
Differences in quoted prices of gold and foreign currency	6,384,364	4,647,686	(1,736,678)	(27%)
Other operating income	8,105,211	7,829,104	(276,107)	(3%)
Credit loss expense on financial assets	(11,866,426)	(2,595,721)	9,270,705	(78%)
Net operating income before expenses, depreciation and amortization	205,206,891	191,261,225	(13,945,666)	(7%)
Employee benefits	(40,148,367)	(39,481,224)	667,143	(2%)
Administrative expenses	(21,946,715)	(20,091,917)	1,854,798	(8%)
Depreciation and amortization of fixed assets	(6,645,030)	(7,125,708)	(480,678)	7%
Other operating expenses	(30,908,232)	(34,203,944)	(3,295,712)	11%
Net operating income after expenses, depreciation and amortization	105,558,547	90,358,432	(15,200,115)	(14%)
Income (Loss) from associates and joint arrangements	(10,348)	87,497	97,845	(946%)
Loss on net monetary position	(46,376,595)	(66,386,613)	(20,010,018)	43%
Income before tax on continuing operations	59,171,604	24,059,316	(35,112,288)	(59%)
Income tax on continuing operations	(19,693,276)	(1,186,032)	18,507,244	(94%)
Net income from continuing operations	39,478,328	22,873,284	(16,605,044)	(42%)
Net income for the fiscal year	39,478,328	22,873,284	(16,605,044)	(42%)
Net income for the fiscal year attributable to controlling interest	39,477,783	22,872,537	(16,605,246)	(42%)
Net income for the fiscal year attributable to non-controlling interest	545	747	202	37%

(1) Figures stated in thousands of pesos adjusted for inflation as of December 31, 2021. See "Presentation of certain financial and other information".

2021 and 2020

Our consolidated net income from continuing operations for fiscal year ended as of December 31, 2021 decreased Ps. 16,605.0 million or 42% as compared to fiscal year ended as of December 31, 2020. This decrease was primarily attributable to:

- A higher loss on monetary position by 43 % or Ps. 20,010 million;
- A decrease in net interest Income by 10% or Ps.14,277.4 million;
- A lower net gain from measurement of financial instruments at fair value by 21% or Ps. 4,415 million;
- A lower gain from difference in quoted prices on gold and foreign currency by 27% or Ps.1,736.7 million;
- A lower profit from sold or derecognized assets at amortized cost by 87% or Ps.1,707.4 million;
- An increase in operating expenses by 1% or Ps. 1,254.4 million;
- A decrease in net commission income by 2% or Ps.803.8 million.

The aforementioned decrease in consolidated net income from continuing operations was partially offset by:

- A decrease in income tax on continuing operations by 94% or Ps.18,507.2 million;
- A decrease in credit loss expense on financial assets by 78% or Ps. 9,270.7 million;

The drop in the result for the year is the consequence of the decrease in the level of loans and other financing, which has not yet recovered, given the context of the COVID 19 pandemic. It is worth mentioning that in the last quarter of 2021 there was an increase in the portfolio of loans and other financing. Similar behavior was observed in fee and commission income, which has not yet recovered the levels of fiscal year 2020. The decrease in interest income from loans and other financing was partially offset by the growth in the results from government securities, which improved with respect to the previous year, due to the increase in rates (in the case of LELIQs) and/or the increase in the adjustment coefficients of securities, whether CER or BADLAR;

The inflation level for this year was higher, approximately 14.8 pp, eroding the results obtained. In addition, there was a lower devaluation during the year compared to the previous year, which resulted in a lower gain on exchange rate differences.

**Interest income**

The components of our interest income for the years ended December 31, 2021 and 2020 were as follows:

INTEREST INCOME	Year Ended December 31,	
	2020 (1)	2021
	<i>(in thousands of Pesos)</i>	
Interest on Cash and bank deposits	193,460	13,178
Interest from government securities	94,667,414	101,848,395
Interest from debt securities	2,427,111	302,874
Interest on loans and other financing		
To the financial sector	1,527,637	675,993
To the non-financial public sector	4,457,688	1,815,621
To the non-financial private sector		
Interest on overdrafts	16,321,249	8,072,197
Interest on documents	7,182,686	9,373,376
Interest on mortgages loans	12,187,053	15,282,763
Interest on pledged loans	718,517	1,063,465
Interest on personal loans	49,343,303	48,138,879
Interest on credit cards	17,374,420	14,730,200
Interest on financial leases	86,091	84,257
Interest on other	19,945,173	15,494,963
Interest on Repos		
From the Central Bank	10,523,216	8,483,343
Other financial institutions	144,415	52,679
Total Interest income	237,099,433	225,432,183

(1) Figures stated in thousands of pesos adjusted for inflation as of December 31, 2021. See "Presentation of certain financial and other information".

2021 and 2020

Our interest income decreased 5% or Ps.11,667.3 million as compared to fiscal year ended December 31, 2020, due to lower interest on loans and repos. This decrease was partially offset by the growth of interest from government and debt securities.

Interest from government securities and debt securities combined increased 5% or Ps.5,056.7 million. Interest derived from government securities increased by 8%, or Ps. 7,181 million, given the higher gain from LELIQs of the Central Bank for Ps.9,957 million, due to a higher volume on these instruments (the average placements in instruments issued by the Central Bank increased approximately 39% in 2021) compensated by lower nominal interest rates of these instruments (decreased on average 15.6 percentage points in such year, from 39.1% in 2020 to 37.5% in 2021), the decline in interest rate did not offset the increase in volume. On the other hand, we have gains from bonds and notes adjusted by CER for Ps.15,967 million and from bonds adjusted by Badlar for Ps.5,078 million. It is important to remember that since 2020 we are investing the excess of liquidity in others government securities adjusted by Badlar or by CER.

Interest from debt securities declined 88% or Ps. 2,124.2 million, primarily in regard to the results generated by private securities, mainly due to the maturity during 2021 of a large part of the outstanding portfolio as of December 31, 2020.

Interest on repos decreased 20% or Ps. 2,131.6 million as compared to fiscal year ended December 31, 2020, due to a decrease of 50% in average volume partially compensated by an increase of 13,36 percentage points in nominal average interest rate.

Interest on loans and other financing decreased 11% or Ps.14,412.1 million, basically as a result of the 15% drop in the average volume of loans to the private sector in fiscal year 2021 compared to 2020, given the drop-in economic activity observed in Argentina and deepened by the consequences of the COVID 19 pandemic.



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The average nominal interest rate for private sector loans and other financing increased by 178 basis points (from 31.9% in average in 2020 to 33.7% in average in 2021) but failed to reverse the impact of the average drop in the volume of loans and financing granted compared to the previous year. Specifically, we observed a decrease in interest on Overdraft and on Others (mostly are loans to SMEs, as part of the relief package given the Covid-19 pandemic), by 51% or Ps.8,249 million and by 22% or Ps. 4,450.2 million respectively. Within consumer loans, a decrease in interest on credit cards and interest on personal loans by 15% or Ps. 2,644.2 million and 2% or Ps. 1,204.4 million respectively was more in line with the level of the activity. However, interest on documents and mortgage loans grew 30% or Ps 2,190.7 million and 25% or Ps.3,095.7 million respectively (mortgages are in line with CER adjustment).

Interest expenses

The components of our interest expenses for the years ended December 31, 2020, and 2021 were as follows:

INTEREST EXPENSE

	Year Ended December 31,	
	2020 (1)	2021
	<i>(in thousands of Pesos)</i>	
From deposits		
Interest on checking accounts	2,982,438	1,316,252
Interest on saving accounts	987,368	1,236,778
Interest on time deposits and investments accounts	81,358,031	87,258,406
Interest on financing received from Central Bank of Argentina and other financial institutions	152,200	156,354
For repo transactions		
Other financial institutions	295,464	294,566
Interest on corporate bonds	2,336,383	862,078
Interest on subordinated corporate bonds	3,619,241	3,245,046
Interest on other financial liabilities	92,583	64,385
Total interest expense	91,823,708	94,433,865

(1) Figures stated in thousands of pesos adjusted for inflation as of December 31, 2021. See "Presentation of certain financial and other information".

2021 and 2020

Interest expense increased 3% or Ps. 2,610,1 million as compared to 2020, due to higher interest paid on time deposits portfolio.

Interest on deposits represented 95% of total interest expense and increased by 5% or Ps. 4,483,6 million, as compared to fiscal year ended December 31, 2020. The increase in interest on deposits was mainly due to a higher interest rate for private sector deposits (approximately an increase of 357 basic points). Additionally, during 2021 the average volume of interest-bearing deposits from private sector decreased 6%, the Peso deposits decreased 2% and foreign currency deposits decreased 22%.

On the other hand, interest on corporate bonds fell 63% or Ps. 1,474.3 million, due to the cancellation of Class "C" notes on April 9, 2021.

Net gain from measurement of financial instruments at fair value

2021 and 2020

Net gain from measurement of financial instruments at fair value decreased by 21% or Ps.4,415 million compared to 2020, primarily due to lower gain from equity instruments at fair value through profit or loss (basically Prisma Medios de Pagos S.A- see note 12 to our audited consolidated financial statements as of December 31, 2021 and 2020) and lesser gain from derivative financial instruments (put options) by Ps.4,847.6 million and Ps. 1,675.2 million respectively, partially offset by an increase in gain from government securities of Ps.1,704.4 million.

**Net Commissions income**

The following table provides a breakdown of our commission's income by category for the years ended December 31, 2020 and 2021:

<u>NET COMMISSIONS INCOME</u>	<u>Year Ended December 31,</u>	
	<u>2020 (1)</u>	<u>2021</u>
	<i>(in thousands of pesos)</i>	
AFIP & Collection services	140,512	159,050
Fees charged on deposit accounts	13,929,189	14,208,218
Mutual funds & securities fees	821,854	758,342
ATM transactions fees	3,231,640	3,456,037
ANSES fees	79,955	52,491
Insurance fees	2,417,088	2,284,875
Corporate services fees	3,656,461	4,127,080
Financial agent fees (Provinces)	1,898,989	2,063,647
Debit card fees	2,232,819	2,410,620
Credit card fees	7,842,634	6,587,108
Credit related fees	1,095,995	876,607
Total commissions income	37,347,136	36,984,075
Total commissions expense	(3,090,218)	(3,530,951)
Net commissions income	34,256,918	33,453,124

(1) Figures stated in thousands of pesos adjusted for inflation as of December 31, 2021. See "Presentation of certain financial and other information".

2021 and 2020

Net commission income decreased by 2%, or Ps. 803.8 million in 2021, due to a decrease in total commissions income by 1% and increase in total commissions expense by 14%.

Total commissions income decreased by 1% or Ps. 363.1 million in 2021 compared to fiscal year ended December 31, 2020, primarily due to a 16% or Ps.1,255,5 million decrease in fees charged on credit card and a decrease in credit related fees by 20% or Ps. 219.4 million, partially offset by an increase in fees charged on deposit accounts by 2% or Ps.279 million and an increase in corporate service fees by 13% or Ps.470.6 million. The drop in commissions reflects the decline in economic activity compared to the previous year.

Total commissions expense increased by 14% or Ps. 440.7 million compared to fiscal year ended December 31, 2020, due to a 24% or Ps.460,9 million increase in commissions paid for ATM exchange. This increase is partly a reflection of the growth of the ATM network in 2021.

Differences in quoted prices in gold and foreign currency*2021 and 2020*

In fiscal year ended December 31, 2021, the differences in quoted prices of gold and foreign currency totaled Ps. 4,647.7 million representing a 27% or Ps. 1,736.7 million decrease compared to 2020, originated as the combination of two factors, reduction in income from foreign currency exchange and a decrease of translation of FX assets and liabilities to Pesos, by 62% or Ps.888 million and 17% or Ps.848,6 million respectively. Although our average net FX position increased around 79% (due to the contraction of dollar deposits), the year-over-year change in the exchange rate offset this increase, generating a drop in revaluation results with respect to the previous year. The exchange rate (Ps per dollar) increased by 40.5% in 2020 and by 22.1% in 2021.

Credit loss expense on financial assets*2021 and 2020*

Credit loss expense on financial assets decreased 78% or Ps. 9,270.7 million compared to 2020, totaling Ps.2,595.7 million in 2021. During the previous year 2020 the management made adjustments based on an estimate of the impairment of certain financial assets showing greater vulnerability levels or signs of difficulties related to the payment of obligations in order to reflect factors not captured in the results produced by the ECL model to address the expected consequences of the COVID-19 pandemic, these adjustments were not repeated



in fiscal year 2021. In 2021 the management decided to create a loan loss provisions adjustment basically to give the uncertainty macroeconomic scenario arising from the agreement with the International Monetary Fund regarding the restructuring of Argentina's debt. For further information please see note 52.1.4 "Additional Forward-looking allowances based on expert credit judgment"/Covid-19 adjustment and Adjustment for uncertainty in external obligation restructuring to our audited consolidated financial statements as of December 31, 2021 and 2020.

Employee benefits and administrative expenses

The components of our employee benefits and administrative expenses for the years ended December 31, 2020 and 2021 were as follows:

<u>EMPLOYEE BENEFITS AND ADMINISTRATIVE EXPENSES</u>	<u>Year ended December 31,</u>	
	<u>2020 (1)</u>	<u>2021</u>
	<i>(in thousands of Pesos)</i>	
Employee benefits	40,148,367	39,481,224
Remunerations	29,701,654	28,021,686
Social Security Contributions taxes	6,660,723	6,465,594
Compensation and bonuses to employees	2,943,381	3,907,569
Employee services	842,609	1,086,375
Administrative Expenses	21,946,715	20,091,917
Taxes	2,799,149	2,928,553
Maintenance, conservation, and repair expenses	3,426,740	3,317,353
Fees to directors and syndics	2,450,162	781,557
Security services	2,135,251	2,039,237
Electricity and communications	2,307,975	2,032,559
Other fees	1,340,859	1,703,123
Leases	137,185	116,677
Advertising and publicity	651,902	872,629
Representation, travel, and transportation expenses	193,655	241,322
Stationery and office supplies	137,824	126,078
Insurance	257,538	271,659
Hired administrative services	142,769	124,743
Other	5,965,706	5,536,427
Total Employee benefits and Administrative Expenses	62,095,082	59,573,141

(1) Figures stated in thousands of pesos adjusted for inflation as of December 31, 2021. See "Presentation of certain financial and other information".

2021 and 2020

Employee benefits and administrative expenses decreased by 4%, or Ps. 2,521.9 million, in 2021.

Employee benefits declined 2% or Ps. 667.1 million, mainly due to a reduction of remunerations by 6% or Ps.1,680 million, partially offset by compensation and bonuses increase by 33% or Ps.964.2 million showing the strict cost control policies adopted by our senior management.

Administrative expense declined 8% or Ps.1,854.8 million. Within administrative expenses, fees to directors and syndic decreased by 68% or Ps.1,668.6 million as compared to fiscal year 2020 and Other decreased 7% or Ps.429.3 million. These decrease in administrative expenses were partially compensated by an increase in Others fees by 27% or Ps. 362.3 million and advertisement and publicity by 34% or 220.7 million.

**Other operating expenses**

The components of our other operating expenses for the years ended December 31, 2020 and 2021 were as follows:

<u>OTHER OPERATING EXPENSES</u>	<u>Year ended December 31,</u>	
	<u>2020 (1)</u>	<u>2021</u>
	<i>(in thousands of Pesos)</i>	
Turnover tax	16,989,091	18,066,915
Charges for other provisions	1,705,046	1,629,783
Deposit guarantee fund contributions	1,116,398	1,041,703
Donations	254,411	29,514
Insurance claims	95,229	89,574
Initial loan recognition	72,387	1,002,105
Punitive interests and other Central Bank's penalties	257	103
Other	10,675,413	12,344,247
Other Operating Expenses	30,908,232	34,203,944

(1) Figures stated in thousands of pesos adjusted for inflation as of December 31, 2021. See "Presentation of certain financial and other information".

2021 and 2020

Other operating expenses increased 11% or Ps. 3,295.7 million, mainly due to an increase in Other which increased 16% or Ps. 1,668.8 million, an increase in turnover tax by 6% or Ps. 1,077.8 million and an increase in initial loan recognition by Ps.929.7 million. The increase in Other is related to an increase in life insurance in life insurance of the remain of different kinds of loans by Ps.2,295 million and higher cost from brands like MasterCard and Visa, Banelco and Prisma.

Loss on net monetary position*2021 and 2020*

The loss generated by the net monetary position in fiscal year 2021 was 43% or Ps.20,010 million higher than that recorded in 2020, moving from Ps.46,376.6 million in 2020 to Ps. 66,386.6 million in 2021, as a consequence of the increase of inflation rate around 14.8 percentage points, moving from 36.14% to 50.94%. Moreover, the monetary assets grew Ps.56 million and monetary liabilities decreased Ps.130 million, generating a higher revaluation loss.

It is important to remember that the monetary assets generate losses and monetary liabilities generate gains. The net monetary position is the difference between losses and gains.

Income tax*2021 and 2020*

Income tax decreased 94% or Ps.18,507.2 million in fiscal year 2021 and the effective income tax rate was 33.3% for 2020 and 4.9% for 2021.

As of December 31, 2021, and 2020, all the conditions established by the income tax Law to practice the inflation adjustment were met and the current and deferred income tax was recognized, including the effects of the application of the inflation adjustment on income taxes established by Law and the current and deferred income tax was recognized, including the effects of the application of the inflation adjustment on income taxes established by Law.

This table shows the reconciliation between income tax and the amounts obtained by applying the current tax rate in Argentina to the income carrying amount:

<u>Composition</u>	<u>Year ended December 31,</u>	
	<u>2020</u>	<u>2021</u>
	<i>(in thousands of Pesos)</i>	
Income carrying amount before income tax	59,171,604	24,059,316



Applicable income tax rate	30%	35%
Income tax on income carrying amount	17,751,481	8,420,761
Net permanent differences and other tax effects including the fiscal inflation adjustment	1,941,795	(7,234,729)
Total income tax	19,693,276	1,186,032

It should be noted that in FY2021 the effective tax rate was affected by the inflation adjustment determined for accounting and income tax purposes, both current and deferred. For more information, please see Note 29 “Income Tax” to our audited consolidated financial statements as of December 31, 2021, and 2020.

RESULTS OF OPERATIONS FOR YEARS 2020 – 2019

The following discussion of our results of operations is for the Bank as a whole and without reference to any operating segments.

We do not manage our Bank by segments or divisions or by customers, by products and services by regions, or by any other segmentation for purpose of accounting resources or assessing profitability.

Our loans and other financing portfolio to the private sector has grown by 17% in 2020 in nominal value, keeping up with the evolution of the financial system. In real terms, the private sector loan portfolio decreased by 14% compared to 2019.

During 2020, we maintained a leading position in terms of personal loans, with Ps. 101,274.9 million, which represent a 15.14% of market share. As to its credit card products, in 2020 we maintained a 6.9% of market share, increasing 11% year over year.

Considering what is explained in Note 51.1.4 to our audited consolidated financial statements as of December 31, 2020 and 2019 (not included in this annual report), the coverage indicator as of December 31, 2020, reached a 327.67% ratio towards the end of the fiscal period, higher than the coverage ratio at the end of 2019. The levels of delinquency have stayed in historically low value, the non-performing ratio was 1.13% over total portfolio as of December 31, 2020. The irregular portfolio showed a fall compared to the previous year as a result of the facilities given by the Central Bank, in the midst of the COVID-19 pandemic, in terms of debtor classification giving a more flexible treatment for the recognition of regulatory impairment of bank customers and the deferral of payment of bank obligations of all debtors and the mandatory refinancing of overdue debts.

While these measures helped the pandemic to have a low impact on the delinquency of banks’ portfolios, the negative results of the deterioration in the financial capacity of debtors are undeniable, so that an increase in the impairment of assets subject to credit risk is to be expected. Since statistical models do not adequately capture the effects of the pandemic on Expected Credit Losses, we have decided to make a special adjustment prospectively based on an estimate of the impairment of certain financial assets that show higher levels of vulnerability or symptoms of difficulties in the payment of obligations. As a result of the above, a significant increase in the coverage ratio is observed.

It is worth noting that during 2020, we have invested part of the liquidity excess on government securities, explaining the increase in such portfolio.

Our total deposits increased by 86% in 2020 in nominal value and increased by 37% in real terms compared to 2019. Regarding the composition of deposits, there was a larger growth in time deposits and to a lesser extent in demand deposits.

The Bank continues to be one of the three private entities with the highest volume of deposits and a market share of 6.4% of the financial system as a whole.

As of December 31, 2020, the Bank’s liquidity reached Ps 664,925 million, registering an increase of 84% in real term year over year and achieving a 90.1% of liquidity ratio.

YEAR ENDED DECEMBER 31, 2020 COMPARED TO YEAR ENDED DECEMBER 31, 2019

Net income



The following table sets forth certain components of our statement of income for the years ended December 31, 2019 and 2020:

INCOME STATEMENT

	<u>Year Ended December 31,</u>		<u>Change December 31,</u>	
	<u>2019 (1)</u>	<u>2020 (1)</u>	<u>2020 - 2019</u>	
	<i>(in thousands of Pesos, except for number of shares, net income per share and dividends per share)</i>			
Interest Income	311,458,574	237,099,433	(74,359,141)	(24%)
Interest Expense	(131,837,943)	(91,823,708)	40,014,235	(30%)
Net Interest Income	179,620,631	145,275,725	(34,344,906)	(19%)
Commissions income	39,950,749	37,347,136	(2,603,613)	(7%)
Commissions expense	(3,308,327)	(3,090,218)	218,109	(7%)
Net commissions income	36,642,422	34,256,918	(2,385,504)	(7%)
Subtotal (Net Interest Income + Net Commissions Income)	216,263,053	179,532,643	(36,730,410)	(17%)
Net gain from measurement of financial instruments at fair value	16,301,331	21,099,670	4,798,339	29%
Profit from sold or derecognized assets at amortized cost	56,338	1,951,429	1,895,091	(3364%)
Differences in quoted prices of gold and foreign currency	7,186,704	6,384,364	(802,340)	(11%)
Other operating income	15,774,926	8,105,211	(7,669,715)	(49%)
Credit loss expense on financial assets	(8,932,537)	(11,866,426)	(2,933,889)	33%
Net operating income before expenses, depreciation and amortization	246,649,815	205,206,891	(41,442,924)	(17%)
Employee benefits	(43,569,819)	(40,148,367)	3,421,452	(8%)
Administrative expenses	(26,304,635)	(21,946,715)	4,357,920	(17%)
Depreciation and amortization of fixed assets	(6,177,886)	(6,645,030)	(467,144)	8%
Other operating expenses	(45,415,936)	(30,908,232)	14,507,704	(32%)
Operating Income after expenses, depreciation and amortization	125,181,539	105,558,547	(19,622,992)	(16%)
Income/(Loss) from associates and joint arrangements	1,846,203	(10,348)	(1,856,551)	(101%)
Loss on net monetary position	(57,861,065)	(46,376,595)	11,484,470	(20%)
Income before tax on continuing operations	69,166,677	59,171,604	(9,995,073)	(14%)
Income tax on continuing operations	(26,593,127)	(19,693,276)	6,899,851	(26%)
Net income from continuing operations	42,573,550	39,478,328	(3,095,222)	(7%)
Net income for the fiscal year	42,573,550	39,478,328	(3,095,222)	(7%)
Net income for the fiscal year attributable to controlling interest	42,573,192	39,477,783	(3,095,409)	(7%)
Net income for the fiscal year attributable to non-controlling interest	358	545	187	52%

(1) Figures adjusted for inflation as of December 31, 2021. See "Presentation of certain financial and other information"

2020 and 2019

Our consolidated net income from continuing operations for fiscal year ended as of December 31, 2020, shows a decrease of Ps. 3,095.2 million as compared to fiscal year ended as of December 31, 2019. This decrease was primarily attributable to:

- A decrease in net interest income of Ps. 34,344.9 million or 19%.
- A decrease in other operating income of Ps. 7,669.7 million or 49%.
- An increase in credit loss expense on financial assets of Ps. 2,933.9 million or 33%
- A decrease in net commissions income of Ps. 2,385.5 million or 7%.

The aforementioned decrease in consolidated net income from continuing operations was partially offset by:

- A decrease in other operating expenses of Ps. 14,507.7 million or 32%.
- A decrease in loss on net monetary position of Ps. 11,484.5 million or 20%
- A decrease in employee benefits and administrative expenses of Ps. 7,779.4 million or 11%.
- A decrease in income tax of Ps. 6,899.9 million or 26%.
- An increase in net gain from measurement of financial instruments at fair value of Ps.4,798.3 million or 29%

**Interest income**

The components of our interest income for the years ended December 31, 2020 and 2019 were as follows:

<u>INTEREST INCOME</u>	<u>Year Ended December 31,</u>	
	<u>2019 (1)</u>	<u>2020 (1)</u>
	<i>(in thousands of Pesos)</i>	
Interest on Cash and bank deposits	535,535	193,460
Interest from government securities	132,880,223	94,667,414
Interest from debt securities	2,932,510	2,427,111
Interest on loans and other financing		
To the financial sector	4,259,168	1,527,637
To the non-financial public sector	2,777,681	4,457,688
To the non-financial private sector		
Interest on overdrafts	31,963,616	16,321,249
Interest on documents	11,462,624	7,182,686
Interest on mortgages loans	16,651,304	12,187,053
Interest on pledged loans	1,291,305	718,517
Interest on personal loans	61,628,873	49,343,303
Interest on credit cards	27,137,428	17,374,420
Interest on financial leases	373,477	86,091
Interest on other	10,814,401	19,945,173
Interest on Repos	—	—
From the Central Bank	834,597	10,523,216
Other financial institutions	5,915,832	144,415
Total Interest income	311,458,574	237,099,433

(1) Figures adjusted for inflation as of December 31, 2021. See "Presentation of certain financial and other information".

2020 and 2019

Our interest income decreased 24% or Ps.74,359.1 million as compared to fiscal year ended December 31, 2019, due to lower interest from government securities, and debt securities and lower interest on loans. This decrease was partially offset by higher interest on repos.

Interest from government securities and debt securities decreased 29% or Ps. 38,718.2 million. Interest derived from government securities decreased by 29%, or Ps. 38,212.8 million, given the lower interest rate on LELIQs of the Central Bank. The average placements in instruments issued by the Central Bank increased approximately 22% in 2020. The nominal interest rates of these instruments decreased on average 25.7 percentage points in such year, from 65.4% in 2019 to 39.7% in 2020. The increase in volume did not offset the decline in interest rate.

Interest on repos increased 58% or Ps. 3,917.2 million as compared to fiscal year ended December 31, 2019, due to an increase of 329% in average volume and a 39.3 percentage points in nominal average interest rate.

Interest on loans and other financing decreased 23% or Ps. 39,216.1 million, however interest on other loans grew mostly by loans to SMEs at a 24%/35% interest rate, as part of the relief package given the Covid-19 pandemic.

The total decrease in interest on loans and other financing was a result of a decrease in average volume by 16% and a decrease in the nominal average interest rate by 3.2 percentages points.

Interest expenses

The components of our interest expenses for the years ended December 31, 2019 and 2020 were as follows:

<u>INTEREST EXPENSE</u>	<u>Year Ended December 31,</u>	
	<u>2019 (1)</u>	<u>2020 (1)</u>
	<i>(in thousands of Pesos)</i>	
From deposits		
Interest on checking accounts	810,562	2,982,438
Interest on saving accounts	1,353,185	987,368
Interest on time deposits and investments accounts	119,648,527	81,358,031

**INTEREST EXPENSE**

	Year Ended December 31,	
	2019 (1)	2020 (1)
Interest on financing received from Central Bank of Argentina and other financial institutions	543,101	152,200
For repo transactions		
Other financial institutions	691,469	295,464
Interest on corporate bonds	4,906,293	2,336,383
Interest on subordinated corporate bonds	3,500,346	3,619,241
Interest on other financial liabilities	384,460	92,583
Total interest expense	131,837,943	91,823,708

(1) Figures adjusted for inflation as of December 31, 2021. See "Presentation of certain financial and other information".

2020 and 2019

Interest expense decreased 30% or Ps. 40,014.2 million as compared to 2019, due to lower interest paid on time deposits portfolio.

Interest on deposits represented 93% of total interest expense and decreased by 30% or Ps.36,484.4 million, as compared to fiscal year ended December 31, 2019. The decrease in interest on deposits was mainly due to a decrease in nominal interest rates during fiscal year 2020, from 22.3% on average in fiscal year ended December 31, 2019, to 16.7% on average in fiscal year ended December 31, 2020 for private sector deposits (approximately a decrease of 5.6 percentage points). Additionally, during 2020 the average volume of interest-bearing deposits from private sector decreased 14%, the peso deposits increased 3% and foreign currency deposits decreased 47%.

Net gain from measurement of financial instruments at fair value**2020 and 2019**

Net gain from measurement of financial instruments at fair value increased by 29% or Ps. 4,798.3 million compared to 2019, primarily due to a gain from government securities of Ps.11,330.4 million due to:

- (i) Federal government treasury bonds adjusted by CER (maturity 2021) by Ps. 6,602.2 million and National treasury bills at discount in pesos by Ps. 1,678.5 million
- (ii) changes in business model related to certain investments by Ps.2,108.7 million. For more information see note 3.2 "Financial Instruments" to our audited consolidated financial statements as of December 31, 2020 and 2019 (not included in this annual report).

In addition, in comparison with the previous year a lower gain from derivative instruments (forwards transactions in dollars) of Ps. 2,982.0 million and a lower gain from equity instruments at fair value through profit or loss of Ps. 3,029.2 million (gain from the revaluation of Prisma of Ps. 1,667.9 million, offset by its inflation adjustment of Ps.4,670.1 million).

Net Commissions income

The following table provides a breakdown of our commissions income by category for the years ended December 31, 2019 and 2020:

NET COMMISSIONS INCOME	Year Ended December 31,	
	2019 (1)	2020 (1)
	<i>(in thousands of pesos)</i>	
AFIP & Collection services	285,471	140,512
Fees charged on deposit accounts	15,878,730	13,929,189
Mutual funds & securities fees	561,296	821,854
ATM transactions fees	2,242,352	3,231,640
ANSES fees	90,448	79,955
Insurance fees	2,402,958	2,417,088
Corporate services fees	4,383,890	3,656,461
Financial agent fees (Provinces)	2,078,225	1,898,989
Debit card fees	2,034,660	2,232,819
Credit card fees	8,418,895	7,842,634
Credit related fees	1,573,824	1,095,995
Total commissions income	39,950,749	37,347,136
Total commissions expense	(3,308,327)	(3,090,218)



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NET COMMISSIONS INCOME

	Year Ended December 31,	
	2019 (1)	2020 (1)
	<i>(in thousands of pesos)</i>	
Net commissions income	36,642,422	34,256,918

(1) Figures adjusted for inflation as of December 31, 2021. See "Presentation of certain financial and other information".

2020 and 2019

Net commission income decreased by 7%, or Ps. 2,385.5 million in 2020, mainly due to a decrease in total commissions income.

Total commissions income decreased by 7% or Ps. 2,603.6 million in 2020 compared to fiscal year ended December 31, 2019, primarily due to a 12% or Ps. 1,949.5 million decrease in fees charged on deposit accounts and a 17% or Ps. 727.4 million decrease in corporate service fees.

Total commissions expense decreased by 7% or Ps. 218.1 million compared to fiscal year ended December 31, 2019, due to a 44% or Ps.315.5 million decrease in commissions for credit card and foreign trade.

Differences in quoted prices in gold and foreign currency*2020 and 2019*

In fiscal year ended December 31, 2020, the differences in quoted prices of gold and foreign currency totaled Ps. 6,384.4 million representing a 11% or Ps. 802.3 million decrease compared to 2019, originated as the combination of different factors: i) higher results of translation of FX assets and liabilities to Pesos, due to the increase in the exchange rate, from an annual average of Ps. 48.2423 during fiscal year 2019 to an annual average Ps. 70.5941 in fiscal year 2020, and ii) 81% or Ps. 6,042.4 million decrease in result for foreign currency trading.

DIFFERENCES IN QUOTED PRICES OF GOLD AND FOREIGN CURRENCY

	Year ended December 31,	
	2019 (1)	2020 (1)
	<i>(in thousands of Pesos)</i>	
Translation of FX assets and liabilities to Pesos	(292,592)	4,947,500
Income from foreign currency exchange	7,479,296	1,436,864
Differences in quoted prices of gold and foreign currency	7,186,704	6,384,364

(1) Figures adjusted for inflation as of December 31, 2021. See "Presentation of certain financial and other information".

Credit loss expense on financial assets*2020 and 2019*

Credit loss expense on financial assets increased 33% or Ps.2,933.9 million in 2020, basically due to the management adjustment made based on an estimate of the impairment of certain financial assets showing greater vulnerability levels or signs of difficulties related to the payment of obligations in order to reflect factors not captured in the results produced by the ECL model to address the expected consequences of the COVID-19 pandemic. For further information please see note 51.1.4 "Adjustment for expected losses due to COVID-19 pandemic" to our audited consolidated financial statements as of December 31, 2020 and 2019 (not included in this annual report).

Other operating income

The components of our other operating income for the years ended December 31, 2019 and 2020 were as follows:

OTHER OPERATING INCOME

	Year ended December 31,	
	2019 (1)	2020 (1)
	<i>(in thousands of Pesos)</i>	
Credit and debit cards	452,949	185,533
Lease of safe deposit boxes	881,461	1,176,663
Other service-related fees	2,549,046	2,822,520
Other adjustments and interest from other receivables	1,617,407	1,356,368

**OTHER OPERATING INCOME**

	Year ended December 31,	
	2019 (1)	2020 (1)
	<i>(in thousands of Pesos)</i>	
Initial recognition of loans	246,296	—
Sale of property, plant and equipment	—	11,723
Others	10,027,767	2,552,404
Other Operating Income	15,774,926	8,105,211

(1) Figures adjusted for inflation as of December 31, 2021. See "Presentation of certain financial and other information".

2020 and 2019

Other operating income contracted by 49% or Ps. 7,669.7 million, mainly due to 75% or Ps. 7,475.4 million decreased in Others related to the results of sale of the 51% equity interest in PRISMA Medios de Pagos S.A. of Ps. 3,471.7 million registered in the fiscal year ended 2019 and a decrease in its inflation adjustment Ps. 3,305.6 million.

Employee benefits and administrative expenses

The components of our employee benefits and administrative expenses for the years ended December 31, 2019 and 2020 were as follows:

	Year ended December 31,	
	2019 (1)	2020 (1)
	<i>(in thousands of Pesos)</i>	
EMPLOYEE BENEFITS AND ADMINISTRATIVE EXPENSES	43,569,819	40,148,367
Employee benefits		
Remunerations	30,124,766	29,701,654
Social Security Contributions taxes	8,842,615	6,660,723
Compensation and bonuses to employees	3,595,286	2,943,381
Employee services	1,007,152	842,609
Administrative Expenses	26,304,635	21,946,715
Taxes	3,114,614	2,799,149
Maintenance, conservation, and repair expenses	3,525,873	3,426,740
Fees to directors and syndics	4,256,995	2,450,162
Security services	2,433,270	2,135,251
Electricity and communications	2,436,913	2,307,975
Other fees	2,079,772	1,340,859
Leases	462,921	137,185
Advertising and publicity	971,916	651,902
Representation, travel, and transportation expenses	406,821	193,655
Stationery and office supplies	210,031	137,824
Insurance	249,627	257,538
Hired administrative services	175,921	142,769
Other	5,979,961	5,965,706
Total Employee benefits and Administrative Expenses	69,874,454	62,095,082

(1) Figures adjusted for inflation as of December 31, 2021. See "Presentation of certain financial and other information".

2020 and 2019

Employee benefits and administrative expenses decreased by 11%, or Ps. 7,779.4 million, in 2020.

Employee benefits declined 8% or Ps. 3,421.4 million, mainly due to a 25% or Ps. 2,181.9 million decrease in social security contribution (in the fiscal year ended in December 2019 the Bank charged a higher rate of social security contribution of Ps. 2,264.1 million) and a 18% or Ps. 651.9 million decrease in Compensation and bonuses.

Within administrative expenses fees to directors and syndics decreased by 42% or Ps. 1,806.8 million as compared to fiscal year 2019 and Other fees fell 36% or Ps.738.9 million.

**Other operating expenses**

The components of our other operating expenses for the years ended December 31, 2019 and 2020 were as follows:

<u>OTHER OPERATING EXPENSES</u>	<u>Year ended December 31,</u>	
	<u>2019 (1)</u>	<u>2020 (1)</u>
	<i>(in thousands of Pesos)</i>	
Turnover tax	21,025,270	16,989,091
Charges for other provisions	2,942,073	1,705,046
Deposit guarantee fund contributions	1,183,393	1,116,398
Donations	574,448	254,411
Insurance claims	122,463	95,229
Initial loan recognition	—	72,387
Punitive interests and other Central Bank's penalties	875	257
Other	19,567,414	10,675,413
Other Operating Expenses	45,415,936	30,908,232

(1) *Figures adjusted for inflation as of December 31, 2021. See "Presentation of certain financial and other information".*

2020 and 2019

Other operating expenses decreased 32% or Ps. 14,507.7 million, mainly due to a decrease in Others which reduced 45% or Ps. 8,892.0 million and a decrease in turnover tax by 19% or Ps. 4,036.2 million. The decrease in Others is related to these concepts: i) Losses in the amount of Ps. 5,889.7 million due to reprofiling of short term debt (Lecaps, Lelink, Letes, Lecer Notes) occurred in fiscal year ended 2019 (for further information please see note 20 "Modifications of Financial Assets" to our audited consolidated financial statements as of December 31, 2020 and 2019 (not included in this annual report) and ii) Losses in the approximate amount of Ps. 2,520.7 million related to Charges on social security contributions registered in fiscal year ended 2019.

Loss on net monetary position*2020 and 2019*

The loss generated by the net monetary position in fiscal year 2020 was 20% or Ps. 11,484.5 million lower than that recorded in 2019, moving from Ps. 57,861.1 million loss in 2019 to Ps. 46,376.6 million loss in 2020, as a consequence of the movements of the net monetary position during the year (monetary liabilities rose more than monetary assets) and lower inflation rate in comparison with the previous year (from 53.83% in fiscal year 2019 to 36.14% in fiscal year 2020).

Income tax*2020 and 2019*

Income tax decreased 26% or Ps. 6,899.9 million in fiscal year 2020 and the effective income tax rate was 38.4% for 2019 and 33.3% for 2020.

As of December 31, 2020 and 2019, all the conditions established by the income tax Law to practice the inflation adjustment are met.

This table shows the reconciliation between income tax and the amounts obtained by applying the current tax rate in Argentina to the income carrying amount:

	<u>2019</u>	<u>2020</u>
	<i>(in thousands of Pesos)</i>	
Accounting Income before tax on continuing operations	69,166,677	59,171,604
Applicable income tax rate	30%	30%
Income tax on income carrying amount	20,750,003	17,751,481
Net permanent differences and other tax effects including the fiscal inflation adjustment	5,843,124	1,941,795
Total income tax	26,593,127	19,693,276

For further information please see note 28 "Income Tax" in our audited consolidated financial statements as of December 31, 2020 and 2019.



As decided by the Board of Directors in the meeting dated May 11, 2020, considering certain case-law on the subject assessed by its legal and tax advisors, on May 26, 2020, the bank filed with the AFIP its annual income tax return considering the total effect of the inflation adjustment on income tax (see Note 28 "Income tax" section a) d) to our audited consolidated financial statements as of December 31, 2020 and 2019 (not included in this annual report)). As a result, the current income tax determined for fiscal year 2019 amounted to Ps.7,002.1 million (not restated).

The same criterion has been applied to determine the annual provision for 2020, which generated an accrued income tax for Banco Macro SA for such fiscal year that amounted to Ps. 10,230.5 million (not restated).

**B. Liquidity and Capital Resources**

Our main source of liquidity consists of deposits, which totaled Ps. 588,850.7 million as of December 31, 2021, Ps.737,714.2 million as of December 31, 2020 and Ps. 540,169.5 million as of December 31, 2019. These deposits include deposits generated by our branch network, from institutional, very large corporate clients and from provincial governments for whom we act as financial agent. We consider the deposits generated by our branch network and the provincial deposits to be stable.

Approximately 10% of our total deposits as of December 31, 2021, were derived from the non-financial public sector, in particular as a consequence of the Bank's role as financial agent of four provinces. This is an important source of low-cost funding.

Total deposits, which grew in nominal values 20% in 2021 compared to 2020, represented 78% of our total liabilities as of December 31, 2021. Deposits were used primarily to finance the growth in credit made available to the private sector and the balance was invested in liquid assets. This approach has enabled us to maintain a high liquidity to deposits ratio while we await a return to stronger demand for private sector loans.

As of December 31, 2021, we had liquid assets up to Ps. 530,270 million, primarily comprised of cash and due from banks (Ps. 172,333 million), LELIQs (Ps. 132,971 million) and other securities (Ps. 178,035 million). During 2021, the liquidity ratio remained at similar levels to 2020 reaching a ratio of 90% as of December 31, 2021. Our liquidity ratio exceeds the aggregate liquidity ratio of the Argentine financial system as a whole.

On November 4, 2016, we issued our 6.75% Subordinated Resettable Notes due 2026 (Series A), for a nominal amount of U.S.\$400 million. In addition, on May 8, 2017, we issued our 17.50% Notes due 2022 (Series B), for a nominal amount of Ps.4,620.6 million, and on April 9, 2018, we issued our Notes, at a Badlar Rate, plus 3.5% due 2021 (Series C), for a nominal amount of Ps.3,207.5 million.

On October 17, 2018, the board of directors decided to cancel Series B Notes for a nominal value of Ps.1,229.5 million and on October 16, 2019, the board of directors decided to cancel Series B Notes for a nominal amount of Ps. 501.9 million, equivalent to the amounts of purchases of those issuances as of those dates.

On October 16, 2019, and on January 29, 2020, the board of directors decided to cancel Series C Notes for a nominal value of Ps. 750.5 million and Ps. 44 million respectively, equivalent to the amounts of purchases of this issuance as of those dates. As of the date of this annual report, the notes were paid, the maturity and effective payment date was April 9, 2021. On such date, we have cancelled the principal and interest for an amount of Ps. 2,636.7 million.

In addition, on April 21, 2022 we announced a subscription offering of corporate bonds Class E in US Dollars for a face value from 15,000,000 up to 20,000,000, at a fixed rate, maturing in 24 months from the issuance and settlement date. The issuance of these corporate bonds was approved by the board of directors in its meeting held on March 21, 2022. On April 27, 2022, we placed US\$17,000,000 principal amount of our 1.45%, corporate bonds Class E due on May 2, 2024.

Additionally, we currently have access to uncommitted lines of credit with foreign banks and to letters of credit. We manage the excess liquidity by analyzing interest rates from a limited number of liquid and short-term assets including Central Bank bills, deposits with the Central Bank and overnight loans to highly rated companies. The amount allocated to overnight loans is determined by the amount of deposits received from institutional investors, and as such, there is a high degree of volatility in our overnight allocations.

We believe that we have adequate working capital to meet our current and reasonably foreseeable needs. As of December 31, 2021, we had excess regulatory capital of Ps. 197,767 million. Our excess capital is aimed at supporting growth, and consequently, a higher leverage of our balance sheet.

For further information regarding management and administration guidelines in relation to liquidity risk please note 52 "Capital Management, Corporate Governance Transparency and Risk Management" to our audited consolidated financial statements as of December 31, 2021, and 2020. Additionally, for further information regarding our restricted assets and trust agreements please see notes 44 "Restricted assets" and 45 "Trust activities" to our audited consolidated financial statements as of December 31, 2021, and 2020.

The following table represents our contractual obligations and commercial commitments, excluding undrawn commitments of credit cards and checking accounts, as of December 31, 2021:

	Total	Maturing			
		Less than 1 year	1-3 years	3-5 years	After 5 years
Contractual Obligations					
Financing received from the Central Bank of Argentina and other financial entities	437,726	432,624	5,102	—	—
Issued Corporate Bonds	2,990,809	2,990,809	—	—	—
Subordinated Corporate Bonds	41,974,169	915,269	—	41,058,900	—
Other Financial Liabilities	66,514,947	66,139,545	375,402	—	—
Operating Leases	1,420,172	555,436	560,788	176,377	127,571
Total contractual obligations	113,337,823	71,033,683	941,292	41,235,277	127,571



Commercial commitments

Lines of credit	96,209	96,209	—	—	—
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	Maturing				
	Total	Less than 1 year	1-3 years	3-5 years	After 5 years
Guarantees	2,271,180	2,132,479	129,854	8,847	—
Standby letters of credit	776,334	776,334	—	—	—
Total commercial commitments	3,143,723	3,005,022	129,854	8,847	—

For information about the maturity of the contractual future cash flows of the liabilities (deposits and other liabilities), including interest and charges to be accrued until maturity of the contracts, see note 52.2 “Liquidity Risk” to our audited consolidated financial statements as of December 31, 2021, and 2020.

Minimum capital requirements

Our excess capital (representing the amount in excess of minimum reserve requirements of the Central Bank) is as set forth in nominal value in the following table:

	As of December 31,		
	2019 (1)	2020 (1)	2021 (1)
	<i>(in thousands of Pesos, except ratios and percentages)</i>		
Calculation of excess capital:			
Allocated to assets at risk	21,403,835	28,025,138	36,726,108
Market risk	591,252	1,555,663	3,585,146
Operational risk	7,562,571	11,776,741	17,437,654
Required minimum capital under Central Bank Rules	29,557,658	41,357,542	57,748,908
Ordinary capital Level 1 (Con1)	83,090,092	146,350,388	233,700,159
Deductible concepts COn1	(10,637,093)	(9,149,860)	(14,585,034)
Capital Level 2 (COn2)	26,113,428	36,248,170	36,400,671
Total capital under Central Bank Rules	98,566,427	173,448,698	255,515,796
Excess capital	69,008,769	132,091,156	197,766,888

(1) These amounts are not adjusted for inflation.

As of December 31, 2021, we had no material commitments for capital expenditures. We believe that our capital resources are sufficient for our present capital requirements on an individual and a consolidated basis.

Funding

Our principal source of funding is mainly deposits from individuals and corporate clients located in Argentina. Deposits include checking accounts, savings accounts and time deposits. The following table sets forth our sources of funding as of December 31, 2019, 2020 and 2021.

	As of December 31,		
	2019 (1)	2020 (1)	2021
	<i>(in thousands of Pesos)</i>		
Deposits			
From the non-financial government sector	36,085,124	111,040,851	56,402,528
From the financial sector	645,579	1,051,180	961,192
From the non-financial private sector and foreign residents			
Checking accounts	82,451,916	98,717,496	100,868,512
Savings accounts	186,439,469	209,574,132	185,245,996



	2019 (1)	As of December 31, 2020 (1)	2021
	<i>(in thousands of Pesos)</i>		
Time deposits	217,962,498	274,362,919	229,654,054
Investment accounts (2)	4,990,493	33,334,331	6,795,423
Other (3)	11,594,372	9,633,294	8,922,999
Financing received from the Central Bank of Argentina and other financial entities			
Central Bank	55,443	30,254	21,558
Banks and international institutions	3,856,416	541,269	276,681
Financing received from Argentine financial entities	703,107	815,787	139,487
Other Financial Liabilities	45,556,961	74,287,265	67,935,119
Unsubordinated Corporate Bonds	11,353,557	7,436,745	2,990,809
Subordinated Corporate Bonds	49,958,721	51,773,419	41,974,169
Shareholders' equity	217,948,890	228,745,729	239,637,445
Total funding	869,602,546	1,101,344,671	941,825,972

- (1) Figures adjusted for inflation as of December 31, 2021. See "Presentation of certain financial and other information."
(2) Time deposit payable at the option of the depositor.
(3) Includes, among others, expired time deposits and judicial deposits.

Critical accounting policies

Our audited consolidated financial statements are prepared in accordance with IFRS as issued by the IASB. The preparation of our consolidated financial statements require management to make, in certain cases, estimates and assumptions to determine the book value of assets and liabilities, income, expenses and contingencies. Our financial position and results of operations are based on the best estimate regarding the probability of occurrence of different future events and, thereof, the final amount may differ from such estimates, which may have a positive or negative impact on future years.

Critical accounting policies are those accounting policies that require management to make estimates based on assumptions about matters that are highly uncertain at the time the estimate is made and such estimates reasonably could have a material effect on the financial condition. Several factors are considered in determining whether or not a policy is critical in the preparation of our financial statements. These factors include, among others, whether the estimates are material to our financial statements, the nature of the estimates, the ability to readily validate the estimates with other information including information from third parties or available prices, and sensitivity of the estimates to changes in economic conditions and whether alternative accounting methods may be utilized. Note 3 to our audited consolidated financial statements contain a summary of our significant accounting policies. See also section "Accounting judgement, estimates and assumptions" of Note 3 for a discussion of our critical accounting estimates.

Income tax

In estimating accrued taxes, we assess the relative merits and risks of the appropriate tax treatment considering statutory, judicial and regulatory guidance in the context of the tax position.

On June 16, 2021, through Decree 387/2021, was issued the Law 27630 which established, for fiscal years beginning on January 1, 2021, included, a progressive tax rates scheme of 25%, 30% and 35% which will be applied, on a progressively basis, to the taxable accumulated net profit at the end of each the fiscal year. Significant matters related to the tax reform are discussed in note 3.14) and 29 to our audited consolidated financial statements as of December 31, 2021 and 2020.

Because of the complexity of tax laws and regulations, interpretation can be difficult and subject to legal judgment. It is possible that others, given the same information, may reach different reasonable conclusions regarding the estimated amounts of accrued taxes.

Changes in the estimate of accrued taxes occur periodically due to changes in tax rates, interpretations of the status of examinations being conducted by various taxing authorities, and newly enacted statutory and regulatory guidance that impact the relative merits and risks of tax positions. These changes, when they affect accrued taxes, can be material to our operating results.

There were no unrecognized tax benefits as of December 31, 2021, and 2020.



Fair Value of financial instruments

As described in note 3 section “Statement of financial position—Disclosure” to our audited consolidated financial statements, a portion of our financial assets and liabilities are measured at fair value.

The fair value is the amount at which an asset can be exchanged, or at which a liability can be settled, in mutual independent terms and conditions between participants of the principal market (or most advantageous market) duly informed and willing to transact in an orderly and current transaction. The valuation of financial instruments often involves a significant degree of judgement and complexity, in particular where valuation models make use of unobservable inputs.

To measure fair value, IFRS has established a three-level hierarchy to prioritize the valuation input among (1) quoted prices (unadjusted) for identical assets or liabilities in an active market that we have the ability to access, (2) other than quoted prices that are observable for the asset or liability, either directly or indirectly and (3) prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement. These inputs reflect management’s own assumptions about the assumptions a market participant would use in pricing the asset or liability.

When observable quoted prices are not available, fair value is based upon internally developed valuation techniques that use quoted prices for similar assets or liabilities in active markets. For instruments classified in Levels 1 and 2, where inputs are principally based on observable market data, there is less judgment applied in arriving at the fair value measurement.

For assets and liabilities that do not have similar or identical instruments traded in the market we used an internally developed model to measure significant instruments. Those instruments would be classified as Level 3 of the fair value hierarchy, which requires significant management judgment or estimation. In arriving at an estimate valuation policies and procedures for Level 3 instruments are under the direction of the accounting and financial management.

At level 3, we mainly hold Equity instruments at fair value through profit or loss (which comprises Prisma Medios de Pago SA, see notes 12 and 13 to our audited consolidated financial statements as of December 31, 2021 and 2020). Additionally, the other instruments measured as level 3 include debt securities and certificates of participation in financial trusts and corporate bonds.

Management is in charge of developing, reviewing, approving and monitoring the key model inputs, critical valuation assumptions and proposed discount rates utilized for the valuation of Level 3 instruments. In addition, the management is also in charge of monitoring the changes in fair values of Level 3 instruments from period to period.

Our management believes its valuation approach and techniques are appropriate and consistent with other market participants, however, the use of different methodologies, or assumptions, to determine the fair value could result in a different estimate or fair value at different reporting dates. For further details, see also Note 13 to our audited consolidated financial statements.

Impairment of financial assets

The expected credit losses (ECL) allowance is a forward-looking approach which is based on the credit losses expected to arise over the life of the financial asset (the lifetime expected credit loss), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months expected credit loss. We are required to record an allowance for ECL for all loans and other financing, other debt financial assets not held at Fair Value through Profit or Loss (FVPL) and other financial assets, together with loan commitments and financial guarantee contracts. Inherent in any ECL model is the estimate of the probability that a financial asset will default (probability of default, or PD), the estimate of the loss we expect to experience upon a default, expressed as a percentage of financial asset amount (loss given default, or LGD) and the drawn exposure at the time of default (EAD). We use an expert credit judgment (ECJ) overlay to reflect factors not captured in the results produced by the ECL models, such as market or economic disruptive events, like the COVID 19 pandemic.

Considering that the measurement of ECL is based not only on relevant information about past events, including historical experience, and current conditions, but also on reasonable and supportable forecasts that affect the collectability of the reported amount, our management developed assumptions and estimations for its calculation. For further detail regarding our impairment method and its quantitative impact, see also note 3.2.4. and note 52.1 to our audited consolidated financial statements.

C. Research and Development, Patents and Licenses, Etc.

We incur research and development expenses in connection with information technology projects. The amount spent during each of the last three years was not material. We plan infrastructure development (processing, telecommunications, Internet, information security) based upon present and projected future demand of such services. See Item 4. “*Information on the Bank—Business Overview—Technology*”.



D. Trend Information

We believe that the macroeconomic environment and the following trends in the Argentine financial system and in our business have affected and will, for the foreseeable future, continue to affect our results of operations and profitability. Our continued success and ability to provide value to our shareholders will depend, among other factors, upon the economic growth of the Argentine economy and the related growth of the private sector lending. For information about the macroeconomic environment see Item 5.A. “*Operating Results*”. For information about the Argentine financial system see “*The Argentine Financial System*”.

For 2022, we expect the Argentine economy to recover modestly, increasing in real terms, based on an improved global economic outlook, higher demand for exports and resumption of domestic economic activities. However, the risks to the economy remain on the downside. The continuing implementation of COVID19 vaccinations and the non-disruption of economic activities are important to sustain growth. Also, we expect inflation levels to be higher than last year, affected by the consequences of the worldwide COVID-19 pandemic and by the increase in energy, fuel and food prices as a consequence of the Russian invasion of Ukraine. In this regards, within the framework of the agreement with the International Monetary Fund during 2022, the Argentine government decided to increase nominal interest rates to contain inflation, so as to have positive interest rates in real terms, which could slow down the economy.

Furthermore, we estimate that loans will grow slightly above inflation levels, while deposits will grow in line with inflation and margins are expected to expand slightly as a result of the Central Bank’s rate hike. In addition, efficiency measured as expenses over net financial income and fees and commissions is expected to remain stable. For further information, please see “*Risk Factors—Risks relating to Argentina—Argentina’s ability to obtain financing from international markets may be limited or costly, which may impair its ability to implement reforms and public policies and foster economic growth.*”

Impact related to COVID-19 pandemic

In early March 2020, the World Health Organization declared COVID-19 outbreak a pandemic. The public health emergency situation has spread almost worldwide and different countries have taken various measures to deal with it. This situation and the measures adopted have significantly affected the international economic activity with diverse impacts in the different countries and business sectors.

Particularly in the Argentine Republic, together with health protection regulations, fiscal and financial measures were adopted to mitigate the impact on the economy associated with the pandemic, including public measures of direct financial assistance for part of the population, as well as the establishment of tax provisions for both individuals and companies. With respect to financial institutions, the Central Bank established maturity extensions, froze mortgage loan installments and encouraged banks to grant financing to companies at reduced rates.

Currently, we are developing our activities giving priority to the compliance with social distancing measures, with the main purpose of taking care of the public health and welfare of all our stakeholders (employees, suppliers and customers, among others). To this end, the Bank has put in place contingency procedures and has enabled its staff to carry out their tasks remotely. From a commercial point of view, the Bank has emphasized maintaining a close relationship with its customers, trying to respond to their needs at this difficult time, maintaining all virtual customer service channels to ensure operability and a good response to their requirements, monitoring compliance with its commercial obligations and paying special attention to its active portfolio in order to detect possible delays or defaults and to be able to establish new conditions for them.

As of the date of this annual report, certain sanitary control measures are in force, but social, commercial and professional activities have begun to develop with fewer restrictions.

Considering the dimension of the aforementioned situation, our management estimates that this situation could have significant impacts on our operations and on our financial condition and results of operations under analysis, but that they will depend on the severity of the sanitary emergency and the success of the measures taken and to be taken in the future.



Impact on future operations:

In recent years, and increasingly since the beginning of the COVID-19 pandemic, we have been prompting customers to join our digital platforms to reduce the number of clients attending ATMs, ATSS and branch offices, together with prevention and personal hygiene recommendations.

In this context, remote availability of funds, processes and services have become more relevant. Demand of debit cards and access to our *home banking* and app have increased and are expected to continue growing.

To follow this new paradigm, we have added new ways of operating and acquiring products on our website, such as the possibility of withdrawing money without a debit card, and the whitening of passwords and opening of savings accounts with biometrics.

We have worked to facilitate access to credit under special conditions to the sectors most affected by the commercial slowdown resulting from the pandemic, through the lines of credit made available for such purpose. During the pandemic, we have made available a special line of credit for the payment of salaries called "Emergency Assistance to Labor and Production" (ATP) and a special line of credit to MSMEs for the payment of capital expenses, at preferential rates.

During 2021, we have carried out different actions to facilitate the financial needs of more than 12,000 corporate clients, making available approximately Ps. 133 billion in credit lines to MSMEs comprising both working capital and investment projects with preferential rates of around 30-35%.

The Central Bank announced that it extended the Financing Line for Productive Investment until September 30, 2022, so we expect to continue providing assistance to our customers through this line under preferential conditions.

Impact on operating results and solvency

The COVID-19 pandemic had an adverse impact on different sectors of the Argentine economy. In this context, and especially where restrictions on the mobility of customers and their suppliers are in force, sales volumes have decreased, adversely impacting the generation of income from certain product lines. There has been a decrease in the demand for consumer loans. Regarding our credit card portfolio, there has been a decrease in the volume of consumption focused on industries directly affected by the nation-wide lockdown, such as tourism, clothing, and restaurants, among others.

The Central Bank has been lowering interest rates and eliminating certain fees to customers as a way to assist the most affected sectors. In addition, should the effects of the pandemic worsen with new outbreaks, an increase in non-performing loans in the financial system, including in our loan portfolio, would be expected.

Other impacts could arise from the impairment of financial assets subject to mandatory restructurings or maturity deferrals.

It is also important to mention that the Bank has the highest capital base and excess capital in the private system and, therefore, is well positioned to manage a crisis. Finally, we have high liquidity in local and foreign currency. We have low balance sheet leverage (4.2% of assets to equity ratio as of December 31, 2021). In addition, deposits represent 78% of total liabilities as of December 31, 2021, where transactional and time deposits represent 48% and 52% of total deposits, respectively. This explains the ability of our transactional and structural base of retail deposits to fund its assets.

Our exposure to public sector debt as of December 31, 2021 (excluding Central Bank instruments) was 18.1% of total assets, mainly concentrated in short-term Peso instruments and CER-adjusted government securities.

In relation to liquidity differences, although our liabilities are mostly short-term (demand deposits and 30 to 60-day term deposits), the nature of this funding is mainly transactional, as mentioned above.

Impact on the quality of our asset portfolio

The COVID-19 pandemic and the nation-wide lockdown during 2020 has strongly affected the national economy, resulting in higher expected defaults by borrowers. However, the measures adopted by the Argentine government, the Central Bank and other governmental agencies, such as a massive extension of unpaid maturities—both of individual and corporate clients—and the granting of loans with advantageous conditions to facilitate the payment of salaries and preserve jobs, have reduced defaults to a minimum, mitigating the impact on our nonperforming loans portfolio.



Since the statistical models did not adequately reflect the effects derived from the pandemic on expected credit losses, as of December 31, 2020, our management made a special forward-looking adjustment based on an estimate of the impairment of financial assets showing higher levels of vulnerability or payment difficulties.

As of April 2021, the Central Bank issued new guidelines to normalize the payment of debts, discontinuing massive rescheduling of maturities, which meant that each bank began to reflect bad debt losses according to the behavior of its portfolio.

We had a solid asset portfolio performance, given the prudent credit policy implemented, with risk diversification in sectors and regions; almost no exposure in the most affected sectors (tourism, air transportation, airports); retail loans oriented to the most solid companies in the market; high relative participation of loans linked to agricultural primary production and agribusiness -two of the sectors less affected by the pandemic-; among other reasons.

As for consumer and housing loans, we adopted lending policies oriented to low-risk or well-scored clients, with a high proportion of loans to retirees and public sector employees, whose income and payment capacity are more stable, crediting our accounts with their assets.

In conclusion, the credit losses originated by the pandemic were limited and were covered by the special adjustment (COVID) that had been accounted as of December 31, 2020.

The Argentine Financial System

The Argentine financial system has maintained a consistent positive trend in the last years with our performance improving accordingly, as evidenced by the following indicators:

	2019 (1)	As of December 31, 2020 (1)	2021
	<i>(In millions of Pesos)</i>		
Financial System (Central Bank Rules)			
Total loans	2,883,383	3,774,713	5,351,936
Total deposits	4,838,886	8,049,027	12,344,047
Banco Macro (Central Bank Rules)			
Total loans	218,774	265,377	360,112
Total deposits	262,865	488,741	588,851

Source: Central Bank for Financial System.

(1) Figures detailed in the table above have not been adjusted for inflation nor restated for the changes in the general purchasing power of the Pesos as established by IAS 29.

Total loans in the financial system increased in nominal values by 42% in 2021, and amounted to Ps.5,351,936 million as of December 31, 2021, driven by private sector loans. Our portfolio shows the same trend in nominal value that the financial system as a whole shows.

Total deposits in the financial system increased in nominal values by 53% in 2021, driven by private sector deposits and a significant increase of public sector deposits. Private sector deposits increased by 51% in 2021, amounting to Ps. 9,821,581 million as of December 31, 2021. Public sector deposits increased by 64% in 2021, amounting to Ps. 2,341,113 million. Our portfolio shows the same trend that the financial system as a whole shows but at a slower rate.

Private sector loans

In 2021, loans to the private sector grew 42% in nominal values for the financial system as a whole. This trend was also reflected in the evolution of our portfolio. Our private sector loan portfolio increased also 37% in nominal value compared to the balance as of December 31, 2020, as shown in the following table:



	As of December 31,		
	2019 (1)	2020 (1)	2021
<i>(In millions of Pesos)</i>			
Financial System (Central Bank Rules)			
Private sector loans	2,721,098	3,608,325	5,137,190
Banco Macro (Central Bank Rules)			
Private sector loans	214,369	260,095	356,466

Source: Central Bank for Financial System.

(1) Figures detailed in the table above have not been adjusted for inflation nor restated for the changes in the general purchasing power of the Pesos as established by IAS 29.

Asset Quality

As of December 31, 2021, the non-performing credit portfolio level increased to 4.3% of the total credit portfolio, whereas the coverage ratio level reached 110% across the financial system as a whole, based on Central Bank Rules. Since March 2020, the Central Bank has taken a series of measures to reduce the impact of the economic stagnation caused by the pandemic, among them the deferral of payment of bank obligations of all debtors—companies as well as individuals -, the mandatory refinancing of overdue debts and the more flexible treatment for the recognition of the regulatory impairment of bank customers, which helped overpass 2020 with a low impact on the delinquency of banks' portfolios. As a result of these flexibilities, a fall in portfolio irregularity was observed in 2020 with a consequent increase in the level of coverage.

At the end of the period established for the mandatory rescheduling (March 2021), our portfolios showed the true impact of the pandemic, reflected in the increase in irregularity and the decrease in the coverage ratio.

Notwithstanding the above, the non-performance ratio of the portfolio remains low with respect to the values observed in other economies of the region and emerging economies. Regarding the coverage ratio, the provisioning levels of the financial system continue to be high.

Our figures evidence a tendency which is in line with the trend shown by the financial system, the ratio of non-performing portfolio following Central Bank Rules reached a level of 1.3% while the coverage ratio amounted to 202% which, although showing a deterioration with respect to the previous year, the irregularity remains below pre-pandemic levels.

The table below reflects our asset quality and that of the financial system as of December 31, 2019, 2020 and 2021:

	As of December 31		
	2019	2020	2021
Financial System (Central Bank Rules)			
Non-performing lending ratio (1)	5.7%	4.1%	4.3%
Coverage ratio (2)	94%	137%	110%
Banco Macro (Central Bank Rules)			
Non-performing lending ratio (1)	2.2%	0.8%	1.3%
Coverage ratio (2)	105%	477%	202%

Source: Central Bank for Financial System.

- (1) Non-performing lending includes all lending to borrowers classified as “3—troubled/medium risk,” “4—with high risk of insolvency/high risk,” “5—irrecoverable” and “6—irrecoverable according to Central Bank Rules” under the Central Bank loan classification system.
- (2) Allowances for un-collectability risk as a percentage of non-performing credit portfolio.

Profitability

In 2021 the profitability of the financial system decreased by 33% in nominal values, achieving a total of Ps. 211,277 million as of December 31, 2021 representing a 1.1% return on average assets and 7.2% on average equity.



The table below reflects our profitability and that of the financial system as of December 31, 2019, 2020 and 2021:

	2019 (1)	As of December 31, 2020 (1)	2021
Financial System (Central Bank Rules)			
Total income (in millions of Pesos) (2)	312,051	313,740	211,277
Return on average equity	46.4%	15.8%	7.2%
Return on average assets	5.4%	2.3%	1.1%
Banco Macro (Central Bank Rules)			
Total income (in millions of Pesos)	40,800	30,269	27,123
Return on average equity	59.0%	20.9%	12.2%
Return on average assets	10.4%	4.3%	2.8%

Source: Central Bank for Financial System.

- (1) Figures detailed in the table above have not been adjusted for inflation nor restated for the changes in the general purchasing power of the Pesos as established by IAS 29.
- (2) In accordance with Communication "A" 7211, beginning in fiscal years beginning on January 1, 2021, the monetary effect accrued with respect to monetary items measured at fair value through Other Comprehensive Income (ORI) is recorded in the results for the period. The results for the years ended December 31, 2019 and 2020 were not restated in this table.

Commercial and balance sheet strategies

We have the most extensive branch network among private-sector banks in Argentina, with 94% of our branches located outside of the City of Buenos Aires. Our extended presence in Argentine regional economies and sectors that have benefited from Argentina's economic recovery grant us a key advantage with respect to other banks in terms of competing in the credit expansion service in Argentina. In addition, our strong network of branches and our role as the financial agent of various provinces provide us with a source of growth and low cost in our deposit base.

We will continue our diversification strategy regarding the credit portfolio, thus enabling to obtain satisfactory efficiency, growth, security and profitability in commercial management. We will continue to focus our assistance to small and medium-sized enterprises, emphasizing the election of dynamic economic sectors and growth potential in industrial, commercial and service areas for the purpose of contributing to companies' expansion and ensuring an acceptable return of the funds assigned. At the same time, we will also offer these enterprises a complete range of corporate financial services, including exports and imports financing, letters of credit confirmation and opening, and granting guarantees to third parties on behalf of its customers.

We maintain a strong position with respect to excess capital, the liquidity ratio and the level of our provisions for loan losses. To prevent a run on deposits, one of our main priorities is to give depositors confidence that we would be able to absorb losses and fulfill our obligations to them.

Our practice of maintaining high liquidity levels throughout the business cycles has allowed us to withstand the economic crisis by serving two key purposes. First, we have funds available in the face of adverse systemic events. Second, we give our depositors confidence that they would be able to have access to their deposits at any time, even during the depth of a crisis. We also minimize excess cash deposited in the Central Bank, without harming our overall liquidity position. In this way, we maximize the return on our liquidity stock by keeping funds in more profitable assets, such as instruments issued by the Central Bank.

E. Critical Accounting Estimates

Not Applicable

Item 6. Directors, Senior Management and Employees

A. Directors and Senior Management

We are managed by our Board of Directors, which as of the date of this annual report is comprised of 13 members and 2 alternate members. On April 16, 2012, our shareholders approved a proposal of the Board of Directors and amended our bylaws increasing the maximum size of our Board from 12 to 13 members. Currently, the shareholders may present at any annual ordinary meeting that may



determine the size of the Board of Directors, provided that there shall be no less than three and no more than thirteen members of the Board of Directors. Any director so appointed will serve for three fiscal years. If the shareholders elect more than nine board members, each director will be reelected as a staggered board, to be renewed by thirds, provided that in all cases no less than three directors shall be renewed each time. The annual ordinary shareholders' meeting may also appoint an equal or lesser number of alternate directors, to hold office for the same term than regular directors, to fill any vacancy in the board occurring for any reason whatsoever and shall further determine the order of substitution. Alternate directors shall hold office until the regular directors in whose place they have acted as substitutes shall resume office, and in case any such absence is permanent, until the next ordinary meeting of shareholders where at directors shall be appointed. Both regular and alternate directors may be re-elected indefinitely.

DUTIES AND LIABILITIES OF DIRECTORS

Under Argentine Corporate Law, directors have the obligation to perform their duties with the loyalty and the diligence of a prudent business person. Directors are jointly and severally liable to a corporation, the shareholders and third parties for the improper performance of their duties, for violating the law, the bylaws and/or regulations, if any, and for any damage caused by fraud, abuse of authority or gross negligence. The following are considered integral to a director's duty of loyalty: (i) the prohibition on using corporate assets and confidential information for private purposes; (ii) the prohibition on taking advantage, or to allow another to take advantage, by action or omission, of the business opportunities of the Bank; (iii) the obligation to exercise board powers only for the purposes for which the law, the corporation's bylaws or the shareholders' or the Board of Directors' resolutions have intended; and (iv) the obligation to take strict care so that acts of the board do not go, directly or indirectly, against the Bank's interests. A director must inform the Board of Directors and the supervisory committee of any conflicting interest he may have in a proposed transaction and must abstain from voting thereon.

Under Argentine law, the Board of Directors is in charge of our management and administration and, therefore, makes any and all decisions in connection therewith, as well as those decisions expressly provided for in the Argentine Corporate Law, the Bank's bylaws and other applicable regulations. Furthermore, the board is generally responsible for the execution of the resolutions passed by shareholders' meetings and for the performance of any particular task expressly delegated by the shareholders.

BOARD OF DIRECTORS

The following table sets forth certain relevant information of the members of our board as of the date of this annual report:

<u>Name</u>	<u>Position</u>	<u>Age</u>	<u>Year First Appointed as Director</u>	<u>Year of Expiration of Term</u>
Delfín Jorge Ezequiel Carballo	Chairman	69	2002	2023
Jorge Pablo Brito	Vice Chairman	42	2002	2021
Carlos Alberto Giovanelli	Director	65	2016	2021
Nelson Damián Pozzoli	Director	55	2016	2021
Fabián Alejandro de Paul (1)	Director	58	2016	2021
Guillermo Merediz (1)(2)	Director	45	2020	2021
Constanza Brito	Director	40	2007	2023
Mario Luis Vicens (1)	Director	70	2016	2023
Sebastian Palla (1)	Director	47	2021	2023
Mariano Ignacio Elizondo (2)	Director	49	2020	2023
Delfín Federico Ezequiel Carballo	Director	37	2015	2022
Ramiro Tosi (1)(2)	Director	46	2020	2022
Marcos Brito	Director	39	2007	2021 (3)
Alan Whamond (1)	Alternate director	60	2019	2021
Juan Santiago Fraschina (1)(2)	Alternate Director	45	2020	2021

(1) *Independent Director.*

(2) *Proposed by ANSES-FGS.*

(3) *Corresponds to the expiry of the original term as Alternate Director. The position of Director shall be held until the next General Shareholders' Meeting, in accordance with the provisions of Article 14 of the Bank's by-laws.*

The following family relationships currently exist within our Board of Directors:

- (i) Jorge Pablo Brito and Marcos Brito are the nephews of Delfín Jorge Ezequiel Carballo;



- (ii) Constanza Brito is the niece of Delfin Jorge Ezequiel Carballo;
- (iii) Jorge Pablo Brito, Marcos Brito and Constanza Brito are siblings;
- (iv) Delfin Federico Ezequiel Carballo is the son of Delfin Jorge Ezequiel Carballo;
- (v) Delfin Federico Ezequiel Carballo and Jorge Pablo Brito, Marcos Brito and Constanza Brito are cousins.

SENIOR MANAGEMENT

Our senior management oversees our day-to-day operations to ensure that our overall strategic objectives are being implemented. The actual composition is a deputy general manager that reports to the Board of Directors and Senior managers that report to the general manager. In addition, we have, among others the following committees comprised of different directors and senior management:

- internal audit committee,
- systems committee,
- senior credit committee,
- assets and liabilities committee,
- asset laundering and terrorist financing prevention committee,
- senior recovery committee,
- risk management committee,
- ethics and compliance committee,
- corporate governance and appointments committee,
- personnel incentives committee,
- crisis committee, and
- financial services users protection committee

The following table sets forth certain relevant information on our executive officers and our senior management, of the date of this annual report:

<u>Name</u>	<u>Position</u>	<u>Age</u>
Gustavo Alejandro Manriquez	Chief Executive Officer and General Manager	52
Jorge Francisco Scarinci	Chief Financial Officer and Finance Manager	51
Gerardo Adrián Álvarez	Human Resources and Administration Manager	52
Marcelo Agustín Devoto	Investment Banking Manager	46
Alberto Figueroa	Internal Audit Manager	61
Ana María Magdalena Marcet	Credit Risk Manager	61
Brian Anthony	Commercial Banking Manager	48
Juan Domingo Mazzon	Government Banking and Management Control Manager	48
Ernesto Eduardo Medina	Operations and Technology Manager	55
Francisco Muro	Distribution and Sales Manager	49
Adrián Mariano Scosceria	Corporate Banking Manager	56
Ernesto López	Legal Manager	49

Set forth below are brief biographical descriptions of members of our directors and our senior management:

Delfin Jorge Ezequiel Carballo was born on November 21, 1952. Mr. Carballo is the Chairman of our Board of Directors since November 30, 2020, and he was the vice chairman of our board since April 30, 2020 until November 30, 2020 and previously he had been the chairman of the Board of Directors since April 27, 2018 until April 30, 2020 and the vice chairman of our Board of Directors until April 27, 2018. He holds a law degree from Universidad Católica Argentina. He joined our board in June 1988. Mr. Carballo also serves as alternate director of BYMA S.A.

Jorge Pablo Brito was born on June 29, 1979. Mr. Brito is the Vice Chairman of our Board of Directors since November 30, 2020 and he was a member of our board since April 30, 2020 until November 30, 2020 and previously he had been the vice chairman of our



board since April 27, 2018 until April 30, 2020. He has been a member of our Board of Directors since 2002 and our Chief Financial Officer since April 16, 2012, until November 8, 2017. He also serves as chairman of the Board of Directors of Macro Securities S.A., Inversora Juramento S.A., Genneia S.A., Fiduciaria JHB S.A., and as director of Macro Bank Limited.

Carlos Alberto Giovanelli was born on April 6, 1957. He has been a member of our Board of Directors since April 26, 2016. In the financial sector, he worked as Deputy Credit Manager (1980-1983), Branch Deputy Manager (1983-1986), Credit Officer (1986-1989) and Deputy Commercial Manager (1991-1997) of La Sucursal de Citibank N.A., establecida en la República Argentina. He was Vice President of Investment Banking in Citibank, N.A. (1989-1991) and Vice President of Planning in La Sucursal de Citibank N.A., establecida en la República Argentina (1997-2002). He also held the position of Deputy Chairman of Asociación de Bancos (2001-2002) and incumbent director of Banco Patagonia S.A. (2007-2016). Mr. Giovanelli also serves as chairman of Havanna S.A., Desarrollo PI S.A., and Inverlat Investments S.A. He is also vice chairman of Impresora Contable S.A, Havanna Holding S.A., Aspro Servicios Petroleros S.A. and QSR S.A. and as incumbent director of Desarrollo Epsilon S.A.

Nelson Damián Pozzoli was born on May 6, 1966. He has been a member of our Board of Directors since April 26, 2016. Mr. Pozzoli holds a degree in public accounting from Universidad Católica Argentina. In the financial sector, he was Director of La Sucursal de Citibank N.A., establecida en la República Argentina (1989-1992), Head of Capital Markets (1992-1994) and Corporate Banking Manager (1996-1997) of ABN AMRO Bank Argentina, Head of Equity (LATAM origination) of ABN AMRO Netherlands (1994- 1995) and Corporate Banking Manager of ABN AMRO Bank USA (1995-1996). He also held the position of Director of Banco Liniers Sudamericano (1997-1998), Investment Banking Manager of the Bankers Trust (1997-1999) and worked for the Chase Manhattan Bank and the First National Bank of Chicago from 1998 to 1999. He was also General Manager of Deutsche Bank Argentina (1999-2003). He also serves as chairman of Aspro Servicios Petroleros S.A. He is also vice chairman of Inverlat Investments S.A. and Desarrollo Epsilon S.A and he is incumbent director of Macro Securities S.A., Impresora Contable S.A., QSR S.A., Desarrollo Pi S.A. and Cablevisión Holding S.A. Furthermore, he serves as alternate Director of Havanna S.A. and Havanna Holding S.A.

Fabián Alejandro de Paul was born on September 6, 1963. He was appointed as director on April 30, 2019. He has been an alternate member of our Board of Directors since April 28, 2017. Mr. de Paul holds a degree in accounting from Universidad de Buenos Aires and a Master's in Business Administration from the University of Pennsylvania USA. Mr. de Paul worked in the Corporate Finance area of Citibank, N.A. (1989-1994), was Corporate Finance Manager at Merrill Lynch & Co. Argentina (1994-1995), Director of Corporate Finance at Merrill Lynch & Co. NY USA (1995-1997), was Manager of CEI Citicorp Holdings S.A. (1997-2000), he served as Regional Financial Director of Louis Dreyfus Commodities (2001-2009) and served as Regional Executive Director of Louis Dreyfus Commodities (2007-2009). Additionally, he held the position of Director of Mercado Abierto Electrónico S.A. and Argencontrol S.A. in 2019.

Guillermo Merediz was born on December 12, 1976. He was appointed as director on April 30, 2020, as representative of the ANSES-FGS. Mr. Merediz holds a degree in economics from the Facultad Latinoamericana de Ciencias Sociales. Mr. Merediz was appointed on December, 2019, Secretary of PyMES at the Ministry of Production.

Constanza Brito was born on October 2, 1981. Ms. Brito has been a member of our Board of Directors since April 27, 2018. Previously, she served as Director from 2007 through 2015 and as alternate director since April 2016. She joined us in May 2005. Ms. Brito holds a degree in Human Resources Administration from Universidad del Salvador. Ms. Brito also serves as vice chairman of Mediainvest S.A. and as director of Visora Desarrollos Inmobiliarios S.A and Fiduciaria JHB S.A.

Mario Luis Vicens was born on July 14, 1951. He has been a member of our Board of Directors since April 26, 2016. Mr. Vicens holds a degree in economics from Universidad Católica Argentina and a superior course degree in monetary and banking finance of Universidad Católica Argentina. In the financial industry, he worked assessing investment projects for Caja Nacional de Ahorro y Seguro/Consejo Federal de Inversiones (1975-1978). In the Public Sector, he served as economist at the Central Bank (1980-1981) and incumbent director (1986-1988) and as Treasury Secretary of the Ministry of Economy (1999-2001). In the banking sector, he served as Planning Manager of Banco de Crédito Argentino (1981-1986), incumbent director of Banco Sudameris (2001-2002), chief executive officer of Asociación de Bancos de la Argentina (2002-2011), incumbent director of Federación Latinoamericana de Bancos (2002-2004/2008-2010), incumbent director of Seguro de Depósitos S.A. (2008-2011), incumbent director of BBVA Consolidar Seguros S.A. (2012-2016), incumbent director of Generali Arg. Cia. de Seguros (2014-2015), incumbent director of PSA Finance Arg. Cia. Financiera S.A. (2012), incumbent director of Rombo Cia. Financiera S.A. (2012-2016) and incumbent director of BBVA Francés S.A. (2012-2016). He also acted as advisor on economic and financial matters for companies and banks (1989-1999).

Sebastian Palla was born on June 12, 1974. He has been a member of the Bank's Board of Directors since April 30, 2021. Mr. Palla holds a degree in Economics from Universidad Torcuato Di Tella and an International General Certificate of School Education (IGCSE) from the University of Cambridge. He currently holds the position of CPO—Chief Procurement Officer of Telecom S.A. since August 2016. Previously, he served in the Bank as Advisor to the President from February 2009 to July 2010, as Investment



Banking and New Projects Manager from July 2010 to March 2015 and as Government Banking from April 2015 to July 2016. In turn, he served as President of Unión de Administradoras de Fondos de Jubilaciones y Pensiones from April 2007 to January 2009 and as Executive Director from February 2006 to April 2007. In the public sector he served as Undersecretary of Financing of the Ministry of Economy, Secretariat of Finance from May 2003 to November 2005 and as Chief of Staff of Advisors to the Secretary of Finance of the Ministry of Economy, Secretariat of Finance, from May 2002 to May 2003. He is also a member of the Young Global Leaders Forum since 2005 and of the Eisenhower Fellowships Community since 2008.

Mariano Ignacio Elizondo was born on June 18, 1972. He was appointed as Director on May 27, 2020, as a representative of the ANSES-FGS. Mr. Elizondo holds a degree in accounting from the Universidad de Buenos Aires. He also holds a master's degree in Financial Assets Management from ESEADE. From 2004 through 2014 he has been the general manager of Ideas del Sur, the leading media production company of South America. Mr. Elizondo was later manager of a group of media companies. From 2017 to 2020 he was president of the Superliga Argentina de Fútbol.

Delfin Federico Ezequiel Carballo was born on July 4, 1984. He has been a member of our Board of Directors since April 26, 2016, and previously served on our Board from 2009 through 2011. He holds a degree in business economics from Universidad Torcuato Di Tella. He is vice chairman of Argenpay S.A.U. Mr. Carballo also serves as incumbent director of Colbrey S.A., Milsbor Corporation S.A., Havanna S.A. and Havanna Holding S.A. and as alternate director of Genneia S.A.

Ramiro Tosi was born on June 17, 1975. He was appointed as director on April 30, 2020, as representative of the ANSES-FGS. Mr. Tosi holds a degree in economics from Universidad de la Plata. Mr. Tosi was appointed in December, 2019, as Subsecretary of Financiamiento at the Ministry of Economy.

Marcos Brito was born on October 5, 1982. Mr. Brito holds a degree in Business Economics from Universidad Torcuato Di Tella. He is a member of the Bank's Board of Directors. Additionally, he is Chairman of Comercio Interior S.A., Argenpay SAU and Macro Fiducia S.A. and Vice-Chairman of Vizora Desarrollos Inmobiliarios S.A. and Inversora Juramento S.A. He also serves as a director of Fiduciaria JHB S.A. and as an alternate director of Genneia S.A. Marcos Brito has been a member of the Bank's Board of Directors since October 2005.

Alan Whamond was born on May 13, 1961. He has been a member of our Board of Directors since April 30, 2019. Mr. Whamond holds a degree in industrial engineer from Instituto Tecnológico de Buenos and a Master's degree in Finance from Stanford University. In the financial industry, he worked as vice-president of Credit Suisse First Boston Corp. and as managing director of Pampa Management S.A. He also serves as director of the board of Directors of Cablevisión Holding S.A., Delmar Asesores S.A., and Naturgy Ban S.A and as administrator of Consultora Tecnopolítica SAS.

Juan Santiago Fraschina was born on January 14, 1977. He was appointed as Alternate Director on May 27, 2020, as representative of the ANSES-FGS. Mr. Fraschina holds a degree in economics from the Universidad de Buenos Aires. From 2012 through 2014 he as Deputy Superintendent at the National Superintendency of Assurances. He also serves as director of Ternium S.A., Edenor S.A., Distriuidora de Gas Cuyana S.A. and as alternate director of Telecom S.A., Mirgor S.A. and Edesa Holding S.A.

Gustavo Alejandro Manriquez was born on August 23, 1969. He has been our General Manager since May 2016 and our Chief Executive Officer since November 2017. He is a member of the Assets and Liabilities Committee, the Senior Credit Committee, the Systems Committee, and the Risk Management Committee. Mr. Manriquez holds a degree in Business Management from Universidad de Belgrano and a master's degree in Finance from Universidad del CEMA, as well as a Management degree and a Directive Development degree from IAE. Mr. Manriquez joined us in February 2015.

Jorge Francisco Scarinci was born on May 19, 1970. He is our Finance Manager since October 2006 and our Chief Financial Officer since November 2017. He is a member of the Assets and Liabilities Committee and the Risk Management Committee. Mr. Scarinci holds a BA in Economics from Universidad de Belgrano and a master's degree in Finance from Universidad del CEMA and a CFA degree from Association for Investment Management and Research (AIMR). Mr. Scarinci joined us in May 2006. He serves as director of Argencontrol S.A. and Mercado Abierto Electrónico S.A.

Gerardo Adrián Alvarez was born on December 13, 1969. He is our Human Resources Manager since October 2020 and our Administration Manager since April 2010, and a member of the Ethics and Compliance Committee. Mr. Alvarez holds a law degree from the Instituto Universitario Policía Federal Argentina and a post-graduate degree in Money Laundering from Universidad Torcuato Di Tella. He has been with us since January 2006.

Marcelo Agustín Devoto was born on April 11, 1976. He is our Investment Banking Manager since May 2015. Mr. Devoto holds a degree in Business Management from Universidad Católica Argentina and a post-graduate degree in Finance from Universidad Torcuato Di Tella. He joined us in December 2000. He also serves as chairman of Macro Bank Limited, as vice president of Macro Securities S.A. and as director of Macro Fiducia S.A.



Alberto Figueroa was born on September 1, 1960. He is our Internal Audit Manager since October 2019 and a member of the Internal Audit Committee. Mr. Figueroa holds a degree in Public Accounting from Universidad de Buenos Aires. Mr. Figueroa joined us in March 2007 and was our Manager of Comprehensive Risk Management since March 2009 until October 2019.

Ana María Magdalena Marcet was born on February 24, 1961. She is our Credit Risk Manager since January 2002 and a member of the Senior Credit Committee, the Risk Management Committee and the Senior Recovery Committee. Mrs. Marcet holds a degree in Public Accounting, Economics and Business Management from Universidad de Buenos Aires and a master's degree in Bank Management from Universidad del CEMA. Mrs. Marcet joined us in December 1996.

Brian Anthony was born on April 17, 1973. He has been Manager of Commercial Banking since March 2021. Mr. Anthony has held various positions in the bank in the past, such as Manager of Distribution and Sales, Human Resources, Management Control and Strategic Planning. Mr. Anthony holds a bachelor's degree in Business Administration from CAECE University.

Juan Domingo Mazzon was born on April 14, 1974. He is our Manager of Government Banking and Management Control since August 2019 and member of the Assets and Liabilities Committee and the Systems Committee. Mr. Juan Mazzon holds a degree in Public Accounting from Universidad Argentina de la Empresa (UADE) and holds an MBA from Vanderbilt University (USA). Mr. Mazzon joined us in October 2017.

Ernesto Eduardo Medina was born on January 9, 1967. He is our Operations and Technology Manager since August 2020 and has been our Human Resources Manager since October 2016. He is a member of the Systems Committee and the Risk Management Committee. Mr. Medina holds degrees in Public Accounting and Business Management from Universidad de Buenos Aires. He also has a degree in computer science from Universidad de Buenos Aires and a Psychology degree from Universidad de Ciencias Empresariales y Sociales. He holds two master's degree in Renewable Energies and Environment Management, both from Universidad de Cádiz and a Master's degree in Clinical Neuropsychology from Universidad Europea Miguel Cervantes. Mr. Medina joined us in February 1989.

Francisco Muro was born on March 2, 1973. He is our Distribution and Sales Manager since October 2014. Mr. Muro holds a degree in Accounting from Universidad de Buenos Aires and a master's degree from IAE (Universidad Austral). Mr. Muro joined us in August 2004.

Adrian Mariano Scosceria was born on January 22, 1966. He is our Corporate Banking Manager since May 2017 and a member of the Senior Credit Committee. Mr. Scosceria holds a degree in Business Administration from Universidad Católica Argentina and a specialization in Administration and Management from Harvard University.

Ernesto López was born on October 5, 1972. He is our Legal Manager since December 2019 and a member of the Asset Laundering and Terrorist Financing Prevention Committee, the Senior Recovery Committee, the Ethics and Compliance Committee, the Senior Credit Committee and the Financial Services Users Protection Committee. Mr. López holds a Law degree from University of Buenos Aires. He also serves as director of Argenpay S.A.U.

B. Compensation

General Corporation Law provides that the compensation paid to all directors and syndics in a financial year may not exceed 5.0% of the company earnings if we are not paying dividends in respect of such net income. General Corporation Law increases the annual limitation on director compensation to up to 25.0% of net income based on the amount of such dividends, if any are paid. In the case of directors that perform duties at special commissions or perform administrative or technical tasks, the aforesaid limits may be exceeded if a shareholders' meeting so approves, and such issue is included in the agenda and is in accordance with the CNV Rules. In any case, the compensation of all directors and members of the supervisory committee requires shareholders' approval at an ordinary meeting.

The aggregate amount of compensation to all directors, alternate directors, and members of supervisory committee for fiscal year 2021 was Ps. 781.6 million. The aggregate nominal amount of compensation paid by Banco Macro to its senior management during 2021 was Ps. 423.9 million, including salaries and bonuses. Neither we nor any of our subsidiaries have entered into any agreement that provides for any benefit or compensation to any director after the expiration of his term or upon his retirement.



C. Board Practices

Corporate Governance

As a listed company on the NYSE, we are required under the rules governing listed companies to:

- (i) comply with SEC's requirements concerning an audit committee,
- (ii) submit an annual written affirmation to the NYSE and interim written affirmations, if applicable,
- (iii) disclose any significant ways in which our corporate governance practices differ from those followed by domestic companies under the NYSE listing standards, and
- (iv) our CEO must promptly notify the NYSE in writing after any executive officer becomes aware of any non-compliance with any of the applicable NYSE corporate governance rules.

We incorporate the information regarding the significant ways in which our corporate governance practices differ from those followed by domestic companies under the NYSE listing standards by reference to our website www.macro.com.ar. For further information see item 16.G.

Independence of the Members of the Board of Directors and the Supervisory Committee

Within ten (10) business days from the date of the appointment of members of the Board of Directors and supervisory committee such members of the Board of Directors and/or the supervisory committee shall inform the CNV whether they are "independent" pursuant to CNV Rules.

Pursuant to CNV Rules, a director is not considered independent in certain situations, including where a director:

- (a) is a member of the board of directors the parent company or another company belonging to the same economic group of the issuer through a pre-existing relationship at the time of his or her election, or if said relationship had ceased to exist during immediately the previous three years;
- (b) is or has been associated with the company or any of its shareholders having a direct or indirect "significant participation" on the same, or with corporations with which also the shareholders also have a direct or indirect "signification participation"; or if he or she was associated with them through an employment relationship during the last three years;
- (c) has any professional relationship or is a member of a corporation that maintains frequent professional relationships of significant nature and volume or receives remuneration or fees (other than the one received in consideration of his performance as a director) from the issuer or its shareholders having a direct or indirect "significant participation" on the same, or with corporations in which the shareholders also have a direct or indirect "significant participation." This prohibition includes professional relationships and affiliations during the last three years prior to his or her appointment as director;
- (d) directly or indirectly owns 5% or more of shares with voting rights and/or a capital stock of the issuer or any company with a "significant participation" in it;
- (e) directly or indirectly sells and/or provides goods and/or services (different from those accounted for in section c)) on a regular basis and of a significant nature and volume to the company or to its shareholders with direct or indirect "significant participation", for higher amounts than his or her remuneration as a member of the board of directors. This prohibition includes business relationships that have been carried out during the last three years prior to his or her appointment as director;
- (f) has been a director, manager, administrator or principal executive of not-for-profit organizations that have received funds, for amounts greater than those described in section I) of article 12 of Resolution No. 30/2011 of the UIF and its amendments, from the issuer, its parent company and other companies of the same group of which it is a part, as well as of the principal executives of any of them;
- (g) receives any payment, including the participation in plans or stock option schemes, from the company or companies of the same economic group, other than the compensation paid to him or her as a director, except dividends paid as a shareholder of the company in the terms of section d) and the corresponding to the consideration set forth in section e);
- (h) has served as member of the board of director of the issuer, its parent company or another company belonging to the same economic group for more than ten years. If said relationship had ceased to exist during the previous three years, the independent condition will be recovered;
- (i) is the spouse or legally recognized partner, relative up to the third level of consanguinity or up to the second level of affinity of persons who, if they were members of the board of directors, would not be independent, according to the above listed criteria;



Pursuant to the CNV Rules, a director who, after his or her appointment, falls into any of the circumstances indicted above, must immediately report to the issuer, which must inform the CNV and the authorized markets where it lists its negotiable securities immediately upon the occurrence of the event or upon the instance becoming known.

In all cases, the references made to “significant participation” set forth in the aforementioned independence criteria will be considered as referring to those individuals who hold shares representing at least 5% of the capital stock and or the vote, or a smaller amount when they have the right to elect one or more directors by share class or have other shareholders agreements relating to the government and administration of the company or of its parent company.

The Argentine independence standards under the CNV Rules differ in many ways from U.S. federal securities law standards.

The structure of the Board of Directors must be in conformity with the foregoing by the first shareholders’ meeting held after December 31, 2018. As of the date of this annual report, Mario Luis Vicens, Fabián Alejandro de Paul, Guillermo Merediz, Sebastián Palla, Mariano Ignacio Elizondo, Ramiro Tosi and the alternate directors Alan Whamond and Juan Santiago Fraschina qualified as independent members of our Board of Directors under these criteria specified by the CNV.

Pursuant to the Capital Markets Law, all of the members of the supervisory committee of companies admitted to the public offering regime shall have independent status.

Additionally, the Argentine Federation of Professional Council of Economic Sciences (“FACPCE”, for its acronym in Spanish) also established certain requirements regarding the independence of public accountants which act as members of the supervisory committee. Pursuant to regulations issued by the FACPCE and the CNV, syndics must be independent from the company they are auditing. A syndic will not be independent if he/she:

- (i) is the owner, partner, director, administrator, manager or employee of the company or economically related entities;
- (ii) is the spouse or relative (collateral until fourth grade), or relatives by affinity until second grade, of one of the owners, partners, directors, administrators or managers;
- (iii) is a shareholder, debtor, creditor or guarantor of the company or economically related entities, representing a significant amount if compared with its own wealth or the company’s net equity;
- (iv) possesses a significant amount of interest in the company or economically related entities (or if it has had such interest during the period to be audited);
- (v) if the remuneration depends on or is contingent with the conclusions or results of its auditing work;
- (vi) if the remuneration agreed depends on the result of the operations of the company.

As of the date of this annual report, Alejandro Almarza, Carlos Javier Piazza, Enrique Alfredo Fila, Alejandro Carlos Piazza, Leonardo Pablo Cortigiani and Gustavo Macagno are qualified as independent members of our supervisory committee under these criteria.

For information on the expiration of current terms of directors see Item 6.A “*Directors and Senior Management.*” For information on service contracts with directors providing benefits upon termination of employment see Item 6.B “*Compensation.*”

Supervisory Committee

Our bylaws provide for a supervisory committee, which consists of three syndics and three alternate syndics that serve for a term of one fiscal year. Pursuant to the Argentine Corporate Law, only lawyers and accountants admitted to practice in Argentina or civil partnerships composed of such persons may serve as syndics of an Argentine *sociedad anónima*, or limited liability corporation.

The primary responsibilities of the supervisory committee are to monitor the management’s compliance with the Argentine Corporate Law, the bylaws, its regulations, if any, and the shareholders’ resolutions, and to perform other functions, including:

- (i) attending meetings of the Board of Directors, and shareholders meetings,
- (ii) calling special shareholders’ meetings when deemed necessary and ordinary and special shareholders’ meetings when not called by the Board of Directors and
- (iii) investigating written complaints of shareholders. In performing these functions, the supervisory committee does not control our operations or assess the merits of the decisions made by the Board of Directors.



The supervisory committee has unlimited access to our books and registers and a right to request as much information as necessary for the performance of its duties.

The following table sets forth certain relevant information of the members of our supervisory committee as of the date of this annual report:

<u>Name</u>	<u>Position</u>	<u>Age</u>	<u>Year of Appointment</u>	<u>Current Term Ends</u>
Alejandro Almarza	Syndic	64	2021	April 2022
Carlos Javier Piazza	Syndic	63	2021	April 2022
Enrique Alfredo Fila (1)	Syndic	63	2021	April 2022
Alejandro Carlos Piazza	Alternate syndic	67	2021	April 2022
Leonardo Pablo Cortigiani	Alternate syndic	53	2021	April 2022
Gustavo Macagno (1)	Alternate syndic	68	2021	April 2022

(1) *Appointed by ANSES—FGS, as instructed by the Sindicatura General de la Nación.*

The business address of the members of the Supervisory Committee is Eduardo Madero 1172, City of Buenos Aires, Argentina. Set forth below are brief biographical descriptions of the members of our supervisory committee:

Alejandro Almarza was born on January 16, 1958. Mr. Almarza holds an accounting degree from the University of Buenos Aires in Argentina. Mr. Almarza also serves as a member of the supervisory committee of Macro Securities S.A., Macro Fiducia S.A., Argenpay SAU and Seguro de Depósitos S.A. and as alternate member of the supervisory committee of Banco de Valores S.A., Empresa de Energía Río Negro S.A. and Opción Seguros S.A. Mr. Almarza was admitted to the Accountants Professional Association of the City of Buenos Aires in 1983.

Carlos Javier Piazza was born on September 16, 1958. Mr. Piazza holds an accounting degree from the University of Buenos Aires in Argentina. Mr. Piazza serves as a member of the supervisory committee of Central Tucumano S.A. Macro Securities S.A., Macro Fiducia S.A., Argenpay SAU and Banco de Valores S.A. Mr. Piazza was admitted to the Accountants Professional Association of the City of Buenos Aires in 1983.

Enrique Fila was born on April 5, 1959. Mr. Fila holds an accounting degree from Universidad Nacional de la Plata. Mr. Fila also serves as member of the supervisory committee of Nación Seguros S.A., Nación Seguros de retiro S.A. and Nación Reaseguros S.A.

Alejandro Carlos Piazza was born on July 7, 1954. Mr. Piazza holds accounting degree and business administration degree from the School of Economics of the University of Buenos Aires in Argentina. Mr. Piazza also serves as a member of the supervisory committee of Macro Fondos Sociedad Gerente de Fondos Comunes de Inversion S.A., Servente y Cía, CRIBA S.A. and Ingemática S.A. and as alternate syndic of Macro Securities S.A., Macro Fiducia S.A., and Argenpay SAU. Mr. Piazza was admitted to the Accountants Professional Association of the City of Buenos Aires in 1978.

Leonardo Pablo Cortigiani was born on July 21, 1968. Mr. Cortigiani holds an accounting degree from the University of Buenos Aires in Argentina. Mr. Cortigiani also serves as a member of the supervisory committee of Macro Fiducia S.A., Macro Fondos Sociedad Gerente de Fondos Comunes de Inversion S.A., Macro Securities S.A., Empresa de Energía Río Negro S.A. and Argenpay SAU. He also serves as alternate syndic of Havanna S.A. Mr. Cortigiani was admitted to the Accountants Professional Association of the City of Buenos Aires in 1995.

Gustavo Macagno was born on November 22, 1953. Mr. Macagno holds an accounting degree. Mr. Macagno also serves as syndic of Tandanor S.A. and Ferrosur Roca and as alternate syndic of Distribuidora de Gas Cuyana S.A. and Corporación Antiguo Puerto Madero S.A.

Audit Committee

As of the date of this annual report, our audit committee is comprised of three directors, Sebastián Palla, Fabián Alejandro de Paul and Mario Luis Vicens, all of which satisfy the independence requirements of Rule 10A-3. The Argentine independence standards under the CNV Rules differ in many ways from the NYSE and U.S. federal securities law standards. See item 16.G “*Corporate Governance.*”



The audit committee is responsible for the fulfillment of the duties within its powers, as set forth under the Capital Markets Law, including, among others, the following:

- (i) delivering an opinion regarding the board of director’s proposal of appointment of our external auditors and controlling their independent status,
- (ii) supervising the correct performance of our internal control and accounting systems,
- (iii) supervising the observance of the policies regarding information about our risk management and
- (iv) delivering an opinion regarding transactions with related parties or transactions that may threaten any conflicts of interest.

We currently comply with the requirements of the Sarbanes-Oxley Act of 2002 and the rules promulgated thereunder, as applicable to foreign private issuers with respect to the composition and functions of our audit committee.

Committees Reporting to the Board of Directors and to the CEO and the CFO

The following committees are under the supervision of our Board of Directors:

Internal Audit Committee. The internal audit committee is comprised of at least two directors (a majority of them satisfies the independence requirements as per the CNV Rules), and the Internal Audit Manager of the Bank. The term of each member is for a minimum period of two years (provided their directorship does not expire beforehand) and a maximum of three years. The internal audit committee is responsible for supervising the correct functioning of our internal control systems and procedures. Furthermore, this committee takes notice of our annual and quarterly financial statements, the external auditor’s reports, the syndic’s reports, the relevant financial information and the audit committee’s reports.

Systems Committee. The systems committee must be composed of, at least, one director or equivalent authority and the manager of the informatics technology and systems area. Our system committee has three directors, the General Manager, the Technology Manager and the Government Banking and Management Control Manager. The systems committee is responsible for the issuance of the systems and operations management policies. Furthermore, this committee verifies that the several management plans are in accordance with our business strategy and oversees the implementation of our strategic projects.

The main functions of the systems committee are to:

- (i) oversee the proper functioning of Information Technology and Systems,
- (ii) contribute to the improvement of the information technology and systems environment effectiveness;
- (iii) take notice of the Information Technology and Systems Plan;
- (iv) periodically evaluate the Information Technology and Systems Plan and review its compliance;
- (v) review the reports issued by environmentally related audits of Information Technology and Systems and oversee the implementation of corrective actions designed to stabilize or minimize any weaknesses observed; and
- (vi) maintain timely communication with officials of the External Audit Management Systems Division of the Superintendence in relation with any problems identified in inspections and monitor actions undertaken to solve such problems.

Senior Credit Committee. The senior credit committee is comprised of two directors, the General Manager, the Credit Risk Manager, the Corporate Credit Risk Manager, the Corporate Banking Manager, the Commercial Banking Manager and the Legal Manager.

The senior credit committee is responsible for the issuance of our credit policy and credit analysis guidelines. Furthermore, this committee reviews and approves margins of credit and/or extraordinary operations which exceed Ps.300,000,000 and examines periodic reports related to our loan portfolio.

Assets and Liabilities Committee. The assets and liabilities committee is comprised of three directors, the General Manager, the Commercial Banking Manager, the Government Banking and Management Control Manager and the Finance Manager. The committee is responsible for the financial strategy of the Bank. In addition, it carries on deep market analysis and establishes strategic policies related to our liquidity, market, interest rate and currency risks.

Asset Laundering and Terrorist Financing Prevention Committee. The Committee is made up of four directors, one of whom is a responsible officer designated as Compliance Officer, the Legal Manager and the senior officer responsible for the anti-laundering unit. The asset laundering and terrorist financing prevention committee is responsible for planning, coordinating and monitoring compliance with anti-money laundering policies approved by the Board of Directors and its powers include to:



- (i) define policies for compliance with anti-money laundering corporate guidelines,
- (ii) be a permanent forum for the discussion of money laundering and terrorist financing risks that affect the Bank,
- (iii) promote the definition of strategies controls to prevent money laundering and terrorist financing and implement such controls,
- (iv) be responsible for the continued update of the manual of procedures for the prevention of money laundering and terrorist financing, in accordance with regulatory changes and new Bank needs,
- (v) monitor the implementation of a program designed to provide training and raise awareness regarding the prevention and control of money laundering and terrorist financing,
- (vi) establish appropriate mechanisms for internal reporting of unusual or suspicious activities,
- (vii) analyze any unusual or suspicious transactions to be reported to the relevant governmental agencies in compliance with applicable regulations, and subsequently inform to the Board of Directors,
- (viii) provide support to the head of the asset laundering and terrorist financing prevention committee in the examination of unusual or suspicious transactions,
- (ix) approve and follow-up on the work program submitted by the asset laundering and terrorist financing prevention committee for the relevant fiscal year, for which it will report to the Board of Directors and
- (x) perform any other duties that may be imposed under applicable laws and regulations.

Senior Recovery Committee. The senior recovery committee is made up of two directors, the Credit Risk Manager and the Legal Manager. The committee manages outstanding loans on behalf of the Board of Directors, which nevertheless retains its power in that regard. This committee is in charge of the implementation of the predefined policies for the granting of withdrawals and refinancing, to define the payment arrangements that exceed the preferential parameters, as well as the decisions of which portfolios are transferred to judicial management or accounting losses.

Risk Management Committee. The risk management committee is made up of three directors, the General Manager, the Risk Management Manager, the Finance Manager, the Credit Risk Manager, the Banking Operations Manager and the Technology Manager.

The committee is responsible for monitoring senior management activities involving the management of credit, market, liquidity, operational, compliance and reputational risks, among others. The committee's mission is to supervise and ensure that the controls and procedures in place are adequate to mitigate any risk, and to recommend and implement updates to risk management policies and procedures. In addition, this committee gives advice to the Board of Directors regarding the Bank's overall risk. This committee is also responsible for notifying the Board of Directors and senior management about any failure to comply with applicable limits to risk exposure, suggesting remedies, such as assuming the risk or mitigating the risk.

Ethics and Compliance Committee. The ethics and compliance committee is comprised of three directors, the Compliance Manager, the Human Resources Manager and the Legal Manager.

This committee is responsible for implementing ethic guidelines set forth by the Board of Directors and supervising compliance. In addition, this committee promotes the implementation of our social responsibility policies and fosters the adoption of such policies by setting forth tools and procedures that will enable our management to incorporate social responsibility policies and consequently implement those policies within the Bank.

Corporate Governance and Appointments Committee. The committee is comprised of three directors.

This committee is responsible for processes related to the renewal, substitution and succession of members of our senior management. This committee is also responsible for the implementation of our corporate governance code at the Bank and its subsidiaries.

Personnel Incentives Committee. The personnel incentives committee is comprised of three directors.

The committee's main functions are to control those incentives plans to all personnel, excluding directors, are consistent with our business culture, goals, long term business plan, business strategy, control environment of the Bank.



Crisis Committee. The committee meets upon request and is convened by the General Manager in accordance with the needs that arise from time to time. This committee is composed of directors and senior managers.

Financial Services Users Protection Committee. The Committee is comprised of one director, the Institutional Relations and Customer Services Manager, the Legal Manager, the Compliance Manager and the Operational Risk Management Coordinator. The committee is responsible for complying with the data protection standard of the User of Financial Services and Analysis of Existing Claims.

Advisors and Auditors

Advisors

Our main legal advisor is Bruchou, Fernández Madero & Lombardi, at 12th floor, Ing. Butty 275, City of Buenos Aires (C1001AFA). Bruchou, Fernández Madero & Lombardi provides us legal advice in the creation of the Program and the issuance of negotiable obligations. Our tax advisor in Argentina is Estudio Della Roca-Piazza-Almarza, 15th floor, 432, 25 de Mayo St., City of Buenos Aires, Argentina.

Auditors

Banco Macro's auditors for the last three fiscal years were:

<u>Financial Statements as of</u>	<u>Auditor</u>	<u>Tax ID</u>	<u>Firm</u>	<u>Address</u>	<u>Enrollment</u>
December 31, 2019	Carlos M. Szpunar	20-17802096-0	Pistrelli, Henry Martin y Asociados S.R.L. (member of Ernst & Young Global Limited)	487 25 de Mayo	C.P.C.E.C.A.B.A. T°192 F°110
December 31, 2020	Carlos M. Szpunar	20-17802096-0	Pistrelli, Henry Martin y Asociados S.R.L. (member of Ernst & Young Global Limited)	487 25 de Mayo	C.P.C.E.C.A.B.A. T°192 F°110
December 31, 2021	Leonardo D. Troyelli	20-26822478-6	Pistrelli, Henry Martin y Asociados S.R.L. (member of Ernst & Young Global Limited)	487 25 de Mayo	C.P.C.E.C.A.B.A. T°287 F°155

Banco Macro's alternate auditor was:

<u>Auditor</u>	<u>Tax ID</u>	<u>Firm</u>	<u>Address</u>	<u>Enrollment</u>
Pablo M. Moreno	20-16171094-7	Pistrelli, Henry Martin y Asociados S.R.L. (member of Ernst & Young Global Limited)	487 25 de Mayo	C.P.C.E.C.A.B.A. T°164 F°235

All the auditing firm's members are enrolled in the Professional Council in Economic Sciences of the City of Buenos (C.P.C.E.C.A.B.A.).

D. Employees

As of December 31, 2021, we had 8,005 employees, 40% of whom worked at our headquarters and the remaining 60% at our branches. Our employees are represented by a national bank union, which negotiates a collective bargaining agreement setting minimum wages for all of its members. We maintain good relations with our employees and have never experienced a work stoppage.

Employees	As of December 31,		
	2019	2020	2021
Headquarters	3,338	3,202	3,185
Branches	5,430	5,359	4,820
Total (1)	8,768	8,561	8,005



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- (1) *If workers were performing their duties pursuant to the “Acciones de entrenamiento para el trabajo” program of the Ministry of Labor, Employment and Social Security and other casual workers included in the calculation, the number of our employees would have been, 8,788 in 2019. We do not account for such workers as employees, as we do not remunerate them for their services, which are paid directly by the Argentine province where they work.*

E. Share Ownership

As of December 31, 2021, the persons who were members of Banco Macro S.A.’s Board of Directors and Supervisory Committee held as a group a total of 117,195,467 shares of our capital stock, representing 18.33% of the Bank’s share capital and 19.99% of the votes. With the exception of Delfín Jorge E. Carballo, Delfín Federico E. Carballo, Jorge Pablo Brito, Sebastián Palla and Leonardo Pablo Cortigiani, no member of the Board of Directors or the Supervisory Committee owned shares of the Bank. In addition, Alberto Figueroa, Ernesto López and Juan Domingo Mazzon, members of senior management, owned less than one per cent (1%) of Class B Shares.

The following table sets forth the beneficial ownership of our shares by the members of Banco Macro S.A.’s Board of Directors and Supervisory Committee, as of December 31, 2021:

Shareholder Name	Number of Class A shares owned	Number of Class B shares owned	Percentage of Capital stock (%)	Percentage of Voting rights (%)
Delfín Jorge Ezequiel Carballo	4,901,060	106,824,523	17.47%	19.19%
Other members	—	5,469,884	0.86%	0.80%
Total	4,901,060	112,294,407	18.33%	19.99%

Item 7. Major Shareholders and Related Party Transactions

A. Major Shareholders

As of December 31, 2021, we had 639,413,408 outstanding shares of common stock, consisting of 11,235,670 Class A shares and 628,177,738 Class B shares. Each share of our common stock represents the same economic interests, except those holders of our Class A shares are entitled to five votes per share and holders of our Class B shares are entitled to one vote per share. Other than noted differences among holders of Class A shares and holders of Class B shares, the holders of these shares listed in the table below do not have different voting rights.

The following table sets forth information regarding the ownership of our Class A and Class B shares as of December 31, 2021:

	Class A	Class B	Total	% of capital	% of votes
ANSES	—	184,156,124	184,156,124	28.80%	26.91%
Delfín Jorge Ezequiel Carballo	4,901,060	106,824,523	111,725,583	17.47%	19.19%
JHB BMA Guarantee Trust	5,995,996	104,473,881	110,469,877	17.28%	19.65%
Other	338,614	232,723,210 (2)	233,061,824	36.45%	34.25%
Total	11,235,670	628,177,738	639,413,408	100.00%	100.00%

- (1) *Upon the death of Jorge Horacio Brito, his shares were transferred ad referendum of the Central Bank of Argentina to a Trust whose beneficiaries are his forced heirs.*
- (2) *Includes The Bank of New York Mellon as depositary of our ADSs. The Bank of New York Mellon holds 166,820,780 Class B shares, 26.09% of capital and 24.38% of votes.*

The table below represents the evolution of our capital stock and the material changes in equity participation of the major shareholders, in both cases, for the last three years:

Date	Capital Stock (Shares)	Event	Major Shareholders
December 31, 2019	639,413,408	Decrease by 30,265,275 (1) Increase by 15,662 (2)	Jorge H. Brito 17.37%; Delfín Jorge Ezequiel Carballo 17.47%; ANSES (as manager of the Fondo de Garantía de Sustentabilidad) 28.80%



Date	Capital Stock (Shares)	Event	Major Shareholders
December 31, 2020	639,413,408		Trust JHB (3) 17.28%; Delfin Jorge Ezequiel Carballo 17.47%; ANSES (as manager of the Fondo de Garantía de Sustentabilidad) 28.80%
December 31, 2021	639,413,408		JHB BMA Guarantee Trust (3) 17.28%; Delfin Jorge Ezequiel Carballo 17.47%; ANSES (as manager of the Fondo de Garantía de Sustentabilidad) 28.80%

- (1) Capital reduction as approved by the Shareholders' Meeting held on April 30, 2019.
- (2) Increase in share capital due to the merger of Banco Macro S.A. and Banco del Tucumán S.A. as approved by the Shareholders' Meeting held on April 30, 2019.
- (3) Upon the death of Jorge Horacio Brito, his shares were transferred ad referendum of the Central Bank of Argentina to a Trust whose beneficiaries are his forced heirs.

B. Related Party Transactions

We are not party to any transactions with, and have not made any loans to, any of our directors, key management personnel or other related parties, nor are there any proposed transactions with such persons, except for those permitted by applicable law. Some of our directors have been involved in certain credit transactions with us. The Argentine Corporate Law and Central Bank Rules allow directors of a corporation to enter into a transaction with such corporation if the transaction is in line with prevailing market practice.

A related party is a person or entity that is related to us that:

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

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Bank, directly or indirectly. We consider as key management personnel, for the purposes of IAS 24, the members of the Board of Directors and the senior management members of the Risk Management Committee, the Assets and Liabilities Committee and the Senior Credit Committee.

For the years ended December 31, 2019, 2020 and 2021 an aggregate of Ps. 6,808.5 million, Ps. 2,732.5 million and Ps. 3,456.2 million, respectively, in financial assistance granted by us (including loans, leases and guarantees granted) was outstanding to related parties (not including main subsidiaries). All financial assistance to related parties (a) were made in the ordinary course of business; (b) were made on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with other persons, and (c) did not involve more than the normal risk of collectability or present other unfavorable features.

Likewise, as of December 31, 2019, 2020 and 2021, the total amount of deposits made by related parties (not including main subsidiaries) to us amounted to Ps. 29,605.4 million, Ps. 6,703.7 million, and Ps. 5,461.9 million, respectively.

For further information regarding related party transactions see note 20 "Related parties" to our audited consolidated financial statements as of December 31, 2021, and 2020.

C. Interest of experts and counsel

Not applicable.

Item 8. Financial Information

A. Consolidated Statements and Other Financial Information

See Item 18 and our audited consolidated financial statements as of December 31, 2021, and 2020 included in this annual report.

**Legal Proceedings**

We are involved in normal collection proceedings and other legal proceedings in the ordinary course of business. Also, we are involved in some class actions, some of which have been settled and others appealed by the Bank. However, we are not involved in any litigation or other legal proceedings that, if adversely determined, would individually or in the aggregate have a material adverse effect on our operations.

For further information regarding legal proceedings, see note 50 "Tax and other claims" to our audited consolidated financial statements as of December 31, 2021, and 2020. In connection with such claims, our management and its tax and legal advisors believe there are no additional significant effects to those already recognized in the books that may result from the final outcome of such claims.

Please note that we have been subject to the imposition of certain sanctions imposed by the Central Bank or the UIF and summaries at CNV or UIF. Nevertheless, these potential penalties would not involve the payment of material amounts. As of the date of this annual report, the total amount of monetary penalties received, pending to be paid for being appealed amount to Ps.500 thousand, which was registered according to Communication "A" 5689 and 5940 of the Central Bank, as amended or supplemented from time to time. Our management and our legal advisors believe that no further significant accounting effects could arise from the effect of the mentioned situations.

Dividend Policy

The decision to distribute the dividends also corresponds to the Shareholders' Meeting, based pursuant to the Central Bank Rules and on the recommendation of the Board of Directors. The Bank is not obliged to distribute profits, being at the exclusive discretion of the Shareholders' Meeting the determination of the maximum amount, pursuant to the Central Bank Rules and opportunity and the form of payment of the dividends to the network, being able to delegate this power to the Board of Directors. Likewise, the Shareholders' Meeting may create special reserves for future distributions of dividends, provided that they are reasonable and respond to a prudent administration, which it can disaffect if it considers its distribution pertinent. Article 32 of the Bank's bylaws establishes the purpose that the Shareholders' Meeting should give to the net and realized profits, resulting from the financial statements approved by such body.

The Bank's dividend distribution policy is based on maintaining an adequate balance between the amounts distributed and the investment and expansion policies. It should be noted that this dividend policy may be conditioned in the future by the existence of regulations in the market and/or by the strategic plans that the Bank adopts at any time.

Dividends are distributed under financial results calculated under Central Bank Rules, which may differ in certain significant respects from IFRS.

The following table sets forth the cash dividends paid to our shareholders from 2003 through 2021. All banks were prohibited by the Central Bank from paying dividends in respect of the results of 2001 and 2002.

Based on financial statements for year ended December 31,	Payment Dates	Dividends per Share (in Pesos, not adjusted for inflation)	Aggregate Dividend Payment (in millions of Pesos, not adjusted for inflation)
2003	July 2004	0.10	60.9
2004	April 2005	0.05	30.4
2005	May 2006	0.10	68.4
2006	May 2007	0.15	102.6
2007	May 2008	0.25	171.0
2008	September 2009	0.25	149.9 (1)
2009	June 2010	0.35	208.1
2010	May 2011	0.85	505.3
2011	—	0.00	0.0
2012	—	0.00	0.0
2013	July 2014	1.02	596.3
2014	March 2016	0.39	227.7 (2)
2015	August 2016	1.10	643.0



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Based on financial statements for year ended December 31,	Payment Dates	Dividends per Share (in Pesos, not adjusted for inflation)	Aggregate Dividend Payment (in millions of Pesos, not adjusted for inflation)
2016	June 2017	1.20	701.5
2017	May 2018	5.00	3,348.3
2018	May 2019	10.00	6,394.0
2019	(3)	(3)	(3)
2020	(4)	(4)	(4)
2021	(5)	(5)	(5)

- (1) For fiscal year ended December 31, 2008, dividends paid in cash were Ps.148.3 million based on the outstanding number of shares on the payment dates.
- (2) For the fiscal year ended December 31, 2014, we sought authorization from the Central Bank to distribute Ps.596.3 million (Ps.1.02 per share) and in February 2016 we received authorization to distribute Ps.227.70 million (Ps.0.3895 per share).
- (3) The shareholders' meeting held on April 30, 2020, resolved to approve a cash dividend for a total amount of Ps. 12,788.3 million subject to prior authorization of the Central Bank. In addition, the shareholder's meeting held on October 21, 2020, resolved to approve a complementary dividend for a total amount of Ps. 3,791.7 million subject to prior authorization of the Central Bank. Pursuant to Communication "A" 7312 of the Central Bank, the distributions of profits were suspended until December 31, 2021.
- (4) The shareholders' meeting held on April 30, 2021, resolved to approve a cash dividend for a total amount of Ps. 10,000.4 million which represented Ps.15.64 per shares subject to prior authorization of the Central Bank. Pursuant to Communication "A" 7312 of the Central Bank, the distributions of profits were suspended until December 31, 2021.
- (5) The Board of Directors' meeting held on March 9, 2022, resolved to submit for discussion by the Shareholders' Meeting the motion to distribute the amount of Ps. 22.18 per share, which shall mean a total amount to be distributed of Ps.14,187.9 million subject to prior authorization of the Central Bank.

For fiscal years ended December 31, 2011, and 2012 we were not able to distribute dividends because we did not reach the regulatory threshold for dividend distribution under Central Bank Rules. For more information, see "Item 4.B—Argentine Banking Regulation—Liquidity and Solvency Requirements—Requirements Applicable to Dividend Distribution."

Amounts available for distribution and distribution approval process

Under the Argentine Corporate Law, declaration and payment of annual dividends, to the extent funds are legally available, is determined by our shareholders at the annual ordinary shareholders' meeting. Generally, but not necessarily, our Board of Directors makes a recommendation with respect to the payment of dividends.

Dividends may be lawfully declared and paid only out of our retained earnings stated in our yearly financial statements according to Central Bank Rules and approved by a shareholders' meeting as described below.

The Board of Directors submits our financial statements for the preceding fiscal year, together with reports thereon by the supervisory committee, at the annual ordinary shareholders' meeting for approval. Within four months of the end of each fiscal year, an ordinary shareholders' meeting must be held to approve the financial statements and determine the allocation of our net income for such year.

In accordance with the applicable CNV Rules, cash dividends must be paid to shareholders within thirty (30) days of the shareholders' meeting approving such dividends. According to the BYMA rules, entities whose pay their dividends in cash, must start with the payments within ten (10) days as of the shareholders' meeting approval. In the case of stock dividends, shares are required to be delivered within three months of our receipt of notice of the CNV authorization for the public offering of the shares arising paid as dividends.

Central Bank and contractual limitations on distribution of dividends

In the past, the Central Bank has imposed restrictions on the payment of dividends, substantially limiting the ability of financial institutions to distribute such dividends without its prior consent.

The Central Bank has eased these restrictions through Communication "A" 4589, as amended by Communication "A" 4591, "A" 5072, "A" 5827 and others, by providing for a mechanism for the calculation of distributable profits of the financial institutions.



The amount to be distributed, may be limited to Central Bank Rules, which may differ in certain significant aspects with IFRS and shall not compromise the liquidity and solvency of the entity, pursuant to the aforementioned.

This requirement shall be deemed fulfilled only if there are no defects in the integration of the minimum capital position, both individual and consolidated, for the closing for the corresponding year to the unassigned results considered or in the last closed position verified, both of which present less excess of integration with respect to the requirement. We have obtained authorization from the Central Bank to distribute dividends for fiscal years 2003 through 2010. For fiscal years ended December 31, 2011, and 2012 we were not able to distribute dividends because we did not reach the regulatory threshold for dividend distribution under Central Bank Rules. For fiscal year 2013, 2014, 2015 and 2016, we sought authorization from the Central Bank to distribute dividends, which we paid in July 2014, March 2016, August 2016 and June 2017. As a result of certain regulatory modifications introduced by the Central Bank, dividend payments made for the years 2017 and 2018 did not require prior authorization.

On January 31, 2020, the Central Bank issued Communication "A" 6886, pursuant to which financial entities must obtain prior approval of the Central Bank in order to distribute dividends. The Superintendency shall take into account the potential effects of the enforcement of section 5.5 of the International Financial Reporting Standards 9 by Communication "A" 6430 and the restatement of the financial statements as provided by Communication "A" 6651, among others.

On March 19, 2020, in the midst of the COVID-19 crisis, the Central Bank issued Communication "A" 6939, as amended from time to time, by virtue of which the distribution of dividends by financial entities was temporarily suspended until December 31, 2021.

As a result of the above, the distribution of dividends for 2019 and 2020 is pending authorization by the Central Bank.

On December 2021, by means of Communication "A" 7421, as amended, the Central Bank authorized financial entities to distribute dividends for up to 20% of the amount of earnings that should have been distributed if the "Earnings distributions" rules had been applied, from January 1, 2022 to December 31, 2022. Those financial entities authorized by the Central Bank to distribute their profits must make such distribution in 12 equal, monthly and consecutive installments.

Additional regulatory and contractual restrictions exist which could affect the distribution of earnings and are included in note 51 "Restriction on dividends distribution" of our audited consolidated financial statements as of December 31, 2021, and 2020.

Legal reserve requirement

Pursuant to the Financial Institutions Law, we are required to maintain a legal reserve which must be funded with no more than 20% and no less than 10% of yearly income (which is calculated over the income that arise from the statutory financial statements), in accordance with Central Bank Rules. Pursuant to Central Bank Rules, we maintain a legal reserve which is funded with 20% of our yearly income, which may differ in certain significant aspects with IFRS (For more information see note 51 "Restriction on dividends distribution" of our audited consolidated financial statements as of December 31, 2021, and 2020"). This reserve can only be used during periods in which a financial institution has incurred losses and has exhausted all other reserves. If a financial institution does not comply with the required legal reserve, it is not allowed to pay dividends to its shareholders.

Under the Argentine Corporate Law and our bylaws, our yearly net income (as adjusted to reflect changes in prior results) is allocated in the following order:

- (i) to comply with the legal reserve requirement,
- (ii) to pay the accrued fees of the members of the Board of Directors and statutory supervisory committee;
- (iii) to pay fixed dividends, which are applied first to pending and unpaid dividends and holders of preferred stock (if applicable);
- (iv) for voluntary or contingent reserves, as may be resolved from time to time by our shareholders at the annual ordinary or special shareholders' meeting; and
- (v) the remainder of the net income for the year may be distributed as dividends on common stock or as otherwise decided by our shareholders at the annual ordinary shareholders' meeting.

B. Significant Changes

Except as otherwise disclosed in this annual report, there has been no undisclosed significant change since the date of the most recent annual financial statements included herein.



Item 9. The Offer and Listing

A. Offer and listing details

Not applicable

B. Plan of Distribution

Not applicable.

C. Markets

Our Class B shares are currently traded on the BYMA (since November 1994) and MAE (since October 2015) under the symbol “BMA”. Additionally, our ADSs have been trading on the NYSE since March 2006 under the symbol “BMA”.

Our notes are currently listed on the BYMA and MAE. Our Series A Subordinated Resettable Notes and our Series B Notes are also currently listed on the Luxembourg Stock Exchange.

D. Selling Shareholders

Not applicable.

E. Dilution

Not applicable.

F. Expenses of the issue

Not applicable.

Item 10. Additional Information

A. Share Capital

Not applicable

B. Memorandum and Articles of Association

General

We are a financial institution incorporated under the laws of Argentina on November 21, 1966, as a *sociedad anónima*, or a stock corporation, for a 99-year period and registered on March 8, 1967, with the Public Registry of Commerce of Bahía Blanca, Province of Buenos Aires, Argentina, under No. 1154 of Book 2, Folio 75 of *Estatutos*. We subsequently changed our legal address to the City of Buenos Aires and registered it with the IGT on October 8, 1996, under No. 9777 of Book 119, Volume A of *Sociedades Anónimas*.

As of December 31, 2021, our capital stock consisted of Ps.639,413,408, represented by 11,235,670 common, book-entry Class A shares, with a par value of one Peso each and the right to five votes per share, and 628,177,738 common, book-entry Class B shares, with a par value of one Peso each and the right to one vote per share.

According to our bylaws, we may issue different classes of shares of common stock entitled with one or five votes per share. However, as long as we remain in the public offering regime, we cannot issue additional shares of any class of capital stock that could entitle the holder thereof to more than one vote per share. All outstanding shares are fully paid.

Our Class B shares are listed on the BYMA since November 1994 and on the MAE since October 2015. Our ADSs are listed in the NYSE since March 2006. Holders of Class A shares are permitted to convert their shares into Class B shares on a one-for-one basis.

Corporate Purpose

Our bylaws provide that our corporate purpose is to engage within or outside of Argentina in any banking transaction contemplated and authorized under the Financial Institutions Law and any other laws, rules and regulations governing banking activities in the place of performance, under the guidelines and with prior authorization, if appropriate, of the Central Bank. In addition, we are capable of



acting as any category of “agent” under the Capital Markets Law and supplementing regulations, in connection with securities in the transactions contemplated under the legal provisions in effect governing the activity, under the guidelines and with the prior authorization, if appropriate, of the CNV. To that effect, we have full legal capacity to develop rights, incur obligations, and execute any kind of act and transaction related thereto. Furthermore, we are capable of having interests in other domestic or foreign financial institutions and or companies with the prior authorization of the Central Bank and in compliance with the rules of such entity, as applicable.

In respect of the different categories of agents established by the Capital Markets Law, and the CNV Rules, Banco Macro, and certain of their subsidiaries are registered with the CNV in one or more of the following categories: negotiation, clearing and settlement agent (ALyC), custody of collective investment products agent (AC PIC FCI), placement and distribution of mutual funds agent (ACYD FCI), financial trustees’ agent (FF) and nonfinancial trustees agent (FNOF), as applicable.

Shareholders’ liability

Shareholders’ liability for losses of a company is limited to the value of their shareholdings in the company. Under the Argentine Corporate Law, however, shareholders who voted in favor of a resolution that is subsequently declared void by a court as contrary to Argentine laws or a company’s bylaws (or regulations, if any) may be held jointly and severally liable for damages to such company, other shareholders or third parties resulting from such resolution. See also Item 3.D *“Risk Factors—Risks relating to our Class B shares and the ADSs—Our shareholders may be subject to liability for certain votes of their securities.”*

Redemption and rights of withdrawal

Our shares are subject to redemption in connection with a reduction in capital by the vote of a majority of shareholders at a special shareholders’ meeting. Whenever our shareholders approve a spin-off or merger in which we are not the surviving corporation, the change of our corporate legal status, a fundamental change in our corporate purpose, change of our domicile outside of Argentina, voluntary withdrawal from public offering or delisting, our continuation in the case of mandatory delisting or cancellation of the public offering authorization, or a total or partial recapitalization following a mandatory reduction of our capital or liquidation, any shareholder that voted against such action that was approved or did not attend the meeting at which the decision was taken, may withdraw and receive the book value of its shares, determined on the basis of our latest balance sheet prepared or that should have been prepared in accordance with Argentine laws and regulations, provided that such shareholder exercises its appraisal rights within a determined period. However, because of the absence of legal precedent directly on point, there is doubt as to whether holders of ADSs will be able to exercise appraisal rights either directly or through the depositary with respect to Class B shares represented by ADSs. Rights of withdrawal must be exercised within the five (5) days following the adjournment of the meeting at which the resolution was adopted, in the event that the dissenting shareholder voted against such resolution, or within fifteen (15) days following such adjournment if the dissenting shareholder did not attend such meeting and can prove that he was a shareholder on the date of such meeting. In the case of merger or spin-off, rights of withdrawal may not be exercised if the shares to be received as a result of such transaction are authorized for public offering or listed. Rights of withdrawal are extinguished if the resolution giving rise to such rights is revoked at another shareholders’ meeting held within seventy-five (75) days of the meeting at which the resolution was adopted.

Payment on the appraisal rights must be made within one year of the date of the shareholders’ meeting at which the resolution was adopted, except when the resolution was to delist our stock or to continue following a mandatory delisting, in which case the payment period is reduced to sixty (60) days from the resolution date.

Preemptive and accretion rights

In the event of a capital increase, a holder of existing common shares of a given class has a preemptive right to subscribe for a number of shares of the same class sufficient to maintain the holder’s existing proportionate holdings of shares of that class.

In addition, shareholders are not entitled to the right to subscribe on pro-rata basis for the unsubscribed shares remaining at the end of a preemptive rights offering, known as accretion rights.

Holders of ADSs may be restricted in their ability to exercise preemptive rights if an annual report under the Securities Act relating thereto has not been filed or is not effective or an exemption is not available. Preemptive rights are exercisable during the thirty (30) days following the last publication of notice to the shareholders in the Official Bulletin of the Republic of Argentina, or the Official Gazette and an Argentine newspaper of wide circulation. Pursuant to the Argentine Corporate Law, in the case of public companies, such thirty (30) days period may be reduced to a minimum of ten (10) days if approved by the company’s shareholders at a special shareholders’ meeting.

Shares not subscribed by the shareholders by virtue of their exercise of preemptive rights may be offered to third parties.

**Voting rights**

Under our bylaws, each Class A share entitles the holder thereof to five votes at any meeting of our shareholders and Class B shares entitle the holders thereof to one vote per share. However, according to the Argentine Corporate Law, shares entitle the holder to only one vote per share to vote the approval of: an early dissolution, a merger or spin-off when we are not the surviving entity, a reduction of capital stock and redemption of shares, a transformation from one type of entity to another, a limitation of shareholders' preemptive rights, a transfer of our domicile outside Argentina, and a fundamental change of our corporate purpose set forth in our bylaws. In such cases Class A shares are entitled to only one vote per share and Class B shares are entitled to only one vote per share. In addition, pursuant to Argentine applicable law, as long as we remain public, we cannot issue additional shares of any class of capital stock that could entitle the holder thereof to more than one vote per share.

Registration requirements of foreign companies that hold Class B shares directly

There are no restrictions imposed by Argentine law or our by-laws or other organizational documents regarding the rights of non-residents or foreign persons to hold or vote our shares or our ADSs.

Under Argentine regulations, foreign companies that hold shares directly (and not as ADSs) in an Argentine company must be registered with the IGJ to exercise certain shareholder rights, including voting rights. The registration requires the filing of corporate and accounting documents in order to demonstrate that the foreign shareholder's main activity is conducted outside of Argentina.

Liquidation rights

In the case of our liquidation or dissolution we are requested to communicate such event to the Central Bank, and our assets will be applied to satisfy our outstanding liabilities and proportionally distributed first among our holders of preferred stock as per the terms of the preferred stock, if any. If any surplus remains, it will be proportionally distributed among holders of our common stock.

Other shareholders' rights

In addition to the rights mentioned above, the shareholders of Argentine corporations are entitled to the following additional rights that cannot be subject to any kind of limitation or suspension as they protect the minority shareholders in such capacity:

- (i) the right to participate in the company's profits;
- (ii) the right to be informed and receive information from the company through the syndics or supervisory committee, including the right to request information or reports (shareholders representing at least 2% of the capital stock of the company are entitled to request the syndic or the members of the supervisory committee information related to their functions and certain investigations);
- (iii) the right to request a shareholders' meeting (shareholders representing at least 5% of the capital stock of the company may request the call of a shareholders' meeting);
- (iv) the right to disapprove the performance of the members of the Board of Directors (the liability of the company's directors and managers shall be extinguished if their performance is later approved by the shareholders at a shareholders' meeting, or if they resign, provided that such liability is not incurred as a consequence of the violation of the applicable laws or the company's bylaws and if it does not mediate opposition of at least 5% of the capital stock); and
- (v) the right to judicially object those shareholders' meetings resolutions violating the law or company's regulations and a right to ask for a judicial or administrative intervention when the administrator or administrators of a company execute acts or neglect acts whose omission places the company in serious danger.

Ordinary and extraordinary meetings

Shareholders' meetings may be ordinary or extraordinary. We are required to convene and hold an ordinary meeting of shareholders within four months of the close of each fiscal year to consider the matters specified in the first two paragraphs of Section 234 of the Argentine Corporate Law, such as the approval of our financial statements, allocation of net income for such fiscal year, approval of the reports of the board of directors and the supervisory committee and election and remuneration of directors and members of the supervisory committee. In addition, pursuant to the Capital Markets Law, at an ordinary shareholders' meetings, our shareholders must consider:

- (i) the disposition of, or creation of any lien over, our assets as long as such decision has not been performed under the ordinary course of business;
- (ii) the execution of administration or management agreements; and



- (iii) whether to approve the payment of any agreement providing assets or services to us as long as such payment is material when measured against the volume of the ordinary course of business and our shareholders' equity.

Other matters which may be considered at an ordinary meeting convened and held at any time include the responsibility of directors and members of the supervisory committee, capital increases and the issuance of certain corporate bonds. Special shareholders' meetings may be called at any time to consider matters beyond the authority of an ordinary meeting, including amendment of the bylaws, issuance of debentures, early dissolution, merger, spin off, reduction of capital stock and redemption of shares, transformation from one type of entity to another and limitation of shareholders' preemptive rights.

Notices of meetings

Notices of shareholders' meetings are governed by the provisions of Argentine Corporations Law, and in case of publicly traded companies, Capital Markets Law. Furthermore, notice of shareholders' meetings must be published for five (5) days in the Official Gazette, in an Argentine newspaper of wide circulation and in the publications of Argentine exchanges or securities markets in which our shares are traded, at least twenty (20) but not more than forty-five (45) days prior to the date on which the meeting is to be held. Such notice must include information regarding the type of meeting to be held, the date, time and place of such meeting and the agenda. If a quorum is not available at such meeting, a notice for a second meeting, which must be held within thirty (30) days of the date on which the first meeting was called, must be published for three (3) days, at least eight (8) days before the date of the second meeting. The above-described notices of shareholders' meetings may be effected simultaneously for the second meeting to be held on the same day as the first meeting, only in the case of ordinary meetings. Shareholders' meetings may be validly held without notice if all shares of our outstanding capital stock are present and resolutions are adopted by unanimous vote of such shares.

Quorum and voting requirements

The quorum for ordinary meetings of shareholders on first call is a majority of the shares entitled to vote, and action may be taken by the affirmative vote of an absolute majority of the shares present that are entitled to vote on such action. If a quorum is not available at the first meeting a second meeting may be held at which action may be taken by the holders of an absolute majority of the shares present, regardless of the number of such shares. The quorum for a special shareholders' meeting on first call is 60% of the shares entitled to vote, and if such quorum is not available, a second meeting may be held, for which the quorum is 20% of the shares entitled to vote.

Action may be taken at special shareholders' meetings by the affirmative vote of an absolute majority of shares present that are entitled to vote on such action, except that: the approval of a majority of shares with voting rights (for these purposes non-voting preferred shares shall have voting rights), without application of multiple votes, is required at both the first and second meeting for:

- (i) the transfer of our domicile outside Argentina,
- (ii) a fundamental change of the corporate purpose set forth in our bylaws,
- (iii) our anticipated dissolution,
- (iv) the total or partial redemption of shares,
- (v) our merger or spin-off, if we are not the surviving entity, or
- (vi) the transformation of our corporate legal status, in which cases resolutions shall be adopted by the affirmative vote of the majority of shares with the right to vote.

Preferred shares will be entitled to one vote in these circumstances.

The Argentine Corporate Law permits companies to establish cumulative voting in order to elect up to one third of the directors and one third of the members of the supervisory committee to fill vacancies of the board of directors and of the supervisory committee, respectively, sharing such part with candidates voted for by means of the plural system. Cumulative voting is a system designed to protect minority interests, as it gives rise to the possibility, but does not ensure, that minority interests will be able to elect some of their candidates. Each shareholder who votes cumulatively shall have a number of votes equal to the result of multiplying his/her own votes by the number of vacancies. On the other hand, shareholders who vote by the ordinary procedure and those who vote by cumulative vote will compete for the election of one third of the vacancies. The larger the number of vacancies, the greater the possibility that minority groups or shareholders will win positions in the board of directors or the supervisory committee.

Shareholders' meetings may be called by the board of directors, or the members of the supervisory committee whenever required by law or whenever they deem it necessary. Also, the board or the members of the supervisory committee are required to call shareholders' meetings upon the request of shareholders representing an aggregate of at least five percent of our outstanding capital stock. If the board or the supervisory committee fails to call a meeting following such a request, a meeting may be ordered by the



CNV or by the courts. In order to attend a meeting, a shareholder must also deposit with us a certificate of book-entry shares registered in its name and issued by Caja de Valores S.A. at least three (3) business days prior to the date on which the meeting is to be held. If so entitled to attend a meeting, a shareholder may be represented by proxy. Proxies may not be granted to our board, members of the supervisory committee, officers or employees.

By means of CNV's General Resolution No. 830/2020, dated April 3, 2020, publicly offered entities are allowed to hold remote shareholders and board of directors' meetings, via electronic means, even if their respective bylaws do not provide for this, respecting the minimum requirements to ensure the integrity of the vote of each participant and the presence of all shareholders and members, respectively. By means of CNV's interpretation No. 80 the provisions of CNV's General Resolution No. 830/2020 were restated.

Election of directors

The shareholders present at any annual ordinary meeting may determine the size of the board of directors, provided that there shall be no less than three (3) and no more than thirteen (13) directors. Any director so appointed will serve for three fiscal years. If the shareholders elect nine or more board members, each director will be re-elected as a staggered board, to be renewed by thirds, provided that in all cases no less than three directors shall be renewed each time. The annual ordinary shareholders' meeting may also appoint an equal or lesser number of alternate directors, to hold office for the same term than regular directors, to fill any vacancy in the board occurring for any reason and shall further determine the order of substitution. Alternate directors shall hold office until the regular directors in whose place they have acted as substitutes shall resume office, and in case any such absence is permanent, until the next ordinary meeting of shareholders where at directors shall be appointed. Both regular and alternate directors may be re-elected indefinitely.

Change in capital

Our by-laws do not establish conditions for the changes in our capital more stringent than those conditions imposed by the Argentine Corporate Law. For a description of conditions for the changes in our capital imposed by the Argentine Corporate Law see "—Ordinary and extraordinary meetings."

Purchases of Equity Securities by the Issuer

According to the Argentine Corporations Law, the Capital Markets Law and the CNV Rules, a stock corporation may acquire the shares it issued, provided that the public offering and listing thereof has been authorized, subject to the following terms and conditions and those set forth by the CNV. The above-mentioned conditions are:

- (a) the shares to be acquired shall be subscribed and paid-off;
- (b) there shall be a resolution signed by the board of directors to such effect (duly reported to the supervisory committee and the audit committee);
- (c) the acquisition shall be made using the net profits or free or voluntary reserves; and
- (d) the total amount of shares acquired by the issuer, including previously acquired shares (and are held as treasury stock by the issuer), shall not exceed 10% of the capital stock or such lower percentage determined by the CNV.

The shares acquired by the issuer in excess of such limit shall be disposed of within a period of ninety (90) days after the date of the acquisition originating such excess. The shares acquired by the issuer shall be disposed of by the issuer within the maximum term of three years counted as from the date of acquisition thereof or cancelled. Upon disposing of the shares, the issuer shall make a preemptive offer thereof. Such preemptive offer will not be mandatory in certain specific cases, pursuant to which shares may be sold in the open market. For more information, please see Item 16E. "Purchases of Equity Securities by the Issuer and Affiliated Purchasers."

Anti-takeover provisions

Our bylaws do not contain any provision that would (i) oblige us to disclose information regarding our shareholders; and (ii) have the effect of delaying, deferring or preventing a change in control, the last of which may happen only in the event of a merger, acquisition or public offering for acquisition.

**Tender offer regime*****Tender offer regime in the case of a change in control******Mandatory tender offer or exchange in Argentina***

Pursuant to the rules set forth in the Capital Markets Law, the Productive Financing Law and the CNV Rules, anyone who, either individually or collectively, effectively achieves a “controlling interest” in a publicly traded company, will be bound to submit a mandatory tender offer (“OPA”, acronym in Spanish for *Oferta Pública de Adquisición Obligatoria*) in any of the scenarios set forth below:

- a) acquisition of shares or share subscription rights or options granted by the company, corporate bonds convertible into shares or similar securities which, directly or indirectly, may give a right a controlling interest in the company;
- b) execution of agreements by and among other holders of securities, which grant the necessary votes to control the company’s decisions or to appoint or revoke a majority of the members of the Supervisory Committee, as well as any other agreement which regulates the right to vote in the Board of Directors or in any of its delegate bodies. This scenario shall be applicable when the parties to the agreement have acquired the voting shares of the company, acting either individually or jointly, within the 12 months prior to the execution of the agreement; or when a new shareholder agrees to a joint control of the company with existing shareholders. Furthermore, this scenario shall not be applicable when the acquired interest is below 50% of a controlling subsidiary of a publicly traded company; or
- c) indirectly or contingently, including the cases of mergers or other corporate reorganizations, involving a company that has direct or indirect shareholding with the right to vote in a publicly traded third party.

The OPA must be addressed to any and all shareholders of the company and any person with rights to share subscription or stock options granted by the company, corporate bonds or other similar securities which directly or indirectly may give right to share subscription and/or acquisition of securities, or conversion of voting shares. The addressees of the OPA must be offered an equitable price, in the terms of section 88 of the Capital Markets Law, and section III, Chapter II, Title III of the CNV Rules.

In the above mentioned cases, the prospective purchase must file the request to submit a mandatory tender offer before the CNV no later than one month after the takeover has been completed.

The mandatory tender offer must be launched by the prospective purchaser within five (5) days of obtaining the approval of the CNV. The term for the investors to accept or reject the offer will have to be at least ten (10) days and no more than twenty (20).

Concept of “Controlling Interest”

In accordance with the Capital Markets Law, a person can be considered to have a controlling interest, either individually or collectively, if:

- i) voting rights exceed 50% of the company, excluding the shares owned directly or indirectly by the affected Company from the calculation base; or
- ii) even though the shareholding is below 50%, the person acts as the “controller” of the Company in the terms of the capital markets law.

Determination of the price of the OPA in the case of a change in control

The equitable price of mandatory tender offers must be the higher between:

- (i) the higher price that the offeror, acting individually or jointly, may have paid or agreed to pay for the securities to be offered by virtue of the OPA during the 12 months prior to the beginning of the period during which the OPA must take place;
- (ii) the average price of the shares for the last six months before the “offer.”

Determination of the price of the OPA in other cases (minority drag along right, for example)

The equitable price in this scenario must considered the same criteria as in a change of control event, but also should bear into account (i) the face value of shares; (ii) the value of the company according to international valuation standards; and (iii) the value of liquidation of the company.



Penalties for breach

Without prejudice to the penalties established by the CNV, the Capital Markets Law provides that purchases of shares of a company in violation of the OPA regime shall be declared irregular and ineffective for administrative purposes by the CNV and cause the invitation of an auction of the shares acquired on infringement, without prejudice to the penalties that may correspond.

Tender offer regime in the case of a voluntary withdrawal from the public offering and listing system in Argentina

The Capital Markets Law and its regulations also established that when a company whose shares are publicly offered and listed in Argentina, agrees to voluntarily withdraw from the public offering and listing system in Argentina, it must follow the procedures provided for in the CNV's regulations and it must likewise launch an OPA for its aggregate shares and/or subscription rights or securities convertible into shares or stock options under the terms provided for in such regulation. It is not necessary to extend the public offering to those shareholders that voted for the withdrawal at the shareholders' meeting. The public offering can only be made as a purchase and sale and the consideration must be cash.

The acquisition of one's own shares must be made with liquid and realized profits or with free reserves, whenever paid up in full, and for the amortization or disposition thereof, within the term set forth in section 221 of the Argentine Companies Law and the company must present the CNV with evidence that it has the necessary solvency to affect such purchase and that the payment for the shares will not affect its solvency. The price offered should be an equitable price. To determine if an equitable price is offered, the criteria set forth for mandatory tender offers must be followed.

Form and transfer

Our current capital stock is represented by book-entry shares. Our shareholders are required to hold their shares through book-entries directly made by Caja de Valores S.A. in the stock registry of the company carried by Caja de Valores S.A. or through book-entries with brokers, banks and other entities approved by the CNV that have accounts with Caja de Valores S.A., or with the participants of the Caja de Valores S.A.

Caja de Valores S.A. is in charge of maintaining a stock registry on our behalf based on information received from shareholders that choose to hold their shares directly by registration on the stock registry of the company and from participants of the Caja de Valores S.A. Under Argentine law, only those holders listed in the stock registry, either directly or through participants of the Caja de Valores S.A., will be recognized as shareholders. Shares held by participants of the Caja de Valores S.A. have the same rights as shares recorded in our shareholders' register.

C. Material Contracts

In 2020, several banks of the Argentine financial system constituted Play Digital S.A., a society that developed the fintech platform called "Modo". Initially, the shareholders were Banco de Galicia y Buenos Aires SAU, Banco BBVA Argentina SA, Banco Santander Río SA and Banco Macro SA. Subsequently, other banks were accepted as shareholders together with the abovementioned. Modo is an online wallet that allows its users to send and request money between contacts, integrate all their cards and bank accounts into a single software application and pay through Quick Response (QR) codes. At the date of this annual report, the Bank holds 10.020% of the total shareholder equity of Play Digital S.A.

During the past two years we did not enter into or become party to another contract that is required to be disclosed under this item, other than the above-mentioned company.

For further information, see "History and Description of the Bank's Business—History—Banco Macro S.A." and Item 4.B "Business Overview"/ Technology, automated channels and credit cards processing systems.

D. Exchange Controls

On September 1, 2019, after the market disruptions caused by the results of the primary elections, with the purpose of strengthening the normal functioning of the economy, fostering a prudent administration of the exchange market, reducing the volatility of financial variables and containing the impact of the variations of financial flows on the real economy, the Argentine government issued Decree No. 609/2019 whereby foreign exchange controls were temporarily reinstated. The decree: (i) reinstated, originally until December 31, 2019, the exporters' obligation to repatriate the proceeds from exports of goods and services in the terms and conditions set forth by the Central Bank's implementing regulations and settle for Pesos through the FX Market; and (ii) authorized the Central Bank to (a) regulate access to the FX Market for the purchase of foreign currency and outward remittances; and (b) set forth regulations to avoid practices and transactions aimed to circumvent, through the use of securities and other instruments, the measures adopted through the decree. On the same date, the Central Bank issued Communication "A" 6770, which was subsequently amended and supplemented by further Central Bank communications.



At present, foreign exchange regulations have been consolidated in a single regulation, Communication “A” 7490, as subsequently amended and supplemented from time to time by Central Bank’s communications (the “FX Regulations”). Below is a description of the main exchange control measures implemented by the FX Regulations:

Specific Provisions for Inward Remittances

Repatriation and settlement of the proceeds of exports of goods

In accordance with section 7.1 of the FX Regulations, exporters must repatriate, and settle for Pesos through the FX Market, the proceeds from exports of goods cleared through customs as from September 2, 2019. Notwithstanding the maximum terms for settlement as of obtaining the “shipping fulfillment” (*cumplido de embarque*) established in section 7 of the FX Regulations, export proceeds must be entered and settled through the FX Market within 5 business days following payment thereof.

Although the FX Regulations maintain the obligation to repatriate export proceeds to Argentina through the FX Market, in accordance with section 2.6, exporters are authorized to avoid the settlement in Pesos to the extent that: (a) the funds are credited in foreign-denominated accounts in the name of the exporter, opened at local banks; (b) the funds are brought to Argentina within the applicable terms; (c) the funds are simultaneously applied to the making of payments for which the regulations grant access to the FX Market, subject to any applicable caps; (d) if the funds correspond to the proceeds of new external financial indebtedness and are applied to the prepayment of foreign currency-denominated loans with local banks, the new indebtedness must have a longer average life than the local indebtedness, and (e) the mechanism is tax-neutral.

Amounts collected in foreign currency for insurance claims related to the exported goods must also be repatriated and settled in Pesos in the FX Market, up to the amount of the insured exported goods.

Moreover, through section 8 of the FX Regulations, the Central Bank reinstated the export proceeds monitoring system, setting forth rules governing such monitoring process and exceptions thereof. Exporters will need to appoint a financial entity in charge of monitoring compliance with the aforementioned obligations.

Application of exports proceeds

FX Regulations authorize the application of export proceeds to the repayment of: (i) pre-export financings and export financings granted or guaranteed by local financial entities; (ii) foreign pre-export financings and export advances settled in the FX Market, provided that the relevant transactions were entered into through public deeds or public registries; (iii) financial indebtedness under contracts executed prior to August 31, 2019 providing for cancellation thereof through the application abroad of export proceeds; (iv) other foreign financial indebtedness subject to certain requirements as established in sections 7.9 and 7.10 of the FX Regulations. All other uses of export proceeds shall be subject to Argentine Central Bank prior approval.

Local collections for exports of on-board supplies to foreign flagged means of transport (regimen de ranchos)

Section 8.5.18 establishes that, regarding local collections for exports of on-board (regimen de ranchos) supplies to foreign flagged means of transport, it shall be considered that the follow-up of the shipment permit is totally or partially complied with, for an amount equivalent to the amount paid locally in Pesos and/or in foreign currency to the exporter by a local agent that owns the foreign flagged means of transport, as long as the following conditions are met:

- A) The documentation allows to verify that the delivery of the exported merchandise has taken place in the country, that the local agent of the company that owns the foreign flagged means of transport made the payment to the exporter locally and in which currency the payment was made.
- B) An entity shall issue a certification stating that the company that owns the foreign flagged means of transport would have had access to the FX Market pursuant to Section 3.2.2. of the FX Regulations for the equivalent amount in foreign currency which is intended to be computed to the shipment permit.

The entity which states the precedent shall previously verify compliance with all the other requirements established in Section 3.2.2. of the FX Regulations except for provisions of Section 3.16.13. and the local agent of the company that owns the foreign flagged means of transport shall have filed an affidavit stating that it has not transferred or will transfer funds abroad for the proportional amount of the operations included in the certification.

- C) In the event that the funds have been received in the country in foreign currency, a certification that the settlement of the funds through the FX Market has been made is needed.



The local agent of the company that owns the foreign flagged means of transport shall not have used this mechanism for an amount greater than US\$250,000 in the calendar month.

Repatriation and settlement of proceeds from exports of services

Section 2.2 of the FX Regulations imposes to exporters the obligation to repatriate and settle in the FX Market, the proceeds from exports of services within 5 business days following payment thereof.

Proceeds from exports of services may be applied to principal and services repayment of foreign financial indebtedness or securities denominated in foreign currency registered in Argentina and with services payments in foreign currency in Argentina or to the repatriation of foreign direct investments, to the extent requirements set forth in section 7.9 of the FX Regulations are met.

Sale of non-financial non-produced assets

Pursuant to section 2.3 of the FX Regulations, the proceeds in foreign currency of the sale of non-financial non-produced assets must be repatriated and settled in Pesos in the FX Market within 5 business days following either the perception of funds in the country or abroad, or their accreditation in foreign accounts.

Foreign financial indebtedness

Pursuant to Section 2.4 of the FX Regulations in order for resident debtors to have access to the FX Market to repay foreign financial indebtedness disbursed as of September 1, 2019, the loan proceeds must have been settled through the FX Market and the operation must have been declared under the Foreign Assets and Liabilities Reporting Regime. As a result, although settlement of the loan proceeds is not mandatory (i.e., the loan proceeds may be kept and applied directly abroad), failure to settle them shall preclude future access to the FX Market for repayment purposes.

Access to the FX Market to make such payments more than three days prior to the due date (e.g., due to voluntary or mandatory prepayment provisions) is, as a rule, subject to prior Central Bank's approval. Prepayments done with funds from new, duly settled, foreign loans or in connection with debt refinancing or liability management processes may be exempted from such prior Central Bank's approval to the extent they comply with several requirements as set forth in section 3.5 of the FX Regulations.

Until June 30, 2022, prior Central Bank's approval is required in order for local residents to access the FX Market to make principal payments under cross-border financial indebtedness with related parties (unless the loan proceeds were settled through the FX Market after October 1, 2020, and the loan has an average life of at least 2 years).

Exceptions to the repatriation and settlement requirement

Although the FX Regulations maintain the obligation to repatriate export proceeds to Argentina through the FX Market, in accordance with section 2.6, exporters are authorized to avoid the settlement in Argentine Pesos to the extent that: (a) the funds are credited to foreign-denominated accounts in the name of the exporter, opened at local banks; (b) the funds are brought to Argentina within the applicable period established; (c) the funds are simultaneously applied to conduct payments for which the regulations grant access to the FX Market, subject to any applicable caps; (d) if the funds correspond to the proceeds of new external financial indebtedness and are applied to the prepayment of foreign currency-denominated loans with local banks, the new indebtedness must have a longer average life than the local indebtedness, and (e) the mechanism is tax-neutral.

Specific Provisions Regarding Access to the FX Market

General Requirements

As a general rule, and in addition to any rules regarding the specific purpose for access, certain general requirements must be met by a local company or individual to access the FX Market for the purchase of foreign currency or its transfer abroad (i.e., payments of imports and other purchases of goods abroad; payment of services rendered by non-residents; remittances of profits and dividends; payment of principal and interest on external indebtedness; payments of interest on debts for the import of goods and services, among others) without need of prior Central Bank of Argentina prior approval. These include the following:

- (i) during the 90 days preceding the date of said access, the local company must not have:
 - (a) sold in Argentina securities issued by residents for foreign currency, transferred such securities to a foreign depository, exchanged such securities for other foreign assets, or, as of October 29, 2021, purchased foreign securities issued by non-residents with Pesos in Argentina; or



- (b) delivered Pesos or other local liquid assets (e.g., Argentine sovereign bonds) to any individual or legal entity having a direct controlling interest in it, unless: (i) such delivery resulted from regular purchases of goods or services executed in its ordinary course of business, or (ii) it provides an affidavit from each such controlling individual or legal entity pursuant to which such persons declare they comply with the restrictions set forth in (i)(a) above, and undertake to comply with (ii)(d) below; and
 - (ii) on the date of said access, the local company must:
 - (a) not have any available foreign liquid assets in excess of US\$ 100,000, Central Bank Communication “A” 7030 contains a non-exhaustive list of assets that qualify as “foreign liquid assets” for purposes thereof, which include foreign currency bills and coins, gold bars, sight deposits with foreign banks and, generally, any other investment that allows for immediate availability of foreign currency (e.g., foreign bonds and securities, investment accounts with foreign investment managers, crypto-assets, cash held with payment service providers, etc.).
 - (b) deposit all its local holdings of foreign currency in accounts held with local financial institutions,
 - (c) undertake to settle through the FX Market within 5 business days as from receipt thereof, any funds received abroad as a result of the repayment of loans, the release of term-deposits or the sale of any type of asset, to the extent the asset was originally acquired, the deposit made or the loan granted, as applicable, after May 28, 2020,
 - (d) undertake to, during the 90 days following said access to the FX Market, not sell in Argentina securities issued by residents for foreign currency, transfer such securities to foreign depositories, exchange such securities for other foreign assets, or purchase foreign securities with pesos in Argentina, and
 - (e) not be included in the list of “issuers of fake invoices and similar documents” (*base de facturas o documentos equivalentes calificados como apócrifos*) kept by the Argentine Tax Authority (Administración Federal de Ingresos Públicos).

Payment of Imports

Residents are authorized to access the FX Market for the payment of import of goods in accordance with section 10.1 of the FX Regulations. This regulation sets forth different requirements depending on whether it relates to the payment of imports of goods with customs clearance or the payments of import of goods pending customs clearance. Also, the imports and import payments monitoring system (SEPAIMPO) has been reinstated, setting forth rules governing such monitoring process and exceptions thereof.

Pursuant to the FX Regulations, the local importer must appoint a local financial entity to act as a monitoring bank, which will be responsible for verifying compliance with the applicable regulations, including, among others, the liquidation of import financing and the entry of imported goods.

Pursuant to section 10.11.1 of the FX Regulations, for the purposes of accessing the FX Market to pay imports of goods or the principal amount of debts arising from the import of goods, Central Bank prior approval will be required until December 30, 2022, unless any of the conditions stated in sections 10.11.1 to 10.11.11 are met. Some of these conditions are:

- a) the entity has received an affidavit from the client stating that the total amount of payments associated with its imports of goods processed through the FX Market as of 2020, including the payment for which approval is sought, does not exceed in more than \$250,000 the amount by which the importer would have access to the exchange market when computing: (i) the imports of goods registered on behalf of the relevant in the system for tracking payments of imports of goods (SEPAIMPO) and that were registered between January 1, 2020 and the day prior to accessing the FX Market, (ii) plus the amount of payments made under other exceptions, (iii) minus the amount pending to be paid in Argentina, related to payments of imports with pending customs registration made between September 1, 2019 and December 31, 2019;
- b) filing a SIMI (Sistema Integral de Monitoreo de Importaciones declarations) approved that meets the requirements described in the FX Regulations;
- c) in the case of a “deferred payment” of imports corresponding to goods that have been shipped as of July 1, 2020, or that, having been shipped previously, have not arrived in the country before that date, provided that they are associated to a SIMI that complies with the requirements described in the FX Regulations;



- d) it is a payment associated with an operation not included in section b) above, to the extent that it is intended to be used towards the cancellation of a commercial debt for imports of goods with an export credit agency or a foreign financial entity or that was guaranteed by either of such entities;
- e) in the case of “demand payments” of imports of goods or for commercial debt arising from imports of goods that do not have custom registration evidencing entry of the goods into Argentina, provided that, among others:
 - the import corresponds to the importation of materials/supplies to be used for the production of goods in the country; and
 - the payments made under this section do not exceed, in the current calendar month and for the financial entities as a whole, the amount obtained by considering the average of the total amount of imports of materials/supplies computed by the company in the formula stated in a) above in the last twelve months, minus the amount of imports of goods that do not have custom registration evidencing entry of the goods into Argentina in a situation of delay recorded by the importer.

Prior to authorizing payments for imports of goods, the intervening financial entity must, in addition to requesting the client’s affidavit, verify that such statement is compatible with the existing data in the relevant online Central Bank of Argentina’s databases.

As of January 3, 2022, among other requirements, if new financial indebtedness is settled through the FX Market and such indebtedness is entered into with a third party, has an average life of not less than 2 years, and has no principal maturities until at least 3 months from settlement, then access to the FX Market shall be granted to pay for imports of goods upon maturity. This mechanism can only be used for up to U.S.\$ 10 million.

Payment of services provided by non-residents

Pursuant to section 3.2 of the FX Regulations, residents may access the FX Market for payment of services rendered by non-residents (except intercompany services), as long as it is verified that the operation has been declared, if applicable, in the last overdue presentation of the Foreign Assets and Liabilities Reporting Regime. Access to the FX Market for payment of intercompany imports of services is, as a general rule, subject to prior Central Bank of Argentina approval.

As of January 3, 2022, among other requirements, if new financial indebtedness is settled through the FX Market and such indebtedness is entered into with a third party, has an average life of not less than 2 years, and has no principal maturities until at least 3 months from settlement, then access to the FX Market shall be granted to repay intercompany services upon maturity and for services rendered at least 180 calendar days prior to requiring access to the FX Market or arising from a contract executed 180 calendar days prior to requiring access. This mechanism can only be used for up to U.S.\$ 10 million.

Access to the FX Market for the prepayment of debts for services requires prior authorization by the Central Bank of Argentina.

Foreign financial indebtedness

As abovementioned under “*Specific Provisions for Inward Remittances – Foreign financial indebtedness*” in order for resident debtors to have access to the FX Market to repay foreign financial indebtedness disbursed as of September 1, 2019, the loan proceeds must have been settled through the FX Market and the operation must have been declared under the Foreign Assets and Liabilities Reporting Regime.

Until June 30, 2022, prior Central Bank’s approval is required in order for local residents to access the FX Market to make principal payments under cross-border financial indebtedness with related parties (unless the loan proceeds were settled through the FX Market after October 1, 2020, and the loan has an average life of at least 2 years).

Section 3.17 of FX Regulations establishes that debtors with scheduled principal payments maturing between October 15, 2020 and December 31, 2022 relating to (i) foreign financial indebtedness of the non-financial private sector with a creditor who is not a counterparty related to the debtor; (ii) foreign financial indebtedness on account of transactions of the debtor and/or (iii) issuances of debt securities publicly registered in Argentina, denominated in foreign currency, of private sector customers or of the financial entities themselves, had to submit a refinancing plan to the Central Bank in line with the following criteria (the “Refinancing Plan”):

- (a) debtors were given access to the FX Market on the original maturity dates to make payments of net principal amounts not exceeding forty percent (40%) of the principal amounts due; and
- (b) the balance of the principal amount shall have to be refinanced, at least, by means of a new foreign indebtedness with an average life of two (2) years.



Further, in addition to the refinancing granted by the original creditor, proceeds from new foreign financial indebtedness with other creditors shall also be computed, provided that the proceeds obtained therefrom be transferred and settled through the FX Market. In the case of issuances of debt securities publicly registered in Argentina and denominated in foreign currency, new issuances shall also be computed provided that certain conditions are met

The abovementioned provisions shall not apply to: (i) indebtedness with international organizations or associated agencies thereof or secured by them; (ii) indebtedness granted to the debtor by official credit agencies or secured by them; and (iii) when the amount for which access to the FX Market is requested for repayment of principal under such indebtedness does not exceed the equivalent of US\$ 2,000,000 (two million U.S. dollars) per calendar month, and (iv) indebtedness originated as from 01.01.2020 and whose funds have been deposited and settled in the foreign exchange market; (v) indebtedness originated on or after 01.01.2020 and which constitute refinancing of principal maturities subsequent to that date, to the extent that the refinancing has made it possible to reach the parameters set forth in said point; and (vi) the remaining portion of maturities already refinanced to the extent that the refinancing has made it possible to reach the parameters set forth in said item.

Foreign financial indebtedness principal and services prepayment:

(1) access to the FX Market up to 45 calendar days prior to the maturity date for the payment of principal and services of foreign financial debts or debt securities publicly registered in Argentina and denominated in foreign currency will be allowed if the prepayment is made by virtue of a debt refinancing process that complies with the provisions set forth in section 3.17 mentioned above and, additionally, when all of the following conditions are met: (a) the amount of interest paid does not exceed the amount of interest accrued on the refinanced indebtedness up to the date the refinancing was settled, and (b) the accumulated amount of the principal maturities of the new debt does not exceed the amount that the principal maturities of the refinanced debt would have accumulated;

(2) access to the FX Market prior to the maturity date for payment of interest on foreign financial debts or debt securities publicly registered in Argentina and denominated in foreign currency will be allowed if the prepayment is consummated as part of a process for the exchange of debt securities issued by the customer and all of the following conditions are met: (a) the amount paid before maturity corresponds to interest accrued as at the closing date of the exchange; (b) the average life of the new debt securities is longer than the remaining average life of the exchanged security; and (c) the accumulated amount of the principal maturities of the new securities does not exceed at any time the amount that the principal maturities of the exchanged securities would have accumulated; and

(3) concerning scheduled principal repayments maturing between October 15, 2020 and December 31, 2022: (a) the Central Bank will consider the Refinancing Plan established therein completed when the debtor accesses the FX Market to pay off capital in an amount exceeding 40% of the principal amount that was then due, to the extent that the debtor settles currency on the FX Market as from October 9, 2020, in an amount equal to or greater than the excess over such 40%, on account of (i) foreign financial indebtedness, (ii) issuance of debt securities publicly registered abroad, (iii) issuance of debt securities publicly registered in Argentina and denominated in foreign currency that meet the conditions set forth in section 3.6.1.3 of the FX Regulations, (b) in the case of debt securities publicly registered in Argentina or abroad, issued on or after October 9, 2020, with an average life of not less than two years, and the delivery of which to the creditors has allowed to reach the parameters provided in the proposed Refinancing Plan, the foreign currency settlement requirement was considered fulfilled for the purposes of being allowed access to the FX Market for the service of principal and interest thereon, and (c) the debtor has a certificate of increase of exports issued pursuant to section 3.18 of the FX Regulations.

In line with the Argentine Central Bank, the CNV issued General Resolution No. 861 to facilitate the refinancing of debt through the capital markets. In this regard, the CNV provided that whenever the issuer intends to refinance debt through an exchange offer or new issues of debt securities, in both cases in exchange for or to be paid with debt securities previously issued by the company and placed privately and/or with preexisting credits against such company, the requirement of placement through public offering will be regarded as met if the new issue is underwritten in this way by the creditors of the company whose debt securities without public offering and/or preexisting credits represent a percentage that does not exceed thirty percent (30%) of the aggregate amount actually placed, and the remaining percentage is underwritten and paid in cash or in kind by tendering debt securities originally placed through public offering, or other debt securities publicly offered and listed and/or traded on markets authorized by the CNV, issued by the same company, by persons who are domiciled in Argentina or in countries that are not included in the list of non-cooperative jurisdictions for tax purposes, listed in section 24 of the Annex to Decree No. 862/2019 or anyone that may replace it in the future. Additionally, General Resolution No. 861 provided for mandatory compliance with certain conditions to consider that the public offering requirement has been met.

Prepayment of financing denominated in foreign currency granted by local financial institutions



The Argentine Central Bank's prior approval shall be required to access the FX Market to prepay foreign currency financing granted by local financial institutions, unless they relate to payments of credit card purchases made in foreign currency.

Payments of local debt securities denominated in foreign currency among residents

In accordance with section 3.6 of the FX Regulations, establishes the prohibition of access to the FX Market for the payment of debts and other obligations in foreign currency between residents, entered into as from September 1, 2019. However, it sets as exceptions the cancellation as from their maturity of principal and interest of:

- Financing in foreign currency granted by local financial entities (including payments for consumption in foreign currency through credit cards).
- Obligations in foreign currency between residents instrumented through public registries or deeds as of August 30, 2019.
- Issuances of debt securities made on or after September 1, 2019, for the purpose of refinancing foreign currency obligations between residents instrumented through public registers or deeds as of August 30, 2019, and that entail an increase in the average life of the obligations.
- Payment, at maturity, of principal and interest services under new issues of debt securities made as of November 29, 2019, with public registration in the country, denominated and payable in foreign currency in the country, to the extent that: (i) they are denominated and subscribed in foreign currency, (ii) the respective principal and interest services are payable in the country in foreign currency and (iii) the totality of the funds obtained with the issuance are settled through the foreign exchange market.
- The issues made as from October 9, 2020, of debt securities with public registration in the country, denominated in foreign currency and whose services are payable in foreign currency in the country, to the extent that their average life is not less than 2 (two) years and their delivery to creditors has allowed reaching the refinancing parameters set forth in Section 3.17 of the FX Regulations.
- The issues made as from January 7, 2021 of debt securities with public registration in the country denominated in foreign currency and whose services are payable in foreign currency in the country, to the extent that they were delivered to creditors to refinance pre-existing debts with an extension of the average life, when it corresponds to the amount of capital refinanced, interest accrued up to the refinancing date and, to the extent that the new debt securities do not mature before 2023, the amount equivalent to the interest that would accrue until December 31, 2022 on the indebtedness that is refinanced early and/or on the deferral of the refinanced principal and/or on the interest that would accrue on the amounts so refinanced.

Payments of local debt securities denominated in foreign currency among residents

In accordance with section 3.6 of the FX Regulations, access to the FX Market for the payment of foreign currency denominated obligations between Argentine residents as of September 1, 2019 is subject to prior approval from the Central Bank. With regard to existing transactions as of such date, access shall be granted; provided that the relevant transactions were entered into through public deeds or public registries. These prohibitions do not apply to loans in foreign currency granted by local financial entities, including payments of credit cards.

Payments of principal under debts with related counterparties until June 30, 2022

The Argentine Central Bank's prior approval is required to access the FX Market to make payments abroad of principal of financial debts when the creditor is a counterparty related to the debtor. This requirement is applicable until June 30, 2022, pursuant to Section 3.5.7 of the FX Regulations. Such requirement shall not apply to the local financial institutions' own transactions.

Section 3.5.4 of the FX Regulations establishes that, for as long as the requirement to obtain prior approval to access the FX Market to pay, at maturity, principal of foreign financial indebtedness of the non-financial private sector when the creditor is a counterparty related to the debtor continues to be in place, such requirement will not be applicable if the funds have been entered and settle through the FX Market as of October 2, 2020 and the average life of the indebtedness is not less than 2 (two) years.

Access to the FX Market for the payment of new issuances of debt securities

Access to the FX Market for the payment of principal and services of foreign-denominated debt securities publicly registered abroad when the debtor has settled through the FX Market an amount equivalent to the nominal value of the foreign indebtedness.



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The above-mentioned requirement shall be considered complied with for the portion of debt securities publicly registered abroad issued as of January 7, 2021, intended to refinance pre-existing debt by extending its average life, for an amount equivalent to the refinanced principal, and provided that the new securities do not have principal maturities schedule within 2 years, for the interest accrued up to the date of the refinancing and, the interest that would accrue during the first two years for the refinanced indebtedness and/or by the deferment of the refinanced principal and/or by the interest which would accrue on the amounts refinanced.

Duly registered securities that are denominated and payable in foreign currency in Argentina

In accordance with section 2.5 of the FX Regulations, resident debt issuers shall be granted access to the FX Market for the payment at maturity of principal and interest under duly registered issuances of debt securities that are denominated and payable in foreign currency in Argentina, to the extent they (i) are fully subscribed in foreign currency, and (ii) provided that the proceeds from the issuance are previously settled through the FX Market. However, the settlement of the proceeds from the issuance shall not be required as a condition for the future access to the FX Market, provided that certain conditions are met (i.e., the proceeds are deposited in local foreign currency-denominated bank accounts within the period established for the settlement of the proceeds, and the proceeds are simultaneously applied to operations that for which access to the FX Market would be granted, and the mechanism is tax neutral, among others).

Access to the FX Market by non-residents

In accordance with section 3.13 the FX Regulations, prior approval by the Argentine Central Bank will be required for access to the FX Market by non-residents for the purchase of foreign currency, except for the following operations: (a) international organizations and institutions that perform functions of official export credit agencies, (b) diplomatic representations and consular and diplomatic personnel accredited in the country for transfers made in the exercise of their functions, (c) representatives of courts, authorities or offices, special missions, commissions or bilateral bodies established by Treaties or International Agreements, in which the Argentine Republic is part, to the extent that transfers are made in the exercise of their functions, (d) foreign transfers in the name of individuals who are beneficiaries of retirement and/or pensions paid by the ANSES, for up to the amount paid by said agency in the calendar month and to the extent that the transfer is made to a bank account owned by the beneficiary in its registered country of residence, (e) purchase of foreign currency (in cash) by non-resident individuals for tourism and travel expenses, up to a maximum amount of US\$100 dollars, to the extent the financial entity can verify in the online system implemented by the Argentina Central Bank that the client has settled an amount equal or higher than the sum to be purchased within 90 days prior to the operation; (f) transfers to offshore bank accounts by individuals that are beneficiaries of pensions granted by the National Government pursuant to Laws Nos. 24,043, 24,411 and 25,914, as supplemented; and (g) repatriations of direct investments of non-residents in companies that are not controlling companies of local financial entities, to the extent that the capital contribution has been entered and settled through the FX Market as of October 2, 2020 and the repatriation takes place at least two years after its entry.

Access to the FX Market for savings or investments purposes of individuals

Pursuant to section 3.8 of the FX Regulations, Argentine residents may access the FX Market for the purposes of foreign assets' formation, family assistance or derivative operations (with some exceptions expressly set forth) for up to US\$ 200 (through debits to local bank accounts) or US\$ 100 (in cash) per person per month through all authorized exchange entities. If the access entails a transfer of the funds abroad, the destination account must be an account owned by the same person.

In all cases, general requirements detailed under section "Specific Provisions Regarding Access to the FX Market—General Requirements" apply.

Purchases in pesos made abroad with a debit card and amounts in foreign currency acquired by individuals in the FX Market as of September 1, 2020, for the payment of obligations between residents under section 3.6 of the FX Regulations, including payments for credit card purchases in foreign currency, will be deducted, as from the subsequent calendar month, from the US\$ 200 monthly quota. If the amount of such purchases exceeds the quota available for the following month or such quota has been already absorbed by other purchases made since September 1, 2020, such deduction will be made from the quotas of the following months until completing the amount of those purchases.

The relevant institution shall check the online system implemented by the Argentine Central Bank to verify whether the person has not reached the limits set for the applicable calendar month or has not exceeded them in the previous calendar month and is thus entitled to enter into the foreign exchange transaction, and shall request the customer to provide an affidavit stating that such person is not a beneficiary of any "Zero Interest-Rate Loans" contemplated in section 9 of Decree No. 332/2020, as amended, "Subsidized Loans for Companies" and/or "Zero Interest-Rate Loans for Independent Workers Engaged in Cultural Activities."

Access to the FX Market by other residents -excluding entities- for the formation of foreign assets and for derivatives transactions



Section 3.10 of the FX Regulations sets forth that access to the FX Market for the constitution of foreign assets and for derivatives transactions by local governments, mutual funds, other universalities established in Argentina, requires prior authorization by the Argentine Central Bank.

Access to the FX Market by security trusts for principal and interest payments.

Pursuant to section 3.7 of the FX Regulations, Argentine security trusts created to guarantee principal and interest payments by resident debtors may access the FX Market in order to make such payments at their scheduled maturity, to the extent that, pursuant to the current applicable regulations, the debtor would have had access to the FX Market to make such payments directly. Also, subject to certain conditions, a trustee may access the FX Market to guarantee certain capital payments and interest on financial debt abroad and anticipate access to it.

Derivatives transactions

Section 3.12 of the FX Regulations requires that as of September 11, 2019, settlement of futures transactions in regulated markets, forwards, options and any other type of derivatives, entered into in the country to be made in local currency (i.e., Pesos).

Likewise, access to the FX Market shall be granted for the payment of premiums, creation of guarantees and payments in connection with interest rate hedge agreements entered into by residents and foreign creditors that are reported and validated, as applicable, under the Foreign Assets and Liabilities Reporting Regime, provided that such collateral does not cover higher risks than the external liabilities incurred by the debtor at the interest rate of the risk being hedged through such transaction. The customer who accesses the local market using this mechanism shall designate an institution authorized to deal in the FX Market which shall follow up the transaction and shall file an affidavit undertaking to repatriate and settle the funds payable to it as a result of such transaction or as a result of the release of the collateral money, within 5 business days following the date such payment or release occurs.

Payment of dividends and corporate profits

In accordance with section 3.4 of the FX Regulations, access is granted to the FX Market to pay dividends to non-resident shareholders, subject to the following conditions:

- i. The dividend payment must result from closed and audited financial statements
- ii. The total amount paid to non-resident shareholders shall not exceed the corresponding amount denominated in Pesos determined by the shareholders' meeting to be distributed as dividends.
- iii. If applicable, the Foreign Assets and Liabilities Reporting Regime shall have been complied with.
- iv. The dividend payment must not exceed 30% of new capital contributions made by non-residents that have been duly settled through the local exchange market since January 17, 2020.
- v. Access to the local exchange market for such purpose must be done no earlier than 30 days as from settlement of the last of said capital contributions.
- vi. Evidence of registration of the capitalization (or, if unavailable, evidence of the request for said registration, provided, that evidence of final registration must be filed within 365 calendar days as from the request for registration).

Other Specific Provisions

Swap, arbitrage and securities transactions

Financial institutions may carry out currency swap and arbitrage transactions with their customers in the following cases:

- (i) an individual transfers funds from their local accounts (which are already held in foreign currency) to its own bank accounts outside Argentina.



(ii) transfer of foreign currency abroad by local common depositaries of securities in connection with proceeds received in foreign currency on account of services of principal and interest on Argentine Treasury bonds, when such transaction forms part of the payment procedure at the request of the foreign common depositaries;

(iii) transfers of foreign currency abroad made by individuals from their local accounts denominated in foreign currency to offshore collection accounts up to an amount equivalent to US\$ 500 in any calendar month, provided that the individual files an affidavit stating that the transfer is made to assist in the maintenance of Argentine residents who were forced to remain abroad in compliance with the measures adopted in response to the COVID-19 pandemic;

(iv) arbitrage transactions not originated in transfers from abroad may be made without any restrictions, to the extent that the funds are debited from an account in foreign currency held by the customer with a local financial institution. To the extent that the funds are not debited from an account denominated in foreign currency held by the customer, these transactions may be made by individuals, without the Argentine Central Bank's prior approval, up to the amount allowed for the use of cash under items 3.8. and 3.13 of the FX Regulations;

(v) swap and arbitrage transactions by non-residents individual may be made without restrictions to the extent that the funds be credited in a "Caja de ahorro para turistas" in accordance with the "Depositos de ahorro, cuenta sueldo y especiales" regulations;

(vi) all other swap and arbitrage transactions may be made by customers without the Argentine Central Bank's prior approval to the extent that they would be allowed without need of such approval in accordance with other FX Regulations. This also applies to local common depositaries of securities with respect to the proceeds received in foreign currency as payments of principal of and interest on foreign currency securities paid in Argentina.

If the transfer is made in the same currency as that in which the account is denominated, the financial institution shall credit or debit the same amount as that received from or sent abroad. When the financial institution charges a commission or fee for these transactions, it shall be instrumented under a specifically designated item.

Export proceeds to guarantee new indebtedness

Section 7.9.5 of the FX Regulations allows for proceeds from exports of goods and services held in local or foreign financial institutions to guarantee payment of new indebtedness that has complied with the mandatory repatriation and settlement obligation, as from January 7, 2021. Funds in these accounts shall not exceed at any time 125% of the principal and interest to be paid in the current month and the following six calendar months, in accordance with the scheduled of payments as agreed upon with the creditors. Funds exceeding such amount must be repatriated and settled through the FX Market subject to the applicable foreign exchange rules.

In the event the financial agreement entered into requires the funds to be deposited for a period exceeding that which has been established for its mandatory settlement, the exporter may request this latter period be extended up until five business day after the former.

Securities-related Operations

Pursuant to General Resolution No. 895/2021 of the Argentine Securities Commission (CNV, per its acronym in Spanish), sales of securities with settlement in foreign currency and in a foreign jurisdiction may be carried out, provided that a minimum holding period of 2 business days is observed from the date such securities are credited with the relevant depository. With respect to sales of securities with settlement in foreign currency carried out locally, the minimum holding period will be of 1 business day as from the date on which such securities were credited with the relevant depository. These minimum holding periods shall not be applicable in the case of purchases of securities with settlement in foreign currency.

In addition, transfers of securities to foreign depositaries purchased with Pesos shall comply with a minimum holding period of at least 2 business counting as from the date the deposit of such securities, unless such crediting results from a primary placement of securities issued by the National Treasury or refers to shares and/or Argentine deposit certificates (CEDEARs) traded on markets regulated by the CNV. Brokers and trading agents must verify compliance with the aforementioned minimum holding period of the securities.

As regards incoming transfers, the FX Regulations prevent securities deals executed outside Argentina from being settled in Pesos in Argentina.

With respect to incoming transfers, General Resolution No. 895/2021 of the CNV establishes that securities transferred by foreign depositaries and credited with the Agente Depositario Central de Valores Negociables (ADCVN) may not be allocated to the settlement of transactions in foreign currency and in a foreign jurisdiction until 2 business days after such crediting into sub-account(s) in the local custodian. If such securities are allocated to the settlement of transactions in foreign currency and in local jurisdiction, the minimum holding period will be 1 business day after such crediting into sub-account(s) in the local custodian.



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General Resolution No. 911/2021 of the CNV, establishes that in the price-time priority order matching segment, transactions for the purchase and sale of fixed-income securities denominated and payable in foreign currency issued by the Republic of Argentina under local laws by sub-accounts subject to section 6 of the CNV Rules and that are also regarded as qualified investors, at the closing of each calendar week the amount of sales with settlement in foreign currency may not exceed fifty thousand (50,000) nominal with respect to the amount of securities purchased with settlement in such currency, with this limit operating for each sub-account as well as for the aggregate of principal sub-accounts owned or co-owned by the same individual.

In order to enter into transactions with securities with settlement in foreign currency not covered by the abovementioned provisions, or to transfer securities from or to foreign depository entities in the price-time priority order matching segment, one must not performed sales with settlement in foreign currency in the same segment, of securities denominated and payable in in foreign currency, issued by the Argentine Republic under local law, in the previous 30 days and to undertake not to do so in the following 30 days.

In addition, (i) any beneficiaries of refinancing under point 1.1.1. of the rules on “Financial services in the context of a health emergency Financial Services within the framework of the sanitary emergency provided by Decree No. 260/2020 Coronavirus (COVID-19)”, until their total cancellation; (ii) the beneficiaries of “Credits at Zero Rate”, “Credits at Zero Rate 2021”, “Credits at Zero Rate Culture” or “Credits at Subsidized Rate for Companies”, provided for in points 1.1.2. and 1.1.3. of the rules on “Financial Services within the framework of the sanitary emergency provided for by Decree No. 260/2020 Coronavirus (COVID-19)”, until their total cancellation; (iii) the beneficiaries of financing in pesos within Section 2 of Communication “A” 6937, Sections 2 and 3 of Communication “A” 7006, as supplemented; until their total cancellation; (iv) the beneficiaries of Section 2 of Decree 319/2020 and complementary and regulatory norms, for the duration of the benefit with respect to the update of the value of the installment; and (v) those persons covered by the Joint Resolution of the President of the Honorable Senado de la Nación and the President of the Honorable Cámara de Diputados de la Nación No. 12/2020 of October 1, 2020; will be prevented from selling securities issued by residents to be settled in foreign currency in Argentina or transferring such securities to foreign depositories or swap securities issued by residents for foreign assets or the acquisition in the country with settlement in Pesos of securities issued by nonresidents.

Access to the FX Market for the constitution of guarantees

Residents with foreign financial indebtedness under section 9.1 of the FX Regulations or local trusts created to guarantee principal and interest payments of such indebtedness may access the FX Market for the constitution of guarantees in connection to new indebtedness entered into as of January 7, 2021, in accordance with Section 7.9.6 of the FX Regulations. Such guarantees are to be held in local financial institutions or, in the event of foreign indebtedness, in foreign financial institutions, in an amount equal to that established in the agreement, pursuant to the following conditions:

- i. concurrently to such access, foreign currency-denominated funds are being repatriated and settled through the FX Market and/or funds credited to the correspondent account of a local financial institutions, and
- ii. the guarantees shall not exceed at any time 125% of the principal and interest to be paid in the current month and the following six calendar months, in accordance with the scheduled of payments as agreed upon with the creditors.

Funds which are not applied to the payment of principal and interest or the conservation guarantee detailed herein must be settled through the FX Market within five business days from its maturity date.

Argentine Central Bank's Reporting Systems

Advance information on foreign exchange transactions

On December 28, 2017, the Central Bank replaced the reporting regimes set forth on Communications “A” 3602 and “A” 4237 with Communication “A” 6401 (and supplemental Communication “A” 6795), a unified regime applicable from December 31, 2017 (the “Foreign Assets and Liabilities Reporting Regime”). Under such regime, Argentine residents (both legal entities and individuals) having foreign debt (both financial and otherwise) that is outstanding or that has been cancelled within a given calendar quarter, are required to report to the Central Bank on a quarterly basis their foreign holdings of shares and other equity participations, non-negotiable and negotiable debt securities, financial derivatives, and real estate. If their balance of foreign assets and liabilities equals or exceeds US\$50 million at the end of the calendar year, they must also file an annual presentation. In all cases, such reports qualify as “sworn statements” for foreign exchange purposes.



Access to the FX Market for repayment of external financial indebtedness and other transactions are conditioned to the debtor’s compliance with the Foreign Assets and Liabilities Reporting Regime. Please see “*Specific Provisions for inward remittances—Foreign financial indebtedness*” above.

Moreover, the institutions authorized to deal in foreign exchange shall provide the Argentine Central Bank, at the end of each business day and two business days in advance, with information on outflows transactions through the FX Market in daily amounts equal to or in excess to the equivalent of US\$ 10,000 (ten thousand U.S. Dollars). Clients shall inform financial entities sufficiently in advance so that they can comply with the requirements under this reporting regime and, accordingly, to the extent any further requirements set forth in the exchange regulations are simultaneously satisfied, they may process the exchange transactions.

Foreign Exchange Criminal Regime

Foreign exchange regulations are characterized as “public policy” rules in Argentina. Failure to comply with such provisions could result in penalties pursuant to Foreign Exchange Criminal Law No. 19,359.

Notwithstanding the above-mentioned measures adopted by the current administration, the Central Bank and the federal government in the future may impose additional exchange controls that may further impact our ability to transfer funds abroad and may prevent or delay payments that our Argentine subsidiaries are required to make outside Argentina.

E. Taxation

Material Argentine tax considerations relating to our Class B shares and ADSs

The following discussion is a summary of the material Argentine tax considerations relating to the purchase, ownership and disposition of our Class B shares or ADSs. The following summary is based upon tax laws of Argentina as in effect on the date of this document and is subject to any change in Argentine law that may come into effect after such date any change could apply retroactively and could affect the continued validity of this summary. On December 6, 2019, Decree No. 824/2019 was published in the official Gazette, which approves a new ordered text of the Income Tax Law. On December 9, 2019, Decree No.862/2019 was published in the Official Gazette, which approves a new ordered text of the regulatory decree of the Income Tax Law, with certain modifications. On December 23, 2019, Law No. 27,541 was published in the Official Gazette, which introduced several modifications to the Argentine tax regime, such as the income tax applicable to income obtained by Argentine resident individuals and undivided estates located in Argentina derived from financial operations, among other aspects.

This law has been regulated by the Decree No.99/2019 (published in the Official Gazette on December 28, 2019), General Resolution (AFIP) No.4659/2020 (published in the Official Gazette on January 7, 2020), General Resolution (AFIP) No.4664/2020 (published in the Official Gazette on January 15, 2020), Decree No. 116/2020 (published in the Official Gazette on January 30, 2020), General Resolution (AFIP) No. 4667/2020 (published in the Official Gazette on January 31, 2020), General Resolution (AFIP) No. 4673/2020 (published in the Official Gazette on February 7, 2020), General Resolution (AFIP) No. 4690/2020 (published in the Official Gazette on April 1, 2020), Decree No. 330/2020 (published in the Official Gazette on April 1, 2020), General Resolution (AFIP) No. 4691/2020 (published in the Official Gazette on April 2, 2020), General Resolution (AFIP) No. 4815/2020 (published in the Official Gazette on September 16, 2020), General Resolution (AFIP) No. 4816/2020 (published in the Official Gazette on September 16, 2020), General Resolution (AFIP) No. 4850/2020 (published in the Official Gazette on November 6, 2020), General Resolution (AFIP) No. 4855/2020 (published in the Official Gazette on November 10, 2020), General Resolution (AFIP) No. 4873/2020 (published in the Official Gazette on December 4, 2020), General Resolution (AFIP) No. 5123/2021 (published in the Official Gazette on December 27, 2021), among others. On August 26, 2020, on October 31, 2020, and on December 1, 2020, Law No. 27,562 and Decrees No. 833/2020 and 966/2020, were published in the Official Gazette, respectively, which extended the scope and validity of the moratorium established in Law No. 27,541.

Additionally, on June 16, 2021, and on August 4, 2021, Laws No. 27,630 and 27,638 were published in the Official Gazette, respectively, which also introduce modifications to the Income Tax Law. General Resolution (AFIP) No. 5060 (published in the Official Gazette on August 30, 2021) regulated *inter alia*, the Income Tax withholding rates applicable to dividends and profits pursuant to the modifications introduced by Law No.27,630 to the Income Tax Law. In addition, Decree No. 621/2021 (published in the Official Gazette on September 23, 2021) regulates the modifications introduced by Law No. 27,638 to the Income Tax Law and Personal Assets Tax Law. General Resolution (CNV) No. 917 (published in the Official Gazette on January 3, 2021) regulates the application of Law No. 27,638 and Decree No. 621/2021, establishing, among other issues, a list of instruments issued in national currency that are within the scope of the tax exemptions foreseen in Law No. 27,638. In relation to the Personal Assets Tax Law No. 27,667 (published in the Official Gazette on December 31, 2021) introduces modifications to said law, which are regulated by Decree No. 912/2021 (published in the Official Gazette on December 31, 2021)



This summary includes the modifications under the mentioned regulations, nevertheless, please note it does not include all of the tax considerations that may be relevant to you or your situation, particularly if you are subject to special tax rules.

This summary does not purport to be a comprehensive description of all the Argentine tax considerations that may be relevant to a holder of such securities. No assurance can be given that the courts or tax authorities responsible for the administration of the laws and regulations described in this report will agree with this interpretation. In this regard, it is important to highlight that, notwithstanding the issuance of the above-mentioned regulations, it is expected that more regulations and explanations would be issued shortly, since to date it is not possible to determine how the recent modifications incorporated to the Argentine tax regime will be applied and/or construed by the tax authorities of Argentina. Holders are encouraged to consult their tax advisors regarding the tax treatment of our ADSs or common shares as it relates to their particular situation.

Income Tax

Taxation on Dividends

According to the amendments introduced to the Income Tax Law by virtue of the aforementioned regulations, the taxation applicable on the distribution of dividends from Argentine Companies would be as follows:

(i) Dividends originated in profits obtained during fiscal years initiated after January 1, 2018 and up to December 31, 2020: dividends on Argentine shares paid to Argentine resident individuals and/or non-Argentine residents would be subject to a 7% income tax withholding on the amount of such dividends (“Dividend Tax”) (please note that according to Section 48 of Law N° 27,541, the application of the corporate 25% rate was suspended for one tax period; thus the 7% rate would also apply for dividend distributions involving profits obtained during fiscal years initiated after January 1, 2018 and up to December 31, 2020). However, if dividends are distributed to Argentine Entities (in general, entities organized or incorporated under Argentine law, certain traders and intermediaries, local branches of non-Argentine entities, sole proprietorships and individuals carrying on certain commercial activities in Argentina), no Dividend Tax should apply. Equalization Tax is not applicable.

Argentine individuals and undivided estates located in Argentina are not allowed to offset income arising from the distribution of dividends on Argentine shares with other losses arisen in other type of operations.

(ii) Dividends originated in profits obtained during fiscal years initiated after January 1, 2021, onward: Due to the amendments introduced by Law No. 27,630, dividends on Argentine shares paid to Argentine individuals and non-Argentine residents would be subject to a 13% income tax withholding on the amount of such dividends. However, if dividends are distributed to Argentine Entities, no Dividend Tax should apply. Equalization Tax is not applicable.

(iii) Dividends originated in profits obtained during tax periods before those contemplated above: no Argentine income tax withholding would apply on dividends distribution except for the application of the “Equalization Tax” (as defined below).

The equalization tax (the “Equalization Tax”) is applicable when the dividends distributed are higher than the “net accumulated taxable income” of the immediate previous fiscal period from when the distribution is made. In order to assess the “net accumulated taxable income” from the income calculated by the Income Tax Law, the income tax paid in the same fiscal period should be subtracted and the local dividends received in the previous fiscal period should be added to such income. The Equalization Tax would be imposed as a 35% withholding tax on the shareholder receiving the dividend. Dividend distributions made in property (other than cash) would be subject to the same tax rules as cash dividends. Stock dividends on fully paid shares (“acciones liberadas”) are not subject to Equalization Tax.

For Argentine individuals and undivided estates not registered before the Argentine tax authorities as taxpayers for income tax purposes as well as for non-Argentine residents, the Dividend Tax withholding will be considered a final payment. Argentine individuals and undivided estates are not allowed to offset income arising from the distribution of dividends on Argentine shares with losses from other types of operations.

The Income Tax Law provides a first in-first out rule pursuant to which distributed dividends correspond to the former accumulated profits of the distributing company.

Holders are encouraged to consult a tax advisor as to the particular Argentine income tax consequences derived from profit distributions made on Class B shares and ADSs.



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Capital gains tax

According to Income Tax regulations, the results derived from the transfer of shares, quotas and other equity interests, titles, bonds and other securities, are subject to Argentine income tax (unless an exemption applies), regardless of the type of beneficiary who realizes the gain.

Capital gains obtained by Argentine corporate entities (in general, entities organized or incorporated under Argentine law, certain traders and intermediaries, local branches of non-Argentine entities, sole proprietorships and individuals carrying on certain commercial activities in Argentina, among others) derived from the sale, exchange or other disposition of shares in Argentine entities are subject to income tax on the net income at the rate of 30% for fiscal years initiated after January 1, 2018 and up to December 31, 2020. As from fiscal periods initiated from January 1, 2021, the corporate income tax rate was amended, establishing a progressive tax rate system (rates from 25% to 35% depending on the net accumulated taxable income). The current progressive rates apply as indicated below:

<u>Accumulated net taxable income</u>		<u>Shall pay Ps.</u>	<u>Plus %</u>	<u>On the amount exceeding Ps.</u>
<u>More than Ps.</u>	<u>To Ps.</u>			
0	5,000,000	0	25%	0
5,000,000	50,000,000	1,250,000	30%	5,000,000
50,000,000	Onwards	14,750,000	35%	50,000,000

The amounts stated in the chart above will be annually updated since January 1, 2022, based on an inflation index.

Losses arising from the sale of shares can only be offset against income derived from the same type and source of operations, for a five-year carryover period. Starting in 2018, income obtained by Argentine resident individuals and undivided estates located in Argentina from the sale of shares and other securities are exempt from capital gains tax in the following cases: (i) when the shares are placed through a public offering authorized by the CNV; and/or (ii) when the shares are traded in stock markets authorized by the CNV, under segments that ensure priority of price-time and interference of offers; and/or (iii) when the sale, exchange or other disposition of shares is made through a tender offer regime and/or exchange of shares authorized by the CNV. In addition, Section 34 of Law N° 27,541, provides that since tax period 2020, in the case of securities under the provisions of Section 98 of the Income Tax Law, not included in the first paragraph of Section 26 subsection u) of the Income Tax Law, Argentine resident individuals and undivided estates located in Argentina are exempt from capital gains tax derived from their sale, exchange, or disposal to the extent said securities are listed on stock exchanges or securities markets authorized by the CNV, without being applicable the provisions of Section 109 of the Income Tax Law. In this sense, Section 109 of the Income Tax Law provides that the total or partial exemptions established or that will be established in the future by special laws regarding securities, issued by the National, Provincial, or Municipal States or the City of Buenos Aires, will not have effects on income tax for Argentine resident individuals and undivided estates located in Argentina. ADSs would not qualify for the exemption applicable to Argentine resident individuals since the referred conditions would not apply. If the exemption does not apply, the income derived by Argentine resident individuals and undivided estates located in Argentina from the sale, exchange or other disposition of ADSs (and shares, if applicable) is subject to income capital gains tax at a 15% rate on net income (calculated in Argentine currency). The acquisition cost may be updated pursuant to the IPC inflationary index rate to the extent the equity participation was acquired after January 1, 2018. Losses arising from the sale of non-exempt Argentine shares can only be offset by Argentine individuals and undivided estates located in Argentina against income derived from operations of the same source and type (understanding by "type" the different concepts of income included under each article of Chapter II, Title IV of the Income Tax Law), for a five-year carryover period.

If Argentine resident individuals and undivided estates located in Argentina perform a conversion procedure of securities representing shares, that do not meet the exemption requirements stated in the conditions mentioned in points (i), (ii) and (iii) of the paragraph above, to hold instead the underlying shares that do comply with said requirements, such conversion would be considered a taxable transfer of the securities representing shares for which the fair market value by the time the conversion takes place should be considered. The same tax treatment will apply if the conversion process involves shares that do not meet the exemption requirements stated above that are converted into securities representing shares to which the exemption is applicable. Once the underlying shares or securities representing shares are converted, the results obtained from the sale, exchange, swap or any other disposition thereof would be exempt from income tax provided that the conditions mentioned in points (i), (ii) and (iii) of the paragraph above are met. Pursuant to amendments introduced by Law N° 27,541, it could also be construed that a capital gains exemption could also apply for Argentine



resident individuals and undivided estates located in Argentina if the securities involved are listed on stock exchanges or securities markets authorized by the CNV (although the matter is not free from doubt and further clarifications should be issued). Due to the amendments introduced to the Income Tax Law, as from 2018, non-Argentine resident individuals or legal entities (“Foreign Beneficiaries”) are also exempt from income tax derived from the sale of Argentine shares in the following cases: (i) when the shares are placed through a public offering authorized by the CNV; and/or (ii) when the shares are traded in stock markets authorized by the CNV, under segments that ensure priority of price-time and interference of offers; and/or (iii) when the sale, exchange or other disposition of shares is made through a tender offer regime and/or exchange of shares authorized by the CNV. The exemption applies to the extent the Foreign Beneficiaries reside in a “cooperative jurisdiction” and, in accordance with Section 90 of the regulatory decree of the Income Tax Law, if their funds come from “cooperative jurisdictions” (as defined below).

In addition, Law No. 27,430 stated that income derived from the sale of ADSs gives rise to Argentine source income. However, capital gains obtained from the sale, exchange or other disposition of ADSs by Foreign Beneficiaries that reside in a cooperative jurisdiction and, in accordance with Section 90 of the regulatory decree of the Income Tax Law, their funds come from cooperative jurisdictions, are exempt from income tax on capital gains derived from the sale of ADSs to the extent the underlying shares are authorized for public offering by the CNV.

In case Foreign Beneficiaries conduct a conversion process of shares that do not meet the exemption requirements, into securities representing shares that are exempt from income tax pursuant to the conditions stated above, such conversion would be considered a taxable transfer for which the fair market value by the time the conversion takes place should be considered.

In case the exemption is not applicable, and the Foreign Beneficiaries are resident in a cooperative jurisdiction and their funds were channeled through cooperative jurisdictions, the gain derived from the disposition of ADSs would be subject to Argentine income tax at a 15% rate on the net capital gain or at a 13.5% effective rate on the gross price.

For Foreign Beneficiaries resident in or whose funds come from jurisdictions considered as non-cooperative for purposes of fiscal transparency, the tax rate applicable to the sales of shares and/or ADSs is assessed at 35%. Pursuant to General Resolution (AFIP) No.4227/2018, the presumed net basis on which the 35% rate should apply in the case of sale or disposition of securities is assessed at 90%. Such General Resolution also provides different payment mechanisms depending on the specific circumstances of the sale transaction. Pursuant to Section 252 of the regulatory decree of the Income Tax Law, in the cases included in the last paragraph of Section 98 of the Income Tax Law, (i.e. when the acquirer and the seller of the security involved are non-Argentine residents), the tax shall be paid by the foreign seller directly through the mechanism established for such purpose by the tax authorities, or (i) through an Argentine individual resident with sufficient mandate or (ii) by the foreign seller’s legal representative domiciled in Argentina.

As a result of the enactment of Law N° 27,541, certain clarifications and definitions are still pending and expected to be issued shortly.

Holders are encouraged to consult a tax advisor as to the particular Argentine income tax consequences derived from holding and disposing of Class B shares and ADSs and whether any different treatment under a treaty to avoid double taxation could apply.

Tax treaties

Argentina has signed tax treaties for the avoidance of double taxation with Australia, Belgium, Bolivia, Brazil, Canada, Chile, Denmark, Finland, France, Germany, Italy, Mexico, the Netherlands, Norway, Qatar, Russia, Spain, Sweden, Switzerland, the UK, and Uruguay. The treaties signed with China, Luxembourg, Turkey, Austria and Japan are still undergoing the respective ratification procedures. There is currently no tax treaty for the avoidance of double taxation in effect between Argentina and the United States. Holders are encouraged to consult a tax advisor as to the potential application of the provisions of a treaty in their specific circumstances.

Personal assets tax

Argentine entities have to pay the personal assets tax corresponding to Argentine and foreign resident individuals and foreign resident entities for the holding of company shares by December 31 of each year. Law N° 27,541 (published in the Official Gazette on December 23, 2019) changed the “domicile” criterion for the “residence” criterion as stipulated under income tax rules. Also, according to Section 13 of the Decree No. 99/2019 any reference to “domicile” criterion in relation to the personal assets tax should be understood as referring to “residence”. For tax period 2019, inclusive, and onwards the applicable tax rate is 0.50% and is levied on the proportional net worth value (“valor patrimonial proporcional”) by December 31st of each year, of the shares arising from the last balance sheet. Pursuant to the Personal Assets Tax Law, the Argentine company is entitled to seek reimbursement of such paid tax from the applicable Argentine resident individuals and/or foreign resident shareholders. The Argentine company may seek this reimbursement of Personal Assets Tax by setting off the applicable tax against any amount due to its shareholders or in any other way or, under certain circumstances, waive its right under Argentine law to seek reimbursement from the shareholders.



Holders are encouraged to consult a tax advisor as to the particular Argentine personal assets tax consequences derived from the holding of Class B shares and ADSs.

Value added tax

The sale, exchange or other disposition of our Class B shares or ADSs and the distribution of dividends are exempted from the value added tax.

Tax on debits and credits on Argentine bank accounts

All credits and debits originated in bank accounts held at Argentine financial institutions, as well as certain cash payments, are subject to this tax, which is assessed at a general rate of 0.6%. There are also increased rates of 1.2% and reduced rates of 0.075%. According to Section 45 of Law N° 27,541, the applicable rate of tax on debits and credits on Argentine bank accounts (the "TDC") is doubled for certain cash withdrawals made by certain Argentine legal entities. Owners of bank accounts subject to the general 0.6% rate may consider 33% of the tax paid as a tax credit against specific taxes. The taxpayers that are subject to the 1.2% rate may consider 33% of all tax paid as a credit against specific taxes. Such amounts can be utilized as a credit for income tax or for the special contributions on cooperatives capital. The remaining amount is deductible for income tax purposes. If lower rates were applied, the available credit would be reduced to 20%. Additionally, Law No. 27,264 establishes that the 100% of the tax paid may be considered as credit against income tax by entities that are characterized as "micro" and "small" and a 60% of the tax paid by those entities related to the manufacturing industry that are characterized as "medium- stage 1-" by means of section 1 of Law No. 25,300 and its complementary ones.

TDC has certain exemptions. Debits and credits in special checking accounts (created under Communication "A" 3250 of the Argentine Central Bank) are exempted from this tax if the accounts are held by foreign legal entities and if they are exclusively used for financial investments in Argentina. For certain exemptions and/or tax rate reductions to apply, bank accounts must be registered with the Tax Authority (AFIP-DGI) in accordance with General Resolution (AFIP) No.3900/2016.

Pursuant to Law No. 27,432 (published in the Official Gazette on December 29, 2017), the TDC shall apply until December 31, 2022, inclusive. Whenever financial institutions governed by Law No. 21,526 make payments acting in their own name and behalf, the application of this tax is restricted to certain specific transactions. Such specific transactions include, among others, dividends or profits distributions.

It is noted that according to Decree No. 796/2021, the TDC exemptions foreseen in Decree No. 380/2001 and other regulations of the same nature shall not be applicable in those cases where cash payments are related to the purchase, sale, exchange, intermediation and/or any other type of operation on crypto assets, cryptocurrencies, digital currencies or similar instruments, in the terms defined by the applicable rules.

Tax on minimum presumed income

Pursuant to Law No. 27,260, passed by the Argentine Congress on June 29, 2016, the tax on minimum presumed income was eliminated for tax periods beginning as of January 1, 2019.

PAIS Tax ("Impuesto para una Argentina inclusiva y solidaria")

Law N° 27,541 establishes, on an emergency basis and for the term of five fiscal periods from the entry into force of said law (i.e. December 23,2019), a federal tax applicable to certain transactions for the purchase of foreign currency for saving purposes or without a specific destination and other operations of currency exchange and acquisition of services performed by Argentine tax residents (individuals, undivided estates, legal entities, among others). The applicable rate is, in general, 30%.

Investors should consider the provisions that apply to them according to their specific case.

In addition, General Resolution (AFIP) N° 4815/2020 established on the operations subject to PAIS Tax and for the taxpayers defined in Article 36 of Law N° 27,541 that qualify as Argentine residents, in the terms of Article 116 and subsequent of the Income Tax Law, the application of a thirty-five percent (35%) income tax collection on the amounts in Ps. that, for each case, are detailed in Article 39 of the Law 27,541.



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Said collection will have the character of payment on account and will be computable in the annual income tax return or, where appropriate, the annual personal assets tax return, corresponding to the fiscal period in which they were incurred.

Additionally, this general resolution establishes a refund regime for those persons or entities to whom the established collection has been applied and who are not taxpayers of income tax or, where appropriate, personal assets tax.

Gross turnover tax

This tax is a provincial tax, which is also levied in the City of Buenos Aires, applicable to gross revenues resulting from the regular and onerous exercise of commerce, industry, profession, business, services or any other onerous activity conducted on a regular basis within the respective Argentine jurisdiction. Each of the provinces and the City of Buenos Aires apply different tax rates depending on the type of activity.

In addition, gross turnover tax could be applicable on the transfer of Class B shares or ADSs and on the perception of dividends to the extent, such activity is conducted on a regular basis within an Argentine province or within the City of Buenos Aires. However, under the Tax Code of the City of Buenos Aires, any transaction with shares as well as the perception of dividends are exempt from gross turnover tax.

In accordance with the stipulations of the Fiscal Consensus entered into by and amongst the Argentine Executive Branch, the representatives of the Provinces and the City of Buenos Aires on November 16, 2017 and approved by the Argentine Congress on December 21, 2017 (the so-called “Fiscal Consensus” and/or the “Consensus”), local jurisdictions took on certain commitments in connection with certain taxes that are within their powers. The Consensus shall be effective only in connection with the jurisdictions that have their legislative branches approve the Consensus and such effectiveness shall not commence if such approval has not been granted. When it comes to the impact of the Consensus on gross turnover tax, the Argentine provinces and the City of Buenos Aires agreed to grant exemptions and impose maximum tax rates on certain businesses and for certain periods.

However, it is important to point out that later, the Argentine Executive Branch, the representatives of the Provinces and the City of Buenos Aires signed three agreements to suspend the Fiscal Consensus. Recently, Fiscal Consensus 2021 was signed between the Argentine Executive Branch and the representatives of the Provinces -except for the City of Buenos Aires- (the “Fiscal Consensus 2021”) in which it was agreed to suspend all the commitments made the parties by means of the previous Fiscal Consensus 2017, 2018, 2019 and 2020, maintaining only its enforcement those that have been complied with at the date of signing of the Fiscal Consensus 2021. These agreements shall be effective only in connection with the jurisdictions that have their legislative branches approve them and such effectiveness shall not commence if such approval has not been granted.

Holders of Class B shares and ADSs are encouraged to consult a tax advisor as to the particular gross turnover tax consequences of holding and disposing of Class B shares and ADSs in the involved jurisdictions.

Regimes for the Collection of Provincial Tax Revenues on the Amounts Credited to Bank Accounts

Different tax authorities (i.e., City of Buenos Aires, Corrientes, Córdoba, Tucumán, Province of Buenos Aires and Salta, among others) have established collection regimes for gross turnover tax purposes applicable to those credits verified in accounts opened at financial entities, of any type and/or nature and including all branch offices, irrespective of territorial location. These regimes apply to those taxpayers included in the lists provided monthly by the tax authorities of each jurisdiction. The applicable rates may vary depending on the jurisdiction involved. Collections made under these regimes shall be considered as a payment on account of the gross turnover tax. Note that certain jurisdictions have excluded the application of these regimes on certain financial transactions.

By means of Fiscal Consensus 2021, the parties assumed the commitment to take the necessary measures according to the procedures established in each jurisdiction with the aim to apply any Turnover Tax automatic refund or compensation mechanism for those taxpayers (either local or subject to the Multilateral Convention rules) that have outstanding balances in their favor generated by withholdings, collections and/or similar ones, to the extent certain specific requirements are met in each case.

Holders of Class B shares and ADSs shall corroborate the existence of any exclusions to these regimes in accordance with the jurisdiction involved.

Stamp tax

Stamp tax is a provincial tax, which is also levied in the City of Buenos Aires, applicable to the execution of onerous transactions within an Argentine provincial jurisdiction or the City of Buenos Aires or outside an Argentine provincial jurisdiction or the City of Buenos Aires but with effects in such jurisdiction.



In the City of Buenos Aires, acts or instruments related to the negotiation of shares and other securities duly authorized for its public offering by the CNV are exempt from stamp tax to the extent their placement is made within a 180-days term counting as from such authorization is granted.

Regarding the Fiscal Consensus, almost all the provinces in Argentina and the City of Buenos Aires have committed to establish for the stamp tax a maximum tax rate of 0.75% as from January 1, 2019, 0.5% as from January 1, 2020, 0.25% as from January 1, 2021 and abrogate the stamp tax starting from January 1, 2022. However, such commitment was delayed by one calendar year pursuant Law No 27,469 “Fiscal Consensus 2018” (published in the Official Gazette on December 4, 2018). Fiscal Consensus 2018 shall be effective only in connection with the jurisdictions that have their legislative branches approve it and such effectiveness shall not commence if such approval has not been granted. However, later the Argentine Executive Branch, the representatives of the Provinces and the City of Buenos Aires signed Fiscal Consensus 2019 and 2020 to suspend the Fiscal Consensus 2017 and the Fiscal Consensus 2018. Recently, Fiscal Consensus 2021 was signed between Argentine Executive Branch and the representatives of the provinces - except for the City of Buenos Aires- in which it was agreed to suspend all the commitments made the parties by means of the previous Fiscal Consensus 2017, 2018, 2019 and 2020, maintaining only its enforcement those that have been complied with at the date of signing the Fiscal Consensus 2021. These agreements shall be effective only in connection with the jurisdictions that have their legislative branches approve them and such effectiveness shall not commence if such approval has not been granted.

Holders of Class B shares and ADSs are encouraged to consult a tax advisor as to the particular stamp tax consequences arising in the involved jurisdictions.

Prospective investors should consider the tax consequences in force in the above-mentioned jurisdictions at the time the concerned document is executed and/or becomes effective.

Other taxes

There are no federal inheritance or succession taxes applicable to the ownership, transfer or disposition of our Class B shares or ADSs. However, it is noted that pursuant to the Fiscal Consensus 2021 signed between Argentine Executive Branch and the representatives of the Provinces – except for the City of Buenos Aires – by means of which the parties assumed the commitment to legislate during 2022 a tax applicable on any increase in wealth obtained as a result of any free transmission or act of such nature, which includes assets located in their territory and/or that benefits individuals or legal entities domiciled in them. Increasing marginal rates would be applicable as the amount transferred increases in order to grant progressiveness to the tax, reaching all transmissions that imply a patrimonial enrichment for free, including, but not limited to, inheritances, donations, legacies and inheritance advances. At the provincial level, the province of Buenos Aires imposes a tax on free transmission of assets, including inheritance, legacies, donations, etc. For tax period 2022, any gratuitous transfer of property lower than or equal to Ps.468,060 is exempt. This amount is increased to Ps.1,948,000 in the case of transfers among parents, sons, daughters and spouses. The amount to be taxed, which includes a fixed component and a variable component that is based on differential rates (which range from 1.6026% to 9.5131%), varies according to the property value to be transferred and the degree of kinship of the parties involved. Free transmission of Class B shares or ADSs could be subject to this tax. Holders of Class B shares and ADSs are encouraged to consult a tax advisor as to the particular tax consequences arising in the involved jurisdictions.

Court tax

In the event that it becomes necessary to institute enforcement proceedings in relation to our Class B shares and ADSs in the federal courts of Argentina or the courts sitting in the City of Buenos Aires, a court tax (currently at a rate of 3.0%) will be imposed on the amount of any claim brought before such courts. Certain court and other taxes could be imposed on the amount of any claim brought before the Province courts.

Incoming Funds Arising from Non-Cooperative or Low or Nil Tax Jurisdictions

According to Section 82 of the Law No. 27,430, for fiscal purposes, any reference to “low tax or no tax countries” or “non-cooperative countries” should be understood to be “non-cooperative jurisdictions or low or nil tax jurisdictions,” as defined in Section 19 and Section 20 of the Income Tax Law.

As defined under Section 19 of the Argentine Income Tax Law, non-cooperative jurisdictions are those countries or jurisdictions that do not have an agreement in force with the Argentine government for the exchange of information on tax matters or a treaty to avoid international double taxation with a broad clause for the exchange of information. Likewise, those countries that, having an agreement of this type in force, do not effectively comply with the exchange of information will also be considered as non-cooperative. The aforementioned treaties and agreements must comply with international standards of transparency and exchange of information on fiscal matters to which the Argentine Republic has committed. The Executive Branch published a list of the non-cooperative jurisdictions based on the criteria above. In this sense, according to Section 24 of the regulatory decree of the Income Tax Law, the following jurisdictions should be considered as “non-cooperative” under the disposition of Section 19 of the aforementioned law:



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| 1. Bosnia and Herzegovina | 40. Republic of Equatorial Guinea |
| 2. Brecqhou | 41. Republic of Guinea-Bissau |
| 3. Burkina Faso | 42. Republic of Haiti |
| 4. State of Eritrea | 43. Republic of Honduras |
| 5. State of the Vatican City | 44. Republic of Iraq |
| 6. State of Libya | 45. Republic of Kenya |
| 7. Independent State of Papua New Guinea | 46. Republic of Kiribati |
| 8. Plurinational State of Bolivia | 47. Republic of the Union of Myanmar |
| 9. Ascension Island | 48. Republic of Liberia |
| 10. Sark Island | 49. Republic of Madagascar |
| 11. Santa Elena Island | 50. Republic of Malawi |
| 12. Solomon Islands | 51. Republic of Maldives |
| 13. The Federated States of Micronesia | 52. Republic of Mali |
| 14. Mongolia | 53. Republic of Mozambique |
| 15. Montenegro | 54. Republic of Namibia |
| 16. Kingdom of Bhutan | 55. Republic of Nicaragua |
| 17. Kingdom of Cambodia | 56. Republic of Palau |
| 18. Kingdom of Lesotho | 57. Republic of Rwanda |
| 19. Kingdom of Swaziland | 58. Republic of Sierra Leone |
| 20. Kingdom of Thailand | 59. Republic of South Sudan |
| 21. Kingdom of Tonga | 60. Republic of Suriname |
| 22. Hashemite Kingdom of Jordan | 61. Republic of Tajikistan |
| 23. Kyrgyz Republic | 62. Republic of Trinidad and Tobago |
| 24. Arab Republic of Egypt | 63. Republic of Uzbekistan |
| 25. Syrian Arab Republic | 64. Republic of Yemen |
| 26. Algerian Democratic and Popular Republic | 65. Republic of Djibouti |
| 27. Central African Republic | 66. Republic of Zambia |
| 28. Cooperative Republic of Guyana | 67. Republic of Zimbabwe |
| 29. Republic of Angola | 68. Republic of Chad |
| 30. Republic of Belarus | 69. Republic of the Niger |
| 31. Republic of Botswana | 70. Republic of Paraguay |
| 32. Republic of Burundi | 71. Republic of the Sudan |
| 33. Republic of Cape Verde | 72. Democratic Republic of Sao Tome and Principe |
| 34. Republic of Ivory Coast | 73. Democratic Republic of East Timor |
| 35. Republic of Cuba | 74. Republic of the Congo |
| 36. Republic of the Philippines | 75. Democratic Republic of the Congo |
| 37. Republic of Fiji | 76. Federal Democratic Republic of Ethiopia |
| 38. Republic of the Gambia | 77. Lao People's Democratic Republic |
| 39. Republic of Guinea | 78. Socialist Democratic Republic of Sri Lanka |



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| 79. Federal Republic of Somalia | 88. Socialist Republic of Vietnam |
| 80. Federal Democratic Republic of Nepal | 89. Togolese Republic |
| 81. Gabonese Republic | 90. United Republic of Tanzania |
| 82. Islamic Republic of Afghanistan | 91. Sultanate of Oman |
| 83. Islamic Republic of Iran | 92. British Overseas Territory Pitcairn, Henderson, Ducie and Oeno Islands |
| 84. Islamic Republic of Mauritania | 93. Tristan da Cunha |
| 85. People's Republic of Bangladesh | 94. Tuvalu |
| 86. People's Republic of Benin | 95. Union of the Comoros |
| 87. Democratic People's Republic of Korea | |

In turn, low or nil tax jurisdictions are defined as those countries, domains, jurisdictions, territories, associated states or special tax regimes in which the maximum corporate income tax rate is lower than 60% of the minimum corporate income tax rate established in the first paragraph of Section 73 of the Income Tax Law.

Pursuant to Section 25 of the regulatory decree of the Income Tax Law, for purposes of determining the taxation level referred to in Article 20 of the Income Tax Law, the aggregate corporate tax rate in each jurisdiction, regardless of the governmental level in which the taxes were levied must be considered. In turn, "special tax regime" is understood as any regulation or specific scheme that departs from the general corporate tax regime applicable in said country and results in an effective rate below that stated under the general regime. According to the legal presumption under Section 18.2 of Law No. 11,683, as amended, incoming funds from non-cooperative or low or nil jurisdictions could be deemed unjustified net worth increases for the Argentine party, no matter the nature of the operation involved. Unjustified net worth increases are subject to the following taxes:

- income tax would be assessed at 110% of the amount of funds transferred.
- value added tax would be assessed at 110% of the amount of funds transferred.

Although the concept of "incoming funds" is not clear, it should be construed as any transfer of funds:

- (i) from an account in a non-cooperative/low or nil tax jurisdiction or from a bank account opened outside of a non-cooperative or low or nil tax jurisdiction but owned by an entity located in a non-cooperative or low or nil tax jurisdiction;
- (ii) to a bank account located in Argentina or to a bank account opened outside of Argentina but owned by an Argentine party.

The Argentine party may rebut such legal presumption by duly evidencing before the Argentine tax authority that the funds arise from activities effectively performed by the Argentine party or by a third party in such jurisdiction, or that such funds have been previously declared.

F. Dividends and Paying Agents

Not applicable.

G. Statement by Experts

Not applicable.

H. Documents on Display

We are required to file annual reports, including exhibits, and other information with the SEC and to furnish interim information on Form 6-K. You may read and copy any documents filed by the Company at the SEC's public reference room at 100 F Street, NE, Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the public reference room. The SEC also maintains a website at <http://www.sec.gov> which contains reports and other information regarding registrants that file electronically with the SEC.

We are subject to the reporting requirements of the Exchange Act of 1934, as applied to foreign private issuers. Because we are a foreign private issuer, the SEC's rules do not require us to deliver proxy statements or to file quarterly reports. In addition, our "insiders" are not subject to the SEC's rules that prohibit short-swing trading.



We prepare quarterly and annual reports containing consolidated financial statements in accordance with Central Bank Rules which are translated into English and filed with the SEC. Our annual consolidated financial statements are certified by an independent accounting firm.

We have appointed The Bank of New York Mellon to act as depositary for our ADSs. During the time the deposit agreement remains in force, we will furnish the depositary with:

- our annual reports; and
- summaries of all notices of general meetings of shareholders and other reports and communications that are made generally available to our shareholders.

The depositary will, as provided in the deposit agreement, if we so request, arrange for the mailing of summaries in English of the reports and communications to all record holders of our ADSs. Any record holder of ADSs may read the reports, notices, or summaries thereof, and communications at the depositary’s office located at 101 Barclay Street, 22W, New York, New York 10286.

I. Subsidiary Information

Not applicable.

Item 11. Quantitative and Qualitative Disclosure about Market Risk

Market Risk

As of August 1, 2016, we define market risk as the possibility of incurring losses in on- and off-balance sheet recorded positions as a result of adverse changes in market prices. The market risk minimum capital requirement is the arithmetic sum of the minimum capital requirement for interest rate, stock price, exchange rate and options risks.

The risks subject to the requirement for market risk are the risks of positions in instruments—securities and derivatives—imputed to the trading portfolio and the risks of positions in foreign currencies, regardless of the portfolio—investment or trading—to which they are charged.

To meet this capital requirement, entities must apply a “Standard Measurement Method” based on an aggregate of components that separately capture the specific and general market risks for securities positions. The capital requirement for general market risk is obtained through the residual term method, which consists of the arithmetic sum of the absolute value of the net weighted position in the trading book, the vertical rejection (percentage of positions offset within each time band), horizontal rejection (percentage of positions offset through different time bands) and the net change in option positions.

The requirements are calculated separately for positions in Pesos and in foreign currency, depending on the applicable area, term and coupon value.

The capital requirement for stock price risk is equivalent to the arithmetic sum of the requirement for specific stock price risk (equivalent to 8% of the gross position in shares) and the requirement for general market risk (equivalent to 8% of the net position in shares—total long position minus total short positions in each stock). The capital requirement for exchange rate risk is equivalent to 8% of the total net position.

For measuring options risk, entities that only buy options (and their value is less than 5% of the computable equity liability of the previous month) or whose positions are covered by positions purchased under the same conditions, may use the option so-called “Simplified method”. This requirement incorporates both the general market risk and the specific risk. In the remaining cases, entities must use the delta-plus method, which uses Greek letters (delta, gamma and vega) to determine the delta equivalent of each position

The chart below, shows the maximum, minimum, average and closing values for the years 2020 and 2021 of the market risk requirements of foreign currency position and position in securities charged to the Trading portfolio:

	2020	2021 <i>(in million Pesos)</i>	Variation 2021
Minimum	694.4	1,432.0	737.6
Maximum	1,555.7	3,585.1	2,029.4
Average	1,064.8	1,990.2	925.4
December 31,	1,555.6	3,585.2	2,029.6



Market risk for foreign exchange position	2020	2021 (in million Pesos)	Variation 2021
Minimum	573.1	970.3	397.2
Maximum	974.2	2,866.5	1,892.3
Average	752.9	1,477.7	724.8
December 31,	974.2	2,866.5	1,892.3

Market risk for securities position	2020	2021 (in million Pesos)	Variation 2021
Minimum	82.5	347.6	265.1
Maximum	581.4	716.2	134.8
Average	311.8	511.5	199.7
December 31,	581.4	709.9	128.5

Between 2020 and 2021, there was an increase in the average exposure and the year-end exposure. The increase in market risk year over year (Ps. 2,029.6 million or 130%) was mainly due to an increase in the market risk for foreign exchange position by Ps. 1,892.3 million or 194% and to an increase in the market risk for securities position by Ps. 128.5 million or 22%.

Regarding market risk for foreign exchange position, the main reason for the Var increase was the growth in dollar position with 192% increase year over year and the foreign exchange increase by 22% (from Ps. 84.145 in 2020 to Ps.102.75 in 2021). Regarding market risk for securities position, the main reason for the Var increase was the increase in prices with a large part of the portfolio adjusted by CER. The CER increase year over year was 52%, from 25.4943 as of December 31, 2020 to 38.6418 as of December 31, 2021.

The average increase in market risk year over year (Ps. 925.4 million or 87%) was due to 96% increase in average of foreign exchange risk and 64% increase in average of market risk for securities. The foreign exchange rate for U.S. dollar against the Peso increased by 35% in average and Cer increased by 46% in average.

Sensitivity to interest rate

Sensitivity to interest rate arises in our normal course of business as the re-pricing characteristics of its interest-earning assets do not necessarily match those of its interest-bearing deposits and other borrowings. The re-pricing structure of assets and liabilities is matched when an equal amount of assets and liabilities re-price for any given period. Any excess of assets or liabilities over these matched items results in a gap or mismatch.

Our interest rate sensitivity analysis measures the risk arising from the different sensitivity of assets and liabilities when interest rate changes occur ("duration" approach). It covers all the assets and liabilities excluding tradable portfolios.

The following table shows changes in economic value of equity ('EVE) for last two years (in millions of Pesos):

	2020	2021
Minimum	1,618.7	3,708.6
Maximum	2,883.1	4,546.4
Average	2,527.9	4,065.2
December 31	2,818.6	4,178.6

For the year 2021, in average as well as in the maximum and closing values, the Delta EVE measure increased when compared to the previous year. This variation observed in 2021 is primarily justified by the increase in balances at nominal values, due to the impact of inflation and depreciation during the year. Furthermore, changes in interest rate curves during 2021 caused an increase in the economic value of equity and consequently in the mentioned measure.

The Central Bank removed all rules and regulations regarding minimum capital requirements for interest rate risk. Notwithstanding this, financial entities must continue to calculate the interest rate risk and remain subject to the Superintendency's supervision.



For additional information regarding market and interest rate risk management see note 52 “Capital Management, Corporate Governance Transparency and Risk Management” to our audited consolidated financial statements as of December 31, 2021 and 2020.

Item 12. Description of Securities Other Than Equity Securities

A. Debt Securities.

Not applicable

B. Warrants and Rights

Not applicable

C. Other Securities

Not applicable



D—American Depositary Shares

1.—2. See Exhibit 2.1.

3. Fees and Charges Applicable to ADS Holders

The depositary collects its fees for delivery and surrender of ADSs directly from investors depositing shares or surrendering ADSs for the purpose of withdrawal or from intermediaries acting for them. The depositary also collects fees for making distributions to investors, by deducting those fees from amounts being distributed or by selling a portion of the distributable property to pay the fees. The depositary may generally refuse to provide fee-attracting services until its fees for those services are paid.

Persons depositing or withdrawing shares may be requested to pay:
U.S.\$5.00 (or less) per 100 ADSs (or portion thereof)

For:

- Issuance of ADSs, including issuances resulting from a distribution of shares or rights or other property
- Cancellation of ADSs for the purpose of withdrawal, including if the deposit agreement terminates
- Distribution of securities distributed to holders of deposited securities which are distributed by the depositary to ADS registered holders
- Any cash distribution to ADS registered holders
- Registration of transfer of shares on our stock registry to or from the name of the depositary or its nominee or the custodian, or its nominee when making deposits or withdrawals
- Cable, telex and facsimile transmissions
- Conversion of foreign currencies into U.S. dollars
- As necessary
- As necessary

A fee equivalent to the fee that would be payable if securities distributed had been shares and the shares had been deposited for issuance of ADSs

U.S.\$0.02 (or less) per ADS (or portion thereof)

Registration fees

Expenses of the depositary

Taxes and other governmental charges the depositary or the custodian, have to pay on any ADS or share underlying an ADS

Any charges incurred by the depositary or its agents, including the custodian, for servicing the deposited securities

4. Fees and Direct and Indirect Payments Made by the Depositary to us

Future Fees and Payments

The depositary has agreed to reimburse us for expenses incurred by us in connection with the administration and maintenance of the ADSs program, including, but not limited to, investor relation expenses, annual NYSE listing fees or other program related expenses. The depositary has also agreed to pay its standard out-of-pocket administrative, maintenance and shareholder services expenses for providing services to the registered American depositary receipts holders, which consist, without limitation, of expenses of postage and envelopes for mailing annual and interim financial reports, printing and distributing dividend checks, electronic filing of U.S. Federal tax information, mailing required tax forms, stationery, postage, facsimile, and telephone calls. There are limits and conditions on the amount of expenses for which the depositary will reimburse us. In 2021, we have received the agreed reimbursement from the Depositary.

PART II

Item 13. Defaults, Dividend Arrearages and Delinquencies

None.

Item 14. Material Modifications to the Rights of Security Holders and Use of Proceeds

None.



Item 15. Controls and Procedures

Disclosure Controls and Procedures

We carried out an evaluation under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934, as of December 31, 2021. There are, as described below, inherent limitations to the effectiveness of any system of disclosure controls and procedures. Accordingly, even effective disclosure controls and procedures can only provide reasonable assurance of achieving their control objectives.

Based upon and as of the date of our evaluation, our Chief Executive Officer and Chief Financial Officer concluded that the disclosure controls and procedures were effective to provide reasonable assurance that information required to be disclosed in the reports we file and submit under the Securities Exchange Act is recorded, processed, summarized and reported as and when required.

Management's Annual Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rule 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934. The Bank's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles.

Our internal control over financial reporting includes those policies and procedures that:

- a) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Bank;
- b) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that our receipts and expenditures are being made only in accordance with authorizations of management and directors of the Bank; and
- c) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Bank's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Our management assessed the effectiveness of the Bank's internal control over financial reporting as of December 31, 2021. In making this assessment, it used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control – Integrated Framework (2013). Based on its assessment and those criteria, the Bank's management concluded that, as of December 31, 2021 the Bank's internal control over financial reporting was effective.

The effectiveness of the Bank's internal control over financial reporting as of December 31, 2021, has been audited by Pistrelli, Henry Martin y Asociados S.R.L. (Member of Ernst & Young Global Limited), an independent registered public accounting firm, as stated in their report which appears herein.

Attestation Report of the Independent Registered Public Accounting Firm

Our independent registered public accounting firm, Pistrelli, Henry Martin y Asociados S.R.L. (Member of Ernst & Young Global Limited), has issued an attestation report on the effectiveness of the Bank's internal control over financial reporting. The report follows below:



REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and the Board of Directors of
BANCO MACRO S.A. and its subsidiaries

Opinion on Internal Control over Financial Reporting

We have audited BANCO MACRO S.A. and its subsidiaries' internal control over financial reporting as of December 31, 2021, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). In our opinion, BANCO MACRO S.A. and its subsidiaries (the Bank) maintained, in all material respects, effective internal control over financial reporting as of December 31, 2021, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated statements of financial position of BANCO MACRO S.A. and its subsidiaries as of December 31, 2021 and 2020, the related consolidated statements of income, other comprehensive income, changes in shareholders' equity and cash flows for each of the three years in the period ended December 31, 2021, and the related notes and our report dated April 28, 2022 expressed an unqualified opinion thereon.

Basis for Opinion

The Bank's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Annual Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Bank's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Bank in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Pistrelli, Henry Martin y Asociados S.R.L.

Member of Ernst & Young Global Limited

City of Buenos Aires, Argentina
April 28th, 2022

**Changes in Internal Control Over Financial Reporting**

There has been no change in our internal control over financial reporting during 2021 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Item 16A. Audit Committee Financial Expert

As of the date of this annual report, Fabián Alejandro de Paul, independent member of the audit committee, met the standards set forth in Item 16A of Form 20-F for “audit committee financial experts.”

Item 16B. Code of Ethics

We have established a Code of Ethics for directors and senior management, including specifically to our chief executive officer, chief financial officer, as well as persons performing similar functions, expecting that their members act according to the highest standards of personal and professional integrity in all aspects of their activities; to comply with the applicable law, to discourage reproachable behaviors and to comply with our Code of conduct and other policies and procedures governing employee conduct. This Code of Ethics is supplemental to our Code of Conduct.

In 2020 we have updated the text of our code of ethics for our directors and senior management and published on our website at <https://www.macro.com.ar/relaciones-inversores/en/corporate-governance/corporate-governance-policy>.

Item 16C. Principal Accountant Fees and Services***Fees Paid to Our Principal Accountant***

Since 2006 Pistrelli, Henry Martin y Asociados S.R.L. (Member of Ernst & Young Global Limited) has served as our principal external independent auditor. Fees payable to Pistrelli, Henry Martin y Asociados S.R.L. (Member of Ernst & Young Global Limited) in 2020 and 2021 are detailed below.

	<u>2020</u> <u>(not restated)</u>	<u>2021</u>
	<i>(in thousands of Pesos)</i>	
Audit Fees	109,321	154,160
Audit Related Fees	—	—
Tax Fees	—	110
All Other Fees	—	659
Total	109,321	154,929

Note: figures detailed in the table above have not been adjusted for inflation.

Audit Fees

Audit fees were paid for professional services rendered by the auditors for the audit and limited review of our consolidated financial statements and services.

Audit-Related Fees

Audit-related fees are typically services that are reasonably related to the performance of the audit or review of the consolidated financial statements and are not reported under the audit fees item above. This item includes fees for attestation services on our financial information.

Tax Fees

Tax fees consist of tax advisory services.

All Other Fees

Fees disclosed in the table above under “All Other Fees” consisted of other fees paid for professional services.



Audit Committee's Pre-approval Policies and Procedures

Our audit committee is responsible for, among other things, the oversight of our independent auditors. During the year, the audit committee reviews together with management and the independent auditor, the audit plan, audit related services and other non-audit services. The Audit Committee has approved policies and procedures for pre-approving all non-audit work that would be performed by the Bank's external auditor. All of the services provided by Pistrelli, Henry Martin y Asociados S.R.L. were approved by the Audit Committee pursuant to these approval policies. None of the hours expended on the principal accountant's engagement to audit our financial statements for 2021 were attributed to work performed by persons other than the principal accountant's full-time, permanent employees.

Item 16D. Exemptions from the Listing Standards for Audit Committees

Not applicable.

Item 16E. Purchases of Equity Securities by the Issuer and Affiliated Purchasers

Not applicable.

Item 16F. Change in Registrant's Certifying Accountant

None.

Item 16G. Corporate Governance

NYSE Corporate Governance Rules

Companies listed on the NYSE must comply with certain standards regarding corporate governance as codified in Section 303A of NYSE's Listed Company Manual, as amended. Nevertheless, the Bank, while a listed company, qualifies also as a foreign private issuer and, as such, is permitted to follow its home country corporate governance practices, governed by the Argentine Corporate Law, the Capital Markets Law and the standards of the CNV and the Central Bank, in lieu of the provisions of Section 303A, except that it is required to comply with the requirements of Sections 303A.06, 303A.11 and 303A.12 (b) and (c). Accordingly: we must comply with four principal NYSE corporate governance rules: (i) we must satisfy the audit committee requirements of Rule 10A-3 under the Securities Exchange Act of 1934 (the "Exchange Act") (Section 303A.06); (ii) we must provide a brief description of any significant differences between our corporate governance practices and those followed by U.S. companies under NYSE listing standards (Section 303A.11); (iii) our Chief Executive Officer must promptly notify the NYSE in writing after any of our executive officers become aware of any non-compliance with the applicable NYSE corporate governance rules (Section 303A.12(b)); and (iv) we must submit an executed written affirmation (in relation to the members of our audit committee) annually or interim written affirmations, if required by the NYSE (Section 303A.12(c)).



The table below discloses any significant differences between the NYSE rules and our corporate governance practices pursuant to Argentine corporate governance rules.

Section	NYSE corporate governance rule for U.S. domestic issuers	Banco Macro Corporate Practices
303A.01-Independent Directors	Listed companies must have a majority of independent directors on their Boards of Directors.	Neither Argentine law nor our bylaws require us to have a majority of independent directors.



303A.02-Independence Tests

This section establishes general standards to determine directors' independence.

- (a) (i) No director qualifies as "independent" unless the board of directors affirmatively determines that the director has no material relationship with the listed company (either directly or as a partner, shareholder or officer of an organization that has a relationship with the company). The board of directors is required to identify its independent directors.
- (ii) In addition, in affirmatively determining the independence of any director who will serve on the compensation committee of the listed company's board of directors, the board of directors must consider all factors specifically relevant to determining whether a director has a relationship to the listed company which is material to that director's ability to be independent from management in connection with the duties of a compensation committee member, including, but not limited to:
 - (A) the source of compensation of such director, including any consulting, advisory or other compensatory fee paid by the listed company to such director; and
 - (B) whether such director is affiliated with the listed company, a subsidiary of the listed company or an affiliate of a subsidiary of the listed company.
- (b) In addition, a director is not independent if:
 - A. the director is or has been within the last three years, an employee, or an immediate family member is, or has been within the last three years, an executive officer, of the listed company, its parent or a consolidated subsidiary. Employment as interim chairman or CEO or other executive officer shall not disqualify a director from being considered independent;
 - B. the director has received, or has an immediate family member who has received, during any twelve-month period within the last three years, more than U.S.\$120,000 in direct compensation from the listed company, its parent or a consolidated subsidiary, other than director and committee fees and pension or other forms of deferred compensation for prior services (provided such compensation is not contingent in any way on continued service);

Pursuant to the CNV Rules, a director will be consider as "independent" if its main relation with the listed company is his / her position in the board of directors. He / she will be appointed taking into account his professional career, suitability, qualified knowledge, and criteria, economic and interest independence, considering also that he can perform his functions objectively and impartially.

For the purposes of this definition, it shall be understood that a director does not meet the condition of independent, when one or more of the following circumstances apply to him / her:

- (a) is a member of the board of directors the parent company or another company belonging to the same economic group of the issuer through a pre-existing relationship at the time of his or her election, or if said relationship had ceased to exist during immediately the previous three years;
- (b) is or has been associated with the company or any of its shareholders having a direct or indirect "significant participation" on the same, or with corporations with which also the shareholders also have a direct or indirect "signification participation"; or if he or she was associated with them through an employment relationship during the last three years;
- (c) has any professional relationship or is a member of a corporation that maintains frequent professional relationships of significant nature and volume, or receives remuneration or fees (other than the one received in consideration of his performance as a director) from the issuer or its shareholders having a direct or indirect "significant participation" on the same, or with corporations in which the shareholders also have a direct or indirect "significant participation." This prohibition includes professional relationships and affiliations during the last three years prior to his or her appointment as director;
- (d) directly or indirectly owns 5% or more of shares with voting rights and/or a capital stock of the issuer or any company with a "significant participation" in it;
- (e) directly or indirectly sells and/or provides goods and/or services (different from those accounted for in section c)) on a regular basis and of a significant nature and volume to the company or to its shareholders with direct or indirect "significant participation", for higher



- C. (i) the director is a current partner or employee of a firm that is the listed company's internal or external auditor; (ii) the director has an immediate family member who is a current partner of such firm; (iii) the director has an immediate family member who is a current employee of such firm and personally works on the company's audit; or (iv) the director or an immediate family member was within the last three years a partner or employee of such firm and personally worked on the company's audit within that time;
- D. the director, or an immediate family member is, or has been with the last three years, employed as an executive officer of another company where any of the listed company's present executive officers at the same time serves or served on that company's compensation committee;
- E. the director is a current employee, or an immediate family member is a current executive officer, of a company that has made payments to, or received payments from the listed company its parent or a consolidated subsidiary for property or services in an amount which, in any of the last three fiscal years, exceeds the greater of U.S.\$1 million, or 2% of such other company's consolidated gross revenues.

A non-independent director will only be deemed independent upon the elapse of a three-year look-back period.

"Immediate family member" includes a person's spouse, parents, children, siblings, mothers and fathers-in law, sons and daughters-in-law, brothers and sisters-in-law and anyone (other than domestic employees) who share such person's home.

amounts than his or her remuneration as a member of the board of directors. This prohibition includes business relationships that have been carried out during the last three years prior to his or her appointment as director;

(f) has been a director, manager, administrator or principal executive of not-for-profit organizations that have received funds, for amounts greater than those described in section I) of article 12 of Resolution No. 30/2011 of the UIF and its amendments, from the issuer, its parent company and other companies of the same group of which it is a part, as well as of the principal executives of any of them;

(g) receives any payment, including the participation in plans or stock option schemes, from the company or companies of the same economic group, other than the compensation paid to him or her as a director, except dividends paid as a shareholder of the company in the terms of section d) and the corresponding to the consideration set forth in section e);

(h) has served as member of the board of director of the issuer, its parent company or another company belonging to the same economic group for more than ten years. If said relationship had ceased to exist during the previous three years, the independent condition will be recovered;

(i) is the spouse or legally recognized partner, relative up to the third level of consanguinity or up to the second level of affinity of persons who, if they were members of the board of directors, would not be independent, according to the above listed criteria;

In all cases, the references made to "significant participation" set forth in the aforementioned independence criteria will be considered as referring to those individuals who hold shares representing at least 5% of the capital stock and or the vote, or a smaller amount when they have the right to elect one or more directors by share class or have other shareholders agreements relating to the government and administration of the company or of its parent company.

In accordance with the provisions of the Central Bank in Communication "A" 5201 and amendments—"Guidelines for Corporate Governance in Financial Entities", a director does not meet the status of independent if any of the following situations are met:

- (a) a control relationship according to the guidelines established in point 2.2.1. of the rules on "Large



exposures to credit risk”.

- (b) performs executive functions or has performed the aforementioned during the last three years as from the day following the last one in which he/she has effectively exercised such position. In the case of public financial entities, this term will be one year.

In accordance with the provisions of the Central Bank in Communication “A” 5201 and amendments—“Guidelines for Corporate Governance in Financial Entities”, a director does not meet the status of independent if any of the following situations are met:

- (a) a control relationship according to the guidelines established in point 2.2.1. of the rules on “Large exposures to credit risk”.
- (b) performs executive functions or has performed the aforementioned during the last three years as from the day following the last one in which he/she has effectively exercised such position. In the case of public financial entities, this term will be one year.
- (c) is a spouse or relative up to the second degree of consanguinity or first of affinity of those who are in the condition of the preceding points.

In this regard, the following individuals and entities shall be considered “related” to the Bank:

- i) any entity or person other than from the non-financial public sector of the country, having direct or indirect control over the Bank.
- ii) any entity or person, other than from the non-financial public sector of the country, directly or indirectly controlled by an entity or person having direct or indirect control over the Bank.
- iii) any entity or person directly or indirectly controlled by the Bank, pursuant to the provisions of section 28, subsection a) of the Law on Banks and the regulations on “Services supplementary to the financial activity and permitted activities” and “Credit Grading.”
- iv) any Bank or entity engaged in the provision of supplementary services to the financial activity other than those contemplated in the preceding items, subject to consolidated supervision with the Bank.



v) any entity other than those contemplated in the preceding items, having directors in common with the institution or entity, other than from the non-financial public sector of the country, having direct or indirect control over of with the Bank, to the extent such directors represent a simple majority of the members of the boards of each such entities or the Bank.

To this end, it shall be considered “related” to the director who holds such office in another legal entity or his spouse or partner (by registered cohabiting union) or a relative up to the second degree of consanguinity or first degree of affinity or have exercised it. during the period referred to in item i) of section 1.2.2.2 of the aforementioned rule.

vi) The parent company and the other branches thereof, in the case of local branches of financial entities abroad.

vii) Exceptionally, any person who has a relationship with the financial institution or its direct or indirect controller, which may result in financial loss to the financial institution, as of the effective date of the resolution in which it determine the Board of the Central Bank, at the proposal of the Superintendent of Financial and Exchange Institutions.

Likewise, control by one person or entity over another is defined as:

i) holding or controlling, directly or indirectly, 25% or more of the total voting stock in the other entity.

ii) having held, directly or indirectly, 50% or more of the total voting stock in the other entity, at the last election of directors or managers.

iii) holding a direct or indirect interest in the other entity, even if its voting rights do not amount to 25%, sufficient to adopt resolutions in shareholders’ meetings or meetings of the board or a similar corporate body.

iv) having direct or indirect controlling influence over the management and/or policies of the other entity, as of the effective date of the relevant resolution of the board of directors of the Central Bank of the Republic of Argentina, based on the recommendation of the Head of the Supervisory Board of Financial and Exchange Institutions (Superintendencia de Entidades Financieras y Cambiarias).



2000@c339c@u#4nj,

303A.03-Executive Sessions

Non-management directors of each listed company must meet at regularly scheduled executive sessions without management.

Neither Argentine law nor our by-laws require the holding of such meetings and we do not hold non-management directors' meetings. Our by-laws provide, however, that the board shall meet as often as required in the best interest of the Bank and at least once a month.

303A.04-Nominating/Corporate Governance Committee

Listed companies must have a nominating/corporate governance committee composed entirely of independent directors, with a written charter that covers certain minimum specified duties and details about committee members and the committee structure.

Neither Argentine law nor our by-laws require a nominating/corporate governance committee, however, our by-laws provide for the possibility to create a nominating/corporate governance committee. As a result of a general recommendation issued by the Central Bank to all financial institutions, we have created a Corporate Governance and Appointments Committee.

The Committee will be formed so that the independent Directors constitute the majority. It has been defined that this Committee is chaired by an independent director.

This Committee has an approved charter establishing its functions and responsibilities.

Directors are nominated and appointed by the shareholders, with no involvement of the Corporate Governance and Appointments Committee.



303A.05-Compensation Committee

Listed companies must have a compensation committee composed entirely of independent directors, with a written charter that covers certain minimum specified duties and details about committee members and the committee structure.

Neither Argentine law nor our by-laws require the establishment of a compensation committee. The compensation of our directors is determined at the annual ordinary shareholders' meeting. Additionally, the audit committee must issue an opinion regarding the reasonableness of such compensation.

However, as a result of a general recommendation issued by the Central Bank to all financial institutions, we have created a Personnel Incentives Committee. The Committee will be formed so that the independent Directors constitute the majority. This Committee has an approved charter establishing its functions and responsibilities, and shall meet at least bi-annually.

This Committee is chaired by an independent director.

The Committee's main function is to control that the fixed and variable staff incentives – excluding directors- are consistent with the business culture, long term business plan, goals and business strategy of the Bank as well as with the applicable regulations governing the Bank.

The Bank has a Compensation Policy that covers both fixed remuneration and variable remuneration, the latter in the framework of an evaluations process of targets and skills



303A.06/07- Audit Committee/Requirements

Listed companies must have an audit committee that satisfies the requirements of Rule 10A-3 under the Exchange Act.

- (a) The audit committee must have a minimum of three members. All of its members shall be financially literate or must acquire such financial knowledge within a reasonable period of time after the appointment and at least one of its members shall have experience in accounting or financial management. In addition to meeting any requirement of Rule 10A-3 (b) (1), all audit committee members must satisfy the independence requirements set out in Section 303A.02.
- (b) The audit committee must have a written charter that establishes the duties and responsibilities of its members, including, at a minimum, some of the duties and responsibilities required by Rule 10A-3 of the Exchange Act and the following responsibilities set forth in NYSE Sections 303A.07(b)(iii)(A)-H) of the NYSE Manual.
 - A. at least annually, obtain and review a report by the independent auditor describing: the firm’s internal quality-control procedures; any material issues raised in the most recent

- (a) Argentine law requires that the audit committee be composed of three or more members from the Board of Directors (with a majority of independent directors), all of whom must be well-versed in business, financial or accounting matters.

Our Audit Committee is composed by three directors and the Committee’s presidency is in charge of an independent Director. All the members of the Audit Committee, according to its designation on May 13, 2021, satisfy the independence requirements of Rule 10A-3.

- (b) Neither Argentine law nor the CNV Rules contain provisions relating to an audit committee member’s simultaneous service on the audit committee of other public companies.
- (c) The responsibilities of the audit committee, as provided for in the Capital Markets Law, as regulated by Decree No. 1023 and the CNV Rules regarding the functions of the Committee, are essentially the same as those provided for under Rule 10A-3 of the Exchange Act, including, without limitation, the following:



- internal quality-control review, or peer review, of the firm, or by any inquiry or investigation by governmental or professional authorities, within the preceding five years, with respect to one or more independent audits carried out by the firm, and any steps taken to deal with any such issues; and (to assess the auditor's independence) all relationships between the independent auditor and the listed company;
- B. meet with management and the independent auditor to review and discuss the listed company's annual audited financial statements and quarterly financial statements, including a review of the company's specific disclosures under Operating and Financial Review and Prospects";
 - C. discuss the listed company's earnings press releases, as well as financial information and earnings guidance provided to analysts and rating agencies;
 - D. discuss risk assessment and risk management policies;
 - E. hold separate regular meetings with management, the internal auditors (or other personnel responsible for the internal audit function) and the independent auditors;
 - F. review any issue or difficulty arising from the audit or management's response with the independent auditor;
 - G. set clear policies for the recruitment of employees or former employees of the independent auditors; and
- i. issuing an opinion about the Board of Directors' proposal for the appointment of the external auditors to be retained by the Bank, and ensuring that auditors are independent;
 - ii. overseeing the performance of the internal control systems and the administrative-accounting system as well as the reliability of the latter and of all financial information or other facts which could be submitted to the CNV and self-regulated entities in compliance with the applicable reporting regime;
 - iii. supervising the enforcement of the Bank's risk management information policies;
 - iv. providing the market with full disclosure with respect to transactions that give rise to conflict of interests with the members of the Bank's corporate bodies or controlling shareholders;
 - v. issuing an opinion on the reasonableness of any proposal regarding the Directors' and management fees and stock option plans proposed by the Board of Directors;
 - vi. issuing an opinion on the compliance with applicable legal requirements and on the reasonableness of the terms of any issuance of stock or convertible securities in case of capital increase excluding or limiting pre-emptive rights;
 - vii. assessing compliance with relevant rules of conduct;
 - viii. Issuing a well-founded opinion on transactions with related parties as established in this Decree. Issue a well-founded opinion and inform the same to the self-regulated entities as determined by the CNV in the event of a conflict of interest or a potential conflict of interest.



H. report regularly to the board of directors.

(c) Rule 303A.07(c) establishes that each listed company must have an internal audit function to provide management and the audit committee with ongoing advice on the company's risk management processes and internal control systems

If a member of the audit committee is simultaneously a member of the audit committee of more than three public companies the board of directors shall determine whether such simultaneous service would prevent such members from effectively serving on the listed company's audit committee, and disclose such determination in the order of business of the annual shareholders' meeting of the listed company or in the company's annual report on Form 10-K filed with the SEC.

In addition, pursuant to the provisions of the CNV Rules, the audit committee is responsible for:

- reviewing external and internal auditors' plans, evaluating their performance, and issuing an opinion on such regard upon the publication of the annual financial statements;
- analyzing the various services provided by the external auditors and their independence, as established in the Professional Technical Resolutions of the *Federación Argentina De Consejos Profesionales De Ciencias Económicas* and any other regulations of the applicable supervisory authorities;
- reporting on invoiced fees, broken down as follows: 1) external audit and other related services aiming to ensure reliability (e.g. special analyses on the verification and assessment of internal controls, taxes, involvement in offering memorandums, certifications and special reports required by supervisory authorities, etc.); 2) special services other than those mentioned in item 1) above (e.g. design and implementation of information systems, legal, financial aspects, etc.). Said assessment shall be made by the audit committee including a verification of their respective independence policies to ensure compliance therewith.



303A.08-Shareholder Approval of Equity Compensation Plans-

Shareholders must be given the opportunity to vote on all equity compensation plans and material amendments thereto, except for employment inducement awards, certain grants, plans and amendments in the context of mergers and acquisitions, and certain specific types of plans.

We do not currently offer equity-based compensation to our directors, executive officers or employees; therefore, we have no policy on this matter.

303A.09-Corporate Governance Guidelines

Listed companies must adopt and disclose corporate governance guidelines. The corporate governance guidelines must address director qualification standards, director responsibilities, director access to management, director compensation, director orientation and continuing education, management succession, and annual performance evaluation of the board.

Neither Argentine law nor our by-laws require the adoption or disclosure of corporate governance guidelines. However, due to our size and the importance of our business we have implemented a Corporate Governance Code based on the recommended Code of Corporate Governance for listed companies issued by the CNV and the recommended corporate governance guidelines for financial institutions issued by the Central Bank.

303A.10-Code of Business Conduct and Ethics

Listed companies must adopt and disclose a code of business conduct and ethics for directors, officers and employees, and promptly disclose any waivers of the code for the benefit of directors or executive officers. Each listed company may determine its own policies, which should address conflicts of interest, corporate opportunities, confidentiality, fair dealing, protection and proper use of listed company assets, compliance with laws, rules and regulations, and encouraging the reporting of any illegal or unethical behavior.

Neither Argentine law nor our by-laws require the adoption or disclosure of a code of business conduct and ethics.

However, we have adopted a Code of Conduct applicable to all our employees. In addition, we have adopted a specific Code of Ethics applicable to our Directors and Senior Management.

Regarding the ethical standards, we have implemented an Ethical Line or channel for reports that is managed by a third party who assures the confidentiality and anonymity.

303A.12-Certification Requirements

(a) The CEO of each listed company must certify to the NYSE, on an annual basis, that he or she is not aware of any breach by the company of NYSE corporate governance listing standards, qualifying the certification to the extent necessary.

No comparable provisions exist under Argentine law.

(b) The CEO of each listed company must promptly notify the NYSE in writing upon any executive officer of the listed company becoming aware of any non-compliance with any applicable provisions of this Section 303A.

However, the Bank is in compliance with the certification requirements of Section 303A.12 (b) and (c) of the NYSE rules.

(c) Each listed company must submit an annual executed Written Affirmation to the NYSE. In addition, each listed company must submit an interim written affirmation as and when required and using the interim written affirmation form specified by the NYSE.

Item 16H. Mine Safety Disclosure.

Not applicable.

Item 16I. Disclosure Regarding Foreign Jurisdictions that Prevent Inspection.

Not applicable.



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PART III

Item 17. Financial Statements

We have responded to Item 18 in lieu of responding to this Item.

Item 18. Financial Statements

See pages F-1 through F-115 of this annual report.



Item 19. Exhibits

EXHIBIT INDEX

<u>Exhibit Number</u>	<u>Description</u>
1.1	Restated Bylaws of the Bank, as amended and restated on April 30, 2019, incorporated by reference to the Form 6-K filed by the Bank on July 24, 2019 (File No. 199-70013).
2.1	Deposit Agreement among the registrant, The Bank of New York, as depositary, and the holders from time to time of American depositary shares issued thereunder, including the form of American depositary receipts, incorporated by reference to the Registration Statement on Form F-1, as amended, filed by the Bank on March 20, 2006 (File No. 333-130901).
8.1*	List of subsidiaries of the Bank as of December 31, 2021.
12.1*	Certification by the Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
12.2*	Certification by the Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
13.1*	Certification by the Principal Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
13.2*	Certification by the Principal Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101. INS*	Inline XBRL Instance Document.
101. SCH*	Inline XBRL Taxonomy Extension Schema Document.
101. CAL*	Inline XBRL Taxonomy Extension Calculation Linkbase Document.
101. LAB*	Inline XBRL Taxonomy Extension Label Linkbase Document.
101. PRE*	Inline XBRL Taxonomy Extension Presentation Linkbase Document.
101. DEF*	Inline XBRL Taxonomy Extension Definition Linkbase Document.
104*	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

* Filed herewith



SIGNATURE

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this annual report on its behalf.

BANCO MACRO S.A.

By: /s/ Gustavo Alejandro Manriquez
Name: Gustavo Alejandro Manriquez
Title: Chief Executive Officer

Date: April 28, 2022.



CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021 AND 2020, TOGETHER WITH THE REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM



BANCO MACRO SA AND ITS SUBSIDIARIES
FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021

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BANCO MACRO SA AND ITS SUBSIDIARIES
FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021
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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and the Board of Directors of
BANCO MACRO S.A. and its subsidiaries

Opinion on the Financial Statements

We have audited the accompanying consolidated statements of financial position of BANCO MACRO S.A. (a bank organized under Argentine legislation) and its subsidiaries (the Bank) as of December 31, 2021 and 2020, the related consolidated statements of income, other comprehensive income, changes in shareholders' equity and cash flows for each of the three years in the period ended December 31, 2021, and the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Bank at December 31, 2021 and 2020, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2021, in conformity with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the internal control over financial reporting of the Bank as of December 31, 2021, based on criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated April 28, 2022 expressed an unqualified opinion thereon.

Basis for Opinion

These consolidated financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical audit matter

The critical audit matter communicated below is a matter arising from the current period audit of the financial statements that was communicated or required to be communicated to the audit committee and that: (i) relates to accounts or disclosures that are material to the financial statements and (ii) involved our especially challenging, subjective, or complex judgments. The communication of the critical audit matter does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Impairment of financial assets

Description of the matter

As more fully described in Note 3.2.4. to the consolidated financial statements, the Bank recognized an allowance for credit losses related to loans and investments in private and government debt securities not held at fair value through profit or loss, together with loan commitments and financial guarantee contracts, using an expected credit loss model (ECL). This allowance, that amounts to 10,031,067 thousand pesos as disclosed in note 52.1., represents a probability-weighted amount, which is determined by evaluating a range of possible outcomes and reasonable and supportable information about past events, current conditions and forecasts of future economic conditions including the usage of an expert credit judgment (ECJ) overlay to reflect factors not captured in the results produced by the ECL model. The allowance is based on the portion of the lifetime ECL associated with the probability of default in the next twelve months unless there has been a significant increase in credit risk since origination or there is objective evidence of impairment. In those cases, the allowance is based on the change in the ECL over the life of the financial instrument.



Auditing the allowance for credit losses was complex and required the application of significant judgment due to the inherent complexity of the models, assumptions and the interrelationship of the variables used in measuring the ECL, including the effects of the current and future Argentine macroeconomic and financial environment in relation to the Bank's exposure to government securities and Argentine Central Bank bills. Significant assumptions and judgments with respect to the estimation of the allowance for credit losses include the determination of significant changes in credit risk; the forecast of multiple alternative economic scenarios and the probability weighting of those scenarios, and the application of management's ECJ to reflect factors not captured in the results produced by the ECL models. The allowance for credit losses is a significant estimate for which variations in model methodology, underlying assumptions and judgments could have a material effect on its measurement.

How we addressed the matter in our audit

We obtained an understanding, evaluated the design and tested the operating effectiveness of the Bank's controls, including those related to information systems used in the determination of the allowance for credit losses. The controls we tested included, among others, controls over the development and review of inputs and models used to calculate the ECL, data completeness and accuracy, economic forecasting, including the probability weighting of the economic scenarios and the governance and oversight over the modelled results and the use of ECJ.

To test the allowance for credit losses, our audit procedures included, among others, involving our credit risk modelling specialists to assist in assessing whether the methodology and assumptions used to estimate ECL are consistent with the requirements of IFRS, the Bank's own historical data and industry standards; assessing significant changes in credit risk triggers; evaluating management's forecasting methodology and comparing management's forward-looking information to independently derived forecasts and publicly available information; evaluating the scenario probability weights used in the ECL models and performing independent recalculations to test the mathematical accuracy of management's models; evaluating whether the assumptions used were reflective of the credit quality and macroeconomic trends and testing the completeness and accuracy of data used in the measurement of the ECL and the ECJ overlays to the ECL used by the Bank by applying our knowledge of the industry and credit judgment to evaluate the Bank's underlying considerations. We also assessed the adequacy of the allowance for credit loss financial statement disclosures.

/s/ Pistrelli, Henry Martin y Asociados S.R.L.

Member of Ernst & Young Global Limited

We have served as the Bank's auditor since 2003

City of Buenos Aires, Argentina
April 28, 2022



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BANCO MACRO SA AND ITS SUBSIDIARIES**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**
AS OF DECEMBER 31, 2021 AND 2020(Figures stated in thousands of pesos in terms of purchasing power of Argentine pesos as of December 31, 2021,
except as otherwise indicated)

Items	Notes	12/31/2021	12/31/2020
ASSETS			
Cash and Deposits in Banks	13	172,332,578	196,175,043
Cash		26,624,503	38,373,382
Central Bank of Argentina		106,641,108	75,463,152
Other Local and Foreign Entities		39,060,541	82,330,566
Other		6,426	7,943
Debt Securities at fair value through profit or loss	5 and 13	32,406,588	82,991,433
Derivative Financial Instruments	6 and 13	1,296	1,493,533
Repo transactions	7 and 13	31,405,801	59,503,764
Other Financial Assets	8, 9, 13 and 52.1	35,139,862	28,507,279
Loans and other financing	9, 13, 52.1 and 52.2	352,361,088	388,555,757
Non-Financial Public Sector		2,375,900	5,455,960
Other Financial Entities		1,510,255	2,754,079
Non-Financial Private Sector and Foreign Residents		348,474,933	380,345,718
Other Debt Securities	9, 10, 13 and 52.1	285,976,607	315,647,532
Financial Assets delivered as guarantee	11, 13 and 44	17,964,257	21,573,120
Current income tax assets	29.c)	543,439	—
Equity Instruments at fair value through profit or loss	12 and 13	3,781,006	7,876,588
Investment in associates and joint arrangements	15	489,504	307,777
Property, plant and equipment	16	52,872,223	51,877,880
Intangible Assets	18	8,404,279	7,704,151
Deferred Income Tax Assets	29.c)	47,791	95,379
Other Non-financial Assets	17 and 19	2,331,623	3,369,096
Non-current Assets held for sale		3,241,521	3,408,537
TOTAL ASSETS		999,299,463	1,169,086,869



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BANCO MACRO SA AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2021 AND 2020(Figures stated in thousands of pesos in terms of purchasing power of Argentine pesos as of December 31, 2021,
except as otherwise indicated)

Items	Notes	12/31/2021	12/31/2020
LIABILITIES			
Deposits	13 and 52.2	588,850,704	737,714,203
Non-Financial Public Sector		56,402,528	111,040,851
Financial Sector		961,192	1,051,180
Non-Financial Private Sector and Foreign Residents		531,486,984	625,622,172
Liabilities at fair value through profit or loss	13 and 52.2	1,627,732	—
Derivative Financial Instruments	6, 13 and 52.2	2,532	347
Repo Transactions	7, 13 and 52.2	—	933,682
Other Financial Liabilities	13, 21 and 52.2	67,935,119	74,287,265
Financing received from the Central Bank of Argentina and other financial institutions	13 and 52.2	437,726	1,387,310
Issued Corporate Bonds	13, 48 and 52.2	2,990,809	7,436,745
Current Income Tax Liabilities	29.c)	351,297	7,766,436
Subordinated Corporate Bonds	13, 48 and 52.2	41,974,169	51,773,419
Provisions	23	1,653,557	1,978,115
Deferred Income Tax Liabilities	29.c)	6,247,221	11,242,317
Other Non-Financial Liabilities	24	47,591,152	45,821,301
TOTAL LIABILITIES		759,662,018	940,341,140
SHAREHOLDERS' EQUITY			
Capital Stock	41	639,413	639,413
Non-capital contributions		12,429,781	12,429,781
Adjustments to Shareholders' Equity		82,601,146	82,601,146
Earnings Reserved		185,054,451	228,987,116
Unappropriated Retained Earnings		(66,878,747)	(137,048,780)
Accumulated Other Comprehensive Income		2,880,982	1,656,448
Net Income of the fiscal year		22,872,537	39,477,783
Net Shareholders' Equity attributable to controlling interest		239,599,563	228,742,907
Net Shareholders' Equity attributable to non-controlling interests		37,882	2,822
TOTAL SHAREHOLDERS' EQUITY		239,637,445	228,745,729
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		999,299,463	1,169,086,869

The accompanying Notes 1 to 55 to the consolidated financial statements are integral part of these consolidated financial statements.

**BANCO MACRO SA AND ITS SUBSIDIARIES****CONSOLIDATED STATEMENT OF INCOME****FOR THE FISCAL YEARS ENDED DECEMBER 31, 2021, 2020 AND 2019**(Figures stated in thousands of pesos in terms of purchasing power of Argentine pesos as of December 31, 2021,
except as otherwise indicated)

<u>Items</u>	<u>Notes</u>	<u>12/31/2021</u>	<u>12/31/2020</u>	<u>12/31/2019</u>
Interest income	30	225,432,183	237,099,433	311,458,574
Interest expense	31	(94,433,865)	(91,823,708)	(131,837,943)
Net Interest Income		130,998,318	145,275,725	179,620,631
Commissions income	32	36,984,075	37,347,136	39,950,749
Commissions expense	33	(3,530,951)	(3,090,218)	(3,308,327)
Net Commissions income		33,453,124	34,256,918	36,642,422
Subtotal (Net Interest income plus Net Commissions income)		164,451,442	179,532,643	216,263,053
Net gain from measurement of financial instruments at fair value	34	16,684,661	21,099,670	16,301,331
Profit from sold or derecognized assets at amortized cost		244,053	1,951,429	56,338
Differences in quoted prices of gold and foreign currency	35	4,647,686	6,384,364	7,186,704
Other operating income	36	7,829,104	8,105,211	15,774,926
Credit loss expense on financial assets		(2,595,721)	(11,866,426)	(8,932,537)
Net Operating Income before expenses, depreciation and amortization		191,261,225	205,206,891	246,649,815
Employee benefits	37	(39,481,224)	(40,148,367)	(43,569,819)
Administrative expenses	38	(20,091,917)	(21,946,715)	(26,304,635)
Depreciation and amortization of fixed assets	16, 17 and 18	(7,125,708)	(6,645,030)	(6,177,886)
Other operating expenses	39	(34,203,944)	(30,908,232)	(45,415,936)
Net Operating Income after expenses, depreciation and amortization		90,358,432	105,558,547	125,181,539
Income / (Loss) from associates and joint arrangements	15	87,497	(10,348)	1,846,203
Loss on net monetary position		(66,386,613)	(46,376,595)	(57,861,065)
Income before tax on continuing operations		24,059,316	59,171,604	69,166,677
Income tax on continuing operations	29.c)	(1,186,032)	(19,693,276)	(26,593,127)
Net Income from continuing operations		22,873,284	39,478,328	42,573,550
Net Income for the fiscal year		22,873,284	39,478,328	42,573,550
Net Income for the fiscal year attributable to controlling interest		22,872,537	39,477,783	42,573,192
Net Income for the fiscal year attributable to non-controlling interest		747	545	358
Basic earnings per share	42	35.7711	61.7407	66.5828

**BANCO MACRO SA AND ITS SUBSIDIARIES****CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME
FOR THE FISCAL YEARS ENDED DECEMBER 31, 2021, 2020 AND 2019**

(Figures stated in thousands of pesos in terms of purchasing power of Argentine pesos as of December 31, 2021,
except as otherwise indicated)

<u>Items</u>	<u>Notes</u>	<u>12/31/2021</u>	<u>12/31/2020</u>	<u>12/31/2019</u>
Net Income for the fiscal year		22,873,284	39,478,328	42,573,550
Items of Other Comprehensive Income that will be reclassified to profit or loss				
Foreign currency translation differences in financial statements conversion		(766,334)	180,923	175,332
Foreign currency translation differences for the fiscal year		(766,334)	180,923	175,332
Profit or loss from financial instruments measured at fair value through Other Comprehensive Income (FVOCI) (IFRS 9 (4.1.2) (a))		1,990,868	1,296,991	133,721
Profit or losses for the fiscal year from financial instruments at fair value through Other Comprehensive Income (FVOCI)		548,974	(2,092,927)	(15,450,274)
Reclassification to profit or loss		2,651,201	3,583,135	15,883,053
Income tax	29.c)	(1,209,307)	(193,217)	(299,058)
Total Other Comprehensive Income that will be reclassified to profit or loss		1,224,534	1,477,914	309,053
Total Other Comprehensive Income		1,224,534	1,477,914	309,053
Total Comprehensive Income for the fiscal year		24,097,818	40,956,242	42,882,603
Total Comprehensive Income attributable to controlling interest		24,097,071	40,955,697	42,882,265
Total Comprehensive Income attributable to non-controlling interest		747	545	338

The accompanying Notes 1 to 55 to the consolidated financial statements are an integral part of these consolidated financial statements.



BANCO MACRO SA AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2021
(Figures stated in thousands of pesos in terms of purchasing power of Argentine pesos as of December 31, 2021, except as otherwise indicated)

	Capital Stock		Non-capital Contributions		Other Comprehensive Income			Earnings Reserved			Unappropriated Retained Earnings	Total Controlling Interest	Total Non-controlling Interest	Total Equity
	Notes	Outstanding Shares	In treasury	Additional paid-in Capital	Adjustment to Shareholders' Equity (1)	Accumulated foreign currency translation difference in financial statements conversion	Other	Legal	Other					
Restated amount at the beginning of the fiscal year		639,413		12,429,781	82,601,146	1,366,485	289,963	64,569,246	164,417,870	(97,570,997)	228,742,907	2,822	228,745,729	
Changes														
- Net income for the fiscal year										22,872,537	22,872,537	747	22,873,284	
- Other comprehensive income for the fiscal year									(766,334)	1,990,868			1,224,534	
Distribution of unappropriated retained earnings as approved by Shareholder's Meeting held on April 30, 2021											(12,839,897)		(12,839,897)	
- Cash dividends of accumulated losses	42										(12,839,897)		(12,839,897)	
Facultative reserve	51										(667)	667		
Facultative reserve for future distribution earnings											(30,691,583)	30,691,583		
Personal property tax on business corporation											(400,518)		(400,518)	
Other changes													34,313	
Amount at the end of the fiscal year		639,413		12,429,781	82,601,146	600,151	2,280,831	64,569,246	120,485,205	(44,006,210)	239,599,563	37,882	239,637,445	



CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2020

(Figures stated in thousands of pesos in terms of purchasing power of Argentine pesos as of December 31, 2021, except as otherwise indicated)

	Capital Stock		Non-capital Contributions		Other Comprehensive Income			Earnings Reserved		Unappropriated Retained Earnings	Total Controlling interest	Total Non-controlling interest	Total Equity
	Outstanding shares	In treasury	Additional paid-in Capital	Adjustment to Shareholders' Equity (1)	Accumulated foreign currency translation difference in financial statements conversion	Other	Legal	Other					
Restated amount at the beginning of the fiscal year	639,413		12,429,781	82,601,146	1,185,562	(1,007,028)	47,801,121	128,296,273	(54,000,257)	217,946,011	2,879	217,948,890	
Changes													
- Comprehensive income for the fiscal year										39,477,783		39,478,328	
- Net income for the fiscal year										1,477,914		1,477,914	
- Other comprehensive income for the fiscal year													
Distribution of unappropriated retained earnings as approved by Shareholder's Meeting held on April 30, 2020										(16,768,125)		(16,768,125)	
- Legal reserve										66,280,398		66,280,398	
- Facultative reserve										(30,158,801)		(30,158,801)	
- Cash dividends and (2)										(602)		(602)	
Other changes													
Amount at the end of the fiscal year	639,413		12,429,781	82,601,146	1,366,485	289,963	64,569,246	164,417,870	(97,570,997)	228,742,907	2,822	228,745,729	



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BANCO MACRO SA AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2019

(Figures stated in thousands of pesos in terms of purchasing power of Argentine pesos as of December 31, 2021, except as otherwise indicated)

	Capital Stock		Non-capital Contributions		Other Comprehensive Income			Earnings Reserved			Unappropriated Retained Earnings	Total Controlling interest	Total Non-controlling interest	Total Equity
	Outstanding shares	In treasury	Additional paid-in Capital	Adjustment to Shareholders' Equity (1)	Accumulated foreign currency translation difference in financial statements conversion	Other	Legal	Other						
Restated amount at the beginning of the fiscal year	640,715	28,948	12,428,461	82,675,107	1,010,230	(1,140,769)	37,856,640	94,904,018	(35,863,928)	192,539,422	3,188	192,542,610		
Total comprehensive income for the fiscal year														
- Net income for the fiscal year										42,573,192		42,573,192		
- Other comprehensive income for the fiscal year												358		
												42,573,550		
Distribution of unappropriated retained earnings as approved by Shareholder's Meeting held on April 30, 2019														
- Legal reserve							9,944,481			(9,944,481)				
- Normative reserve							10,987,097			(10,987,097)				
- Cash dividends										(17,480,360)		(17,480,360)		
- Facultative reserve(3)										39,777,943		(39,777,943)		
Own shares in treasury	41	(1,317)	1,317											
Decrease of own shares in treasury	41		(30,265)							107,575		4,684		
Other changes	41	15		1,320								(647)		
Amount at the end of the fiscal year	639,413	0	12,429,781	82,601,146	1,185,562	(1,007,028)	47,801,121	128,296,273	(54,000,257)	217,946,011	2,879	217,948,890		

- (1) Inflation adjustment of capital stock and additional paid-in capital.
- (2) Includes a supplementary cash dividend approved by the Shareholders' Meeting dated on October 21, 2020. See also notes 42 and 51.
- (3) Related to earnings reserved for future distribution of earnings.

The accompanying Notes 1 to 55 to the consolidated financial statements are an integral part of these consolidated financial statements.



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BANCO MACRO SA AND ITS SUBSIDIARIES**CONSOLIDATED STATEMENT OF CASH FLOWS****FOR THE FISCAL YEARS ENDED DECEMBER 31, 2021, 2020 AND 2019**(Figures stated in thousands of pesos in terms of purchasing power of Argentine pesos as of December 31, 2021,
except as otherwise indicated)

Items	Notes	12/31/2021	12/31/2020	12/31/2019
Cash flows from operating activities				
Income for the fiscal year before income tax		24,059,316	59,171,604	69,166,677
Total monetary effect on the fiscal year		66,386,613	46,376,595	57,861,065
Adjustments to obtain cash flows from operating activities:				
Depreciation and amortization of fixed assets		7,125,708	6,645,030	6,177,886
Credit loss expense on financial assets		2,595,721	11,866,426	8,932,537
Difference in quoted prices of foreign currency		(17,232,944)	(25,870,675)	(52,966,587)
Other adjustments		47,947,008	44,569,261	75,280,543
Net increase / (decrease) from operating assets:				
Debt Securities at fair value through profit or loss		50,589,705	(125,354,659)	(3,331,337)
Derivative Financial Instruments		1,492,237	(227,898)	(1,210,970)
Repo transactions		28,097,963	(57,268,173)	(2,235,591)
Loans and other financing				
Non-Financial Public Sector		3,080,060	7,799,653	(7,638,315)
Other Financial Entities		1,243,824	5,367,418	9,662,625
Non-Financial Private Sector and Foreign Residents		28,355,998	40,287,010	102,413,787
Other Debt Securities		(34,327,573)	(23,344,585)	(9,032,699)
Financial Assets delivered as guarantee		3,608,863	359,816	(575,542)
Equity Instruments at fair value through profit or loss		4,095,582	(2,499,402)	(74,554)
Other Assets		(7,259,914)	(16,996,283)	(2,325,873)
Net increase / (decrease) from operating liabilities:				
Deposits				
Non-Financial Public Sector		(54,638,323)	74,955,727	(24,962,286)
Financial sector		(89,988)	405,601	176,859
Non-Financial Private Sector and Foreign Residents		(94,135,188)	122,183,424	(187,262,328)
Liabilities at fair value through profit or loss				
Derivative Financial Instruments		1,627,732	—	—
Repo Transactions		2,185	(1,579,342)	1,575,362
Other Liabilities		(933,682)	(1,126,407)	1,540,178
Income tax payments		(5,972,211)	27,634,946	5,262,077
		(11,065,015)	(12,600,957)	(17,953,837)
Total cash from operating activities (A)		44,653,677	180,754,130	28,479,677



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BANCO MACRO SA AND ITS SUBSIDIARIES**CONSOLIDATED STATEMENT OF CASH FLOWS****FOR THE FISCAL YEARS ENDED DECEMBER 31, 2021, 2020 AND 2019**(Figures stated in thousands of pesos in terms of purchasing power of Argentine pesos as of December 31, 2021,
except as otherwise indicated)

Items	Notes	12/31/2021	12/31/2020	12/31/2019
Cash flows from investing activities				
Payments:				
Net payments of acquisition of PPE, intangible and other assets		(6,892,469)	(5,548,778)	(8,506,756)
Control obtained in subsidiaries and other businesses		(35,653)		
Total cash used in investing activities (B)		(6,928,122)	(5,548,778)	(8,506,756)
Cash flows financing activities				
Payments:				
Dividends			(605)	(17,480,360)
Acquisition or redemption of equity instruments		—	—	(613,896)
Non-subordinated corporate bonds	40	(4,089,740)	(3,082,883)	(4,942,222)
Financing from local financial entities	40	(794,081)	(3,077,021)	(4,842,331)
Subordinated corporate bonds	40	(3,013,961)	(3,390,283)	(3,327,781)
Other payments related to financing activities		(632,525)	(856,501)	(700,680)
Collections/Incomes:				
Central Bank of Argentina		—	10,548	29,195
Total cash used in financing activities (C)		(8,530,307)	(10,396,745)	(31,878,075)
Effect of exchange rate fluctuations (D)		27,091,498	44,038,434	78,764,149
Monetary effect on cash and cash equivalents (E)		(144,244,148)	(113,835,110)	(176,921,289)
Net (decrease) / increase in cash and cash equivalents (A+B+C+D+E)		(87,957,402)	95,011,931	(110,062,294)
Cash and cash equivalents at the beginning of the fiscal year	40	397,889,304	302,877,373	412,939,667
Cash and cash equivalents at the end of the fiscal year	40	309,931,902	397,889,304	302,877,373

The accompanying Notes 1 to 55 to the consolidated financial statements are an integral part of these consolidated financial statements.

**BANCO MACRO SA AND ITS SUBSIDIARIES****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2021 AND 2020**

(Figures stated in thousands of pesos in terms of purchasing power of Argentine pesos as of December 31, 2021, except as otherwise indicated)

1 CORPORATE INFORMATION

Banco Macro SA (hereinafter, the Bank) is a stock corporation (*sociedad anónima*), organized in the Argentine Republic, with headquarters at Avenida Madero 1182, Autonomous City of Buenos Aires (CABA, for its acronym in Spanish). Its by-law expiry date is on March 8, 2066.

The Bank offers traditional banking products and services to companies, including those companies operating in regional economies as well as to individuals, thus strengthening its goal to be a multiservice bank. In addition, through its subsidiaries, the Bank performs transactions as a trustee agent, manager and administrator of mutual funds, renders stock exchange services and electronic payments services.

Macro Compañía Financiera SA was created in 1977, as a non-banking financial institution. In May 1988, it received the authorization to operate as a commercial bank and was incorporated as Banco Macro SA. Subsequently, as a result of the merger process with other entities, it adopted other names (among them, Banco Macro Bansud SA) and since August 2006, Banco Macro SA.

The Bank's shares have been publicly listed on Bolsas y Mercados Argentinos (BYMA) since November 1994; and as from March 24, 2006 they are listed on the New York Stock Exchange (NYSE). Additionally, on October 15, 2015, they were authorized to be listed on the Mercado Abierto Electrónico SA (MAE).

Since 1994, Banco Macro SA's market strategy was mainly focused on the regional areas outside the CABA. Following this strategy, in 1996, Banco Macro SA started the process to acquire entities and assets and liabilities during the privatization of provincial and other banks.

During 2020 and 2021, the Bank made contributions in the company Play Digital SA for a total amount of 253,557 (not restated). On September 28, 2021, the Extraordinary Shareholders' Meeting of Play Digital SA accepted the last irrevocable capital contributions made on March 4 and May 12, 2021 in which the Bank subscribed 96,539,571 common, registered shares, with a face value of Ps. 1, amounting to 215,717,076 shares. As a consequence, after the last acceptance of capital contribution, the Bank's interest in Play Digital SA amounted to 10.020% while before the abovementioned acceptance it amounted to 9.9545%. Moreover, on January 17, 2022, the Bank made a new irrevocable capital contribution for an amount of 130,758. The company's purpose is to develop and market a payment solution linked to bank accounts held by financial system users in order to bring significant improvement to their payment experience.

Additionally, on October 1, 2021, Banco Macro SA decided to exercise a call option to reach 24.99% of the equity interest in Fintech SGR. The amount paid on October 15, 2021 was 33,488 (not restated). As explained in note 3, under "Basis for consolidation" section, this is a structured entity in which the Bank has control. The purpose of this company is to enable small and medium-sized companies (PyMES, for its acronym in Spanish), to have access to credit by granting guarantees.

In addition, on October 1, 2021 Banco Macro SA paid 50,850 (not restated) in order to purchase shares representing 50% of the capital stock and votes of Finova SA. The main purpose of this company is to develop and market the website www.facturbo.com.ar, a digital solution that allows customers to negotiate credit instruments issued and accepted by large companies in favor of small and medium-sized companies (MiPyMES, for its acronym in Spanish). See also note 15.

These consolidated financial statements for the year ended December 31, 2021, were authorized for issue by the Management on April 28, 2022. Even when the Shareholders' Meeting has the power to amend these consolidated financial statements after issuance, in Management's opinion it will not happen.

2 OPERATIONS OF THE BANK**2.1. Agreement with the Misiones Provincial Government**

The Bank and the Misiones Provincial Government entered into a special-relationship agreement whereby the Bank was appointed, for a five-year term since January 1, 1996, as the Provincial Government's exclusive financial agent as well as revenue collection and obligation payment agent.



BANCO MACRO SA AND ITS SUBSIDIARIES

On November 25, 1999, December 28, 2006 and October 1, 2018, extensions to such agreement were agreed upon, making it currently effective through December 31, 2029.

As of December 31, 2021 and 2020, the deposits held by the Misiones Provincial Government with the Bank amounted to 9,072,397 and 24,512,527 (including 1,035,931 and 1,220,469, related to court deposits), respectively.

2.2. Agreement with the Salta Provincial Government

The Bank and the Salta Provincial Government entered into a special-relationship agreement whereby the Bank was appointed, for a ten-year term since March 1, 1996, as the Provincial Government's exclusive financial agent as well as revenue collection and obligation payment agent.

On February 22, 2005, and August 22, 2014, extensions to such agreements were agreed upon, making it currently effective through February 28, 2026.

As of December 31, 2021 and 2020, the deposits held by the Salta Provincial Government with the Bank amounted to 6,455,729 and 5,701,168 (including 2,200,818 and 1,873,083, related to court deposits), respectively.

2.3. Agreement with the Jujuy Provincial Government

The Bank and the Jujuy Provincial Government entered into a special-relationship agreement whereby the Bank was appointed, for a ten-year term since January 12, 1998, as the Provincial Government's exclusive financial agent as well as revenue collection and obligation payment agent.

On April 29, 2005 and July 8, 2014, extensions to such agreement were agreed upon, making it currently effective through September 30, 2024.

As of December 31, 2021 and 2020, the deposits held by the Jujuy Provincial Government with the Bank amounted to 8,427,277 and 16,468,955 (including 1,908,871 and 1,763,629, related to court deposits), respectively.

2.4. Agreement with the Tucumán Provincial Government

The Bank acts as an exclusive financial agent and as revenue collection and obligation payment agent of the Tucumán Provincial Government, the Municipality of San Miguel de Tucumán and the Municipality of Yerba Buena. The services agreements with the Provincial and Municipal Governments are effective through years 2031, 2023 and 2025, respectively.

As of December 31, 2021 and 2020, the deposits held by the Tucumán Provincial Government, the Municipality of San Miguel de Tucumán and the Municipality of Yerba Buena with the Bank amounted to 17,504,996 and 21,546,127 (including 5,129,863 and 5,338,406, related to court deposits), respectively.

Additionally, as of December 31, 2021 and 2020, the Bank granted loans to the Tucumán Provincial Government for an amount of 1,838,221 and 4,317,862, respectively.

3 BASIS FOR THE PREPARATION OF THESE FINANCIAL STATEMENTS AND APPLICABLE ACCOUNTING STANDARDS

Presentation basis

Applicable Accounting Standards

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

The consolidated financial statements of the Bank comprise the Standards and Interpretations adopted by the IASB and includes:

- the IFRS;
- the International Accounting Standards (IAS); and
- the interpretations developed by the IFRS Interpretations Committee (IFRIC) or former IFRIC (SIC).



BANCO MACRO SA AND ITS SUBSIDIARIES

Going concern

The Bank's management has made an assessment of its ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt on the Bank's ability to continue as a going concern. Therefore, these consolidated financial statements continue to be prepared on the going concern basis.

Figures expressed in thousands of pesos

These consolidated financial statements are presented in thousands of Argentine pesos in terms of purchasing power as of December 31, 2021, unless otherwise expressly stated, and are rounded up to the nearest amount in thousands of pesos, except as otherwise indicated (see "Measuring unit" section of this note).

Statement of financial position - Disclosure

The Bank presents its consolidated statements of financial position in order of liquidity based on the Bank's intention and perceived ability to recover/settle the majority of assets/liabilities of the corresponding consolidated financial statement line item. An analysis regarding recovery or settlement within 12 months after the reporting date and more than 12 months after the reporting date is disclosed in note 26.

Financial assets and financial liabilities are generally reported in gross figures in the consolidated statement of financial position. They are only offset and reported in net figures when there is a legal and enforceable right to offset such financial assets and liabilities and the Management also intends to settle them on a net basis or to realize assets and settle liabilities simultaneously.

These consolidated financial statements were prepared on a historical cost basis, except for certain financial instruments which were valued at fair value through Other Comprehensive Income (OCI) or at Fair Value Through Profit or Loss. For further information see note 13. In addition, in the case of derivative instruments (Futures and Forwards) both assets and liabilities were valued at Fair Value through Profit or Loss.

Comparative information

The statement of financial position as of December 31, 2021 is presented comparatively with the immediately preceding fiscal year and the statements of income and other comprehensive income, the statement of changes in shareholders' equity and the statement of cash flows for the fiscal year ended December 31, 2021, are presented comparatively with those as of December 31, 2020 and 2019.

The figures related to comparative information have been restated to consider the changes in the general purchasing power of the functional currency and, as a result, are stated in terms of the current measuring unit at the end of the reporting period (see the section "Measuring unit").

Measuring unit

These consolidated financial statements as of December 31, 2021 have been restated for the changes in the general purchasing power of the functional currency (Argentine pesos) of the Bank, as of that date, as established by IAS 29 "Financial Reporting in Hyperinflationary Economies".

According to IFRS, the restatement of financial statements is needed when the functional currency is the currency of a hyperinflationary economy. To achieve consistency in identifying an economic environment of that nature, IAS 29 establishes (i) certain nonexclusive qualitative indicators consisting in analyzing the general population behavior, prices, interest rates and wages with changes in price indexes and the loss of purchasing power, and (ii) as quantitative characteristic, which is the most used condition in practice, to test if a three-year cumulative inflation rate is around 100% or more. Due to miscellaneous macroeconomic factors, the three-year inflation rate exceeded that figure and the Argentine government goals and other available estimates also indicate that this trend will not be reversed in the short term.

**BANCO MACRO SA AND ITS SUBSIDIARIES**

The restatement was applied as if the economy had always been hyperinflationary, using a general price index that reflects changes in general purchasing power. To apply the restatement, a series of indexes were used, as prepared and published on a monthly basis by the Argentine Federation of Professional Councils of Economic Sciences (FACPCE, for its acronym in Spanish), which combines the consumer price index (CPI) on a monthly basis published by the Argentine Institute of Statistics and Censuses (INDEC, for its acronym in Spanish) since January 2017 (baseline month: December 2016) with the wholesale prices indexes published by the INDEC until that date. For the months of November and December 2015, for which the INDEC did not publish the wholesale price index (WPI) variation, the CPI variation for CABA was used.

Considering the abovementioned indexes, the inflation rate was 50.94% and 36.14% for the fiscal years ended on December 31, 2021 and 2020, respectively.

Below is a description of the restatement mechanism provided by IAS 29 "Financial Reporting in Hyperinflationary Economies":

Description of the main aspects of the restatement process for statements of financial position:

- (i) Monetary items (the ones that are already stated in terms of the current measuring unit) are not restated because they are already expressed in terms of the monetary unit current at the end of the reporting period. In an inflationary period, an entity holding monetary assets generates purchasing power loss and holding monetary liabilities generates purchasing power gain, provided that the assets and liabilities are not linked to an adjustment mechanism that offsets, to some extent such effects. The net gain or loss on a monetary basis is included in profit or loss for the period.
- (ii) Assets and liabilities subject to adjustments based on specific agreements are adjusted in accordance with such agreements.
- (iii) Non-monetary items stated at current cost at the end of the reporting period, are not restated for presentation purposes in the statement of financial position, but the adjustment process must be completed to determine, in terms of constant measurement unit, the income or loss produced by holding these non-monetary items.
- (iv) Non-monetary items carried at historical cost or at current cost at some earlier date before the reporting date, are restated by an index that reflects the general level of price variation from the acquisition or revaluation date to the closing date, proceeding then to compare the restated amounts of those assets with their recoverable amounts. Income or loss for the period related to depreciation of property, plant and equipment and amortization of Intangible Assets and other non-monetary cost are determined over the new restated amounts.
- (v) When an entity capitalizes borrowing cost in the non-monetary assets, the part of the borrowing cost that compensates for the inflation during the same period is not capitalized.
- (vi) The restatement of non-monetary assets in terms of a current measurement unit at the end of the reporting period, without an equivalent adjustment for tax purposes generates a taxable temporary difference and a deferred income tax liability is recognized and the contra account is recognized as profit or loss for the period. When, beyond the restatement, there is a revaluation of non-monetary assets, the deferred tax related to the restatement is recognized in profit or loss for the period and deferred tax related to the revaluation is recognized in other comprehensive income for the period.

Description of the main aspects of the restatement process for statements of income and other comprehensive income:

- (i) Income and expenses are restated from the date the items were recorded, except for those income or loss items that reflect or include, in their determination, the consumption of assets measured at the currency purchasing power from a date prior to that which the consumption was recorded, which is restated using as a basis the acquisition date of the assets related to the item, except for income or losses arising from comparing the two measurements at currency purchasing power of different dates, for which it requires to identify the compared amounts, to restate them separately and to repeat the comparison, with the restated amounts.



BANCO MACRO SA AND ITS SUBSIDIARIES

(ii) The gain or loss for holding monetary assets and liabilities, is separately disclosed in the consolidated statement of income.

Description of the main aspects of the restatement process for the statements of changes in shareholders' equity:

- (i) All equity's components are restated by applying a general price index, as mentioned before, from the beginning of the fiscal year and each variation of those components is restated from the contribution date or from the moment it was produced by any other way. The inflation adjustment related to "Capital stock" and "Additional paid-in capital" is accumulated in "Adjustment to Shareholders' Equity".
- (ii) Other comprehensive income generated after the transition date are presented in terms of the measuring unit current at the end of the reporting period.

Description of the main aspects of the restatement process for the statement of cash flows:

- (i) All items are restated in terms of the measuring unit current at the end of the reporting period.
- (ii) The monetary gain or losses generated by cash and cash equivalents are separately disclosed in the statement of cash flows after the cash flow from operating investment activities and financing activities, in a separate and independent line, under the description "Monetary effect on cash and cash equivalents".

As a consequence, the application of IAS 29 results in an adjustment for the loss of purchasing power of the Argentine peso recorded in the consolidated statement of income as a loss on the net monetary position. In a period of inflation, as the Bank holds an excess of monetary assets over monetary liabilities, it loses purchasing power, which results in a loss on the net monetary position. This loss is derived as the difference resulting from the restatement of non-monetary assets and liabilities, equity and items in the consolidated statement of comprehensive income.

Basis for consolidation

These consolidated financial statements include the financial statements of the Bank and its subsidiaries as of December 31, 2021.

Subsidiaries are all the entities controlled by the Bank. The Bank controls another entity when it is exposed, or has rights, to variable returns from its continuing involvement with such other entity, and has the ability to use its power to direct the operating and financing policies of such other entity, to affect the amounts of such returns.

This generally happens when there is a shareholding of more than half of its shares having voting rights.

Notwithstanding the above, under certain particular circumstances, the Bank may still have control with less than a 50% interest or may not have the control even if it holds more than half of the shares of such other entity. Upon evaluating whether it has power over the controlled entity, and therefore controls the variation of its returns, the Bank shall consider all relevant facts and circumstances, including:

- The purpose and design of the controlled entity.
- What the relevant activities are and how decisions about those activities are made and whether the Bank has the ability to direct such relevant activities.
- Contractual arrangements such as call rights, put rights and liquidation rights.
- Whether the Bank is exposed, or has rights, to variable returns from its involvement with such controlled entity, and whether the Bank has the ability to use its power over the controlled entity to affect the amount of the Bank's returns.

The structured entities have been designed to reach a specific business goal and for voting or similar rights, not to be the dominant factor in deciding who controls the entity, such as when any voting rights are related to the administrative tasks only and the relevant activities are directed by means of contractual agreements.

As explained in note 1, on October 1, 2021, the Bank acquired an investment in Fintech SGR. Even though the Bank holds 49.9939% of Class B shares held by the protector partners, and the 24.99% in the total capital stock of this company, the Bank has the power to direct Fintech's relevant activities. Therefore the Bank controls this structured entity and consolidates its financial statements together with the risk funds (Fondo de Riesgo).

**BANCO MACRO SA AND ITS SUBSIDIARIES**

Subsidiaries are completely consolidated since the date of the effective transfer of the control over them to the Bank and consolidation ceases when the Bank loses control over the subsidiaries. These consolidated financial statements include the assets, liabilities, income and each component of other comprehensive income of the Bank and its subsidiaries. Transactions between consolidated entities are completely eliminated.

Changes in a parent’s ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary are equity transactions. However, if a parent company loses control of a subsidiary, it shall derecognize the assets (including any goodwill) and liabilities of the subsidiary, any non-controlling interests in the former subsidiary and other capital components, while any profit or loss derived from the transaction, event or circumstances that resulted in the loss of control shall be recognized as in profit or loss, and any investment retained in the former subsidiary shall be recognized at its fair value on the date control is lost.

The financial statements of the subsidiaries have been prepared as of the same dates and for the same accounting periods as those of the Bank, using uniform accounting policies consistent with those applied by the Bank. If necessary, adjustments shall be made to the financial statements of the subsidiaries so that the accounting policies used by the group are uniform.

The Bank considers the Argentine peso as its functional and presentation currency. To such effect, before consolidation, the financial statements of its subsidiary Macro Bank Limited, originally stated in US dollars, were translated to pesos (presentation currency) using the following method and applying the inflation adjustment above explained in section “Measuring unit” of this note:

- Assets and liabilities were converted at the reference exchange rate of the BCRA, in force for US dollars at the closing of business on the last business day of the fiscal years ended December 31, 2021 and 2020.
- Figures related to the owners’ contributions (capital stock, non-capital Contributions and irrevocable capital contributions) were translated applying the effective exchange rates as of the date on which such contributions were paid in.
- Income for the fiscal years ended December 31, 2021, 2020 and 2019, were translated into pesos on a monthly basis, using the monthly average of the reference exchange rate of the BCRA.
- Foreign currency translation differences arising as a result of the preceding paragraphs are recognized as a separate component within the Shareholders’ Equity account reporting them in the statement of other comprehensive income, which is called “Foreign currency translation differences in financial statements conversion”.

On the other hand, non-controlling interests represent the portion of income and equity not directly or indirectly attributable to the Bank. In these consolidated financial statements they are disclosed as a separate line in the statement of financial position, the statement of income, the statement of other comprehensive income and the statement of changes in shareholders’ equity.

The Bank has consolidated into its financial statements the financial statements of the following companies:

Subsidiaries	Principal Place of Business	Country	Main Activity
Macro Securities SA (1) and (2)	Ave. Eduardo Madero 1182 – CABA	Argentina	Stock exchange services
Macro Fiducia SA	Ave. Eduardo Madero 1182 – 2nd floor. CABA	Argentina	Services
Macro Fondos SGFCISA	Ave. Eduardo Madero 1182 – 24th floor, Office B-. CABA	Argentina	Management and administration of mutual funds
Macro Bank Limited (3)	Caves Village, Building 8 Office 1 – West Bay St., Nassau	Bahamas	Banking entity
Argenpay SAU	Ave. Eduardo Madero 1182 – CABA	Argentina	Electronic payments services
Fintech SGR (4)	Esmeralda 320 – 6th floor – Office A – CABA	Argentina	Granting of guarantees



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- (1) Consolidated with Macro Fondos SGFCISA (80.90% equity interest and voting rights).
- (2) The indirect interest of Banco Macro SA is held through Macro Fiducia SA.
- (3) Consolidated with Sud Asesores (ROU) SA (100% voting rights – Equity interest: 28,013).
- (4) Structured entity consolidated with the Bank since October 2021, as the control was obtained in such month.

The Bank’s equity interest and voting rights in the companies it consolidates is as follows:

- As of December 31, 2021:

Subsidiaries	Shares		Bank’s interest		Non-controlling interest	
	Type	Number	Total capital stock	Voting rights	Total capital stock	Voting rights
Macro Securities SA	Common	12,776,680	99.925%	99.932%	0.075%	0.068%
Macro Fiducia SA	Common	46,935,318	99.046%	99.046%	0.954%	0.954%
Macro Fondos SGFCISA	Common	327,183	99.939%	100.00%	0.061%	
Macro Bank Limited	Common	39,816,899	99.999%	100.00%	0.001%	
Argenpay SAU (1)	Common	341,200,000	100.00%	100.00%		
Fintech SGR (Structured entity)	Common	119,993	24.999%	24.999%	75.001%	75.001%

- (1) On December 15, 2021, the Extraordinary Shareholders’ Meeting of Argenpay SAU accepted the irrevocable capital contributions for 100,000 made by Banco Macro SA, through the issuance of 100,000,000 common, registered shares, with a face value of Ps. 1.

- As of December 31, 2020:

Subsidiaries	Shares		Bank’s interest		Non-controlling interest	
	Type	Number	Total capital stock	Voting rights	Total capital stock	Voting rights
Macro Securities SA	Common	12,776,680	99.925%	99.932%	0.075%	0.068%
Macro Fiducia SA	Common	46,935,318	99.046%	99.046%	0.954%	0.954%
Macro Fondos SGFCISA	Common	327,183	99.939%	100.00%	0.061%	
Macro Bank Limited	Common	39,816,899	99.999%	100.00%	0.001%	
Argenpay SAU	Common	241,200,000	100.00%	100.00%		

Total assets, liabilities and Shareholders’ equity of the Bank and its subsidiaries as of December 31, 2021 and 2020 are as follows:

Balances as of 12/31/2021	Banco Macro SA	Macro Bank Limited	Macro Securities SA	Macro Fiducia SA	Argenpay SAU	Fintech SGR	Eliminations	Consolidated
Assets	983,858,205	9,147,844	15,084,713	122,368	1,184,518	1,395,123	(11,493,308)	999,299,463
Liabilities	744,258,642	6,178,147	11,710,996	2,874	694,678	1,349,026	(4,532,345)	759,662,018
Equity attributable to the owners of the Bank	239,599,563	2,969,697	3,201,429	119,494	489,840	46,097	(6,826,557)	239,599,563
Equity attributable to non-controlling interests			172,288				(134,406)	37,882

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<u>Balances as of 12/31/2020</u>	<u>Banco Macro SA</u>	<u>Macro Bank Limited</u>	<u>Macro Securities SA</u>	<u>Macro Fiducia SA</u>	<u>Argenpay SAU</u>	<u>Eliminations</u>	<u>Consolidated</u>
Assets	1,138,994,865	11,413,967	29,081,800	133,432	530,917	(11,068,112)	1,169,086,869
Liabilities	910,251,958	7,482,320	26,562,125	8,123	256,184	(4,219,570)	940,341,140
Equity attributable to the owners of the Bank	228,742,907	3,931,647	2,403,681	125,309	274,733	(6,735,370)	228,742,907
Equity attributable to non-controlling interests			115,994			(113,172)	2,822

The Bank's Management considers there are no other companies or structured entities to be included in the consolidated financial statements as of December 31, 2021.

Summary of significant accounting policies

Below there is a description of the principal valuation and disclosure criteria used for the preparation of these consolidated financial statements as December 31, 2021:

3.1 **Assets and liabilities denominated in foreign currency**

The Bank considers the Argentine Peso as its functional and presentation currency. The assets and liabilities denominated in foreign currency, mainly in US dollars, were valued at BCRA benchmark US dollar exchange rate effective as of the closing date of transactions on the last business day of each fiscal year.

Additionally, assets and liabilities denominated in other foreign currencies were translated at the repo exchange rate in US Dollars communicated by the BCRA's dealing room. Foreign exchange differences were recorded in the related Statements of income as "Difference in quoted prices of gold and foreign currency".

3.2 **Financial Instruments****Initial Recognition and Measurement**

The Bank recognizes a financial instrument when it becomes party to the contractual provisions thereof.

The purchase and sale of financial assets requiring the delivery of assets within the term generally established by the rules and regulations or the market conditions are recorded on the transaction's trading date, i.e. on the date the Bank undertakes to acquire or sell the relevant asset.

At initial recognition, the financial assets and liabilities were recognized at fair value. Those financial assets and liabilities not recognized at fair value through profit or loss, were recognized at fair value adjusted for transactions costs directly attributable to the acquisition or issue of the financial asset or liability.

At initial recognition, the fair value of a financial instrument is generally the transaction price. Nevertheless, if part of the consideration received or paid is for something other than the financial instrument, the Bank estimates the fair value of the financial instrument. If the fair value is based on a valuation technique that uses only data from observable markets, the Bank shall recognize the difference between fair value at the initial recognition and the transaction price as gain or loss. When the fair value is based on a valuation technique that uses data from non-observable markets, the Bank shall recognize that deferred difference in profit or loss only to the extent that it arises from a change in a factor (including time) that market participants would take into account when pricing the asset or liability, or when the instrument is derecognized.

Finally, in the normal course of business, the Bank arranges repo transactions. According to IFRS 9, assets involved in repurchase and reverse repurchase transactions and received from or delivered to third parties, respectively, do not qualify to be recognized or derecognized, respectively (see note 7).

Subsequent measurement – Business Model

The Bank established three categories for the classification and measurement of its debt instruments, in accordance with the Bank's business model to manage them and the contractual cash flow characteristics thereof:

- At amortized cost: the objective of the business model is to hold financial assets in order to collect contractual cash flows.



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- At fair value through other comprehensive income: the objective of the business model is both collecting the contractual cash flows of the financial asset and/or of those derived from the sale of the financial asset.
- At fair value from profit or loss: the objective of the business model is generating income derived from the purchase and sale of financial assets.

Therefore, the Bank measures its financial assets at fair value, except for those that meet the following two conditions and are measured at amortized cost:

- The financial assets are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows.
- The contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The Bank’s business model is determined at a level that reflects how groups of financial assets are managed together to achieve a particular business objective.

The business model is not assessed on an instrument-by-instrument approach, but it should rather be determined on a higher level of aggregation and is based on observable factors such as:

- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the Bank’s key management personnel.
- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way in which those risks are managed.
- The expected frequency, value, timing and reasons of sales are also important aspects.

The assessment of the business model is performed on the basis of scenarios that the Bank reasonably expects to occur, without taking into account the scenarios such as the so-called ‘worst case’ or ‘stress case’ scenarios. If after the initial recognition cash flows are realized in a way that is different from the Bank’s expectations, the classification of the remaining financial assets held in that business model does not change, but it rather considers all relevant information to assess the newly originated or newly purchased financial assets.

Test of solely payments of principal and interest (the SPPI test)

As part of the classification process, the Bank assessed the contractual terms of its financial assets in order to determine if such financial instruments give rise to cash flows on specific dates which are solely payments of principal and interest on the principal amount outstanding.

For the purposes of this assessment, “principal” is defined as the fair value of the financial asset at initial recognition, provided such amount may change over the life of the financial instrument, for example, if there are repayments of principal or premium amortization or discount.

The most significant elements of interest within a loan agreement are typically the consideration for the time value of money and credit risk.

For the SPPI test, the Bank applies judgment and considers relevant factors such as the currency in which the financial asset is denominated and the period for which the interest rate is set.

However, contractual terms that introduce exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are solely payments of principal and interest on the principal amount outstanding. In such cases, financial assets are required to be measured at fair value through profit or loss.

Therefore, the financial assets were classified pursuant to the above expressed as “Financial assets at fair value through profit or loss”, “Financial assets at fair value through other comprehensive income” or “Financial assets at amortized cost”. Such classification is disclosed in note 13.

- Financial assets and liabilities at fair value through profit or loss

This category presents two subcategories: financial assets at fair value held for trading and financial assets initially designated at fair value by the Management or under section 6.7.1. of IFRS 9. The Bank’s Management has not designated, at the beginning, financial assets at fair value through profit or loss.



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The Bank classifies the financial assets as held for trading when they have been acquired or incurred principally for the purpose of selling or repurchasing them in the short term or when they are part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking.

Financial assets and liabilities at fair value through profit or loss are recognized at fair value in the consolidated statement of financial position. Changes in fair value are recognized under the item “Net gain from measurement of financial instruments at fair value” in the consolidated statement of income, as well as interest income or expenses and dividends pursuant to the contractual terms and conditions, or when the right to receive payment of the dividend is established.

The fair value estimation is explained in detail in section “Accounting judgments, estimates and assumptions” of this note, and note 13 describes the valuation process of financial instruments at fair value.

- Financial assets at fair value through other comprehensive income (OCI)

A financial asset shall be measured at fair value through other comprehensive income if (i) the financial instrument is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and (ii) the contractual terms of the financial asset meet the determination that cash flows are solely payments of principal and interest on the principal amount outstanding.

Debt instruments at fair value through other comprehensive income are recognized in the consolidated statement of financial position at fair value. Profit and loss derived from changes in fair value are recognized in the consolidated statement of other comprehensive income as “Profit or loss from financial instruments measured at fair value through other comprehensive income”. Interest income (calculated by the “effective interest method”, which is explained in the following section), profit and loss from translation differences and impairment are recognized in the statement of income in the same manner as for financial assets measured at amortized cost and are disclosed as “Interest income”, “Differences in quoted prices of gold and foreign currency” and “Credit loss expense on financial assets”, respectively.

When the Bank has more than one investment on the same security, it must be considered that they shall be disclosed using the first-in first-out costing method.

On derecognition, accumulated gains and losses previously recognized in OCI are reclassified to profit or loss.

- Financial assets at amortized cost – Effective interest method

They represent financial assets held in order to collect contractual cash flows and the contractual terms of which give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, these financial assets are recognized in the statement of financial position at amortized cost using the effective interest method, less a loss allowance for expected credit losses (ECL).

Interest income and impairment are disclosed in the consolidated statement of income as “Interest income” and “Credit loss expense on financial assets”, respectively. Changes in the allowance for ECL are presented in note 9.

The effective interest method uses the rate that allows the discount of estimated future cash payments or receipts through the expected life of the financial instrument or lesser term, if applicable, to the net carrying amount of such financial instrument. When applying this method, the Bank identifies points paid or received, fees, premiums, discounts and transaction costs, incremental and direct costs as an integral part of the effective interest rate (hereinafter, EIR). For such purposes, interest is the consideration for the time value of money and for the credit risk associated with the amount of principal outstanding during a specific period of time.

When a financial asset becomes credit-impaired (as set out in note 3.2.4) and is therefore regarded a ‘Stage 3’, the Bank calculates interest income by applying the effective interest method to the net amortized cost of the financial asset. If the financial asset cures (as outlined in note 3.2.4) and is no longer credit-impaired, the Bank reverts to calculating interest income on a gross basis.



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3.2.1 Cash and deposits in banks

They were valued at their nominal value plus the relevant accrued interest, if applicable. Accrued interests were allocated in the consolidated statement of income as “Interest income”.

3.2.2 Repo transactions (purchase and sale of financial instruments)

These transactions were recognized in the consolidated statement of financial position as financing granted (received), under “Repo transactions”.

The difference between purchase and sale prices of such instruments were recognized as interest accrued during the effective term of the transactions using the effective interest method and were allocated in the consolidated statement of income as “Interest income” and “Interest expense”.

3.2.3 Loans and other financing

They are non-derivative financial assets that the Bank holds within a business model whose objective is to hold financial assets in order to collect contractual cash flows and the contractual terms of which give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, loans and other financing were measured at amortized cost using the effective interest method, less a loss allowance for ECL. The amortized cost was calculated taking into account any discount or premium incurred in the origination or acquisition, and origination fees or commissions, which are part of the EIR. Income from interest was allocated in the consolidated statement of income as “Interest income”.

3.2.4 Impairment of financial assets

The accounting policy adopted on the impairment of financial assets not measured at fair value through profit or loss is detailed below:

3.2.4.1. Overview of the ECL principles

The Bank recognizes a loss allowance for ECL on loans, other financing and other debt instruments not measured at fair value through profit or loss along with loan commitments and financial guarantee contracts (not measured at fair value through profit or loss) and contract assets and accounts receivable on loans; hereinafter, the “financial instruments”. Investments in Equity instruments are not subject to impairment under IFRS 9.

The loss allowance for ECL is based on credit losses expected to arise during the life of a financial asset (lifetime ECL), unless there was no significant increase in credit risk since initial recognition, in which case the loss allowance is based on 12-month ECL. The Bank’s policies to determine whether credit risk increased significantly are included in note 52.1.1 “Assessment of credit risk impairment”, section “Definitions of significant increase in risk (SICR), impairment and default”.

12-month ECL is the portion of lifetime ECL that results from default events on a financial instrument that are possible within the 12 months after the reporting date.

Lifetime ECL and 12-month ECL are calculated on individual or collective bases according to the nature of the portfolio of financial instruments. The Bank’s policy to group the financial assets measured on a collective basis are explained in note 52.1.1 sections “Customers analyzed on a collective basis” and “Customers analyzed on an individual basis”.

The Bank adopted a policy to assess, at the end of each reporting period, whether there was a significant increase in the credit risk of a financial instrument since initial recognition considering the change in risk that the default may occur during the remaining life of a financial instrument. This is further explained in note 52.1.1 section “Definitions of significant increase in risk (SICR), impairment and default”.



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According to the aforementioned process, the Bank groups its financial instruments into Stage 1, Stage 2 and Stage 3, also covering purchased or originated financial instruments that are credit impaired, as described below:

- Stage 1: When financial instruments are recognized for the first time, the Bank recognizes a loss allowance according to 12-month ECL. Stage 1-financial instruments also include credit lines in which credit risk improved within the parameters established by the Bank and the financial instrument was reclassified to another stage.
- Stage 2: When a financial instrument shows a SICR since initial recognition, the Bank books a loss allowance for lifetime ECL. Stage 2-financial instruments also include credit lines in which credit risk improved within the parameters established by the Bank and the financial instrument was reclassified to Stage 3.
- Stage 3: Financial instruments which credit value is impaired (as described in note 52.1.1 section "Definitions of significant increase in risk (SICR), impairment and default".) The Bank books a loss allowance for lifetime ECL.
- Purchased or originated financial instruments that are credit impaired: financial instruments that are credit impaired upon initial recognition. Purchased or originated financial instruments that are credit impaired are booked at fair value upon initial recognition and interest income is recognized subsequently at a credit-adjusted effective interest rate. The loss allowance of ECL is only recognized or reversed provided that there is a subsequent change in ECL. The Bank did not purchase or generate credit-impaired financial instruments.

The Bank reduces the carrying amount of the financial instruments which amount owed it does not expect to recover in part or in full. This is considered a (partial) derecognition of the financial instrument.

3.2.4.2 The calculation of ECL

The key parameters to calculating ECL are as follows:

- Probability of default (PD): It is an estimate of the probability of default during a certain time horizon. A default may occur only at a certain time during the period assessed if the credit line was not derecognized before and is still part of the portfolio. The concept of probability of default is explained in note 52.1.1 section "Probability of default (PD)".
- Exposure at default (EAD): It is an estimate of the exposure to a future default date considering the expected changes in exposure after reporting date, including the settlement of principal and interest, whether they are scheduled by the agreement or otherwise, the expected disbursements on committed credit lines and interest accrued on late payments. The exposure at default is explained in note 52.1.1 section "Exposure at default (EAD)".
- Loss given default (LGD): It is an estimate of the loss arising in the event of default in a certain term. It is based on the difference between contractual cash flows and cash flows expected by the lender, including the performance of a guarantee or credit improvements related to the loan. In general, it is expressed as a percentage of the exposure at default. Further information of LGD is included in note 52.1.1 section "Loss given default (LGD)".

When ECL are estimated, the Bank calculates these parameters for each one of the three scenarios (base case, intermediate and downside) weighed based on the estimated likelihood of occurrence and discounts the amount resulting from multiplying the aforementioned parameters by the effective interest rate determined upon initial recognition.

For overdrafts which include both a loan and an unused loan commitment, ECL are calculated and disclosed with the loan. For loan commitments (including credit cards) and financial guarantee contracts, ECL are recognized in "Provisions".

The method for calculating ECL is summarized below:

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- Stage 1: 12-month ECL are calculated as a portion of lifetime ECL, accounting for the ECL of financial instruments from default within the 12 months subsequent to year-end. The Bank calculates the allocation of 12-month ECL based on the expectation of default within 12 months after year-end. These expected 12-month probabilities of default are applied to an EAD and multiplied by the expected LGD and discounted to the original effective interest rate.
- Stage 2: When a financial instrument shows a significant increase in credit risk since initial recognition, the Bank books a loss allowance for lifetime ECL. The method is similar to the one explained above, including the use of different scenarios, but PD is estimated over the remaining life of the instrument. Expected cash shortfalls are discounted to the original effective interest rate.
- Stage 3: For financial instruments considered credit-impaired, the Bank recognizes the ECL for the remaining life of these financial instruments. The method is similar to those used by Stage 2-financial instruments, with a PD set at 100%.
- Loan commitments and credit cards: Upon estimating the lifetime ECL for loan commitments, the ECL are the present value of the difference between the cash flows owned to the bank and the expected cash flows if the loan is withdrawn during the 12 months or expected lifetime. The cash flows are discounted at the original effective interest rate of each transaction.
- Guarantees and other commitments: The Bank's liability under each guarantee is measured at the higher of the amount initially recognized less cumulative amortization recognized in the statement of income and the ECL provision. To such end, the Bank estimates the ECL based on the present value of the payments expected to be disbursed to the guarantee holder should the debtor fail to pay the debt. Cash flows are discounted by the risk-adjusted interest rate relevant to the disclosure. The ECL related to financial guarantee contracts are recognized in "Provisions".

In all these scenarios, the ECL are adjusted on a forward-looking base, weighing the three probable macroeconomic scenarios, as explained in section 3.2.4.3 "Prospective information".

3.2.4.3 Prospective information

To determine a loss allowance in the calculation of ECL, the impact of the main macroeconomic variables should be analyzed to adjust historical information to the current conditions and short-term prospects. To such end, different and probable macroeconomic scenarios (base case, favorable and downside) should be weighed upon using relevant variables in assessing credit risk (such as GDP growth, interest rate and CPI).

The inputs and models used for calculating ECL may not always capture all market characteristics as of the date of these consolidated financial statements. Consequently, the Bank may consider certain qualitative temporary adjustments to ensure that they are taken into account if they are material. Further information is included in note 52.1.2 "Prospective information used in ECL models".

3.2.4.4 Debt instruments measured at fair value through other comprehensive income

The ECL of the debt instruments measured at fair value through other comprehensive income does not reduce the carrying amount of these financial instruments in the statement of financial position, which remains at fair value. Instead, an amount equal to the correction of value from these assets measured at amortized cost is recognized in "Other comprehensive income" as a cumulative impairment amount with the related charge to income. Cumulative loss recognized in "Other comprehensive income" is reclassified to the statement of income when the assets are derecognized.



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3.2.4.5 Credit cards and other revolving credit lines

In the case of credit cards and other revolving lines of credit, the Bank does not limit its exposure to expected losses to the contractual notice period, but rather calculates ECL over a period that reflects the Bank's expectations of customer behaviors, their unused credit commitments, the probability of default and the Bank's future risk mitigation expectations, which may include reducing or settling the lines of credit.

The interest rate used to discount the ECL for credit cards is based on the average effective interest rate that is expected to be charged over the expected period of exposure to these lines of credit. This estimate considers that some of these lines of credit may be settled every month fully and consequently no interest would be charged.

3.2.4.6 Write offs

Financial instruments are settled in part or in full after the first month in which the Bank has no reasonable expectations of recovering the financial instrument or part of the instrument. Should the amount to be settled be higher than the loss allowance for accumulated losses, the difference is considered an addition to the loss allowance that is then applied against the gross carrying amount. Any subsequent recovery is disclosed in the consolidated statement of income for the year of recovery in "Other operating income."

3.2.4.7 Forborne and modified loans

The Bank considers a loan forborne when such modification is a result of the borrower's present or expected financial difficulties. The renegotiation may include the extension of the payment terms and the agreement of new loan conditions. Once the conditions are renegotiated, the impairment is measured using the original effective interest rate as calculated before the conditions were amended. The Bank monitors forborne loans to ensure the continuity of future payments. Derecognition decisions and the classification between Stages 2 and 3 are determined on a case-by-case basis for the commercial portfolio and collectively for consumer portfolio. Should these procedures identify a loss related to a loan, it is disclosed and managed as an impaired Stage 3 forborne asset until it is collected or derecognized.

When the loan is renegotiated or modified but is not derecognized, the Bank also considers whether the assets should be classified in Stage 3. Once an asset is classified as renegotiated, it will continue in Stage 2 until it is collected in full or impaired (Stage 3).

If the modifications are substantial, the loan is derecognized and a new loan with different conditions is recognized.

3.2.4.8 Valuation of collaterals

To mitigate the risks of its financial instruments, the Bank seeks to use, when possible, collaterals. Collateral comes in various forms, such as cash, securities, letters of credit/guarantees, real estate, receivables, other non-financial assets and credit enhancements, such as netting arrangements. Collateral, except for attached assets, is not recorded in the Bank's statement of financial position. However, the fair value of collateral affects the calculation of ECL in certain products and customers assessed on an individual basis. The assessment is usually made at least at beginning date and it is reassessed on a regular basis.

Whenever possible, the Bank uses active market data to assess the financial instruments maintained as collateral. Other financial instruments that do not have readily determinable market values are valued using internal methods. Non-financial collateral, such as real estate, is valued based on data provided by third parties, such as mortgage brokers.



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3.2.4.9 Collateral repossessed

The Bank's policy is to determine whether an attached asset can be best used internally or should be sold. Assets determined to be useful internally are transferred to their relevant asset category at the lower of their attached value or the carrying value of the original secured asset.

The assets for which selling is determined to be a better option are transferred to assets held for sale at their fair value (if financial assets) and fair value less cost of sales for non-financial assets at attachment date according to the Bank's policy.

During the normal course of business, the Bank does not include in its portfolio the properties and other attached assets but rather uses external agents to recover the funds, generally through auctions, to settle the outstanding payable. Any surplus fund is reimbursed to the customer/debtor. Hence, residential properties under attachment proceedings are not booked in the balance sheet.

3.2.5 Financial liabilities

After initial recognition, certain financial liabilities were measured at amortized cost using the effective interest method, except for derivatives that were measured at fair value through profit or loss. Interests were allocated in the consolidated statement of income as "Interest expense".

Within other financial liabilities the Bank included guarantees granted and eventual liabilities, which must be disclosed in the notes to the financial statements, when the documents supporting such credit facilities are issued and are initially recognized at fair value of the commission received, in the statement of financial position. After initial recognition, the liability for each guarantee was recognized at the higher of the amortized commission and the best estimate of the disbursement required to settle any financial obligation arising as a result of the financial guarantee.

Any increase in the liabilities related to a financial guarantee was recognized as income. The commission received has been recognized as "Commissions income" in the consolidated statement of income, based on the amortization thereof following the straight-line method over the effective term of the financial guarantee granted.

3.2.6 Derivative financial instruments

Receivables and payables from forward transactions without delivery of underlying assets

It includes forward purchase, sale transactions of foreign currency without delivery of the traded underlying asset and put options. Such transactions were measured at the fair value of the contracts and were performed by the Bank for intermediation purposes on its own account. The originated income was allocated in the consolidated statement of income as "Net gain from measurement of financial instruments at fair value".

Derecognition of financial assets and liabilities

A financial asset (or, if applicable, a part of a financial asset or a part of a group of similar financial assets) shall be derecognized when: (i) the contractual rights to the cash flows from the financial asset expire, or (ii) the Bank transfers the contractual rights to receive the cash flows of the financial asset or retains the contractual rights to receive the cash flows of the financial asset, but assumes a contractual obligation to pay the cash flows received immediately to a third party pursuant to a transfer agreement.

A transfer shall qualify for derecognition of the financial asset only if (i) the Bank has transferred substantially all the risks and rewards of ownership of the financial asset, or (ii) it has neither transferred nor retained substantially all the risks and rewards of ownership of the financial asset, but has transferred the control of the financial asset, considering that the control is transferred if, and only if, the transferee has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer.

If the Bank neither transfers nor retains substantially all the risks and rewards of ownership of a transferred asset, and has retained the control over it, the Bank shall continue to recognize such transferred asset to the extent to which it is exposed to changes in the value of the transferred asset.



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The Bank derecognizes a loan when the terms and conditions have been renegotiated and if, substantially, it becomes a new loan, recognizing the difference for derecognition in profit or loss. If the modification does not generate substantially different cash flows, the modification does not result in derecognition of the loan. The Bank recalculates the gross carrying amount of the assets as present value of modified contractual cash flows, using for the discount the original EIR and recognizes profit or loss from modification as explained in section 3.2.4.7 “Forborne and modified loans”.

On the other hand, a financial liability is derecognized when the obligation specified in the relevant contract is discharged, cancelled or expires. When there is an exchange between an existing borrower and lender of debt instruments with substantially different terms, or the terms are substantially modified, such exchange or modification shall be accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability, recognizing the difference between the carrying amount of a financial liability extinguished or transferred to another party and the consideration paid, in the consolidated statement of income as “Other operating income”.

3.3 Leases

The Bank assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

3.3.1 The Bank as a lessee

The Bank applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets, which payments are recognized as rent expense on a straight-line basis. The Bank recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

- Right-of-use assets

The Bank recognizes right-of-use assets at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. The right of use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment, in line with the Bank’s policy as described in section 3.10 of this note.

- Lease liabilities

At the commencement date of the lease, the Bank recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Bank and payments of penalties for terminating a lease, if the lease term reflects the Bank exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognized as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Bank uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.



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3.3.2 The Bank as a lessor

The Bank grants loans through financial leases, recognizing the current value of lease payments as a financial asset, which is registered in the consolidated statement of financial position in the item “loans and other financing”. The difference between the total lease receivables and the current value of financing is recognized as interest to be accrued. This income is recognized during the term of the lease using the EIR method, which reflects a constant rate of return and is recognized in the consolidated statement of income as “Interest income”. Losses originated for impairment are included in the consolidated statement of income as “Credit loss expense on financial assets”.

3.4 Business combinations

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value, and the amount of any non-controlling interests in the acquired company, measured under IFRS.

The Bank determines that it has acquired a business when the acquired set of activities and assets include an input and a substantive process that together significantly contribute to the ability to create outputs. The acquired process is considered substantive if it is critical to the ability to continue producing outputs, and the inputs acquired include an organized workforce with the necessary skills, knowledge, or experience to perform that process or it significantly contributes to the ability to continue producing outputs and is considered unique or scarce or cannot be replaced without significant cost, effort, or delay in the ability to continue producing outputs.

When the Bank acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as of the acquisition date.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IFRS 9, is measured at fair value with the changes in fair value recognized in the statement of profit or loss. Other contingent consideration that is not within the scope of IFRS 9 is measured at fair value at each reporting date with changes in fair value recognized in profit or loss.

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interests and any previous interest held over the net identifiable assets acquired and liabilities assumed). If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognized at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognized in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses as explained in section 3.10.

3.5 Investment in associates and joint arrangements

An associate is an entity over which the Bank has significant influence, i.e. the power to participate in the financial and operating policy decisions of such controlled entity, but without having the control thereof.

A joint arrangement is an arrangement of which the Bank and other party or parties have joint control. Under IFRS 11 “Joint Arrangements”, investments in these arrangements are classified as joint ventures or joint operations depending on the contractual rights and obligations of each investor, regardless of the legal structure of the arrangement. A joint venture is an arrangement pursuant to which the parties having joint control of the arrangement have rights to the net assets of such arrangement. A joint operation is an arrangement pursuant to which the parties having joint control of the arrangement have rights to the assets and obligations for the liabilities, relating to the arrangement. The Bank has assessed the nature of its joint arrangements and determined that they are joint ventures.



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These investments are accounted for using the equity method from the date on which they become an associate or a joint venture. On acquisition of the investment, any difference between the cost of the investment and the Entity's share of the net fair value of the investee's identifiable assets and liabilities are accounted: (i) as a goodwill, which is included in the carrying amount of the investment and is under impairment as explained in section 3.10; or (ii) any excess of the Entity's share of the net fair value of the investee's identifiable assets and liabilities over the cost of the investment is included as income. The Bank's share in the profit or loss after the acquisition of its associates was accounted in the statement of income, and its share in other comprehensive income after the acquisition was accounted for in the consolidated statement of other comprehensive income. See also note 15.

3.6 Property, plant and equipment

The Bank chose the cost model for all kinds of assets accounted for in this accounting item. These assets were carried at their cost less any accumulated depreciation and any accumulated impairment losses, if applicable. The historical cost of acquisition includes all expenses directly attributable to the acquisition of the assets. Maintenance and repair costs were accounted for in the consolidated statement of income as incurred. Any replacement and significant improvement of an item of property, plant and equipment is recognized as an asset only when it is likely to produce any future economic benefits exceeding the return originally assessed for such asset.

Depreciation of the items of property, plant and equipment was assessed in proportion to the estimated months of useful life, depreciating completely the acquisition month of the assets and not the derecognition date. In addition, at least at each financial year-end, the Bank reviews if expectations regarding the useful life of each item of property, plant and equipment differ from previous estimates, in order to detect any material changes in useful life which, if confirmed, shall be adjusted applying the relevant correction to the depreciation of property, plant and equipment accounting item. Depreciation charges are recorded in the related statement of income as "Depreciation and amortization of fixed assets".

The residual value of the assets, as a whole, does not exceed their recoverable amount.

3.7 Intangible Assets

Intangible assets acquired separately were initially measured at cost. After initial recognition, they were accounted for at cost less any accumulated depreciation (for those to which finite useful lives have been allocated) and any accumulated impairment losses, if applicable.

For internally generated intangible assets, only disbursements related to development are capitalized while the other disbursements are not capitalized and are recognized in the statement of income for the period in which such expenditure is incurred.

Useful lives of intangible assets may be finite or indefinite.

Intangible assets with finite useful lives are amortized over their economic useful lives and are reviewed in order to determine whether they had any impairment loss to the extent there is any evidence that indicates that the intangible asset may be impaired. The period and method of amortization for an intangible asset with a finite useful life are reviewed at least at the financial year-end of each reporting period. Depreciation charges of intangible assets with finite useful lives are accounted for in the statement of income as "Depreciation and amortization of fixed assets".

Intangible assets with indefinite useful lives are not amortized and are subject to annual tests in order to determine whether they are impaired, either individually or as part of the cash-generating unit to which such intangible assets were allocated. The Bank has no intangible assets with indefinite useful lives.

The gain or loss arising from the derecognition of an intangible asset shall be determined as the difference between the net disposal proceeds, if any, and the carrying amount of the asset, and it shall be recognized in the statement of income when the asset is derecognized.

Development expenditure incurred in a specific project shall be recognized as intangible asset when the Bank can demonstrate all of the following:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale,
- its intention to complete the intangible asset and use or sell it,



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- how the intangible asset will generate probable future economic benefits,
- the availability of adequate resources to complete the development, and
- its ability to measure reliably the expenditure attributable to the intangible asset during its development.

After initial recognition of the development expenditure as an asset, such asset shall be carried at its cost less any accumulated amortization and any applicable accumulated impairment losses. Amortization shall begin when the development phase has been completed and the asset is available for use. The asset amortizes over the period in which the asset is expected to generate future benefits. Amortization is accounted for in the statement of income as "Depreciation and amortization of fixed assets". During the development phase, the asset is subject to annual tests to determine whether there is any impairment loss.

3.8 Investment Property

The Bank included certain real properties that holds for undetermined future use, which were recognized pursuant to IAS 40 "Investment Property".

For this kind of property, the Bank chose the cost model as described in note 3.6 Property, plant and equipment.

An investment property is derecognized on disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in the consolidated statement of income in the period of the retirement or disposal as "Other operating income".

An entity shall transfer a property to, or from, investment property when, and only when, there is a change in use. For a transfer from investment property to an item of property, plant and equipment, the property's deemed cost for subsequent accounting is its fair value on the date of change in use. If an item of property, plant and equipment becomes an investment property, the Bank recognizes the asset up to the date of change in use in accordance with the policy established for property, plant and equipment.

3.9 Non-current Assets Held for Sale

The Bank reclassifies in this category non-current assets of which the carrying amount will be recovered principally through a sale transaction rather than through continuing use. The asset (or disposal group) must be available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets (or disposal groups) and its sale must be highly probable.

Non-current assets classified as held for sale are measured, when they are reclassified to this category, at the lower of carrying amount and fair value less costs to sell and are disclosed in a separate item in the statement of financial position. Once these assets are classified as held for sale, depreciation and amortization ceased.

Profit or loss generated in the sale of assets held for sale is recorded in the consolidated statement of income as "Other operating income".

3.10 Impairment of Non-financial Assets

The Bank evaluates, at least at each fiscal year-end, whether there are any events or changes in the circumstances that may indicate the impairment of non-financial assets or whether there is any evidence that a non-financial asset may be impaired.

When there is any evidence or when an annual impairment test is required for an asset, the Bank shall estimate the recoverable amount of such asset. If the carrying amount of an asset exceeds its recoverable amount, such asset is deemed impaired and its carrying amount shall be reduced to its recoverable amount. As of the date of the issuance of these consolidated financial statements, there is no evidence of impairment of non-financial assets.



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3.11 Provisions

The Bank recognizes a provision if and only if the following circumstances are met: (a) the Bank has a present obligation as a result of a past event; (b) it is probable (i.e. it is more likely than not) that an outflow of resources embodying economic benefits will be required to settle the obligation; and (c) a reliable estimate can be made of the amount of the obligation.

In order to determine the amount of provisions, the risks and uncertainties were considered taking into account the opinion of independent and internal legal advisors of the Bank. Where the effect of the time value of money is material, the provisions shall be discounted using a pre-tax rate that reflects if applicable, current risks specific to the liability. When the discount is recognized, the effect of the provision derived from the lapse of time is accounted for as “Interest expense” in the statement of income. Based on the analysis carried out, the Bank recognized as provision the amount of the best estimate of the expenditure required to settle the present obligation at the end of each fiscal year.

The provisions accounted for by the Bank are reviewed at the end of each reporting period or fiscal year, as applicable, and adjusted to reflect the current best available estimate. In addition, provisions are recognized with specific allocation to be used only for the expenditures 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 for the Bank to settle the obligation; or c) the amount of the obligation cannot be estimated reliably, the contingent liability shall not be recognized and shall be disclosed in notes. Nevertheless, when the possibility of an outflow of resources is remote, no disclosures shall be made.

3.12 Recognition of income and expenses

The Bank recognized its streams of income and expenses as is explained below, in accordance with IFRS 9 and 15. The majority of Bank’s income and expenses are related to financial instruments, in general recorded using the effective interest method. The remaining income and expenses are recorded depending on the period in which the performance obligation is satisfied. In notes 30 to 33 are disclosed the streams and amounts for the years ended December 31, 2021, 2020 and 2019.

3.12.1. Revenue from interest income and interest expense

Revenue from interest received and expenses for interest paid were recognized according to their accrual period, applying the effective interest method, which is explained in section “Financial assets at amortized cost – Effective interest method”.

Revenue from interest received includes the return on fixed income investments and negotiable instruments, as well as the discount and premium on financial instruments.

Bond coupons were recognized at the time they were declared.

3.12.2. Loan commissions

Commission charges and direct incremental costs related with the granting of financing facilities were deferred and recognized adjusting the EIR thereof.

3.12.3. Service commissions

The Bank earns service commissions from a diverse range of financial services it provides to its customers. Service commissions are recognized at an amount that reflects the consideration to which the Bank expects to be entitled in exchange for providing the services.

The performance obligation, as well as the timing of their satisfaction, are identified, and determined, at the inception date of the contract.

The Bank has generally concluded that it is the principal in its revenue arrangement because it typically controls the services before transferring them to customers.



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3.12.3.1 Service commissions where performance obligations are satisfied at a point in time

Services provided where the Bank’s performance obligations are satisfied at a point in time are recognized once control of the services is transferred to the customer. This is typically on completion of the underlying transaction or service or, for fees or components of fees that are linked to a certain performance, after fulfilling the corresponding performance criteria.

The Bank typically has a single performance obligation with respect to these services, which is to successfully complete the transaction specified in the contract.

3.12.3.2 Service commissions where performance obligations are satisfied over certain period of time

Performance obligations satisfied over time are where the customer simultaneously receives and consumes the benefits provided by the Bank’s performance as the Bank performs.

3.12.4. Non-financial revenue and expenses

These items are recognized according to the recognition criteria established in the Conceptual Framework, e.g. the requirement that revenues and expenses should be accrued.

3.13 Customer Loyalty Program

The loyalty program offered by the Bank consists in accumulating points generated by purchases made with the credit cards, which can be exchanged by any reward (including, among other offers, products, benefits and awards) available in the program platform.

The Bank concluded that the rewards to be granted originate a separate performance obligation. Therefore, at the end of each fiscal year, the Bank recognized a provision for the rewards to be granted in “Other financial liabilities”.

Based on the variables that the Bank takes into account in order to estimate the fair value of the points granted to customers (and the relation thereof with the exchange of the reward), it is worth mentioning that such estimates are subject to a significant level of uncertainty (and variation) that should be considered. These considerations are described in detail in the section “Accounting judgments, estimates and assumptions” of this note.

3.14 Income Tax (see note 29)

Tax expense (tax income) comprises current tax expense (current tax income) and deferred tax expense (deferred tax income). This tax is accounted in the consolidated statement of income, except in the case of accounting items that are to be recognized directly in the consolidated statements of other comprehensive income. In this case, each accounting item is presented before assessing their impact on Income Tax, which is accounted for in the relevant accounting item.

- Current income tax: the consolidated current income tax expense is the sum of the income tax expenses of the different entities that compose the Group (see note 1), which were assessed, in each case, by applying the tax rate to taxable income, in accordance with Income Tax Law, or equivalent rule or provision, of the countries in which any subsidiary operates.

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- Deferred income tax: it is assessed based on the separate financial statements of the Bank and of each of its subsidiaries and reflects the effects of temporary differences between the carrying amount of an asset or liability in the statement of financial position and its tax base. Assets and liabilities are measured using the tax rate that is expected to be applied to taxable income in the years in which these differences are expected to be settled or recovered. The measurement of deferred tax liabilities and deferred tax assets reflects the tax consequences that will follow from the manner in which the Bank and its subsidiaries expect, at the end of the reporting period, to recover or settle the carrying amount of their assets and liabilities. Deferred tax assets and liabilities are measured by their nominal figures, without discount, the tax rates that are expected to be applied in the fiscal year in which the asset shall be realized or the liability shall be settled. Deferred tax assets are recognized when it is probable that taxable profit will be available against which the deductible temporary difference can be utilized.

3.15 Earnings per share

Basic earnings per share shall be calculated by dividing Net profit attributable to parent’s shareholders of the Bank by the weighted average number of ordinary shares outstanding during the fiscal year. See also note 42.

3.16 Fiduciary activities and investment management

The Bank renders custody, administration, investment management and advisory services to third parties that originate the holding or placement of assets in the name of such third parties. These assets and income on them are not included in these consolidated financial statements, since they are not owned by the Bank. The commissions derived from these activities are accounted for as “Commissions income” in the consolidated statement of income. See also notes 45, 46 and 49.

Accounting judgments, estimates and assumptions

The preparation of these consolidated financial statements requires the Bank’s Management to consider significant accounting judgments, estimates and assumptions that impact on the reported assets and liabilities, income, revenues and expenses, as well as the assessment and disclosure of contingent assets and liabilities, as of the end of the fiscal year. The Bank’s reported amounts are based on the best estimate regarding the probability of occurrence of different future events and, therefore, the uncertainties associated with the estimates and assumptions made by the Bank’s Management may drive in the future to final amounts that may differ from those estimates and may require material adjustments to the reported amounts of the affected assets and liabilities.

In certain cases, the financial statements prepared in accordance IFRS, require that the assets and liabilities to be recognized and/or presented at their fair value. The fair value is the amount at which an asset can be exchanged, or at which a liability can be settled, in mutual independent terms and conditions between participants of the principal market (or most advantageous market) duly informed and willing to transact in an orderly and current transaction. When prices in active markets are available, the Bank has used them as basis for valuation. When prices in active markets are not available, the Bank estimates those values as values based on the best available information, including the use of models and other assessment techniques (for additional information regarding fair value estimates see note 13).

In estimating accrued taxes, the Bank assesses the relative merits and risks of the appropriate tax treatment considering statutory, judicial and regulatory guidance in the context of the tax position. Because of the complexity of tax laws and regulations, interpretation can be difficult and subject to legal judgment. It is possible that others, given the same information, may reach different reasonable conclusions regarding the estimated amounts of accrued taxes (for additional information regarding income tax see note 29).

In the normal course of business, the Bank is a party to lawsuits of various types. In note 50 contingent liabilities are disclosed with respect to existing or potential claims, lawsuits and other legal proceedings, and is booked an accrual for litigation when it is probable that future costs will be incurred and these costs can be reasonably estimated.

As to the customer loyalty program, the Bank estimates the fair value of the points awarded to customers under the “Macropremia” program by applying statistics techniques. The data that feed the models include assumptions regarding exchange percentages, the product combinations available for exchange in the future and customers’ preferences.



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Additionally, the measurement of impairment losses under IFRS 9 across all categories of financial instruments requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes that can result in different levels of allowances (for additional information regarding impairment losses under IFRS 9, see notes 3.2.4 and 52.1.1).

New pronouncements

The new and amended standards and interpretation that are issued, but not yet effective, up to the date of issuance of these consolidated financial statements are disclosed below. The Bank intends to adopt these standards, if applicable, when they become effective.

- a) Amendments to IFRS 3 - Reference to the Conceptual Framework: the amendments are intended to replace a reference to a previous version of the IASB's Conceptual Framework with a reference to the current version issued in March 2018 without significantly changing its requirements. The amendments add an exception to the recognition principle of IFRS 3 to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 "Provisions, Contingent Liabilities and Contingent Assets" or IFRIC 21 "Levies", if incurred separately. The exception requires entities to apply the criteria in IAS 37 or IFRIC 21, respectively, instead of the Conceptual Framework, to determine whether a present obligation exists at the acquisition date. At the same time, the amendments add a new paragraph to IFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date. This amendment is applicable as of January 1, 2022. The Bank does not expect this standard to have a material impact on the consolidated financial statements.
- b) Amendments to IAS 16 - Property, Plant and Equipment (PP&E): proceeds before Intended Use. The amendment prohibits entities to deduct from the cost of an item of PP&E any proceeds of the sale of items produced while bringing that asset to the location and under the conditions required to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the costs of producing those items, in profit or loss. This amendment is applicable as of January 1, 2022. The Bank does not expect this standard to have a material impact on the consolidated financial statements.
- c) Amendments to IAS 37 - Onerous Contracts – Costs of Fulfilling a Contract: the IASB issued amendments to IAS 37 to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments apply a 'directly related cost approach'. The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract. The impact of these amendments on entities that previously applied the incremental cost approach is that they will see provisions increase to reflect the inclusion of costs related directly to contract activities, whilst entities that previously recognized contract loss provisions using the guidance from the former standard, IAS 11 Construction Contracts, will be required to exclude the allocation of indirect overheads from their provisions. This amendment is applicable as of January 1, 2022. The Bank does not expect this standard to have a material impact on the consolidated financial statements.
- d) Annual improvement cycle (2018-2020): the following is a summary of the amendments from the 2018-2020 annual improvements cycle:
 - IFRS 1 First-time Adoption of International Financial Reporting – Subsidiary as a first-time adopter: the amendment permits a subsidiary that elects to apply paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported by the parent, based on the parent's date of transition to IFRS. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of IFRS 1. This amendment is applicable as of January 1, 2022.
 - IFRS 9 Financial Instruments Fees in the '10 per cent' test for derecognition of financial liabilities: the amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. This amendment is applicable as of January 1, 2022.
 - IFRS 16 "Leases" Illustrative examples - Lease incentives: the amendment removes the Example 13 accompanying IFRS 16 of payments from the lessor relating to leasehold improvements. This removes potential confusion regarding the treatment of lease incentives when applying IFRS 16.

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The Bank does not expect this standard to have a material impact on the consolidated financial statements.

- e) Amendments to IAS 1 “Presentation of Financial Statements” and IFRS Practice Statement 2 – Disclosures to accounting policies: the amendments require that an entity discloses its material accounting policies, instead of its significant accounting policies. Further amendments explain how an entity can identify a material accounting policies and examples of when an accounting policy likely. Therefore, a guidance with explanations and examples denominated “four-step materiality process” was developed. This amendment is applicable as of January 1, 2023. The Bank does not expect this standard to have a material impact on the consolidated financial statements.
- f) Amendments to IAS 8 “Accounting policies, changes in accounting estimates and Errors” – Definition of Accounting Estimates: the amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates. The amended standard clarifies that the effects on an accounting estimate of a change in an input or a change in a measurement technique are changes in accounting estimates if they do not result from the correction of prior period errors. The previous definition of a change in accounting estimate specified that changes in accounting estimates may result from new information or new developments. Therefore, such changes are not corrections of errors. This amendment is applicable as of January 1, 2023. The Bank does not expect this standard to have a material impact on the consolidated financial statements.
- g) Amendments to IAS 12 “Income Tax” – Deferred Tax related to Assets and Liabilities arising from a Single Transaction: the IASB issued amendments to IAS 12, which narrow the scope of the initial recognition exception under IAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences. The amendments clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of professional judgement (having considered the applicable tax law) whether such deductions are attributable for tax purposes to the liability recognized in the financial statements (and interest expense) or to the related asset component (and interest expense). Professional judgement is important in determining whether any temporary differences exist on initial recognition of the asset and liability. This amendment is applicable as of January 1, 2023. The Bank does not expect this standard to have a material impact on the consolidated financial statements.

4 CONTINGENT TRANSACTIONS

In order to meet specific financial needs of customers, the Bank’s credit policy also includes, among others, the granting of guarantees, securities, bonds, letters of credit and documentary credits. The Bank is also exposed to overdrafts and unused agreed credits on credit cards of the Bank. Since they imply a contingent obligation for the Bank, they expose the Bank to credit risks other than those recognized in the statement of financial position and therefore, they are an integral part of the total risk of the Bank.

As of December 31, 2021 and 2020, the Bank maintains the following maximum exposures to credit risk related to this type of transactions:

<u>Composition</u>	<u>12/31/2021</u>	<u>12/31/2020</u>
Undrawn commitments of credit cards and checking accounts	221,916,659	143,727,073
Guarantees granted	2,271,180	1,936,233
Overdraft and unused agreed commitments	872,543	782,793
Letters of credit		1,341,363
Subtotal	225,060,382	147,787,462
Less: Allowance for ECL (1)	(353,085)	(35,018)
Total	224,707,297	147,752,444

- (1) As of December 31, 2021, 223,225,091, 1,831,909 and 3,382 are high grade credit risk exposure in stage 1, standard grade credit risk exposure in stage 2 and sub-standard grade credit exposure in stage 3, respectively. As of December 31, 2020, it includes high grade credit risk exposures in stage 1. See also note 23.

Risks related to the contingent transactions described above have been evaluated and are controlled within the framework of the Bank’s credit risk policy, described in note 52.



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5 DEBT SECURITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

The following table shows the bank's holdings of debt securities at fair value through profit or loss as of December 31, 2021 and 2020:

Name	Holdings	
	12/31/2021	12/31/2020
	Fair value level	Book amounts
Debt securities at fair value through profit or loss		
- Local		
Government securities		
Federal government treasury bonds in pesos adjusted by the Reference Stabilization Coefficient (CER, for its acronym in Spanish) - Maturity: 09-20-2022	1	8,658,840
Federal government treasury bonds in pesos adjusted by CER - Maturity: 03-25-2023	1	3,850,233
Federal government treasury bonds in pesos adjusted by CER - Maturity: 03-25-2024	1	3,728,494
Federal government treasury bonds in pesos adjusted by CER - Maturity: 03-06-2023	1	1,712,024
Letters of National Estate in pesos adjusted by CER to discount - Maturity: 06-30-2022	1	1,344,588
Letters of National Estate in pesos adjusted by CER to discount - Maturity: 07-29-2022	1	691,785
Letters of National Estate in pesos adjusted by CER to discount - Maturity: 05-23-2022	1	633,229
Federal government treasury bonds in pesos adjusted by CER - Maturity: 11-09-2026	1	621,469
Letters of National treasury to discount in pesos - Maturity: 12-31-2021	1	357,004
Other		1,698,409
Subtotal local government securities		30,631,174
Private securities		
Corporate bonds Tarjeta Naranja Class 048 - Maturity: 04-26-2022	3	539,532
Corporate bonds Ledesma SA Class 010 - Maturity: 05-27-2022	3	252,592
Debt Securities in Financial Trusts Secubono	3	192,308
Corporate bonds Arcor SAIC Class 009 - Maturity: 07-06-2023	1	132,435
Corporate bonds Pan American Energy Argentina SL Class 012 - Maturity: 04-30-2027	1	132,161
Debt Securities in Financial Trusts Surcos	3	129,366
Corporate Bonds Tecpetrol SA CLASS 001 - Maturity: 12-12-2022	1	108,760
Corporate Bonds Genneia SA Class 030 - Maturity: 11-24-2022	1	104,312
Corporate bonds Pan American Energy Argentina SL Class 009 - Maturity: 11-15-2023	2	70,107
Corporate bonds Telecom Argentina SA Class 001 - Maturity: 07-18-2026	1	40,524
Other		73,317
Subtotal local private securities		1,775,414
Total Debt securities at fair value through profit or loss		32,406,588

**BANCO MACRO SA AND ITS SUBSIDIARIES****6 DERIVATIVE FINANCIAL INSTRUMENTS**

The Bank performs derivative transactions for trading purposes through Futures and Forwards. These are contractual agreements to buy or sell a specific financial instrument at a given price and a fixed date in the future. Futures contracts, in turn, correspond to transactions for standardized amounts, executed in a regulated market and subject to daily cash margin requirements. Forward contracts are customized contracts traded on an over-the-counter market. The main differences in risks associated with these types of contracts are the credit risk and the liquidity risk. In forward contracts there is counterparty risk since the Bank has credit exposure to counterparties of the agreements. The credit risk related to futures contracts is deemed very low because daily cash margin requirements help guarantee these contracts are always fulfilled. In addition, forward contracts are generally settled in gross terms and, therefore, they are deemed to have a higher settlement risk than futures contract that, unless they are chosen to be performed by delivery, are settled on a net base. Both types of contracts expose the Bank to market risk.

At the beginning, derivatives often imply only a mutual exchange of promises with little or no investment. Nevertheless, these instruments frequently imply high levels of leverage and are quite volatile. A relatively small movement in the value of the underlying asset could have a significant impact in profit or loss. Furthermore, over-the-counter derivatives may expose the Bank to risks related to the absence of an exchange market in which to close an open position. The Bank's exposure for derivative contracts is monitored on a regular basis as part of its general risk management framework. Information on the Bank's credit risk management objectives and policies is included in note 52.

In addition, as of December 31, 2020, the Bank recorded a put option taken in respect of the Bank's right to sell its equity interest in Prisma Medios de Pago SA. (See note 12).

Notional values indicate the amount of the underlying pending transactions at year end and are not indicative of either the market risk or the credit risk. The fair value of the derivative financial instruments recognized as assets or liabilities in the consolidated statement of financial position is presented as follows. Changes in fair values were accounted for in profit or loss, the breakdown of which is disclosed in note 34.

	Underlying Notional Value	12/31/2021		12/31/2020	
		Notional Value (in thousand)	Fair Value	Notional Value (in thousand)	Fair Value
Derivative financial assets					
Transactions of foreign currency contract without delivery of underlying asset	US Dollars	1,270	1,296	1,580	10,916
Put options –US Dollars (see note 12)	Shares			8,910,878	1,037,832
Put options –Pesos (see note 12)	Shares			8,910,878	444,785
Total derivatives held for trading			1,296		1,493,533
	Underlying Notional Value	12/31/2021		12/31/2020	
		Notional Value (in thousand)	Fair Value	Notional Value (in thousand)	Fair Value
Derivative financial liabilities					
Transactions of foreign currency contract without delivery of underlying asset	US Dollars	870	2,532	1,755	347
Total derivatives held for trading			2,532		347



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Derivatives held for trading are generally related to products offered by the Bank to its customers. The Bank shall also take positions expecting to benefit from favorable changes in prices, rates or indexes, i.e. take advantage of the high level of leverage of these contracts to obtain yields, assuming at the same time high market risk. Additionally, they may be held for arbitrage, i.e. to obtain a benefit free of risk for the combination of a derivative product and a portfolio of financial assets, trying to benefit from anomalous situations in the prices of assets in the markets.

7 REPO TRANSACTIONS

Securities sold under agreements to repurchase at a specified future date are not derecognized from the statement of financial position as the Bank retains substantially all of the risks and rewards of ownership. The corresponding cash received is recognized in the consolidated statement of financial position as an asset with a corresponding obligation to return it, including accrued interest as a liability within cash collateral on securities lent and repurchase agreements, reflecting the transaction's economic substance as a loan to the Bank. The difference between the sale and repurchase prices is treated as interest expense and is accrued over the life of agreement using the effective interest method. When the counterparty has the right to sell or re-pledge the securities, the Bank reclassifies those securities in its statement of financial position to "Financial Assets delivered as guarantee".

Conversely, securities purchased under agreements to resell at a specified future date are not recognized in the statement of financial position. The consideration paid, including accrued interest, is recorded in the statement of financial position, within cash collateral on securities borrowed and reverse repurchase agreements, reflecting the transaction's economic substance as a loan by the Bank. The difference between the purchase and resale prices is recorded in net interest income and is accrued over the life of the agreement using the effective interest method.

If securities purchased under an agreement to resell are subsequently sold to third parties, the obligation to return the securities is recorded in "Liabilities at fair value through profit or loss".

As of December 31, 2020, the Bank has agreed-upon repurchase transactions of government and private securities for an amount of 933,682, and are recorded in "Repo Transactions".

As of December 31, 2021 and 2020, the Bank has agreed-upon reverse repurchase transactions of government and private securities for an amount of 31,405,801 and 59,503,764, respectively, and are recorded in "Repo Transactions". Maturity of the agreed-upon transactions as of December 2021 occurred during the month of January 2022.

As of December 31, 2020, the securities delivered to guarantee the reverse repurchase transactions total 1,050,173, and are recorded in "Financial assets delivered as guarantee" (see note 11), while securities received guarantee repurchase transactions as of December 31, 2021 and 2020, total 35,108,699 and 66,925,905, respectively, and were recognized as an off balance sheet transaction.

Profit generated by the Bank as a result of its repurchase transactions arranged during the fiscal years ended on December 31, 2021, 2020 and 2019, total 8,536,022, 10,667,631 and 6,750,429, respectively, and were accounted for in "Interest income" in the consolidated statement of income. In addition, losses generated by the Bank as a result of its reverse repurchase transactions arranged during the fiscal years ended on December 31, 2021, 2020 and 2019, total 294,566, 295,464 and 691,469, respectively, and were recognized in "Interest expense" in the consolidated statement of income.



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8 OTHER FINANCIAL ASSETS

The composition of the other financial assets as of December 31, 2021 and 2020 is as follows:

<u>Composition</u>	<u>12/31/2021</u>	<u>12/31/2020</u>
Receivables from spot sales of foreign currency pending settlement	15,467,783	12,740,004
Sundry debtors (see note 12)	10,037,417	11,155,644
Receivables from other spot sales pending settlement	6,879,606	2,599,343
Private securities	2,070,550	913,867
Receivables from spot sales of government securities pending settlement	90,848	836,128
Other	620,106	290,862
Subtotal	35,166,310	28,535,848
Less: Allowances for ECL	(26,448)	(28,569)
Total	35,139,862	28,507,279

Disclosures related to allowance for ECL are detailed in item 9.4 of note 9 “Loss allowance for credit losses on credit exposures not measured at fair value through profit or loss”.

9 LOSS ALLOWANCE FOR EXPECTED CREDIT LOSSES ON CREDIT EXPOSURES NOT MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS

The Bank recognizes a loss allowance for expected credit losses on all credit exposures not measured at fair value through profit or loss, like debt instruments measured at amortized cost, debt instruments measured at fair value through other comprehensive income, loan commitments and financial guarantee contracts (not measured at fair value through profit or loss), contract assets and lease receivables.

Note 13 discloses financial instruments classified as “measured at amortized cost”, “measured at fair value through other comprehensive income” and “measured at fair value through profit or loss”. This classification is made pursuant to what was detailed in note 3.2. Additionally, in note 13 the information related to the valuation process is also explained.

Moreover, the Bank applies the impairment requirements for guarantees granted, undrawn commitments of credit cards and checking accounts, letter of credits, which are not recognized in the consolidated statement of financial position.

For the purpose of assessing the Bank’s credit risk exposure and identifying material credit risk concentration, disclosures regarding credit risk of financial assets and items not recognized in the statement of financial position are as follows:

9.1. Exposure to credit risk

According to the nature of the information to be disclosed and the loan characteristics, the Bank groups them as follows:

<u>Composition</u>	<u>12/31/2021</u>	<u>12/31/2020</u>
Loans and other financing	361,992,565	403,541,419
Individual assessment	86,234,118	112,138,243
Collective assessment	275,758,447	291,403,176
Less: Allowance for ECL	(9,631,477)	(14,985,662)
Total	352,361,088	388,555,757

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As explained in note 52.1.4 “Additional Forward-looking allowances based on expert credit judgment”, section “Adjustment for uncertainty in external obligation restructuring”, as of December 31, 2021, the Bank decided to record an adjustment on a forward-looking basis as the Bank estimated an incremental effect in the ECL, in order to cover a macroeconomic scenario derived from the lack of agreement over the debt restructuring between the Federal government and the International Monetary Fund (IMF). As of December 31, 2021, this adjustment amounted to 1,986,000 (see also note 53).

In addition and taking into account what is explained in note 52.1.4, section “Covid-19 adjustment”, as of December 31, 2020, the Bank had recorded a special adjustment on a forward-looking basis related to the pandemic of Covid-19, which, as of that date amounted to 5,553,719. At the end of this fiscal year, the “Covid-19 adjustment” was nil.

The following table shows the credit quality and the carrying amount of credit risk, based on the Bank’s credit risk rating system, the probability of default (PD) and the year-end stage classification, taking into account what was mentioned in the previous paragraphs. As of December 31, 2020, several guidelines were included in relation to flexible conditions for credits established by the BCRA to moderate the pandemic effects generated by Covid-19. Such guidelines are not effective as of December 31, 2021. The amounts are presented gross of the impairment allowances.

Internal rating grade	Range PD	12/31/2021			Total	%
		Stage 1	Stage 2	Stage 3		
Performing		341,628,847	8,646,681		350,275,528	96.76
High grade	0.00% - 3.50%	287,115,181	829,661		287,944,842	79.54
Standard grade	3.51% - 7.00%	42,527,498	2,513,294		45,040,792	12.44
Sub-standard grade	7.01% - 33.00%	11,986,168	5,303,726		17,289,894	4.78
Past due but not impaired	33.01% - 99.99%	3,163,871	5,254,437		8,418,308	2.33
Impaired	100%			3,298,729	3,298,729	0.91
Total		344,792,718	13,901,118	3,298,729	361,992,565	100
%		95.25	3.84	0.91	100	

Internal rating grade	Range PD	12/31/2020			Total	%
		Stage 1	Stage 2	Stage 3		
Performing		374,333,529	13,729,595		388,063,124	96.17
High grade	0.00% - 3.50%	307,355,334	113,197		307,468,531	76.20
Standard grade	3.51% - 7.00%	48,100,613	2,906,336		51,006,949	12.64
Sub-standard grade	7.01% - 33.00%	18,877,582	10,710,062		29,587,644	7.33
Past due but not impaired	33.01% - 99.99%	1,194,025	9,710,942		10,904,967	2.70
Impaired	100%			4,573,328	4,573,328	1.13
Total		375,527,554	23,440,537	4,573,328	403,541,419	100
%		93.06	5.81	1.13	100	

9.1.1 Loans on an individual assessment

The table below shows the credit quality and the debt balance to credit risk of commercial loans by grade on the Bank’s internal credit rating system, PD range and year-end stage classification. The Bank’s internal credit rating systems and the evaluation and measurement approaches are explained in note 52.1 “Credit risk” section.



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Internal rating grade	Range PD	12/31/2021			Total	%
		Stage 1	Stage 2	Stage 3		
Performing		80,734,484	3,579,061		84,313,545	97.77
High grade	0.00% - 3.50%	60,875,079	432,663		61,307,742	71.09
Standard grade	3.51% - 7.00%	16,332,244	1,256,377		17,588,621	20.40
Sub-standard grade	7.01% -33.00%	3,527,161	1,890,021		5,417,182	6.28
Past due but not impaired	33.01% - 99.99%		1,156,986		1,156,986	1.34
Impaired	100%			763,587	763,587	0.89
Total		80,734,484	4,736,047	763,587	86,234,118	100
%		93.62	5.49	0.89	100	

Internal rating grade	Range PD	12/31/2020			Total	%
		Stage 1	Stage 2	Stage 3		
Performing		102,580,832	4,198,605		106,779,437	95.22
High grade	0.00% - 3.50%	97,030,142	1,226		97,031,368	86.53
Standard grade	3.51% - 7.00%	4,139,043	2,195,704		6,334,747	5.65
Sub-standard grade	7.01% - 33.00%	1,411,647	2,001,675		3,413,322	3.04
Past due but not impaired	33.01% - 99.99%	562,499	2,437,581		3,000,080	2.68
Impaired	100%			2,358,726	2,358,726	2.10
Total		103,143,331	6,636,186	2,358,726	112,138,243	100
%		91.98	5.92	2.10	100	

An analysis of changes in the gross carrying amount and the corresponding ECL allowances in relation to commercial lending is as follows:

	Stage			Total
	1	2	3	
Gross Carrying amount as of January 1, 2021	103,143,331	6,636,186	2,358,726	112,138,243
Assets originated or purchased	102,232,782	4,169,910		106,402,692
Assets derecognized or repaid	(82,480,461)	(3,621,736)	(1,353,170)	(87,455,367)
Transfers to Stage 1	539	(539)		
Transfers to Stage 2		131,193	(131,193)	
Transfers to Stage 3	(1,034,242)	(166,346)	1,200,588	
Amounts Written Off			(922,381)	(922,381)
Monetary effects	(41,127,465)	(2,412,621)	(388,983)	(43,929,069)
As of December 31, 2021	80,734,484	4,736,047	763,587	86,234,118



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	Stage			Total
	1	2	3	
Gross Carrying amount as of January 1, 2020	193,236,603	6,467,714	2,856,513	202,560,830
Assets originated or purchased	94,241,056	3,644,974		97,886,030
Assets derecognized or repaid	(155,364,844)	(1,399,089)	(1,554,209)	(158,318,142)
Transfers to Stage 1	321,712	(321,712)		
Transfers to Stage 2	(571,954)	571,954		
Transfers to Stage 3	(2,327,375)	(237,394)	2,564,769	
Amounts Written Off			(566,521)	(566,521)
Monetary effects	(26,391,867)	(2,090,261)	(941,826)	(29,423,954)
As of December 31, 2020	103,143,331	6,636,186	2,358,726	112,138,243

	Stage			Total
	1	2	3	
ECL amount as of January 1, 2021	924,727	1,007,573	1,181,312	3,113,612
Assets originated or purchased	1,838,217	3,315,905		5,154,122
Assets derecognized or repaid	(861,783)	(524,662)	(696,191)	(2,082,636)
Transfers to Stage 1	12	(12)		
Transfers to Stage 2		29,267	(29,267)	
Transfers to Stage 3	(896,024)	(37,119)	933,143	
Amounts Written Off			(455,855)	(455,855)
Monetary effects	(339,230)	(1,279,417)	(314,929)	(1,933,576)
As of December 31, 2021	665,919	2,511,535	618,213	3,795,667

	Stage			Total
	1	2	3	
ECL amount as of January 1, 2020	658,755	688,336	1,968,134	3,315,225
Assets originated or purchased	2,208,850	636,331		2,845,181
Assets derecognized or repaid	(505,789)	(39,701)	(1,228,122)	(1,773,612)
Transfers to Stage 1	14,715	(14,715)		
Transfers to Stage 2	(1,783)	1,783		
Transfers to Stage 3	(1,402,566)	(9,050)	1,411,616	
Amounts Written Off			(497,816)	(497,816)
Monetary effects	(47,455)	(255,411)	(472,500)	(775,366)
As of December 31, 2020	924,727	1,007,573	1,181,312	3,113,612

9.1.2. Loans on a collective assessment

The table below shows the credit quality and the debt balance to credit risk of loans portfolio under collective assessment, by grade of credit risk classification based on the Bank's internal credit rating system, PD range and year-end stage classification. The Bank's internal credit rating systems and the evaluation and measurement approaches are explained in note 52.1 "Credit risk" section.

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Internal rating grade	Range PD	12/31/2021			Total	%
		Stage 1	Stage 2	Stage 3		
Performing		260,894,363	5,067,620		265,961,983	96.45
High grade	0.00% - 3.50%	226,240,102	396,998		226,637,100	82.19
Standard grade	3.51% - 7.00%	26,195,254	1,256,917		27,452,171	9.95
Sub-standard grade	7.01% - 33.00%	8,459,007	3,413,705		11,872,712	4.31
Past due but not impaired	33.01% - 99.99%	3,163,871	4,097,451		7,261,322	2.63
Impaired	100%			2,535,142	2,535,142	0.92
Total		264,058,234	9,165,071	2,535,142	275,758,447	100
%		95.76	3.32	0.92	100	

Internal rating grade	Range PD	12/31/2020			Total	%
		Stage 1	Stage 2	Stage 3		
Performing		271,752,697	9,530,990		281,283,687	96.53
High grade	0.00% - 3.50%	210,325,192	111,971		210,437,163	72.22
Standard grade	3.51% - 7.00%	43,961,570	710,632		44,672,202	15.33
Sub-standard grade	7.01% - 33.00%	17,465,935	8,708,387		26,174,322	8.98
Past due but not impaired	33.01% - 99.99%	631,526	7,273,361		7,904,887	2.71
Impaired	100%			2,214,602	2,214,602	0.76
Total		272,384,223	16,804,351	2,214,602	291,403,176	100
%		93.47	5.77	0.76	100	

An analysis of changes in the gross carrying amount and the corresponding ECL allowances in relation to consumer lending is as follows:

	Stage			Total
	1	2	3	
Gross Carrying amount as of January 1, 2021	272,384,223	16,804,351	2,214,602	291,403,176
Assets originated or purchased	256,847,227	6,203,404		263,050,631
Assets derecognized or repaid	(128,290,490)	(7,808,736)	(1,007,500)	(137,106,726)
Transfers to Stage 1	6,597,845	(6,465,149)	(132,696)	
Transfers to Stage 2	(5,955,494)	6,033,073	(77,579)	
Transfers to Stage 3	(2,858,159)	(647,746)	3,505,905	
Amounts Written Off	(151,340)	(285,289)	(676,156)	(1,112,785)
Monetary effects	(134,515,578)	(4,668,837)	(1,291,434)	(140,475,849)
As of December 31, 2021	264,058,234	9,165,071	2,535,142	275,758,447



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	Stage			Total
	1	2	3	
Gross Carrying amount as of January 1, 2020	230,252,301	26,431,578	5,102,401	261,786,280
Assets originated or purchased	185,109,070	10,546,801		195,655,871
Assets derecognized or repaid	(72,746,260)	(10,998,516)	(1,480,596)	(85,225,372)
Transfers to Stage 1	13,033,730	(12,586,028)	(447,702)	
Transfers to Stage 2	(6,906,088)	7,291,744	(385,656)	
Transfers to Stage 3	(1,667,645)	(466,819)	2,134,464	
Amounts Written Off	(53,800)	(429,464)	(2,080,269)	(2,563,533)
Monetary effects	(74,637,085)	(2,984,945)	(628,040)	(78,250,070)
As of December 31, 2020	272,384,223	16,804,351	2,214,602	291,403,176

	Stage			Total
	1	2	3	
ECL amount as of January 1, 2021	6,990,134	3,560,443	1,321,473	11,872,050
Assets originated or purchased	5,719,840	1,056,197		6,776,037
Assets derecognized or repaid	(6,973,972)	(1,862,268)	(435,233)	(9,271,473)
Transfers to Stage 1	1,274,440	(1,192,519)	(81,921)	
Transfers to Stage 2	(281,697)	323,331	(41,634)	
Transfers to Stage 3	(2,475,564)	(253,151)	2,728,715	
Amounts Written Off	(17,182)	(117,019)	(433,757)	(567,958)
Monetary effects	(1,429,617)	(511,308)	(1,031,921)	(2,972,846)
As of December 31, 2021	2,806,382	1,003,706	2,025,722	5,835,810

	Stage			Total
	1	2	3	
ECL amount as of January 1, 2020	2,357,693	2,234,009	2,510,995	7,102,697
Assets originated or purchased	6,613,034	2,695,300		9,308,334
Assets derecognized or repaid	546,742	(549,480)	(812,901)	(815,639)
Transfers to Stage 1	1,157,211	(938,837)	(218,374)	
Transfers to Stage 2	(114,521)	284,247	(169,726)	
Transfers to Stage 3	(1,069,271)	(73,050)	1,142,321	
Amounts Written Off	(2,530)	(84,989)	(1,059,754)	(1,147,273)
Monetary effects	(2,498,224)	(6,757)	(71,088)	(2,576,069)
As of December 31, 2020	6,990,134	3,560,443	1,321,473	11,872,050

Over the course of 2021 and 2020, the Bank generated from loan portfolio sales, profit for 90,693 and 55,768, respectively and losses for 40 as of December 31, 2020.

The contractual amount outstanding on loans and other financing that have been written off by the Bank as of December 31, 2021 and 2020 that were still subject to enforcement activity was 4,992,035 and 6,565,815, respectively.

9.2 Other debt securities at amortized cost

For local government securities, EAD is considered equal to the debt balance, because there is not available information of such instruments' behavior when they defaulted. For PD and LGD parameters, they were calculated using Basel regulatory parameters.

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For purchase corporate bonds, PD and LGD parameters calculated for loan exposures of those issuers were used. The corporate bonds' EAD is considered equal to the debt balance.

For financial trusts at amortized cost, the criteria that was used in the calculation of ECL is based on credit risk ratings given by a credit rating agency for each type of debt securities that compose each financial trust. That is, the factor to be used will vary in relation to the holding debt securities class (A or B). It is assumed that the EAD is equal to the debt balance.

The table below shows the exposures gross of impairment allowances by stage:

<u>Composition</u>	12/31/2021			Total	%
	Stage 1	Stage 2	Stage 3		
Local government securities	23,781,113			23,781,113	98.90
Corporate bonds	86,487			86,487	0.36
Financial trust	178,204			178,204	0.74
Total	24,045,804			24,045,804	100
%	100			100	

<u>Composition</u>	12/31/2020			Total	%
	Stage 1	Stage 2	Stage 3		
Local government securities	46,168,862			46,168,862	98.29
Corporate bonds	551,451			551,451	1.17
Financial trust	251,607			251,607	0.54
Total	46,971,920			46,971,920	100
%	100			100	

The related ECL for local government securities as of December 31, 2021 and 2020 amounted to 3,210 and 6,232, respectively. The related ECL for corporate bonds as of December 31, 2021 and 2020 amounted to 530 and 1,862, respectively. The ECL related to financial trusts as of December 31, 2021 and 2020 amounted to 13 and 165, respectively. A detail of these investments is disclosed in note 10.

9.3 Other debt securities at fair value through OCI

This group includes federal and foreign government securities, provincial or BCRA instruments measured at fair value through OCI. For these assets, an individual assessment of the related parameters was performed.

The table below shows the exposures gross of impairment allowances by stage:

<u>Composition</u>	12/31/2021			Total	%
	Stage 1	Stage 2	Stage 3		
Local government securities	124,853,842			124,853,842	47.67
Central Bank of Argentina Bills	132,970,751			132,970,751	50.76
Foreign government securities	4,109,963			4,109,963	1.57
Total	261,934,556			261,934,556	100
%	100			100	



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Composition	12/31/2020			Total	%
	Stage 1	Stage 2	Stage 3		
Local government securities	67,604,659			67,604,659	25.16
Central Bank of Argentina Bills	194,225,233			194,225,233	72.29
Foreign government securities	6,853,979			6,853,979	2.55
Total	268,683,871			268,683,871	100
%	100			100	

The related ECL for local government securities as of December 31, 2021 and 2020 amounted to 16,304 and 9,002, respectively. A detail of these investments are disclosed in note 10.

9.4 Other financial assets

The table below shows the exposures gross of impairment allowances by stage:

Composition	12/31/2021			Total	%
	Stage 1	Stage 2	Stage 3		
Other financial assets	33,095,760			33,095,760	100
Total	33,095,760			33,095,760	100
%	100			100	

Composition	12/31/2020			Total	%
	Stage 1	Stage 2	Stage 3		
Other financial assets	27,621,984			27,621,984	100
Total	27,621,984			27,621,984	100
%	100			100	

The ECL related to these types of instruments amounted to 26,448 and 28,569 as of December 31, 2021 and 2020, respectively, including the ECL related to the payments to be collected for the transaction mentioned in note 12.

10 OTHER DEBT SECURITIES

The following table shows the bank's holdings of other debt securities, net of the impairment allowances, as of December 31, 2021 and 2020:



BANCO MACRO SA AND ITS SUBSIDIARIES

Name	Holdings		
	12/31/2021	12/31/2021	12/31/2020
	Fair value level	Book amounts	Book amounts
Other debt securities			
Measured at fair value through other comprehensive income			
- Local			
Government securities			
Federal government treasury bonds linked to dollar - Maturity: 04-28-2023	1	29,321,529	
Federal government treasury bonds in pesos adjusted by CER - Maturity: 09-20-2022	1	25,114,882	
Letters of National Estate in pesos adjusted by CER to discount - Maturity: 07-29-2022	1	19,588,804	
Federal government treasury bonds in pesos BADLAR +200 PB - Maturity: 04-03-2022	1	15,202,690	49,728
Federal government treasury bonds in pesos adjusted by CER - Maturity: 03-25-2023	1	10,414,066	1,568,690
Letters of National Estate in pesos adjusted by CER to discount - Maturity: 04-18-2022	1	9,905,621	
Letters of National Estate in pesos adjusted by CER to discount - Maturity: 05-23-2022	1	4,021,054	
Letters of National Estate in pesos to discount - Maturity: 01-31-2022	1	3,794,807	
Federal government treasury bonds in pesos adjusted by CER - Maturity: 03-25-2024	1	3,357,516	1,321,885
Federal government treasury bonds in pesos adjusted by CER - Maturity: 08-13-2023	1	3,096,000	
Other	1	1,036,873	64,664,356
Subtotal local government securities		124,853,842	67,604,659
Central Bank of Argentina Bills			
Liquidity letters of Central Bank of Argentina in pesos - Maturity: 01-04-2022	2	21,520,780	
Liquidity letters of Central Bank of Argentina in pesos - Maturity: 01-27-2022	2	18,879,645	
Liquidity letters of Central Bank of Argentina in pesos - Maturity: 01-18-2022	2	18,637,794	
Liquidity letters of Central Bank of Argentina in pesos - Maturity: 01-11-2022	2	17,725,328	
Liquidity letters of Central Bank of Argentina in pesos - Maturity: 01-13-2022	2	17,501,774	
Liquidity letters of Central Bank of Argentina in pesos - Maturity: 01-25-2022	1	16,551,744	
Liquidity letters of Central Bank of Argentina in pesos - Maturity: 01-06-2022	2	15,888,779	
Liquidity letters of Central Bank of Argentina in pesos - Maturity: 01-20-2022	2	6,264,907	
Liquidity letters of Central Bank of Argentina in pesos - Maturity: 01-21-2021			32,027,644
Liquidity letters of Central Bank of Argentina in pesos - Maturity: 01-12-2021			29,785,222
Other			132,412,367
Subtotal Central Bank of Argentina Bills		132,970,751	194,225,233
- Foreign			
Government securities			
US Treasury Bill - Maturity: 01-20-2022	1	4,109,963	
US Treasury Bill - Maturity: 01-14-2021			3,810,254
US Treasury Bill - Maturity: 01-19-2021			1,270,073
US Treasury Bill - Maturity: 01-21-2021			1,016,064
US Treasury Bill - Maturity: 01-28-2021			757,588
Subtotal foreign government securities		4,109,963	6,853,979



Total Other debt securities measured at fair value through other comprehensive income (1)

261,934,556

268,683,871



BANCO MACRO SA AND ITS SUBSIDIARIES

Name	Holdings	
	12/31/2021 Book amounts	12/31/2020 Book amounts
Measured at amortized cost		
- Local		
Government securities		
Federal government bonds in pesos at 22% - Maturity: 05-21-2022	22,742,357	30,428,731
Treasury bills of Province of Neuquén Series 1 Class 1 - Maturity: 04-07-2022	311,717	
Discount bonds denominated in pesos at 5,83% - Maturity: 12-31-2033	265,823	277,187
Debt securities of Province of Río Negro in pesos - Maturity: 04-12-2022	218,580	
Treasury bills of Province of Río Negro Series 2 Class 1 - Maturity: 06-15-2022	193,577	
Treasury bills of Province of Neuquén Series 4 Class 1 - Maturity: 02-28-2022	45,849	
Federal government treasury bonds adjusted by CER - Maturity: 04-17-2021		12,940,391
Federal government treasury letters at variable rate in pesos - Maturity: 03-31-2021		2,389,616
Bonds of treasury of federal government in pesos adjusted by CER - Maturity: 03-18-2022		84,062
Bonds Par denominated in Pesos - Maturity 12-31-2038		42,643
Subtotal local government securities	23,777,903	46,162,630
Private securities		
Corporate Bonds YPF SA Class 043 -Maturity: 10-21-2023	55,706	112,103
Debt Securities in Financial Trusts Surcos Series 020 Class A - Maturity: 07-15-2022	43,098	
Debt Securities in Financial Trusts Secubono Series 209 Class A - Maturity: 05-30-2022	30,878	
Corporate Bonds Santander Río Bank S,A, Class 021 -Maturity: 01-26-2022	26,651	38,806
Debt Securities in Financial Trusts Secubono Series 208 Class A - Maturity: 04-28-2022	26,117	
Debt Securities in Financial Trusts Confibono Series 059 Class A - Maturity: 03-21-2022	21,038	
Debt Securities in Financial Trusts Accicom Préstamos Pers Series 11 Class A- Maturity: 12-20-2022	19,358	
Debt Securities in Financial Trusts Secubono Series 210 Class A - Maturity: 06-28-2022	18,608	
Debt Securities in Financial Trusts Secubono Series 211 Class A - Maturity: 07-28-2022	13,095	
Debt Securities in Financial Trusts Secubono Series 207 Class A - Maturity: 03-28-2022	5,998	
Other	3,601	650,122
Subtotal local private securities	264,148	801,031
Total Other debt securities measured at cost amortized (2)	24,042,051	46,963,661
Total other debt securities	285,976,607	315,647,532

- (1) The gross carrying amount of these investments, their stages and the related allowance for ECL are disclosed in note 9.3.
(2) The gross carrying amount of these investments, their stages and the related allowance for ECL are disclosed in note 9.2.

As of December 31, 2021 the unrealized gains and losses from government securities amounted to 2,711,062 and 266,976, respectively, and the unrealized losses related to Central Bank Bills amounted to 163,255. In addition, as of December 31, 2020, the unrealized gains and losses from government securities amounted to 672,925 and 103,302, respectively, and the unrealized losses related to Central Bank Bills amounted to 279,660. All the abovementioned amounts are net of income tax effects.

**BANCO MACRO SA AND ITS SUBSIDIARIES****11 FINANCIAL ASSETS DELIVERED AS GUARANTEE**

The composition of financial assets delivered as guarantee as of December 31, 2021 and 2020 is as follows:

<u>Composition</u>	<u>Carrying amount</u>	
	<u>12/31/2021</u>	<u>12/31/2020</u>
For transactions with the BCRA	15,525,187	18,174,500
For guarantee deposits	2,439,070	2,348,447
For securities forward contracts		1,050,173
Total	17,964,257	21,573,120

The Bank's Management considers there shall be no losses due to the restrictions on the above listed financial assets.

12 EQUITY INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS. PRISMA MEDIOS DE PAGO SA

The following table shows the bank's holdings of equity instruments at fair value through profit or loss as of December 31, 2021 and 2020:

<u>Name</u>	<u>Holdings</u>		
	<u>Fair value level</u>	<u>12/31/2021 Book amounts</u>	<u>12/31/2020 Book amounts</u>
Equity Instruments			
Measured at fair value through profit or loss			
- Local			
Prisma Medios de Pago SA (1)	3	3,392,574	7,510,822
Mercado Abierto Electrónico SA	3	205,855	217,692
COELSA	3	37,595	29,450
Matba Rofex SA	3	31,398	32,063
Sedesa	3	15,316	17,634
AC Inversora SA	3	10,178	8,134
Provincanje SA	3	8,857	9,423
Mercado a Término Rosario SA	3	7,414	6,503
Sanatorio Las Lomas SA	3	694	1,048
San Juan Tennis Club SA	3	437	18
Other		690	26,251
Subtotal local		3,711,008	7,859,038

**BANCO MACRO SA AND ITS SUBSIDIARIES**

Name (contd.)	Holdings		
	12/31/2021	12/31/2021	12/31/2020
	Fair value level	Book amounts	Book amounts
- Foreign			
Banco Latinoamericano de Comercio Exterior SA	1	12,457	14,684
Cedear McDonald	1	4,839	
Cedear Berkshire Hathaway Inc	1	4,818	
Cedear Pepsico	1	4,799	
Cedear Microsoft	1	4,688	
Cedear Alphabet Inc. CA	1	4,537	
Cedear Nvidia Corp	1	3,411	
Cedear Wells F&C	1	3,289	
Cedear Bank of America Corp	1	3,259	
Cedear Exxon Mob	1	3,233	
Other		20,668	2,866
Subtotal foreign		69,998	17,550
Total measured at fair value through profit or loss		3,781,006	7,876,588
Total equity instruments		3,781,006	7,876,588

- (1) On January 21, 2019, the Bank, together with the other shareholders, accepted a purchase offer made by AI ZENITH (Netherlands) B.V. (a company related to Advent International Corporation) for the acquisition of 1,933,051 common shares of par value Ps.1 each and entitled to one vote, representing 4.6775 % of its share capital, equivalent to 51% of the Bank's capital stock in such company.
- On February 1, 2019, the Bank completed the transfer of such shares for a total purchase price of (in thousands) USD 64,542 out of which the Bank received on the date hereof (in thousands) USD 38,311 and the payment of the balance for an amount of (in thousands) USD 26,231 shall be deferred for 5 years as follows: (i) 30% of such amount in Pesos adjusted by Unit of Purchasing Power (UVA, for its acronym in Spanish) at a 15% nominal annual rate; and (ii) 70% in US Dollars at a 10% nominal annual rate. The purchase price is guaranteed by the issuance of notes in favor of the Bank and pledges of the transferred shares.
- During July 2019, the process to determine the final selling price of the shares of Prisma Medios de Pago SA (Prisma) was completed and the final price was (in thousands) USD 63,456. The difference arising from a final price lower than the estimated price was deducted from the price balance, therefore there was no need for the Bank to return any amounts received. All other payment conditions were not modified and remain in full force and effect under the terms described in this note.
- On October 1, 2021, the Bank, together with the other class B Shareholders of Prisma, gave notice with respect to the exercise of the existing put option and therefore started the procedure to sell the remaining 49% of the capital stock of such company.
- On March 18, 2022, the Bank completed the transfer of all remaining shares held in Prisma in favor of AI ZENITH (Netherlands) BV, representing 4.4941% of Prisma's capital stock.
- The price of such shares is (in thousand) USD 33,018 and shall be paid as follows: (i) 30% in Pesos at UVA plus a nominal annual rate of 15% that shall be paid 50% on March 18, 2027 and the remaining on March 18, 2028, and (ii) 70% in US Dollars at a nominal annual rate of 10% that shall be paid 50% on March 18, 2027 and the remaining on March 18, 2028.



BANCO MACRO SA AND ITS SUBSIDIARIES

As of December 31, 2021 and 2020, the holding of the Bank in Prisma (equivalent to 49%), is recorded in “Equity instruments at fair value through profit or loss”. As of December 31, 2021 the fair value corresponds to the final price of such shares, mentioned in the previous paragraph, that was determined pursuant to proceeding contractually agreed between the parties as mentioned below. As of December 31, 2020, the fair value was determined from valuations performed by independent experts and the put option abovementioned was recorded in the item “Derivative financial instruments” and measured by valuations performed by independent experts (see notes 6 and 13).

On the other hand, the parties agreed that: (i) the 40% of the outstanding balance of the sale of 51% mentioned in the first paragraph of this note was paid on March 30, 2022 and (ii) the remaining balance shall be paid in two installments, on January 31, 2026 and January 31, 2027, respectively.

Finally, sellers retained the usufruct (dividends) of the shares sold to be declared by Prisma for the year ended December 31, 2018, which were collected on April 26, 2019. Besides the proportion applicable to the buyer of the dividends to be reported for the following fiscal years –with the buyer’s commitment to voting in favor of the distribution of certain minimum percentages– will be used to create a guarantee trust to repay the deferred price amount through the concession by the buyer and Prisma of a usufruct over the economic rights of the shares in favor of such trust. On March 18, 2022 an agreement updated was performed for the 100% of the shares.

13 FAIR VALUE QUANTITATIVE AND QUALITATIVE DISCLOSURES

The fair value is the amount at which an asset can be exchanged, or at which a liability can be settled, in mutual independent terms and conditions between participants of the principal market (or the most advantageous market) who are duly informed and willing to transact in an orderly and current transaction, at the measurement date under the current market conditions whether the price is directly observable or estimated using a valuation technique under the assumption that the Bank is an ongoing business.

When a financial instrument is quoted in a liquid and active market, its price in the market in a real transaction provides the most reliable evidence of its fair value. Nevertheless, when there is no quoted price in the market or it cannot be an evidence of the fair value of such instrument, in order to determine such fair value, the entities may use the market value of another instrument with similar characteristics, the analysis of discounted cash flows or other applicable techniques, which shall be significantly affected by the assumptions used.

Notwithstanding the above, the Bank’s Management has used its best judgment to estimate the fair values of its financial instruments; any technique to perform such estimate implies certain inherent fragility level.

Fair value hierarchy

The Bank uses the following hierarchy to determine and disclose the fair value of financial instruments, according to the valuation technique applied:

- Level 1: quoted prices (unadjusted) observable in active markets that the Bank accesses to at the measurement day for identical assets or liabilities. The Bank considers markets as active only if there are sufficient trading activities with respect to the volume and liquidity of the identical assets or liabilities and when there are binding and exercisable price quotes available at each reporting period.
- Level 2: Valuation techniques for which the data and variables having a significant impact on the determination of the fair value recognized or disclosed are observable for the asset or liability, either directly or indirectly. Such inputs include quoted prices for similar assets or liabilities in active markets, quoted prices for identical instruments in inactive markets and observable inputs other than quoted prices such as interest rates and yield curves, implied volatilities, and credit spreads. In addition, adjustments to level 2 inputs may be required for the condition or location of the asset or the extent to which it relates to items that are comparable to the valued instrument. However, if such adjustments are based on unobservable inputs which are significant to the entire measurement, the Bank will classify the instruments as Level 3.
- Level 3: Valuation techniques for which the data and variables having a significant impact on the determination of the fair value recognized or disclosed are not based on observable market information.

The following tables show the hierarchy in the Bank’s financial asset and liability at fair value measurement, as of December 31, 2021 and 2020:

**BANCO MACRO SA AND ITS SUBSIDIARIES****Categories of financial assets and liabilities as of December 31, 2021**

Item	Amortized cost	Fair value through OCI	Fair value through P/L	Fair value hierarchy		
				Level 1	Level 2	Level 3
Financial assets						
Cash and deposits in Banks						
Cash	26,624,503					
Financial institutions	145,701,649					
Other	6,426					
Debt Securities at fair value through profit or loss			32,406,588	31,000,826	289,009	1,116,753
Derivative financial instruments			1,296	396	900	
Repo transactions						
BCRA	31,405,801					
Other financial assets	33,069,312		2,070,550	2,039,529		31,021
Loans and other financing						
To the non-financial government sector	2,375,900					
Other financial institutions	1,510,255					
To the non-financial private sector and foreign residents						
Overdraft	24,393,228					
Documents	42,305,869					
Mortgage loans	41,691,947					
Pledge loans	7,560,640					
Personal loans	97,887,634					
Credit cards	94,963,074					
Leases	477,990					
Other (1)	39,194,551					
Other debt Securities	24,042,051	261,934,556		145,515,549	116,419,007	
Financial assets delivered as guarantee	17,964,257					
Equity instruments at fair value through profit or loss			3,781,006	67,490		3,713,516
Total financial assets	631,175,087	261,934,556	38,259,440	178,623,790	116,708,916	4,861,290

(1) Includes the total allowances to the non-financial private sector and foreign residents.

Financial liabilities

Deposits						
From the non-financial government sector	56,402,528					
From the financial sector	961,192					
From the non-financial private sector and foreign residents						
Checking accounts	100,868,512					
Savings accounts	185,245,996					
Time deposits and investment accounts	229,654,054					
Other	15,718,422					
Liabilities at fair value through profit or loss		1,501,421	126,311	1,627,732		
Derivative financial instruments			2,532		2,532	
Other financial liabilities	67,935,119					
Financing received from BCRA and other financial entities	437,726					
Issued corporate bonds	2,990,809					
Subordinated corporate bonds	41,974,169					
Total financial liabilities	702,188,527	1,501,421	128,843	1,627,732	2,532	

**BANCO MACRO SA AND ITS SUBSIDIARIES****Categories of financial assets and liabilities as of December 31, 2020**

Item	Amortized cost	Fair value through OCI	Fair value through P/L	Fair value hierarchy		
				Level 1	Level 2	Level 3
Financial assets						
Cash and deposits in Banks						
Cash	38,373,382					
Financial institutions	157,793,718					
Other	7,943					
Debt Securities at fair value through profit or loss			82,991,433	82,420,193	10	571,230
Derivative financial instruments			1,493,533		10,916	1,482,617
Repo transactions						
BCRA	59,503,764					
Other financial assets	27,593,415		913,864	874,349		39,515
Loans and other financing						
To the non-financial government sector	5,455,960					
Other financial institutions	2,754,079					
To the non-financial private sector and foreign residents						
Overdraft	26,583,643					
Documents	41,198,756					
Mortgage loans	38,355,185					
Pledge loans	5,019,644					
Personal loans	106,049,719					
Credit cards	97,004,890					
Leases	178,960					
Other (1)	65,954,921					
Other debt Securities	46,963,661	268,683,871		174,213,033	94,470,838	
Financial assets delivered as guarantee	20,522,947	1,050,173		1,050,173		
Equity instruments at fair value through profit or loss			7,876,588	14,876		7,861,712
Total financial assets	739,314,587	269,734,044	93,275,418	258,572,624	94,481,764	9,955,074

(1) Includes the total allowances to the non-financial private sector and foreign residents.

**BANCO MACRO SA AND ITS SUBSIDIARIES****Categories of financial assets and liabilities as of December 31, 2020**

Item	Amortized cost	Fair value through OCI	Fair value through P/L	Fair value hierarchy		
				Level 1	Level 2	Level 3
Financial liabilities						
Deposits						
From the non-financial government sector	111,040,851					
From the financial sector	1,051,180					
From the non-financial private sector and foreign residents						
Checking accounts	98,717,496					
Savings accounts	209,574,132					
Time deposits and investment accounts	274,362,919					
Other	42,967,625					
Derivative financial instruments			347	347		
Repo transactions						
Other financial institutions	933,682					
Other financial liabilities	74,287,265					
Financing received from BCRA and other financial entities	1,387,310					
Issued corporate bonds	7,436,745					
Subordinated corporate bonds	51,773,419					
Total financial liabilities	873,532,624		347	347		

Description of the valuation process

The fair value of instruments categorized as Level 1 was assessed by using quoted prices effective at the end of each fiscal year in active markets for identical assets or liabilities, if representative. Currently, for most of the government and private securities, there are two principal markets in which the Bank operates: BYMA and MAE. Additionally, in the case of derivatives, both MAE and Mercado a Término de Rosario SA (ROFEX) are deemed active markets.

On the other hand, for certain assets and liabilities that do not have an active market, categorized as Level 2, the Bank used valuation techniques that included the use of market transactions performed under mutual independent terms and conditions, between interested and duly informed parties, provided that they are available as well as references to the current fair value of another instrument being substantially similar, or otherwise the analysis of cash flows discounted at rates built from market information of similar instruments. In addition, certain assets and liabilities included in this category were valued using price quotes of identical instruments in "less active markets".

Finally, the Bank has categorized as level 3 those assets and liabilities for which there are no identical or similar transactions in the market. For this approach, the Bank mainly used the cash flow discount model.

As of December 31, 2021 and 2020, the Bank has neither changed the techniques nor the assumptions used to estimate the fair value of the financial instruments.

Below is the reconciliation between the amounts at the beginning and at the end of the fiscal year of the financial assets and liabilities recognized at fair value categorized as level 3:



BANCO MACRO SA AND ITS SUBSIDIARIES

Reconciliation	As of December 31, 2021			
	Debt instruments	Other financial assets	Equity instruments at fair value through profit or loss	Derivative financial instruments
Amount at the beginning	571,230	39,515	7,861,712	1,482,617
Transfers to Level 3				
Transfers from Level 3				
Profit and loss (1)	352,566	1,829	(1,456,561)	(1,045,763)
Recognition and derecognition	502,430	5,135	(22,299)	
Monetary effects	(309,473)	(15,458)	(2,669,336)	(436,854)
Amount at the end of the fiscal year	1,116,753	31,021	3,713,516	

Reconciliation	As of December 31, 2020			
	Debt instruments	Other financial assets	Equity instruments at fair value through profit or loss	Derivative financial instruments
Amount at the beginning	1,674,888	47,266	5,357,799	1,161,481
Transfers to Level 3				
Transfers from Level 3				
Profit and loss (1)	313,643	14,297	3,939,180	629,470
Recognition and derecognition	(1,194,786)	(9,820)	25,828	
Monetary effects	(222,515)	(12,228)	(1,461,095)	(308,334)
Amount at the end of the fiscal year	571,230	39,515	7,861,712	1,482,617

(1) Profit and loss are recorded in “Net gain from measurement of financial instruments at fair value”.

Instruments measured as level 3 mainly include equity instruments at fair value through profit or loss which comprise Prisma (see note 12). As of December 31, 2020, its Fair Value was calculated on the basis of independent appraisers’ valuations, who relied on a future discounted cash flow method embracing an income approach. Instead, as of December 31 2021, the fair value is the final price of such shares that was determined pursuant to proceeding contractually agreed between the parties (see note 12).

On the other hand, as of December 31, 2020, the Bank included in Level 3 the put option taken for the abovementioned participation in Prisma which fair value was calculated by the same appraisers abovementioned. The result of the assets measured at fair value on the basis of unobservable data was recognized in “Net gain from measurement of financial instruments at fair value”. For the measurement of this instrument, a valuation technique based on the binomial method has been used by creating an equivalent portfolio with identical conditions to the put and taking into account different scenarios. The valuation model considers the projected value of the company’s cash flows and financial debt of the exercise date (34 months after the closing of the contract). Expected cash flows are discounted using WACC (Weighted Average Cost of Capital) discount rate.

Additionally, the other instruments measured as level 3 include debt securities of financial trusts and corporate bonds, for which the construction of fair values was obtained based on the Bank’s own assumptions that are not easily available in the market. The most significant assumption was the placement cutoff rate of such instruments in the market at the end of the period, used to determine the actual value of cash flows.

Quantitative information about Level 3 Fair Value Measurements

Equity instruments at fair value through profit or loss

At December 31, 2020, the fair value of the equity interest held in Prisma was calculated with the assistance of independent appraisers’ using a discounted cash flow method by applying an income approach.

The most relevant unobservable input data includes:

- Projected EBITDA and Free cash flow (mainly determined by the expected evolution of the level of transactions and fees)
- Minority discount rate (equivalent to $1 / (1 + \text{Premium control}) - 1$)
- WACC (Weighted Average Cost of Capital) of Prisma.
- g = growth factor for terminal value.
- Capital expenditures assumptions.

Below is disclosed the sensitivity analysis for the valuation of the remaining 49% equity of Prisma. As of December 31, 2021 still held by the selling shareholders. The sensitivity is related to the two following variables: the WACC and the growth level for future cash flows after 2023 that determines the terminal value:

Prisma Medios de Pago SA equity (49%) plus minority discount

**(9.09%) – US\$ millions**

g (terminal value growth – annual)

		2.00%	3.00%	4.00%
	97.5%	370.9	391.8	416.5
WACC	100%	366.2	386.8	411.1
	102.5%	361.7	381.9	405.9

The scenario for the valuation considers WACC at 100% and g at 3%.

As Banco Macro SA held an interest in Prisma of 4.494083% the fair value accounts amounts to 7,510,821, which was within a range of 7,022,526 and 8,086,571 according to the calculated sensitivity.

As of December 31, 2021, as abovementioned, the fair value of the equity interest held in Prisma is the final price agreed between the parties.

Derivative financial instruments

As of December 31, 2020, as previously mentioned, the Bank recognized the put option taken related to the participation in Prisma. These instruments were measured using a valuation technique based on a binomial option pricing model.

The most relevant unobservable input data used in the pricing model include:

- Monthly volatility (sensitivity to volatility ranging from 10%, 12% and 15%).
- The theoretical exercise price for the option. This price is 7 times the expected EBITDA for the third year. This EBITDA is calculated considering the expected cash flows of the business as well as the financial indebtedness, considering Cash and Banks and Short-term investments, and financial indebtedness projected for the option exercise date.
- Dividend yield.
- Underlying asset (that arises from making the relation between estimated Equity Value with the numbers of shares and the WACC (Weighted Average Cost of Capital).

Below is disclosed the sensitivity for the valuation of the put option per share, based on the level of implied volatility and the theoretical exercise price of the share price:

Sensibility - US\$

Volatility

		10.0%	12.0%	15.0%
	95%	1.08	1.16	1.26
EBITDA	100%	1.26	1.31	1.42
	105%	1.43	1.48	1.58

The scenario considered for the valuation considers EBITDA at 100% and volatility at 12%. The fair value of the put as of December 31, 2020 was 1,482,618, which was within the range of 1,426,029 and 1,618,429 according to the calculated sensitivity as of such date.

Debt securities

The following table provides quantitative information about the valuation techniques and significant unobservable inputs used in the valuation of the main of debt securities of financial trusts for which the Bank uses an internal model.

**BANCO MACRO SA AND ITS SUBSIDIARIES**

<u>Composition</u>	<u>Fair value of Level 3 Assets 12/31/2021</u>	<u>Valuation technique</u>	<u>Significant unobservable inputs</u>	<u>Range of inputs 12/31/2021</u>		
				<u>Range of inputs</u>		
				<u>Low</u>	<u>High</u>	<u>Unit</u>
Provisional Debt Securities of Financial Trusts	321,674	Income approach (discounted cash flow)	Discount rate in pesos	43.32	46.14	%
Corporate bonds	792,124	Income approach (discounted cash flow)	Discount rate in pesos	26.19	40.99	%

<u>Composition</u>	<u>Fair value of Level 3 Assets 12/31/2020</u>	<u>Valuation technique</u>	<u>Significant unobservable inputs</u>	<u>Range of inputs 12/31/2020</u>		
				<u>Range of inputs</u>		
				<u>Low</u>	<u>High</u>	<u>Unit</u>
Provisional Debt Securities of Financial Trusts	567,676	Income approach (discounted cash flow)	Discount rate in pesos	43.84	47.60	%

The table below describes the effect of changing the significant unobservable inputs to reasonably possible alternatives. Sensitivity data were calculated using a number of techniques including analyzing price dispersion of different price sources, adjusting model inputs to analyze changes within the fair value methodology.

	<u>12/31/2021</u>		<u>12/31/2020</u>	
	<u>Favorable changes</u>	<u>Unfavorable changes</u>	<u>Favorable changes</u>	<u>Unfavorable changes</u>
Provisional Debt Securities of Financial Trusts	154	(152)	679	(663)
Corporate bonds	15,286	(14,091)		

Changes in fair value levels

The Bank monitors the availability of information in the market to evaluate the classification of financial instruments into the fair value hierarchy as well as the resulting determination of transfers between levels 1, 2 and 3 at each period end.

As of December 31, 2021 and 2020, the Bank has not recognized any transfers between levels 1, 2 and 3 of the fair value hierarchy.

Financial assets and liabilities not measured at fair value

Next follows a description of the main methods and assumptions used to determine the fair values of financial instruments not recognized at their fair value in these consolidated financial statements:

- Instruments with fair value similar to the carrying amount: financial assets and liabilities that are liquid or have short-term maturities (less than three months) were deemed to have a fair value similar to the carrying amount.
- Fixed and variable rate of financial instruments: the fair value of financial assets was recognized discounting future cash flows at current market rates, for each fiscal year, for financial instruments of similar characteristics. The estimated fair value of fixed-interest rate deposits and liabilities was assessed discounting future cash flows by using estimated interest rates for deposits or placings with similar maturities to those of the Bank's portfolio.

**BANCO MACRO SA AND ITS SUBSIDIARIES**

- For public listed assets and liabilities, or those for which the prices are reported by certain renowned pricing providers, the fair value was determined based on such prices.

The following table shows a comparison between the fair value and the carrying amount of financial instruments not measured at fair value as of December 31, 2021 and 2020:

Composition	12/31/2021				
	Carrying amount	Level 1	Level 2	Level 3	Fair value
Financial assets					
Cash and deposits in banks	172,332,578	172,332,578			172,332,578
Repo transactions	31,405,801	31,405,801			31,405,801
Other financial assets	33,069,312	33,069,312			33,069,312
Loans and other financing	352,361,088			327,385,535	327,385,535
Other debt securities	24,042,051	22,870,843	649,862	156,143	23,676,848
Financial assets delivered as guarantee	17,964,257	17,964,257			17,964,257
Total	631,175,087	277,642,791	649,862	327,541,678	605,834,331
Financial liabilities					
Deposits	588,850,704	333,710,730		254,808,085	588,518,815
Other financial liabilities	67,935,119	66,489,254	1,434,811		67,924,065
Financing received from the BCRA and other financial entities	437,726	396,210	38,375		434,585
Issued corporate bonds	2,990,809		2,632,631		2,632,631
Subordinated corporate bonds	41,974,169		34,459,093		34,459,093
Total	702,188,527	400,596,194	38,564,910	254,808,085	693,969,189
Composition	12/31/2020				
	Carrying amount	Level 1	Level 2	Level 3	Fair value
Financial assets					
Cash and deposits in banks	196,175,043	196,175,043			196,175,043
Repo transactions	59,503,764	59,503,764			59,503,764
Other financial assets	27,593,415	27,593,415			27,593,415
Loans and other financing	388,555,757			362,198,537	362,198,537
Other debt securities	46,963,660	15,939,083	33,524,602	223,887	49,687,572
Financial assets delivered as guarantee	20,522,947	20,522,947			20,522,947
Total	739,314,586	319,734,252	33,524,602	362,422,424	715,681,278

**BANCO MACRO SA AND ITS SUBSIDIARIES**

Composition	Carrying amount	12/31/2020			Fair value
		Level 1	Level 2	Level 3	
Financial liabilities					
Deposits	737,714,203	366,882,887		370,411,513	737,294,400
Repo transactions	933,682	933,682			933,682
Other financial liabilities	74,287,265	72,269,553	2,009,484		74,279,037
Financing received from the BCRA and other financial entities	1,387,310	488,858	883,979		1,372,837
Issued corporate bonds	7,436,745		6,220,000		6,220,000
Subordinated corporate bonds	51,773,419		43,929,655		43,929,655
Total	873,532,624	440,574,980	53,043,118	370,411,513	864,029,611

14 BUSINESS COMBINATIONS

On October 1, 2021, the Bank exercised a call option to reach 24.99% of the equity interest in Fintech SGR, being this a structured entity in which the Bank has control (see also note 1 and 3 item “consolidation basis”).

Assets acquired and liabilities assumed

The fair value of the identifiable assets and liabilities of Fintech SGR and the risk fund (“Fondo de Riesgo”), as of the date of acquisition, were as follows (figures stated in terms of purchasing power at the acquisition date):

Composition	Fair value recognized on acquisition	
	SGR	Risk fund
Assets	59,361	859,015
Cash and deposits in Banks	250	92,780
Debt Securities at fair value through profit or loss		622,174
Other financial assets	39,571	143,660
Property, plant and equipment	569	
Deferred tax assets	3,965	
Other non-financial assets	15,006	401
Liabilities	50,195	859,015
Other financial liabilities		851,420
Other non-financial liabilities	50,195	7,595
Net assets acquired at fair value	9,166	

The goodwill generated by the acquisition of Fintech SGR arising from the acquisition date amounted to 22,824 (not restated).

The total consideration transferred amounted to 33,488 (not restated) and it was performed through an irrevocable capital contribution made by the Bank in order to increase the capital stock of Fintech SGR, which was approved by the Fintech SGR’s Ordinary and Special Shareholders’ Meeting involving class “A” and class “B”, held on October 18, 2021.



BANCO MACRO SA AND ITS SUBSIDIARIES

15 INVESTMENT IN ASSOCIATES AND JOINT ARRANGEMENTS

15.1 Associates

a) Macro Warrants SA

The Bank holds an investment in the associate Macro Warrants SA. The existence of significant influence is evidenced by the representation the Bank has in the Board of Directors of the associate. In order to measure this investment, the Bank used accounting information of Macro Warrants SA as of September 30, 2021. Additionally, the Bank has considered, when applicable, the material transactions or events occurring between October 1, 2021 and December 31, 2021.

The following table presents the summarized financial information on the Bank's investment in the associate:

<u>Summarized statement of financial position</u>	<u>12/31/2021</u>	<u>12/31/2020</u>
Total assets	88,898	88,980
Total liabilities	12,608	18,332
Shareholders' equity	76,290	70,648
Proportional Bank's interest	5%	5%
Investment carrying amount	3,815	3,532

As of December 31, 2021, 2020 and 2019, the investment carrying amount in the net income for the fiscal years amounted to 282, 1,125 and 1,342, respectively.

b) Play Digital SA

As explained in note 1, the Bank holds an investment in the associate Play Digital SA. The existence of significant influence is evidenced by the representation the Bank has in the Board of Directors of the associate. In order to measure this investment, the Bank used accounting information of Play Digital SA as of September 30, 2021. Additionally, the Bank has considered, when applicable, the material transactions or events occurring between October 1, 2021 and December 31, 2021.

The following table presents the summarized financial information on the Bank's interest in the associate:

<u>Summarized statement of financial position</u>	<u>12/31/2021</u>	<u>12/31/2020</u>
Total assets	1,863,801	996,013
Total liabilities	157,398	132,254
Shareholders' equity	1,706,403	863,759
Proportional Bank's interest	10.0197%	9.9545%
Investment carrying amount	170,976	85,983

As of December 31, 2021 and 2020, the investment carrying amount in the net income for the fiscal years amounted to (75,446) and (121,152), respectively.

15.2 Joint ventures

The Bank participates in the following joint ventures:



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BANCO MACRO SA AND ITS SUBSIDIARIES

a) Banco Macro SA – Wordline Argentina SA Unión transitoria

On April 7, 1998, the Bank executed an agreement with Siemens Itron Services SA to organize a joint venture (UTE, for its acronym in Spanish) controlled on a joint basis through a 50% interest, the purpose of which is to facilitate a data processing center for the tax administration, to modernize the systems and tax collection processes of the Province of Salta and manage and recover municipal taxes and fees.

The following table presents the summarized financial information on the Bank's investment in the UTE:

<u>Summarized statement of financial position</u>	<u>12/31/2021</u>	<u>12/31/2020</u>
Total assets	709,112	584,938
Total liabilities	164,799	148,522
Shareholders' equity	544,313	436,416
Proportional Bank's interest	50%	50%
Investment carrying amount	272,157	218,208

As of December 31, 2021, 2020 and 2019, the investment carrying amount in the net income for the fiscal years amounted to 174,298, 112,002 and 230,916, respectively.

b) Banco Macro SA – Gestiva SA Unión transitoria

On May 4, 2010 and August 15, 2012, the Bank executed with Gestiva SA the UTE agreement to form "Banco Macro SA – Gestiva SA – Unión Transitoria de Empresas", under joint control, the purpose of which is to render the integral processing and management services of the tax system of the Province of Misiones, the management thereof and tax collection services. The Bank holds a 5% interest in this UTE.

On April 5, 2018, the Bank, the UTE and the tax authorities of the Misiones provincial government entered into an agreement of "termination by mutual agreement" of the adaptation agreement, without implying or modifying the Bank's rights and obligations as a financial agent of the province for the services provision established in the agreement. On May 31, 2021 and due to abovementioned agreement, this UTE was derecognized. As of December 31, 2020, according to the above-mentioned, the remaining investment amounted to 54.

c) Finova SA

As explained in note 1, on October 1, 2021, the Bank acquired the 50% of Finova SA. The Bank has common control over this company, as the decisions about the relevant activities require unanimous consent.

The following table presents the summarized financial information on the Bank in this company, which as explained in note 3, section 3.5 "Investment in associates and joint arrangements", is measured at equity method plus goodwill:

<u>Summarized statement of financial position</u>	<u>12/31/2021</u>
Total assets	38,887
Total liabilities	4,090
Shareholders' equity	34,797
Proportional Bank's interest	50%
% on Equity	17,399
Goodwill	25,157
Investment carrying amount	42,556

As of December 31, 2021, the investment carrying amount in the net income for the fiscal year amounted to (11,583).



BANCO MACRO SA AND ITS SUBSIDIARIES

16 PROPERTY, PLANT AND EQUIPMENT

The changes in property, plant and equipment during the fiscal years ended on December 31, 2021 and 2020 are as follows:

Item	Original value at beginning of fiscal year	Total life estimated in years	12/31/2021										Residual value at the end of the fiscal year	
					Depreciation for the fiscal year									
			Increases	Decreases	Transfers (1)	Exchange differences	Accumulated	Transfers (1)	Decrease	Exchange differences	For the fiscal year	At the end		
Cost														
Real property	45,999,203	50	298,506	87,401	1,718,510			3,767,066	98,265	11,052		963,435	4,817,714	43,111,104
Furniture and facilities	5,994,054	10	194,542	2,009	425,264	(136)		2,696,998	133	995	(112)	561,272	3,257,296	3,354,419
Machinery and equipment	8,289,825	5	638,911	30,785	506,709	(770)		5,215,130	(704)	4,624	(504)	1,283,050	6,492,348	2,911,542
Vehicles	1,287,553	5	128,433	82,915	3,217			1,053,829	179	73,018		114,737	1,095,727	240,561
Other	1,330	3	315	414		(338)		615		414	(181)	406	426	467
Work in progress	1,265,673		2,203,736		(1,883,204)									1,586,205
Right of use real property	3,133,674	5	654,427	24,431	16,058	(4,458)		1,359,794	730	20,657	(1,349)	768,827	2,107,345	1,667,925
Total property, plant and equipment	65,971,312		4,118,870	227,955	786,554	(5,702)		14,093,432	98,603	110,760	(2,146)	3,691,727	17,770,856	52,872,223

Item	Original value at beginning of fiscal year	Total life estimated in years	12/31/2020										Residual value at the end of the fiscal year	
					Depreciation for the fiscal year									
			Increases	Decreases	Transfers	Exchange differences	Accumulated	Transfers	Decrease	Exchange differences	For the fiscal year	At the end		
Cost														
Real property	45,013,754	50	290,329		695,120			2,852,796	(18,360)			932,630	3,767,066	42,232,137
Furniture and facilities	5,558,958	10	130,920	26,331	334,770	(4,263)		2,166,229	212	23,751	(4,107)	558,415	2,696,998	3,297,056
Machinery and equipment	7,338,380	5	750,483	202	201,180	(16)		3,900,756	143	1,088	(181)	1,315,500	5,215,130	3,074,695
Vehicles	1,264,858	5	122,035	98,648		(692)		1,033,050		92,144	(692)	113,615	1,053,829	233,724
Other	4,026	3	36	2,333		(399)		3,998		2,910	(505)	32	615	715
Work in progress	1,795,021		699,567		(1,228,915)									1,265,673
Right of use real property	2,513,628	5	795,515	174,456		(1,013)		622,409		48,951	(1,858)	788,194	1,359,794	1,773,880
Total property, plant and equipment	63,488,625		2,788,885	301,970	2,155	(6,383)		10,579,238	(18,005)	168,844	(7,343)	3,708,386	14,093,432	51,877,880

(1) During the fiscal year 2021, under this item transfers were made to non-current assets held for sale.

17 INVESTMENT PROPERTIES

The changes in investment property (including in "Other non-financial assets" – see note 19) during the fiscal years ended on December 31, 2021 and 2020 are as follow:



BANCO MACRO SA AND ITS SUBSIDIARIES

Item	Original Value at beginning of fiscal year	Useful life estimated in years	12/31/2021					Depreciation for the fiscal year					Residual value at the end of the fiscal year
			Increase	Decrease	Transfers	Exchange differences	Accumulated	Transfers	Decrease	Exchange differences	For the fiscal year	At the end	
Cost													
Leased properties	332,402	50			(101,393)		54,573	(49,606)			3,378	8,345	222,664
Other investment properties	1,278,298	50	127,123	23,723	(677,892)	(66)	76,634	(48,658)	3,884		32,603	56,695	647,045
Total investment property	1,610,700		127,123	23,723	(779,285)	(66)	131,207	(98,264)	3,884		35,981	65,040	869,709

Item	Original Value at beginning of fiscal year	Useful life estimated in years	12/31/2020					Depreciation for the fiscal year					Residual value at the end of the fiscal year
			Increase	Decrease	Transfers (1)	Exchange differences	Accumulated	Transfers (1)	Decrease	Exchange differences	For the fiscal year	At the end	
Cost													
Leased properties	332,401	50	2	0	(1)		50,858	1			3,714	54,573	277,829
Other investment properties	1,266,377	50	105,827	64	(93,842)		58,618	165	7		17,858	76,634	1,201,664
Total investment property	1,598,778		105,829	64	(93,843)		109,476	166	7		21,572	131,207	1,479,493

(1) During the fiscal year 2020, under this item transfers were made from / to property, plant and equipment.

18 INTANGIBLE ASSETS

The changes in intangible assets during the fiscal years ended on December 31, 2021 and 2020 are as follow:

Item	Original Value at beginning of fiscal year	Useful life estimated in years	12/31/2021					Depreciation of the fiscal year					Residual value at the end of the fiscal year
			Increases	Decreases	Transfers	Accumulated	Transfers	Decrease	Of the fiscal year	At the end			
Licenses	4,150,115	5	870,435		(10,073)	2,152,905	(339)		912,439	3,065,005	1,945,472		
Other intangible assets	13,026,206	5	3,237,498	93		7,319,265		22	2,485,561	9,804,804	6,458,807		
Total intangible assets	17,176,321		4,107,933	93	(10,073)	9,472,170	(339)	22	3,398,000	12,869,809	8,404,279		

**BANCO MACRO SA AND ITS SUBSIDIARIES**

Item	Original Value at beginning of fiscal year	Useful life estimated in years	12/31/2020							Residual value at the end of the fiscal year	
			Increases	Decreases	Transfers	Accumulated	Transfers	Decrease	Of the fiscal year		At the end
Cost											
Licenses	3,358,091	5	792,030		(6)	1,376,555	(4)		776,354	2,152,905	1,997,210
Other intangible assets	10,479,489	5	2,548,516	1,797	(2)	5,182,347	(3)	1,797	2,138,718	7,319,265	5,706,941
Total intangible assets	13,837,580		3,340,546	1,797	(8)	6,558,902	(7)	1,797	2,915,072	9,472,170	7,704,151

19 OTHER NON-FINANCIAL ASSETS

The composition of the other non-financial assets as of December 31, 2021 and 2020 is as follows:

Composition	12/31/2021	12/31/2020
Investment property (see note 17)	869,709	1,479,493
Advanced prepayments	830,167	703,696
Tax advances	439,279	912,074
Other	192,468	273,833
Total	2,331,623	3,369,096

20 RELATED PARTIES

A related party is a person or entity that is related to the Bank:

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

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Bank, directly or indirectly. The Bank considers as key management personnel, for the purposes of IAS 24, the members of the Board of Directors and the senior management members of the Risk Management Committee, the Assets and Liabilities Committee and the Senior Credit Committee.

As of December 31, 2021 and 2020, amounts balances and profit or loss related to transactions generated with related parties, are as follows:



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BANCO MACRO SA AND ITS SUBSIDIARIES

As of December 31, 2021

	Main subsidiaries (1)					Associates	Key management personnel (2)	Other related parties	Total
	Macro Bank Limited	Macro Securities SA	Macro Fondos SGFCISA	Argenpay SAU	Fintech SGR				
Assets									
Cash and deposit in banks	823								823
Other financial assets							148,936	144,633	293,569
Loans and other financing (3)									
Documents								28,541	28,541
Overdraft							80,403	252,937	333,340
Credit cards							71,832	53,974	125,806
Lease								28,726	28,726
Personal loans							1,425		1,425
Mortgage loans							256,599		256,599
Other loans		1,384,921					76,342	1,582,029	3,043,292
Other receivables from financial intermediation					758,325			6,900	765,225
Guarantee granted								1,023,357	1,023,357
Other financial assets							24		24
Total assets	823	1,384,921			758,325		635,561	3,121,097	5,900,727
Liabilities									
Deposits	4	1,590,380	163,720	68,597	31	52,839	3,694,741	1,714,309	7,284,621
Liabilities at fair value through profit or loss								1,627,311	1,627,311
Other financial liabilities							48,778	249,244	298,022
Subordinated corporate bonds					42,016				42,016
Other non-financial liabilities								15,382	15,382
Total liabilities	4	1,590,380	163,720	68,597	42,047	52,839	3,743,519	3,606,246	9,267,352
Income / (loss)									
Interest income		3,573					162,955	1,436,905	1,603,433
Interest expense		(4,212)				(17,334)	(38,381)	(56,014)	(115,941)
Commissions income		21,993	119		29	223	19	100,811	123,194
Commissions expense					(359)		(23)	(176)	(558)
Profit from measurement of financial instruments at fair value through profit or loss					23,456				23,456
Other operating income	4	3,436			6,699			32	10,171
Administrative expense								(240,291)	(240,291)
Other operating expense								(74,419)	(74,419)
Income / (loss)	4	24,790	119		29,825	(17,111)	124,570	1,166,848	1,329,045

(1) These transactions are eliminated during the consolidation process.

(2) Includes close family members of the key management personnel.



BANCO MACRO SA AND ITS SUBSIDIARIES

(3) The maximum financing amount for loans and other financing as of December 31, 2021 for Macro Securities SA, Fintech SGR, Key management personnel and other related parties amounted to 1,396,568, 758,325, 716,466 and 6,115,273, respectively.

	As of December 31, 2020							Total
	Main subsidiaries (1)				Associates	Key management personnel (2)	Other related parties	
	Macro Bank Limited	Macro Securities SA	Macro Fondos SGFCISA	Argenpay SAU				
Assets								
Cash and deposit in banks	1,017							1,017
Repo transaction		1,158,305						1,158,305
Other financial assets						71	152	223
Loans and other financing (3)								
Documents							2,306	2,306
Overdraft						49,439	613,454	662,893
Credit cards						68,404	16,608	85,012
Lease		1,561					7,884	9,445
Personal loans						17,586		17,586
Mortgage loans						127,052		127,052
Other loans		1,074,368					574,316	1,648,684
Guarantee granted							1,255,383	1,255,383
Total assets	1,017	2,234,234				262,552	2,470,103	4,967,906
Liabilities								
Deposits	11	1,013,452	197,151	86,001	65,417	4,335,052	2,303,192	8,000,276
Other financial liabilities		23,570				17,813,438	18,673	17,855,681
Other non-financial liabilities							17,242	17,242
Total liabilities	11	1,037,022	197,151	86,001	65,417	22,148,490	2,339,107	25,873,199
Income / (loss)								
Interest income		70,971				99,640	950,684	1,121,295
Interest expense		(946)			(13,379)	(1,348,611)	(1,113,217)	(2,476,153)
Commissions income		16,207	463		134	234	92,959	109,997
Commissions expense						(204)	(355)	(559)
Profit from measurement of financial instruments at fair value through profit or loss							26,960	26,960
Other operating income	6			2			35	43
Allowance for loan losses		(10,394)						(10,394)
Administrative expense							(252,403)	(252,403)
Other operating expense							(115,864)	(115,864)
Income / (loss)	6	75,838	463	2	(13,245)	(1,248,941)	(411,201)	(1,597,078)

(1) These transactions are eliminated during the consolidation process.
(2) Includes close family members of the key management personnel.
(3) The maximum financing amount for loans and other financing as of December 31, 2020 for Macro Securities SA, Key management personnel and other related parties amounted to 1,079,213, 1,505,410 and 7,054,028, respectively.

**BANCO MACRO SA AND ITS SUBSIDIARIES**

	As of December 31, 2019							Total
	Macro Bank Limited	Macro Securities SA	Macro Fondos SGFCISA	Argenpay SAU	Associates	Key management personnel (2)	Other related parties	
Income / (loss)								
Interest income		8,187				72,451	188,480	269,118
Interest expense				(3,043)		(653,204)	(169,468)	(825,715)
Commissions income		459	157	154		44	4,488	5,302
Net loss from measurement of financial instruments at fair value through profit or loss						(34,425)	(176,931)	(211,356)
Other operating income	3						26	29
Administrative expense							(34,360)	(34,360)
Other operating expense							(86,955)	(86,955)
Income / (loss)	3	8,646	157	(2,889)		(615,134)	(274,720)	(883,937)

- (1) These transactions are eliminated during the consolidation process.
(2) Includes close family members of the key management personnel.

Transactions generated by the Bank with its related parties for transactions arranged within the course of the usual and ordinary course of business were performed in normal market conditions, both as to interest rates and prices and as to the required guarantees.

The Bank does not have loans granted to directors and other key management personnel secured with shares.

Total remunerations received as salary and bonus by the key management personnel as of December 31, 2021, 2020 and 2019, totaled 580,907, 488,739 and 491,434, respectively.

In addition, fees received by the Directors as of December 31, 2021, 2020 and 2019 amounted to 1,143,538, 2,572,243 and 4,259,819, respectively.

Additionally, the composition of the Board of Directors and key management personnel of the Bank and its subsidiaries is as follows:

Composition	12/31/2021	12/31/2020
Board of Directors	22	22
Senior managers of the key management personnel	12	11
Total	34	33

21 OTHER FINANCIAL LIABILITIES

The composition of the other financial liabilities as of December 31, 2021 and 2020 is as follows:

**BANCO MACRO SA AND ITS SUBSIDIARIES**

<u>Composition</u>	<u>12/31/2021</u>	<u>12/31/2020</u>
Credit and debit card settlement - due to merchants	33,045,879	25,967,336
Amounts payable for spot purchases of foreign currency pending settlement	15,511,801	12,754,523
Amounts payable for other spot purchases pending settlement	7,072,321	23,406,227
Payment orders pending to foreign exchange settlement	2,974,408	4,638,594
Collections and other transactions on account and behalf of others	2,431,762	2,133,627
Amounts payable for spot purchases of government securities pending settlement	1,622,800	634,787
Finance leases liabilities (see note 22)	1,420,172	1,774,360
Other	3,855,976	2,977,811
Total	67,935,119	74,287,265

22 LEASES

22.1 The Bank as a lessee

The Bank has lease contracts mainly for real properties recognized in the item "Property, plant and equipment". Generally, the Bank is restricted from assigning or subleasing the leased assets.

As of December 31, 2021 and 2020, the carrying amount of assets recognized for the right-of-use assets identified in the lease contracts, depreciation expense for the fiscal year and the additions to right-of-use assets are disclosed in note 16.

Set out below are the carrying amounts of lease liabilities and the movements during the fiscal year:

<u>Movements</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
At the beginning of the fiscal year	1,774,360	1,884,261	1,231,934
Additions	493,879	574,879	1,018,526
Accretion of interest (see note 39)	218,729	272,881	250,636
Difference in foreign currency	223,436	440,760	559,965
Payments	(624,540)	(847,948)	(471,478)
Monetary effects	(665,692)	(550,473)	(705,322)
At the end of the fiscal year (see note 21)	1,420,172	1,774,360	1,884,261

The short term leases were recognized as expense for an amount of 7,985, 8,553 and 229,202 for the years ended December 31, 2021, 2020 and 2019, respectively.

The table below shows the maturity of the lease liabilities as of December 31, 2021 and 2020:

<u>Lease liabilities</u>	<u>Up to 1 month</u>	<u>Over 1 month and up to 3 months</u>	<u>Over 3 months and up to 6 months</u>	<u>Over 6 months and up to 12 months</u>	<u>Total up to 12 months</u>	<u>Over 12 months and up to 24 months</u>	<u>Over 24 months</u>	<u>Total over 12 months</u>
Balances as of 12/31/2021	60,516	105,346	144,584	244,990	555,436	369,565	495,171	864,736
Balances as of 12/31/2020	69,633	126,067	163,216	268,776	627,692	377,839	768,829	1,146,668



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BANCO MACRO SA AND ITS SUBSIDIARIES

22.2 The Bank as a lessor

The Bank, as lessor, entered into financial lease contracts, under the usual characteristics of this kind of transactions, without there being any issues that may differentiate them in any aspect from those performed in the Argentine financial market in general. The lease contracts in force do not represent significant balances with respect to the total financing granted by the Bank.

The following table shows the reconciliation between the total gross investment of financial leases and the current value of the minimum payment receivables for such leases:

	12/31/2021		12/31/2020	
	Current value of minimum payments	Total gross Investment	Current value of minimum payments	Total gross Investment
Up to 1 year	230,863	111,891	154,384	121,369
From 1 to 5 years	550,935	366,099	89,494	57,591
Total	781,798	477,990	243,878	178,960

Income for non-accrued interests amounted to 303,808 and 64,918, for the years ended December 31, 2021 and 2020, respectively.

23 **PROVISIONS**

This item includes the amounts estimated to face a liability of probable occurrence, which if occurring, would originate a loss for the Bank.

The changes in provisions during the fiscal years ended on December 31, 2021 and 2020 are as follow:

Item	Amounts at beginning of fiscal year	Increases	Decreases		Monetary effects	12/31/2021
			Reversals	Charge off		
For administrative, disciplinary and criminal penalties	1,084	41,631	252	41,576	(387)	500
Letters of credit, guarantees and other commitments (1)	35,018	376,539		1,271	(57,201)	353,085
Commercial claims in progress	1,040,165	372,302		855,478	(239,452)	317,537
Labor lawsuits	343,771	266,424		281,466	(113,335)	215,394
Pension funds - reimbursement	134,112	41,362		18,283	(50,931)	106,260
Other	423,965	776,136		345,663	(193,657)	660,781
Total provisions	1,978,115	1,874,394	252	1,543,737	(654,963)	1,653,557

**BANCO MACRO SA AND ITS SUBSIDIARIES**

Item	Amounts at beginning of fiscal year	Increases	Decreases		Monetary effects	12/31/2020
			Reversals	Charge off		
For administrative, disciplinary and criminal penalties	1,476				(392)	1,084
Letters of credit, guarantees and other commitments (1)	35,493	24,555		13,016	(12,014)	35,018
Commercial claims in progress	1,725,021	303,157	12	527,958	(460,043)	1,040,165
Labor lawsuits	364,409	162,028		79,996	(102,670)	343,771
Pension funds - reimbursement	328,482	23,541		158,849	(59,062)	134,112
Other	573,088	1,204,857		1,136,734	(217,246)	423,965
Total provisions	3,027,969	1,718,138	12	1,916,553	(851,427)	1,978,115

(1) These amounts correspond to the ECL calculated for contingent transactions, which are mentioned in note 4.

The expected terms to settle these obligations are as follows:

Composition	12/31/2021		12/31/2021	12/31/2020
	Within 12 months	Over 12 months		
For administrative, disciplinary and criminal penalties		500	500	1,084
Letters of credits, guarantees and other commitments (1)	353,085		353,085	35,018
Commercial claims in progress (2)	21,060	296,477	317,537	1,040,165
Labor lawsuits	105,238	110,156	215,394	343,771
Pension funds - reimbursement	41,857	64,403	106,260	134,112
Other	5,525	655,256	660,781	423,965
Total	526,765	1,126,792	1,653,557	1,978,115

(1) These amounts correspond to the ECL calculated for contingent transactions are mentioned in note 4.

(2) See also note 50.2.

In the opinion of the Bank's Management and its legal counsel, there are no other significant effects other than those disclosed in these consolidated financial statements, the amounts and settlement terms of which have been recognized based on the current value of such estimates, considering the probable settlement date thereof.

**BANCO MACRO SA AND ITS SUBSIDIARIES****24 OTHER NON-FINANCIAL LIABILITIES**

The composition of other non-financial liabilities as of December 31, 2021 and 2020 is as follows:

<u>Composition</u>	<u>12/31/2021</u>	<u>12/31/2020</u>
Dividends payables (see note 42)	26,580,415	25,026,108
Withholdings	7,023,603	6,243,685
Salaries, bonuses and payroll taxes payables (see note 25)	6,583,231	7,410,900
Taxes payables	3,215,214	2,699,423
Miscellaneous payables	1,899,490	2,153,568
Retirement pension payment orders pending settlement	423,020	618,157
Fees payables	311,457	760,216
Other	1,554,722	909,244
Total	47,591,152	45,821,301

25 EMPLOYEE BENEFITS PAYABLE

The table below presents the amounts of employee benefits payable as of December 31, 2021 and 2020:

<u>Short-term employee benefits</u>	<u>12/31/2021</u>	<u>12/31/2020</u>
Vacation accrual	3,360,908	3,447,365
Salaries, bonuses and payroll taxes payables	3,222,323	3,963,535
Total short-term employee benefits	6,583,231	7,410,900

The Bank has not long-term employee benefits or post-employment benefits as of December 31, 2021 and 2020.

26 ANALYSIS OF FINANCIAL ASSETS TO BE RECOVERED AND FINANCIAL LIABILITIES TO BE SETTLED

The following tables show the analysis of financial assets and liabilities the Bank expects to recover and settle as of December 31, 2021 and 2020:

<u>12/31/2021</u>	<u>Without due date</u>	<u>Up to 1 month</u>	<u>Over 1 month and up to 3 months</u>	<u>Over 3 months and up to 6 months</u>	<u>Over 6 months and up to 12 months</u>	<u>Total up to 12 months</u>	<u>Over 12 months and up to 24 months</u>	<u>Over 24 months</u>	<u>Total over 12 months</u>
Assets									
Cash and deposits in banks	172,332,578								
Debt securities at fair value through profit or loss		783,370	756,971	10,357,698	9,787,383	21,685,422	5,798,105	4,923,061	10,721,166
Derivative financial instruments				1,296		1,296			
Repo transactions		31,405,801				31,405,801			
Other financial assets	3,811,287	25,776,429	57,475	625,612		26,459,516		4,869,059	4,869,059
Loans and other financing (1)	164,200	129,802,598	30,763,020	32,942,359	37,944,889	231,452,866	39,829,260	80,914,762	120,744,022
Other debt securities		141,029,735	444,739	52,808,494	44,771,631	239,054,599	42,859,452	4,062,556	46,922,008
Financial assets delivered as guarantee	17,964,257								
Equity instruments at fair value through profit or loss	3,781,006								
Total assets	198,053,328	328,797,933	32,022,205	96,735,459	92,503,903	550,059,500	88,486,817	94,769,438	183,256,255



BANCO MACRO SA AND ITS SUBSIDIARIES

12/31/2021	Without due date	Up to 1 month	Over 1 month and up to 3 months	Over 3 months and up to 6 months	Over 6 months and up to 12 months	Total up to 12 months	Over 12 months and up to 24 months	Over 24 months	Total over 12 months
Liabilities									
Deposits	327,703,243	205,289,249	49,423,975	5,938,761	464,047	261,116,032	31,001	428	31,429
Financial liabilities at fair value through profit or loss		1,627,732				1,627,732			
Derivative financial instruments				2,532		2,532			
Other financial liabilities		65,888,617	175,894	173,628	456,842	66,694,981	742,686	497,452	1,240,138
Financing received from the BCRA and other financial institutions		235,215	179,590	11,699	6,120	432,624	5,102		5,102
Issued corporate bonds				2,990,809		2,990,809			
Subordinated corporate bonds				915,269		915,269		41,058,900	41,058,900
Total liabilities	327,703,243	273,040,813	49,779,459	10,032,698	927,009	333,779,979	778,789	41,556,780	42,335,569
Assets									
Cash and deposits in banks	196,175,043								
Debt securities at fair value through profit or loss		26,309,035	17,021,156	136,859	35,821,003	79,288,053	1,295,524	2,407,856	3,703,380
Derivative financial instruments			10,916			10,916		1,482,617	1,482,617
Repo transactions		59,503,764				59,503,764			
Other financial assets	3,065,088	18,648,343	68,427	407,403		19,124,173		6,318,018	6,318,018
Loans and other financing (1)	959,869	134,291,580	36,129,043	48,375,478	50,092,584	268,888,685	41,991,589	76,715,614	118,707,203
Other debt securities		201,142,776	4,214,671	26,463,087	49,255,891	281,076,425	30,645,676	3,925,431	34,571,107
Financial assets delivered as guarantee	20,522,947	1,050,173				1,050,173			
Equity instruments at fair value through profit or loss	7,876,588								
Total assets	228,599,535	440,945,671	57,444,213	75,382,827	135,169,478	708,942,189	73,932,789	90,849,536	164,782,325



BANCO MACRO SA AND ITS SUBSIDIARIES

12/31/2020	Without due date	Up to 1 month	Over 1 month and up to 3 months	Over 3 months and up to 6 months	Over 6 months and up to 12 months	Total up to 12 months	Over 12 months and up to 24 months	Over 24 months	Total over 12 months
Liabilities									
Deposits	359,817,176	301,296,470	65,224,108	7,707,731	3,636,383	377,864,692	31,014	1,321	32,335
Derivative financial instruments		63	284			347			
Repo transactions		933,682				933,682			
Other financial liabilities		72,260,943	198,545	185,113	470,150	73,114,751	396,631	775,883	1,172,514
Financing received from the BCRA and other financial institutions		632,533	292,910	294,918	108,728	1,329,089	50,520	7,701	58,221
Issued corporate bonds		256,491		3,591,321		3,847,812	3,588,933		3,588,933
Subordinated corporate bonds				969,484		969,484		50,803,935	50,803,935
Total liabilities	359,817,176	375,380,182	65,715,847	12,748,567	4,215,261	458,059,857	4,067,098	51,588,840	55,655,938

(1) The amounts included in "without due date" are related to the non-performing portfolio.

27 FOREIGN CURRENCY AMOUNTS

The following tables show the amounts of assets and liabilities in foreign currency as of December 31, 2021 and 2020:

Item	Total parent company and local branches	12/31/2021				12/31/2020
		Total per currency				Total
		US dollar	Euro	Real	Other	
Assets						
Cash and deposits in banks	122,029,652	121,226,437	546,330	22,193	234,692	159,576,341
Debt securities at fair value through profit or loss	1,233,936	1,233,936				8,992
Derivative financial instruments						1,037,832
Other financial assets	5,989,715	5,989,715				7,512,726
Loans and other financing	15,334,766	15,334,766				35,235,600
Other financial institutions						32,050
From the non-financial private sector and foreign residents	15,334,766	15,334,766				35,203,550
Other debt securities	33,870,709	33,870,709				8,890,918
Financial assets delivered as guarantee	2,296,815	2,289,800	7,015			2,750,726
Equity Instruments at fair value through profit or loss	69,998	69,998				17,550
Total assets	180,825,591	180,015,361	553,345	22,193	234,692	215,030,685

**BANCO MACRO SA AND ITS SUBSIDIARIES**

Item (contd.)	Total parent company and local branches	12/31/2021				12/31/2020
		Total per currency				Total
		US dollar	Euro	Real	Other	
Liabilities						
Deposits	96,602,915	96,596,981	5,934		116,376,507	
Non-financial government sector	7,676,485	7,676,485			6,337,255	
Financial sector	760,577	760,577			866,242	
Non-financial private sector and foreign residents	88,165,853	88,159,919	5,934		109,173,010	
Liabilities at fair value through profit or loss	126,311	126,311				
Other financial liabilities	6,507,517	6,256,573	237,415	13,529	27,847,368	
Financing from Central Bank and other financial Institutions	276,681	271,339	5,342		708,843	
Subordinated corporate bonds	41,974,169	41,974,169			51,773,419	
Other non-financial liabilities	40,431	40,431			30,710	
Total liabilities	145,528,024	145,265,804	248,691	13,529	196,736,847	

28 DISCLOSURES BY OPERATING SEGMENT

For management purposes the Bank's Management has determined that it has only one operating segment related to the banking business. In this sense, the Bank supervises the operating segment income (loss) for the period in order to make decisions about resources to be allocated to the segment and assess its performance, which is measured on a consistent basis with the profit or loss in the financial statements.

29 INCOME TAX

a) Inflation adjustment on income tax

Tax Reform Law 27430, amended by Laws 27468 and 27541, established the following, regarding inflation adjustment on income tax for the fiscal years beginning on January 1, 2018.

- i) Such adjustment will be applicable in the fiscal year in which the variation of the IPC is higher than 100% for the thirty-six months before the end of the tax period.
- ii) Regarding the first, second and third fiscal year after its effective date, this procedure will be applicable if the variation of the abovementioned index, calculated from the beginning until the end of each of those fiscal years exceeds 55%, 30% and 15% for the first, second and third fiscal years of application, respectively.
- iii) The positive or negative inflation adjustment, as the case may be, corresponding to the first, second and third fiscal years beginning on January 1, 2018, shall be allocated one third in the fiscal year for which the adjustment is calculated and the remaining two thirds in equal parts in the following two immediate fiscal years.
- iv) The positive or negative inflation adjustment, corresponding to the first and second fiscal years beginning on January 1, 2019, shall be allocated one sixth to the fiscal year in which the adjustment is determined and the remaining five sixth in the following immediate fiscal years.
- v) For fiscal years beginning on January 1, 2021, 100% of the adjustment may be deducted in the year in which it is determined.

As of December 31, 2021 and 2020, all the conditions established by the income tax Law to practice the inflation adjustment are met and the current and deferred income tax was recognized, including the effects of the application of the inflation adjustment on income taxes established by Law (see section "Tax inflation adjustment – Fiscal years 2019 and 2020" of this note).



BANCO MACRO SA AND ITS SUBSIDIARIES

b) Income tax rate

Law No. 27541 suspended, up to fiscal years beginning on or after January 1, 2021, the income tax rate reduction that had established Law No. 27430, setting up for the suspended period a rate of 30%. On June 16, 2021, through Decree No. 387/2021, Law No. 27630 was issued. This law established for fiscal years beginning on or after January 1, 2021, a progressive tax rates scheme of 25%, 30% and 35% which will be applied, on a progressively basis, to the taxable accumulated net profit at the end of each fiscal year.

c) The main items of deferred income tax

This tax shall be recognized following the liability method, recognizing (as credit or debt) the tax effect of temporary differences between the carrying amount of an asset or liability and its tax base, and its subsequent recognition in profit or loss for the fiscal year in which the reversal of such differences occurs, considering as well the possibility of using tax losses in the future.

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

<u>Composition</u>	<u>12/31/2021</u>	<u>12/31/2020</u>
Deferred tax assets		
Loans and other financing	2,634,006	2,578,320
Provisions and employee benefits	1,094,454	892,236
Allowances for contingencies	459,249	551,200
Leases	175,719	160,220
Unused Inflation adjustment in accordance with income tax law	111,908	169,255
Other	285,949	244,174
Total deferred tax assets	4,761,285	4,595,405
Deferred tax liabilities		
Property, plant and equipment and other non-financial assets	5,645,093	10,341,362
Intangible assets	2,932,739	2,079,409
Investments in other companies	1,231,051	1,937,941
Profit or loss for forward sale	932,601	772,396
Other	219,231	611,235
Total deferred tax liabilities	10,960,715	15,742,343
Net deferred tax liabilities	6,199,430	11,146,938

In the consolidated financial statements, tax assets (current and deferred) of an entity of the Group shall not be offset with the tax liabilities (current and deferred) of another entity of the Group because they correspond to income tax applicable to different taxpayers and also they are not legally entitled before the tax authority to pay or receive only one amount to settle the net position.

Changes in net deferred tax assets and liabilities as of December 31, 2021 and 2020 are summarized as follows:

<u>Composition</u>	<u>12/31/2021</u>	<u>12/31/2020</u>
Net deferred tax liabilities at beginning of the fiscal year	11,146,938	1,062,726
Profit / (Loss) for deferred taxes recognized in the statement of income	4,947,508	(10,084,212)
Net deferred tax liabilities at fiscal year end	6,199,430	11,146,938

**BANCO MACRO SA AND ITS SUBSIDIARIES**

The income tax recognized in the consolidated statement of income and in the consolidated statement of other comprehensive income differs from the income tax to be recognized if all income were subject to the current tax rate (see note 3.14).

The main items of income tax expense in the consolidated financial statements are as follows:

<u>Composition</u>	<u>12/31/2021</u>	<u>12/31/2020</u>	<u>12/31/2019</u>
Current income tax expense (1)	4,058,744	6,644,341	27,049,402
(Profit) / Loss for deferred taxes	(4,947,508)	10,084,212	(6,418,567)
Other tax effects			79,608
Monetary effects	2,074,796	2,964,723	5,882,684
Income tax loss recorded in the statement of income	1,186,032	19,693,276	26,593,127
Income tax loss recorded in other comprehensive income	1,209,307	193,217	299,058
Total	2,395,339	19,886,493	26,892,185

- (1) See section "Tax inflation adjustment – Fiscal years 2019 and 2020" of this note.

The table below shows the reconciliation between income tax and the amounts obtained by applying the current tax rate in Argentina to the income carrying amount:

<u>Composition</u>	<u>12/31/2021</u>	<u>12/31/2020</u>	<u>12/31/2019</u>
Income carrying amount before income tax	24,059,316	59,171,604	69,166,677
Applicable income tax rate	35%	30%	30%
Income tax on income carrying amount	8,420,761	17,751,481	20,750,003
Net permanent differences and other tax effects including the fiscal inflation adjustment	(7,234,729)	1,941,795	5,843,124
Total income tax	1,186,032	19,693,276	26,593,127

As of December 31, 2021, 2020 and 2019, the effective income tax rate is 4.9%, 33.3% and 38.4%, respectively. During fiscal year 2021, the effective income tax rate was affected by the inflation adjustment determined for accounting and income tax purposes, both current and deferred.

Tax inflation adjustment – Fiscal years 2019 and 2020

As decided by the Board of Directors in the meeting held on May 11, 2020, considering certain case law on the matter assessed by its legal counsel and tax advisors, on May 26 of that year, the Bank filed with the Administración Federal de Ingresos Públicos (AFIP, for its acronym in Spanish) its annual income tax return considering the total effect of the inflation adjustment on income tax (see section a) iv) of this note). As a result, the current income tax determined by Banco Macro SA for fiscal year 2019 amounted to 7,002,124 (not restated). The same criterion was applied to determine the annual income tax report for 2020, which generated accrued income tax for Banco Macro SA for such fiscal year that amounted to 9,933,210 (not restated).

In addition, on July 23, 2021, the Bank filed a reimbursement action with the AFIP requesting that 254,305 (not restated) paid as income tax for the 2020 tax period be reimbursed.

As to the tax periods mentioned in previous paragraphs, on November 1, 2021, the AFIP notified the beginning of an income tax audit.

Along with the filings mentioned in the first paragraph of this section, on December 28, 2021, the Bank filed petitions for declaratory judgment with the Federal Administrative Contentious Court for the periods under analysis. The file 22274/2021, for the fiscal year 2019, is in process in Court No. 12 and the file 22278/2021, for the fiscal year 2020, is in process in Court No. 1.

**BANCO MACRO SA AND ITS SUBSIDIARIES**Reimbursement actions – Fiscal years 2013 to 2017 and 2018

On October 24, 2019, Banco Macro SA filed with the AFIP-DGI (Argentine tax authorities) two reimbursement actions under the terms established by the first paragraph of section 81, Law No. 11683 requesting the reimbursement of 4,782,766 and 5,015,451 (not restated amounts) paid to tax authorities as income tax during tax periods 2013 through 2017 and 2018, respectively, arising from the impossibility to apply the adjustment for inflation and other adjustment mechanisms set forth by Income Tax Law (prior to the amendments introduced by Laws No. 27430 and 27468 for periods 2013 through 2017, and as revised in 2019 and amended for the 2018 tax period), plus the related compensatory interest (SIGEA [case and file management system] files No. 19144-14224/2019 and 19144-14222/2019). Since tax authorities have not yet issued a resolution with respect to the abovementioned claims, on August 7, 2020, the Bank filed both reimbursement requests under the terms of section 81, Law No. 11683 with the Federal Contentious and Administrative Trial Courts, which are pending in Courts No. 8 and 2 of such jurisdiction, respectively (cases No. 11285/2020 and 11296/2020). Both cases are currently at the trial stage.

In connection with the tax periods mentioned in the previous paragraph, on December 19, 2019, the AFIP notified the beginning of the income tax audit for the 2018 tax period, and on May 3, 2021, it notified the beginning of the income tax audit for periods 2013 through 2017. On October 4, 2021, the AFIP ended the audit for periods 2013 through 2017 as the Bank had exercised in due time its right to resort to justice, and that the admission of reimbursement is subject to a court decision.

30 INTEREST INCOME

<u>Composition</u>	<u>12/31/2021</u>	<u>12/31/2020</u>	<u>12/31/2019</u>
Interest income			
For cash and bank deposits	13,178	193,460	535,535
For government securities	7,533,921	9,695,363	14,801,330
For debt securities	302,874	2,427,111	2,932,510
For loans and other financing			
Non-financial public sector	1,815,621	4,457,688	2,777,681
Financial public sector	675,993	1,527,637	4,259,168
Non-financial private sector			
Overdrafts	8,072,197	16,321,249	31,963,616
Documents	9,373,376	7,182,686	11,462,624
Mortgage loans	15,282,763	12,187,053	16,651,304
Pledge loans	1,063,465	718,517	1,291,305
Personal loans	48,138,879	49,343,303	61,628,873
Credit cards	14,730,200	17,374,420	27,137,428
Leases	84,257	86,091	373,477
Other	15,494,963	19,945,173	10,814,401
For repo transactions			
BCRA	8,483,343	10,523,216	834,597
Other financial institutions	52,679	144,415	5,915,832
Subtotal Interest and adjustment for the application of the effective interest rate of financial assets measured at amortized cost	131,117,709	152,127,382	193,379,681
Interest and adjustment for the application of the effective interest rate of financial assets measured at fair value through OCI			
From debt government securities	94,314,474	84,972,051	118,078,893
Subtotal Interest and adjustment for the application of the effective interest rate of financial assets measured at fair value through OCI	94,314,474	84,972,051	118,078,893
Total	225,432,183	237,099,433	311,458,574

**BANCO MACRO SA AND ITS SUBSIDIARIES****31 INTEREST EXPENSE**

<u>Composition</u>	<u>12/31/2021</u>	<u>12/31/2020</u>	<u>12/31/2019</u>
Interest expense			
For deposits			
Non-financial private sector			
Checking accounts	1,316,252	2,982,438	810,562
Saving accounts	1,236,778	987,368	1,353,185
Time deposits and investments accounts	87,258,406	81,358,031	119,648,527
For Financing received from BCRA and other financial institutions	156,354	152,200	543,101
For repo transactions			
Other financial institutions	294,566	295,464	691,469
For other financial liabilities	64,385	92,583	384,460
Issued corporate bonds	862,078	2,336,383	4,906,293
For subordinated corporate bonds	3,245,046	3,619,241	3,500,346
Total	94,433,865	91,823,708	131,837,943

32 COMMISSIONS INCOME

<u>Composition</u>	<u>12/31/2021</u>	<u>12/31/2020</u>	<u>12/31/2019</u>
Performance obligations satisfied at a point in time			
Commissions related to obligations	20,369,277	19,612,373	22,876,356
Commissions related to credit cards	12,113,679	12,694,972	12,188,881
Commissions related to insurance	2,284,875	2,417,088	2,402,958
Commissions related to trading and foreign exchange transactions	873,649	810,199	936,862
Commissions related to securities value	758,342	821,854	561,296
Commissions related to loans and other financing	165,704	277,319	327,804
Commissions related to financial guarantees granted	5,917	1,749	8,164
Performance obligations satisfied over certain time period			
Commissions related to credit cards	367,771	645,960	546,251
Commissions related to trading and foreign exchange transactions	38,860	63,245	69,782
Commissions related to loans and other financing	4,814	1,104	21,980
Commissions related to obligations	1,092	1,272	5,846
Commissions related to financial guarantees granted	95	1	4,569
Total	36,984,075	37,347,136	39,950,749



BANCO MACRO SA AND ITS SUBSIDIARIES

33 COMMISSIONS EXPENSE

<u>Composition</u>	<u>12/31/2021</u>	<u>12/31/2020</u>	<u>12/31/2019</u>
Commissions related to debt securities	1,921		
Commissions related to trading and foreign exchange transactions	153,022	177,385	315,682
Commissions paid ATM exchange	2,367,455	1,906,525	1,596,637
Checkbooks commissions and clearing houses	632,278	610,483	684,690
Credit cards and foreign trade commissions	376,275	395,825	711,318
Total	3,530,951	3,090,218	3,308,327

34 NET GAIN FROM MEASUREMENT OF FINANCIAL INSTRUMENTS AT FAIR VALUE

<u>Composition</u>	<u>12/31/2021</u>	<u>12/31/2020</u>	<u>12/31/2019</u>
For measurement of financial liabilities at fair value through profit or loss			
Gain from government securities	16,914,637	15,210,215	3,879,781
Gain from private securities	1,242,871	1,279,712	1,710,968
(Loss) / Gain from derivative financial instruments			
Forward transactions		114,640	3,096,621
Put options	(1,045,763)	629,470	1,161,480
(Loss) / Gain from other financial assets	(9,785)	4,014	371,853
(Loss) / Gain from equity instruments at fair value through profit or loss	(1,038,511)	3,809,140	6,838,401
Gain / (Loss) from sales or derecognition of financial assets at fair value	714,877	52,479	(757,773)
For measurement of financial liabilities at fair value through profit or loss			
Loss from derivative financial instruments			
Forwards transactions	(93,665)		
Total	16,684,661	21,099,670	16,301,331

35 DIFFERENCES IN QUOTED PRICES OF GOLD AND FOREIGN CURRENCY

<u>Composition</u>	<u>12/31/2021</u>	<u>12/31/2020</u>	<u>12/31/2019</u>
Translation of foreign currency assets and liabilities into pesos	4,098,869	4,947,500	(292,592)
Income from foreign currency exchange	548,817	1,436,864	7,479,296
Total	4,647,686	6,384,364	7,186,704

**BANCO MACRO SA AND ITS SUBSIDIARIES****36 OTHER OPERATING INCOME**

<u>Composition</u>	<u>12/31/2021</u>	<u>12/31/2020</u>	<u>12/31/2019</u>
Services	4,309,708	4,336,634	4,135,871
Adjustments and interest from other receivables	1,114,137	1,090,511	1,290,922
Other receivables from financial intermediation	941,365	768,668	
Adjustments from other receivables with CER clauses	349,644	265,857	326,483
Sale of investment properties and other non-financial assets	39,076		
Sale of property, plant and equipment	4,703	11,723	
For derecognition or substantial modification of financial liabilities		345,630	840,649
Sale of non-current assets held for sale (1)			6,777,969
Initial recognition of loans			246,296
Other	1,070,471	1,286,188	2,156,736
Total	7,829,104	8,105,211	15,774,926

- (1) Mainly related to the sale of Prisma Medios de Pago SA, which at the moment it was sold, it was classified as non-current assets held for sale. See also note 12.

37 EMPLOYEE BENEFITS

<u>Composition</u>	<u>12/31/2021</u>	<u>12/31/2020</u>	<u>12/31/2019</u>
Remunerations	28,021,686	29,701,654	30,124,766
Payroll taxes	6,465,594	6,660,723	8,842,615
Compensations and bonuses to employees	3,907,569	2,943,381	3,595,286
Employee services	1,086,375	842,609	1,007,152
Total	39,481,224	40,148,367	43,569,819

38 ADMINISTRATIVE EXPENSES

<u>Composition</u>	<u>12/31/2021</u>	<u>12/31/2020</u>	<u>12/31/2019</u>
Maintenance, conservation and repair expenses	3,317,353	3,426,740	3,525,873
Taxes	2,928,553	2,799,149	3,114,614
Armored truck, documentation and events	2,900,775	3,085,192	3,482,216
Security services	2,039,237	2,135,251	2,433,270
Electricity and communications	2,032,559	2,307,975	2,436,913
Other fees	1,703,123	1,340,859	2,079,772
Software	1,593,483	1,611,687	1,678,900
Advertising and publicity	872,629	651,902	971,916
Fees to directors and syndics	781,557	2,450,162	4,256,995
Insurance	271,659	257,538	249,627
Representation, travel and transportation expenses	241,322	193,655	406,821
Stationery and office supplies	126,078	137,824	210,031
Hired administrative services	124,743	142,769	175,921
Leases	116,677	137,185	462,921
Other	1,042,169	1,268,827	818,845
Total	20,091,917	21,946,715	26,304,635

**BANCO MACRO SA AND ITS SUBSIDIARIES****39 OTHER OPERATING EXPENSES**

<u>Composition</u>	<u>12/31/2021</u>	<u>12/31/2020</u>	<u>12/31/2019</u>
Turnover tax	18,066,915	16,989,091	21,025,270
From credit cards	7,689,184	6,873,317	7,533,310
Charges for other provisions	1,629,783	1,705,046	2,942,073
Deposit guarantee fund contributions	1,041,703	1,116,398	1,183,393
Taxes	472,923	814,772	2,526,574
Interest on lease liabilities (see note 22)	218,729	272,881	250,636
Insurance claims	89,574	95,229	122,463
Loss from sale or impairment of investments in properties and other non-financial assets	71,949	199,819	235,407
From administrative, disciplinary and criminal penalties	41,631		138
Donations	29,514	254,411	574,448
Modification of financial assets (1)			5,889,910
Loss from sale or impairment of property, plant and equipment			93,417
Other	4,852,039	2,587,268	3,038,897
Total	34,203,944	30,908,232	45,415,936

- (1) It was related to a stepped extension of the maturities of certain short-term government securities decided by the Federal Executive Power on August 28, 2019. As of December 31, 2021, 2020 and 2019, these securities are not in the Bank's portfolio.

40 ADDITIONAL DISCLOSURES IN THE STATEMENT OF CASH FLOWS

The statement of cash flows presents the changes in cash and cash equivalents derived from operating activities, investing activities and financing activities during the fiscal year. For the preparation of the statement of cash flows, the Bank adopted the indirect method for operating activities and the direct method for investment activities and financing activities.

The Bank considers as "Cash and cash equivalents" the item Cash and deposits in banks and those financial assets that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

For the preparation of the statement of cash flows the Bank considered the following:

- Operating activities: the normal revenue-producing activities of the Bank as well as other activities that cannot qualify as investing or financing activities.
- Investing activities: the acquisition, sale and disposal by other means of long-term assets and other investments not included in cash and cash equivalents.
- Financing activities: activities that result in changes in the size and composition of the shareholders' equity and liabilities of the Bank and that are not part of the operating or investing activities.

The table below presents the reconciliation between the item "Cash and cash equivalents" in the consolidated statement of cash flows and the relevant accounting items of the statement of financial position:

<u>Reconciliation</u>	<u>12/31/2021</u>	<u>12/31/2020</u>	<u>12/31/2019</u>
Cash and deposits in banks	172,332,578	196,175,043	206,890,307
Debt Securities at fair value through profit or loss	4,860		
Other debt securities	137,080,714	201,079,212	95,371,666
Loans and other financing	513,750	635,049	615,400
Total	309,931,902	397,889,304	302,877,373

**BANCO MACRO SA AND ITS SUBSIDIARIES**

The following table shows additional information on operational cash flows interest:

Composition	12/31/2021	12/31/2020	12/31/2019
Interest paid	(123,672,989)	(56,759,974)	(148,243,074)
Interest collected	215,989,129	232,997,052	294,266,238
Total	92,316,140	176,237,078	146,023,164

The following table shows further information of changes in liabilities arising from financing activities for the year ended December 31, 2021 (lease liabilities changes are disclosed in note 22):

Composition	Financing received from the Central Bank of Argentina and other financial entities	Issued Corporate Bonds	Subordinated Corporate Bonds
Opening balance	1,387,310	7,436,745	51,773,419
Cash flow items			
Proceeds			
Payments	(794,081)	(4,089,740)	(3,013,961)
Non-cash flow items			
Movement in accrued interest	125,794	862,078	3,245,046
Derecognition or substantial modification of financial liabilities	(8,696)	637,144	(192,864)
Difference in quoted prices of foreign currency	121,698		9,513,420
Monetary effects	(394,299)	(1,855,418)	(19,350,891)
Ending balance	437,726	2,990,809	41,974,169

41 CAPITAL STOCK

The Bank's subscribed and paid-in capital as of December 31, 2021, amounted to 639,413. Since January 1, 2019, the Bank's capital stock has changed as follows:

Class	Shares		Capital stock		
	Number of shares	Votes per share	Issued and outstanding	In treasury	Paid-in
Registered Class A shares of common stock	11,235,670	5	11,236		11,236
Registered Class B shares of common stock	658,427,351	1	629,479	28,948(1)	658,427
Total as of January 1, 2019	669,663,021		640,715	28,948	669,663
Own shares acquired (1)			(1,317)	1,317	
Capital stock decrease (2)	(30,265,275)			(30,265)	(30,265)
Capital stock increase (3)	15,662		15		15
Total 2019	639,413,408		639,413		639,413

**BANCO MACRO SA AND ITS SUBSIDIARIES**

Class	Shares		Capital stock		
	Number of shares	Votes per share	Issued and outstanding	In treasury	Paid-in
As of December 31, 2021, 2020 and 2019					
Registered Class A shares of common stock	11,235,670	5	11,236		11,236
Registered Class B shares of common stock	628,177,738	1	628,177		628,177
Total 2021, 2020 and 2019	639,413,408		639,413		639,413

- (1) Related to the repurchase of the Bank's own shares under the programs established by the Bank's Board of Directors on August 8, 2018, October 17, 2018 and December 20, 2018 for the purpose of reducing share price fluctuations, minimizing possible temporary imbalances between market supply and demand.
- The Program dated on August 8, 2018, established, that the maximum amount of the investment amounted to 5,000,000 and the maximum numbers of shares to be acquired were equivalent to 5% of the capital stock. At the end of this program the Bank had acquired 21,463,005 common, registered, Class B shares with a face value of Ps. 1 each one entitled with one vote for an amount of 11,693,676 (nominal value: 3,113,925).
- The Program dated on October 17, 2018, established the start over of the repurchase of the Bank's own shares, with the pending use of funds of the abovementioned Program, already expired. At the end of this program, the Bank had acquired 6,774,019 common, registered, Class B shares with a face value of Ps. 1 each one entitled with one vote for an amount of 3,330,531 (nominal value: 995,786).
- The Program dated on December 20, 2018, established that the maximum amount of the investment amounted to 900,000 and the maximum numbers of shares to be acquired were equivalent to 1% of the capital stock. At the end of this program the Bank had acquired 2,028,251 common, registered, Class B shares with a face value of Ps. 1 each one entitled with one vote for an amount of 942,641 (nominal value: 298,196) of which, as of December 31, 2018 were settled 711,386 common shares for an amount of 310,908 (nominal value: 98,353), and in January 2019 were settled 1,316,865 common shares for an amount of 631,733 (nominal value: 199,843).
- (2) Related to capital stock decrease approved by the Shareholders' Meeting of Banco Macro SA held on April 30, 2019 for an amount of 30,265, equivalent to 30,265,275 common, registered, Class B shares with a face value of Ps. 1 each one entitled with one vote, equivalent to all the own shares acquired as mentioned in section (1). On August 14, 2019 the Bank was notified that the capital stock decrease was registered at the Public Registry of Commerce.
- (3) Related to the capital stock increase through the issuance of 15,662 common, registered, Class B shares with a face value of Ps. 1 each one entitled with one vote, approved by Shareholders' Meeting mentioned in (2), due to the merger effects between Banco Macro SA and Banco del Tucumán SA. On October 29, 2019 the Bank was notified that the capital stock increase was registered at the Public Registry of Commerce.

42 EARNINGS PER SHARE. DIVIDENDS

Basic earnings per share were calculated by dividing net profit attributable to common shareholders of the Bank by the weighted average number of common shares outstanding during the fiscal year.

To determine the weighted average number of common shares outstanding during the fiscal year, the Bank used the number of common shares outstanding at the beginning of the fiscal year adjusted, if applicable, by the number of common shares bought back or issued during the fiscal year multiplied by the number of days that the shares were outstanding in the fiscal year. Note 41 provides a breakdown of the changes in the Bank's capital stock.

The following table reflects the income and shares data used in the basic earnings per share:

**BANCO MACRO SA AND ITS SUBSIDIARIES**

	12/31/2021	12/31/2020	12/31/2019
Net Income attributable to controlling interest	22,872,537	39,477,783	42,573,192
Plus: Potential diluted earnings per common share			
Net Income attributable to controlling interest adjusted as per diluted earnings	22,872,537	39,477,783	42,573,192
Weighted average of outstanding common shares for the fiscal year (in thousands)	639,413	639,413	639,413
Weighted average of outstanding common shares for the fiscal year adjusted as per dilution effect (in thousands)	639,413	639,413	639,413
Basic earnings per share (in pesos)	35.7711	61.7407	66.5828

Dividends paid and proposed

Cash dividends paid during the fiscal year 2019 to the Shareholders' of the Bank amounted to 6,393,978 (not restated), which considering the number of shares outstanding to the date of effective payment that represents 10 pesos per share (not restated).

The Shareholders' Meeting held on April 30, 2020, resolved to distribute cash dividends for 12,788,268 (not restated), which considering the number of shares outstanding at the date of such resolution, represented 20 pesos per share (not restated). During 2020 and 2021, the BCRA issued Communiqués that suspended the payment of earnings distributions, being the last one the Communiqué "A" 7312, which suspended the payment of earnings distributions up to December 31, 2021. As a consequence of the abovementioned suspensions, the Shareholders' Meeting held on October 21, 2020, resolved to distribute a supplementary cash dividend which will be calculated by multiplying the dividend of 20 pesos per share already approved by the Shareholders' Meeting held on April, 30 2020, by the coefficient obtained after dividing the most recent CPI published by the INDEC and informed by such entity to the date on which the BCRA issues its authorization for the payment, by the CPI for the month of April 2020. The aggregate amount to be distributed for this purpose may not exceed the amount of 3,791,722 (not restated).

The Shareholders' Meeting held on April 30, 2021, resolved to distribute cash dividends or dividends in kind, in this case, measured at market value, or any combination of both alternatives for an amount of 10,000,426 (not restated) which considering the number of shares outstanding at the date of such resolution, represented 15.64 pesos per share (not restated), subject to prior authorization of the BCRA, which as mentioned in the previous paragraph, was suspended until December 31, 2021.

On December 16, 2021, the BCRA issued Communiqué "A" 7421, which established as follows: (i) from January 1, 2022, through December 31, 2022, financial institutions will be allowed to distribute up to 20% of the amount of earnings that should have been distributed if the "Earnings distributions" rules had been applied, and (ii) financial institutions that have the BCRA's authorization for the earnings distributions have to perform it in 12 equal, monthly and consecutive installments. For further information see also note 51.

Finally, the Board of Directors' Meeting held on March 9, 2022, resolved to submit for discussion by the Shareholders' Meeting the motion to distribute the amount of 22.18 pesos per share, which shall mean a total amount to be distributed of 14,187,873 subject to prior authorization of the BCRA.

43 DEPOSIT GUARANTEE INSURANCE

Law No. 24485 and Decree No. 540/1995 created the Deposit Guarantee Insurance System, which was featured as a limited, compulsory and onerous system, aimed at covering the risks of bank deposits, as subsidiary and supplementary to the deposit privilege and protection system established under the Financial Entities Law. The abovementioned legislation also provided for the incorporation of Sedesa with the exclusive purpose of managing the Deposit Guarantee Fund (DGF). Sedesa was incorporated in August 1995.

Banco Macro SA holds an 7.7330% interest in the capital stock of Sedesa according to the percentages disclosed by BCRA Communiqué "B" 12305 on March 17, 2022.

**BANCO MACRO SA AND ITS SUBSIDIARIES**

All deposits in pesos and foreign currency placed in participating entities in the form of checking accounts, savings accounts, certificates of deposits or other forms of deposit that the BCRA may determine from time to time shall be subject to the abovementioned Deposit Guarantee Insurance System up to the amount of 1,500 which must meet the requirements provided for in Presidential Decree 540/1995 and other requirements that the regulatory authority may determine from time to time. On the other hand, the BCRA provided from the exclusion of the guarantee system, among others, of any deposits made by other financial entities, deposits made by persons related to the Bank and securities deposits.

44 RESTRICTED ASSETS

As of December 31, 2021 and 2020, the following Bank's assets are restricted:

<u>Composition</u>	<u>12/31/2021</u>	<u>12/31/2020</u>
Debt securities at fair value through profit or loss and other debt securities		
• Discount bonds in pesos regulated by Argentine legislation, maturing in 2033 for the minimum statutory guarantee account required for Agents to act in the new categories contemplated under Resolution No. 622/2013, as amended, of the CNV.	48,691	49,699
• Federal Government Treasury Bonds in pesos adjusted by CER 1.40% maturity 03/27/2023 as of December 31, 2021 and Federal Government Treasury Bonds in pesos adjusted by CER 1%, maturing in 2021, as of December 31, 2020, securing the sectorial Credit Program of the Province of San Juan, production investment financing fund.	44,650	92,346
• Federal Government Treasury Bonds in pesos adjusted by CER 1.40%, maturity 03/27/2023 as of December 31, 2021 and Federal Government Treasury Bonds in pesos adjusted by CER 1%, maturing in 2021, as of December 31, 2020, securing the regional economies Competitiveness Program – IDB loan No. 3174/OC-AR.	18,050	59,423
• Federal Government Treasury Bonds in pesos adjusted by CER 1.40%, maturity 03/27/2023 as of December 31, 2021 and Federal Government Treasury Bonds in pesos adjusted by CER 1%, maturing in 2021, as of December 31, 2020, for the contribution to the Guarantee Fund II in BYMA according to section 45, Law 26831, and supplementary regulations established by CNV standards (NT 2013, as amended).	7,980	4,818
• Discount bonds in pesos regulated by Argentine legislation, maturing in 2033 and used as security in favor of Sedesa (1).		221,067
• Federal Government Treasury letters at discount in pesos maturity 01/29/2021 as of December 31, 2020, securing the transaction of MAE Futuro Garantizado CPC2.		29,585
Subtotal debt securities at fair value through profit or loss and other debt securities	119,371	456,938
Other financial assets		
• Mutual fund shares for minimum statutory guarantee account required for Agents to act in the new categories contemplated under Resolution No. 622/13, as amended, of the CNV.	150,746	155,850
• Sundry debtors – Other.	5,027	17,296
• Sundry debtors – attachment within the scope of the claim filed by the DGR against the CABA for turnover tax differences.	827	1,248
Subtotal Other financial assets	156,600	174,394

**BANCO MACRO SA AND ITS SUBSIDIARIES**

<u>Composition (contd.)</u>	<u>12/31/2021</u>	<u>12/31/2020</u>
Loans and other financing – non-financial private sector and foreign residents		
• Interests derived from contributions made as protector partner (2).	762,500	392,448
Subtotal loans and other financing	762,500	392,448
Financial assets delivered as a guarantee		
• Special guarantee checking accounts opened in the BCRA for transactions related to the electronic clearing houses and similar entities.	15,525,187	18,174,500
• Guarantee deposits related to credit and debit card transactions.	1,877,095	1,989,212
• Other guarantee deposits.	561,975	359,235
• For securities forward contracts.		1,050,173
Subtotal Financial assets delivered as a guarantee	17,964,257	21,573,120
Other non-financial assets		
• Real property related to a call option sold.	77,739	326,668
Subtotal other non-financial assets	77,739	326,668
Total	19,080,467	22,923,568

- (1) As replacement for the preferred shares of former Nuevo Banco Bisel SA to secure to Sedesa the price payment and the fulfillment of all the obligations assumed in the purchase and sale agreement dated May 28, 2007, maturing on August 11, 2021. As the Bank paid such obligations on August 12, 2021, as of the date of issuance of these consolidated financial statements, the pledge over the discount bonds in pesos regulated by Argentine legislation was lifted.
- (2) As of December 31, 2021 and 2020 it is related to the risk fund Fintech SGR and Garantizar SGR. In order to keep tax benefits related to these contributions, they must be maintained between two and three years from the date they were made.

45 TRUST ACTIVITIES

The Bank is related to several types of trusts. The different trust agreements according to the business purpose sought by the Bank are disclosed below:

45.1 Financial trusts for investment purposes

Debt securities include mainly prepayments towards the placement price of provisional trust securities of the financial trusts under public and private offerings (Red Surcos and Secubono). The assets managed for these trusts are mainly related to securitizations of consumer loans. Trust securities are placed once the public offering is authorized by the CNV. Upon expiry of the placement period, once all trust securities have been placed on the market, the Bank recovers the disbursements made, plus an agreed-upon compensation. If after making the best efforts, such trust securities cannot be placed, the Bank will retain the definitive trust securities.

In addition, the Bank's portfolio is completed with financial trusts for investment purposes, trust securities of definitive financial trusts in public and private offering (Secubono, Accicom, Red Surcos and Confibono) and certificates of participation (Arfintech).

As of December 31, 2021 and 2020, debt securities and certificates of participation in financial trusts for investment purposes amounted to 530,899 and 858,799, respectively.

According to the latest accounting information available as of the date of the issuance of these consolidated financial statements, the corpus assets of the trusts exceed the carrying amount in the related proportions.



BANCO MACRO SA AND ITS SUBSIDIARIES

45.2 Trusts created using financial assets transferred by the Bank (securitization)

The Bank transferred financial assets (loans) to trusts for the purpose of issuing and selling securities for which collection is guaranteed by the cash flow resulting from such assets or group of assets. Through this way the funds that were originally used by the Bank to finance the loans are obtained earlier.

As of December 31, 2021 and 2020, considering the latest available accounting information as of the date of the issuance of these consolidated financial statements, the assets managed through Macro Fiducia SA (subsidiary) of this type of trusts amounted to 9,604 and 10,024, respectively.

45.3 Trusts guaranteeing loans granted by the Bank

As it is common in the Argentine banking market, the Bank requires, in some cases, that the debtors present certain assets or entitlements to receive assets in a trust as a guarantee for the loans granted. This way, the risk of losses is minimized and access to the security is guaranteed in case of the debtor's non-compliance.

Trusts usually act as conduits to collect cash from the debtor's flow of operations and send such cash to the Bank for the payment of the debtor's loans and thus ensure compliance with the obligations assumed by the trustor and guaranteed through the trust.

Additionally, other guarantee trusts manage specific assets, mainly real property.

Provided there is no non-compliance or delays by the debtor in the obligations assumed with the beneficiary, the trustee shall not execute the guarantee and all excess amounts as to the value of the obligations are reimbursed by the trustee to the debtor.

As of December 31, 2021 and 2020, considering the latest available accounting information as of the date of the issuance of these consolidated financial statements, the assets managed by the Bank amounted to 2,023,925 and 3,111,878, respectively.

45.4 Trusts in which the Bank acts as trustee (management)

The Bank, through its subsidiaries, performs management duties of the corpus assets directly according to the agreements, performing only trustee duties and has no other interests in the trust.

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

Trusts usually manage funds derived from the activities performed by trustors, for the following main purposes:

- Guaranteeing, in favor of the beneficiary the existence of the resources required to finance and/or pay certain obligations, such as the payment of amortization installments regarding work or service certificates, and the payment of invoices and fees stipulated in the related agreements.
- Promoting the production development of the private economic sector at a provincial level.
- Being a party to public work concession agreements granting road exploitation, management, keeping and maintenance.

As of December 31, 2021 and 2020, considering the latest available accounting information as of the date of the issuance of these consolidated financial statements, the assets managed by the Bank amounted to 12,162,079 and 14,016,687, respectively.

**BANCO MACRO SA AND ITS SUBSIDIARIES****46 MUTUAL FUNDS DEPOSITARY FUNCTION**

As of December 31, 2021 Banco Macro SA, in its capacity as depository company, holds in custody the shares in mutual funds subscribed by third parties and assets from the following mutual funds:

<u>Funds</u>	<u>Number of shares</u>	<u>Equity</u>
Argenfunds Abierto Pymes	3,168,302,605	8,675,711
Argenfunds Ahorro Pesos	66,995,181	872,631
Argenfunds Infraestructura	858,675,481	857,988
Argenfunds Liquidez	3,940,492,382	8,590,718
Argenfunds Renta Argentina	8,106,459	37,950
Argenfunds Renta Balanceada	807,408,546	5,061,751
Argenfunds Renta Capital	20,493,019	2,148,921
Argenfunds Renta Crecimiento	14,134,207	1,461,947
Argenfunds Renta Dinámica	23,460,944,957	744,151
Argenfunds Renta Fija	242,496,051	4,730,857
Argenfunds Renta Flexible	161,003,528	692,335
Argenfunds Renta Global	8,983,257	45,317
Argenfunds Renta Mixta	4,049,362,869	3,061,155
Argenfunds Renta Mixta Plus	564,307	48,574
Argenfunds Renta Pesos	89,790,878	860,997
Argenfunds Renta Total	835,174,866	1,205,078
Argenfunds Renta Variable	272,791,751	7,910
Argenfunds Retorno Absoluto	506,170,325	1,393,096
Pionero Acciones	12,998,068	689,401
Pionero Ahorro Dólares	3,587,847	333,078
Pionero Argentina Bicentenario	420,913,940	1,486,064
Pionero Capital	3,413,461,192	4,225,566
Pionero Empresas FCI Abierto Pymes	213,452,663	1,585,130
Pionero FF	65,976,460	1,471,886
Pionero Gestión	874,454,508	1,432,488
Pionero Pesos	690,082,565	8,178,818
Pionero Pesos Plus	10,380,464,214	74,019,764
Pionero Renta	135,185,699	10,062,687
Pionero Renta Ahorro	338,899,266	9,133,082
Pionero Renta Ahorro Plus	629,066,050	3,468,304
Pionero Renta Balanceado	100,000	100
Pionero Renta Estratégico	713,762,763	3,067,481
Pionero Renta Fija Dólares	2,851,516	218,292
Pionero Renta Mixta I	46,868,574	290,280

**BANCO MACRO SA AND ITS SUBSIDIARIES****47 ACCOUNTING ITEMS THAT IDENTIFY THE COMPLIANCE WITH MINIMUM CASH REQUIREMENTS**

The items recognized by the Bank to constitute the minimum cash requirement effective for December 2021 are listed below, indicating the amounts as of month-end of the related items:

<u>Items</u>	<u>Banco Macro SA</u>
Cash and deposits in banks	
Amounts in BCRA accounts	106,641,108
Other debt securities	
Liquidity letters of Central Bank of Argentina computable for the minimum cash requirements	48,373,222
Government securities computable for the minimum cash requirements	21,570,101
Financial assets delivered as guarantee	
Special guarantee accounts with the BCRA	15,525,187
Total	<u>192,109,618</u>

48 CORPORATE BONDS ISSUANCE

The corporate bonds liabilities recorded by the Bank are as follows:

<u>Corporate Bonds</u>	<u>Original value</u>	<u>Residual face value as of 12/31/2021</u>	<u>12/31/2021</u>	<u>12/31/2020</u>
Subordinated Resetable – Class A	U \$ 400,000,000(1)	U \$ 400,000,000	41,974,169	51,773,419
Non-subordinated – Class B	\$ 4,620,570,000(2)	\$ 2,889,191,000	2,990,809	3,669,124
Non-subordinated – Class C	\$ 3,207,500,000(3)			3,767,621
Total			<u>44,964,978</u>	<u>59,210,164</u>

- (1) On April 26, 2016, the general regular shareholders' Meeting approved the creation of a Global Program for the Issuance of Medium-Term Debt Securities, in accordance with the provisions of Law No. 23576, as amended and further applicable regulations, up to a maximum amount outstanding at any time during the term of the program of USD 1,000,000,000 (one billion US dollars), or an equal amount in other currencies or power units, under which it is possible to issue simple corporate bonds, not convertible into shares in one or more classes. Also, on April 28, 2017, the General and Special Shareholder' Meeting resolved to extend the maximum amount of the abovementioned Global Program up to USD 1,500,000,000 (one thousand five hundred millions US dollars). Finally, on October 20, 2021 due to a Board of Director resolution, the Bank required from the CNV a five-years extension of the abovementioned program, which was approved by the Regulator through a note issued on December 15, 2021.

On November 4, 2016, under the abovementioned Global Program, Banco Macro SA issued Subordinated Resetable Corporate Bonds, class A, at a fixed rate of 6.750% p.a. until reset date, fully amortizable upon maturity (November 4, 2026) for a face value of USD 400,000,000 (four hundred million US dollars), under the terms and conditions set forth in the pricing supplement dated October 21, 2016. Interest is paid semiannually on May 4 and November 4 of every year and the reset date was November 4, 2021.

As of the date of issuance of these consolidated financial statements, the reset rate was established until the maturity date at 6.643% as a result of the benchmark reset rate plus 546.3 basis points, according to the abovementioned terms and conditions. As the Bank had not exercised the option to fully redeem the issuance on the reset date and under the conditions established in the pricing supplement, it was established up to maturity.



BANCO MACRO SA AND ITS SUBSIDIARIES

On the other hand, it could be fully redeem, not partially, and only for tax or regulatory purpose. The Bank used the funds derived from such issuance to grant loans in accordance with BCRA guidelines.

- (2) On May 8, 2017, under the Global Program mentioned in item a.1), Banco Macro SA issued non-subordinated simple corporate bonds Class B not convertible into shares, at a fixed rate of 17.50%, fully amortizable upon maturity (May 8, 2022) for a face value of pesos 4,620,570,000 equivalent to USD 300,000,000 (three hundred million US dollars), under the terms and conditions set forth in the price supplement dated April 21, 2017. Interest is paid semiannually on November 8 and May 8 of every year, beginning on November 8, 2017.

In addition, the Bank may fully redeem the issuance for tax matters, but not partially. The Bank used the funds derived from such issuance to grant loans in accordance with BCRA guidelines.

On October 17, 2018 and October 16, 2019, the Board of Directors decided to pay off these corporate bonds for a face value of pesos 1,229,518,000 and pesos 501,861,000, respectively, equivalent to the amount of purchases made as of those dates.

- (3) On April 9, 2018, under the Global Program mentioned in item a.1), Banco Macro SA issued non-subordinated simple corporate bonds Class C, for a face value of pesos 3,207,500,000, at an annual variable rate equivalent to the sum of (i) Badlar private rate applicable for the related accrued period; plus (ii) an applicable margin of 3.5% p.a., fully amortizable upon maturity (April 9, 2021). Interest will be paid quarterly for the periods due on July 9, October 9, January 9 and April 9 of every year, beginning on July 9, 2018.

In addition, the Bank may fully redeem the issuance for tax matters, but not partially. The Bank used the funds derived from such issuance to grant loans in accordance with BCRA guidelines.

In addition, on October 16, 2019 and January 29, 2020, the Board of Directors decided to pay off these corporate bonds for a face value of pesos 750,500,000 and pesos 44,000,000, respectively.

On April 9, 2021, the Bank cancelled the total principal and interest for a face value of 2,413,000,000.

In addition, on April 21, 2022 the Bank announced a subscription offering of corporate bonds Class E, in US Dollars for a face value from 15,000,000 up to 20,000,000, at a fixed rate, maturing in 24 months from the issuance and settlement date. The issuance of these corporate bonds was approved by the Bank’s Board of Directors in its Meeting held on March 21, 2022.

49 OFF BALANCE SHEET TRANSACTIONS

In addition to note 4, the Bank maintains different off balance sheet transactions, pursuant to the BCRA standards. Below are the amounts of the main off Balance sheet transactions as of December 31, 2021 and 2020:

<u>Items</u>	<u>12/31/2021</u>	<u>12/31/2020</u>
Custody of government and private securities and other assets held by third parties	388,814,394	278,378,506
Preferred and other collaterals received from customers (1)	120,488,512	127,507,767
Outstanding checks not yet paid	11,148,089	11,375,202
Checks already deposited and pending clearance	8,109,217	5,764,262
Written-off credits	4,992,035	6,565,815

- (1) Related to collaterals used to secure loans transactions and other financing, under the applicable rules in force on this matter.

50 TAX AND OTHER CLAIMS

50.1. Tax claims

The AFIP and tax authorities of the relevant jurisdictions have reviewed the tax returns filed by the Bank related to income tax, minimum presumed income tax and other taxes (mainly turnover tax). As a result, there are claims pending at court and/or administrative levels, either subject to discussion or appeal. The most significant claims are summarized below:



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- a) AFIP's challenges against the income tax returns filed by former Banco Bansud SA (for the fiscal years from June 30, 1995, through June 30, 1999, and for the irregular six-month period ended December 31, 1999) and by former Banco Macro SA (for the fiscal years ended from December 31, 1998, through December 31, 2000).

The matter under discussion that has not been resolved as yet and on which the regulatory agency bases its position is the impossibility of deducting credits that have collateral security, an issue that has been addressed by the Federal Administrative Tax Court and CSJN in similar cases, which have issued resolutions that are favorable to the Bank's position.
- b) The AFIP's ex-officio undocumented expenses determinations made on April 19, 2021, for the periods February, April, May 2015 and from July 2015 through January 2018. On October 5, 2021, the Bank filed an appeal to the Federal Tax Court which is in process in Courtroom B, Office 6, under file 2021-96970075.
- c) Ex-officio turnover tax determinations in progress and/or adjustments, as a withholding agent and over municipal fees, pending resolution by the tax authorities of certain jurisdictions.

The Bank's Management and its legal counsel consider no further significant accounting effects could arise from the final outcome of the abovementioned proceedings other than those disclosed in these consolidated financial statements.

50.2. Other claims

In addition, before merging with and into the Bank, Banco Privado de Inversiones SA (BPI) had a pending class action styled "Adecua v. Banco Privado de Inversiones on ordinary proceedings", File No. 19073/2007, pending with Commercial Court No. 3 in and for the CABA, Clerk's Office No. 5, whereby it was required to reimburse to its clients the life insurance amounts overcharged to amounts payable as well as to reduce the amounts charged in this regard in the future; this legal proceeding was concluded upon the abovementioned merger because BPI complied in full with the terms of the court-approved agreement reached with Adecua before answering the complaint. However, in March 2013, when BPI had already been merged with and into the Bank, the trial court resolved to amend the terms of the agreement and ordered the reimbursement of amounts of money to a larger number of clients as compared to the number arising from the terms approved by the court in due time. Such resolution was appealed by the Bank as BPI's surviving company. The appeal was dismissed by the Court of Appeals, which abrogated both the trial court decision and the court-approved agreement, thus ordering the Bank to answer the complaint. This gave rise to the filing of an extraordinary appeal against such decision as well as the subsequent filing of a complaint for the extraordinary appeal denied. On May 5, 2021, the Bank was notified of the dismissal of the complaint appeal, ordering the return of the main process to the CNACAF for continuing with the proceedings, who also submitted them to the trial court, which received them on 09/27/2021 and were requested as effectum vivendi in proceedings "Estado Nacional – Ministerio Producción de la Nación c/ Asociación de Defensa de los Consumidores y Usuarios de la R.A y otros s/Ordinario" (File No. 6757/2013), in which the Bank is not a party, by the commercial court, clerk's office No. 11. As of the date of the issuance of these consolidated financial statements, resolution is still pending.

Moreover, the Bank is subject to three class actions initiated by consumers' associations for the same purpose, all of them currently pending with Commercial Court No. 7 in and for the CABA, Clerk's Office No. 13: a) Adecua v, Banco Macro on ordinary proceedings, File No. 20495/2007; b) Damnificados Financieros Asociación Civil Para Su Defensa et al v, Banco Macro on summary proceedings, File No. 37729/2007; c) Unión de Usuarios y Consumidores v. Nuevo Banco Bisel on ordinary proceedings, File No. 44704/2008. Regarding the actions mentioned in a) and b), on February 1, 2021, an agreement was reached and filed for court approval. On such agreement, the Bank assumed to reimburse to its clients and former clients under the agreement, the 75% (seventy five percent) of the difference between the premium collected for life insurance over the debt balance of several products, and the amount that results from applying 2.45 per thousand on the assured amounts for the period between May 2, 2004, and July 31, 2011, both dates included, plus interest at the current rate of Banco de la Nación Argentina until the final approval of the agreement. On March 16, 2021, the agreement was approved by the Court. In November 2021, the Bank's obligations generated from this agreement were totally fulfilled.

There are also other class actions initiated by consumer protection associations in relation to the collection of certain commissions and/or financial charges or practices and certain withholdings made by the Bank to individuals as CABA stamp tax withholding agent.



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Furthermore, in another case the Bank was challenged for charging credit card users until December 2014 a commission for “purchase limit excess” that consisted of a percentage over the purchase limit excess amount. It was styled “User and Consumer Union et. al v. Banco Macro SA on summary proceedings” [Unión de Usuarios y Consumidores y otro c/ Banco Macro SA s/ Sumarisimo], file No. 31958/2010, pending with Commercial Court No. 1 in and for the CABA, Clerk’s Office No 1. On 03/15/2019 a court order was passed against the Bank from a trial court that ordered the reimbursement for all the collected amounts plus VAT and interest. Although this court decision was appealed, the Bank understands that there is a low probability that a favorable ruling be obtained from the trial court, as the Bank became aware of that the Court of Appeals approved related actions against other two banks, an agreement was reached and filed for court approval on 11/03/2020. On such agreement, the Bank agreed to reimburse to credit card users for the period from August 2007 to December 2014, the amounts collected over the abovementioned items plus VAT over such commissions and interest calculated at the average current rate for Documents transactions in force at Banco de la Nación Argentina. On August 26, 2020, the agreement was approved by the judge. In November 2021, the Bank’s obligations, generated on this agreement, were totally fulfilled.

The Bank’s Management and its legal counsel consider no further significant accounting effects could arise from the final outcome of the abovementioned proceedings other than those disclosed in these consolidated financial statements.

51 RESTRICTION ON DIVIDENDS DISTRIBUTION

- a) According to BCRA regulations, 20% of Banco Macro SA income for the year (calculated in accordance with BCRA rules), without including Other comprehensive income, for the year plus/less prior-year adjustments and less accumulated losses as for the prior year-end, if any, should be allocated to the legal retained earnings.
- b) Through Communiqué “A” 6464, the BCRA establishes the general procedure to distribute earnings. According to that procedure, earnings may only be distributed if certain circumstances are met, such as no records of financial assistance from the BCRA due to illiquidity or shortages in payments of minimum capital or minimum cash requirement deficiencies and not being subject to the provisions of sections 34 and 35 bis of the Financial Entities Law (sections dealing with tax payment and restructuring agreements and reorganization of the Bank), among other conditions listed in the abovementioned communiqué that must be met. In addition, the earnings distribution approved by the Shareholders’ Meeting of the Bank could only be formalized once the Superintendence of Financial and Foreign Exchange Institutions approved it.

In addition, profits may only be distributed to the extent that the financial institution has positive results, after deducting, on a non-accounting basis, from retained earnings and the optional reserves for the future distribution of profits, (i) the amounts of the legal and other earnings reserves which are mandatory, (ii) all debit amounts of each one of the accounting items recognized in “Other Comprehensive Income”, (iii) income from of the revaluation of property, plant and equipment, intangible assets and investment property, (iv) the positive net difference between the amortized cost and the fair value of government debt instruments and/or monetary regulation instruments issued by the BCRA for those instruments recognized at amortized cost, (v) the adjustments identified by the Superintendence of Financial and Exchange Entities of the BCRA or by the independent external auditor and that have not been recognized in the accounting records and (vi) certain franchises granted by the BCRA. Additionally, no profit distributions shall be made out of the profit originated as a result of the first-time application of the IFRS, for which a Normative reserve was created, and its balance as of December 31, 2021 was 10,987,097 (nominal value: 3,475,669).

As of December 31, 2021, the related adjustments to be made on unappropriated retained earnings of Banco Macro SA are as follows:

- i. Other comprehensive income amounted to 266,270.
- ii. The positive net difference between the amortized cost and the fair value of government debt instruments and/or monetary regulation instruments issued by the BCRA for those instruments recognized at amortized cost for 1,707,237.

The Bank must verify that, after completion of the earning distribution, a capital maintenance margin equal to 3.5% of risk-weighted assets is kept, apart from the minimum capital required by law, to be integrated by Tier 1(Con1) ordinary capital, net of deductible items (CDCOn1).



BANCO MACRO SA AND ITS SUBSIDIARIES

Additionally to what was previously mentioned, and according to BCRA Communiqué “A” 7312, the earning distribution was suspended up to December 31, 2021. In accordance with BCRA Communiqué “A” 7421, effective since January 1 and up to December 31, 2022, financial institutions will be allowed to distribute their earnings up to 20% of the amount that would have been distributed if the “earning distributions” rules had been applied. Since January 2022, financial institutions that have the BCRA authorization for earnings distributions have to perform it in 12 equal, monthly and consecutive installments.

- c) Pursuant to CNV General Resolution No. 622, the Shareholders’ Meeting in charge of analyzing the annual financial statements will be required to decide on the application of the Bank’s retained earnings, such as the actual distribution of dividends, the capitalization thereof through the delivery of bonus shares, the creation of earnings reserves additional to the legal earnings retained or a combination of any of these applications.

In compliance with the abovementioned the General Regular and Extraordinary Shareholders’ Meeting of Banco Macro SA held on April 30, 2021 and taking into account that at the end of the fiscal year ended December 31, 2020, the Bank had negative unappropriated retained earnings for 50,602,847 and personal property tax on business corporation for 311,944, decided to apply them as follows (figures stated in terms of purchasing power as of December 31, 2020):

- a) 30,268,993 to the net income for the fiscal year 2020;
- b) 442 to the voluntary reserve; and
- c) 20,645,356 to the voluntary reserve for future distributions of earnings.

In addition, the abovementioned Shareholders’ Meeting resolved to distribute cash dividends which is described in note 42.

52 CAPITAL MANAGEMENT, CORPORATE GOVERNANCE TRANSPARENCY POLICY AND RISK MANAGEMENT

As financial institution, the activities of Banco Macro SA are governed by Financial Entities Law No. 21,526, as supplemented, and the regulations issued by the BCRA. Moreover, the Bank adheres to the good banking practices included in the Financial Entities Corporate Governance Guidelines, as supplemented of the BCRA.

The Bank publicly trades its shares on the Buenos Aires Stock Exchange (BCBA, for its acronym in Spanish) and, thus, it is subject to the regulations issued by the CNV.

Through General Resolution No. 797/19, the CNV established the minimum contents of the Corporate Governance Code, adding notions of good corporate governance to corporate management as guidelines or recommendations that seek to provide transparency thereto. The CNV annually requires the issuance of a report in which financial institutions have to explain how the recommendations are implemented or to explain the reasons why it decided not to adopt the good practices described in such resolution. The Bank annually publishes a document called Corporate Governance Explanatory Report together with the Annual Report to the Shareholders for the fiscal year, required by regulations, which is available on the Bank’s website and on that of such enforcement agency.

This regulation reinforces the notions contained in Capital Markets Law establishing principles such as “full disclosure”, “transparency”, “efficiency”, “public investor protection”, “equal footing between investors” and “protection of the stability of financial entities and financial intermediaries”.

On the other hand, as the Bank lists its shares on the NYSE, qualifying as a foreign private issuer, it is required to comply with certain corporate governance standards as established in section 303A of the NYSE’s Listed Company Manual, as amended.

The main guidelines under the BCRA standards contemplated in the revised text “Financial Entities Corporate Governance Guidelines”, as supplemented, are as follows:

**BANCO MACRO SA AND ITS SUBSIDIARIES**

- Ownership structure

As of December 31, 2021, the Bank’s shareholders are:

<u>Full name / corporate name</u>	<u>Participating Interest</u>	<u>Voting Interest</u>
Fideicomiso de Garantía JHB BMA (1)	17.28	19.65
Carballo Delfin Jorge Ezequiel	17.47	19.19
ANSES FGS Law No. 26425	28.80	26.91
Grouped shareholders (Local Stock Exchanges)	10.36	9.87
Grouped shareholders (Foreign stock exchanges)	26.09	24.38

- (1) As of the date of issuance of these consolidated financial statements and due to the passing of Mr. Jorge Horacio Brito on November 20, 2020 and as a testamentary disposition, his shares were transferred, ad referendum of BCRA, to Fideicomiso de Garantía JHB BMA, which the beneficiaries are his forced heirs.

- Board of Directors and Senior Management

The Bank’s Board of Directors is currently made up of 13 regular members. Members are renewed by thirds and the appointed Directors remain in office for three fiscal years. Directors are selected and appointed by the Shareholders’ Meeting. Once elected, the BCRA must confirm the designation of the Directors, expressly authorizing them to accept the designation, pursuant to the terms as to experience and knowledge, contained in the rules CREFI 2-Creation, Operation and Expansion –XV- Financial Entities Authorities.

<u>Name</u>	<u>Position</u>
Delfin Jorge Ezequiel Carballo	Chairperson
Jorge Pablo Brito	Vice chairperson
Carlos Alberto Giovanelli	Director
Nelson Damián Pozzoli	Director
Fabian Alejandro De Paul (1)	Director
Constanza Brito	Director
Sebastián Palla (1)	Director
Mario Luis Vicens (1)	Director
Delfin Federico Ezequiel Carballo	Director
Marcos Brito	Director
Ramiro Tosi (1)(2)	Director
Mariano Ignacio Elizondo (1)	Director
Guillermo Merediz (1)(2)	Director
Juan Santiago Fraschina (1)(2)	Alternate director
Alan Whamond (1)	Alternate director

- (1) Independent directors.
 (2) Designated by Anses-Fgs.

Directors should be morally suitable, experienced and knowledgeable in the banking business and meet the requirements established in the effective regulations, issued by the BCRA. Compliance with these requirements is assessed when the Shareholders’ Meeting appoints the directors and on a regular basis during their term of office.

At present, six Directors are independent, pursuant to the provisions of the CNV rules and regulations and the provisions of the Financial Entities Corporate Governance Guidelines issued by the BCRA.

Senior Management is directed by a General Manager appointed by the Board and also includes officers reporting directly to the general manager, forming the Senior Management, as well as officers of four staff areas reporting directly to the Board. Members are detailed below:

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<u>Name</u>	<u>Position</u>
Gustavo Alejandro Manriquez	CEO
Gerardo Adrian Álvarez	Human resources and administration manager
Alberto Figueroa	Internal audit manager
Ernesto López	Legal manager
Ana María Magdalena Marcet	Credit risk manager
Juan Domingo Mazzon	Government and Management control manager
Ernesto Eduardo Medina	System manager
Brian Anthony	Commercial banking manager
Francisco Muro	Distribution and sales manager
Jorge Francisco Scarinci	CFO
Agustín Devoto	Investment banking manager
Adrian Mariano Scosceria	Corporate banking manager

- Committees

The corporate by-laws state that the Board of Directors may establish the Committees that it deems appropriate for the business of the Bank, as well as appoint their members. The Bank currently features the following Committees:

<u>Committee</u>	<u>Functions</u>
CNV Audit / SEC	They are established in Capital Markets Law, as supplemented.
Internal Audit	Overseeing the proper operation of the internal control systems defined at the Bank through a periodic assessment thereof and contributing to improving the effectiveness of internal controls.
Risk Management	It is in charge of monitoring Senior Management's activities involving the management of credit, market, liquidity, operational, compliance and reputation risks, among others. It advises the Board of Directors on the Bank's risks.
Assets and Liabilities	Setting out the Bank's financial strategy, analyzing the markets and establishing the policies on assets and liabilities, management of market, liquidity, interest rate and currency risks.
IT	Overseeing the proper operation of the information technology environment and contributing to improving the effectiveness thereof.
Credit	Approving credit transactions based on credit capacity.
Legal Recovery	Engaged in defining payment arrangements exceeding the predetermined parameters, as well as reclassifying portfolio to be subject to legal proceedings or accounting derecognitions
Personnel Incentives	Ensuring the financial incentives for personnel system is consistent with the culture, the objectives, the business in the long term, the strategy and the control environment of the Bank.
Ethics and Compliance	Ensuring the Bank has the proper means to promote correct decision-making and compliance with internal and external regulations.
Corporate Governance and Designations	The Committee's duties include those related to the process of renewing and replacing Senior Management members and the succession plans. It is also in charge of applying the Corporate Governance Code at the Bank and at its subsidiaries.



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<u>Committee</u>	<u>Functions</u>
Anti-money Laundering of assets and terrorism financing	Planning and coordinating compliance with the policies established by the Board of Directors on the matter.
Financial Services User Protection	The duties of this Committee include those related to ensure the existence and maintenance of a financial services user protection process and a customer service system.

- Code of ethics
The Bank has established a Code of Ethics for directors and senior management, expecting that their members act according to the highest standards of personal and professional integrity in all aspects of their activities; to comply with the applicable law, to discourage reproachable behaviors and to comply with the Bank’s Code of Conduct and other policies and procedures governing employee conduct. This Code of ethics is supplemental to the Bank’s Code of Conduct.
- Code of Conduct
The Entity promotes a work environment where responsibility, execution, commitment, results, loyalty, honesty, good communication and teamwork are encouraged.
The goal is to base daily relationships on mutual respect, trust and cordial and simple behavior between coworkers and bosses as well as with suppliers and customers, developing all the activities with the highest ethical working and personal principles.
In that direction, the Code of Conduct is intended to establish the principles and values that all Bank members must comply. The trust provided by shareholders, customers and the general public depends to a large extent on compliance with these principles.
- Ethical line
According to ethical behavior standards, an Ethical line or a report channel was implemented for the Bank and its subsidiaries, Macro Securities SA, Macro Fondos SGFCI SA, Macro Fiducia SA, Argenpay SAU and Fintech SGR, which is managed by an external third party, ensuring compliance with anonymity and confidentiality principles.
Reports are received by the Ethical and Compliance Committee, which becomes aware of them, as well as the resolution of cases, following the protocols.

Branches

As of the date of issuance of these consolidated financial statements, the Bank has 466 branches throughout the entire country.

Subsidiaries

The Bank carries out certain transactions through its subsidiaries, which are identified in note 3 to these consolidated financial statements.

Business lines

The Bank’s business lines and transactions with trusts are mentioned in notes 1 and 45, respectively.

- Incentive practices
The Bank adopts a compensation policy that comprises fixed and variable compensation; the latter is granted within the framework of an objective and competency assessment process.
The variable compensation program, in the context of the compensation policy, is consistent with the Bank’s mission, values, organization, objectives, long-term business sustainability, strategy, control environment and the prudent assumption of risk. It is aimed at recognizing the extraordinary performance displayed by employees according to:



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- Their contribution to the results reached.
- Their management in keeping with the Bank's mission and values.

The key variables in determining compensation are:

- The level of responsibility and complexity of the position.
- The person's competencies and potential.
- The person's performance and outcomes.
- The position with respect to the benchmark market.
- The results reached by the Bank.

The Incentives Committee is in charge of ensuring the financial incentives for personnel system are consistent with the culture, the objectives, the business in the long term, the strategy and the control environment of the Bank, and the prudent assumption of risks.

The Bank aims at compensating personnel ensuring performance recognition, internal equity, competitiveness, productivity, efficiency and added value.

- Role of financial agent

The Bank acts as financial agent in the Provinces of Misiones, Salta, Jujuy and Tucumán and the Municipalities of San Miguel de Tucumán and Yerba Buena.

- Corporate Sustainability Policy

The Bank is aware of its responsibility towards the surrounding communities. The Corporate Sustainability area promotes this development by fostering and implementing policies and actions that exert a positive social, environmental and economic impact.

Thus, it engages in constant dialogue with the different areas and stakeholders with the ultimate goal of creating social value and drafting policies aimed at promoting a fair, supporting and equal world.

These sustainability values are disclosed in the Comprehensive Report as a major milestone to align the financial information (in documents such as the Letter to the Shareholders and financial statements) and ensure their integration and consistency with corporate sustainability.

- Anticorruption policy

Pursuant to Law No. 27401 (Law on Corporate Criminal Liability), the Board establishes that officers and employees of the Bank and its subsidiaries shall not offer to pay, pay or authorize the payment of money or anything of value to (public) officers to obtain or keep a business. It also extends these guidelines to the private sphere. These principles are contained in the Code of Ethics for directors and senior managers, and the Code of Conduct for all employees. Besides, the Bank has a Code of Conduct for suppliers.

The laws of other jurisdictions with similar prohibitions apply, especially the Foreign Corrupt Practices Act (FCPA), because Banco Macro SA is a foreign company that lists its shares in the NYSE and is subject to SEC control and oversight.

The Group companies that wish to perform any transaction involving any public administration officer, public agency or public company, either Argentine or foreign, shall communicate this event in advance to the Board through the General Manager and inform, before the transaction is conducted, the agents or intermediaries that may be involved in the transaction. The Bank also has a manual with guidelines for interacting with public officers.

This communication duty is not mandatory for the transactions derived from agreements with provincial financial agents (except for the subscription of framework agreements), ordinary bank transactions (for example, payroll processing) and the transactions that do not pose any major risk due to the minimum amounts involved.

Although these anticorruption policies are aimed at transactions within the public sector, they also apply to transactions between private parties, as specifically set forth in the Code of Ethic and the Code of Conduct.

The Bank has in place an Anticorruption Policy and an Integrity Program. The Ethics and Compliance Committee will be responsible for its adoption, follow-up and period reporting to the Board.



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- Transactions with related parties – Policy on conflict of interest

As an authorized financial institution, Banco Macro SA complies with the provisions and reporting requirements established in Financial and Foreign Exchange Entities Law No. 21526 and the regulations issued by the regulatory agency (BCRA).

As established by law (Argentine Business Company Law No. 19550), specific applicable regulations (Capital Markets Law, as supplemented), professional accounting standards (Technical Resolution No. 21), IAS 24 and best practice recommendations, the Bank reports on the transactions with related parties in notes to the financial statements. Such transactions are carried out under usual market conditions. See also note 20.

Under current Argentine legislation, directors are required to perform their duties with the loyalty and diligence of a prudent businessman. Directors are jointly and severally liable to the Bank, the shareholders and third parties for a poor performance of duties and infringements to the law, bylaws and regulations, as the case may be, and are responsible for repairing the damages caused by fraud, abuse of authority or negligence.

The loyalty duties of a director are considered to include: (i) the ban from using corporate assets and the confidential information to which he/she may have access for personal purposes; (ii) the ban from taking advantage or, due to errors or omissions, allowing a third party to take advantage of the Bank's business opportunities, (iii) the obligation of acting as director only for the purposes established in the law, the Bank's bylaws or the intention of the shareholders or the Board of Directors; and (iv) the obligation of taking extreme care so that the acts conducted by the Board of Directors have no direct or indirect effects against the Bank's interests.

A director should notify the Board of Directors and the Audit Committee about any conflict of interest such director may have in a transaction proposal and should refrain from voting on the matter.

- Public information

The information related to corporate governance at the Bank is included within the transparency policy contained in such precepts and, hence, is available to interested members of the public on the website www.macro.com.ar ("*Conocenos*" – *Relaciones con Inversores*) and additionally, some guidelines are disclosed in other notes to these consolidated financial statements. Moreover, the Bank's public information is disclosed on the websites of the BCRA (www.bcr.gov.ar) and the CNV (www.cnv.gov.ar).

In addition, the Bank publishes the Market Discipline Report, pursuant to the guidelines established by the BCRA for such information regime, in accordance with the criteria of the Basel Banking Supervision Committee, which is available at the Bank's website.

Integral Risk management

Within the framework of the Corporate Governance policy, the Board of Directors of the Bank resolved the creation of a Risk Management Committee. The Bank has appointed a Risk Manager who reports directly to the Board of Directors.

Its duties include ensuring that an independent risk management be established, establishing policies, procedures and measurement methodologies and report systems which allow the identification, measurement and monitoring of the risk under its charge and also the duties of each organizational level in the process.

The risk management process includes the establishment of the exposure limits for each risk by the Board of Directors, a follow-up on the exposure to each limit by the persons in charge, the preparation of regular reports for the Risk Management Committee, a follow-up on the alerts and the implementation of action plans regarding the alerts and the guidelines for developing stress tests.

The system supplements the policies and procedures specific to each risk (Financial, Credit, Operational, Counterparty Credit, Country Risk, Securitization, Reputational, Compliance, Strategic Risks, among others).

In addition, the Credit Risk Management area is in charge of interpreting, executing and guaranteeing the application of the General Credit Policy as approved by the Board of Directors, pursuant to the internal and external standards and regulations on the matter. Credit Risk Management reports functionally to the General Manager.



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Risk Management

The Risk Management area is in charge of the Financial Risk, Credit Risk and Operating and Technology Risk areas.

The main procedures carried out by the Risk Management Department are:

- Stress tests

The process of stress test includes documenting and formalizing the program as well as the persons in charge of carrying it out, the frequency of testing and the validation of the system. It also contemplates the Contingency Plan based on the test results. The Risk Management Committee leads and coordinates this application.

- Economic Capital Calculation

The Risk Management Department estimates the economic capital for each one of the individual risks (Market, Liquidity, Interest Rate, Credit, Counterparty Credit, Concentration, Operational, Securitization, Strategic and Reputational) determined for the Bank on a consolidated basis with its subsidiaries with the same scope as the regulation. The methods used to deal with subsidiaries are exactly the same.

The economic capital sufficiency evaluation process is an integral part of the corporate governance and risk management culture of the entities.

Quantified economic capital was implemented as a formal procedure, both currently and prospectively, and is a tool used in the day-to-day management of risks, in preparing the Business Plan and the Stress Tests.

The methods used to measure the economic capital of each risk were documented and approved by the Management, pursuant to the internal rules on Corporate Governance and Risk Management.

The results must serve to support decision-making, including strategic decisions adopted by the Board and the Senior Management. In this way they may:

- Estimate the level and trend of the relevant risks and the effects thereof on capital needs.
- Evaluate the reasonability of the basic assumptions used in the capital measuring system and the sensitivity of the results to changes in those assumptions.
- Determine whether the Bank has sufficient regulatory capital to cover the different risks and if it meets the capital sufficiency goals required.
- Consider its future capital requirements based on the risk profile and, according thereto, introduce the necessary adjustments into the strategic plan.

The essential elements of the capital evaluation include:

- Policies and proceedings ensuring the risk management process.
- A process connecting economic capital with risk level.
- A process establishing capital sufficiency goals based on the risks, taking into account the strategic approach and the business plan.
- An internal control process, in order to secure a comprehensive risk management.

The Bank actively uses guarantees to mitigate its credit risk.

Excessive risk concentration:

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

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In addition, note that the Bank meets the provisions established by the BCRA as regards maximum assistance limits to given groups of debtors, in order to atomize the portfolio, reducing credit risk concentration.

The main types of risks that the Bank is exposed to are those related to credit risk, liquidity risk, market risk, interest rate risk, foreign currency exchange rate risk, and operational risk.

Minimum capital requirements:

The table below shows the minimum capital requirements measured on a consolidated basis, effective for the month of December 2021, together with the integration thereof (computable equity) as of the end of such month:

<u>Item</u>	<u>12/31/2021</u>
Minimum capital requirements	57,748,908
Computable equity	255,515,796
Capital surplus	197,766,888

The following are the policies and processes aimed at identifying, assessing, controlling and mitigating each one of the main risks:

52.1 Credit Risk

Credit risk is the risk that the Bank incurs a loss because its customers or counterparties fail to discharge their contractual obligations.

The Bank manages and controls credit risk by setting limits on the amount of risk it is willing to accept and by establishing indicators for monitoring.

The Board approves the credit and risk assessment policy to provide a framework to generate businesses to achieve a proper relationship between the risk assumed and profitability. The Bank has procedure manuals detailing the related guidelines, compliance with effective regulations and limits set. The goals are:

- Achieving an adequate portfolio segmentation per type of customer and economic sector.
- Enhancing the use of tools to analyze and assess risk that best adjust to the customer's profile.
- Establishing consistent guidelines to grant loans following conservative parameters based on the customer's solvency, cash flows and profitability in the case of companies, and revenues and equity in the case of individuals.
- Establishing limits to individual powers to grant credits according to their amount, tending to the existence of specific committees, which, according to their scope of influence, will define the levels of assistance.
- Enhancing the quality of the risk assumed, with proper guarantees according to the term of the loan and the level of risk involved.
- Monitoring on an ongoing basis the loan portfolio and customer level of compliance.

Credit risk management involves the existence of a structure with the characteristics needed to attain the organizational goals during the stages of the credit cycle: admission, follow-up, monitoring and recovery.

The risk assessment process is differentiated based on whether customers belong to Corporate Banking or Retail Banking.

To assess Corporate Banking customers, the Bank has different methods involving different responsibility levels that become increasingly complex according to the size of the transactions in terms of assistance types and amounts, weighed by terms and hedges with guarantees.



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For the authorization of assistance involving small amounts, self-liquidating collaterals or temporary assistance, the Bank grants special credit powers, on a personal basis, to higher-ranking officials based on their knowledge, experience and training. At any rate, the use of these powers is associated with the outcome of an objective assessment, avoiding any discretion in the credit approvals.

To grant predefined products and restricted amounts to the Small Companies and Agro segments, the Bank has standardized assessment systems that are used on a decentralized manner and include origination scoring and screening methods to admit and assign limits, based on the customers' economic, financial and equity information. There is also a centralized massive qualification periodic process that Credit Risk Management makes available to branches on a continuous basis.

When transactions in amount the instances of authorization by delegated powers or through the decentralized risk analysis, ratings are approved in the Credit Committees. The powers vested on the different decision-making bodies are continuously reviewed to adjust them to the Bank's volume of transactions and thus improve credit rating.

The risk analysis of assistance addressed in the Credit Committees is carried out at the Corporate Risk Management Department by specialized risk analysts that prepare separate risk reports per customer or group of companies, which are provided to Committee members to support the credit decisions made.

Risk reports include, at least, information regarding the use of loans and their source of repayment, the debtor's historical and current behavior and the group of companies to which it belongs; the debtor's repayment capacity based on cash flows; the guarantees that will cover the transactions, the ownership status, the enforcement possibilities and their sensibility to the changes in the economy; the market in which the debtor operates and the debtor's position, and the debtor's equity, economic and financial position and possibility of accessing loans.

The Committees' resolutions include the terms and conditions applicable to the assistance in terms of the amount, currency, terms, guarantees and follow-up provisions, among others. The decisions are based on the debtor's cash flows and payment capacity and only to a secondary extent on debtor's equity and risk mitigating factors.

Credit risk assessment for Retail Banking customers, is governed by specific policies that consider customers' inclusion in one of the following segments:

- Salary Plan customers (Public and Private) and retirees whose their retirements and pensions are deposited in the Bank.
- Open Market customers.

To speed up origination circuits, the Credit Risk Management has widened the use of scoring methods, which impose a minimum limit for the customer to be admitted for credit purposes, considering an acceptable delinquency level.

Consumer portfolio qualifications are available on a permanent basis to branches in the system called Customer Relationship Management (CRM) and to customers through digital channels, which allows operating within the limits and conditions approved by the Credit Risk Management on a centralized basis. This modality restricts the operating risks that are inherent to the assessment.

For new nonprequalified customers, the originator enters the requested transactions in the risk assessment system related to the customer segment, which approves or rejects the transaction; if approved, maximum assistance amounts by product are provided. Assessment systems are mainly based on an admission and certain maximum indebtedness rules and installment/income ratio. The assessment systems are based mainly on a qualification score and certain maximum indebtedness and installment/income relationship rules.

There are specific rules regarding the debtor's file integration to duly document the data entered into the assessment systems. Credit risk officers also define a credit power system based on the margins to be approved and, if applicable, the exceptions admitted.



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The so-called “Critical controls” have automated the assessment process and its relationship with the loan settlement process. With that implementation, all customers must have a CRM-approved (individual or massive) assessment, an essential requirement to be granted a credit product. In addition, as part of the assessment process, the exception flow and the control of credit powers were automated. These actions managed to reduce operating risks and allowed tracing transactions and their approval levels.

The Bank adopts processes to detect interrelated debtor groups with correlated risk (group of companies) and to group risk exposures with the same debtor or counterparty in different lines of credit.

Before the transactions are settled, a series of controls are implemented to reduce related credit and operating risks and classify transactions within the technical relationships regulatory framework.

The Bank implements a formal, robust and well-defined process to manage nonperforming loans. These procedures are differentiated based on the type of portfolio and delinquency status.

To mitigate credit risk, guarantees are requested on agreed financing. A particular area of the Credit Risk Management Department manages all guarantees received by the Bank and assesses and updates regularly the appraisal value and effective term to monitor the quality of risk mitigators.

Credit risk allowances of the loan portfolio

As from 2020, the Bank’s policy concerning credit risk allowances is based on the calculation of ECL based on analytical models (statistical models related to loan portfolio management) pursuant to IFRS 9. According to the guidelines in section 5.5. on Impairment (including the principles and methods to recognize ECL due to significant increases in credit risk and the subsequent impairment of financial assets for ECL), the Bank recognizes the impairment of its financial assets.

The criterion to assess whether an instrument is impaired will depend on the type of analysis to which customers are exposed: to estimate ECL on a collective basis, disclosures are grouped based on customer segments showing similar risk characteristics that are relevant for their analysis, while the purpose of the individual assessment is the ECL estimate for customers with significant risk or customers which require a specific treatment, or do not have consistent characteristics with other portfolio segments for which the statistic information is insufficient to predict future behavior.

The following chart shows the composition of loan loss allowances according to the type of financial instrument as of December 31, 2021, and 2020:

<u>Composition</u>	<u>12/31/2021</u>	<u>12/31/2020</u>
Loans and other financing	9,631,477	14,985,662
Loans commitment	353,085	35,018
Other financial assets	26,448	28,569
Other debt securities at amortized cost	3,753	8,259
Other debt securities at fair value through OCI	16,304	9,002
Total	10,031,067	15,066,510

The Credit Risk Management manages credit risk, which consists of identifying, assessing, following up, controlling and mitigating this risk across credit cycle stages.

The Credit Risk Management Office designs and develops ECL models. It reports to the Credit Risk Management, which is also in charge of designing and calculating rating and scoring models to quantify credit risk and the measures to calculate PD, EAD and LGD, as well as other models to calculate the impact of the prospective view.

The Administration and Credit Operation Management, through the Credit Review area, analyze the entire portfolio under individual assessment and classifies customers in different credit risk stages. Together with the Corporate Risk and Credit Recovery Management Departments (that contribute their view from a standpoint of risk assessment and recovery management), they calculate ECL for corporate customers in stage 2 and stage 3.



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The definitions and assessment of ECL are regularly presented to the Risk Management Committee, which approves the model methodologies, adjustments and validation.

52.1.1 Assessment of credit risk impairment

Definitions of significant increase in risk (SICR), impairment and default

The Bank recognizes the impairment of its financial assets according to point 5.5. of IFRS 9. To such end, the Bank calculates the ECL of financial instruments over a three stage risk model based on the changes in credit quality detected since the initial recognition, as summarized below:

- Stage 1: includes financial instruments which credit risks have not increased significantly since initial recognition;
- Stage 2: includes financial instruments which significantly SICR but it is not yet considered credit-impaired, and
- Stage 3: comprises credit-impaired financial instruments.

The Bank measures ECL according to the following definitions:

- For financial instruments included in Stage 1, the Bank measures ECL as the portion of lifetime ECL that result from potential default events within the next 12 months.
- For financial instruments included in Stages 2 and 3, the Bank measures lifetime ECL.
- To calculate ECL, prospective information is considered according to IFRS 9.

Default

The default status is defined according to the type of portfolio and segment, and thus, the impairment model is applied in accordance with the risk of each transaction. The default status is defined as follows:

- For the Commercial Portfolio: there is a “Default” if the customer, based on an individual analysis, has been classified in Stage 3, as described in “Customers analyzed on an individual basis.”
- For the Medium-sized and large companies and Corporate segments of the Commercial Portfolio Comparable to Consumer: there is a “Default” if the customer has a transaction that is more than 90 days past due or if a refinancing loan has been granted.
- For the Consumer Portfolio or the Commercial Portfolio Comparable to Consumer (excluding Medium-sized and large companies and Corporate segments): there is a “Default” if the transaction is more than 90 days past due or if a refinancing loan has been granted in relation to the product assessed in the performance period.

Customers analyzed on a collective basis:

For the group of transactions in the Consumer portfolio and the Commercial Portfolio Comparable to Consumer, which is deemed a collective analysis portfolio, the Bank defined the application of the following delinquency criteria under IFRS 9:

- Stage 2: it involves the transactions that are more than 30 days past due, refinanced transactions that are more than 90 days past due, and those with PD differences between the time of transaction observation and origination and implying a SICR in absolute and relative terms.
- Stage 3: transactions that are more than 90 days past due.

Thus, summing up, the criterion used by the Bank to define the different transaction staging rules, according to its reporting structure, depend on the following characteristics:

- Type of product
- Segment
- Portfolio



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- Delinquency
- Refinancing
- SICR under qualitative criterion

ECL calculation:

The ECL is calculated using the following formula, the parameters of which are described below:

$ECL = PD \times EAD \times LGD$

Probability of default (PD)

The PD represents the probability of not paying for a transaction within a given term.

To calculate expected losses, the Bank considers the creation of two types of probabilities of default:

- PD at 12 months (Point in Time – PIT): this is the estimated probability of occurrence of a default in the next 12 months of life of the instrument after the analysis date. The Bank uses this criterion for the transactions with no SICR.
- PD Lifetime: this is the estimated probability of occurrence of a default throughout the remaining life of an instrument, i.e. the PD referring to the maximum contractual term during which the entity is exposed to the credit risk. The Bank applies this criterion to transactions with SICR (Stage 2), as established in IFRS 9.

The PDs are assessed per customer in individual analyses and per product in the case of customers analyzed collectively.

The PDs are amended by the macroeconomic models applied for the prospective vision.

The proposals to implement PD models are submitted for approval to the Risk Management Committee. The methods, variables, development population, observation windows and results that support the preparation of these models are tested and adjusted at least once a year.

The following table discloses the risk levels score and rating arising from the Bank’s models:

Category	12/31/2021		12/31/2020	
	Weighted PD	% Gross Carrying Amount	Weighted PD	% Gross Carrying Amount
Performing	2.05%	96.76	2.32%	96.17
High grade	1.02%	79.54	1.13%	76.20
Standard grade	5.05%	12.44	4.79%	12.64
Sub-standard grade	11.26%	4.78	12.48%	7.33
Past due but not impaired	30.27%	2.33	33.24%	2.70
Impaired	100%	0.91	100%	1.13
Total		100		100

Exposure at default (EAD)

The EAD represents the exposure of a financial instrument on the date of the analysis, i.e. the level to which the Bank is exposed to credit risk in the event of a potential default by the counterparty.

To calculate the EAD, segmentation is performed at product level, according to the following differentiation:



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- Products with no exposure certainty: in the case of revolving products (credit cards and saving accounts) in stages 1 and 2, in order to calculate the EAD, it is necessary to estimate a credit conversion factor (CCF). For these transactions, the CCF represents the average percentage of exposure increase that may be observed in a contract from measurement to default. For these products, in stage 3, no additional increase is considered in the exposure.
- Products with exposure certainty: in these types of products (generally amortizable loans), future exposure is known because the counterparty cannot increase its exposure beyond what was agreed upon in the contractual schedule. Therefore, the CCF does not apply to these products, and the EAD varies at each moment in time by reflecting the amortization of the loan balance due.

Loss given default (LGD)

LGD is the estimated loss in the case of default. It is based on the difference between all contractual cash flows and the cash flows expected by the lender (i.e., all cash shortfalls), considering the proceeds from the realization of collateral.

It is the supplement to the unit of the recovery rate; that is, the proportion not collected by the Bank with respect to the EAD. Consequently, the amount at default is compared with the present value of the amounts recovered after the date of default.

LGD varies based on the type of counterparty, aging, type of claim and the existence of guarantees securing credits. It is expressed as a percentage of the loss for EAD.

Just as the PDs, to assess the LGD, a distinction is made per customer in individual analyses and per product in the case of customers analyzed collectively. The Bank bases its estimates on the historical information observed regarding the recoveries obtained on customers or default transactions, discounted at the effective interest rate of such agreements and measured upon default.

Once the recovery rates are obtained, this behavior is projected through the triangle method to estimate the periods with less maturity. Finally, the weighted average of the loss for each portfolio is determined.

The LGDs are also amended by the macroeconomic models applied for the prospective vision.

Customers analyzed on an individual basis:

The Bank's credit risk impairment assessment model is set to analyze individually all Corporate Portfolio customers, as defined by the BCRA, financial institutions, the public sector and government and private securities.

To make such an assessment, some objective data were defined to analyze whether there is a SICR and to determine whether it should be reclassified to stage 2 or to stage 3 when a default is produced or expected, or whether they should remain in stage 1. Those events comprise mainly material delays in the main credit lines granted, the Bank's legal action for the assistance granted, the petition for insolvency proceedings or bankruptcy, and past due loans with pending principal, among others.

All the customers subject to the individual analysis are examined on a monthly basis to define the stage, following different criteria for each one of them:

Stage 1: the customers whose individual assessment reflects the following characteristics are deemed included:

- The financial instruments did not experience significant risk increases.
- The customer's cash flow analysis shows that it has the ability to meet all its obligations adequately.
- It has a liquid financial position, with low level of indebtedness.
- Cash flows are not subject to drastic changes in the event of major variations in the behavior of own and sector variables.
- It regularly pays its obligations, even when it suffers minor and insignificant delays.



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This stage also includes:

- The customers previously included in stages 2 or 3 who improved their credit risk indicators and meet the parameters defined for stage 1.

Stage 2: this stage includes the customers that, based on the individual analysis of their payment capacity, have a SICR that is not sufficiently severe to set default as defined for stage 3.

Some elements considered upon defining the existence of a significant increase in credit risk are:

- Profitability, liquidity and solvency indicators that tend to weaken, or some of the indications of impairment:
 - There is a significant increase in payables without a consistent rise in revenues.
 - There is a major decline in operating margins, or existence of operating loss.
 - There are adverse changes in the context that exert a negative effect on future financial flows.
 - There is a drastic decline in demand or negative changes in the business plans.
 - There are significant changes in the value of the guarantees received
- The arrears in payment to the Bank are due to current operating or extraordinary circumstances, and a prompt resolution is expected.

This stage also includes:

- The customers that, having been included in stage 3, improved their credit risk indicators and are no longer at default, but which status prevents them from being reclassified to stage 1.

Stage 3: it includes the customers that, after an individual analysis, experience some of the following situations:

- Significant delays in the main credit lines granted, with no agreement with the Bank.
- Have been subject to complaints filed the Bank for the recovery of the assistance granted.
- Filed for insolvency proceedings or went into bankruptcy
- Refinance their payables systematically and have still not settled over 5% of the refinanced principal.
- Cash flows analysis shows that it is highly unlikely that the customer may meet all its obligations in the agreed-upon conditions.

The Credit Administration and Transactions Department analyzes all the portfolio under this approach, with special emphasis on customers in stages 2 and 3 in the previous month and those showing objective data that could evidence the existence of a SICR. The study is supplemented with the macroeconomic context and other news in relation to the performance of customers. Its staging proposal is submitted to the consideration of Corporate Risk and Credit Recovery Management Departments, which incorporate their own vision of the customer or the activity sector. The final assessment of the stage assigned to each customer is approved by the Credit Risk Management and is used as an input to estimate the ECL of the customers analyzed on an individual basis.



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ECL calculation for customers included in an individual analysis:

Stage 1: the estimates of the customers classified in stage 1 arise from the parameters under expected credit loss models, whose characteristics are described in the previous sections on PD, EAD and LGD.

Stages 2 and 3: based on the evidence gathered upon the analysis, the Credit Risk Management –considering the level of progress of collection negotiations, as well as the evidence from a potential sale of collateral received or other credit improvements making up the contractual terms– prepares three potential recovery scenarios for each credit transaction of stage 2 and 3 customers, calculating the current value of expected flows for each scenario, which are weighted in view of their probability of occurrence. The expected loss of each transaction is the difference between the book payable of each transaction and the present weighted value of expected cash flows.

52.1.2 Prospective information used in ECL models

The calculation of ECL for risk impairment includes and is adjusted prospectively with respect to the portfolio behavior. To such end, the Bank examines the macroeconomics variables which have an impact on PD and LGD and designed 4 models which differ by customer type: Retail, Agro, Pymes and Commercial.

The main economic variables that impact on the expected losses used to calculate ECL for each economic scenario are changes in GDP, changes in interest rates, among others.

As established in IFRS 9, impact is calculated based on the different behavior scenarios of the variables; to such end, a 36-month estimate on the variables used for the models is requested from a well-known economic consulting firm. This estimate is prepared for three alternative macroeconomic scenarios, to which a likelihood of occurrence is assigned.

Finally, the Bank calculates ECL by applying the alternative scenarios on a weighted basis, which are updated on a quarterly basis in each calendar quarter.

The value of the macroeconomic variables used in calculating the forward-looking adjustment is restricted to econometric model calculations and the estimates of the independent consultant in relation to those variables. However, in line with the “Guidance on credit risk and accounting for expected credit losses” of the Basel Banking Supervision Committee, the Bank applies its own criterion based on experience in order to consider reasonable and sustainable prospective information in due manner (including macroeconomic factors) and, as applicable, to determine the proper level of value corrections.

The following table shows the estimated values for macroeconomic variables used in the models for each scenario (base case, favorable and downside), with the assigned probability of occurrence to each scenario:

Key Drivers	ECL Scenario	Assigned Probabilities %	2022	2023	2024
			%	%	%
GDP growth %	Base case	50	2.50	3.00	3.00
	Favorable	5	5.00	5.00	5.00
	Downside	45	(5.00)	(0.50)	0.00
Interest rates %	Base case	50	44.55	35.44	35.44
	Favorable	5	34.93	29.37	29.37
	Downside	45	65.82	58.22	58.22
CPI %	Base case	50	54.04	38.01	33.04
	Favorable	5	32.98	26.02	20.03
	Downside	45	66.84	44.99	40.00



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52.1.3 Overview of modified and forborne loans

From a risk management point of view, once an asset is forborne or modified, the Bank's special department for distressed assets continues to monitor the exposure until it is completely and ultimately derecognized.

The amortized cost of loans modified during 2021 and the associated net modification amounted to 2,259,534 and 370,771, respectively. The Bank does not consider loans using the mandatory extensions and payment facilities provide by BCRA as part of such modified loans. The amortized cost of loans modified during 2020 and the associated net modification amounted to 1,425,454 and 124,175, respectively.

52.1.4 Additional Forward-looking allowances based on expert credit judgment

Covid-19 adjustment

During 2020, within the context of the Covid-19 pandemic, the Bank made a special prospective adjustment based on the impairment in the position of those customers showing higher vulnerability levels or signs of payment difficulties as a result of the pandemic. That adjustment, based on estimates of the future behavior of those customers using the mandatory reschedules and refinancing ordered by the BCRA as from March 2020, amounted to 5,553,719 as of December 31, 2020.

Once the period set for mandatory reschedule elapsed (March 2021), the Bank began to apply allowances to the customers defaulting their financial obligations. Considering that, as of December 31, 2021, it is considered that the circumstances giving rise to the Covid-19 adjustment had already disappeared, no adjustment is recorded in this regard.

Adjustment for uncertainty in external obligation restructuring

As of December 31, 2021, the Bank's Management decided to make a prospective adjustment after estimating an incremental effect on ECL allowances in order to cover an uncertain macroeconomic scenario due to the lack of an agreement between the Argentine Government and the IMF to restructure the debt.

Upon closing of the consolidated financial statements, Management considered the macroeconomic imbalance that would arise upon the deadline of the huge principal and interest amounts payable by Argentina to the IMF, as agreed in 2018, if no final restructuring agreement were reached regarding those obligations.

The Bank also considered the pressure on the already low level of Argentine reserves in US dollars, which casts a doubt on the possibility of reaching an agreement, which must also be approved by the Argentine Congress.

In view of this uncertain scenario, which cannot be captured in full by the prospective models used by the Bank in adjusting the parameters used to calculate ECLs, it was decided to record an additional 1,986,000 adjustment at year-end, based on an expert credit judgment.

The amount of the adjustment was assessed (i) using an adverse macroeconomic scenario, as mentioned in the previous paragraphs, with 100% weighing and the resulting effect on model creation variables, especially changes in the GDP and price levels and future interest rates, and (ii) estimating the effect of the situation mentioned in the ECL regarding the customers in the individual analysis portfolio that were classified in stages 2 and 3 and which are more vulnerable to the uncertainty described.



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52.1.5 Portfolio quality

The table below shows the analysis by aging of performing loans in arrears (in days):

Portfolio Type	12/31/2021				
	Delinquent, performing (in days)				
	0 to 31	From 32 to 90	From 91 to 180	From 181 to 360	Over 360
Commercial loans	98.9%	0.9%	0.0%	0.2%	0.0%
Comparable loans	99.7%	0.3%	0.0%	0.0%	0.0%
Consumer loans	99.5%	0.5%	0.0%	0.0%	0.0%
Total	99.4%	0.5%	0.0%	0.1%	0.0%

Portfolio Type	12/31/2020				
	Delinquent, performing (in days)				
	0 to 31	From 32 to 90	From 91 to 180	From 181 to 360	Over 360
Commercial loans	99.5%	0.5%	0.0%	0.0%	0.0%
Comparable loans	99.8%	0.2%	0.0%	0.0%	0.0%
Consumer loans	99.5%	0.5%	0.0%	0.0%	0.0%
Total	99.6%	0.4%	0.0%	0.0%	0.0%

The following table shows the loans and other financing portfolio under credit risk by industry sector, classified by risk stage and identifying the expected loss calculated under individual or collective basis:

	1		2		3	12/31/2021
	Collective	Individual	Collective	Individual		
Loans and other financing	264,058,234	80,734,484	9,165,071	4,736,047	3,298,729	361,992,565
Non-financial public sector	71,476	2,304,497	38			2,376,011
Other financial entities	2,097	1,511,809				1,513,906
Non-financial private sector	263,984,661	76,918,178	9,165,033	4,736,047	3,298,729	358,102,648
Individuals	165,922,628	1,409,662	5,154,604		1,692,395	174,179,289
Manufacturing Industry	16,314,786	23,877,488	433,807	1,813,898	99,088	42,539,067
Agricultural and cattle industry	20,695,007	11,322,075	1,573,615	2,922,149	521,206	37,034,052
Services	31,659,540	9,765,307	1,242,898		296,816	42,964,561
Commercial activities	20,534,135	14,070,177	519,276		156,215	35,279,803
Exploration of mines and quarries	1,187,122	6,163,678	18,432		466,547	7,835,779
Financial intermediation	1,446,583	6,092,589	48,297		5,239	7,592,708
Construction activities	4,284,804	4,067,903	113,930		47,877	8,514,514
Electricity supply and gas	330,340	149,299	13,331		1,719	494,689
Public administration	1,553,095		35,482		11,388	1,599,965
Water supply and public sanitation	56,621		11,361		239	68,221



BANCO MACRO SA AND ITS SUBSIDIARIES

	1		2		3	12/31/2020
	Collective	Individual	Collective	Individual		
Loans and other financing	272,384,223	103,143,331	16,804,351	6,636,186	4,573,328	403,541,419
Non-financial public sector	19,970	5,435,857	264		155	5,456,246
Other financial entities	35	2,776,171				2,776,206
Non-financial private sector	272,364,218	94,931,303	16,804,087	6,636,186	4,573,173	395,308,967
Individuals	172,436,899	1,330,481	9,384,787		1,035,247	184,187,414
Manufacturing Industry	15,489,685	21,169,994	1,026,056	2,304,149	752,860	40,742,744
Agricultural and cattle industry	21,758,377	10,175,324	1,459,009	4,164,830	657,168	38,214,708
Services	33,631,262	16,884,293	2,740,537	166,347	162,398	53,584,837
Commercial activities	19,991,739	13,921,262	1,512,328	860	455,623	35,881,812
Exploration of mines and quarries	985,818	21,953,873	52,973		1,318,563	24,311,227
Financial intermediation	1,567,547	5,633,060	49,441		8,525	7,258,573
Construction activities	4,612,257	2,179,642	440,043		172,738	7,404,680
Electricity supply and gas	234,735	1,683,374	12,214		270	1,930,593
Public administration	1,565,767		125,064		9,369	1,700,200
Water supply and public sanitation	90,132		1,635		412	92,179

52.1.6 Collateral and other credit improvements

- Guarantees received for the entirety portfolio

The following table shows the amounts of guarantees received for the entire portfolio as of December 31, 2021.

Class of financial instrument	Maximum exposure to credit risk	Fair value of collateral						Total collateral	Net exposure	Associated ECL
		Pledges on time deposits	Deferred payment checks	Mortgage on real property	Pledges on vehicles and machinery	Pledges on personal property	Other			
Loans and other financing	361,992,565	1,354,231	17,792,609	32,635,395	7,125,532	1,733,820	59,102,380	119,743,967	242,248,598	9,631,477
Loans commitment	225,060,382	2,332		75,149		59,379	607,685	744,545	224,315,837	353,085
Other financial assets	33,095,760								33,095,760	26,448
Other debt										
Securities at amortized cost	24,045,804								24,045,804	3,753
Other debt										
Securities at fair value through OCI	261,934,556								261,934,556	16,304
Total	906,129,067	1,356,563	17,792,609	32,710,544	7,125,532	1,793,199	59,710,065	120,488,512	785,640,555	10,031,067

- Guarantees received for the portfolio in Stage 3

The following table shows the amounts of guarantees for the portfolio in Stage 3 as of December 31, 2021.



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Class of financial instrument	Maximum exposure to credit risk	Fair value of collateral					Total collateral	Net exposure	Associated ECL
		Pledges on time deposits	Deferred payment checks	Mortgage on real property	Pledges on vehicles and machinery	Pledges on personal property			
Loans and other financing	3,298,729		314,785	82,671	15,125	867,419	1,280,000	2,018,729	2,643,935
Total	3,298,729		314,785	82,671	15,125	867,419	1,280,000	2,018,729	2,643,935

- Guarantees received for the entirety portfolio

The following table shows the amounts of guarantees received for the entire portfolio as of December 31, 2020.

Class of financial instrument	Maximum exposure to credit risk	Fair value of collateral						Total collateral	Net exposure	Associated ECL
		Pledges on time deposits	Deferred payment checks	Mortgage on real property	Pledges on vehicles and machinery	Pledges on personal property	Other			
Loans and other financing	403,541,419	1,203,699	9,881,685	36,220,738	6,225,565	2,516,348	71,036,272	127,084,307	276,457,112	14,985,662
Loans commitment	147,787,462	1,970					421,490	423,460	147,364,002	35,018
Other financial assets	27,621,984								27,621,984	28,569
Other debt										
Securities at amortized cost	46,971,920								46,971,920	8,259
Other debt										
Securities at fair value through OCI	268,683,871								268,683,871	9,002
Total	894,606,656	1,205,669	9,881,685	36,220,738	6,225,565	2,516,348	71,457,762	127,507,767	767,098,889	15,066,510

- Guarantees received for the portfolio in Stage 3

The following table shows the amounts of guarantees for the portfolio in Stage 3 as of December 31, 2020.

Class of financial instrument	Maximum exposure to credit risk	Fair value of collateral					Total collateral	Net exposure	Associated ECL
		Pledges on time deposits	Deferred payment checks	Mortgage on real property	Pledges on vehicles and machinery	Pledges on personal property			
Loans and other financing	4,573,328	1,606	1,070,234	1,412,147	98,844	407,668	2,990,499	1,582,829	2,502,785
Total	4,573,328	1,606	1,070,234	1,412,147	98,844	407,668	2,990,499	1,582,829	2,502,785

5.2.2 Liquidity Risk

The liquidity risk is defined as the possibility that the Bank may not be able to comply with expected and unexpected current and future cash flows effectively, as well as guarantees, without affecting daily transactions or its financial position.



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In addition, the market liquidity risk refers to the risk that the Bank may not be able to clear or delete a position at market price:

- because the assets involved have no sufficient secondary market; or
- due to market variations.

The Bank features policies regarding liquidity, the purpose of which is to manage liquidity efficiently, optimizing cost and diversification of funding sources, and maximizing the profit from placements through prudent management that ensures the necessary funds to allow the continuity of transactions and compliance with the rules and regulations in force.

In order to reduce the liquidity risk, the Bank has been established a policy with the following main aspects:

Assets: a high-liquidity assets portfolio will be maintained to cover at least 25% of total liabilities, comprising deposits, the corporate bonds issued by the Bank, the repo agreements taken and the financial and interbank loans borrowed.

Liabilities: to minimize the unintended effects of illiquidity, deriving from the possible withdrawal of deposits and the repayment of interbank loans taken, the Bank:

- Seeks the proper diversification of financing sources to enable the constant availability of funds and fulfill institutional obligations within a market variability environment.
- Gives priority to attracting retail deposits to have an atomized deposit portfolio and lower risks in relation to material withdrawals concentrated in a few depositors.
- Does not depend excessively on obtaining repo transactions and interfinancial loans as a permanent funding source.

In addition, the Bank implemented a series a risk measurement and control tools, including the regular monitoring of liquidity gaps, separated by currency, as well as different liquidity ratios, including the “bi-monetary liquidity ratio”, “Liquidity Coverage Ratio” (LCR) and “Net Stable Funding Ratio” (NSFR), among others.

The Executive Risk Management Department regularly monitors compliance of the different levels set by the Board of Directors in relation to liquidity risk, which include minimum levels of liquidity, maximum concentration levels allowed by type of deposit and by type of customer, among others.

In the event of a liquidity crisis, the Bank has a contingency plan with different actions, like as follows:

- Financing through call banking and repo agreements with the BCRA.
- Spot sale of securities government portfolio.
- Limit credit assistance to private sector.
- Increase deposit rates in order to capture deposits.

The following table shows the liquidity ratios during the fiscal years 2021 and 2020, which arise from dividing net liquid assets, made up of cash and cash equivalents, by total deposits:

	2021	2020
December, 31	87.37%	86.39%
Average	88.63%	81.57%
Max	92.77%	87.13%
Min	85.50%	71.49%

**BANCO MACRO SA AND ITS SUBSIDIARIES**

The tables below summarize the maturity of the contractual cash flows of loans and other financing, before ECL, including interest and charges to be accrued until maturity of the contract as of December 31, 2021 and 2020:

Item	Matured	Remaining terms to maturity as of December 31, 2021						Total
		Up to 1 month	Over 1 month and up to 3 months	Over 3 months and up to 6 months	Over 6 months and up to 12 months	Over 12 months and up to 24 months	Over 24 months	
Non-financial government sector		231,864	623,940	486,951	1,230,632	477,747		3,051,134
Financial sector		255,723	666,131	37,420	129,864	728,954	134,062	1,952,154
Non-financial private sector and foreign residents	1,513,354	134,882,819	42,295,994	48,311,345	63,794,903	75,301,928	114,926,091	481,026,434
Total	1,513,354	135,370,406	43,586,065	48,835,716	65,155,399	76,508,629	115,060,153	486,029,722

Item	Matured	Remaining terms to maturity as of December 31, 2020						Total
		Up to 1 month	Over 1 month and up to 3 months	Over 3 months and up to 6 months	Over 6 months and up to 12 months	Over 12 months and up to 24 months	Over 24 months	
Non-financial government sector		362,355	1,071,367	1,089,986	1,966,318	3,381,410	717,252	8,588,688
Financial sector		110,435	552,608	818,840	507,516	1,518,038		3,507,437
Non-financial private sector and foreign residents	1,976,809	142,739,326	46,419,093	63,310,427	74,731,191	71,044,263	115,609,094	515,830,203
Total	1,976,809	143,212,116	48,043,068	65,219,253	77,205,025	75,943,711	116,326,346	527,926,328

Additionally, the tables below disclose the maturity of the contractual future cash flows of the financial liabilities, including interest and charges to be accrued until maturity of the contracts, as of December 31, 2021 and 2020:



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BANCO MACRO SA AND ITS SUBSIDIARIES

Item	Remaining terms to maturity as of December 31, 2021						Total
	Up to 1 month	Over 1 month and up to 3 months	Over 3 months and up to 6 months	Over 6 months and up to 12 months	Over 12 months and up to 24 months	Over 24 months	
Deposits	534,412,537	52,250,559	6,441,859	550,099	43,267	1,264	593,699,585
From the non-financial government sector	53,454,556	2,113,040	1,183,257	2,606			56,753,459
From the financial sector	961,192						961,192
From the non-financial private sector and foreign residents	479,996,789	50,137,519	5,258,602	547,493	43,267	1,264	535,984,934
Liabilities at fair value through profit or loss	1,627,732						1,627,732
Derivative instruments			2,532				2,532
Other Financial Liabilities	66,471,643	176,593	158,167	258,006	377,884	497,652	67,939,945
Financing received from the Central Bank of Argentina and other financial institutions	235,308	182,952	13,519	8,318	5,724		445,821
Issued corporate bonds			3,141,995				3,141,995
Subordinated corporate bonds			1,364,088	1,364,089	2,728,178	49,252,993	54,709,348
Total	602,747,220	52,610,104	11,122,160	2,180,512	3,155,053	49,751,909	721,566,958

Item	Remaining terms to maturity as of December 31, 2020						Total
	Up to 1 month	Over 1 month and up to 3 months	Over 3 months and up to 6 months	Over 6 months and up to 12 months	Over 12 months and up to 24 months	Over 24 months	
Deposits	663,992,149	67,995,710	8,425,133	4,566,614	52,538	3,301	745,035,445
From the non-financial government sector	102,449,069	8,390,806	1,361,454	3,212			112,204,541
From the financial sector	1,051,180						1,051,180
From the non-financial private sector and foreign residents	560,491,900	59,604,904	7,063,679	4,563,402	52,538	3,301	631,779,724
Derivative instruments	63	284					347
Repo transactions	936,425						936,425
Other financial institutions	936,425						936,425
Other Financial Liabilities	72,265,432	201,770	189,951	478,785	399,376	776,374	74,311,688
Financing received from the Central Bank of Argentina and other financial institutions	633,111	301,085	308,033	121,814	60,517	8,640	1,433,200
Issued corporate bonds	315,990		4,169,156	314,031	3,902,964		8,702,141
Subordinated corporate bonds			1,714,632	1,714,634	3,771,176	65,888,637	73,089,079
Total	738,143,170	68,498,849	14,806,905	7,195,878	8,186,571	66,676,952	903,508,325



BANCO MACRO SA AND ITS SUBSIDIARIES

52.3 Market Risk

Market risk is defined as the possibility of suffering losses in positions on and off the Bank's balance sheet as a result of the adverse fluctuations in the market prices of different assets.

Market risks arise from interest rate, currency and price positions, all of which are exposed to general and specific market changes and changes in the price volatility such as interest rates, credit margins, foreign currency exchange rates and prices of shares and securities, among others.

The Bank determines the market risk exposure arising from the fluctuation in the value of portfolios of investments for trading, which result from changes in market prices, the Bank's net positions in foreign currency, and government and private securities with normal quoted prices.

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

The Bank features Market Risk Management Policies in which the Bank establishes the proceedings to monitor and control risks derived from the variations in the quotes of financial instruments in order to optimize the risk-return ratio, making use of the appropriate structure of limits, models and management tools. In addition, the Bank features proper tools and proceedings allowing the Risk Management Committee and the Assets and Liabilities Committee to measure and administer this risk.

Risks to which those investment portfolios are exposed are monitored through Montecarlo simulation techniques of "Value at Risk" (VaR). The Bank applies the VaR methodology to calculate the market risk of the main positions adopted and the expected maximum loss based on a series of assumptions for a variety of changes in market conditions.

In order to carry out the abovementioned simulation, the Bank needs to have the Price historical series of those instruments that compose the portfolio.

Prices are corrected by purging the effects of coupon payments and dividend payments, in the case of shares, in order to avoid affecting returns.

The method consists in creating return or price scenarios concerning an asset through the generation of random numbers. This is based on the selection of a stochastic model describing the performance of prices for each asset with the resulting specification of certain parameters required for calculation purposes. The model used is the geometric Brownian motion.

Once all "n" potential scenarios are obtained for valued positions, the P&L vector must be calculated as the difference between the estimated value of the future portfolio and its value upon calculation. Then profit and loss will be placed in order to obtain the value at risk according to the 99% percentage applied.

Finally, the Economic Capital by market risk is obtained as the difference between the current value of the portfolio and the critical value previously obtained.

52.4 Interest Rate Risk

The interest rate risk is defined as the possibility that changes occur in the Bank's financial condition as a result of adverse interest rate fluctuations with a negative impact on the Shareholders' equity and profit or loss.

Within the framework of the interest rate risk management the Bank features a series of policies, procedures and internal controls included in the Structural Risk Management.

The Bank monitors the net present value of its assets, liabilities and off balance sheet items, upon certain disturbance scenarios and interest rate stress through Montecarlo simulation techniques.

For this purpose, the maximum potential loss is determined considering a temporal line of three months and 99% confidence level interval.



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The Equity Value Model (EVM) is determined as the net sum of cash flows (interest and principal losses) that the Bank can generate, discounted at market interest rate curve. If the market interest rate curve used for the discount is affected, the effect of such variation impacts directly on the value of the Bank. Generally speaking, reports related to EVM seek to analyze the Bank’s long-term solvency.

It is noteworthy that the use of that approach does not avoid losses beyond those limits in the event of the most significant market changes.

As of December 31, 2021 and 2020, the Bank’s economic capital by type of risk is as follows:

<u>Economic capital (EC – in millions)</u>	<u>12/31/2021</u>	<u>12/31/2020</u>
Interest rate risk	9,124	6,621
Currency Exchange rate risk	7,454	2,607
Price risk	3,719	7,846

52.5 Foreign Currency Exchange Rate Risk

The Bank is exposed to fluctuations in foreign currencies exchange rates in its financial position and cash flows. The larger proportion of assets and liabilities kept are related to US dollars.

The foreign currency position includes assets and liabilities expressed in pesos at the exchange rate as of the closing dates mentioned below. An institution’s open position comprises assets, liabilities and memorandum accounts stated in foreign currency, where an institution assumes the risk. Any devaluation / revaluation of those currencies affect the Bank’s statement of income.

The Bank’s open position, stated in Argentine pesos by currency, is disclosed in note 27.

52.6 Operational Risk

Operational risk is defined as the risk of loss arising from the inadequacy or failure of internal processes, human errors and/or internal system failures, or those originated by external events. This definition includes the Legal Risk but excludes the Strategic Risk and Reputational Risk.

Within such framework, the legal risk (which may occur from within the Bank or externally) comprises, among other aspects, the exposure to penalties, sanctions or other economic consequences or results for failure to comply with any rule or regulation or contractual obligation.

On the other hand, the Bank implemented an operational risk management system that meets the guidelines and provisions established by the BCRA in its Communiqué “A” 5398, as amended, and under Communiqué “A” 5272 the BCRA provided for a minimum capital requirement under this description, effective as of February 1, 2012.

The operating risk management system is formed by:

- a) Organizational structure: the Bank has an Operational Risk Management that is in charge of managing operational risk and a Risk Management Committee.
- b) Policies: the Bank has a “Manual for the Operational Risk Management” approved by the Board of Directors, which define the main concepts, roles and responsibilities of the Board of Directors, the Operational Risk Committee, the Operational Risk and Technology Management and all the areas involved in this risk management.
- c) Procedures: the Bank features a procedure for the “Collection of events and losses from Operational Risk” that includes a process to gather the Operational Events and Losses to register on a systematic basis the frequency, severity, category and other relevant aspects related to the events and losses from Operational Risk.
- d) The objective is to assess the Bank’s situation upon occurrence of events, in order to better understand the Operational Risk profile and, if applicable, take the necessary corrective actions.



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In addition, the Bank has a procedure that establishes the guidelines to prepare risk self-assessments and, in the event of risks exceeding allowed tolerance levels, guidelines to establish risk indicators and action plans.

- e) Systems: the Bank has a comprehensive system that allows managing all Operational and Technology Risks.
- f) Database: the Bank has an operational risk event database prepared pursuant to the guidelines established in Communiqué “A” 4904, as supplemented.
- g) Information systems to measure risks: the Comprehensive Risk Management Department generates and sends, on a regular basis, reports to the Board of Directors, the Risk Management Committee and the Senior Management. With such reports the Risk Management Department communicates the results of the follow-up of the management of the main risks to which the Bank is exposed. Each report contains information on risk measurement, evolution, trends, principal exposures, control of main limits and the capital level required for each type of risk.

At the meeting of the Integral Risk Management Committee, the Comprehensive Risk Management Department shall submit for consideration the results of the performance of such department and the reports issued during the period under analysis. The resolutions adopted by the Committee shall be recorded in Minutes to be considered by the Board of Directors, who shall subsequently approve, in this manner, the performance and risk level of the analyzed period.

- h) Stress tests: stress tests are a support tool to manage risks and a supplement of the results reported by the measurement models of the different risks, which in general show risk measurements that are valid for “normal situations”.

They are also an instrument to evaluate the risk profile since they are used to quantify the potential impact in a situation of significant fluctuation of the variables affecting each risk. Stress tests are as well used in the process of internal assessment of economic capital sufficiency.

Stress tests are aimed at evaluating the Bank’s financial vulnerability potential faced with the sensibility of the main variables affecting each risk. Generally, it is considered a variation of low probability of occurrence, but if materialized may cause significant excess of the tolerance limits established for each risk.

- i) Assessment of economic capital sufficiency: each year, the Bank calculates the economic capital for those risks which, for their significance, may, eventually, affect the Bank’s solvency.

At present, the Bank calculates the economic capital of the following risks: Credit, Concentration, Market, Operational, Interest Rate, Liquidity and Concentration of Funding Sources, Securitization, Reputational and Strategic.

Risk management is directly related to economic capital assessment. Thus, it is expected that with a better management and follow-up, the Bank will need to allocate less amount of capital.

Based on the internal models developed, Banco Macro manages its risks, determines its risk profile and calculates, therefore, the necessary capital to develop its activities and businesses, adjusting each risk to its relevant exposure level.

- j) Transparency: as a supplement to this Manual and as part of the Corporate Governance policy, the Bank features an Information Policy aimed at allowing shareholders, investors and the market in general to evaluate aspects of the Bank related to capital, risk exposure, risk assessment procedures and capital adequacy.



BANCO MACRO SA AND ITS SUBSIDIARIES

53 CHANGES IN THE ARGENTINE MACROECONOMIC ENVIRONMENT OF THE FINANCIAL AND CAPITAL MARKETS

During the second half of 2019, in a political context of federal general elections which gave rise to a change in the federal authorities, a significant volatile period began for the market values of government and private financial instrument and a process of rescheduling maturities and swaps of certain government debt instruments started. In addition, material increases were observed in the country risk and in the exchange rate between the Argentine peso and the US dollar.

During 2020, among other regulations, relevant modifications to the tax regulation system were introduced, including changes in the income tax, withholdings related to foreign exchange transactions and for the acquisition of foreign currency for hoarding purposes, and material restrictions to the exchange market access were also established.

At the same time, the government's debt restructuring process continued under domestic and foreign legislation. The negotiations carried out as of the date of issuance of these consolidated financial statements include the agreement reached by the Federal Executive's and the IMF regarding the indebtedness with that body.

Particularly, regarding to the price of US dollar, since the end of 2019, the gap between the official price of the US dollar -used mainly for foreign trade- and the alternative values that arise through the stock market operation and also with respect to the unofficial value, began to widen around 70% as of the date of issuance of these consolidated financial statements.

Even though, as of the date of issuance of these consolidated financial statements certain volatility levels previously mentioned have been decreased, the local and international macroeconomic context generates certain degree of uncertainty regarding its future progress, and also considering the effects of the Russian invasion of Ukraine in the level of the global economic recovery after the pandemic as mentioned in note 54.

Therefore, the Bank's Management permanently monitors any changes in the abovementioned situations in international and local markets, to determine the possible actions to adopt and to identify the possible impact on its financial situation that may need to be reflected in the future financial statements

54 EFFECTS OF THE CORONAVIRUS (COVID-19) OUTBREAK

In early March 2020, the World Health Organization declared Coronavirus (Covid-19) a pandemic. This emergency situation over public health was worldwide expanded and several countries have taken different measures to contain the effects. This situation and the measures adopted have materially affected the international economy activity with different impacts on several countries and business lines.

Particularly in the Argentine Republic along with health protection rules, tax and financial measures were taken to mitigate the impact on the economy associated with the pandemic, including public direct financial assistance measures for part of the population, the establishment of financial and fiscal facilities for both individuals and companies. As regards measures related to the financial institutions, the BCRA established maturities extensions, froze the mortgage loan installments and encouraged banks to lend to companies at reduced rates.

The Bank is developing its activities under the conditions detailed above, giving priority to the compliance of social distancing measures by its employees, with the primary objective of taking care of the public health and well-being of all its stakeholders (employees, suppliers, customers, among others). To this end, it has put in place contingency procedures and has enabled its staff to carry out their tasks remotely.

From a commercial point of view, it has emphasized maintaining a close relationship with its customers, trying to respond to their needs at this difficult time, sustaining all virtual channels of care to ensure operability and a good response to requirements, monitoring compliance with their business obligations and monitoring the active portfolio in order to detect possible delays in collection and set new conditions for them.

As of the date of issuance of these consolidated financial statements, certain health control measures continue to be effective. However, social, commercial and professional activities started to be performed with fewer restrictions.



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Considering the size of the abovementioned situation, the Bank's Management estimates that this situation could have an impact on its operations and the financial situation and the profit or loss of the Bank, which are under analysis, and will ultimately depend on the extent and duration of the health emergency and the success of the measures taken and taken in the future.

55 EVENTS AFTER REPORTING PERIOD

No other significant events occurred between the end of the fiscal year and the issuance of these consolidated financial statements that may materially affect the financial position or the profit and loss for the fiscal year, not disclosed in these consolidated financial statements.



Subsidiaries of the Company

<u>Subsidiary</u>	<u>Jurisdiction of Incorporation</u>	<u>Principal Activity</u>
Argenpay S.A.U.	Republic of Argentina	Electronic payment services
Macro Bank Limited	The Bahamas	Banking Services
Macro Securities S.A.	Republic of Argentina	Securities Agent and Brokerage Services
Macro Fiducia S.A.	Republic of Argentina	Trust Services
Macro Fondos S.G.F.C.I. S.A.	Republic of Argentina	Mutual Fund Administration
Fintech SGR (structured entity)	Republic of Argentina	Granting of guarantees



CERTIFICATE

I, GUSTAVO ALEJANDRO MANRIQUEZ, CERTIFY THAT:

1. I have reviewed this annual report on Form 20-F of Banco Macro S.A.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;
4. The company's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and
5. The company's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: April 28, 2022

/s/ Gustavo Alejandro Manriquez

 Name: **Gustavo Alejandro Manriquez**
 Title: **Chief Executive Officer**



CERTIFICATE

I JORGE FRANCISCO SCARINCI, CERTIFY THAT:

1. I have reviewed this annual report on Form 20-F of Banco Macro S.A.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;
4. The company's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and
5. The company's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: April 28, 2022

/s/ Jorge Francisco Scarinci

Name: **Jorge Francisco Scarinci**

Title: **Chief Financial Officer**



CERTIFICATION

PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

(SUBSECTIONS (A) AND (B) OF SECTION 1350, CHAPTER 63 OF TITLE 18, UNITED STATES CODE)

Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned officer of Banco Macro S.A. (the "Company"), does hereby certify that, to the best of such officer's knowledge:

1. The accompanying Report of the Company on Form 20-F (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. Information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: April 28, 2022

/s/ Gustavo Alejandro Manriquez

Name: **Gustavo Alejandro Manriquez**

Title: **Chief Executive Officer**



CERTIFICATION

PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

(SUBSECTIONS (A) AND (B) OF SECTION 1350, CHAPTER 63 OF TITLE 18, UNITED STATES CODE)

Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned officer of Banco Macro S.A. (the "Company"), does hereby certify that, to the best of such officer's knowledge:

1. The accompanying Report of the Company on Form 20-F (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. Information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: April 28, 2022

/s/ Jorge Francisco Scarinci

Name: **Jorge Francisco Scarinci**

Title: **Chief Financial Officer**