

BANCO HIPOTECARIO S.A.

EARNINGS RELEASE – FIRST QUARTER 2021





Banco Hipotecario cordially invites you to participate in its
First Quarter 2021 conference call

Monday, May 31st, 2021, 10:00 AM EST

If you would like to participate, the hyperlink is:
<https://zoom.us/j/9357368570?pwd=dWtqdjZheXlXTGMxMnBhY3BwSVM4QT09>

Meeting ID: 935 736 8570

Password: BH

Or you can dial in:

U.S.A: +1 646 558 8656

Argentina: +54 112 040 0447

Meeting ID: 935 736 8570

Password: 560440

Preferably 10 minutes before the call is due to begin.
The conference will be held in English.



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FIRST QUARTER 2021 CONSOLIDATED RESULTS

The Bank began reporting results applying Hyperinflation Accounting, in accordance to IFRS rule IAS 29 ("IAS 29") as established by the Central Bank as of Q1 2020. Therefore, every result and variation described in this report is expressed in constant currency as of March 31th, 2021. Also, the provisioning model of IFRS 9 section 5.5 was applied, as established by the Central Bank.

HIGHLIGHTS

EXECUTIVE SUMMARY

- Net income attributable to owners of the parent company for the quarter was Ps. (1,625.0), compared to Ps. 732.8 million of last quarter and Ps. (711.0) million of same quarter last year.
- The net operating income for the quarter was Ps 4,711.6 million, 26.7% lower than the Ps. 6,426.8 million of previous quarter and 3.3% lower than the Ps. 4,874.5 million of same quarter of last year. Operating income for the quarter was Ps. (854.3) million, compared to Ps. 1,286.6 million of previous quarter and Ps. (230.1) million of same quarter of last year.
- As of March 31, 2021, Liquidity Coverage Ratio (LCR) was 125,0%, Net Stable Funding Ratio (NSFR) was 144% and the liquid assets to deposits ratio was 78%.
- Loans to the non-financial private sector and foreign residents decreased 6.2% QoQ and 16.2% YoY.
- Deposits decreased 6.6% QoQ and increased 53.5% YoY, while capital markets debt decreased 21.5% QoQ and 62.4% YoY.
- On a consolidated basis, NPL decreased from 12.0% in Q4 2020 to 11.8% in Q1 2021. NPL in the consumer portfolio decreased from 2.9% to 2.5% during the same period. The coverage ratio remained at 92.3% for the period.
- Total capital ratio as a percentage of RWA as of March 31, 2021 was 18.5% compared to 19.4% of previous quarter and 17.0% of same quarter of last year.
- The COVID-19 pandemic adversely affected the global economy, the Argentine economy and our business. There are still restrictions on circulation that impact the day-to-day business.
- The general level of the consumer price index accumulated an increase of 13.0% in the first quarter of 2021, while it was 10.7% and 7.4% for the previous quarter and for the same quarter of last year, respectively.
- During 2020, the Central Bank established measures that affected the result of our operations and remain valid for this period such as: maximum rate for credit cards, minimum rate for term deposits, freezing of fees, zero-rate loans for the self-employed, productive investment line of 7.5% of deposits to the private sector, among others measures.





Buenos Aires, May 27th, 2021

I. BANCO HIPOTECARIO'S CONSOLIDATION

Banco Hipotecario S.A. has consolidated line by line its balance sheet and income statement with the financial statements of its subsidiaries: BACS Banco de Crédito y Securitización S.A. and BHN Sociedad de Inversión S.A. The consolidated financial statements as of March 31th, 2021 were prepared under IFRS according to Central Bank's convergence plan (Communication "A" 5541 and its modifications). Also, provisions under IFRS 9 (5.5) and inflation accounting were implemented starting on January 1st, 2020 (Communications "A" 6430, "A" 6651, "A" 6778 and "A" 6847).

II. FIRST QUARTER 2021 CONSOLIDATED RESULTS

Net income attributable to owners of the parent's company for the quarter was Ps. (1,625.0) million, compared to Ps. 732.8 million of last quarter and Ps. (711.0) million of same quarter last year.

Regarding profitability ratios, the ROAA for Q1 2021 was (4.4)% compared to 0.5% for Q4 2020 and (2.0)% for Q1 2020, while ROAE for the same periods were (34.3)%, 3.8% and (15.5)%, respectively.

Comparative consolidated income statement (in millions of pesos)	3 month period ended			Variation (%)	
	31/3/2021	31/12/2020	31/3/2020	QoQ	YoY
Interest income	4,569.7	5,890.8	4,918.7	(22.4)%	(7.1)%
Adjustments income	867.5	835.7	841.0	3.8%	3.2%
Interest expense	(5,998.4)	(6,798.6)	(4,558.9)	(11.8)%	31.6%
Adjustments expense	(753.8)	(600.9)	(791.1)	25.4%	(4.7)%
Net interest income	(1,315.0)	(673.0)	409.6	95.4%	N/A
Fee and commission income	1,283.8	1,473.4	1,688.5	(12.9)%	(24.0)%
Fee and commission expense	(60.1)	(45.6)	(75.3)	31.8%	(20.1)%
Net fee and commission income	1,223.7	1,427.8	1,613.2	(14.3)%	(24.1)%
Net Income from financial instruments at fair value through profit or loss	2,879.7	3,443.2	2,369.9	(16.4)%	21.5%
Gold and foreign currency exchange rate differences	(49.7)	3.5	(421.3)	N/A	(88.2)%
Other operating income	2,166.0	1,993.3	2,099.9	8.7%	3.1%
Loan loss provision	(193.2)	232.0	(1,196.7)	(183.3)%	(83.9)%
Net operating income	4,711.6	6,426.8	4,874.5	(26.7)%	(3.3)%
Personnel expenses	(2,078.8)	(1,868.1)	(1,866.2)	11.3%	11.4%
Administrative expenses	(977.9)	(1,182.6)	(1,237.4)	(17.3)%	(21.0)%
Depreciation and impairment of non-financial assets	(231.9)	(240.3)	(260.6)	(3.5)%	(11.0)%
Other operating expenses	(2,277.2)	(1,849.2)	(1,740.4)	23.1%	30.8%
Operating income	(854.3)	1,286.6	(230.1)	(166.4)%	271.3%
Share of profit (loss) of subsidiaries, associates and joint ventures	-	-	-	N/A	N/A
Gain (loss) on net monetary position	(905.3)	(85.7)	(428.4)	N/A	111.3%
Income before income tax from continuing operations	(1,759.6)	1,201.0	(658.5)	(246.5)%	167.2%
Income tax	110.7	729.4	(42.5)	(84.8)%	N/A
Net income (loss) for the period attributable to non-controlling interests	23.9	3.5	(10.0)	N/A	N/A
Net income (loss) for the period attributable to the parent's company	(1,625.0)	732.8	(711.0)	N/A	128.6%





Net interest income for the quarter was Ps. (1,315.0) million, representing a 95.4% increase QoQ.

Interest income for the quarter was Ps. 5,437.2; representing a 19.2% and a 5.6% decrease QoQ and YoY respectively. This does not include income from Central Bank notes (Leliq), which are reflected in net income from financial instruments at fair value through profit and loss.

Interest and adjustments income

(in millions of pesos)

	3 month period ended			Variation (%)	
	31/03/21	31/12/20	31/03/20	QoQ	YoY
Interest on cash and due from bank	1,793.9	4,145.2	529.0	(56.7)%	239.1%
Interest on loans to the financial sector	29.1	(52.1)	0.9	(155.8)%	N/A
Interest from public and corporate securities	309.3	401.4	464.2	(23.0)%	(33.4)%
Interest on overdrafts facilities	21.3	20.4	31.8	4.5%	(33.1)%
Interest on promissory notes	173.9	60.2	23.5	189.0%	N/A
Interest on pledge loans	2.8	3.5	10.2	(21.8)%	(72.8)%
Interest on financial leases	6.2	1.6	6.7	288.5%	(7.6)%
Interest on other loans	425.2	389.5	504.2	9.2%	(15.7)%
Interest from commercial loans	629.4	475.2	576.4	32.4%	9.2%
Interest on consumer loans	429.6	518.4	871.7	(17.1)%	(50.7)%
Interest on credit card loans	1,180.9	1,299.5	2,195.8	(9.1)%	(46.2)%
Interest from consumer loans	1,610.6	1,817.9	3,067.5	(11.4)%	(47.5)%
Interest on mortgage loans	188.8	219.6	233.2	(14.0)%	(19.0)%
Interest on other receivables from financial operations	0.0	15.4	0.3	(100.0)%	(98.5)%
Income from CER, CVS, UVA and UVI adjustments	867.5	835.7	841.0	3.8%	3.2%
Interest from mortgage loans	1,056.3	1,070.7	1,074.4	(1.3)%	(1.7)%
Others	8.6	(1,131.9)	47.3	(100.8)%	(81.7)%
Total	5,437.2	6,726.5	5,759.6	(19.2)%	(5.6)%

Interest and adjustments expense for the quarter was Ps. 6,752.1 million; representing a 8.7% decrease QoQ and a 26.2% increase YoY.

Interest and adjustments expense

(in millions of pesos)

	3 month period ended			Variation (%)	
	31/3/2021	31/12/2020	31/3/2020	QoQ	YoY
Interest on current accounts deposits	(2,062.6)	(2,146.7)	(640.4)	(3.9)%	222.1%
Interest on saving accounts deposits	(2.1)	(2.3)	(4.2)	(5.5)%	(48.7)%
Interest on time deposits	(3,026.0)	(3,140.3)	(1,789.8)	(3.6)%	69.1%
Interest from deposits	(5,090.7)	(5,289.3)	(2,434.3)	(3.8)%	109.1%
Interest on other liabilities resulting from financial transactions	(905.3)	(1,556.6)	(1,964.4)	(41.8)%	(53.9)%
Expense for CER, CVS, UVA and UVI adjustments	(753.8)	(600.9)	(791.1)	25.4%	(4.7)%
Interest from corporate bonds	(1,659.1)	(2,157.5)	(2,755.5)	(23.1)%	(39.8)%
Interest on interfinancial loans received	(2.1)	47.5	(29.9)	(104.5)%	(92.9)%
Interest on other financing from financial institutions	-	-	-	N/A	N/A
Others	(0.2)	(0.1)	(130.2)	45.8%	(99.8)%
Total	(6,752.1)	(7,399.5)	(5,350.0)	(8.7)%	26.2%

Net fee and commission income for the quarter was Ps. 1,223.7 million; representing a 14.3% decrease QoQ and a 24.1% decrease YoY.





Net fee and commission income

(in millions of pesos)

	3 month period ended			Variation (%)	
	31/03/21	31/12/20	31/03/20	QoQ	YoY
Fee and commission income					
Fee charged on consumer clients	1,052.2	1,248.0	1,503.8	(15.7)%	(30.0)%
Linked to liabilities	201.5	180.0	171.7	12.0%	17.3%
Others	30.1	45.4	12.9	(33.7)%	132.9%
Total	1,283.8	1,473.4	1,688.5	(12.9)%	(24.0)%
Fee and commission expense					
Credit related fees	(33.2)	7.5	(45.7)	N/A	(27.3)%
Debt placement charges	(19.8)	(48.0)	(24.6)	(58.8)%	(19.7)%
Others	(7.1)	(5.1)	(4.9)	39.4%	44.3%
Total	(60.1)	(45.6)	(75.3)	31.8%	(20.1)%
Net fee and commission income	1,223.7	1,427.8	1,613.2	(14.3)%	(24.1)%

Net income from financial instruments at fair value through profit and loss for the quarter was Ps. 2,879.7 million, compared to Ps. 3,443.2 million of Q4 2021 and Ps. 2,369.9 million of Q1 2020, which represents a decrease of 16.4% QoQ and an increase of 21.5% YoY

Net income from financial instruments at fair value through profit or loss

(in millions of pesos)

	3 month period ended			Variation (%)	
	31/3/2021	31/12/2020	31/3/2020	QoQ	YoY
Income from government securities	2,861.6	3,133.7	2,406.9	(8.7)%	18.9%
Income from other corporate securities	15.1	296.4	(125.6)	(94.9)%	(112.1)%
Income from other securities	3.0	13.2	88.6	(77.2)%	(96.6)%
Total	2,879.7	3,443.2	2,369.9	(16.4)%	21.5%

The negative result of difference in quoted prices of gold and foreign currency for the quarter was Ps. 49.7 million, compared to Ps. 3.5 million of Q4 2020 and Ps. 421.3 million of Q1 2020, which represents a decrease of 88.2% YoY.

Other operating income for the quarter was Ps. 2,166.0 million, compared to Ps. 1,993.3 million of Q4 2020 and Ps. 2,099.9 million of Q1 2020, which represents An increase of 8.7% QoQ and 3.1% YoY.





Other operating income

(in millions of pesos)

	3 month period ended			Variation (%)	
	31/3/2021	31/12/2020	31/3/2020	QoQ	YoY
Loan servicing	1,657.5	1,203.2	1,345.1	37.8%	23.2%
Borrowing transactions commissions	71.6	73.1	82.4	(2.1)%	(13.1)%
Other income from services	150.3	257.1	162.0	(41.5)%	(7.2)%
Penalty interest	23.2	22.1	82.8	4.8%	(72.0)%
Loans recovered	104.2	133.2	101.9	(21.8)%	2.3%
Others	159.3	304.6	325.8	(47.7)%	(51.1)%
Total	2,166.0	1,993.3	2,099.9	8.7%	3.1%

Provision for loan losses for the quarter was Ps. (193.2) million, compared to Ps. 232.0 million of Q4 2020 and to Ps. 1,196.7 million of Q1 2020, which represents a decrease of 183.3% QoQ and an decrease of 83.9% YoY.

Personnel expenses for the quarter were Ps. 2,078.8 million, compared to Ps. 1,868.1 million of Q4 2020 and to Ps. 1,866.2 of Q1 2020, which represents an increase of 11.3% QoQ and of 11.4% YoY.

Personnel expenses

(in millions of pesos)

	3 month period ended			Variation (%)	
	31/3/2021	31/12/2020	31/3/2020	QoQ	YoY
Salaries	(1,077.1)	(1,137.6)	(1,087.8)	(5.3)%	(1.0)%
Vacation bonus	(32.8)	(108.8)	(87.7)	(69.9)%	(62.7)%
Social security expenses	(356.0)	(201.8)	(295.5)	76.4%	20.4%
Severance and bonus expenses	(537.9)	(318.3)	(279.7)	69.0%	92.3%
Other personnel expenses	(75.1)	(101.7)	(115.4)	(26.1)%	(34.9)%
Total	(2,078.8)	(1,868.1)	(1,866.2)	11.3%	11.4%

Administrative expenses for the quarter were Ps. 977.9 million, compared to Ps. 1,182.6 million of Q4 2020 and to Ps. 1,237.4 million of Q1 2020, which represents a decrease of 17.3% QoQ and of 21.0% YoY.

Administrative expenses

(in millions of pesos)

	3 month period ended			Variation (%)	
	31/3/2021	31/12/2020	31/3/2020	QoQ	YoY
Directors' and statutory auditors' fees	(92.1)	(138.3)	(74.3)	(33.4)%	23.9%
Fees and compensation for services	(429.9)	(507.2)	(585.6)	(15.2)%	(26.6)%
Advertising, promotion and research expenses	(36.4)	(56.8)	(32.2)	(35.9)%	12.9%
Taxes and duties	(133.0)	(352.7)	(130.5)	(62.3)%	1.9%
Maintenance and repairs	(70.4)	(30.6)	(114.5)	129.9%	(38.5)%
Electricity, gas and telephone services	(75.5)	(92.1)	(105.7)	(18.1)%	(28.6)%
Others	(140.7)	(4.9)	(194.6)	N/A	(27.7)%
Total	(977.9)	(1,182.6)	(1,237.4)	(17.3)%	(21.0)%

Other operating expenses for the quarter were Ps.2,227.2 million, compared to Ps. 1,849.2 million of Q4 2020 and to Ps. 1,740.4 million of Q1 2020, which represents an increase of 23.1% QoQ and of 30.8% YoY.





Other operating expenses

(in millions of pesos)

	3month period ended			Variation (%)	
	31/3/2021	31/12/2020	31/3/2020	QoQ	YoY
Turnover tax and others	(657.4)	(435.9)	(596.7)	50.8%	10.2%
Contribution to the deposit insurance fund	(52.5)	(57.4)	(26.7)	(8.5)%	97.0%
Loan servicing	(544.4)	(659.9)	(689.0)	(17.5)%	(21.0)%
Charges for other provisions	(102.5)	(9.4)	24.6	N/A	N/A
Debit card, credit card & loan rebates	(141.0)	(174.9)	(174.5)	(19.4)%	(19.2)%
Others	(779.4)	(511.6)	(278.0)	52.3%	180.4%
Total	(2,277.2)	(1,849.2)	(1,740.4)	23.1%	30.8%

Non-financial private sector loan portfolio totaled Ps. 51,315.7 million in the quarter, compared to Ps. 54,723.5 million of Q4 2020 and to Ps. 61,204.8 million of Q1 2020, which represents a decrease of 6.2% QoQ and of 16.2% YoY.

Loans to the non-financial private sector and foreign residents

(in millions of pesos)

	3 month period ended			Variation (%)	
	31/3/2021	31/12/2020	31/3/2020	QoQ	YoY
Overdraft facilities	92.2	161.5	376.6	(42.9)%	(75.5)%
Promissory notes	3,251.0	1,381.4	190.5	135.3%	N/A
Mortgage loans	8,585.7	8,951.8	10,089.6	(4.1)%	(14.9)%
Pledge loans	27.6	43.5	109.0	(36.5)%	(74.7)%
Consumer loans	4,008.7	4,714.0	7,795.2	(15.0)%	(48.6)%
Credit cards	19,658.1	22,232.8	24,826.7	(11.6)%	(20.8)%
Financial leases	77.1	19.3	61.7	298.8%	24.9%
Loans to entity's personnel	384.5	400.6	468.1	(4.0)%	(17.9)%
Unallocated collections	(6.3)	(3.5)	(9.8)	80.6%	(35.5)%
Others	13,969.8	15,542.7	16,280.8	(10.1)%	(14.2)%
Accrued interest and quotation differences receivable	1,401.6	1,369.9	1,054.3	2.3%	32.9%
Documented interest	(134.3)	(90.6)	(37.9)	48.2%	254.1%
Total	51,315.7	54,723.5	61,204.8	(6.2)%	(16.2)%

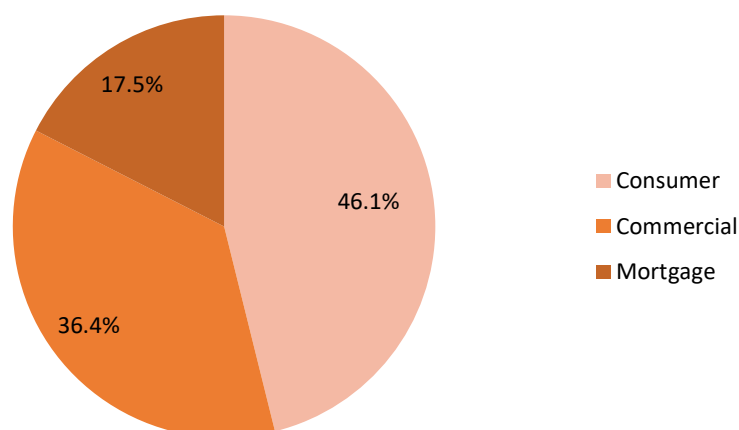
BH's non-financial private sector loan portfolio composition as of March 31th, 2021 was 63.6% of retail financing and housing loans (46.1% consumer and 17.5% housing) and 36.4% of commercial loans, providing a highly diversified client base.





Non-financial Private Sector and Foreign Residents' Loan Portfolio Diversification

Q1 2021



On a consolidated basis, NPL decreased from 12.0% in Q4 2020 to 11.8% in Q1 2021, while coverage ratio was 92.3% for the quarter. Besides, NPL in the consumer portfolio decreased from 2.9% to 2.5% during the same period.

Non-performing loans

(in millions of pesos)

3 month period ended

	31/03/21	31/12/20	31/03/20
Consolidated level			
Non-performing loans	6,195.8	6,660.7	7,693.6
Total portfolio	52,528.4	55,675.2	61,775.7
Allowances (total)	5,720.1	6,181.4	7,146.6
Non-performing loans / Total portfolio	11.8%	12.0%	12.5%
Allowances (total) / Non-performing loans	92.3%	92.8%	92.9%
Consumer portfolio			
Non-performing loans (consumer)	813.6	1,043.1	2,013.8
Consumer portfolio	32,479.7	36,065.6	43,322.4
Allowances (consumer)	1,773.8	2,022.3	2,960.2
Non-performing loans (consumer) / Consumer portfolio	2.5%	2.9%	4.6%
Allowances (consumer) / Non-performing loans (consumer)	218.0%	193.9%	147.0%
Commercial portfolio			
Non-performing loans (commercial)	5,382.1	5,617.6	5,679.8
Commercial portfolio	20,048.7	19,609.6	18,453.2
Allowances (commercial)	3,946.4	4,159.1	4,186.3
Non-performing loans (commercial) / Commercial portfolio	26.8%	28.6%	30.8%
Allowances (Commercial) / Non-performing loans (commercial)	73.3%	74.0%	73.7%





Deposits totaled Ps. 93,692.1 million, representing a decrease of 6.6% QoQ and an increase of 53.5% YoY, while capital markets debt totaled Ps. 17,275.8 million, representing a decrease of 21.5% QoQ and of 62.4% YoY.

Funding

(in millions of pesos)

	3 month period ended						Variation (%)	
	31/3/2021		31/12/2020		31/3/2020		QoQ	YoY
	Ps.	%	Ps.	%	Ps.	%		
Deposits	93,692.1	84.4%	100,337.4	82.0%	61,048.3	57.0%	(6.6)%	53.5%
Local capital markets debt	7,412.9	6.7%	12,762.0	10.4%	25,148.7	23.5%	(41.9)%	(70.5)%
International capital markets debt	9,862.9	8.9%	9,248.8	7.6%	20,839.4	19.5%	6.6%	(52.7)%
Unsubordinated Senior Notes	17,275.8	15.6%	22,010.8	18.0%	45,988.0	43.0%	(21.5)%	(62.4)%
Total	110,967.9	100.0%	122,348.2	100.0%	107,036.3	100.0%	(9.3)%	3.7%





Comparative consolidated balance sheet

(in millions of pesos)

	As of		Variation (%)
	31/3/2021	31/3/2020	YoY
Assets			
Cash and due from banks deposits	8,961.8	33,107.9	(72.9)%
Debt securities at fair value through profit or loss	30,104.8	22,344.4	34.7%
Derivatives	18.3	7.8	134.1%
Repo transactions	23,563.6	2,725.1	N/A
Loans and other financing	2,940.6	3,697.4	(20.5)%
Non-Financial Public Sector	0.0	0.1	(94.3)%
Financial Sector	535.3	14.9	N/A
Non-Financial Private Sector and Foreign Residents	51,315.7	61,204.8	(16.2)%
Allowances	(5,681.8)	(7,127.9)	(20.3)%
Loans, net of allowances	46,169.2	54,091.9	(14.6)%
Other debt securities	10,492.6	4,789.7	119.1%
Financial assets in guarantee	2,289.5	8,732.1	(73.8)%
Investment in subsidiaries, associates and joint ventures	-	-	N/A
Property, plant and equipment	5,610.8	6,058.1	(7.4)%
Others	11,296.2	11,722.0	(3.6)%
Total Assets	141,447.4	147,276.4	(4.0)%
Liabilities			
Deposits	93,692.1	61,048.3	53.5%
Liabilities at fair value through profit or loss	234.8	1,460.5	(83.9)%
Derivatives	40.0	8.5	N/A
Repo transactions	-	2,003.4	(100.0)%
Other financial liabilities	6,962.9	10,507.3	(33.7)%
Financing received from Argentine Central Bank and other financi	92.5	1,516.8	(93.9)%
Unsubordinated Senior Notes	17,275.8	45,988.0	(62.4)%
Current income tax liabilities	202.7	1,053.1	(80.8)%
Subordinated Senior Notes	-	-	N/A
Provisions	714.1	925.3	(22.8)%
Deferred income tax liabilities	-	-	N/A
Other non financial liabilities	3,618.1	4,285.9	(15.6)%
Total Liabilities	122,833.1	128,797.0	(4.6)%
Shareholders' Equity attributable to non-controlling interest	469.4	455.8	3.0%
Shareholders' Equity attributable to parent's shareholder:	18,144.8	18,023.6	0.7%
Total Shareholders' Equity	18,614.3	18,479.4	0.7%





Income statement

(in millions of pesos)

	3 month period ended		Variation (%)
	31/3/2021	31/3/2020	YoY
Interest and adjustments income	5,437.2	5,759.6	(5.6)%
Interest and adjustments expense	(6,752.1)	(5,350.0)	26.2%
Net interest income	(1,315.0)	409.6	N/A
Fee and commission income	1,283.8	1,688.5	(24.0)%
Fee and commission expense	(60.1)	(75.3)	(20.1)%
Net fee and commission income	1,223.7	1,613.2	(24.1)%
Net income from financial instruments at fair value through profit or loss	2,879.7	2,369.9	21.5%
Gold and foreign currency exchange rate differences	(49.7)	(421.3)	(88.2)%
Other operating income	2,166.0	2,099.9	3.1%
Loan loss provision	(193.2)	(1,196.7)	(83.9)%
Net operating income	4,711.6	4,874.5	(3.3)%
Personnel expenses	(2,078.8)	(1,866.2)	11.4%
Administrative expenses	(977.9)	(1,237.4)	(21.0)%
Depreciation and impairment of non-financial assets	(231.9)	(260.6)	(11.0)%
Other operating expenses	(2,277.2)	(1,740.4)	30.8%
Operating income (loss)	(854.3)	(230.1)	271.3%
Share of profit (loss) of subsidiaries, associates and joint ven	-	-	N/A
Gain (loss) on net monetary position	(905.3)	(428.4)	111.3%
Income tax	110.7	(42.5)	N/A
Net income of the period attributable to non-controlling interests	23.9	(10.0)	N/A
Net Income attributable to the parent's company	(1,625.0)	(711.0)	128.6%





Statistic data and comparative ratios

	For the period ended on		
	31/3/2021	31/12/2020	31/3/2020
Profitability			
ROAA (return on average assets)	(4.4)%	0.5%	(2.0)%
ROAE (return on average equity)	(34.3)%	3.8%	(15.5)%
Net financial margin*	4.1%	7.6%	6.6%
Efficiency**	97.0%	108.7%	80.2%
Capital			
Shareholders' Equity / Total Assets	12.8%	12.7%	12.2%
CET I Ratio	18.0%	18.8%	16.5%
Tier 1 Ratio	18.0%	18.9%	16.5%
Total Capital Ratio	18.5%	19.4%	17.0%
Liquidity			
Liquid Assets / Deposits	78.0%	84.0%	103.1%
LCR	125.0%	120.0%	208.0%
NSFR	144.0%	162.7%	136.6%
Loans / Deposits	49.3%	48.8%	88.6%

* (Annualized net interest income + annualized Net Income from financial instruments at Fair Value through profit and loss + annualized Difference in quoted prices of gold and foreign currency) / Average Assets

** (Personnel expenses + administrative expenses + depreciation and impairment of assets) /

(Net Interest Income + Net Fee Income + Net Income from financial instruments at Fair Value through profit and loss + difference in quoted prices of gold and foreign currency + other items included in income and operating expenses)





III. COVID-19 PANDEMIC

During this year, the Bank has developed its operations under the challenging circumstances derived from the pandemic declared by the World Health Organization in March 2020, as a result of the outbreak of the Covid-19 virus. The pandemic continues to have consequences on business and economic activities at a global and local level.

On March 12, 2020, the National Executive Power (PEN) decreed a health emergency to handle the crisis caused by COVID-19, and later, on March 19, the PEN issued a decree ordering social, preventive and mandatory isolation. In this way, the measures taken by the National Government to contain the spread of the virus, included, among others, the closure of borders and the mandatory isolation of the population along with the cessation of non-essential commercial activities for a prolonged period of time, with variants depending on the region of the country. Although various types of difficulties have arisen at the Bank that slow down or make our activities more complex, operations are maintained and we expect them to continue despite the difficulties. Since April 3, 2020, the Bank's branches have started to operate again for the attention of certain clients and with shift systems, having to be subject to strict compliance with sanitary regulations to preserve the health of clients and bank workers.

Additionally, all the usual virtual service and operation channels continue to be in force, so we estimate that demand levels will be maintained in the products in which we operate.

Central Bank regulations issued after the outbreak of the COVID-19 crisis included measures related to the postponement of maturities of loans past due during the quarantine period that the Argentine government decreed in mid-March, the provision of credit lines with low rates for individuals and companies that have been most affected by the pandemic, ensuring the availability of banking services and keeping the payment chain at all levels.

The Bank continues to actively monitor the impact of the pandemic on its business, liquidity, financial situation, and results of operations, as well as the continuity of its operations. Some of the actions since the commencement of the COVID-19 pandemic include (i) in March 2020, we implemented various response measures to ensure the continuity of our business operations and protect the health and safety of our employees, including a quarantine protocol, guidelines for customer meetings and employee meetings (now conducted exclusively via videoconference from the start of the quarantine) and certain changes in the daily operations of critical processes, (ii) we have assigned more resources for the provision of banking services through our electronic channels, such as our electronic banking website and mobile applications, through the reassignment of personnel from our branches, and we have increased the type of transactions that can be completed through these channels and (iii) we adopted work from home measures that our staff must follow with the goal of reducing cybersecurity problems and other risks. Besides, the Bank continues to design a plan to return to the office in stages when there is government authorization. The management team is also reviewing future actions that we can take if the effects of the pandemic persist for a longer period than expected. We hope that continuous control of expenses, solid balance sheet, liquidity and capital management are the fundamental pillars of our strategy.

The Bank continues to face various risks that arose from the economic impact the pandemic has on its operations, as well as on its clients. Both these effects, and government measures related to the pandemic and its impact are difficult to predict accurately at this time. These risks include: (i) lower revenues as a consequence of the lower interest rates on loans and credit cards promoted by the Central Bank, (ii) the Bank





could face certain difficulties to refinance capital market maturities if it is severely damaged by the pandemic, (iii) higher expenses as a result of minimum rates for term deposits established by the Central Bank, (iv) a possible significant increase in loans delinquency, with a consequent increase in loan loss provisions, and (v) we cannot foresee the physical and psychological impact that prolonged lockdown may have on our employees, and the potential impact of this on our operations.

Some of the described measures may negatively affect our future income related to: the valuation of assets at fair value, changes in certain business plans, the recoverability of deferred tax assets, the deterioration of the macroeconomic variables used in the calculation of expected credit losses and the ability of some of our clients to pay their loans.

IV. NEXT QUARTER AND 2021 PERSPECTIVES

The next quarter and 2021 perspectives for the Bank are based on:

- ✓ Continue with the high standard of our operations during the pandemic.
- ✓ Ensure our employees' wellbeing during these unprecedented times.
- ✓ Maintain high liquidity and solvency levels in order to face volatility.
- ✓ Deepen the implementation of the digital strategy to enhance distribution capacity and increase client base profitability.
- ✓ Sustain a balanced asset and liability structure in order to hedge the different tenors and currencies.
- ✓ Continue with the development of sustainable housing solutions.
- ✓ Improve efficiency and continue with the rationalization of expenses.

Saúl Zang
Vice-chairman

Assets and liabilities denominated in foreign currency as of March 31st, 2021 were converted to Pesos at the exchange rate of Ps. (\$91.985/USD1.00) and Ps. (\$107,9988/EUR1.00), which was the reference exchange rate published by the Central Bank on such date.

Unless otherwise indicated, all figures are stated in millions of pesos.





Disclaimer

Any comment made in this release in relation to future events is subject to many conditions and risks detailed and described in our Offering Memorandums and financial statements available at our website (www.hipotecario.com.ar / Investor Relations).

The words "believe," "may," "will," "aim," "estimate," "continue," "anticipate," "intend," "expect" 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 regulation and the effects of competition.

This release is a summary analysis of Banco Hipotecario's financial condition and results of operations as of and for the period indicated, which might have certain reclassification from the Financial Statements. For a correct interpretation, this release must be read in conjunction with all other material periodically filed with the Comisión Nacional de Valores (www.cnv.gov.ar) and the Bolsa de Comercio de Buenos Aires (www.bolsar.com). In addition, the Central Bank (www.bcra.gov.ar) may publish information related to Banco Hipotecario as of a date subsequent to the last date for which the Bank has published information.

